

EXECUTIVE DIGEST

MICHIGAN STRATEGIC FUND

INTRODUCTION

This report contains the results of our financial audit* of the Michigan Strategic Fund (MSF) for the period October 1, 1998 through September 30, 1999.

AUDIT PURPOSE

This financial audit of MSF was conducted as part of the constitutional responsibility of the Office of the Auditor General. Financial audits are conducted at various intervals to permit the Auditor General to express an opinion on the State's financial statements.

BACKGROUND

MSF was created by Act 270, P.A. 1984 (Sections 125.2001 - 125.2093 of the *Michigan Compiled Laws*), to help diversify the economy of the State and to provide for economic development, primarily by assisting business enterprises in obtaining additional sources of financing. Under the provisions of this Act, MSF succeeded to the rights, properties, obligations, and duties of the Michigan Job Development Authority and the Michigan Economic Development Authority. During our audit period, Executive Order 1999-1, effective April 5, 1999, transferred MSF to the Department of Management and Budget as an autonomous agency, created the Department of Career Development, and abolished the Michigan Jobs Commission.

MSF is governed by a nine-member board of directors that consists of the director of the Department of Management and Budget, the State Treasurer, and seven members appointed by the Governor with the advice and consent of the Senate. The MSF Board of Directors is authorized to make grants, loans, and investments of MSF funds to assist both profit and nonprofit businesses.

As of September 30, 1999, all MSF employees (228.5 full-time equated and 13 part-time employees) were detailed* to the Michigan Economic Development Corporation.

AUDIT OBJECTIVES
AND CONCLUSIONS

Audit Objective: To assess and report on MSF's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the financial statements, and on its internal control* over financial reporting, based on our audit of the financial statements.

Conclusion: Our assessment of compliance did not disclose any instances of noncompliance that could have a material effect on MSF's financial statements. Also, our assessment of internal control over financial reporting did not disclose any material weaknesses*. However, our assessment disclosed a reportable condition* regarding MSF accounting and financial reporting (Finding 1).

Audit Objective: To audit MSF's financial statements as of and for the fiscal year ended September 30, 1999.

Conclusion: We expressed an unqualified opinion* on MSF's financial statements.

AUDIT SCOPE

Our audit scope was to examine the financial and other records of the Michigan Strategic Fund for the period October 1, 1998 through September 30, 1999. Our audit was conducted in accordance with generally accepted auditing standards and standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and, accordingly, included such tests of the records and such other auditing procedures as we considered necessary in the circumstances.

AGENCY RESPONSES

Our audit report includes one finding and recommendation. MSF's preliminary response indicates that it agrees with the finding and recommendation.