

EXECUTIVE DIGEST

MICHIGAN STRATEGIC FUND

INTRODUCTION

This report contains the results of our financial audit* , including the provisions of the Single Audit* Act, of the Michigan Strategic Fund (MSF) for the period October 1, 1997 through September 30, 1998.

AUDIT PURPOSE

This financial audit of MSF was conducted as part of the constitutional responsibility of the Office of the Auditor General to satisfy the requirements of the Single Audit Act Amendments of 1996 and U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

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 to obtain additional sources of financing. Under 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. Subsequent to our audit period, Executive Order 1999-1, effective April 5, 1999, transferred MSF to the Department of Management and

Budget as an autonomous entity, 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 for-profit and nonprofit businesses.

As of September 30, 1998, MSF had 1 full-time employee and 12 other employees that it shared with the former Michigan Jobs Commission.

AUDIT OBJECTIVES
AND CONCLUSIONS

Audit Objective: To audit MSF's financial statements, including the schedule of expenditures of federal awards, for the fiscal year ended September 30, 1998.

Conclusion: We expressed an unqualified opinion on MSF's financial statements. In addition, we expressed an unqualified opinion on MSF's schedule of expenditures of federal awards.

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 direct and material effect on the financial statements. Also, our assessment of internal control over financial reporting did not disclose any material weaknesses* .

Audit Objective: To assess and report on MSF's compliance with requirements applicable to each major federal program and on its internal control over compliance in accordance with OMB Circular A-133.

Conclusion: Our assessment of compliance applicable to MSF's major federal program did not disclose any instances of noncompliance that are required to be reported in accordance with OMB Circular A-133. Also, our assessment of internal control over compliance applicable to MSF's major federal program did not disclose any material weaknesses.

AUDIT SCOPE

Our audit scope was to examine the financial and other records of the Michigan Strategic Fund for the period October 1, 1997 through September 30, 1998. Our audit was conducted in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and, accordingly, included such tests of the records and such other auditing procedures as we considered necessary in the circumstances.