



**House
Legislative
Analysis
Section**

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AUDITOR GENERAL REVISIONS

House Bills 5189-5192 as introduced
First Analysis (2-27-92)

Sponsor: Rep. Richard A. Young
Committee: Appropriations

THE APPARENT PROBLEM:

The current problems with the state budget are well-known and the subject of much attention. As part of the general effort to ensure that state government is as efficient as possible, many programs are being freshly examined for ways in which money can be saved without significant loss of protections or services. During recent discussions on the general government budget, members of the House requested the auditor general to develop recommendations on reducing costs and improving efficiency in auditor general operations. House Bills 5189 through 5192 represent various recommendations that call for statutory change.

THE CONTENT OF THE BILLS:

House Bill 5189 would amend the Michigan Vehicle Code (MCL 257.312b and 257.811a) to eliminate the requirement for an annual audit of the Motorcycle Safety Fund, providing instead for the fund to be audited in conjunction with the audit of school management services, which is done every three to four years.

House Bill 5190 would amend the Management and Budget Act (MCL 18.1489) to eliminate a requirement to perform separate biennial evaluations on state agency compliance with internal control statutes; such evaluations would instead be included in the regular financial audit of each department.

House Bill 5191 would amend the Michigan Family Farm Development Act (MCL 285.274) to delete a requirement for a separate annual audit of the Michigan Family Farm Development Authority. (The authority could be audited in conjunction with the regular biennial financial audits of the Department of Agriculture.)

House Bill 5192 would amend the act entitled "Of Certain State Officers" (MCL 12.13) to eliminate a requirement for monthly examinations of the

Department of Treasury cash counts. (Such evaluations would continue to be included in the annual audits of the treasury department's cash and investments.)

FISCAL IMPLICATIONS:

The auditor general estimates that the bills would generate annual savings in the following amounts: House Bill 5189, \$9,600; House Bill 5190, \$15,600; House Bill 5191, \$7,200; House Bill 5192, \$6,000. This cumulative savings of about \$28,800 would be used to redirect audit resources to higher risk audits, and/or to performing audits previously contracted out to independent public accounting firms. (11-14-91 and 2-25-92)

ARGUMENTS:

For:

Through rescheduling various low-risk audits and coordinating various audit functions, the bills would enable the auditor general to make better use of limited resources. Audit resources could instead be concentrated on problem areas, on reducing the need for outside contractual help, or both.

Response:

Several bills recommended by the auditor general and originally part of the package remain in committee, and thus the potential for savings would not be fully realized. House Bill 5188 would replace a requirement for quarterly audits of the lottery with one for annual audits; no other entity in state government is audited more than annually. The auditor general has estimated that a switch to annual audits for the lottery would net an additional \$20,000 for the school aid fund. House Bill 5193 would delete a requirement for a separate audit every three years of the State Child Abuse and Neglect Prevention Board; the bill would instead provide for the board to be audited based on the audit cycle established for other program audits within the Department of Management and Budget.

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House Bill 5194 would delete a requirement for a separate annual audit of the state exposition and fairgrounds office, instead simply requiring that the auditor general audit the office's books and records. The auditor general was anticipating that the office would be audited on a four- or five-year cycle, consistent with other programs of similar risk categories. Annual savings have been estimated to be \$3,600 under House Bill 5193 and \$23,000 under House Bill 5194. Without these three bills, the auditor general's efforts to ration limited resources and focus on higher-risk areas will be hampered.

POSITIONS:

The Office of the Auditor General supports the bills. (2-25-92)