



Senate Fiscal Agency
P. O. Box 30036
Lansing, Michigan 48909-7536

BILL



ANALYSIS

Telephone: (517) 373-5383
Fax: (517) 373-1986

House Bill 5553 (as passed by the House)
Sponsor: Representative Cynthia Denby
House Committee: Oversight, Reform, and Ethics
Senate Committee: Appropriations

Date Completed: 6-5-12

CONTENT

The bill would amend the Management and Budget Act to require that an annual statewide single audit be performed pursuant to the Single Audit Act (31 USC 7501 to 7507) for fiscal years beginning October 1, 2011.

Currently, the law requires the Auditor General (or a contracted independent accounting firm or auditor) to perform biennial audits of State departments and agencies pertaining to audit evaluation of the internal controls of this State and the State's compliance with material features of laws and regulations related to major Federal assistance programs. The funding for the required audits must be from the respective Federal grants audited. In addition, by February 1 of each year, department directors are required to submit to the Director of the Department of Technology, Management, and Budget (DTMB), the Senate and House Fiscal Agencies, and the Auditor General a schedule of Federal financial assistance for the last completed fiscal year.

The bill would require that for fiscal years beginning October 1, 2011, and all fiscal years thereafter, an annual statewide single audit be performed in accordance with the Single Audit Act. The bill would require the Director of the DTMB to determine a methodology for using allocated Federal funds to pay for the statewide single audit. The bill also would require the DTMB Director, in consultation with the Auditor General, to issue directives to all State agencies concerning the procedures and timelines for compiling the schedule of expenditures of Federal awards and all other information required for the statewide single audit. The Director would be required to submit the schedule of expenditures of Federal awards to the Auditor General and the House and Senate Fiscal Agencies.

MCL 18.1461

FISCAL IMPACT

The Office of the Auditor General (OAG) published a report in December 2011, entitled *Statewide Single Audit Feasibility Study*. According to that study, converting to a statewide single audit would have no net fiscal impact due to a shift in the use of Federal funds. The study indicated that the OAG would bill State agencies approximately \$500,000 less to conduct audits with the conversion to a statewide single audit. The conversion to a statewide single audit would decrease by \$500,000 the amount of Federal funds that State agencies and departments would have to set aside to pay for the biennial audits currently performed, which in turn would increase by \$500,000 the Federal funds available

for State agencies and departments to use for other program purposes. The OAG has indicated that it does not anticipate the need for any additional State funding to implement the conversion to a statewide single audit.

Fiscal Analyst: Joe Carrasco

SAS\S1112\s5553sa.

This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.