UNIFORM SYSTEM OF ACCOUNTING
Act 71 of 1919

AN ACT to provide for the formulation and establishment of a uniform system of accounting and reporting in the several departments, offices, and institutions of the state government, and in all county offices; to provide for the examination of the books and accounts of each state department, office, and institution, and of each county office; to provide for financial reports from all those departments, institutions, and offices, and for the tabulation and publication of comparative financial statistics relating to the departments, institutions, and offices; to provide for the administration of this act; to provide for the powers and duties of the department of treasury, the state treasurer, the library of Michigan and depository libraries, and other officers and entities; to provide penalties; and to provide for meeting the expense authorized by this act.

History: 1919, Act 71, Imd. Eff. Apr. 15, 1919;—Am. 1975, Act 242, Imd. Eff. Sept. 4, 1975;—Am. 1996, Act 426, Imd. Eff. Nov. 25, 1996;—Am. 2002, Act 370, Imd. Eff. May 24, 2002.

The People of the State of Michigan enact:

21.41 Accounting and reporting system; installation by state treasurer; uniformity.

Sec. 1. The state treasurer shall formulate, prescribe, and install a system of accounting and reporting in conformity with the provisions of this act that shall be uniform for every county office and public account of the same class.

History: 1919, Act 71, Imd. Eff. Apr. 15, 1919;—CL 1929, 299;—CL 1948, 21.41;—Am. 2002, Act 370, Imd. Eff. May 24, 2002.

Transfer of powers: See MCL 16.180 and 18.1 et seq.

Former law: See Act 183 of 1911, being CL 1915, §§ 266 to 275.

21.42 Accounting system; accounts; form and contents.

Sec. 2. The accounting system shall embrace accounts showing all sources of income, the amounts due, collected and received from each source, including all fees collected by county officers whether turned into the county treasury or not, the amount expended for each purpose, bills, and accounts payable; the receipt, use, and disposition of other public property and the income, if any, derived from them. The accounting system shall include other forms of accounts as the state treasurer may consider wise and essential to efficient financial administration of public affairs pertaining to county governments.

History: 1919, Act 71, Imd. Eff. Apr. 15, 1919;—Am. 1921, Act 187, Imd. Eff. May 17, 1921;—CL 1929, 300;—CL 1948, 21.42;—Am. 2002, Act 370, Imd. Eff. May 24, 2002.

21.43 Accounting system; separate accounts for appropriations; contents.

Sec. 3. A separate account shall be kept of each appropriation, or fund, made to or received by each county office, which shall show the date and manner of each payment, the name and address of the person or association of persons to whom paid, and for what purpose paid.

History: 1919, Act 71, Imd. Eff. Apr. 15, 1919;—CL 1929, 301;—CL 1948, 21.43;—Am. 2002, Act 370, Imd. Eff. May 24, 2002.

21.44 Accounting system; uniform annual financial reports from county offices; filing.

Sec. 4. It shall be the duty of each county office to make an annual financial report in accordance with forms prescribed by the state treasurer, which shall be uniform for all accounts of the same class. The reports shall be made in duplicate, 1 copy of which shall, within 6 months after the close of each fiscal year, be filed in the office of the state treasurer, and shall contain an accurate statement in summarized form showing, for each fiscal year, the amount of all collections and receipts from all sources, and their disposition, all accounts due the public treasury but not collected, the amount of expenditures for every purpose and by what authority authorized, the amount of indebtedness, the cost of operation of all industrial activities and financial results obtained, balance of funds on hand at the close of each fiscal period, together with any other information as may be required by the state treasurer.

History: 1919, Act 71, Imd. Eff. Apr. 15, 1919;—CL 1929, 302;—CL 1948, 21.44;—Am. 2002, Act 370, Imd. Eff. May 24, 2002;—Am. 2009, Act 68, Imd. Eff. July 9, 2009.

21.44a Statement to be filed with auditor general; annual county financial report; excluded information; unauthorized investments prohibited.

Sec. 4a. (1) Each department, institution, or office of state government shall file with the auditor general within 60 days after the close of the state fiscal year an accurate statement showing all of the following for the fiscal year:

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(a) The cost and fiscal year end market value of derivative instruments or products in the department's, institution's, or office's nonpension investment portfolio at fiscal year end. The information required under this subdivision shall be reported both on an aggregate basis and itemized by issuer and type of derivative instrument or product.

(b) For each state pension system, the cost and fiscal year end market value for each item in each of the following categories of pension investments in the state pension system's investment portfolio at fiscal year end:

(*i*) United States government or agency obligations, itemized by type of security.

(*ii*) Commercial paper, itemized by issuing bank.

(*iii*) United States government or agency repurchase agreements, itemized by institution with type of security specified.

(*iv*) United States bank bankers' acceptances, itemized by issuing bank.

(*v*) Mutual funds, itemized by mutual fund name.

(*vi*) Common stock, itemized by issuing corporation.

(*vii*) Corporate bonds, itemized by issuing corporation and type of security.

(*viii*) Real estate, itemized by separately described holding.

(*ix*) Mortgages, itemized by mortgagor.

x(*x*) Derivative instruments or products, itemized by issuer and type.

(*xi*) Other pension investments not listed above in this subdivision itemized by type of investment.

(c) The total cost and fiscal year end market value for each category of investments under subdivision (b) in the state pension system's investment portfolio at fiscal year end.

(d) The total cost and fiscal year end market value for all categories of investments under subdivision (b) in the state pension system's investment portfolio at fiscal year end, on an aggregate basis.

(2) In addition to the requirements of section 4, an annual financial report for a county shall contain, for each fiscal year, all of the following:

(a) A statement indicating whether there are derivative instruments or products in the county's nonpension investment portfolio at fiscal year end.

(b) If the statement in subdivision (a) is affirmative, an accurate schedule reporting the cost and fiscal year end market value of derivative instruments or products in the county's nonpension investment portfolio at fiscal year end. The information required under this subdivision shall be reported both on an aggregate basis and itemized by issuer and type of derivative instrument or product.

(c) A statement indicating whether there are derivative instruments or products in the county's pension investment portfolio at fiscal year end.

(d) If the statement under subdivision (c) is affirmative, an accurate schedule reporting the cost and fiscal year end market value of derivative instruments or products in the county's pension investment portfolio at fiscal year end. The information required under this subdivision shall be reported both on an aggregate basis and itemized by issuer and type of derivative instrument or product.

(3) Investments of defined contribution plans and deferred compensation plans that are chosen by the employee participating in the plan shall be excluded from the information reported under subsection (1)(b), (c), and (d) and subsection (2)(c) and (d).

(4) This section does not authorize a department, institution, or office of state government or a county to make investments not otherwise authorized by law.

History: Add. 1996, Act 426, Imd. Eff. Nov. 25, 1996.

21.44b Nonpension investments in derivative instruments or products; failure to report; determination and report by auditor general or department of treasury; expenses.

Sec. 4b. (1) If a department, institution, or office of state government fails to report nonpension investments in derivative instruments or products or pension investments as required by section 4a, the auditor general may determine that the department, institution, or office cannot report the investments without assistance, advice, or instruction from the auditor general. The auditor general shall submit a written statement of the findings and recommendations to the department, institution, or office. Within 90 days after receipt of this statement, the department, institution, or office shall retain the auditor general to report the investments or shall retain a certified public accountant to report the investments and notify the auditor general of the action. Upon failure of the department, institution, or office to respond within the 90-day period, the auditor general shall report the investments.

(2) The auditor general shall charge reasonable and necessary expenses, including per diem and travel expenses, to the department, institution, or office of state government for services performed pursuant to subsection (1) and the department, institution, or office shall pay the auditor general for these expenses. For

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payment of the expenses, the auditor general shall either execute a contract with the department, institution, or office for payment of the expenses or bill the department, institution, or office on a monthly basis.

(3) If a county fails to report nonpension or pension investments in derivative instruments or products as required by section 4a, the department of treasury may determine that the county cannot report the investments without assistance, advice, or instruction from the department of treasury. The department of treasury shall submit a written statement of the findings and recommendations to the county. Within 90 days after receipt of this statement, the county shall retain the department of treasury to report the investments or shall retain a certified public accountant to report the investments and notify the department of treasury of the action. Upon failure of the county to respond within the 90-day period, the department of treasury shall report the investments.

(4) The department of treasury shall charge reasonable and necessary expenses, including per diem and travel expenses, to the county for services performed pursuant to subsection (3) and the county shall pay the department of treasury for these expenses. For payment of the expenses, the department of treasury shall either execute a contract with the county for payment of the expenses or bill the county on a monthly basis.

History: Add. 1996, Act 426, Imd. Eff. Nov. 25, 1996.

21.44c Schedule of derivative instruments and products; filing copies with library of Michigan and depository libraries; availability of report and statement for public inspection.

Sec. 4c. (1) The department of treasury shall promptly file with the library of Michigan a sufficient number of copies of a schedule of derivative instruments and products described in section 4a(2)(b) or (d) and obtained under section 4a or section 4b to deposit 1 copy in the library of Michigan and 1 copy in each depository library.

(2) The library of Michigan and depository libraries shall serve as depositories for schedules of derivative instruments and products described in section 4a(2)(b) or (d) in the manner required by sections 9 and 10 of the library of Michigan act, Act No. 540 of the Public Acts of 1982, being sections 397.19 and 397.20 of the Michigan Compiled Laws. The library of Michigan and each depository library shall promptly make a schedule of derivative instruments and products described in section 4a(2)(b) or (d) available to the public.

(3) A county shall obtain and retain a copy of an annual financial report submitted under this act. A county or the state treasurer shall make an annual financial report prepared, owned, used, in the possession of, or retained by the county or state treasurer available for public inspection under the freedom of information act, Act No. 442 of the Public Acts of 1976, being sections 15.231 to 15.246 of the Michigan Compiled Laws.

(4) A department, institution, or office of state government shall obtain and retain subject to sections 284 to 292 of the management and budget act, Act No. 431 of the Public Acts of 1984, being sections 18.1284 to 18.1292 of the Michigan Compiled Laws, a copy of a statement submitted under section 4a(1). A department, institution, or office of state government, including but not limited to the auditor general, shall make a statement under section 4a(1) prepared, owned, used, in the possession of, or retained by the department, institution, or office of state government available for public inspection under Act No. 442 of the Public Acts of 1976.

History: Add. 1996, Act 426, Imd. Eff. Nov. 25, 1996.

Compiler's note: For transfer of powers and duties of library of Michigan and state librarian, except pertaining to services for blind and physically handicapped and those related to census data functions, to department of education, see E.R.O. No. 2009-26, compiled at MCL 399.752.

21.45 State treasurer; examination of accounts; annual audit; minimum auditing procedures and standards; report; filing copy of audit report and report of auditing procedures; extension; contents of audit report; performance of audit by certified public accountant; "chief administrative officer" defined.

Sec. 5. (1) The state treasurer is the supervisor of the accounts of all county offices. The state treasurer may examine, or cause to be examined, the books, accounts, and financial affairs of each county office.

(2) A county shall obtain an annual audit of its financial records, accounts, and procedures and may retain certified public accountants to perform the audits. If a county fails to provide for an audit, the state treasurer shall either conduct the audit or appoint a certified public accountant to perform the audit. The entire cost of any audit shall be borne by the county.

(3) The state treasurer shall prescribe minimum auditing procedures and standards, and these shall conform as nearly as practicable to generally accepted auditing standards and procedures established by the American institute of certified public accountants.

(4) A report of the auditing procedures applied in each audit shall be prepared on a form provided for this

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purpose by the state treasurer. The state treasurer may require that the audit report, or the report of auditing procedures, or both, that are required by this subsection to be filed with the state treasurer be filed in an electronic format prescribed by the state treasurer.

(5) One copy of every audit report and 1 copy of the report of auditing procedures applied shall be filed with the state treasurer.

(6) The copy of the audit report and the copy of the report of auditing procedures applied required by subsection (5) shall be filed with the state treasurer within 6 months after the end of the fiscal year of a county for which an audit has been performed under this section. The chief administrative officer of a county may request an extension of the filing date from the state treasurer, and the state treasurer may grant the request for reasonable cause. A chief administrative officer who requests an extension under this subsection shall, within 10 days of making the request, inform the governing body of the county in writing of the requested extension.

(7) Every audit report required under this section shall do all of the following:

(a) State that the audit has been conducted in accordance with generally accepted auditing standards and with the standards prescribed by the state treasurer.

(b) State that financial statements in the audit reports have been prepared in accordance with generally accepted accounting principles and with applicable rules and regulations of any state department or agency. Any deviations from such principles, rules, or regulations shall be described in detail.

(c) Disclose any material deviations by the county from generally accepted accounting practices or from applicable rules and regulations of any state department or agency.

(d) Disclose any fiscal irregularities including, but not limited to, any defalcations, misfeasance, nonfeasance, or malfeasance that came to the auditor's attention.

(8) A financial audit of a county that is performed by a certified public accountant in a manner consistent with auditing procedures and standards established by the state treasurer and that is filed with the state treasurer shall constitute an audit of county accounts by competent state authority for purposes of section 21 of article IX of the state constitution of 1963.

(9) As used in this section, "chief administrative officer" means that term as used in section 2b(3)(f) of the uniform budgeting and accounting act, 1968 PA 2, MCL 141.422b.

History: 1919, Act 71, Imd. Eff. Apr. 15, 1919;—Am. 1921, Act 187, Imd. Eff. May 17, 1921;—CL 1929, 303;—CL 1948, 21.45;—Am. 1963, Act 59, Eff. Oct. 2, 1953;—Am. 1993, Act 196, Eff. Dec. 28, 1994;—Am. 2002, Act 370, Imd. Eff. May 24, 2002;—Am. 2009, Act 68, Imd. Eff. July 9, 2009.

Compiler's note: Section 2 of Act 196 of 1993 provides as follows:

"Section 2. This amendatory act shall not take effect unless the state administrative board certifies in writing to the secretary of state by December 31, 1994 that an agreement for the transfer of all or substantially all of the assets and the assumption of all or substantially all of the liabilities of the state accident fund has been consummated with a permitted transferee pursuant to the requirements of section 701a of the worker's disability compensation act of 1969, Act No. 317 of the Public Acts of 1969, being section 418.701a of the Michigan Compiled Laws."

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21.46 Examination of accounts; subpoenas; witnesses; production of records.

Sec. 6. Upon demand of the state treasurer, or any person duly appointed by the state treasurer, to make the examinations provided in this act, any and all officers of county governments shall produce, for examination, the books of account and papers of their respective departments, institutions, and offices, and shall truthfully answer all questions relating to that examination. In connection with the examinations, the state treasurer, or any person designated to make the examinations, may issue subpoenas, direct the service of those subpoenas by any police officer, and compel the attendance and testimony of witnesses, may administer oaths and examine those persons as may be necessary, and may compel the production of books and papers. The orders and subpoenas issued by the state treasurer, or by any person charged with the duty of making the examinations as provided in this section, in pursuance of the authority in them vested by provisions of this section, may be enforced upon their application to any circuit court by proceedings in contempt, as provided by law.

History: 1919, Act 71, Imd. Eff. Apr. 15, 1919;—CL 1929, 304;—CL 1948, 21.46;—Am. 2002, Act 370, Imd. Eff. May 24, 2002.

21.47 Accounting system; report of examination of accounts; filing; criminal and civil proceedings; prosecution; removal for neglect.

Sec. 7. A report shall be made, in duplicate, of each examination made in accordance with the provisions of this act. The duplicate report shall be signed and verified by the officer making the examination, 1 copy of which shall be filed with the state treasurer and 1 copy with the county examined. If any examination discloses malfeasance, misfeasance, nonfeasance, or gross neglect of duty on the part of any officer or employee of any county office, for which a criminal penalty is provided by law, an additional copy of the report shall be made and filed with the attorney general, and the attorney general, within 60 days after receipt

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of that report, shall institute criminal proceedings against the officer or employee, or direct that criminal proceedings be instituted by the prosecuting attorney of the county in which the offense was committed. The attorney general, or the prosecuting attorney, as the case may be, also shall institute civil action in any court of competent jurisdiction for the recovery of any public money, disclosed by any examinations to have been illegally expended, or collected and not accounted for and for the recovery of any public property disclosed to have been converted and misappropriated. Refusal or neglect to comply with the requirements of this section on the part of the attorney general, or on the part of the prosecuting attorney of any county in the state, is sufficient cause for his or her removal from office by the governor.

History: 1919, Act 71, Imd. Eff. Apr. 15, 1919;—CL 1929, 305;—CL 1948, 21.47;—Am. 2002, Act 370, Imd. Eff. May 24, 2002.

21.48 Accounting system; adoption by county officers mandatory; refusal; penalties.

Sec. 8. The executive officer of each county office shall adopt and use the books, forms, records and systems of accounting and reporting prescribed by the state treasurer and shall promptly purchase the books, forms, and records as may be necessary to implement their use, in the manner now provided by law for the purchase of those articles. Refusal or neglect on the part of any county officer to provide the books, forms, or records, or to use them, or to make the reports required by this act, or keep the accounts of his or her office as directed by the state treasurer, is sufficient cause for his or her removal from office by the governor. If, after the uniform accounting system has been installed in any county, it becomes necessary for an examiner employed under this act to perform any service, which a county officer has neglected or refused to do, in order to properly continue the system, then the per diem and expense incurred is a proper charge against the county where the service was performed. A statement covering that per diem and expense may be forwarded by the state treasurer to the county clerk who shall immediately issue his or her warrant upon the county treasurer who shall pay it from the general fund of the county. Money so received by the state shall be paid into the state treasury to the credit of the general fund.

History: 1919, Act 71, Imd. Eff. Apr. 15, 1919;—Am. 1921, Act 187, Imd. Eff. May 17, 1921;—CL 1929, 306;—CL 1948, 21.48;—Am. 2002, Act 370, Imd. Eff. May 24, 2002.

21.49 Accounting system; removal for noncompliance; hearing.

Sec. 9. The governor may, and he or she shall upon a finding of guilt, remove from office the officer of any branch of the state government, or county government, who refuses or willfully neglects to keep the accounts of his or her office in the manner and form prescribed by the state treasurer, or to make the reports provided in this act, or who refuses or neglects to comply with any other requirements of this act. The state treasurer shall promptly report to the governor each refusal or neglect and the governor, before taking final action on that report, shall summons the officer complained against to make answer why he or she should not be removed from office.

History: 1919, Act 71, Imd. Eff. Apr. 15, 1919;—CL 1929, 308;—CL 1948, 21.49;—Am. 2002, Act 370, Imd. Eff. May 24, 2002.

21.50 Accounting system; audit of department of treasury.

Sec. 10. The department of treasury shall be audited by the auditor general as provided by law.

History: 1919, Act 71, Imd. Eff. Apr. 15, 1919;—CL 1929, 309;—CL 1948, 21.50;—Am. 2002, Act 370, Imd. Eff. May 24, 2002.

21.51 Giving or offering to examiner or other employee money, gift, emolument, or thing of value; purposes; misdemeanor; penalty.

Sec. 11. Any person who gives or offers to any examiner, accountant, clerk, or other employee of the department of treasury, any money, gift, emolument, or thing of value for the purpose of influencing the action of the examiner or other employee, in any matter relating to the examination of any public account authorized by this act, or for the purpose of preventing or delaying the examination of any public account, or for the purpose of influencing the action of the examiner or other employee, in framing, changing, withholding, or delaying any report of any examination of any public account is guilty of a misdemeanor, punishable by a fine of not more than $1,000.00 nor less than $200.00, or imprisonment for not more than 6 months and not less than 30 days, or both.

History: 1919, Act 71, Imd. Eff. Apr. 15, 1919;—CL 1929, 310;—CL 1948, 21.51;—Am. 1985, Act 48, Imd. Eff. June 14, 1985;—Am. 2002, Act 370, Imd. Eff. May 24, 2002.

21.52 Receiving or soliciting money, gift, emolument, or anything of value; purposes; misdemeanor; penalty.

Sec. 12. Any person appointed by the state treasurer to make the examinations provided for under this act, or any officer, clerk, or other employee of the state treasurer, who receives or solicits any money, gift,

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emolument, or anything of value for the purpose of being influenced in the matter of the examination of any public account authorized by this act, or for the purpose of being influenced to prevent or delay the examination of any public account, is guilty of a misdemeanor, punishable by a fine of not more than $1,000.00 and not less than $200.00, or imprisonment for not more than 6 months and not less than 30 days, or both.

History: 1919, Act 71, Imd. Eff. Apr. 15, 1919;—CL 1929, 311;—CL 1948, 21.52;—Am. 1985, Act 48, Imd. Eff. June 14, 1985;—Am. 2002, Act 370, Imd. Eff. May 24, 2002.

21.53 Repealed. 2002, Act 370, Imd. Eff. May 24, 2002.

Compiler's note: The repealed section pertained to biennial estimate of expenses by auditor general or budget commission.

21.54 Repealed. 1984, Act 431, Eff. Mar. 29, 1985.

Compiler's note: The repealed section pertained to monthly financial reports.

21.55 Definitions.

Sec. 15. As used in this act:

(a) "Depository library" means a depository library designated under section 10 of the library of Michigan act, Act No. 540 of the Public Acts of 1982, being section 397.20 of the Michigan Compiled Laws.

(b) "Derivative instrument or product" means either of the following, subject to subdivision (c):

(*i*) A contract or convertible security that changes in value in concert with a related or underlying security, future, or other instrument or index; or that obtains much of its value from price movements in a related or underlying security, future, or other instrument or index; or both.

(*ii*) A contract or security, such as an option, forward, swap, warrant, or a debt instrument with 1 or more options, forwards, swaps, or warrants embedded in it or attached to it, the value of which contract or security is determined in whole or in part by the price of 1 or more underlying instruments or markets.

(c) "Derivative instrument or product" does not mean a fund created pursuant to the surplus funds investment pool act, Act No. 367 of the Public Acts of 1982, being sections 129.111 to 129.118 of the Michigan Compiled Laws, or section 1223 of the revised school code, Act No. 451 of the Public Acts of 1976, being section 380.1223 of the Michigan Compiled Laws.

(d) "Library of Michigan" means the library of Michigan created under section 3 of Act No. 540 of the Public Acts of 1982, being section 397.13 of the Michigan Compiled Laws.

History: Add. 1996, Act 426, Imd. Eff. Nov. 25, 1996.

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