



## Michigan COMMENTARY

### Auditor General Thomas McTavish: A Profile

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"We're too low-key," muses Thomas McTavish, Michigan's amiable and soft-spoken auditor general, about his 162-employee operation, "and we don't really market our product the way we should." Just over one year into a job with a constitutional mandate to inspect the "financial transactions and accounts of the state and of all branches, departments, offices, boards, commissions, agencies, authorities and institutions of the state," the genial Pennsylvania native talks about the frustrations of the auditor general's role with the measured tone and detached perspective of a veteran.

McTavish, 48, also speaks with the unself-conscious authority of a military man: He is a captain in the Naval Reserves and currently serves as commanding officer of a Mechanicsburg, Pa., unit.

"I think we can play a bigger role in helping the state maximize revenues, improve efficiency, and do things in a less costly manner," McTavish suggests. "If you look at our reports, there are a lot of things that can be done that result in direct savings to the state treasury," he asserts, adding that to do so, the office needs a higher profile.

Acknowledging that the office has become more obscure since the state's last constitutional convention replaced direct election of the auditor general with legislative appointment, McTavish offers an illustrative anecdote. "The second day I was here, I made an appointment with Governor Blanchard. During our conversation he said to me: 'You know, I've been governor of this state for seven years and I've never met an auditor general before; where do you have your office?' Even during the interview process I went through before coming here, it was very obvious that members of the legislature wanted to know more about what went on over here, what this office did. One of the things they wanted was more communication. They wanted to know what the office was doing, and they wanted someone in here who was going to start making some waves."

McTavish would like to make at least ripples, if not waves, with the 110 reports completed each year by his staff. "One of the problems we are dealing with is that once our reports have been finalized, they have simply been released to our general distribution list. We haven't let the appropriate people know that something should be done about the conditions we described in our report." McTavish has support for his desire to be more visibly involved in government oversight. Last spring, a House Republican task force on government accountability proposed that the auditor general's office play an expanded role in reviewing both the structure and performance of state government departments.

Michigan is nationally known for its clean government, and that was a big attraction for McTavish, who had worked for 16 years in the Pennsylvania auditor general's office. There, he recalls, "politics often became the dominant theme of the audit reports. Auditors' reports in Pennsylvania were big media events—the one

good thing about that kind of system is that the power of the media really could get things done." The Pennsylvania audit staff was never pressured to shade a report for political reasons, McTavish says, but key findings were always deployed to maximum political advantage in the media.

McTavish hopes to earn greater visibility for his office's recommendations without media manipulation by spending more time and effort on what he sees as the more helpful function of performance—as opposed to financial—audits. "We do a lot of financial audits now," he explains, "but I think the government gets the most bang for its buck out of performance audits. The difference is that a performance audit is designed to tell you whether the program is working the way the legislature intended, and it answers questions about economy and efficiency of operations. A financial audit simply tells you where the money was spent; it does not necessarily answer the questions that need to be asked in government operations. With performance audits, we could be doing a lot of good for the state of Michigan."

As an example, McTavish points to the Department of Education and the state's 562 school districts. "If we had the audit authority and the staff to look at school districts, we could be saving the state a lot of money," he asserts. "School districts get a lot of money for transportation, just as an example, and my past experience is that transportation companies sometimes get paid much more than they should. Where I used to work, we put people on bus routes and determined the actual mileage compared with reported mileage; often there were big differences. We also found instances where school districts provided gasoline for the buses, and the bus companies were charging for gasoline, even though they were getting it for free."

"Each school district is audited by a public accounting firm," McTavish explains, "and when they issue a report saying that everything is in accordance with generally accepted accounting principals, there is a tendency to think that everything is okay." He points out that a certified public accountant (CPA) looks to see if the expenditures are in the appropriate categories, whereas "we would look at *how* the money was spent—whether it was spent in the public interest. That is not to say CPA firms are not doing what they are supposed to do; I'm sure they are. It's just that we have a different perspective." Noting that his office lacks statutory authority to audit school districts, McTavish believes "the next best thing would be to allow us to write an audit program that every school district auditor out there must follow; that would accomplish a lot of our objective."

Late last year, the Office of the Auditor General moved to the sixth floor of the comfortably corporate-looking Victor Building on Washington Square. From these new and relatively spacious quarters, McTavish administers an operation divided into three major units and an annual budget of about \$10 million. A director of Audit Operations supervises eight audit administrators, each of whom is responsible for specific departments of state government; each of these specialists supervises an audit staff for that area. "Our reason for being is to audit, so that's the area where most of our staff is concentrated," McTavish explains. The other two divisions are Professional Practice, which is responsible for ensuring that professional standards and specialized training levels are properly maintained, and the Administrative Group, which oversees office operations.

"We have about 200,000 hours available to us in a year," McTavish says, "and these have to be divided among the various assignments." One of the largest annual projects—requiring roughly 15,000 hours—is preparation of the State of Michigan Comprehensive Financial Report. The inch-thick bound volume receives very little in-state attention, although it is critically important to Michigan. "This is the document that is

looked to by the bond rating agencies to determine how our bonds are going to be rated and therefore what interest rates can be charged," McTavish explains, noting that millions of dollars are at stake "because having a comprehensive financial report contributes greatly to getting a favorable bond rating."

In addition, specific statutory and constitutional mandates must be met each year, and there is the daunting task of complying with the federal Single Audit Act of 1984, which requires McTavish's office to oversee the audit of all federal funds received by the state. This mandatory annual schedule is continually revised throughout the year to accommodate requests—primarily from the legislature—for specific reviews. "We responded to 40 requests last year, McTavish reports. "In some cases the issue turned out not to be a problem after we looked into it, and in other cases we determined that we did not have the constitutional authority to do an audit. One of the largest municipalities in Michigan, for example, was having severe financial problems, and I was asked to investigate. When I did some homework, I found a legal opinion had been issued that said the auditor general lacks constitutional authority to audit municipalities. That could have taken our entire audit staff a whole year."

Does the tension in the auditor general's office shoot up in an election year? You bet, acknowledges McTavish, smiling a bit ruefully. "Some of the real challenges during my short time here were felt during the election campaign last year. I heard comments to the effect that this office had never been so political—when in fact our office was not doing anything differently from what it had done in the past." A good example was an audit report showing a large receivables (uncollected revenue) balance in the state treasurer's office. It was the topic of a heated, partisan media exchange replete with aspersions on McTavish's competence. During the controversy, McTavish asked his staff to retrieve its last treasury audit—done in 1986—and discovered it contained virtually the same finding. Because it was released in the nonelection year of 1987, it drew no publicity whatsoever.

Confessing some surprise at the intensity of last year's campaign, McTavish says: "I'm probably not as politically astute as I should be. I have no political aspirations, but I should pay attention more; in this position, you certainly have to be politically aware. Unfortunately, when we issue a report, *anybody* can use it however he wants; as a result, other people may interpret that as the auditors doing something for one party or the other. During the campaign, I got so much grief about favoring Democrats or favoring Republicans that I finally reviewed and sorted the individual requests by party. There were 21 from Republicans and 19 from Democrats—almost evenly divided."

In recalling the political heat, McTavish sounds only mildly exasperated, and his equanimity is quickly restored. "When they go out the door, our reports reflect reality; I have a very clear conscience," he says. "What people have to understand is that I don't have control of what other people do with our reports, either in the legislature or the media."

Such occupational hazards aside, McTavish expresses a strong affection for the system he is pledged to scrutinize. "All we hear about is people criticizing government, but if you look closely at what industry does, at how much people are being paid and how they use the money they charge their customers, people could be really grateful for how much more, by comparison, they get out of their state government dollar. I think government is much more efficient than industry in how it spends its money—and I worked in the private sector, so I'm in a good position to compare. The governor of the state is clearly a very political being, but no one can tell me that the head of Chrysler or IBM is not every bit as political."

"My experience with people in government has been a very good one," McTavish says. "These are people who are very dedicated and who want to provide a good service. But I have developed a somewhat cynical attitude toward industry. When I take something in to be repaired and someone says it will take six to eight weeks, I think to myself: 'Don't ever complain to me about state government!'"

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