

PERFORMANCE AUDIT  
OF THE  
DATA COLLECTION AND DISTRIBUTION SYSTEM

MICHIGAN ADMINISTRATIVE INFORMATION NETWORK  
DEPARTMENT OF MANAGEMENT AND BUDGET

August 2001

## EXECUTIVE DIGEST

# DATA COLLECTION AND DISTRIBUTION SYSTEM

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### INTRODUCTION

This report, issued in August 2001, contains the results of our performance audit\* of the Data Collection and Distribution System\* (DCDS), Michigan Administrative Information Network\* (MAIN), Department of Management and Budget (DMB).

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### AUDIT PURPOSE

This performance audit was conducted as part of the constitutional responsibility of the Office of the Auditor General. Performance audits are conducted on a priority basis related to the potential for improving effectiveness\* and efficiency\*.

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### BACKGROUND

DCDS was implemented in phases, starting in October 1996, with three pilot agencies (the Departments of Transportation, Civil Service, and Management and Budget). Statewide implementation was completed in March 1999. DCDS's scope and objectives were to enhance the labor cost distribution process, automate the labor adjustment process\*, and redesign the earnings history process. DCDS uses client/server\* technology that allows State employees to record data for time and attendance, labor cost distribution, inventory usage, equipment usage, and activities.

\* See glossary at end of report for definition.

DMB-MAIN is responsible for the implementation and operation of MAIN, including DCDS. DMB's Office of Financial Management (OFM) is charged with maintaining a central accounting system and Statewide internal control\*. OFM has broad supervisory powers over all accounting and financial reporting activities within State agencies, including payroll. Both DMB-MAIN and OFM report to the State budget director.

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AUDIT OBJECTIVES  
AND CONCLUSIONS

**Audit Objective:** To assess the effectiveness of DMB-MAIN's general controls over management, program changes, and security of information processing.

**Conclusion: DMB-MAIN's general controls over management, program changes, and security of information processing were reasonably effective.** However, we noted reportable conditions\* involving access controls and program and data change controls (Findings 1 and 2).

**Audit Objective:** To assess the effectiveness of DMB's internal control over DCDS.

**Conclusion: DMB's internal control was reasonably effective over DCDS.** However, we noted reportable conditions involving authorized users, application controls, and DCDS security administration (Findings 3 through 5).

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AUDIT SCOPE AND  
METHODOLOGY

Our audit scope was to examine the information processing and other records of the Department of Management and Budget relevant to the Data Collection and Distribution System. Our audit was conducted in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States and, accordingly, included such tests of the records and such

\* See glossary at end of report for definition.

other auditing procedures as we considered necessary in the circumstances.

Our methodology included examination of DMB's information processing and other records primarily for the period October 1998 through June 2000. We conducted a preliminary survey of DMB's information processing function that supports DCDS to determine the extent of our detailed analysis and testing. Also, we performed an assessment of DMB's internal control over DCDS pertaining to (a) general controls over management, program changes, and security of information processing, and (b) application controls, which included data origination, input, processing, and output.

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**AGENCY RESPONSES**

Our audit report contains 5 findings and 5 corresponding recommendations. The agency preliminary response indicates that DMB agreed with all of the recommendations.

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August 22, 2001

Mr. Don Gilmer, State Budget Director  
Department of Management and Budget  
George W. Romney Building  
Lansing, Michigan

Dear Mr. Gilmer:

This is our report on the performance audit of the Data Collection and Distribution System, Michigan Administrative Information Network, Department of Management and Budget.

This report contains our executive digest; description of system; audit objectives, scope, and methodology and agency responses; comments, findings, recommendations, and agency preliminary responses; and a glossary of acronyms and terms.

Our comments, findings, and recommendations are organized by audit objective. The agency preliminary responses were taken from the agency's responses subsequent to our audit fieldwork. The *Michigan Compiled Laws* and administrative procedures require that the audited agency develop a formal response within 60 days after release of the audit report.

We appreciate the courtesy and cooperation extended to us during this audit.

AUDITOR GENERAL

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## Description of System

The Data Collection and Distribution System (DCDS) was implemented in phases, starting in October 1996, with three pilot agencies (the Departments of Transportation, Civil Service, and Management and Budget). Statewide implementation was completed in March 1999. DCDS's scope and objectives were to enhance the labor cost distribution process, automate the labor adjustment process, and redesign the earnings history process. DCDS uses client/server technology that allows State employees to record data for time and attendance, labor cost distribution, inventory usage, equipment usage, and activities.

During our audit fieldwork, DCDS interacted with two external systems, the Personnel-Payroll Information System for Michigan\* (PPRISM) and the Michigan Administrative Information Network (MAIN) Financial Administration and Control System\* (FACS). In March 2001, the Human Resources Management Network\* (HRMN) replaced PPRISM. Data flows to and from the external systems and is validated in DCDS. Employee time and attendance data was forwarded to PPRISM for payroll calculation and used during labor cost distribution. Activity reporting data remains in DCDS and is available to agencies for reporting or downloading to agency systems. In addition to the external data flows, data is also exchanged between the component processes within DCDS. This exchange of data is accomplished via the DCDS client/server database. The on-line database allows timely updating and inquiry for all agencies.

An agency security administrator for each agency maintains information required to access the windows of DCDS security. DCDS security and log-in procedures allow departments to enter and view information, based on the access level of each specific user. DCDS provides update or inquiry access that reflects the way security profiles are set up within the agency. Agencies have the option to use all components of DCDS or to use combinations of the components that are unique to each agency. DCDS's flexibility allows each agency to select specific options for the components it chooses. For example, an agency has the option to report time and attendance data at the employee or timekeeping unit level.

\* See glossary at end of report for definition.

Some of the expected benefits of DCDS are that it:

- a. Increases data accuracy through on-line validation of data entry at the source.
- b. Reduces paper-intensive processing.
- c. Eliminates stand-alone agency systems used to capture time and attendance data.
- d. Allows on-line approval of data.
- e. Utilizes user-friendly screens.

DMB-MAIN is responsible for the implementation and operation of MAIN, including DCDS. DMB's Office of Financial Management (OFM) is charged with maintaining a central accounting system and Statewide internal control. OFM has broad supervisory powers over all accounting and financial reporting activities within State agencies, including payroll. It is responsible for the administration of applications security for MAIN FACS and the MAIN Human Resources System\* (HRS). Both DMB-MAIN and OFM report to the State budget director.

DCDS implementation costs were approximately \$6.8 million and DMB-MAIN's operational costs for DCDS totaled approximately \$1.3 million for fiscal year 1998-99.

\* See glossary at end of report for definition.

## Audit Objectives, Scope, and Methodology and Agency Responses

### Audit Objectives

Our performance audit of the Data Collection and Distribution System (DCDS), Michigan Administrative Information Network (MAIN), Department of Management and Budget (DMB), had the following objectives:

1. To assess the effectiveness of DMB-MAIN's general controls over management, program changes, and security of information processing.
2. To assess the effectiveness of DMB's internal control over DCDS.

### Audit Scope

Our audit scope was to examine the information processing and other records of the Department of Management and Budget relevant to the Data Collection and Distribution System. Our audit was conducted in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States and, accordingly, included such tests of the records and such other auditing procedures as we considered necessary in the circumstances.

### Audit Methodology

Our methodology included examination of DMB's information processing and other records primarily for the period October 1998 through June 2000. Our work was performed from January through September 2000. To accomplish our audit objectives, our audit methodology included the following phases:

1. Preliminary Assessment and Evaluation Phase

We conducted a preliminary assessment of DMB's information processing function that supports DCDS. We used the results of our assessment to determine the extent of our detailed analysis and testing.

2. Detailed Analysis and Testing Phase

We performed an assessment of DMB's internal control over DCDS pertaining to:  
(a) general controls over management, program changes, and security of

information processing, and (b) application controls, which included data origination, input, processing, and output.

a. Effectiveness of DMB-MAIN's General Controls:

We analyzed controls over the management of DCDS.

We examined procedures for making and implementing program changes to DCDS.

We examined database access controls and reviewed security assessments performed for DMB by a third party contractor. We examined procedures for recovery of DCDS in the event of a disaster.

b. Effectiveness of DMB's Internal Control Over DCDS:

We evaluated controls over access to and use of DCDS.

We assessed and documented the internal control over data origination, input, processing, and output of DCDS. Also, we conducted tests to determine whether the controls were working as intended.

3. Evaluation and Reporting Phase

We evaluated and reported on the results of the detailed analysis and testing phase.

Agency Responses

Our audit report contains 5 findings and 5 corresponding recommendations. The agency preliminary response indicates that DMB agreed with all of the recommendations.

The agency preliminary response which follows each recommendation in our report was taken from the agency's written comments and oral discussion subsequent to our audit fieldwork. Section 18.1462 of the *Michigan Compiled Laws* and DMB Administrative Guide procedure 1280.02 require DMB to develop a formal response to our audit findings and recommendations within 60 days after release of the audit report.

# COMMENTS, FINDINGS, RECOMMENDATIONS, AND AGENCY PRELIMINARY RESPONSES

## EFFECTIVENESS OF GENERAL CONTROLS

### COMMENT

**Audit Objective:** To assess the effectiveness of DMB-MAIN's general controls over management, program changes, and security of information processing.

**Conclusion:** DMB-MAIN's general controls over management, program changes, and security of information processing were reasonably effective. However, we noted reportable conditions involving access controls and program and data change controls.

### FINDING

#### 1. Access Controls

DMB-MAIN had not established effective access controls for the Data Collection and Distribution System (DCDS) resources. Our review disclosed:

a. DMB-MAIN granted excessive access rights to development and system support staff:

(1) We noted numerous employees with access rights to production code files that exceeded their job responsibilities.

Privileged access\* to production code files should be limited to program librarians.

(2) We noted numerous employees with access rights to production database system files that exceeded their job responsibilities.

Privileged access to DCDS production database system files should be restricted to system and database administrators.

\* See glossary at end of report for definition.

- (3) One system developer's usercode was granted privileged database administrator access. However, this individual did not have database administrator responsibilities.

Sensitive database privileges should be limited to individuals with responsibility for maintaining DCDS's database.

Restricting access rights to DCDS production resources reduces the risk of unauthorized changes and helps maintain the integrity of DCDS.

- b. Database administrators share the standard operating system and database usercode, which does not allow management to monitor privileged activity and establish accountability. These individuals have database administrator responsibilities and need privileged access to perform their assigned duties.

Administrators could establish unique system usercodes with comparable access rights or use other system features to authenticate an individual's identity. This would enable management to monitor privileged activity and ensure accountability both at the operating system level and within the database.

- c. Privileged access to the DCDS production database was not effectively controlled.

The database usercodes for four DMB-MAIN information technology staff defaulted to privileged access. Privileged access was needed to correct data errors that the DCDS application was not designed to address.

DMB-MAIN could reduce the risk of any changes, including those that are inadvertent, to the DCDS production database by granting, and then revoking, the privileged access after each data correction is performed. In addition, database audit logs\* should be used to monitor privileged access and ensure that corrections are performed as directed by management.

- d. DMB-MAIN had not established controls to ensure that privileged database access was revoked for reassigned employees.

\* See glossary at end of report for definition.

We noted that a former database administrator's privileged access was not revoked after the administrator's role was reassigned.

DMB-MAIN could reduce the risk of unauthorized access to DCDS production database by establishing controls that revoke privileged access upon employee reassignments.

- e. DMB-MAIN did not use database audit logs to monitor the integrity of the DCDS database.

Database audit logs can be configured to automatically track privileged access, data corrections, or other sensitive activity for management review. These audit logs provide management with the means of identifying unauthorized activity.

A primary concern of agencies has been that system performance might be impaired by the use of audit logs for monitoring and recording audited activity.

However, management could reduce the impact to system performance by designing the audit criteria to focus on specific privileged and sensitive activity.

### **RECOMMENDATION**

We recommend that DMB-MAIN establish effective access controls for DCDS resources.

### **AGENCY PRELIMINARY RESPONSE**

DMB-MAIN agreed with the recommendation and will comply by September 30, 2001. DMB-MAIN informed us that it will establish controls to reduce the risk of unauthorized access to DCDS resources.

### **FINDING**

#### **2. Program and Data Change Controls**

DMB-MAIN should improve DCDS program and data change controls. Our review disclosed:

- a. DMB-MAIN had not maintained up-to-date policies and procedures for DCDS support. In January 1999, DMB-MAIN developed a handbook with an

overview of the DCDS program change process. The handbook indicated that DMB-MAIN's Developer's Manual would contain the detailed procedures for implementing the program change strategy. However, the Developer's Manual had not been updated since October 1995 and did not include the DCDS program change process.

- b. DMB-MAIN should assign application software library responsibility to individuals without conflicting duties.

We noted in our review that DMB-MAIN assigned the DCDS database administrator and systems development managers additional duties to manage DCDS application software libraries.

These individuals have extensive DCDS application knowledge as well as privileged access to the DCDS resources. Consequently, their incompatible duties have created an environment in which unauthorized activity could occur and not be detected.

DMB-MAIN should redesign DCDS program change processes to include control procedures similar to what has been established in the Michigan Administrative Information Network (MAIN) Financial Administration and Control System (FACS).

- c. DMB-MAIN had not established effective data correction controls.

Corrections of database errors are a necessary part of maintaining the integrity of any database. However, care must be taken to ensure that only authorized changes are made to the database.

DMB-MAIN assigned the DCDS database administrators and systems development managers additional duties to monitor database integrity, analyze data errors, develop solutions, and make corrections to the database.

We noted that these individuals have extensive DCDS application knowledge as well as privileged access to the DCDS resources. We also noted in Finding 1, item c., that DMB-MAIN does not monitor privileged access to the DCDS database. Consequently, this creates an environment in which unauthorized activity could occur and not be detected.

DMB-MAIN should redesign the DCDS data correction processes to include control procedures similar to those that have been established in MAIN FACS.

### **RECOMMENDATION**

We recommend that DMB-MAIN improve DCDS program and data change controls.

### **AGENCY PRELIMINARY RESPONSE**

DMB-MAIN agreed with the recommendation and will comply by September 30, 2001. DMB-MAIN informed us that it will establish controls to reduce the risk of unauthorized changes to DCDS programs and data.

## **EFFECTIVENESS OF INTERNAL CONTROL**

### **COMMENT**

**Audit Objective:** To assess the effectiveness of DMB's internal control over DCDS.

**Conclusion:** **DMB's internal control was reasonably effective over DCDS.** However, we noted reportable conditions involving authorized users, application controls, and DCDS security administration.

### **FINDING**

#### **3. Authorized Users**

DMB-MAIN should establish controls to minimize the risk of unauthorized access to DCDS. Our review disclosed:

- a. DMB-MAIN had not established controls to ensure that access rights for departed employees were revoked. Our review identified 509 former State employees who still had access rights to DCDS.

DMB-MAIN should work with the Office of Financial Management (OFM), Department of Management and Budget (DMB), which has primary responsibility for DCDS security, to establish processes to revoke departed employees' DCDS access rights.

- b. DCDS application controls did not require passwords to be established according to DMB-MAIN standards. We noted that passwords less than six characters long were accepted by the DCDS application.

The MAIN Human Resources System (MAIN HRS) Procedures Manual (section 3.6) states that passwords are to be a minimum of six characters long. Passwords with six or more characters reduce the risk that a password can be easily compromised.

- c. DMB-MAIN had not established controls to disable or monitor DCDS user accounts after a specific number of unsuccessful log-in attempts.

We noted that DCDS did not automatically disable user accounts after a specified number of attempts. We made 12 intentional unsuccessful log-in attempts using our DCDS account and confirmed that DCDS would not disable the account. We were able to log in successfully on the thirteenth attempt.

In addition, we reviewed the DCDS unsuccessful log-ins report (HR-118), which is intended to provide agency security administrators with a listing of user accounts for which five or more invalid log-in attempts were made in a single day. However, we noted that this report did not produce the expected results. The report did not contain the 12 unsuccessful log-in attempts we made in our test.

DMB Administrative Guide procedure 1310.02 states that all security violations must be logged and the log must be reviewed and problems resolved. In addition, user accounts should be locked out after repeated unsuccessful attempts to gain access.

### **RECOMMENDATION**

We recommend that DMB-MAIN establish controls to minimize the risk of unauthorized access to DCDS.

### **AGENCY PRELIMINARY RESPONSE**

DMB-MAIN agreed with the recommendation and will comply by September 30, 2001. DMB-MAIN will proactively create a listing of access rights that should be revoked and send this electronically to State agencies. In addition, DMB-MAIN

informed us that DCDS now requires that passwords be six characters long to reduce the risk that the passwords could be easily compromised. Further, DMB-MAIN will upgrade its system software to disable or monitor DCDS user accounts after a specific number of unsuccessful log-in attempts.

## **FINDING**

### **4. Application Controls**

DMB-MAIN should enhance DCDS application controls to present a complete record of payroll information to State agencies. Our review disclosed:

- a. DCDS did not display the electronic approvals for labor cost distribution adjustment transactions.

DCDS should display a complete audit trail of transaction approval. DCDS maintained the approval data in its database but did not provide a means for DCDS users to inquire or report the approval data.

- b. DCDS did not provide a means for State agencies to examine detailed labor cost distribution information for employees who had transferred to another agency. We noted that once an employee transferred to another State agency, the employee's past records were no longer accessible by the agency from which the employee transferred.

DMB-MAIN should modify DCDS to allow agencies to review the labor cost distribution adjustments of former employees.

## **RECOMMENDATION**

We recommend that DMB-MAIN enhance DCDS application controls to present a complete record of payroll information to State agencies.

## **AGENCY PRELIMINARY RESPONSE**

DMB-MAIN agreed with the recommendation and informed us that it has complied with the recommendation. DMB-MAIN informed us that the DCDS application released in March 2001 included an enhancement that displays the user that approved the labor cost distribution adjustment transaction. In addition, DMB-MAIN informed us that DCDS now provides a means for State agencies to examine

detailed labor cost distribution information for employees who have transferred to another agency.

## **FINDING**

### **5. DCDS Security Administration**

OFM could enhance the overall security of Statewide financial systems by expanding its security framework to include payroll-related systems (DCDS, the Personnel-Payroll Information System for Michigan [PPRISM], and the Human Resources Management Network [HRMN]).

OFM, as central control agency for the State's financial accounting records, has principal responsibility for administering security over Statewide financial systems such as the Advanced Purchasing and Inventory Control System\* (ADPICS), the Relational Standard Accounting and Reporting System\* (R\*STARS), PPRISM, and DCDS.

Despite this responsibility, OFM did not include the payroll and human resources systems (i.e., DCDS, PPRISM, and HRMN) when it revised its MAIN Security Manual and developed the MAIN FACS security framework.

In June 2000, OFM issued a revised ADPICS and R\*STARS Security Manual. This manual provides agency security managers with specific information needed to manage MAIN FACS security. Included in this manual are specific instructions for security and control issues that are unique to each system, as well as control issues shared by ADPICS and R\*STARS.

In addition, this manual provides guidance to agencies to develop and maintain a security framework. This framework provides a basic structure and methodology on how to best administer the security for ADPICS and R\*STARS. It was OFM's goal to ensure that the security processes of these systems were efficient, without diminishing effective internal control.

Although security and control of payroll-related financial systems were not included in the MAIN Security Manual and framework, agency security administrators are provided guidance by the MAIN HRS Procedures Manual (section 3.5), which

*\* See glossary at end of report for definition.*

addresses the security-related issues of DCDS. The MAIN HRS Procedures Manual states that an agency's chief financial officer and security administrator should take into account that DCDS security is closely related to PPRISM security and, to a lesser extent, to MAIN FACS security. At a minimum, the DCDS security administrator must be aware of the need to coordinate the administrator's activities with other security administrators within the administrator's department. To eliminate or minimize the potential for miscommunication, the chief financial officer should consider combining some or all of the security administration functions within a single individual or organizational unit.

The lack of overall coordination of Statewide financial systems may result in security risks that could adversely impact an agency's financial records and resources. OFM recognizes this issue and has taken the first steps to coordinate MAIN FACS security. By incorporating all Statewide financial systems into the security framework, OFM will move closer to its goal of ensuring efficient security processes without diminishing effective internal control.

HRMN was implemented in March 2001 to replace PPRISM. As a result, OFM transferred to the Department of Civil Service its responsibility for administering security of the payroll and personnel functions included in HRMN.

### **RECOMMENDATION**

We recommend that OFM enhance the overall security of Statewide financial systems by expanding its security framework to include DCDS and HRMN.

### **AGENCY PRELIMINARY RESPONSE**

OFM agreed with the recommendation and will comply by June 30, 2002. OFM will work with the Department of Civil Service to incorporate DCDS and HRMN into its overall Statewide financial system security framework.

## Glossary of Acronyms and Terms

|   |  |
|---|--|
| Advanced Purchasing and Inventory Control System (ADPICS) | The purchasing and materials management system used by the State; part of MAIN FACS. ADPICS is fully integrated with R*STARS in supporting the purchasing, receiving, payment process, and inventory management within State agencies.   |
| client/server   | An architecture in which one computer can obtain information from another. The client is the computer that seeks access to data, software, or services. The server, a computer that may range in size from a personal computer to a mainframe computer, supplies the requested access to the client. |
| database audit log  | An audit trail of computer system activity (e.g., files accessed, jobs processed, and commands entered into a computer console).   |
| Data Collection and Distribution System (DCDS)            | A client/server system that provides State employees with a graphical user interface to capture time and attendance data, labor cost distribution data, adjustments, inventory usage, equipment usage, and employee activity data.   |
| DMB   | Department of Management and Budget.   |
| effectiveness   | Program success in achieving mission and goals.  |
| efficiency  | Achieving the most outputs and outcomes practical for the amount of resources applied or minimizing the amount of resources required to attain a certain level of outputs or outcomes.   |
| Human Resources Management Network (HRMN)                 | The State's new human resources system. It is expected to provide an integrated network of new and existing systems to deliver payroll, personnel, and employee benefits   |

functionality and data exchange among agencies and third parties, resulting in streamlined business processes, better information for customers, reduced costs, improved service, and flexibility to manage the State's work force of the future. The system was implemented in March 2001.

**internal control**

The management control environment, management information system, and control policies and procedures established by management to provide reasonable assurance that goals are met; that resources are used in compliance with laws and regulations; and that valid and reliable performance related information is obtained and reported.

**labor adjustment**

Allows adjustments to the data collected by DCDS after it has been processed. Adjustments include changing coding blocks and time sheet hours or hour types and processing equipment usage entries, pay rate adjustments, and payroll refund adjustment vouchers.

**MAIN Financial Administration and Control System (MAIN FACS)**

The financial management component of MAIN. MAIN FACS is composed of R\*STARS, ADPICS, and RMDS.

**MAIN Human Resources System (MAIN HRS)**

The part of MAIN that includes PPRISM and DCDS. PPRISM was replaced in March 2001 by HRMN.

**material condition**

A serious reportable condition that could impair the ability of management to operate a program in an effective and efficient manner and/or could adversely affect the opinion of an interested person concerning the effectiveness and efficiency of the program.

|  |   |
|--|---|
| Michigan<br>Administrative<br>Information Network<br>(MAIN)            | A fully integrated, automated financial management system for the State of Michigan. MAIN supports the State's accounting, payroll, purchasing, contracting, budgeting, personnel, and revenue management activities and requirements. MAIN consists of four major components. These components are MAIN HRS, MAIN FACS, MAIN Management Information Database (MIDB) and MAIN Enterprise Information Systems (EIS). |
| OFM  | Office of Financial Management.   |
| performance audit  | An economy and efficiency audit or a program audit that is designed to provide an independent assessment of the performance of a governmental entity, program, activity, or function to improve public accountability and to facilitate decision making by parties responsible for overseeing or initiating corrective action.  |
| Personnel-Payroll<br>Information System for<br>Michigan (PPRISM)       | An on-line database system that allowed immediate updating and inquiry of personnel and payroll records. PPRISM was replaced in March 2001 by HRMN.   |
| privileged access  | Extensive system access capabilities granted to individuals responsible for maintaining system resources. This level of access is considered high risk and must be controlled and monitored by management.  |
| Relational Standard<br>Accounting and<br>Reporting System<br>(R*STARS) | The accounting and financial system used by the State that addresses both central and operating agency accounting and financial information and processing requirements; part of MAIN FACS.   |
| reportable condition   | A matter coming to the auditor's attention that, in the auditor's judgment, should be communicated because it represents either an opportunity for improvement or a significant deficiency in management's ability to operate a program in an effective and efficient manner.   |

Report Management  
Distribution System  
(RMDS)

An on-line data access utility available to view and print R\*STARS and ADPICS reports; part of MAIN FACS. RMDS reports are considered the official accounting books of the State.