Michigan

Office of the Auditor General

REPORT SUMMARY

Performance Audit

Receipts Processing Division

Department of Treasury

Report Number:
27-147-05

Released:
March 2006

The Receipts Processing Division provides financial services related to the depositing of State revenues, recording of revenues to the State's accounting system, disbursement of State funds, and administration of all State banking relationships.

Audit Objectives:

1. To assess the effectiveness of the Division's efforts to ensure that receipts are properly safeguarded.

2. To assess the effectiveness of the Division's efforts to ensure that receipts are recorded in a proper and timely manner.

3. To assess the effectiveness of the Division's efforts to ensure that compensating balances are reasonable.

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Audit Conclusions:

1. We concluded that the Division was moderately effective in its efforts to ensure that receipts are properly safeguarded. However, our audit disclosed reportable conditions related to service organization controls and banking service agreements (Findings 1 and 2).

2. We concluded that the Division was effective in its efforts to ensure that receipts are recorded in a proper and timely manner.

3. We concluded that the Division was effective in its efforts to ensure that compensating balances are reasonable. However, we noted reportable conditions related to verification of banking service charges and recognition of earnings credit and banking service charges (Findings 3 and 4).

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Reportable Conditions:

The Division did not obtain sufficient assurances regarding the internal control of the service organization used to collect, process, and deposit State tax revenue (Finding 1).

The Division did not obtain signed contracts or agreements for all significant

processing services. In addition, the Division did not utilize Acquisition Services, Department of Management and Budget (DMB), to procure processing services, as required by DMB Administrative Guide procedure 510.01. (Finding 2)

The Division did not verify the accuracy or validity of banking service charges for State Treasurer bank accounts with significant compensating balances (Finding 3).

The Division did not record the earnings credit or the bank service charges for State Treasurer bank accounts as revenues and expenditures in the Michigan Administrative Information Network (Finding 4).

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Agency Response:

Our audit report contains 4 findings and 6 recommendations. The Department's preliminary response indicated that it agrees with 5 of the recommendations and disagrees with 1 of the recommendations.

A copy of the full report can be obtained by calling 517.334.8050 or by visiting our Web site at: http://audgen.michigan.gov

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