



JENNIFER M. GRANHOLM
GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF MANAGEMENT & BUDGET
LANSING

LISA WEBB SHARPE
DIRECTOR

November 19, 2009

Doug Ringler, Director
Office of Internal Audit Services
Office of the State Budget
George W. Romney Building
111 South Capitol, 6th Floor
Lansing, Michigan 48913

Dear Mr. Ringler:

In accordance with the State of Michigan, Financial Management Guide, Part VII, following is a summary table identifying our responses and corrective action plans to address recommendations contained within the Office of the Auditor General's audit report of Advanced Purchasing and Inventory Control System (ADPICS), Department of Management and Budget, Office of the State Budget, and Michigan Department of Information Technology.

Questions regarding the summary table or corrective action plans should be directed to me at (517) 335-1557.

Sincerely,

Signature Redacted

Michael R. Gilliland, Director
Financial Services

Attachment

c: Mitch Bean, House Fiscal Agency
Bob Burns, DMB Government Affairs
Representative Bob Constan, Government Operations
Representative George Cushingberry, Chair, House Appropriations
Laura Hirst, Office of the Auditor General
Senator Ron Jelinek, Chair, Senate Appropriations
Nathaniel Lake, Jr., Executive Office
Rick Lowe, OIAS/GSD
Michael Moody, OFM
Sergio Paneque, DMB, Business Services Administration
Senator John Pappageorge, General Government
Marsha Quebbeman, DMB, Financial Services
Rose Wilson, DMB Chief Deputy Director

Department of Management and Budget, Office of the State Budget, and
Michigan Department of Information Technology
Summary of Agency Responses to Recommendations
Audit Period: 10/1/06 – 12/31/08

1. Audit recommendations the agency complied with:

Not Applicable

2. Audit recommendations the agency agrees with and will comply:

#1 Partially Agrees

#2 Agrees

#3 Agrees

#4 Agrees

3. Audit recommendations the agency disagrees with:

#1 Partially Agrees

Advanced Purchasing and Inventory Control System (ADPICS) Performance Audit
Corrective Action Plan
November 19, 2009

Recommendation #1: Contract Balances

We recommend that DMB track available balances for all State contracts in ADPICS.

Agency Response, Part A: DMB partially agrees with the recommendation and has reinstated the manual process for routinely tracking available contract balances. Financial Services' FAB unit has prepared a script for tracking Direct Voucher and Procurement Card spend on contracts. The report is to be run quarterly and the buyer will enter the corrected remaining contract value in the MAIN Notepad. The buyer will review the reports for appropriate spend levels, and if the balance is insufficient, will seek State Administrative Board approval for additional funding authorization and notify agencies that the contract is unavailable until additional funds are approved. This practice was implemented for the fourth quarter of fiscal year 09.

Part B: In addition, DMB informed us that, as stated in Part "a" of the finding, current ADPICS functionality does not systematically require agencies to enter the contract number when recording payments against a contract, although the contract number is required by DMB policy. DMB is exploring the cost-effectiveness of modifying ADPICS to automatically track available contract balances and a request for a quote to fix the system is being sent to OFM. Within 90 days of their response, Business Services Administration will determine whether it is cost effective to pursue this option. The status of this item should be reviewed by April 1, 2010.

Recommendation #2: Split Transactions

We recommend that DMB timely identify and investigate the purchase of items that were split into multiple transactions by agencies to bypass delegated purchasing authority.

Agency Response: DMB agrees with this recommendation and is working to improve its current process, including the frequency and timing of reviews. Financial Services' FAB unit developed a Business Objects query to identify transactions that are potentially split transactions. By using the query tool, it is anticipated that all agencies can be reviewed yearly. This change has already been implemented. A review planned for October 2010 will be useful in determining its effectiveness.

Recommendation #3: Security Framework

We recommend that Office of the State Budget (OSB) obtain an ADPICS security framework for DHS.

Agency Response: OSB agrees with the recommendation that DHS submit an ADPICS security framework to OFM. DHS planned to complete their MAIN framework by October 1, 2009. OFM has assisted DHS in the development of their framework. DHS has reevaluated their security criteria and made significant improvements. Also, DHS management assigned accountants and procurement staff to assist the Agency Security Administrator (ASA).

Recommendation #4: Security and Access Controls

We recommend that OSB and MDIT fully establish effective security and access controls over ADPICS.

Agency Response: OSB and MDIT agree that the existing ADPICS security and access controls are effective and that some processes for documenting exceptions and monitoring compliance could be improved. OSB and MDIT are evaluating the areas noted in the audit finding and revising the applicable processes as needed. OFM and DIT are running queries to detect the types of errors found. When found, errors are reported to the department. OFM will review all of the auditor spreadsheets provided from the audit and the results of the queries to ensure that the combination are sufficient to detect all errors. This evaluation began in October, 2009. Additionally, the audit findings were discussed with the ASAs and processes are being developed to improve the consistency of their monitoring. The anticipated completion date is December 31, 2009.