



Michigan
Office of the Auditor General
REPORT SUMMARY

Management Letter
State of Michigan Comprehensive Annual
Financial Report
State Budget Office
Department of Technology, Management
and Budget

Report Number:
071-0010-10

Released:
May 2010

Generally accepted auditing standards require that significant deficiencies that come to the auditor's attention during the audit be reported. This management letter is the result of such items coming to our attention during the audit of the fiscal year 2008-09 State of Michigan Comprehensive Annual Financial Report (SOMCAFR), which resulted in an unqualified opinion on the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information.

Significant Deficiencies:

Single Business Tax (SBT) Accrual Calculation

The Department of Treasury did not ensure that the SBT receivable accrual calculation included the proper amount of SBT collections (Finding 1).

Michigan Business Tax (MBT) Collections

The Department of Treasury did not record MBT collections in the proper fiscal year (Finding 2).

Consistency of Use of SBT Historical Data

The Department of Treasury did not consistently apply its methodology related to the use of SBT historical data to estimate MBT receivables (Finding 3).

MBT Transfer to the School Aid Fund

The Department of Treasury did not transfer the proper amount of MBT revenue from the General Fund to the School Aid Fund (Finding 4).

Recording and Calculation of Accruals

The Office of Financial Management (OFM), in conjunction with other State departments, did not ensure that all expenditures/expenses and program revenues were properly accrued for amounts due or for amounts not yet collected at September 30, 2009 (Finding 5).

DELEG Transfer of GEAR UP Funds to the Department of Treasury

The Department of Energy, Labor & Economic Growth (DELEG) did not properly record the transfer of Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR UP) funds to the Department of Treasury (Finding 6).

On-Behalf Payments for Other Postemployment Benefits (OPEB)

OFM did not recognize expenditures/expenses and revenue associated with on-behalf payments made

by the federal government related to OPEB (Finding 7).

Department of Community Health (DCH) Integrity of Data in the Data Warehouse

DCH did not have sufficient internal control over the data warehouse to ensure the integrity of the data related to the volume of pharmaceuticals purchased (Finding 8).

General Controls Over State Information Systems

The Department of Technology, Management and Budget (DTMB), in conjunction with other State departments, needs to improve information technology general controls for significant financial related information systems (Finding 9).

Recording of Net Pension Obligations (NPOs) and Net Other Postemployment Benefits Obligations (NOPEBOs)

OFM did not estimate the long-term obligations for NPOs and NOPEBOs for non-State employees (Finding 10).

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Agency Response:

Our management letter includes 10 findings and 10 corresponding recommendations.

OFM agrees with 7 of the recommendations, disagrees with 1 recommendation, and did not express agreement or disagreement with 2 recommendations and acknowledges that

there were financial statement errors. However, the financial statements fairly present, in all material respects, the respective financial position of the funds reported. Although OFM did not correct the noted errors due to timing and materiality in fiscal year 2008-09, OFM will take corrective action in fiscal year 2009-10, if necessary, to address the General Fund unreserved fund balance overstatement of \$4.0 million; the School Aid Fund reserved fund balance understatement of \$7.9 million; and the entity-wide total net assets overstatement of \$36.4 million.

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Background:

Executive Order No. 2009-55 renamed the Department of Management and Budget as the Department of Technology, Management and Budget (DTMB), effective March 21, 2010. It also transferred all of the authority, powers, duties, functions, responsibilities, records, personnel, appropriations, etc., of the Michigan Department of Information Technology (MDIT) to DTMB by a Type III transfer and abolished MDIT. In addition, it renamed the Office of the State Budget as the State Budget Office.

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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