



STATE OF MICHIGAN

DEPARTMENT OF TECHNOLOGY, MANAGEMENT & BUDGET
LANSING

RICK SNYDER
GOVERNOR

JOHN NIXON
DIRECTOR

June 1, 2012

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, attached is a summary of our corrective action plans to address recommendations contained within the Office of the Auditor General's audit report for the Procurement Card Program, Department of Technology, Management and Budget.

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

Sincerely,

Signature Redacted

Michael R. Gilliland, Director
Financial Services

Attachments

- c: Mark Freeman, Office of the Auditor General
- House Fiscal Agency
- Phillip Jeffery, DTMB
- Senator Rodger Kahn, Chair, Senate Appropriations
- Rick Lowe, DTMB
- Rep. Chuck Moss, Chair, House Appropriations
- Dennis Muchmore, Executive Office
- Dick Posthumus, Executive Office
- Senate Fiscal Agency
- Natalie Spaniolo, DTMB
- Matt Sweeney, DTMB
- Kurt Weiss, DTMB

Procurement Card Program Performance Audit
Department of Technology, Management and Budget
Summary of Agency Response to Recommendation
Audit Report Issued: October 2010

Recommendation No. 1 – Statewide Cost Study:

The Department of Technology, Management & Budget (DTMB) did not complete a statewide cost study to determine the cost of processing procurement card transactions and to evaluate the impact of the Procurement Card Program.

Response:

The procurement card processing costs were included in the 2010 Office of Financial Management (State Budget Office) Benchmarking study issued June 2011. Review is ongoing as to the different scenarios of increased procurement card limits and impact to the procurement card program.

Recommendation No. 2 – Monitoring of Procurement Card Purchases:

Selected departments did not sufficiently monitor procurement card transactions to ensure that purchases were in compliance with State policies and procedures.

Response:

DTMB requested that all departments develop policies to document their procurement card program monitoring functions. DTMB will perform an annual review of individual department policies to ensure transactions are sufficiently monitored. Departments will be given until March 2012 to formalize policies. DTMB has met with the Department of Corrections (DOC), which was one of the departments cited in the audit. DOC has draft policies and is performing audits of questionable purchases. Michigan State Police (MSP) was the other department cited in the audit. Due to the merging of MSP and DTMB financial services under the Accounting Shared Service agreement, DTMB is now the administrator of the MSP Procurement Card Program and audits are being conducted biweekly on questionable purchases. Monitoring of transactions will be an ongoing process.

Recommendation #3: Compliance with State Procedures

Selected departments did not ensure that cardholders made authorized purchases with procurement cards.

Agency Response:

DTMB will meet annually with each procurement card administrator to review their controls. An annual reminder of guidelines related to proper procurement card usage will be sent starting January 2012 and reissued every January to the department administrators for them to share with their cardholders and cardholder supervisors. The statewide administrator will complete a spot review of high risk merchant category

codes each quarter. Questionable transactions will be provided to department administrators for review and explanation. Review will begin November 2011.

Recommendation #4: Split Transactions

Selected departments did not sufficiently review procurement card purchases to identify split transactions and deter procurement card users from splitting transactions to circumvent the single transaction limit.

Agency Response:

Departments are now providing DTMB with compliance monitoring reports quarterly that documents their review of purchases that may have been split to avoid the single transaction limit. Completion of this report began with fourth quarter information for fiscal year 2010. Responses are reviewed by DTMB to assure departments are taking appropriate actions with violators.