



Michigan  
*Office of the Auditor General*  
**REPORT SUMMARY**

*Performance Audit*

*Oversight of Local Accounting System  
Replacement (LASR) Payment Processing  
Division of Financial Management, Bureau of  
Accounting, Department of Human Services*

Report Number:  
431-0450-10

Released:  
August 2011

*Local Accounting System Replacement (LASR) is a customized commercial accounting application used by Department of Human Services (DHS) local offices to record transactions processed at the local offices using county funds. Generally, the transactions are initially paid from a county's Social Welfare Fund or Child Care Fund and subsequently reimbursed by the State.*

***Audit Objective:***

To assess the effectiveness of the Division of Financial Management's efforts to ensure appropriate user access to LASR.

***Audit Conclusion:***

We concluded that the Division's efforts to ensure appropriate user access to LASR were not effective. We noted one material condition (Finding 1) and one reportable condition (Finding 2).

***Material Condition:***

The Division had not established effective internal control for granting and monitoring access to LASR (Finding 1).

***Reportable Condition:***

The Division did not limit assigning incompatible responsibilities to LASR users. Also, the Division had not developed a process to identify and to assess for reasonableness DHS local

offices' compensating controls prior to assigning incompatible responsibilities to users. (Finding 2)

~ ~ ~ ~ ~ ~ ~ ~ ~ ~

***Audit Objective:***

To assess the effectiveness of the Division's efforts to monitor local offices' use of LASR to process payments.

***Audit Conclusion:***

We concluded that the Division's efforts to monitor local offices' use of LASR to process payments were moderately effective. We noted one material condition (Finding 3) and four reportable conditions (Findings 4 through 7).

***Material Condition:***

DHS did not determine the entity responsible for federal Internal Revenue Service (IRS) 1099 reporting for LASR payments processed by DHS local offices (Finding 3).

**Reportable Conditions:**

The Division had not established sufficient guidance and appropriate oversight for vehicle purchase transactions processed through LASR (Finding 4).

The Division had not developed a process to periodically monitor LASR transactions on a Statewide basis (Finding 5).

DHS did not ensure that LASR on-site oversight was timely and complete (Finding 6).

The Division's processes for verifying LASR payee information were inadequate (Finding 7).

~ ~ ~ ~ ~

**Agency Response:**

Our audit report contains 7 findings and 8 corresponding recommendations. DHS's preliminary response indicated that it agrees with all 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>



Michigan Office of the Auditor General  
201 N. Washington Square  
Lansing, Michigan 48913

**Thomas H. McTavish, C.P.A.**  
Auditor General

**Scott M. Strong, C.P.A., C.I.A.**  
Deputy Auditor General