



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

*Performance Audit*  
*Business Application Modernization (BAM)*  
*Project*  
*Department of State and Department of*  
*Technology, Management, and Budget*

Report Number:  
231-0590-11

Released:  
July 2012

*The purpose of the BAM project was to modernize and improve Department of State (DOS) business processes and replace the legacy information systems that support DOS business operations, including driver licensing, identification card issuance, vehicle titling, vehicle registration, and voter registration. In October 2011, the Secretary of State announced the release of the Web portion of BAM called ExpressSOS <[www.expresssos.com](http://www.expresssos.com)>.*

***Audit Objective:***

To assess the effectiveness of DOS and the Department of Technology, Management, and Budget's (DTMB's) efforts to provide oversight of the development of the BAM project.

***Audit Conclusion:***

DOS and DTMB's efforts to provide oversight of the development of the BAM project were not effective. We noted six material conditions (Findings 1 through 6), six reportable conditions (Findings 7 through 12), and one observation (Observation 1).

***Material Conditions:***

DOS and DTMB need to continue their efforts to implement an effective governance structure over the BAM project (Finding 1).

DOS did not ensure that all payments to its development contractor were made in compliance with contract terms or BAM project procedures (Finding 2).

DOS and DTMB should enforce contract provisions that were designed to protect the State and to compensate it for unsatisfactory contractor performance (Finding 3).

DOS and DTMB did not sufficiently assess the impact of significant changes to the BAM project (Finding 4).

DTMB did not ensure that the procurement process for the BAM project development contract and the technical project manager contract was competitive and unbiased (Finding 5).

DOS did not report complete and accurate information about the cost and status of the BAM project to the Legislature (Finding 6).

***Reportable Conditions:***

DOS and DTMB did not prepare, or ensure that the development contractor prepared and sufficiently updated, all required project documentation (Finding 7).

DTMB's Project Management Methodology (PMM) did not require independent assessments to identify and recover troubled projects (Finding 8).

DOS and DTMB had not implemented all aspects of an effective quality management function for the BAM project (Finding 9).

DOS and DTMB need to improve their risk management processes for the BAM project (Finding 10).

DOS and DTMB need to improve the development contract terms and conditions for future contracts and amendments to better protect the State's interests (Finding 11).

DOS and DTMB did not identify all costs associated with the BAM project. In addition, DTMB needs to improve its guidance to State agencies for accounting for information technology (IT) project costs and for identifying which IT development costs should be capitalized and reported in accordance with Governmental Accounting Standards Board (GASB) Statement No. 51, *Accounting and Financial Reporting for Intangible Assets* (Finding 12).

~ ~ ~ ~ ~

**Audit Objective:**

To prepare a summary of the development costs of the BAM project.

**Audit Conclusion:**

We prepared a summary of the development costs of the BAM project.

Our audit report does not include any reportable conditions related to this audit objective. Our audit was not directed toward expressing an opinion on these costs and, accordingly, we express no opinion on them.

~ ~ ~ ~ ~

**Audit Objective:**

To report on the status of the development and implementation of the BAM project.

**Audit Conclusion:**

As of the end of our audit fieldwork (November 2011), DOS and DTMB continued to work on the development and implementation of the BAM project. In October 2011, DOS and DTMB implemented selected BAM Web functionality under the name of ExpressSOS. Other functionality of BAM remained under development. Our audit report does not include any reportable conditions related to this audit objective. However, we made one observation (Observation 2) and prepared four exhibits (Exhibits 3 through 6). Our audit was not directed toward expressing a conclusion on the exhibits and, accordingly, we express no conclusion on them.

~ ~ ~ ~ ~

**Agency Response:**

Our audit report contains 12 findings and 15 corresponding recommendations. DOS and DTMB's preliminary response indicated that they generally agree with all of the recommendations and have complied or will comply with them.

~ ~ ~ ~ ~

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