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President and CEO

July 14, 2014

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

In accordance with the State of Michigan, Financial Management Guide, Part VII, Chapter 4, Section 100, enclosed is a summary table identify our response and corrective action plan to address recommendations in the Report on Internal Control, Compliance, and other Matters for the Michigan Economic Development Corporation Financial Report, covering the period of October 1, 2012 through September 30, 2013.

Questions regarding the summary table or corrective action plans should be directed to Juzer Modi at 517-241-0524; or modij1@michigan.org.

Sincerely,

Signature Redacted

Minesh Mody, CFO
Michigan Economic Development Corporation

cc: Executive Office
Office of the Auditor General
House and Senate Appropriation Sub-committees
House and Senate Standing Committees
House and Senate Fiscal Agencies
Michael Finney, CEO, MEDC
Minesh Mody, CFO, MEDC
Juzer Modi, Director, Financial Services
Marna Wilson, Internal Auditor

Michigan Economic Development Corporation Financial Report
Fiscal Year 2013 Corrective Action Plan for
Report on Internal Control, Compliance, and other Matters

1. Audit recommendations the agency complied with:
Finding 2a, 2b- Great Plains Access Controls
Finding 3a – Salesforce Access Controls

2. Audit recommendations the agency agrees with and will comply:
Finding 1 – Investment Impairment Losses
Finding 3b, 3c – Salesforce Access Controls

3. Audit recommendations the agency disagrees with: Not Applicable

Michigan Economic Development Corporation Financial Report
Fiscal Year 2013 Corrective Action Plan for
Report on Internal Control, Compliance, and other Matters

Finding 1: Investment Impairment Losses

The Michigan Economic Development Corporation's (MEDC's) internal control over financial reporting did not ensure that it properly recorded and reported investment impairment losses in accordance with generally accepted accounting principles

Recommendation

We recommend that MEDC implement internal control over financial reporting to ensure that it properly records and reports investment impairment losses in accordance with generally accepted accounting principles.

Preliminary Response:

MEDC agrees with the recommendation and indicated that MEDC's long-standing policy has been to adjust investment values for impairment losses only when a significant event occurred, such as bankruptcy filing or the closing of the investee's business. MEDC indicated that it will implement a process to also include an annual review of investments that will consider any known factors that could cause an investment impairment loss.

Corrective Action Plan:

Finance, in conjunction with the program staff, have drafted an investment policy which includes annual review of all investments for possible valuation adjustments. This policy will be reviewed by our leadership and will be in place by 6/30/2014.

Finding 2: Great Plains Access Controls

MEDC had not established effective access controls over its Great Plains accounting system (Great Plains). As a result, MEDC could not ensure that it was able to prevent or detect errors or irregularities that may be caused by users performing unauthorized activities.

Our review of MEDC's access controls over Great Plains disclosed:

- a. MEDC did not restrict the ability to update vendor information in Great Plains to the one individual who was assigned this responsibility.
- b. MEDC did not require the periodic changing of the password used to release transactions and did not know when the password was last changed.

Recommendation:

We recommend that MEDC establish effective access controls over Great Plains.

Preliminary Response:

- a. At MEDC's request, CBI Partners, the software hosting provider, has removed the ability to create and edit vendor information for all employees, except the two employees responsible for vendor management. These employees are excluded from creating purchase orders or issuing payments.
- b. At MEDC's request, new passwords have been assigned for each process, and we have added a process to have CBI Partners require a password change for all applicable Finance personnel every six months.

No further corrective action needed.

Finding 3: Salesforce Access Controls

MEDC had not established effective access controls over its Salesforce customer relationship management system (Salesforce). Our review of MEDC's access controls over Salesforce disclosed:

- a. MEDC did not limit the number of system administrators* and did not assign appropriate access rights to system administrators to ensure proper segregation of duties. We noted 18 system administrators who had the ability to log in as other users and perform activities without the use of a user password.
- b. MEDC did not sufficiently monitor user activity, including system administrators, within Salesforce to ensure that users performed only authorized activities relevant to their respective jobs and positions. For example, users with the ability to approve grant payments also had the ability to change payment amounts prior to approving payments in Salesforce. MEDC informed us that, although an audit trail exists in Salesforce, it did not regularly monitor this audit trail.
- c. MEDC had not established a formal process to periodically review user access rights to ensure that only authorized users had access to Salesforce and that the users' access rights were commensurate with their job duties.

Recommendation:

We recommend that MEDC establish effective access controls over Salesforce.

Preliminary Response:

MEDC agrees with the recommendation and indicated that it has or will implement corrective action. MEDC also believes it is important to note there is no evidence or even a suggestion of abuse of Salesforce system administrator privileges. However, MEDC informed us that it has implemented the following corrective actions:

- In response to point a. above, MEDC has reduced the number of system administrators down from 18 to 13 and will review the necessity of these privileges on an ongoing basis.

- In response to point b. above, MEDC has determined that Salesforce has the capability to disable the global capability for system administrators to log on as other users. MEDC has requested Salesforce to disable this feature.

Corrective Action Plan:

The following additional corrective actions will be implemented:

- In response to point b. above, MEDC will set up procedures to monitor existing payment-related audit trails on a regular basis by 6/30/2014.
- In response to point c. above, MEDC will set up a process to periodically check user access rights and privileges every 90 days to ensure that the users' access rights are in sync with their job duties.