



STATE OF MICHIGAN  
DEPARTMENT OF TREASURY  
LANSING

RICK SNYDER  
GOVERNOR

R. KEVIN CLINTON  
STATE TREASURER

May 30, 2014

Doug Ringler, Director  
Office of Internal Audit Services  
Office of the State Budget  
George W. Romney Building  
111 South Capitol, 6<sup>th</sup> Floor  
Lansing, MI 48913

Dear Mr. Ringler,

In accordance with the State of Michigan, Financial Management Guide, Part VII, the following is a summary table identifying our response and corrective action plan to address recommendations contained within the Office of the Auditor General's Performance Audit of the State Treasury Accounts Receivable System, Report Number 271-0590-13, from October 1, 2008 – September 30, 2012.

1. Audit recommendations the agency complied with:

**STAR Access Controls**

We recommend that the Department of Treasury establish effective access controls over STAR.

**Agency Plan:**

The Department of Treasury agrees with this recommendation. Based on the OAG findings, we have resolved all identified issues, as well as implemented additional compensating and system controls over STAR access.

2. Audit recommendations the agency agrees with and will comply:

**Write-Off Uncollectible Delinquent Tax Assessments in STAR**

We recommend that the Department of Treasury accurately and completely write-off all delinquent tax assessments in STAR.

**Agency Plan:**

The Department of Treasury agrees with the recommendation. It should be noted that the mentioned assessments account for less than 2% of receivables. The Department of Treasury will assess the feasibility of modifying STAR and implementing compensating controls to ensure the accuracy and completeness of the STAR tax write-off process by September 2014.

**Year-End Reporting**

We recommend that the Department of Treasury and DTMB review STAR programming logic to ensure collectability percentages are accurately reported for the *SOMCAFR*.

**Agency Plan:**

The Department of Treasury and DTMB agree with the recommendation. The Department of Treasury and DTMB will evaluate a solution based on programming resources to ensure that STAR accurately reports collectability percentages on the collectability of assessments report for fiscal year end 2014.

**Penalty and Interest Calculations**

We recommend that the Department of Treasury program STAR to accurately calculate penalty and interest on all delinquent accounts.

**Agency Plan:**

The Department of Treasury partially agrees with this recommendation. Treasury agrees that penalty and interest were not applied timely for the findings on parts a, c, and d. Treasury disagrees that system modifications would be beneficial due to the immaterial amounts identified. Treasury agrees with part b of the finding and will evaluate potential solutions by fiscal year end 2014 to accurately calculate penalty and interest on all delinquent tax accounts.

**Change Management Controls**

We recommend that the Department of Treasury fully establish change management controls in STAR.

**Agency Plan:**

The Department of Treasury partially agrees with this recommendation. Treasury disagrees with the findings in part a. An approval process for parameter changes would not be beneficial as it would unduly burden the business process. Treasury agrees with part b of the findings that we did not monitor all non-routine STAR system parameter changes. Treasury will evaluate a process to monitor non-routine parameter changes by fiscal year end 2014.

**Segregation of Duties**

We recommend that the Department of Treasury fully establish segregation of duties over STAR transactions.

**Agency Plan:**

The Department of Treasury partially agrees with this recommendation. Treasury disagrees with the findings in parts a and b. An approval process for interdepartmental adjustments (IDA) transactions and corrected assessment transactions is not necessary as Treasury has sufficient compensating controls in place for the IDA and corrected assessment transactions. Treasury has resolved the finding in part c related to incompatible screen access.

3. Audit recommendations the agency disagrees with: None

Should you have any questions regarding the summary table or corrective action plan, please contact Ms. Ann Good, Director, Office of Collections at 517-636-5300 or at GoodA@michigan.gov.

Sincerely,

Signature Redacted

Joseph/L. Fielek, Deputy State Treasurer  
Financial and Administrative Services

Cc: Dennis Muchmore, Executive Office  
Wendy Wisniewski, Executive Office  
Thomas McTavish, Office of the Auditor General  
Mary Ann Cleary, House Fiscal Agency  
Ellen Jeffries, Senate Fiscal Agency  
Earl Poleski, House Appropriations Sub-committee  
John Pappageorge, Senate Appropriations Sub-committee  
Jeff Farrington, House Standing Committee  
Jack Brandenburg, Senate Standing Committee  
Thomas Saxton, Treasury  
Ann Good, Treasury  
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