Michigan

Office of the Auditor General

REPORT SUMMARY

Performance Audit

State Treasury Accounts Receivable System

Department of Treasury and Department of Technology, Management, and Budget

Report Number:
271-0590-13

Released:
March 2014

The State Treasury Accounts Receivable System (STAR) is a mainframe computer system used by the Office of Collections within the Department of Treasury to manage and process all delinquent individual and business taxes and other debts owed to the State of Michigan. Individual and business taxes and debts include sales, use, and withholding taxes; Michigan business taxes; individual income taxes; and driver responsibility fees. The Department of Technology, Management, and Budget (DTMB) provides information technology support services for STAR.

Audit Objective:
To assess the effectiveness of the Department of Treasury's efforts to ensure the accuracy and completeness of the write-off of delinquent accounts by STAR.

Audit Conclusion:
We concluded that the Department of Treasury's efforts to ensure the accuracy and completeness of the write-off of delinquent accounts by STAR were moderately effective. We noted one material condition (Finding 1).

Material Condition:
The Department of Treasury did not accurately and completely write off uncollectible delinquent tax assessments in STAR (Finding 1).

~ ~ ~ ~ ~ ~ ~ ~ ~ ~

Audit Objective:
To assess the effectiveness of the Department of Treasury's and DTMB's efforts to ensure that STAR accurately reports year-end tax accrual information for the *State of Michigan Comprehensive Annual Financial Report* (*SOMCAFR*).

Audit Conclusion:
We concluded that the Department of Treasury's and DTMB's efforts to ensure that STAR accurately reports year-end tax accrual information for the *SOMCAFR* were moderately effective. We noted one reportable condition (Finding 2).

Reportable Condition:
The Department of Treasury and DTMB did not review STAR programming logic to ensure that collectibility percentages were accurately reported for the *SOMCAFR* (Finding 2).

~ ~ ~ ~ ~ ~ ~ ~ ~ ~

Audit Objective:
To assess the effectiveness of the Department of Treasury's and DTMB's efforts to ensure the accurate calculation of penalty and interest on delinquent accounts by STAR.

Audit Conclusion:
We concluded that the Department of Treasury's and DTMB's efforts to ensure the accurate calculation of penalty and interest on delinquent accounts by STAR were moderately effective. We noted one reportable condition (Finding 3).

Reportable Condition:
The Department of Treasury did not program STAR to accurately calculate penalty and interest on all delinquent accounts (Finding 3).

~ ~ ~ ~ ~ ~ ~ ~ ~ ~

Audit Objective:
To assess the effectiveness of the Department of Treasury's and DTMB's efforts to ensure appropriate security and access controls over STAR.

Audit Conclusion:
We concluded that the Department of Treasury's and DTMB's efforts to ensure appropriate security and access controls over STAR were moderately effective. We noted three reportable conditions (Findings 4 through 6).

Reportable Conditions:
The Department of Treasury had not established effective access controls over STAR (Finding 4).

The Department of Treasury had not fully established change management controls in STAR (Finding 5).

The Department of Treasury had not fully established segregation of duties over STAR transactions (Finding 6).

~ ~ ~ ~ ~ ~ ~ ~ ~ ~

Audit Objective:
To assess the effectiveness of the Department of Treasury's efforts to ensure the accurate and complete input of delinquent account information into STAR.

Audit Conclusion:
We concluded that the Department of Treasury's and DTMB's efforts to ensure the accurate and complete input of delinquent account information into STAR were effective. Our audit report does not include any reportable conditions related to this audit objective.

~ ~ ~ ~ ~ ~ ~ ~ ~ ~

Agency Response:
Our audit report contains 6 findings and 6 corresponding recommendations. The Department of Treasury and DTMB's preliminary responses indicate that they agree with 3 recommendations and have complied or will comply with them. The Department of Treasury partially agrees with the other 3 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