



STATE OF MICHIGAN

DEPARTMENT OF TECHNOLOGY, MANAGEMENT & BUDGET
LANSING

RICK SNYDER
GOVERNOR

DAVID B. BEHEN
DIRECTOR

March 7, 2016

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

Dear Mr. Bankowski:

In accordance with the State of Michigan, Financial Management Guide, Part VII, attached is a summary table identifying our responses and corrective action plans to address recommendations contained within the Office of the Auditor General's audit report of the Department of Technology, Management and Budget, Real Estate Division.

Questions regarding the summary table or corrective action plans should be directed to me.

Sincerely,

Signature Redacted

Michael Gilliland, Director
DTMB Financial Services

c: Senator Dave Hildenbrand, Chair, Senate Appropriations
Representative Al Pscholka, Chair, House Appropriations
Mark Freeman, Office of the Auditor General
Jarrod Agen, Executive Office
Dick Posthumus, Executive Office
House Fiscal Agency
Senate Fiscal Agency
Brom Stibitz, DTMB
Bob Burns, DTMB
John Juarez, DTMB
Rick Lowe, SBO

Michael Turnquist, DTMB
Phillip Jeffery, DTMB
Caleb Buhs, DTMB
Matt Sweeney, DTMB

Department of Technology, Management and Budget
Real Estate Division (RED)

Summary of Agency Responses to Recommendations

1. Audit recommendations DTMB agrees with and will comply: 1
2. Audit recommendations DTMB fully complied with: None
3. Audit recommendations DTMB disagrees with: None

Agency Responses to Recommendations

1. Improvements are needed to ensure that lease expenditures were for the proper amounts and to identify irregularities.

DTMB agrees and will comply with a plan to enhance audit procedures and work with the State Budget Office, Office of Financial Management (OFM) to require lease identifying information on expenditures.

DTMB RED's current procedures include a monthly audit of lease payments by agency for reasonableness to lease terms and random detail reconciliations of expenditures to specific leases or groups of leases throughout the year. RED will review current procedures in order to identify and implement process improvements that will enhance the efficiency and accuracy of lease expenditure audits. Process improvements to the monthly audit of lease payments will be identified and implemented by March 31, 2016, with revised Standard Operating Procedures and back-up training completed by September 30, 2016.

In the past, RED worked with DTMB Financial Services and the Financial Services Divisions of the larger agencies to develop the most effective identification of lease expenditures through the MAIN financial system. Specific lease identification was not possible on a state-wide basis due to limitations in the MAIN coding structure. RED will evaluate the current reporting of MAIN expenditures from DTMB Financial Services to determine if additional identifying information can be reported by April 30, 2016.

RED participated in the initial SIGMA financial system design meetings to express the desire to require lease identification information on lease related expenditures. RED will work with OFM to ensure that lease identification information is recorded on lease expenditures through SIGMA. RED's compliance timelines, related to the lease identification information on lease related expenditures, is dependent on the implementation of SIGMA.