



# OAG

Office of the Auditor General

## Report Summary

### *Performance Audit*

### *Investment-Related Systems*

### *Bureau of Investments*

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

**Report Number:**  
271-0585-15

**Released:**  
May 2016

The Bureau of Investments (BOI) provides investment management services, professional expertise, and advice to the State Treasurer as fiduciary of the State of Michigan retirement systems and Michigan boards and agencies. BOI uses a portfolio management and investment accounting system (Q2) to manage and track \$74.6 billion of the State's publicly and privately held investments. BOI uses Bloomberg Asset Investment Manager (AIM) to manage and trade the State's public investments. The Department of Technology, Management, and Budget (DTMB) is responsible for maintaining, supporting, and securing the servers upon which Q2 is stored and processed.

| Audit Objective  |                    |                      | Conclusion                  |
|--|--------------------|----------------------|-----------------------------|
| Objective #1: To assess the effectiveness of BOI and DTMB's security and access controls over Q2.  |                    |                      | Moderately effective        |
| Findings Related to This Audit Objective   | Material Condition | Reportable Condition | Agency Preliminary Response |
| BOI, in conjunction with DTMB, did not fully establish and implement security and access controls over the Q2 application to ensure the authorization and authentication of users and the protection of Q2 data. BOI did not document 12 (55%) of 22 users' authorization, did not monitor audit logs for inappropriate access, and did not recertify access authorization for 10 (45%) of 22 users every 120 days according to DTMB standards ( <b>Finding #1</b> ).  |                    | X                    | Agrees                      |
| DTMB, in conjunction with BOI, did not fully establish and implement security and access controls over the Q2 database, which may increase the risk of data loss and unauthorized modification. For example, 16 (41%) of 39 security settings were not in compliance with best practices; three accounts did not require a password to access the database, two of which also did not require a user ID to log in; and the third party vendor used group accounts, which limited the ability to trace account activity to a unique individual ( <b>Finding #2</b> ). |                    | X                    | Agrees                      |

| <b>Audit Objective</b>   |                           |                             | <b>Conclusion</b>                  |
|--|---------------------------|-----------------------------|------------------------------------|
| Objective #2: To assess the effectiveness of BOI's access controls over Bloomberg AIM.   |                           |                             | Effective                          |
| <b>Findings Related to This Audit Objective</b>  | <b>Material Condition</b> | <b>Reportable Condition</b> | <b>Agency Preliminary Response</b> |
| BOI did not fully implement access controls to ensure the authorization of Bloomberg AIM users by properly documenting authorized access, monitoring audit logs for inappropriate activity, or reviewing access rights every 120 days according to DTMB standards ( <u>Finding #3</u> ). |                           | X                           | Agrees                             |

A copy of the full report can be obtained by calling 517.334.8050 or by visiting our Web site at: [www.audgen.michigan.gov](http://www.audgen.michigan.gov)

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