

EXECUTIVE DIGEST

MICHIGAN ADMINISTRATIVE INFORMATION

NETWORK

INTRODUCTION

This report contains the results of our financial related audit of the Michigan Administrative Information Network* (MAIN), Department of Management and Budget (DMB), for the period October 1, 1994 through April 30, 1996.

AUDIT PURPOSE

This financial related audit was conducted as part of the constitutional responsibility of the Office of the Auditor General. Financial related audits are conducted at various intervals to permit the Auditor General to express an opinion on the State's financial statements. Also, this audit complements our financial audits of the State's departments.

BACKGROUND

MAIN was established as the new Statewide financial management system for Michigan. MAIN replaced the General Accounting/Financial Management Information System* (GA/FMIS) and other systems. GA/FMIS was considered to be inadequate for the collection, maintenance, reporting, and archiving of financial and administrative data.

In addition, GA/FMIS had limited the timeliness, accuracy, and scope of data gathering and decision-making ability. MAIN is a very complex and large system. Its expected benefit is that it will be a fully integrated and automated administrative management system that will enable the State to conduct its fiscal activities in a more timely, thorough, and accessible manner.

We refer to the entity that DMB established to administer MAIN as DMB-MAIN* in this report. DMB-MAIN is responsible for the development, implementation, and continued operation of MAIN. DMB-MAIN started development in fiscal year 1992-93 and implemented the MAIN system on October 1, 1994.

MAIN is comprised of various components including the Financial Administration and Control System* (FACS), which is the financial management component. MAIN also includes the Human Resources System* (HRS), the Management Information Database* (MIDB), the Executive Information System* (EIS), and the MAIN internetwork*. FACS includes the Relational Standard Accounting and Reporting System* (R*STARS), the Advanced Purchasing and Inventory Control System* (ADPICS), and the Report Management Distribution System* (RMDS).

DMB received legislative appropriations* of \$90.7 million for fiscal year 1992-93 through fiscal year 1995-96 for MAIN. As of May 9, 1996, DMB-MAIN had a staff of 90 employees.

**AUDIT OBJECTIVES,
CONCLUSIONS, AND
NOTEWORTHY
ACCOMPLISHMENTS**

Audit Objective: To assess the effectiveness* of DMB's internal control structure* over MAIN in identifying and processing only authorized data promptly, accurately, and completely.

Conclusion: DMB's internal control structure over MAIN had limited effectiveness in providing reliable and secure information in its first year of operation. However, DMB-MAIN has taken steps to address the conditions identified in this audit report. After implementation, the internal control structure should be reasonably effective in providing reliable and secure information.

Implementing a complex system, such as MAIN, is a difficult process. Problems are not uncommon or unexpected with a new system, especially with an aggressive implementation schedule. In addition, DMB-MAIN believes that the software contractor has not completed all relevant contract requirements. There have been disagreements with the software contractor regarding whether such items were contract requirements or contract enhancements. The lack of agreement on contract requirements could result in the MAIN system not being completed properly and in reduced system capabilities. This lack of agreement has also contributed to problems identified in the remainder of this report.

Our assessment of the internal control structure over MAIN noted 3 material weaknesses*:

- DMB-MAIN had not ensured sufficient testing of software programs before implementing them (Finding 1).

DMB-MAIN agreed with the corresponding recommendation except it believes appropriate steps were taken to improve software testing.

- DMB and the Department of Treasury had not developed and implemented procedures to ensure the timely reconciliation of the State Treasurer's Common Cash pool with bank statements (Finding 2).

DMB and the Department of Treasury agreed with the corresponding recommendation.

- The MAIN system lacked complete technical and user documentation (Finding 3).

DMB-MAIN agreed with the corresponding recommendation and informed us that final technical documentation for the system was delivered by the contractor and accepted August 12, 1996.

Although DMB agreed with the corresponding recommendations, it disagreed that these findings should be classified as material weaknesses. DMB believes that these findings should be classified as reportable conditions*.

We also noted 26 reportable conditions related to DMB's internal control structure over MAIN. These conditions involved meeting the needs of users and processing transactions in a timely, accurate, and controlled manner (Findings 4 through 13). The conditions also involved MAIN security, user capabilities, audit trails, and reconciliation procedures (Findings 14 through 26). In addition, we noted conditions related to disaster recovery, retention and disposal schedules, and physical security controls. (Findings 27 through 29).

Noteworthy Accomplishments: The implementation of MAIN resulted in all mainframes and networks used for financial activities by State agencies being connected to a single system. Since the implementation of MAIN on October 1, 1994, all of the State's major payrolls, including all State employee, vendor, and client warrants, have been processed on time. The implementation of MAIN also resulted in the unifying of the State's accounting records and banking transactions in a single system. This provides the capability to better identify and correct unreconciled differences between the bank statements and the State's accounting records than the previous system. Also, DMB successfully closed the State financial records for fiscal year 1994-95. In addition, on-line response time for each transaction was less than one-half second at least 75% of the time.

Audit Objective: To assess the effectiveness of management's oversight of MAIN development to ensure the completion of project requirements.

Conclusion: Our assessment of management's oversight of MAIN development disclosed that it was reasonably effective. However, we noted four reportable conditions regarding legislative notification (Finding 30), business process reengineering* (BPR) (Finding 31), quality assurance reports (Finding 32), and the Board of Governors' records (Finding 33).

Audit Objective: To determine the costs to develop and operate MAIN.

Conclusion: DMB-MAIN's estimate of total costs to develop and operate MAIN was approximately \$107.8 million through fiscal year 1995-96. This includes approximately \$64.4 million in development and \$43.4 million in operating costs (see the summary of actual and estimated MAIN costs presented as supplemental information).

We noted one reportable condition regarding appropriations for expenditures (Finding 34).

AUDIT SCOPE

Our audit scope was to examine the financial and other records of the Michigan Administrative Information Network for the period October 1, 1994 through April 30, 1996. Our audit was conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* issued by the Comptroller General of the United States and, accordingly, included such tests of the records and such other auditing procedures as we considered necessary in the circumstances.

A summary of actual and estimated MAIN costs is included in this report as supplemental information. However, our audit was not directed toward expressing an opinion on this information and, accordingly, we express no opinion on it.

**AGENCY
RESPONSES**

Our audit report contains 34 findings and 36 corresponding recommendations. The agency's preliminary response indicated that DMB has complied or will comply with 33 of the recommendations. DMB disagreed with 3 of the recommendations.