PERFORMANCE AND FINANCIAL RELATED AUDIT

OF THE

MICHIGAN ADMINISTRATIVE INFORMATION NETWORK

DEPARTMENT OF INFORMATION TECHNOLOGY

February 2003

Performance and Financial Related Audit

Michigan Administrative Information Network (MAIN)

Department of Information Technology

Report Number:
07-594-02

Released:
February 2003

MAIN is the State's automated administrative management system that supports accounting, payroll, purchasing, and other activities. A primary component of MAIN is the Financial Administration and Control System (FACS), which includes R*STARS and ADPICS. The Office of the State Budget (OSB), Department of Management and Budget, provides funding for MAIN and is the system owner.

Audit Objective:
To assess the effectiveness of MAIN FACS general controls over management, development, and security of information processing.

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Audit Conclusion:
MAIN FACS general controls over management, development, and security of information processing were reasonably effective.

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Noteworthy Accomplishments:
OSB facilitated, through modification of MAIN, the successful early implementation of the financial reporting model in Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. OSB also informed us that it enhanced the functionality and extended the life of the Relational Standard Accounting and Reporting System (R*STARS) and the Advanced Purchasing and Inventory Control System (ADPICS) by

developing and implementing new functionality.

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Reportable Conditions:
OSB should improve the management and organization controls of MAIN FACS. The Office of Financial Management, Department of Management and Budget, should be clearly defined as the system owner of MAIN FACS and be given sufficient responsibility and authority over it. Also, OSB had not developed a strategic plan for future development of and enhancements to MAIN FACS. In addition, OSB had not established a MAIN steering committee. Further, OSB had not established a process to identify and monitor expenditures related to its MAIN FACS system development projects. (Finding 1)

OSB had not established a formal process for system enhancement requests. OSB should establish a formal process for documenting requests by system users and related approvals for system enhancements, implement procedures for

determining the cost-benefit of system enhancements, and establish processes for assigning priority to system enhancements and communicating priorities to the system owner and system users. (Finding 2)

OSB had not established complete access controls over data and application program files. OSB did not completely restrict the ability to move computer programs into production to only authorized individuals. Also, MAIN management did not restrict the Department of Treasury's electronic funds transfer approval capability to only authorized Department of Treasury employees. (Finding 3)

OSB had not formally established, documented, and implemented all components of a system development methodology. OSB had not conducted a formal cost-benefit analysis and feasibility study for each project. Also, OSB had not conducted formal post-implementation reviews of MAIN FACS. (Finding 4)

The agency preliminary responses indicated that OSB agreed with the findings and has complied or will comply with the corresponding recommendations.

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Audit Objective:
To assess the effectiveness of MAIN FACS application controls in ensuring that data was accurately, reliably, and securely processed.

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Audit Conclusion:
MAIN FACS application controls were reasonably effective in ensuring that data was accurately, reliably, and securely processed.

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Reportable Conditions:
OSB had not implemented controls to monitor changes to MAIN FACS data by privileged user classes. The audit trails for financial transaction and system profile changes should be improved. Also, OSB should establish a formal and independent process for monitoring financial transaction and system profile changes by the privileged users. (Finding 5)

OSB had not established complete audit trails for MAIN FACS. R*STARS did not maintain an audit trail for the approval of journal vouchers. (Finding 6)

The agency preliminary responses indicated that OSB agreed with the findings and will comply with the corresponding recommendations.

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February 18, 2003

Ms. Mary A. Lannoye, State Budget Director
Office of the State Budget
Department of Management and Budget
Romney Building
Lansing, Michigan
and
Ms. Teresa M. Takai, Director
Department of Information Technology
Landmark Building
Lansing, Michigan

Dear Ms. Lannoye and Ms. Takai:

This is our report on the performance and financial related audit of the Michigan Administrative Information Network, Department of Information Technology. The financial related portion of our audit covered the period October 1, 1999 through April 30, 2002.

This report contains our report summary; description of system; audit objectives, scope, and methodology and agency responses and prior audit follow-up; comments, findings, recommendations, and agency preliminary responses; independent auditor's report on supplemental information; a summary of expenditures by category, presented as supplemental information; and a glossary of acronyms and terms.

Our comments, findings, and recommendations are organized by audit objective. The agency preliminary responses were taken from the agency's responses subsequent to our audit fieldwork. The *Michigan Compiled Laws* and administrative procedures require that the audited agency develop a formal response within 60 days after release of the audit report.

We appreciate the courtesy and cooperation extended to us during this audit.

AUDITOR GENERAL

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TABLE OF CONTENTS

MICHIGAN ADMINISTRATIVE INFORMATION NETWORK (MAIN)
DEPARTMENT OF INFORMATION TECHNOLOGY

07-594-02

SUPPLEMENTAL INFORMATION

GLOSSARY

07-594-02

Description of System

The Michigan Administrative Information Network* (MAIN) is the State's fully integrated automated administrative management system that supports the accounting, payroll, purchasing, contracting, budgeting, personnel, and revenue management activities and requirements. MAIN is a large, complex computer system that consists of the following components:

a.   Enterprise Information System*.

b.   Financial Administration and Control System* (FACS). MAIN FACS includes the Relational Standard Accounting and Reporting System* (R*STARS) and the Advanced Purchasing and Inventory Control System* (ADPICS). R*STARS is the State's comprehensive financial information system that provides for accounting and financial reporting within MAIN FACS. It is also used for budgetary control. ADPICS is the State's procurement and materials management system that is fully integrated with R*STARS in supporting the purchasing, receiving, and payment processes and inventory management within State agencies. It is the software used to enter most vouchers into MAIN FACS to initiate payment.

c.   Human Resource System*.

d.   Management Information Database*.

The scope of this audit consisted of MAIN FACS.

The Office of the State Budget (OSB), Department of Management and Budget (DMB), provides funding for MAIN and is the system owner. DMB's MAIN Financial Systems Division supported, maintained, and enhanced MAIN FACS, including R*STARS and ADPICS. DMB's Office of Financial Management (OFM) is charged with maintaining a central accounting system and Statewide internal control*. OFM has broad supervisory powers over all accounting and financial reporting activities within State agencies.

OSB contracted with software developer KPMG Peat Marwick in 1993 for the development of MAIN. That contract was terminated in 1998. MAIN contracted with

* *See glossary at end of report for definition.*

7

IBM in 1993 for the development of the Management Information Database and the implementation of MAIN. As of September 30, 2001, MAIN development and operation costs since its implementation in October 1994 were approximately $125.3 million. As of April 30, 2002, MAIN Financial Systems Division had a staff of 21 State employees and 17 contractual employees. In fiscal year 2000-01, MAIN FACS processed approximately $48.7 billion of expenditures.

Executive Order No. 2001-3 created the Department of Information Technology and gave it responsibility for Statewide information technology staff and projects. Pursuant to the Executive Order, all MAIN staff performing information technology functions were transferred from DMB to the Department of Information Technology. All MAIN staff performing business functions were reassigned to OFM.

Audit Objectives, Scope, and Methodology
and Agency Responses and Prior Audit Follow-Up

<u>Audit Objectives</u>

Our performance* and financial related audit* of the Michigan Administrative Information Network (MAIN), Department of Information Technology, had the following objectives:

1. To assess the effectiveness* of MAIN Financial Administration and Control System (FACS) general controls over management, development, and security of information processing.

2. To assess the effectiveness of MAIN FACS application controls in ensuring that data was accurately, reliably, and securely processed.

<u>Audit Scope</u>

Our audit scope was to examine the information processing and other records of the Michigan Administrative Information Network. Also, our audit scope was to examine the financial records for the period October 1, 1999 through April 30, 2002. Our audit was conducted in accordance with auditing standards generally accepted in the United States of America and with *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.

As part of this report, a summary of expenditures by category is presented as supplemental information. Our audit was not directed toward expressing an opinion on this information and, accordingly, we express no opinion on it.

<u>Audit Methodology</u>

Our methodology included examination of MAIN's information processing and other records for the period October 1, 1999 through April 30, 2002. Our work was performed

* *See glossary at end of report for definition.*

between November 2001 and April 2002. To accomplish our audit objectives, our audit methodology included the following phases:

1. Preliminary Review and Evaluation Phase
    We conducted a preliminary review of MAIN's information processing function that supports MAIN FACS. We identified the functions of MAIN. We used the results of our review to determine the extent of our detailed analysis and testing. Based on the results of our preliminary review, we selected the Relational Standard Accounting and Reporting System (R*STARS) electronic funds transfer* and electronic utilities* applications on which to focus our review of system development controls and application controls.

2. Detailed Analysis and Testing Phase
    We performed an assessment of internal control over MAIN pertaining to: (a) general controls over management, development, and security of information processing, and (b) application controls, which included data input, processing, and output. Specifically, we assessed:

    a. Effectiveness of MAIN FACS General Controls:

        (1) We analyzed controls over the management and organization of MAIN FACS.

        (2) We examined and tested procedures for making and implementing program changes to MAIN FACS.

        (3) We reviewed system development and documentation controls, including the use of a system development methodology, completeness of system documentation, and existence of system development standards.

        (4) We conducted a user satisfaction survey of all State departments to obtain information about their involvement in and satisfaction with the development of R*STARS and the Advanced Purchasing and Inventory Control System (ADPICS), the service provided by the MAIN Financial Systems Division, and the effectiveness of R*STARS and ADPICS. We

* See glossary at end of report for definition.

10

used the information collected to assist us in evaluating the effectiveness of MAIN FACS system development controls.

(5) We evaluated MAIN FACS general controls using such information technology auditing standards as the Control Objectives for Information and Related Technology (COBIT), the General Accounting Office's Federal Information System Controls Audit Manual, and the Canadian Institute of Chartered Accountants' (CICA's) Information Technology Control Guidelines.

b. Effectiveness of MAIN FACS Application Controls:

(1) We evaluated controls over access to and use of MAIN FACS.

(2) We assessed and documented the internal control over data input, processing, and output of MAIN FACS.

3. <u>Evaluation and Reporting Phase</u>
We evaluated and reported on the results of the detailed analysis and testing phase.

<u>Agency Responses and Prior Audit Follow-Up</u>
Our audit report contains 6 findings and 6 corresponding recommendations. The agency preliminary responses indicated that the Office of the State Budget agreed with the findings and has complied or will comply with the recommendations.

The agency preliminary response that follows each recommendation in our report was taken from the agency's written comments and oral discussion subsequent to our audit fieldwork. Section 18.1462 of the *Michigan Compiled Laws* and Department of Management and Budget (DMB) Administrative Guide procedure 1280.02 require the Department of Information Technology to develop a formal response to our audit findings and recommendations within 60 days after release of the audit report.

DMB complied with 28 of the 30 prior audit recommendations included within the scope of our current audit. Two prior audit recommendations were rewritten for inclusion in this report.

COMMENTS, FINDINGS, RECOMMENDATIONS,
AND AGENCY PRELIMINARY RESPONSES

EFFECTIVENESS OF
MAIN FACS GENERAL CONTROLS

COMMENT

Background: General controls are the structure, policies, and procedures that apply to an entity's overall computer operations. Although general controls are normally independent of individual computer applications, they provide the framework within which many different applications are processed. Therefore, weaknesses in general controls can adversely affect all of a department's automated information systems.

Audit Objective: To assess the effectiveness of the Michigan Administrative Information Network (MAIN) Financial Administration and Control System (FACS) general controls over management, development, and security of information processing.

Conclusion: MAIN FACS general controls over management, development, and security of information processing were reasonably effective. However, we noted reportable conditions related to MAIN FACS management and organization controls, system enhancement requests, access controls, and system development methodology (Findings 1 through 4).

Noteworthy Accomplishments: The Office of the State Budget (OSB), Department of Management and Budget (DMB), facilitated, through modification of MAIN, the successful early implementation of the financial reporting model in Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. OSB also informed us that it enhanced the functionality and extended the life of the Relational Standard Accounting and Reporting System (R*STARS) and the Advanced Purchasing and Inventory Control System (ADPICS) by splitting the business rules from the presentation logic, developing and implementing browser-based functionality, and developing and implementing electronic data interchange functionality for electronic funds transfer (EFT) and electronic invoices.

1.   **MAIN FACS Management and Organization Controls**

OSB should improve the management and organization controls of MAIN FACS.

Our review disclosed:

a.   DMB's Office of Financial Management (OFM), headed by the State's chief financial officer, should be clearly defined as the system owner of MAIN FACS and be given sufficient responsibility and authority over it.

The responsibilities of OFM include establishing effective internal control to promote sound financial management practices in all agencies of State government and monitoring and oversight of the routine operation of the State's financial management system, which is a primary component of MAIN; providing assistance and financial management services to State agencies; and reviewing and approving key financial management practices throughout State government. Because of its financial management responsibilities, OFM should have responsibility and authority over decisions related to the State's accounting system. However, we noted:

(1)   OFM did not have authority to set the direction and priorities for MAIN FACS development. Although the director of OFM sits on the MAIN Advisory Board, the Board had no decision-making authority. Decision-making responsibility primarily rested with MAIN management.

(2)   MAIN management informed us that OFM is one of many agencies and central control agencies that it has attempted to serve. However, despite OFM's responsibilities, MAIN did not give OFM higher priority.

Common information technology (IT) roles include (a) the business or system owner, and (b) the technical service provider or developer. In the case of MAIN FACS, MAIN is the service provider. OFM should be defined as the system owner with a more prominent role in directing and setting priorities for development.

Historically, OFM has not been assigned ownership and responsibility for MAIN development.

b. OSB had not developed a strategic plan for future development of and enhancements to MAIN FACS. A strategic plan would help provide the framework necessary to ensure that future development efforts are directed toward defined and meaningful objectives. In accordance with the results of a survey that OSB conducted on the long-term direction for MAIN, OSB had been focusing its efforts on the development of electronic commerce systems. However, there are financial applications that were not implemented within MAIN, such as fixed assets billing and collections, cost accounting, project and grant billing, cash management and forecasting, debt management and federal arbitrage, and inventory management applications, which should be addressed in a strategic plan.

MAIN management developed a strategic plan for fiscal year 1998-99; however, the plan had not been updated. MAIN management informed us that updating the strategic plan was in the performance evaluation criteria of the MAIN project director and MAIN Financial Systems Division (FSD) director. However, the establishment of the Department of Information Technology, which is now responsible for all of the State's information technology projects, delayed work on the plan.

Control Objectives for Information and Related Technology (COBIT) and the Canadian Institute of Chartered Accountants' (CICA's) IT Control Guidelines recommend that management develop IT strategic plans to focus management and staff on what needs to be done over the long term.

c. OSB had not established a MAIN steering committee. A key role of a steering committee is to set the direction for information technology strategic planning, resolve issues, and monitor progress of projects. OSB had established the MAIN Advisory Board. However, the Board had limited authority and decision-making responsibility and was led by the MAIN project leader rather than the system owner. The steering committee should set priorities and approve projects for development, in conjunction with the system owner.

COBIT and CICA's IT Control Guidelines recommend that steering committees be created to prioritize, approve, and monitor major development efforts, such as the further enhancement and development of MAIN.

d. OSB had not established a process to identify and monitor expenditures related to its MAIN FACS system development projects. Although MAIN management monitored expenditures in relation to its appropriations, it did not completely maintain and monitor detailed records of expenditures by project. Such project costs could include contractual services; classified employees, including MAIN and other State agency staff who were involved in the development process; software; and other costs. Without accurate and detailed records of project expenditures, OSB cannot effectively measure the cost of projects in relation to actual work done and calculate the benefit and return on investment of projects. COBIT and CICA's IT Control Guidelines suggest that management establish a cost monitoring process comparing actual costs to budgeted costs.

RECOMMENDATION

We recommend that OSB improve the management and organization controls of MAIN FACS.

AGENCY PRELIMINARY RESPONSE

OSB agreed with the finding and will comply with the recommendation by September 30, 2003. Executive Order No. 2001-3 moved MAIN IT functions and related staff to the Department of Information Technology and moved MAIN business functions and related staff to OFM. The Department of Information Technology and OFM are working together to establish effective MAIN FACS management and organization controls, which will be in place by September 30, 2003.

FINDING

2. System Enhancement Requests

OSB had not established a formal process for system enhancement requests.

To help MAIN FACS further meet the business requirements of the system owner and system users, OSB should:

a. Establish a formal process for documenting requests by system users and related approvals for system enhancements. Establishing and using a change request form would help ensure that all user requests are formally

07-594-02

documented and communicated to MAIN FSD. Currently, users request changes informally by telephoning the MAIN Help Desk or MAIN FSD.

b. Implement procedures for determining the cost-benefit of making a system enhancement. The system users should be responsible for describing the benefit of each enhancement, and OSB should calculate the development cost. Once the cost-benefit has been calculated, the system owner can make an informed decision about whether to proceed with the enhancement.

c. Establish a process for assigning priority to system enhancements. Enhancements to MAIN FACS that can improve financial reporting and accounting integrity, provide collective benefit to the State as a whole, and provide processing improvements should be given high priority.

Our survey of MAIN users indicated that 21 of 31 respondents did not feel that they had sufficient opportunity to provide input into the setting of priorities for enhancements to MAIN.

In addition, user groups, such as the Financial Management Users Group (FMUG), have established and prioritized a list of requested enhancements to MAIN FACS. This list is known as the Project Application Workload System (PAWS) list. Although MAIN management informed us that it does not consider the items on the PAWS list to be high priority, our survey of MAIN users indicated that the PAWS list items were high priority to users and that FMUG wanted the items to be completed.

d. Establish a process for communicating system enhancement priorities to the system owner and system users. Keeping the system owner and system users informed of the status of their requests will help ensure a good working relationship between MAIN FSD and the system owner and system users.

Our survey of MAIN users indicated that users would like more formal communication from MAIN management regarding enhancement requests. A formal process for requesting, prioritizing, and communicating decisions about enhancements to MAIN FACS would help ensure that MAIN FSD makes system changes in accordance with user requirements.

RECOMMENDATION

We recommend that OSB establish a formal process for system enhancement requests.

AGENCY PRELIMINARY RESPONSE

OSB agreed with the finding and will comply with the recommendation by September 30, 2003. Executive Order No. 2001-3 moved MAIN IT functions and related staff to the Department of Information Technology and moved MAIN business functions and related staff to OFM. The Department of Information Technology and OFM are working together to establish a formal process for system enhancement requests, which will be in place by September 30, 2003.

FINDING

3. Access Controls

OSB had not established complete access controls over data and application program files.

Effective access controls establish accountability primarily through the use of usercodes that identify an individual and passwords, which authenticate the individual. Effective controls also include granting access to data and application program files only to the extent necessary for individuals to perform their assigned duties. Our review disclosed:

a. OSB did not completely restrict the ability to move computer programs into production to only authorized individuals. We noted one person with access rights to move programs into production who did not require this access. Subsequent to our bringing this to management's attention, MAIN management removed the access rights. In addition, MAIN management verified that this individual made no program moves.

b. MAIN management did not restrict the Department of Treasury's EFT approval capability to only authorized Department of Treasury employees. We noted two persons at MAIN with the ability to approve EFT transactions. MAIN management indicated that this capability was needed by MAIN staff in case the Department of Treasury encountered a problem in processing EFTs. Granting this capability on an as-needed basis would help reduce the risk of

17

unauthorized access. MAIN management informed us that both the Department of Treasury and OFM were aware that the EFT approval capability was given to the two persons at MAIN.

RECOMMENDATION

We recommend that OSB establish complete access controls over data and application program files.

AGENCY PRELIMINARY RESPONSE

OSB agreed with the finding and informed us that it has complied with the recommendation. The ability to move computer programs into production is now restricted to the appropriate Department of Information Technology personnel. EFT approval capability is now restricted to the appropriate Department of Treasury and OFM personnel.

FINDING

4. System Development Methodology

OSB had not formally established, documented, and implemented all components of a system development methodology.

DMB Administrative Guide procedure 1310.06 requires that agencies adopt the use of a system development life cycle methodology addressing the entire scope of an IT project, including project definition, design, development, installation, and post-implementation review. Using a system development life cycle will help ensure the development of systems that meet the needs of users. It will also help ensure that systems are implemented on time and within budget. Our review of recent system development projects disclosed:

a. OSB had not conducted a formal cost-benefit analysis and feasibility study for each project. Cost-benefit and feasibility study calculations are important to justify whether a project should go ahead. For one project in which a cost-benefit analysis and feasibility study were not done, OSB spent over $333,000 developing a prototype before canceling the project because of a lack of use and ongoing problems. COBIT standards recommend that cost-benefit justification processes be in place to guarantee that the delivery of services by

18

the IT function is cost justified and in line with industry averages. The benefits derived from IT activities should similarly be analyzed.

b. OSB had not conducted formal post-implementation reviews of MAIN FACS. DMB Administrative Guide procedure 1310.07 requires that a post-implementation review be conducted as the final phase of the system development process.

MAIN management informed us that it conducts a project closeout and monitors MAIN Help Desk calls after implementing an application. However, these steps do not enable MAIN management to completely evaluate whether a system meets user needs.

A formal post-implementation review should be conducted after the system has been in production for a period of time (normally six months). This review is to evaluate the performance of the new system and ensure that the system meets planned objectives and provides the expected economic benefits, that users understand all capabilities of the system, that user training has been sufficient, and that the system is fully and efficiently operational. A post-implementation evaluation report should be prepared with an assessment of the success and shortcomings of the new system, plans to address system deficiencies, and plans for the ongoing assessment of overall system performance.

RECOMMENDATION

We recommend that OSB formally establish, document, and implement all components of a system development methodology.

AGENCY PRELIMINARY RESPONSE

OSB agreed with the finding and informed us that it has complied with the recommendation. OSB informed us that the Department of Information Technology has implemented system development life cycle methodologies that include all components.

07-594-02

EFFECTIVENESS OF
MAIN FACS APPLICATION CONTROLS

COMMENT

Background: Internal control over MAIN FACS consists of application controls that primarily concern input, processing, and output of information. Collectively, they form a network of controls in an information processing system, which helps produce reliable and secure information.

Audit Objective: To assess the effectiveness of MAIN FACS application controls in ensuring that data was accurately, reliably, and securely processed.

Conclusion: MAIN FACS application controls were reasonably effective in ensuring that data was accurately, reliably, and securely processed. However, we noted reportable conditions related to changes to production data and audit trails (Findings 5 and 6).

FINDING

5. **Changes to Production Data**

OSB had not implemented controls to monitor changes to MAIN FACS data by privileged user classes.

R*STARS user class* 50 and ADPICS user class 34 allow MAIN staff to make changes to production data. These privileged user classes have the ability to add, change, and delete financial transactions and system profiles that control the overall processing of R*STARS and ADPICS. Two persons in MAIN FSD had been granted access to these user classes.

Our review disclosed:

a.   The audit trails for financial transaction and system profile changes should be improved. For financial transaction changes, the audit trail recorded the document that was changed, the date of the change, and the user who made the change. However, the audit trail did not identify what data was changed.

* See glossary at end of report for definition.

For system profile changes, the audit trail recorded each change made by the privileged user. However, the audit trail was not usable because the changes could not be easily identified.

b. OSB should establish a formal and independent process for monitoring financial transaction and system profile changes by the privileged users. Identifying and reviewing changes would help ensure that only authorized changes were made. The lack of formal and independent monitoring of these powerful user classes increases the risk that erroneous or fraudulent transactions could be processed and not detected and corrected in a timely manner.

RECOMMENDATION

We recommend that OSB implement controls to monitor changes to MAIN FACS data by privileged user classes.

AGENCY PRELIMINARY RESPONSE

OSB agreed with the finding and will comply with the recommendation by September 30, 2003. OSB believes that the existing audit trails are sufficient, but it agrees that monitoring processes can be improved. OSB will establish improved formal monitoring processes by September 30, 2003.

FINDING

6. Audit Trails

OSB had not established complete audit trails for MAIN FACS.

R*STARS did not maintain an audit trail for the approval of journal vouchers. The R*STARS document tracking inquiry screen recorded the initials of the person who approved other types of financial transactions; however, journal voucher approvals were not recorded. Recording the initials of the individual who approved journal vouchers would help establish a complete audit trail for the transactions. Seventeen of 31 respondents to our survey indicated that there is a need for an audit trail of journal voucher approvals.

Without an audit trail, it is difficult to prove accountability for transactions.

07-594-02

RECOMMENDATION

We recommend that OSB establish complete audit trails for MAIN FACS.

AGENCY PRELIMINARY RESPONSE

OSB agreed with the finding and will comply with the recommendation by September 30, 2003. OSB informed us that it will conduct a cost-benefit analysis to determine the feasibility of expanding the use of document tracking. Depending on the outcome of the cost-benefit analysis, OSB will either expand the use of document tracking or implement alternative processes for providing an audit trail.

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Independent Auditor's Report
on Supplemental Information

April 30, 2002

Ms. Mary A. Lannoye, State Budget Director
Office of the State Budget
Department of Management and Budget
Romney Building
Lansing, Michigan
and
Ms. Teresa M. Takai, Director
Department of Information Technology
Landmark Building
Lansing, Michigan

Dear Ms. Lannoye and Ms. Takai:

A summary of expenditures by category for the Michigan Administrative Information Network (MAIN) 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.

AUDITOR GENERAL

07-594-02

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07-594-02

SUPPLEMENTAL INFORMATION

MICHIGAN ADMINISTRATIVE INFORMATION NETWORK (MAIN)
Department of Information Technology
Summary of Expenditures by Category
Fiscal Years 1992-93 Through 2000-01

Category	Fiscal Years 1992-93 Through 1995-96	Fiscal Year 1996-97	Fiscal Year 1997-98
Initial development costs	$ 119,934,205	$	$
IBM Boulder, Colorado, costs		7,740,758	7,387,676
Contractual services		1,733,451	2,282,667
Classified and unclassified employees		6,424,720	6,171,445
Data processing software and supplies		1,315,699	132,028
Miscellaneous		1,562,336	1,234,154
Building rental or lease payments		739,087	631,010
Office expenditures		209,923	271,270
Equipment		176,295	229,222
Telecommunications		159,757	140,653
Employee travel expenses		9,400	10,644
Employee training		25,361	14,769
Print center expenditures			
Total	$ 119,934,205	$ 20,096,786	$ 18,505,539

07-594-02

Fiscal Year 1998-99	Fiscal Year 1999-2000	Fiscal Year 2000-01	Total Expenditures
$	$	$	$ 119,934,205
7,452,594	8,005,369	7,754,503	38,340,900
3,037,889	6,295,712	5,045,439	18,395,158
6,675,903	7,588,607	7,529,291	34,389,966
334,649	920,619	62,558	2,765,553
902,571	1,432,266	3,040,477	8,171,804
650,321	689,237	237,368	2,947,023
221,539	241,219	712,655	1,656,606
193,870	601,513	411,423	1,612,323
158,827	162,354	150,503	772,094
17,363	18,067	13,128	68,602
34,533	45,164	29,385	149,212
	206,762	99,171	305,933
$ 19,680,056	$ 26,206,888	$ 25,085,898	$ 229,509,373

Glossary of Acronyms and Terms

Advanced Purchasing and Inventory Control System (ADPICS)	The State's procurement and materials management system that is fully integrated with R*STARS in supporting the purchasing, receiving, and payment processes and inventory management within State agencies.
CICA	Canadian Institute of Chartered Accountants.
COBIT	Control Objectives for Information and Related Technology.
Data Collection and Distribution System (DCDS)	The State's client/server system that records, allocates, and distributes payroll costs within the accounting system for MAIN HRS.
DMB	Department of Management and Budget.
effectiveness	Program success in achieving mission and goals.
electronic funds transfer (EFT)	An application within R*STARS for electronically transferring money from one account to another via computers.
electronic utilities	An application within R*STARS for electronically processing payments of utility company invoices.
financial related audit	An audit that is designed to provide reasonable assurance that (1) financial information is presented in accordance with established or stated criteria, (2) the entity has adhered to specific financial compliance requirements, or (3) the entity's internal control over financial reporting is suitably designed and implemented to achieve the control objectives.
FMUG	Financial Management Users Group.

Human Resources Management Network (HRMN)	The State's integrated human resources system that processes personnel, payroll, and employee benefits data for MAIN HRS.
internal control	The organization, policies, and procedures adopted by agency management and other personnel to provide reasonable assurance that operations, including the use of agency resources, are effective and efficient; financial reporting and other reports for internal and external use are reliable; and laws and regulations are followed. Internal control also includes the safeguarding of agency assets against unauthorized acquisition, use, or disposition.
IT	information technology.
MAIN Enterprise Information System (EIS)	The Web site component of MAIN containing various MAIN related data, including user manuals, reports, and other training and informational items.
MAIN Financial Administration and Control System (FACS)	The financial management component of MAIN, consisting of R*STARS, ADPICS, and RMDS.
MAIN FSD	MAIN Financial Systems Division.
MAIN Human Resource System (MAIN HRS)	The component of MAIN that contains both the Human Resources Management Network (HRMN) and the Data Collection and Distribution System (DCDS).
MAIN Management Information Database (MIDB)	The database component of MAIN designed to allow managers to develop ad hoc queries and reports for needed information. Data is extracted from R*STARS, ADPICS, and MAIN HRS.

07-594-02

Michigan Administrative Information Network (MAIN)	The State's fully integrated automated administrative management system that supports the accounting, payroll, purchasing, contracting, budgeting, personnel, and revenue management activities and requirements. MAIN consists of four major components: MAIN Enterprise Information System (EIS); MAIN Financial Administration and Control System (FACS); MAIN Human Resource System (HRS); and MAIN Management Information Database (MIDB).
OFM	Office of Financial Management.
OSB	Office of the State Budget.
PAWS	Project Application Workload System.
performance audit	An economy and efficiency audit or a program audit that is designed to provide an independent assessment of the performance of a governmental entity, program, activity, or function to improve public accountability and to facilitate decision making by parties responsible for overseeing or initiating corrective action.
Relational Standard Accounting and Reporting System (R*STARS)	The State's comprehensive financial information system that provides for accounting and financial reporting within MAIN FACS.
reportable condition	A matter that, in the auditor's judgment, represents (1) either an opportunity for improvement or a significant deficiency in management's ability to operate a program in an effective and efficient manner; or (2) a deficiency in the design or operation of internal control that could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial schedules and/or financial statements.

Report Management Distribution System (RMDS)

The State's on-line data access utility available to view and print R*STARS and ADPICS reports. RMDS reports are considered the official accounting books of the State.

user class

Defines a user's ability to access the system.