



# MICHIGAN

OFFICE OF THE AUDITOR GENERAL



Doug A. Ringler, CPA, CIA  
AUDITOR GENERAL

The auditor general shall conduct post audits of financial transactions and accounts of the state and of all branches, departments, offices, boards, commissions, agencies, authorities and institutions of the state established by this constitution or by law, and performance post audits thereof.

– Article IV, Section 53 of the Michigan Constitution

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Office of the Auditor General

## Report Summary

### *Report on Internal Control, Compliance, and Other Matters*

### *State of Michigan Comprehensive Annual Financial Report (SOMCAFR)*

### *State Budget Office*

### *Fiscal Year Ended September 30, 2014*

**Report Number:**  
**071-0010-15M**

**Released:**  
**March 2015**

Generally accepted government auditing standards require an auditor to report on internal control over financial reporting; compliance with provisions of laws, regulations, contracts, or grant agreements that have a material effect on the financial statements; and other matters coming to the attention of the auditor during the completion of a financial audit. We are issuing this report in conjunction with our independent auditor's report on the *SOMCAFR* dated December 29, 2014.

<b>Findings Related to Internal Control, Compliance, and Other Matters</b>	<b>Material Weakness</b>	<b>Significant Deficiency</b>	<b>Agency Preliminary Response</b>
The Office of Financial Management (OFM), within the State Budget Office, in conjunction with State departments, should continue to improve internal control to ensure the validity and reasonableness of estimated receivable and payable amounts reported within the <i>SOMCAFR</i> ( <a href="#">Finding 1</a> ).		X	Agree
OFM and the Department of Technology, Management, and Budget (DTMB) did not document their evaluation of key user controls, or their assessment of internal control exceptions identified by the third party service organization auditor, for the Michigan Administrative Information Network (MAIN). As a result, internal control weaknesses may exist that impair the effectiveness of MAIN's internal control ( <a href="#">Finding 2</a> ).		X	Agree

Findings Related to Internal Control, Compliance, and Other Matters (Continued)	Material Weakness	Significant Deficiency	Agency Preliminary Response
The Michigan Department of Transportation (MDOT), in conjunction with OFM, did not have sufficient internal control in place to evaluate the dates of service when processing contractor payments and liquidating prior year accounts payable estimates. Consequently, construction expenditures may have been recorded in the wrong fiscal year (Finding 3).		X	Agree
The Michigan Department of Education (MDE), in conjunction with the Department of Human Services (DHS), did not have sufficient controls in place to ensure that the data used to record accounts receivable relating to Child Care Development Fund (CCDF) provider overpayments was accurate and complete (Finding 4).		X	Agree

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>

Office of the Auditor General  
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Office of the Auditor General

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**Doug A. Ringler, CPA, CIA**  
Auditor General

March 10, 2015

Mr. John S. Roberts, State Budget Director  
State Budget Office  
George W. Romney Building  
Lansing, Michigan

Dear Mr. Roberts:

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Michigan principally as of and for the fiscal year ended September 30, 2014, which collectively comprise the State's basic financial statements, and have issued a separate report thereon dated December 29, 2014. In planning and performing our audit of the financial statements, we considered the State's internal control over financial reporting and compliance and other matters. This report on internal control, compliance, and other matters is being issued in conjunction with our financial audit of the *State of Michigan Comprehensive Annual Financial Report* for the fiscal year ended September 30, 2014.

This report contains our report summary; our independent auditor's report on internal control over financial reporting and on compliance and other matters; our findings, our recommendations, and the agency preliminary responses and our prior year report follow-up; and a glossary of abbreviations and terms.

Certain findings included in this report specifically relate to other State agencies. Although the Office of Financial Management, State Budget Office, may not be directly responsible for these functions, we have addressed these findings to you for corrective action, consistent with your responsibility for financial accounting and reporting under Sections 18.1141 and 18.1421 of the *Michigan Compiled Laws*.

The agency preliminary responses were taken from the agency's response at the end of our audit fieldwork. The *Michigan Compiled Laws* and administrative procedures require that the audited agency develop a plan to comply with the audit recommendations and submit it within 60 days after release of the audit report to the Office of Internal Audit Services, State Budget Office. Within 30 days of receipt, the Office of Internal Audit Services is required to review the plan and either accept the plan as final or contact the agency to take additional steps to finalize the plan.

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

Sincerely,

Doug Ringler  
Auditor General



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# INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL AND COMPLIANCE



# OAG

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**Doug A. Ringler, CPA, CIA**  
Auditor General

## Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters

Mr. John S. Roberts, State Budget Director  
State Budget Office  
George W. Romney Building  
Lansing, Michigan

Dear Mr. Roberts:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Michigan principally as of and for the fiscal year ended September 30, 2014 and the related notes to the financial statements, which collectively comprise the State's basic financial statements, and have issued our report thereon dated December 29, 2014. Our report includes a reference to other auditors who audited the financial statements of the:

- State Lottery Fund (a major fund)
- Michigan Unemployment Compensation Funds (a major fund)
- Michigan Employment Security Act - Administration Fund
- Unemployment Obligation Trust Fund
- State Building Authority - Debt Service Fund
- State Building Authority - Capital Projects Fund
- Attorney Discipline System
- State Sponsored Group Insurance Fund
- Michigan Education Savings Program
- Michigan State Housing Development Authority
- Farm Produce Insurance Authority
- Mackinac Bridge Authority
- Mackinac Island State Park Commission
- Michigan Early Childhood Investment Corporation
- State Bar of Michigan
- Western Michigan University
- Central Michigan University
- Eastern Michigan University
- Ferris State University
- Grand Valley State University
- Lake Superior State University
- Michigan Technological University
- Northern Michigan University
- Oakland University
- Saginaw Valley State University

This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the basic financial statements, we considered the State's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the State's internal control. Accordingly, we do not express an opinion on the effectiveness of the State's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's basic financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, as described in Findings 1 through 4, that we consider to be significant deficiencies.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the State's basic financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Office of Financial Management's Response to Findings**

Certain findings included in this report specifically relate to other State agencies. Although the Office of Financial Management, State Budget Office, may not be directly responsible for these functions, we have addressed these findings to you for corrective action, consistent with your responsibility for financial accounting and reporting under Sections 18.1141 and 18.1421 of the *Michigan Compiled Laws*.

Your preliminary responses to the findings identified in our audit are included in the body of our report. The responses were not subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

### **Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Sincerely,



Doug Ringler  
Auditor General  
December 29, 2014



FINDINGS, RECOMMENDATIONS, AND  
AGENCY PRELIMINARY RESPONSES AND  
PRIOR YEAR REPORT FOLLOW-UP

## Fiscal Year 2014 Findings, Recommendations, and Agency Preliminary Responses

### **FINDING**

#### 1. Monitoring of Receivables and Payables

The Office of Financial Management (OFM), within the State Budget Office, in conjunction with State departments, should continue to improve internal control\* to ensure the validity and reasonableness of estimated receivable and payable amounts reported within the *State of Michigan Comprehensive Annual Financial Report (SOMCAFR)*.

Section 18.1141 of the *Michigan Compiled Laws* (Section 141, Act 431, P.A. 1984, as amended) provides that the State Budget Office shall establish a comprehensive system of internal controls in the management of the State's financial affairs and record transactions in accordance with generally accepted accounting principles\*. In addition, Section 18.1485 of the *Michigan Compiled Laws* (Section 485, Act 431, P.A. 1984, as amended) provides that the department head of each principal department shall establish and maintain an internal accounting and administrative control system within that principal department using generally accepted accounting principles and in conformance with directives issued pursuant to Section 18.1141(d) of the *Michigan Compiled Laws*.

Effective internal control over accrued receivables and payables should include a comparison of the accounting estimates with subsequent activity to assess the reliability of the processes used to develop the estimates. In its approval of accrual methodologies, OFM instructs the State departments that it is important to evaluate the reliability of the estimated accruals in the subsequent year and adjust the estimation methodology accordingly.

Three significant accruals established annually based on estimation methodologies are taxes receivable and payable within the Department of Treasury (Treasury), Medicaid accruals within the Department of Community Health (DCH), and child support accruals within the Department of Human Services (DHS). Our review of these three accruals for fiscal year 2014 disclosed:

- a. Treasury had not developed a process to compare and evaluate significant accounting estimates with subsequent activity for several tax accrual components. The estimates for the assessed taxes receivable, receivables to be assessed, business taxes payable backlog, and individual income tax payable backlog of the year-end tax accruals are not compared to subsequent activity to assess the reliability of the process used to develop the estimates. Treasury recorded receivables and payables totaling \$336.4 million and \$473.7 million, respectively, for these tax accrual components.

We initially commented on this issue during the fiscal year 2013 *SOMCAFR* audit. OFM and Treasury agreed with our recommendation, and OFM indicated that it would work with Treasury to evaluate the existing monitoring and tracking methodologies and develop a process that would provide for a comparison of significant accounting estimates with subsequent activity for several components of the accrual, as deemed appropriate and necessary by OFM.

\* See glossary at end of report for definition.

- b. DCH continued its considerable efforts to compile subsequent activity data and document an analysis of the prior estimates to subsequent activity for the more than 25 unique components of the Medicaid accrual. However, the analysis was not fully complete for 3 of the 9 components that we reviewed. Significant variations existed between the prior estimates and subsequent activity, but DCH had not sufficiently evaluated and documented why the processes used to develop the estimates for those 3 components were still reliable and acceptable for future estimates. In addition, for 1 of the other 6 components reviewed, DCH indicated that it was not feasible to identify all subsequent activity and had not developed an alternate tracking process to evaluate the reasonableness of the component's estimate.

We initially identified this issue during the fiscal year 2010 *SOMCAFR* audit. In the fiscal year 2013 report on internal control, compliance, and other matters, we reported that DCH continued to make progress in its efforts to improve the tracking process but had not fully and accurately implemented tracking and validation processes for 4 components we reviewed during that period. The 4 components cited for fiscal year 2014 are the same 4 identified in the fiscal year 2013 audit.

- c. DHS had not revised its established estimation methodology for the child support accrual despite significant variations between the estimate and subsequent activity for the prior two fiscal years.

Each year, DHS records a receivable at year-end for child support arrearage balances due to the State that it expects to collect in the next fiscal year. The amounts are owed to the State, instead of the children's custodians, as reimbursement for financial assistance previously provided through the Temporary Assistance for Needy Families (TANF) program. DHS also records an associated payable to the federal government, representing recoupment of federal funding for the TANF program, equal to 65.5% of the estimated collections.

To estimate the child support arrearage balances expected to be collected in the next fiscal year, DHS uses the average of the actual collections in the two prior years. However, significant decreases in TANF payments and a decline in collections from tax offsets caused this methodology to overstate the estimated collections by 18.33% in fiscal year 2012 and by 27.07% in fiscal year 2013. DHS noted the impact of the decreasing TANF payments and the decline in the collections of tax offsets on the overall collections but did not adjust its methodology to account for the program changes. Using its existing estimation process, DHS calculated and recorded a fiscal year 2014 year-end receivable balance of \$47.3 million for child support collections. We estimated that the fiscal year 2014 child support collection receivable would be lower than the fiscal year 2014 actual collections amount and is potentially overstated by \$12.8 million.

### **RECOMMENDATION**

We recommend that OFM, in conjunction with State departments, continue to improve internal control to ensure the validity and reasonableness of estimated receivable and payable amounts reported within the *SOMCAFR*.

## **AGENCY PRELIMINARY RESPONSE**

OFM provided us with the following response:

*Regarding part a., Treasury and OFM agree with the recommendation. However, the level of detail necessary to track this information is not available in the current State Treasury Accounts Receivable System. As part of Treasury's ongoing initiative to upgrade existing mainframe systems, it will include requirements to ensure the ability to track the information necessary to compare and evaluate accounting estimates to subsequent activity.*

*Regarding part b., DCH and OFM agree with the recommendation. DCH will continue to track the various components of the Medicaid accrual for reasonableness and document whether variations between estimates and subsequent activity warrant changing existing methodologies. As noted by the Office of the Auditor General, DCH has made considerable efforts to improve its tracking and validation processes in recent years. DCH will continue to seek opportunities for continued improvement where available; however, DCH believes such efforts would provide marginal results.*

*Regarding part c., DHS and OFM agree with the recommendation. DHS will review the child support receivable estimation methodology to determine if a revision to the methodology is necessary.*

## **FINDING**

### **2. Evaluation of TPSO Control Report**

OFM and the Department of Technology, Management, and Budget (DTMB) did not document that key user controls identified within the third party service organization's (TPSO's) Statement on Standards for Attestation Engagements No. 16 report (SSAE 16 report\*) were in place and operating to ensure the effectiveness of internal control for the Michigan Administrative Information Network\* (MAIN). In addition, OFM and DTMB did not document their assessment of internal control exceptions identified within the TPSO's SSAE 16 report. As a result, internal control weaknesses may exist that impair the effectiveness of MAIN's internal control.

An SSAE 16 report describes the controls at the TPSO that may be relevant to MAIN's internal control. For the period December 1, 2012 through November 30, 2013, the SSAE 16 report concluded that the TPSO's controls were suitably designed, had been placed in operation, and would achieve the TPSO's control objectives if the user organization (the State of Michigan) implemented the controls described in the Complementary User Control sections of the SSAE 16 report. However:

- a. OFM and DTMB could not provide documentation that they had implemented the 13 complementary user controls that we reviewed. Incomplete implementation of user controls increases the likelihood that the internal control at the TPSO will not be effective.
- b. OFM and DTMB did not document the impact of exceptions identified in the TPSO's SSAE 16 report on MAIN's internal control. As a result, OFM and DTMB cannot ensure that the relevant internal control exceptions at the TPSO were properly addressed. The State of Michigan Financial Management Guide (Part VII, Chapter 1, Section 1000), regarding internal control at TPSOs, requires the manager responsible for oversight of the TPSO to document the method for ensuring the effectiveness of controls and the results of control assessments.

## **RECOMMENDATIONS**

We recommend that OFM and DTMB document that key user controls identified within the TPSO's SSAE 16 report are in place and operating to ensure the effectiveness of MAIN's internal control.

We also recommend that OFM and DTMB document their assessment of internal control exceptions identified within the TPSO's SSAE 16 report.

## **AGENCY PRELIMINARY RESPONSE**

OFM provided us with the following response:

*OFM and DTMB agree with the recommendations. OFM and DTMB will implement a process to document that the key user controls identified within the SSAE 16 report are in place and also to document the assessment of internal control exceptions identified in the report.*

\* See glossary at end of report for definition.

## **FINDING**

### **3. MDOT Contractor Payments**

The Michigan Department of Transportation (MDOT), in conjunction with OFM, did not have sufficient internal control in place to evaluate the dates of service when processing contractor payments and liquidating prior year accounts payable estimates. Consequently, construction expenditures may have been recorded in the wrong fiscal year.

The State of Michigan Financial Management Guide (Part II, Chapter 14, Section 100) requires agencies to record payables for goods and services received by September 30.

MDOT project managers submit estimated accounts payable work sheets to MDOT's Contract Services Division for each outstanding project at the end of the fiscal year. The estimated payables are reviewed by MDOT's Contract Services Division staff and recorded by MDOT's Accounting Services Division.

MDOT's practice is to apply all payments made during the current fiscal year against the estimated payable established at the end of the prior fiscal year until the payable balance is reduced to zero. The actual work completion date was not taken into consideration. If payments in the current year for a project are less than the estimated payable established in relation to that project at the end of the prior fiscal year, the remaining payable balance is written off. On average, MDOT wrote off 9.7% of the estimated payables established for fiscal years 2013, 2012, and 2011. The write-off percentage is most likely understated because of MDOT's practice of applying all payments made during the current fiscal year against the estimated payable regardless of the work completion date.

MDOT project managers use inspector's daily reports (IDRs) to track the daily activity of a project. Information from IDRs is uploaded into the Field Manager System for payment processing. A project manager may decide to withhold an entire IDR, or certain items within an IDR, from payment processing until the project manager is satisfied that the work is complete or until the contract modification has been finalized to include the activity performed. Because of this, payments can include IDRs related to work performed during that pay period or weeks before, or even months before, the IDR item is submitted for payment processing. The information related to the dates of service is available from the IDRs but not in the Field Manager System from which contractor payments are processed.

We initially identified this issue during the fiscal year 2012 *SOMCAFR* audit. In the fiscal year 2013 report on internal control, compliance, and other matters, we reported that MDOT and OFM agreed with our recommendation and OFM informed us that MDOT would implement process changes to evaluate dates of service when processing contractor payments and liquidating prior year accounts payable estimates.

## **RECOMMENDATION**

We recommend that MDOT, in conjunction with OFM, improve internal control to evaluate the dates of service when processing contractor payments and liquidating prior year accounts payable estimates.

## **AGENCY PRELIMINARY RESPONSE**

OFM provided us with the following response:

*MDOT and OFM generally agree with the recommendation. However, given current resources and automated processes, MDOT does not believe that it would be cost effective to revise the current process. MDOT will consider inclusion of service dates as it develops requirements for a replacement contractor system.*

## **FINDING**

### **4. Reconciliation of CCDF Receivables**

The Michigan Department of Education (MDE), in conjunction with DHS, did not have sufficient controls in place to ensure that the data used to record accounts receivable relating to Child Care Development Fund (CCDF) provider overpayments was accurate and complete.

Executive Order No. 2011-8 created the Michigan Office of Great Start and transferred CCDF responsibility from DHS to MDE, effective in August 2011. DHS continued its involvement with the program and annually provides MDE with information about CCDF providers that are in overpayment recoupment status. The information consists of a spreadsheet that includes the balance due to the State by provider, as well as any monthly repayment agreement amounts between the State and the provider. DHS manually compiles the spreadsheet information and updates it throughout the year using information from various sources, including reports generated by the DHS Bridges Integrated Automated Eligibility Determination System\* (Bridges). MDE uses the information provided by DHS to record the receivable at year-end. MDE does not have a process to verify the accuracy and completeness of the information. For fiscal year 2014, MDE recorded total accounts receivable of \$13.5 million for amounts due from the overpaid CCDF providers.

Our review of the spreadsheet provided by DHS, and used by MDE to record the accounts receivable, noted inconsistencies with information maintained within Bridges. For example, the data provided to MDE included balances for providers that were identified as bankrupt within Bridges and balances for cases labeled as closed within Bridges. Based on the status of these cases within Bridges, collection or existence of an outstanding balance is unlikely and should probably be excluded from the receivable recorded by MDE. Alternatively, we noted outstanding balances within Bridges that were not included within the data DHS provided to MDE, potentially understating the receivable recorded by MDE. MDE, in conjunction with DHS, should develop and implement a reconciliation process to help ensure that the information provided to MDE by DHS at year-end is accurate and complete.

## **RECOMMENDATION**

We recommend that MDE, in conjunction with DHS, implement sufficient controls to ensure that the data used to record accounts receivable relating to CCDF provider overpayments is accurate and complete.

## **AGENCY PRELIMINARY RESPONSE**

OFM provided us with the following response:

*MDE and DHS agree with the recommendation. MDE and DHS have requested a report be developed directly from Bridges that will replace the manually maintained spreadsheet used to track recoupment activity. This report will provide a comprehensive list and ensure that all cases are included. The timing for the development of the report is not determinable at this time, so MDE and DHS have revised the current process to help ensure that complete and accurate data is used to record the CCDF accounts receivable.*

\* See glossary at end of report for definition.

**Fiscal Year 2013  
Report on Internal Control, Compliance,  
and Other Matters Follow-Up**

In the follow-up of our fiscal year 2013 *SOMCAFR* report on internal control, compliance, and other matters, we noted that OFM and State agencies had complied with 1 of the 3 recommendations (Finding 1 of that report). We repeated the other 2 prior audit recommendations in Findings 1 and 3 of this report.

# GLOSSARY

## Glossary of Abbreviations and Terms

Bridges Integrated Automated Eligibility Determination System (Bridges)	An automated, integrated service delivery system for Michigan's cash assistance, medical assistance, food assistance, child care assistance, and emergency assistance programs.
CCDF	Child Care and Development Fund.
DCH	Department of Community Health.
deficiency in internal control over financial reporting	The design or operation of a control that does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis.
DHS	Department of Human Services.
DTMB	Department of Technology, Management, and Budget.
financial audit	An audit that is designed to provide reasonable assurance about whether the basic financial statements of an audited entity are presented fairly, in all material respects, in accordance with the applicable financial reporting framework.
generally accepted accounting principles (GAAP)	A technical accounting term that encompasses the conventions, rules, guidelines, and procedures necessary to define accepted accounting practice at a particular time; also cited as "accounting principles generally accepted in the United States of America."
IDR	inspector's daily report.
internal control	A process, effected by those charged with governance, management, and other personnel, designed to provide reasonable assurance about the achievement of the entity's objectives with regard to the reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.

material misstatement	A misstatement in the basic financial statements that causes the statements to not present fairly the financial position or the changes in financial position, and, where applicable, cash flows thereof, in accordance with the applicable financial reporting framework.
material weakness in internal control over financial reporting	A deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the basic financial statements will not be prevented, or detected and corrected, on a timely basis.
MDE	Michigan Department of Education.
MDOT	Michigan Department of Transportation.
Michigan Administrative Information Network (MAIN)	The State's automated administrative management system that supports accounting, purchasing, and other financial management activities.
OFM	Office of Financial Management.
significant deficiency in internal control over financial reporting	A deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.
SOMCAFR	<i>State of Michigan Comprehensive Annual Financial Report.</i>
SSAE 16 report	A report prepared in accordance with Statement on Standards for Attestation Engagements (SSAE) No. 16, commonly referred to as a SOC 1 report. Within a SOC 1 report, an independent auditor opines on management's description of a service organization's system and the suitability of the design of controls (a type 1 report). The auditor may be engaged to also test and opine on the operating effectiveness of those controls (a type 2 report).
TANF	Temporary Assistance for Needy Families.
TPSO	third party service organization.

Treasury

Department of Treasury.

unmodified opinion

The opinion expressed by the auditor when the auditor, having obtained sufficient appropriate audit evidence, concludes that the basic financial statements are presented fairly, in all material respects, in accordance with the applicable financial reporting framework.







