



STATE OF MICHIGAN
TERRI LYNN LAND, SECRETARY OF STATE
DEPARTMENT OF STATE
LANSING

September 22, 2009

Doug Ringler, Director
Office of Internal Audit Services
Office of the State Budget Director
George W. Romney Building
111 South Capitol Avenue, 6th Floor
Lansing, Michigan 48913

Dear Mr. Ringler:

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 Michigan Department of State, Cash Receipts and Branch Office Customer Service.

Questions regarding the summary table or corrective action plans should be directed to me at (517) 335-0218.

Sincerely,

Signature Redacted

Steve Stier, Director
Bureau of Information Security
Legal and Regulatory Services Administration

SS/lmb

Enclosures

cc: Honorable Jennifer M. Granholm, Executive Office
Thomas H. McTavish, CPA, Auditor General
Senator Ron Jelinek, Senate Appropriations Chair
Representative George Cushingberry Jr., House Appropriations Chair
Mitchell R. Bean, Director, House Fiscal Agency
Gary S. Olson, Director, Senate Fiscal Agency

Michigan Department of State
Performance Audit of Cash Receipts and Branch Office Customer Service
May 2009
Summary of Agency Responses to Recommendations

1. Audit Recommendations the agency complied with:

5

2. Audit Recommendations the agency agrees with and will comply :

a. Will comply

1, 2, 3, 4

3. Audit Recommendations the agency disagrees with:

None

FINAL RESPONSES

Performance Audit of Cash Receipts and Branch Office Customer Service

May 2009

RECOMMENDATION #1

We recommend that the Department establish sufficient controls over user access to BOS to ensure proper accountability for the transactions processed by each employee.

ANTICIPATED ACTION: Will Comply.

DESCRIPTION OF ANTICIPATED ACTION: The Department agrees and is implementing a new automated information system which will use an authentication process based on stored passwords with periodic password changes. The transition to this new strategy has already occurred for some branch office staff. Since the audit report was released, the Department continues to work with its contractor on development and testing activities with a planned implementation for next year. However, the Department does not agree with the detailed finding which concludes a control problem currently exists, particularly when considered together with the referenced compensating control. The conclusion was based on a "judgmentally selected" sample which is not a valid method to draw a representative statistical sample.

Anticipated Compliance Date: July 1, 2010

RECOMMENDATION #2

We recommend that the Department establish sufficient controls over access to RPS to ensure appropriate segregation of duties among users.

ANTICIPATED ACTION: Will Comply.

DESCRIPTION OF ANTICIPATED ACTION: The Department agrees to explore alternative strategies over access controls to RPS to improve the segregation of duties among staff. However, to fully implement the auditors' recommended controls over monitoring access, the Department will request a cost estimate to enhance the existing system and then seek additional appropriation from the legislature to finance these internal control improvements. This cost estimate has not yet been requested.

Anticipated Compliance Date: December 31, 2010

RECOMMENDATION #3

We recommend that the Department establish sufficient controls to ensure that branch office employees properly document and approve void transactions.

ANTICIPATED ACTION: Will Comply.

FINAL RESPONSES

Performance Audit of Cash Receipts and Branch Office Customer Service

May 2009

DESCRIPTION OF ANTICIPATED ACTION: The Department agrees and is implementing a new automated information system which will edit the processing of transactions in a manner which will minimize the occurrence of void transactions and, in the limited instances in which a void is necessary, will require the entry of a reason for the void. Since the audit report was released, the Department continues to work with its contractor on development and testing activities with a planned implementation for next year.

Anticipated Compliance Date: July 1, 2010

RECOMMENDATION #4

We recommend that the Department establish sufficient controls to ensure the accuracy of new vehicle registration fees charged to customers.

We also recommend that the Department improve its controls over the processing of fee adjustments and refunds.

ANTICIPATED ACTION: Will Comply.

DESCRIPTION OF ANTICIPATED ACTION: The Department agrees and is implementing a new automated information system which will systematically calculate fees based on an analysis of the vehicle identification number. Since the audit report was released, the Department continues to work with its contractor on development and testing activities with a planned implementation for next year. However, the Department notes that existing procedures are compliant with the Michigan Vehicle Code, which does not allow for the use of web site information maintained by manufacturers associated with each transaction processed, which is what the auditor used to determine accuracy of fee codes.

The 578,574 fee changes analyzed (in part c. of the finding) did range from \$.03 to \$9,014 and did average \$20 per change as noted in the report. However, the median value of the 578,574 fee changes analyzed was only \$9. Further, 85.8% of the changes were for less than \$20 and only 2.1% were for more than \$100.

The Department also agrees to improve controls over fee adjustments and refunds by implementing a new automated information system to systematically require manager approval prior to processing adjustments. As noted previously, since the audit report was issued, the Department continues to work with its contractor on development and testing activities with a planned implementation for next year.

Also, new procedures for calculating and reviewing any added fees are now implemented. However, to fully address the risks associated with some of the noted

FINAL RESPONSES

Performance Audit of Cash Receipts and Branch Office Customer Service

May 2009

exceptions, the Department will request a cost estimate to develop new system interfaces with the automated information systems maintained by the Judiciary, and then seek additional appropriation from the legislature to finance these internal control improvements. This cost estimate has not yet been requested.

Anticipated Compliance Date: December 31, 2010

RECOMMENDATION #5

We recommend that the Department implement controls to help ensure that it suspends operator or chauffeur licenses in a timely manner when NSF checks are returned.

ANTICIPATED ACTION: Complied With

DESCRIPTION OF ANTICIPATED ACTION: The Department has complied with this recommendation. The Department, in partnership with the Michigan Department of Information Technology, developed and implemented software modifications and began suspending licenses in compliance with the amended legislation in August 2008. This system programming was necessary to implement the amended legislation. In addition, the Department has implemented a new process of referring NSF returned checks to the Eaton County Prosecutor's Office to assist with NSF collection efforts.

Anticipated Compliance Date: Not applicable.