



STATE OF MICHIGAN
RUTH JOHNSON, SECRETARY OF STATE
DEPARTMENT OF STATE
LANSING

October 3, 2011

Doug Ringler, Director
Office of Internal Audit Services
Office of the State Budget
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 financial audit including provisions of the *Single Audit Act of the Michigan Department of State – October 1, 2008 through September 30, 2010*.

Questions regarding the summary table or corrective action plans should be directed to me at (517) 373-2184.

Sincerely,

Signature Redacted

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

Enclosures

cc: Honorable Rick Snyder, Executive Office
Thomas H. McTavish, CPA, Auditor General
Michael Senyko, Chief of Staff
Roger Kahn, M.D., Senate Appropriations Chair
Charles Moss, House Appropriations Chair
John E. Nixon, State Budget Director
Mary Ann Cleary, Director, House Fiscal Agency
Ellen Jeffries, Director, Senate Fiscal Agency

Financial Audit Including the Provisions of the Single Audit Act
Michigan Department of State
Final Responses to Audit Recommendations
Audit Period: October 1, 2008 through September 30, 2010

RECOMMENDATION #1

We again recommend that the department establish sufficient controls over access to its RPS to ensure appropriate segregation of duties.

ANTICIPATED ACTION: Complied with.

DESCRIPTION OF ANTICIPATED ACTION: The Department complied with this recommendation as of March 1, 2011. A new Security Administrator role was established and assigned to an employee that is not responsible for financial reporting. The Department worked with the vendor to enhance the audit trails contained in RPS to record all changes made to the system. A new report was also added that details all changes to the RPS security and role data for review by the Chief Accountant on a periodic basis. The new report was reviewed by the Chief Accountant for the period of March 1 – June 30, 2011 and will continue to be reviewed on a quarterly basis.

Anticipated Compliance Date: Not applicable.

RECOMMENDATION #2

We again recommend that the department ensure that State Restricted Funds are expended before using State General Fund/General Purpose appropriations.

ANTICIPATED ACTION: Will partially comply.

DESCRIPTION OF ANTICIPATED ACTION: The Department does not agree with this finding. The Department received an appropriation increase funded by an increase in State General Fund/general purpose, driver fees and personal identification fees to finance the BAM work project. The Department also had boilerplate language designating this as a work project. In addition, the State Budget Office and the State Legislature approved the BAM work project for both Appropriation Year 2009 and 2010 under "Appropriations Designated As Work Projects By Law" using \$2.75 million of State General Fund/general purpose, \$1 million of driver fees and \$.8 million of personal identification fees as the funding sources. The Department continues toward implementing the BAM project and the Department agrees to spend State Restricted Funds within the Legislatively approved BAM work project prior to expending the State General Fund/General Purpose appropriations. The Department also agrees to lapse any unused work project funds to the State General Fund/general purpose fund at the end of the project.

Anticipated Compliance Date: October 2012.

RECOMMENDATION #3

We recommend that the department improve its internal controls over the DLSG Program to ensure compliance with federal laws and regulations regarding procurement and suspension and debarment.

ANTICIPATED ACTION: Will comply.

DESCRIPTION OF ANTICIPATED ACTION: The Department agrees to improve the review process for contract change requests and has been working with DTMB Purchasing in preparing the next change request for this contract. The Department does not agree with this finding as it relates to the increase of the contract value. Since the hourly rates contained in the change request to implement the DLSG Program were incorrect and did not result in an increase of the contract value, an amendment to the existing contract and State Administrative Board approval was not required. In addition, the vendor has agreed to issue the Department a credit for \$38,451.

Anticipated Compliance Date: October 2012.

Financial Audit Including the Provisions of the Single Audit Act
Michigan Department of State
Summary of Agency Response to Recommendations
Audit Period: October 1, 2008 through September 30, 2010

1. Audit Recommendations the agency complied with:

Recommendation Number 1

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

- a. Will comply:

Recommendation Numbers 2 (partially) and 3

3. Audit Recommendations the agency disagrees with:

None