



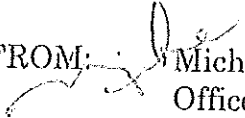
STATE OF MICHIGAN
STATE BUDGET OFFICE
LANSING

RICK SNYDER
GOVERNOR

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DIRECTOR

June 24, 2015

TO: Jeff Bankowski, Internal Auditor
Office of Internal Audit Services
State Budget Office

FROM:  Michael J. Moody, Director
Office of Financial Management

SUBJECT: Corrective Action Plan for the FY 2014 Report on Internal Control,
Compliance, and other Matters for the State of Michigan
Comprehensive Annual Financial Report

In accordance with the State of Michigan's Financial Management Guide, Part VII, Chapter 4, Section 100, enclosed is a summary table identifying our responses and corrective action plan to address the recommendations contained within the Office of the Auditor General's Report on Internal Control, Compliance, and other Matters for the State of Michigan Comprehensive Annual Financial Report, covering the period of October 1, 2013 through September 30, 2014. The Office of Internal Audit Services, State Budget Office, approved the distribution of the plan.

Questions regarding the summary table or corrective action plan should be directed to Lora Mikula, Director, Accounting and Financial Reporting at mikulal@michigan.gov or 373-0447.

Enclosures

cc: Executive Office
Office of the Auditor General
House Fiscal Agency
Senate Fiscal Agency

AUDIT REPORT SUMMARY

DEPARTMENT: Office of Financial Management, State Budget Office
AUDIT PERIOD: October 1, 2013 through September 30, 2014
REPORT DATED: March 10, 2015

Summary of Agency Responses to Recommendations

1. Recommendations - complied with:
 - Finding 1, part b. (DHHS)

2. Recommendations - agree with and will comply:
 - Finding 1, part a. (Treasury)
 - Anticipated compliance – To be determined

 - Finding 1, part c. (DHHS)
 - Anticipated compliance – October 2015

 - Finding 2, parts a, b. (DTMB and OFM)
 - Anticipated compliance – July 2015

 - Finding 3 (MDOT)
 - Anticipated compliance – To be determined

 - Finding 4 (MDE & DHHS)
 - Anticipated compliance – To be determined

Office of Financial Management, State Budget Office
Audit Response
Report on Internal Control, Compliance, and other Matters
State of Michigan Comprehensive Annual Financial Report
October 1, 2013 through September 30, 2014

Finding 1: Monitoring of Receivables and Payables

The OAG recommended 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*.

Response/Planned Corrective Action

- a. While Treasury and OFM agree with the recommendation, 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. No specific corrective action is planned and no specific date for compliance is available at this time.
- b. 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 in the finding, 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 continues to believe that such efforts would provide marginal results. Complied - No further corrective action is planned.
- c. DHS will begin reviewing the child support receivable estimation methodology in May 2015. If deemed necessary, DHS will submit the modified estimation methodology to OFM by August 2015 and will have the new methodology implemented for fiscal year 2015 by October 2015.

Finding 2: Evaluation of TPSO Control Report

The OAG recommended that OFM and DTMB document that key controls identified within the TPSO's SSAE 16 report are in place and operating to ensure the effectiveness of MAIN's internal control. The OAG also recommended that OFM and DTMB document their assessment of internal control exceptions identified within the TPSO's SSAE 16 report.

Response/Planned Corrective Action

a & b. DTMB drafted a policy to document the distribution and review of the SSAE 16 report for MAIN. In support of that policy it also created an assessment workbook to track the SSAE 16 findings, response, and any necessary remediation efforts. OFM is in the process of reviewing the policy and plans completion and implementation by July 1, 2015.

Finding 3: MDOT Contractor Payments

The OAG recommended 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.

Response/Planned Corrective Action

While MDOT and OFM generally agreed with the recommendation, given current resources and automated processes, MDOT does not believe that it would be cost effective to revise the current process. MDOT will consider the inclusion of service dates as it develops requirements for a replacement contractor system. No specific corrective action is planned and no specific date for compliance is available at this time.

Finding 4: Reconciliation of CCDF Receivables

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

Response:

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. As the timing for the development of that report is still not determinable at this time, MDE and DHS continue to revise the current process to help ensure that complete and accurate data is used to record the CCDF accounts receivable. Corrective action continues to be ongoing; no specific date for completion of planned corrective action is available at this time.