



STATE OF MICHIGAN

DEPARTMENT OF TECHNOLOGY, MANAGEMENT & BUDGET
LANSING

RICK SNYDER
GOVERNOR

DAVID B. BEHEN
DIRECTOR

June 6, 2017

Rick Lowe, Director
Office of Internal Audit Services
State Budget Office
George W. Romney Building
111 South Capitol, 6th Floor
Lansing, Michigan 48913

Dear Mr. Lowe:

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 Department of Technology, Management and Budget, Clarity.

Questions regarding the summary table or corrective action plans should be directed to me.

Sincerely,

Signature Redacted

Michael Gilliland, Director
DTMB Financial Services

c: Representative Laura Cox, Chair, House Appropriations
Senator Dave Hildenbrand, Chair, Senate Appropriations
Mark Freeman, Office of the Auditor General
Dick Posthumus, Executive Office
Darin Ackerman, Executive Office
House Fiscal Agency
Senate Fiscal Agency
Brom Stibitz, DTMB
Kerrie Vanden Bosch, DTMB
Anthony Estell, DTMB
Caleb Buhs, DTMB
Kerri DeBano, DTMB

Phillip Jeffery, DTMB
Meg Leonard, DTMB
John Juarez, DTMB
Mike Williams, SBO

Clarety
Office of Retirement Services
Agency responses and corrective action plans

Summary of Agency Responses to Recommendations

1. Audit recommendations DTMB fully complied with: Finding #3 and #4
2. Audit recommendations DTMB agrees with and will comply: Finding #1 and #2
3. Audit recommendations DTMB disagrees with: None

Agency Responses to Recommendations

Finding #1: Fully establish controls to detect and correct inaccurate retirement option factors.

DTMB agrees and has partially complied with this recommendation. ORS has analyzed the list of 17 accounts provided by the OAG that reviewed the pension payment compared to the Final Average Compensation (FAC). One account was found to have an incorrect option factor that was manually keyed into a legacy system and resulted in a pension overpayment when the pension beneficiary died. ORS corrected the one account using an incorrect option factor. ORS has since analyzed 283 accounts provided by the OAG and has found no further instances of an incorrect option factor being used.

ORS will further expand upon the OAG's testing to look for these unique conditions. In addition, ORS has identified other potential methods for detecting inaccurate option factors and will execute analysis and implement corrective action to comply with this recommendation by September 30, 2017.

Finding #2: Implement effective security and access controls over the Clarety application and production database to help prevent or detect inappropriate access and modification of data.

DTMB agrees and has partially complied with this recommendation. In June 2016, ORS and its Application Support Team (AST) updated checklists for four different processes that grant and restrict access for new or transitioning employees. The process enhancements include granting or restricting security access for software, database access, and building access. In addition, these on-boarding and off-boarding checklists will help prevent inappropriate access and modification of Clarety database data. In addition, ORS' security access initiative will include a review of access controls in Clarety and has a targeted completion date of September 30, 2017.

Finding #3: Require employees to complete annual conflict of interest disclosure statements and review employee activity for those with disclosed conflicts of interest.

DTMB agrees and has fully complied with this recommendation. ORS currently requires all new employees to sign an ORS conflict of interest form which requires that they are not to work on their own account or any account in which they have a legal or personal relationship. In addition, ORS now requires all employees to annually disclose conflicts of interest. ORS reinforces DTMB policy and educates staff on what constitutes a conflict of interest, including when, and how to report a conflict of interest. ORS has created a process to monitor employee activity where a conflict is identified.

Finding #4: Ensure segregation of duties and manage user access for the systems used in the change control process.

DTMB agrees and has fully complied with this recommendation. On June 2, 2016, ORS and its Application Support Team (AST) implemented checklists for four different processes that grant and restrict access for new or transitioning employees. These process enhancements now include granting or restricting security access for software, database access, and building access.

In addition, on June 6, 2016, ORS upgraded the previous version of Team Track to Serena Business Manager which provides ORS the ability to create more granular privilege-based roles and provides assurance of "least privilege access. The tool has also improved the request/approval workflow and the change control process.