

Office of the Auditor General
Follow-Up Report on Prior Audit Recommendations

Procurement Card Program
Department of Technology, Management, and Budget

February 2018

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



OAG

Office of the Auditor General

Report Summary

Follow-Up Report

Procurement Card Program

Department of Technology, Management, and Budget (DTMB)

Report Number:
071-0705-15F

Released:
February 2018

We conducted this follow-up to determine whether DTMB had taken appropriate corrective measures in response to the material condition noted in our September 2015 audit report.

Prior Audit Information	Follow-Up Results		
	Conclusion	Finding	Agency Preliminary Response
Finding #1 - Material condition Timely department responses to quarterly reports needed. Agency agreed.	Complied		Not applicable

Obtain Audit Reports

Online: audgen.michigan.gov

Phone: (517) 334-8050

Office of the Auditor General
201 N. Washington Square, Sixth Floor
Lansing, Michigan 48913

Doug A. Ringler, CPA, CIA
Auditor General

Laura J. Hirst, CPA
Deputy Auditor General



OAG

Office of the Auditor General

201 N. Washington Square, Sixth Floor • Lansing, Michigan 48913 • Phone: (517) 334-8050 • audgen.michigan.gov

Doug A. Ringler, CPA, CIA
Auditor General

February 14, 2018

Mr. David L. DeVries, Director
Department of Technology, Management, and Budget
Lewis Cass Building
Lansing, Michigan

Dear Mr. DeVries:

This is our follow-up report on the material condition (Finding #1) and corresponding recommendation reported in the performance audit of the Procurement Card Program, Department of Technology, Management, and Budget. That audit report was issued and distributed in September 2015. Additional copies are available on request or at audgen.michigan.gov.

We appreciate the courtesy and cooperation extended to us during our follow-up. If you have any questions, please call me or Laura J. Hirst, CPA, Deputy Auditor General.

Sincerely,

Doug Ringler
Auditor General

TABLE OF CONTENTS

PROCUREMENT CARD PROGRAM

	<u>Page</u>
Report Summary	1
Report Letter	3
Introduction, Purpose of Follow-Up, and Program Description	6
Prior Audit Finding and Recommendation, Agency Plan to Comply, and Follow-Up Conclusion	7
Follow-Up Methodology and Period	8
Glossary of Abbreviations and Terms	9

INTRODUCTION, PURPOSE OF FOLLOW-UP, AND PROGRAM DESCRIPTION

INTRODUCTION

This report contains the results of our follow-up of the material condition* (Finding #1) and corresponding recommendation reported in our performance audit* of the Procurement Card Program, Department of Technology, Management, and Budget (DTMB), issued in September 2015.

PURPOSE OF FOLLOW-UP

To determine whether DTMB had taken appropriate corrective measures to address our corresponding recommendation.

PROGRAM DESCRIPTION

The State of Michigan's Procurement Card Program began in June 1995. Generally, State employees may use procurement cards* for noncontract purchases of \$2,500 or less and for approved contract purchases. DTMB's Financial Services is responsible for the overall administration of the Procurement Card Program. The focus of the Program is to continue to improve the purchasing process by streamlining small dollar purchases, expanding controls, and increasing efficiency*. The Statewide procurement card administrator is responsible for overseeing the operation of the Program and works directly with department procurement card administrators to operate the Program.

As of September 30, 2017, DTMB had 2.5 full-time equated staff administering the Program at the State level and 3,498 active cards issued to State employees. For fiscal year 2017, there were 218,203 card purchases totaling \$63.6 million.

* See glossary at end of report for definition.

PRIOR AUDIT FINDING AND RECOMMENDATION, AGENCY PLAN TO COMPLY, AND FOLLOW-UP CONCLUSION

FINDING #1

Audit Finding Classification: Material condition.

Summary of the September 2015 Finding:

DTMB did not ensure that departments provided timely responses to reports which help identify potential card misuse or violations of State policies. Departments did not submit 39 (58%) of the 67 responses reviewed by the due date. DTMB stated that it did not conduct sufficient follow-up with departments that did not provide responses to the quarterly reviews prior to January 2015.

Recommendation Reported in September 2015:

We recommended that DTMB ensure that departments provide timely responses to DTMB's quarterly procurement card compliance and transaction reports.

AGENCY PLAN TO COMPLY*

On December 7, 2015, DTMB indicated that it had complied and had initiated corrective actions, which included establishing a process for monitoring returned quarterly report responses.

FOLLOW-UP CONCLUSION

Complied.

We randomly sampled two and judgmentally selected two quarterly compliance and transaction monitoring tracking spreadsheets maintained by DTMB, including 61 department responses. Our review identified 12 (20%) instances in which the departments did not provide a response by the due date. We determined that DTMB conducted appropriate follow-up with departments for all 12 late responses.

* See glossary at end of report for definition.

FOLLOW-UP METHODOLOGY AND PERIOD

METHODOLOGY

During our follow-up, we reviewed:

- DTMB's corrective action plan.
- DTMB's updated monthly procurement card monitoring report procedures.
- The date of receipt for 61 department responses to quarterly reports issued between October 2015 and July 2017 to determine whether the departments responded to the questionable transactions by the due date.
- Documentation to determine whether DTMB conducted follow-up with departments regarding late responses.

PERIOD

Our follow-up generally covered October 1, 2015 through September 30, 2017.

GLOSSARY OF ABBREVIATIONS AND TERMS

agency plan to comply	The response required by Section 18.1462 of the <i>Michigan Compiled Laws</i> and the State of Michigan Financial Management Guide (Part VII, Chapter 4, Section 100). The audited agency is required to develop a plan to comply with Office of the Auditor General audit recommendations and to submit the plan 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.
DTMB	Department of Technology, Management, and Budget.
efficiency	Achieving the most outputs and the most outcomes practical with the minimum amount of resources.
material condition	A matter that, in the auditor's judgment, is more severe than a reportable condition and could impair the ability of management to operate a program in an effective and efficient manner and/or could adversely affect the judgment of an interested person concerning the effectiveness and efficiency of the program.
performance audit	An audit that provides findings or conclusions based on an evaluation of sufficient, appropriate evidence against criteria. Performance audits provide objective analysis to assist management and those charged with governance and oversight in using the information to improve program performance and operations, reduce costs, facilitate decision-making by parties with responsibility to oversee or initiate corrective action, and contribute to public accountability.
procurement card	A credit card issued to State employees for purchasing commodities and services in accordance with State purchasing policies.



Report Fraud/Waste/Abuse

Online: audgen.michigan.gov/report-fraud

Hotline: (517) 334-8060, Ext. 1650