



OAG

Office of the Auditor General

Report Summary

*Report on Internal Control, Compliance, and
Other Matters
State of Michigan Comprehensive Annual
Financial Report (SOMCAFR)
State Budget Office
Fiscal Year Ended September 30, 2017*

**Report Number:
071-0010-18**

**Released:
March 2018**

Generally accepted government auditing standards require an auditor to report on internal control over financial reporting; compliance with provisions of laws, regulations, contracts, or grant agreements that have a material effect on the financial statements; and other matters coming to the attention of the auditor during the completion of a financial audit. We are issuing this report in conjunction with our independent auditor's report on the SOMCAFR dated January 5, 2018.

| Findings Related to Internal Control, Compliance, and Other Matters | Material Weakness | Significant Deficiency | Agency Preliminary Response |
|---|--------------------------|-------------------------------|------------------------------------|
| The Michigan Department of Health and Human Services (MDHHS) did not ensure that sufficient internal control and procedures existed for the preparation and approval of accounting transactions primarily involving year-end accruals. This resulted in numerous misstatements in its accounting entries and was a factor in MDHHS missing the State's financial closing deadline (Finding #1). | X | | Agree |
| MDHHS did not always ensure that accounts receivable and accounts payable transactions were derived using approved methodologies and that it maintained sufficient documentation to support year-end accruals (Finding #2). | | X | Agree |
| The Department of Treasury (Treasury) and the Office of Financial Management (OFM) should continue to enhance internal control to prevent, or detect and correct, misstatements and ensure the reasonableness and accuracy of tax accruals (Finding #3). | | X | Agree |

| Findings Related to Internal Control, Compliance, and Other Matters (Continued) | Material Weakness | Significant Deficiency | Agency Preliminary Response |
|---|-------------------|------------------------|-----------------------------|
| Treasury should improve internal control over the offset fund to ensure that balances are accurate and complete (<u>Finding #4</u>). | | X | Agree |
| The Michigan Department of Transportation, in conjunction with OFM, did not have sufficient internal control in place to evaluate the dates of service when processing payments and liquidating prior year accounts payable estimates (<u>Finding #5</u>). | | X | Agree |
| The Department of Technology, Management, and Budget did not have sufficient internal control in place to ensure the accuracy and completeness of accounting information recorded in the <i>SOMCAFR</i> related to intangible and capital assets (<u>Finding #6</u>). | | X | Agree |

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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