



RICK SNYDER
GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF TECHNOLOGY, MANAGEMENT & BUDGET
LANSING

DAVID L. DEVRIES
DIRECTOR

November 12, 2018

Mr. Rick Lowe
Office of Internal Audit Services
Office of the State Budget
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, following are 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, State Surplus.

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

Sincerely,

Signature Redacted

Mr. Mike Gilliland
Director, Financial Services
Department of Technology, Management and Budget

cc: Executive Office
Office of the Auditor General
Representative Laura Cox, Chair, House Fiscal Agency
Senator Dave Hildenbrand, Chair, Senate Fiscal Agency
Sherri Irwin
Seth Wright
Tim Bolles
Brom Stibitz
Caleb Buhs
John Juarez

Department of Technology, Management and Budget
Surplus Services
Summary of Agency Responses to Recommendations
Original Audit Report Issued in December 2014, Follow-Up Issued in April 2018

Summary of Agency Responses to Recommendations

1. Audit recommendations DTMB fully complied with: 1, 2
2. Audit recommendations DTMB agrees with and will comply: N/A
3. Audit recommendations DTMB disagrees with: None

Agency Responses to Recommendations

1.) Sufficient segregation of duties over the collection and recording of revenue needed.

DTMB agrees with the recommendation and has fully remediated it, as of March 2018.

- A. In March 2018, changes were made to the DTMB Surplus (Surplus) database to provide compensating controls for this item (See item B). The database was modified to provide an audit trail for tracking changes made by the users. In addition, we created a new analyst position to further support the segregation of duties.
- B. The Surplus analyst now follows Surplus' new audit procedure and runs reports from the database each month and audits all edits and deletions to verify changes made to the database were appropriate. The report is reviewed and signed off by both the analyst and the Surplus supervisor.
- C. In March 2018, Surplus implemented a formal procedure for relisting auctions. The procedure requires that new lot numbers are recorded and entered into the database when an auction is relisted. In addition, the Surplus analyst reviews the monthly MiBid reconciliations completed by Financial Services and validates any discrepancies as part of Surplus's monthly database audit.

2.) Sufficient records needed to accurately account for the disposition of surplus items received from State agencies.

DTMB agrees with the recommendation and has fully remediated it, as of March 2018.

- A. Effective March 16, 2018, procedures were updated, and Surplus began tracking MSP and DNR confiscated property through the database.
 - 1. For Surplus Store sales, Surplus utilizes a tag on each item that includes the MSP or DNR case number. Surplus updates the disposition in the database to reflect the sale of any sold in the store.

In addition, the Surplus analyst performs monthly reviews and annual audits to ensure information is entered correctly into the database. Because of the recently implemented procedures and monitoring, Surplus now has an accurate disposition for all MSP or DNR confiscated property.
- B. Surplus has updated procedures to:
 - 1. Utilize a log for credit card and gift card disposal which is tracked by case number and requires two approvals to verify that someone monitored the destruction. In addition, Surplus also added a new field in the database to identify whether the gift card or credit card was destroyed, and that two people witnessed/verified the destruction.
 - 2. Ensure staff are following up on the disposition of property via email rather than by phone.
 - 3. Include MSP case numbers on an AARP request which enables the ability to reference specific property and determine when it was sent to Depot on an AARP.
- C. In March 2018, Surplus implemented a formal procedure for relisting auctions. Surplus' procedures require that new lot numbers are recorded and entered into the database when an auction is relisted. Additionally, the Surplus Analyst performs monthly database audits and identifies any discrepancies in price between MiBid and the database. In the first two months, after updating the procedures, Surplus' noted an approximately 30% decrease in the amount of edited records which did not contain discrepancies for follow-up.