



# 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, 2018*

**Report Number:**  
**071-0010-19**

**Released:**  
**June 2019**

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 April 30, 2019.

<b>Findings Related to Internal Control, Compliance, and Other Matters</b>	<b>Material Weakness</b>	<b>Significant Deficiency</b>	<b>Agency Preliminary Response</b>
The State should enhance its oversight of third party service organizations. The security review obtained for the State's bank did not provide sufficient assurance of the existence of controls over the State's bank account ( <u>Finding #1</u> ).	X		Agree
The Department of Treasury (Treasury) did not establish detailed procedures for all State agencies regarding cash deposits, resulting in inconsistent recording and incomplete audit trails ( <u>Finding #2</u> ).		X	Agree
Treasury and the Michigan Department of Health and Human Services (MDHHS) did not sufficiently limit access to confidential information to appropriate users of the information in the Statewide Integrated Governmental Management Applications (SIGMA). This may put the State at risk for sanctions and penalties for noncompliance ( <u>Finding #3</u> ).		X	Agree
State agencies and the Office of Financial Management (OFM) did not have sufficient internal control in place to help ensure the accuracy and completeness of the accounting for capital assets, which led to significant correcting transactions ( <u>Finding #4</u> ).		X	Agree

<b>Findings Related to Internal Control, Compliance, and Other Matters (Continued)</b>	<b>Material Weakness</b>	<b>Significant Deficiency</b>	<b>Agency Preliminary Response</b>
State agencies and OFM should improve internal control in a variety of areas to help ensure the completeness and accuracy of the <i>SOMCAFR</i> ( <u>Finding #5</u> ).		X	Agree
Treasury and OFM should continue to enhance internal control to prevent, or detect and correct, misstatements and help ensure the accuracy of tax accruals ( <u>Finding #6</u> ).		X	Agree
MDHHS did not have sufficient procedures and enhanced communications among department staff to help ensure the accuracy of accounts receivable and accounts payable transactions ( <u>Finding #7</u> ).		X	Agree
Various State agencies did not have sufficient internal control to help ensure the accuracy of the accounting information recorded in the <i>SOMCAFR</i> ( <u>Finding #8</u> ).		X	Agree
The Michigan Department of Transportation (MDOT) 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 #9</u> ).		X	Agree
Treasury and MDOT did not have sufficient internal control to help ensure compliance with various sections of the <i>Michigan Compiled Laws</i> related to the allocation of revenues, resulting in misallocations of tax revenue ( <u>Finding #10</u> ).		X	Agree
Treasury should further establish a process to help ensure the accuracy of statutory sales tax revenue allocations among State funds ( <u>Finding #11</u> ).		X	Agree

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