

Office of the Auditor General
Performance Audit Report

**Michigan's Public Safety
Communications System**
Department of Technology, Management, and Budget

December 2019

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.

The auditor general may make investigations pertinent to the conduct of audits.

Article IV, Section 53 of the Michigan Constitution



OAG

Office of the Auditor General

Report Summary

*Performance Audit
Michigan's Public Safety Communications
System (MPSCS)
Department of Technology, Management,
and Budget (DTMB)*

Report Number:
071-0147-18

Released:
December 2019

The Office of MPSCS's mission is to provide public safety agencies of all disciplines (fire, police, emergency medical services, etc.) a standards-based Statewide communications system and a suite of connected tool sets from voice-to-data communication (radios, pagers, etc.) to exchange and make use of public safety information. As of December 31, 2017, MPSCS included 1,662 user agencies. The Office is responsible for the acquisition, construction, implementation, operation, and maintenance of MPSCS. The Office expended \$47.5 million in fiscal year 2017 and had 102 employees as of April 21, 2018.

Audit Objective			Conclusion
Objective #1: To assess the effectiveness of the Office in monitoring contracts for system improvements and agreements to allow expanded wireless telecommunications on State property.			Moderately effective
Findings Related to This Audit Objective	Material Condition	Reportable Condition	Agency Preliminary Response
We estimated that the State did not receive application and license fees totaling approximately \$176,400 because of needed improvements to contract monitoring (<u>Finding #1</u>).		X	Agrees
Supporting documentation for contractor payments was not sufficient in 50% of the payments reviewed (<u>Finding #2</u>).		X	Partially agrees

Audit Objective			Conclusion
Objective #2: To assess the effectiveness of the Office in monitoring activity within the Enterprise Asset Management System (EAM) for accuracy.			Effective
Findings Related to This Audit Objective	Material Condition	Reportable Condition	Agency Preliminary Response
EAM contained incomplete or inaccurate information related to 75% of the salvaged assets reviewed, 10% of the in-service assets reviewed, and 5% of the tower sites reviewed (<u>Finding #3</u>).		X	Agrees

Audit Objective			Conclusion
Objective #3: To assess the effectiveness of the Office, in conjunction with DTMB's Financial Services, in administering usage of its procurement cards.			Effective
Findings Related to This Audit Objective	Material Condition	Reportable Condition	Agency Preliminary Response
The Office completed approximately \$266,000 in procurement card purchases with contracted vendors, but DTMB did not reduce the contract spending authorization by the full amount of these purchases (<u>Finding #4</u>).		X	Agrees

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Doug A. Ringler, CPA, CIA
Auditor General

December 10, 2019

Ms. Tricia L. Foster, Director
Department of Technology, Management, and Budget
Lewis Cass Building
Lansing, Michigan

Dear Ms. Foster:

This is our performance audit report on Michigan's Public Safety Communications System, Department of Technology, Management, and Budget.

We organize our findings and observations by audit objective. Your agency provided the preliminary responses to the recommendations at the end of our fieldwork. The *Michigan Compiled Laws* and administrative procedures require an audited agency to develop a plan to comply with the recommendations and to submit it to the State Budget Office upon completion of an audit. Within 30 days of receipt, the Office of Internal Audit Services, State Budget Office, 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.

We appreciate the courtesy and cooperation extended to us during this audit.

Sincerely,

Doug Ringler
Auditor General

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AUDIT OBJECTIVES, CONCLUSIONS, FINDINGS, AND OBSERVATIONS

MONITORING CONTRACTS FOR SYSTEM IMPROVEMENTS AND EXPANDED WIRELESS TELECOMMUNICATIONS ON STATE PROPERTY

BACKGROUND

In fiscal year 2015, the State Administrative Board approved a five-year extension and a \$149.6 million increase to Michigan's Public Safety Communications System's (MPSCS's) radio and wireless communications equipment contract, allowing system improvements, maintenance, and support services for MPSCS. The Office of MPSCS ensures that project phases are successfully completed and approves contractor payments.

Section 28.283 of the *Michigan Compiled Laws* expanded wireless telecommunications of MPSCS to any public safety agency or to any person* authorized to provide service to an underserved area. The Department of Technology, Management, and Budget (DTMB) utilized an existing Statewide contract for wireless telecommunications to implement the expansion and in August 2015 designated the Office as the contract manager. For a management fee, the tower site contractor has the sole responsibility to market and operate State-owned tower sites and to construct its own sites for commercial wireless telecommunication purposes, negotiate new and existing State licenses, and collect revenue from all licensees on behalf of the State or the contractor and remit the appropriate percentage of the revenue to the State. DTMB's Financial Services (DTMB-FS) distributes the revenue to the various State agencies using the detailed monthly revenue summary provided by the contractor.

For fiscal year 2017, the contractor collected \$2.8 million in license and fee revenue from 78 tower sites throughout Michigan and the State received \$1.2 million for its share of collections.

AUDIT OBJECTIVE

To assess the effectiveness* of the Office in monitoring contracts for system improvements and agreements to allow expanded wireless telecommunications on State property.

CONCLUSION

Moderately effective.

FACTORS IMPACTING CONCLUSION

- The Office ensured that its contractor for MPSCS improvements properly performed key responsibilities by implementing a process of testing and accepting contractor work prior to payment.
- The Office properly approved contractor payments for MPSCS improvements.

* See glossary at end of report for definition.

- Reportable conditions* related to improved monitoring of the contractor (Finding #1) and the need to ensure that the contractor submits appropriate supporting documentation (Finding #2).

** See glossary at end of report for definition.*

FINDING #1

Improved contractor monitoring needed.

The Office should improve the monitoring of its wireless telecommunications tower site contractor to ensure compliance with contract provisions. We estimated that the State did not receive application and license fees totaling approximately \$176,400 and noted that required site inspections were not provided by the contractor to determine the need for repairs or upgrades at State-owned tower sites.

The Office reviews, approves, and issues licenses to applicants to lease space on towers located on State-owned property, whereas the contractor markets and manages those sites; facilitates license agreements; and bills, collects, and remits to the State its share of collections. As the State project manager, the Office is responsible for ensuring compliance with contract provisions. We noted:

- a. The Office did not maintain complete and accurate records to validate the application and license fees received from the contractor. Our review of 20 active licenses as of March 2018 disclosed:
 - (1) The contractor did not remit an estimated \$176,400 to the State for 15 (75%) active license agreements. The Office was unable to explain why the amount submitted was less than our calculation. In some cases, we noted that the contractor did not always apply the correct revenue sharing percentage. Maintaining complete and accurate supporting documentation and verifying the expected revenue to the revenue received could help identify errors of omission.
 - (2) The Office did not maintain the license agreements for 2 (10%) active licenses. Without the documents identifying the license fee and negotiated monthly payments, the Office could not ensure that the approximately \$120,600 received from the contractor for these 2 license agreements from October 1, 2015 through December 31, 2017 was accurate.
 - (3) The Office's active license records contained 2 (10%) license agreements that were terminated. Office staff were not aware that these license agreements were terminated until we brought it to their attention during our audit. To effectively monitor and manage the contract, the Office should maintain complete and accurate documentation.
- b. The Office did not ensure that the contractor submitted required deliverables specified in the contract, including:
 - (1) A site and licensee inventory, including the licensee name, number of sites licensed, period used, and applicable contract number, for all licensees for fiscal years 2016 and 2017. The Office should compare this list with its records to ensure the completeness of its

license records and to help ensure that the contractor bills, collects, and remits the proper amount to the State.

- (2) Documentation that it completed on-site inspections at State-owned sites from October 1, 2015 through December 31, 2017. On-site inspections are helpful in identifying repairs or upgrades needed at each site.

Also, the Office did not conduct periodic on-site monitoring procedures of the contractor. The contract provides that the State may conduct an audit of all records in connection with the contractor's accounting, billing, and collection of all license fees, surcharges, and construction costs and the contractor's payments to the State. Such an audit may also include a review of related procedures and controls with respect to the costs to be reimbursed and the billing and collection of charges.

We obtained data from the contractor's project management database, which identifies all sites with license agreements, and its Access database, which tracks monthly lease billings, collections, and subsequent remittances to the State. We compared the data and noted a difference of \$83,000 in amounts billed between the two databases. The Office was unable to explain the difference but contacted the contractor who provided a schedule that explained differences in billing for 40 sites totaling approximately \$80,000. A periodic on-site review would help ensure that the contractor has sufficient procedures and controls in place to ensure compliance with contract provisions.

The Office informed us that when it was designated as the contract manager, it did not receive additional resources to adequately monitor compliance with contract provisions.

RECOMMENDATION

We recommend that the Office improve the monitoring of its wireless telecommunications tower site contractor to ensure compliance with contract provisions.

AGENCY PRELIMINARY RESPONSE

DTMB provided us with the following response:

The Office agrees. During the OAG's preliminary survey process, the Office communicated concerns related to the contractor's billing and reporting process. The Office and the contractor have both assigned new resources to manage the contract activities. The Office has had an ongoing staffing plan to hire skilled resources to address the expansion of the MPSCS, yet due to budget constraints hiring has been stagnant. The Office has also begun monthly meetings with other State agencies regarding re-bidding or amending this contract to ensure it is meeting the needs of all State agencies. This effort includes ensuring State agencies notify the Office when licenses are cancelled or amended to validate tracking of revenue that will not be coming into the State that may have been different than the initial vendor agreement.

FINDING #2

Improvements needed to ensure accuracy of contractor payments.

The Office did not ensure that the contractor's request for reimbursement and supporting documentation represented the work completed. Without accurate supporting documentation, the Office could pay the contractor for work that had not been performed.

The Office oversees a \$149.6 million contract amendment for upgrades to MPSCS critical components. The contract's statement of work (SOW) describes the deliverables to be furnished to the State of Michigan in order to satisfactorily complete the elements identified in the contract and to receive payment. The Office and the contractor informally agreed to a milestone payment schedule that identifies the milestones and phases and dollar amounts applied to each element. The SOW requires that the Office and the contractor meet weekly to discuss activities completed since the prior meeting as well as activities to be completed prior to the next meeting. The contractor submits a certification of milestone completion along with detailed documentation when requesting reimbursement. After reviewing the documentation and validating that the contractor achieved the milestone, the Office authorizes the payment.

We reviewed 22 milestone payments totaling \$23.0 million from October 1, 2015 through December 31, 2017 and identified 11 (50%) milestone payment requests without sufficient supporting documentation. We noted:

- a. The supporting documentation for 6 milestone payment requests totaling \$1.5 million did not match the Office's records for the same time period. Although the total payments did not exceed overall milestone payment schedule amounts, a more thorough and complete review of the documentation would ensure that the Office reimbursed the contractor only for work completed and accepted.
- b. The supporting documentation for 4 equipment reimbursement milestone payments disclosed that the Office paid the contractor \$13.5 million when detailed component pricing supported only \$13.1 million. The Office informed us that the payments also included staging, preparation, and shipping costs and should match the milestone payment schedule amount; however, the documentation did not reflect those additional charges and, for 3 payments, the detailed component pricing had a documented value that was less than the amount paid by just under \$2.7 million. In total for the 4 payments reviewed, the amount billed and paid to the contractor

exceeded the milestone payment amount by approximately \$394,700:

Sample Number	Amount Billed and Paid	Detailed Support	Overpaid/ (Underpaid)
4	\$ 5,410,400	\$ 7,674,200	\$(2,263,800)
14 and 20	6,675,000	5,132,400	1,542,600
15	1,387,700	271,800	1,115,900
Total	\$13,473,100	\$13,078,400	\$ 394,700

Note: Amounts in table are rounded to the nearest hundred.

- c. The supporting documentation for 1 certification of milestone completion for training totaling \$138,000 did not include a sign-in sheet identifying the attendees, which would further support that the activity occurred and is eligible for reimbursement.

The Office informed us that limited resources impacted its ability to perform a complete reconciliation between each milestone payment request and the work performed prior to authorizing payment.

RECOMMENDATION

We recommend that the Office ensure that the contractor's request for reimbursement and supporting documentation represent the work completed.

AGENCY PRELIMINARY RESPONSE

DTMB provided us with the following response:

The Office partially agrees. While the Office's documentation reviewed by the OAG did not match milestone payment detail accurately to 100%, all payments and work efforts were vetted by the Office and the Office's quality assurance contractor to validate work had been performed to the contract requirements and payments attributed to the work provided. The Office will successfully complete this statewide, 5 year, \$150 million work effort, on-time and within budget with zero negative system effects to the MPSCS public safety users. The Office, subsequent to the audit period, updated the process with the Quality Assurance contractor to validate the payment milestones prior to the Office Director sign off and approve payment for the work activity by the vendor. The Office has renewed the contract with their quality assurance contractor for 2020 to support the process. Additionally, the Office negotiated a Business Relationship Manager with said contractor to assist in the activities, invoicing, and escalation of contract activities between the contractor and the Office. The Office is currently in the process of adding staff to be assigned to efforts managing contract and business functions supporting these unique business efforts.

**AUDITOR'S
COMMENTS TO
AGENCY
PRELIMINARY
RESPONSE***

Although the Office indicated that it and the quality assurance contractor validated the work performed, documentation did not exist to substantiate a review was performed by the quality assurance contractor during our audit period.

Therefore, the finding stands as written.

** See glossary at end of report for definition.*

MONITORING EAM FOR ACCURACY

BACKGROUND

The Enterprise Asset Management System* (EAM) is the asset inventory system utilized by the Office to document MPSCS assets and associated work orders. This includes all State-owned and non-State-owned radios and other communication devices for which the Office performed the initial programming to connect to MPSCS. DTMB-FS uses the inventory recorded in EAM as the basis for billing agencies for new radio activation and monthly data communication charges.

The Office approves agencies to use MPSCS and records the approved agency, equipment, and related work orders in EAM.

Control Objectives for Information and Related Technology* (COBIT) is a framework adopted by DTMB as best practices for IT management and governance.

AUDIT OBJECTIVE

To assess the effectiveness of the Office in monitoring activity within EAM for accuracy.

CONCLUSION

Effective.

FACTORS IMPACTING CONCLUSION

- 98% of work orders reviewed were properly completed in EAM.
- The Office generally recorded in EAM critical data for 36,540 assets and 19,608 work orders from October 1, 2015 through December 31, 2017.
- The Office obtained proper approval prior to granting EAM access to 5 new users tested.
- Active Office employees were assigned access commensurate with the employees' job functions.
- The Office has a process to approve the addition of agency assets on MPSCS and allow the agency to add radios to the system up to the value of those assets.
- Reportable condition related to the need for completeness and accuracy of EAM information (Finding #3).

* See glossary at end of report for definition.

FINDING #3

Complete and accurate inventory of MPSCS equipment needed.

The Office did not have a process in place to ensure that the information recorded in EAM was complete and accurate. Without accurate inventory records, the Office could not ensure that the inventory was properly documented and monitored.

COBIT requires maintenance of up-to-date, accurate records of all assets that are required to deliver services and that are owned by an organization with an expectation of future benefit. In addition, because of the nature of the assets linked to MPSCS and utilized by first responders, it is essential that MPSCS obtain multiple levels of assurance that the item is appropriately salvaged, properly disposed, and accurately tracked.

We reviewed various assets and work orders recorded in EAM between October 1, 2015 and December 31, 2017 and noted:

- a. 30 (75%) of 40 State-owned salvaged asset records were classified as salvaged without a documented explanation and without receiving appropriate approval. Although Office staff are the only users permitted to reclassify an asset as salvaged within the system, the Office does not have an approval process to be used for salvaged assets.
- b. 4 (10%) of 40 State-owned in-service assets had inaccurate information recorded in EAM, such as incorrect serial number, incorrect location, or incorrectly identified as in-service.
- c. 2 (5%) of 37 tower sites included on the contractor's March 2018 inventory did not match any of the 101 tower sites recorded in EAM. Office staff informed us that they are working to ensure that this equipment is included in EAM.

The Office informed us that it updates EAM as it services equipment; however, the Office does not complete periodic reconciliations of EAM to the physical assets.

RECOMMENDATION

We recommend that the Office implement a process to ensure that the information recorded in EAM is complete and accurate.

AGENCY PRELIMINARY RESPONSE

DTMB provided us with the following response:

The Office agrees. The Office has an EAM workgroup that drives training, standardization and procedures for the use of EAM by the Office staff. In addition, the Office has undertaken a major data clean-up effort as EAM has gone through a system upgrade and a policy for salvaging assets is in draft review. The form that members submit to update assets is also in process for re-design to ensure all detail needed is captured. The Office also shared with the audit team that the State agency radios tracked in EAM are not Office assets, they are State agency assets and the Office is not always notified as the State agencies move radio

equipment or salvage respective radio assets. Staffing to support the growth and usage of EAM across the Office and with the State agencies is required as the expanded assets and partnered toolset require adequate staff to ensure appropriate controls are in place. The Office staff required to meet the demand and increased controls have been part of a 5-year Office staffing increase plan. The Office is awaiting approval to move forward with Office staff increases since FY19.

ADMINISTERING PROCUREMENT CARD USAGE

BACKGROUND

The State of Michigan's Procurement Card Program allows employees to purchase and make payment for low-dollar (\$2,500 or less), low-risk purchases and approved contracts. DTMB-FS is responsible for the overall administration of the Procurement Card Program and works directly with department procurement card administrators to operate the Program. Office employees may be issued two different types of procurement cards, one for lodging costs and another for nonlodging purchases.

Of the 102 Office employees as of April 21, 2018, 65 (64%) were assigned a procurement card for nonlodging purchases and 78 (76%) were assigned a procurement card for lodging costs. From October 1, 2015 through December 31, 2017, the Office processed 6,043 procurement card transactions totaling \$1,455,647.

AUDIT OBJECTIVE

To assess the effectiveness of the Office, in conjunction with DTMB-FS, in administering usage of its procurement cards.

CONCLUSION

Effective.

FACTORS IMPACTING CONCLUSION

- Of the 111 procurement card transactions reviewed:
 - 100% had signed cardholder agreements prior to purchase.
 - 100% had proper segregation of duties* between the cardholder and the approver.
 - 100% of transaction logs and receipts were approved by the supervisor.
 - 99% were completed by the approved cardholder.
 - 96% complied with policies for allowable purchases.
- Reportable condition related to the need for improved controls over procurement cards (Finding #4).

* See glossary at end of report for definition.

FINDING #4

Improved controls over procurement cards needed.

The Office, in conjunction with DTMB-FS, could improve its controls to ensure that staff properly utilize procurement cards and limit violations of State policies.

State of Michigan Administrative Guide to State Government procedure 0510.17 includes the policies and procedures for properly using a State of Michigan procurement card. The Office's practice is to allow its employees to have up to two types of procurement cards, one for nonlodging purchases and a separate card for lodging costs.

As of December 30, 2017, the Office had 102 employees with 65 and 78 authorized to use a procurement card for nonlodging purchases and lodging costs, respectively. Analytical procedures and testing of 111 procurement card transactions disclosed:

- a. The Office used procurement cards for approximately \$266,000 in purchases with 13 vendors that had State contracts, but DTMB did not reduce the contract spending authorization for these purchases. Administrative Guide to State Government procedure 0510.17 does not allow procurement card purchases with contracted vendors unless the vendor and item description are included on DTMB's alternate payment report. Using a procurement card for purchases covered under a contract may circumvent the contracting process and could allow total purchases to exceed the contract value when the contract authorization is not reduced. Although DTMB-FS accumulated a list of procurement card transactions with contracted vendors, the spending authorization was not reduced for those contracts.

Limitations in the State's prior accounting system prevented DTMB from reducing the contract spending authorization. Subsequent to our audit fieldwork, DTMB informed us that it reduced spending authorization under the new accounting system for some of these purchases.

- b. In 8 (7%) transactions tested, the Office was charged Michigan sales tax. Administrative Guide to State Government procedure 0510.17 requires the cardholder to request exemption from Michigan tax.

The Office stated that employees inadvertently paid Michigan sales tax for these procurement card purchases.

- c. Of 65 Office employees, 4 (6%) used the nonlodging procurement card for lodging costs, which is not allowed under Administrative Guide to State Government procedure 0510.17.

The Office stated that these were oversights by the employees.

RECOMMENDATION

We recommend that the Office, in conjunction with DTMB-FS, improve its controls to ensure that staff properly utilize procurement cards and limit violations of State policies.

**AGENCY
PRELIMINARY
RESPONSE**

DTMB provided us with the following response:

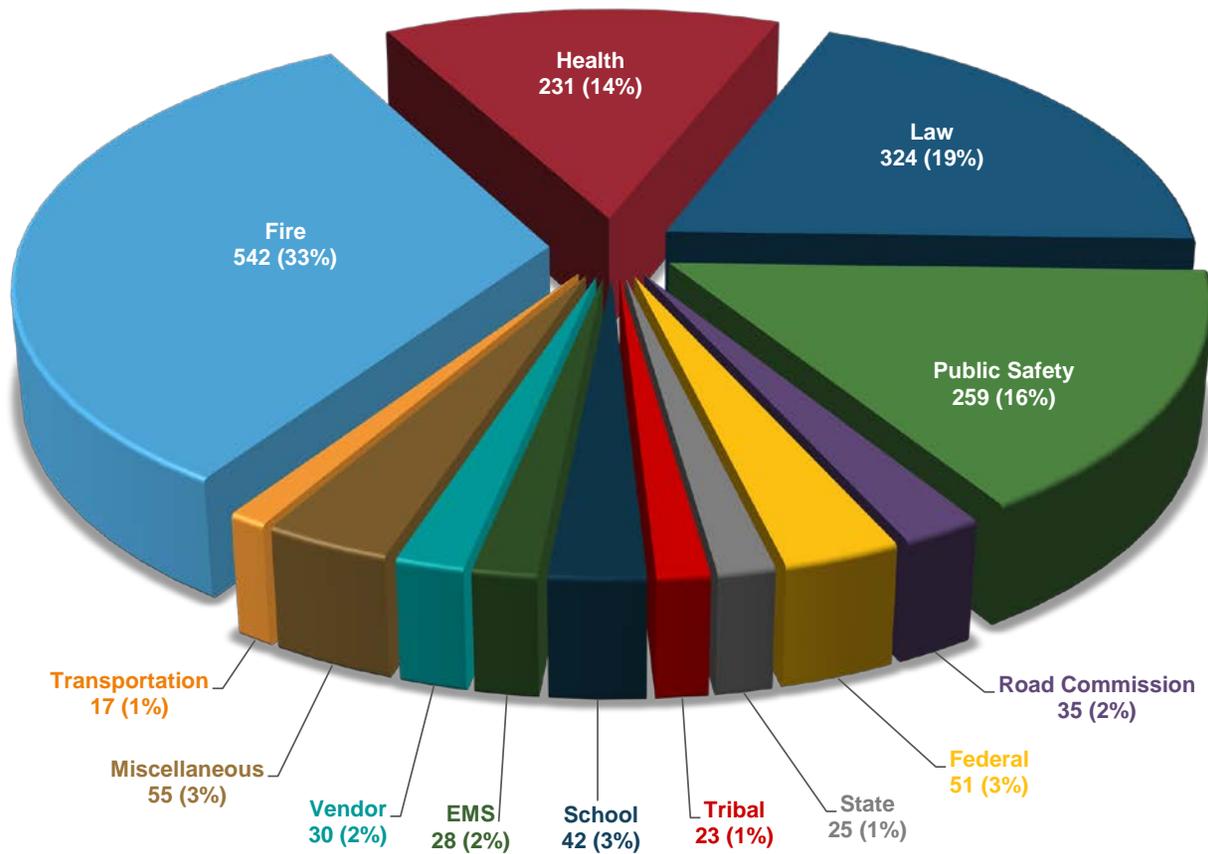
DTMB agrees with the recommendation. The Department has been complying and reducing spend down on contracts authorized for use by the procurement card since the rollout of the new financial system. Cardholders have been provided with the tax-exempt certificate and reminded to present certificate at point of sale. The department will implement different colored protective sleeves for the procurement card and the lodging card to assist in avoiding confusion between the two cards.

SUPPLEMENTAL INFORMATION

UNAUDITED

MICHIGAN'S PUBLIC SAFETY COMMUNICATIONS SYSTEM (MPSCS) Department of Technology, Management, and Budget

MPSCS User Agency Breakdown
As of December 31, 2017



Source: Chart provided by the Office of MPSCS.

SYSTEM DESCRIPTION

Sections 28.281 - 28.283 of the *Michigan Compiled Laws* provide for a State-owned and operated public safety communications system. MPSCS is a multi-site, dedicated public safety wireless communications network that enables all local, State, tribal, and federal agencies with radios programmed on the system to communicate with each other when sharing the same talk groups. MPSCS operates on a 700/800 megahertz* frequency range for radio and telecommunications that includes all associated real and personal property, towers, buildings, equipment and other facilities, and fixtures for the operation and maintenance of the system. The Office of MPSCS is responsible for the acquisition, construction, implementation, operation, and maintenance of MPSCS.

The Office's mission* is to provide public safety agencies of all disciplines (fire, police, emergency medical services, etc.) a standards-based Statewide communications system and a suite of connected tool sets from voice-to-data communication (radios, pagers, etc.) to exchange and make use of public safety information. The Office headquarter employees also operate the Network Communications Center providing technical support 24 hours a day/7 days a week/365 days a year for first responders, system monitoring, response to failures, and assignment and activation of radio talk groups on MPSCS.

As of December 31, 2017, MPSCS included 1,662 user agencies (see supplemental information), 257 towers, and 86,807 radios.

As of April 21, 2018, the Office had 102 employees (tower crew specialists, radio technicians, engineers, and managers) headquartered in Lansing and in seven regional offices to support system operations in all 83 Michigan counties.

The Office expended \$47.5 million in fiscal year 2017.

* See glossary at end of report for definition.

AUDIT SCOPE, METHODOLOGY, AND OTHER INFORMATION

AUDIT SCOPE

To examine the program and other records related to MPSCS. We conducted this performance audit* in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

PERIOD

Our audit procedures, which included a preliminary survey, audit fieldwork, report preparation, analysis of agency responses, and quality assurance, generally covered October 1, 2015 through December 31, 2017.

METHODOLOGY

We conducted a preliminary survey to gain an understanding of the Office's operations and internal control* to establish our audit objectives, scope, and methodology. During our preliminary survey, we:

- Interviewed various employees of the Office and one participating State agency to obtain an overall understanding of MPSCS.
- Reviewed applicable sections of the *Michigan Compiled Laws* and policies and procedures related to the Office's activities.
- Analyzed the Office's financial information available from October 1, 2014 through September 30, 2017.
- Observed an operating MPSCS tower and radio installation shop.
- Obtained an understanding of the Office's contract monitoring process.
- Reviewed contractor records of amounts collected on behalf of the State of Michigan and the State share remitted between October 1, 2015 and December 31, 2017.
- Obtained an understanding of the Office's and one participating State agency's processes in monitoring communication equipment and utilization of EAM. This included testing 1 judgmentally sampled and 4 randomly sampled State-owned sites for proper radio procedures.

* See glossary at end of report for definition.

- Obtained an understanding of the process for MPSCS to approve agency assets added to the system.
- Performed limited preliminary testing of procurement card transactions, proper radio procedures, and inventory.

OBJECTIVE #1

To assess the effectiveness of the Office in monitoring contracts for system improvements and agreements to allow expanded wireless telecommunications on State property.

To accomplish this objective, we:

- Reviewed the Office's monitoring of its contract for system improvements of MPSCS.
- Randomly and judgmentally sampled 5 of 18 system improvement disbursements between October 1, 2015 and December 31, 2017 to determine proper documentation, approval, and payment.
- Randomly and judgmentally sampled 3 of 16 software upgrades and support invoices paid between October 1, 2015 and December 31, 2017 to determine proper documentation, approval, and payment.
- Reviewed selected contract provisions for expanding wireless telecommunications on State property to determine if the Office appropriately monitored for compliance with the contract provisions.
- Randomly and judgmentally sampled 20 of 126 active licenses as of March 2018 for expanding wireless telecommunications on State property to ensure proper documentation and approval and to validate the amount collected and remitted to the State between October 1, 2015 and December 31, 2017. We randomly sampled from this population of license agreements that matched between the MPSCS list and the contractor list as there was no reconciliation performed to determine the population.

Our random samples were selected to eliminate bias and to enable us to project results to the respective populations. For our judgmental samples, we could not project our results to the respective populations.

OBJECTIVE #2

To assess the effectiveness of the Office in monitoring activity within EAM for accuracy.

To accomplish this objective, we:

- Analyzed 19,608 work orders created and completed in EAM between October 1, 2015 and December 31, 2017 to evaluate types, frequency, and timeliness.
- Randomly and judgmentally sampled 40 of 18,281 work orders for five different types that represented 93% of the total work orders created and completed between October 1, 2015 and December 31, 2017 for proper approval, documentation, and completion.
- Verified the Office's December 31, 2017 metric report of MPSCS assets to EAM.
- Inquired of seven State agencies regarding their processes to ensure the accuracy of their assets in EAM.
- Analyzed 36,540 assets recorded in EAM between October 1, 2015 and December 31, 2017 to determine their status and evaluate the frequency of information recorded.
- Randomly sampled 40 of 53,660 State-owned in-service assets recorded in EAM between October 1, 2015 and December 31, 2017 and confirmed with the agencies the accuracy of the EAM information.
- Randomly sampled 40 of 13,972 State-owned salvaged assets recorded in EAM between October 1, 2015 and December 31, 2017 to determine proper approval for salvaging.
- Randomly sampled 5 of 18 agreements totaling approximately \$19 million as of September 30, 2017 to determine proper calculation, documentation, and approval of assets added to MPSCS.
- Compared expanded wireless telecommunication sites on MPSCS from EAM with the contractor list as of March 2018 to determine accuracy.
- Reviewed EAM access controls by randomly sampling 5 of 48 users granted access to EAM between October 1, 2015 and December 31, 2017 for proper approval. Also, we reviewed 102 active employees as of April 21, 2018 to determine that the user group assigned was commensurate with the employees' job functions.

Our random samples were selected to eliminate bias and to enable us to project the results to the respective populations. For our judgmental samples, we could not project our results to the respective populations.

OBJECTIVE #3

To assess the effectiveness of the Office, in conjunction with DTMB-FS, in administering usage of its procurement cards.

To accomplish this objective, we:

- Analyzed 6,043 Office procurement card transactions, totaling \$1,455,647, processed from October 1, 2015 through December 31, 2017 for compliance with procurement card policies and procedures.
- Analyzed employee utilization of assigned procurement cards for 78 employees issued a lodging procurement card and 65 employees issued a nonlodging procurement card as of December 30, 2017.
- Randomly sampled 111 of 5,692 Office staff procurement card transactions completed between October 1, 2015 and December 31, 2017 to determine compliance with procurement card policies and procedures. We randomly selected the transactions to eliminate bias and to enable us to project the results to the population. During testing, DTMB-FS informed us that we did not have a complete population and that there were an additional 19 cardholders with 372 transactions. Therefore, we could not project our results to the complete population.

CONCLUSIONS

We base our conclusions on our audit efforts and any resulting material conditions* or reportable conditions.

When selecting activities or programs for audit, we direct our efforts based on risk and opportunities to improve State government operations. Consequently, we prepare our performance audit reports on an exception basis.

AGENCY RESPONSES

Our audit report contains 4 findings and 4 corresponding recommendations. DTMB's preliminary response indicates that it agrees with 3 of the recommendations and partially agrees with 1 recommendation.

The agency preliminary response that follows each recommendation in our report was taken from the agency's written comments and oral discussion at the end of our fieldwork. Section 18.1462 of the *Michigan Compiled Laws* and the State of Michigan Financial Management Guide (Part VII, Chapter 4, Section 100) require an audited agency to develop a plan to comply with the recommendations and to submit it to the State Budget Office upon completion of an audit. Within 30 days of receipt, the Office of Internal Audit Services, State Budget Office, 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.

* See glossary at end of report for definition.

**SUPPLEMENTAL
INFORMATION**

Our audit report includes a chart showing MPSCS user agency breakdown, presented as supplemental information. Our audit was not directed toward expressing a conclusion on this information.

GLOSSARY OF ABBREVIATIONS AND TERMS

auditor's comments to agency preliminary response	Government auditing standards require auditors to evaluate the validity of the audited entity's response when it is inconsistent or in conflict with the findings, conclusions, or recommendations. If the auditors disagree with the response, they should explain in the report their reasons for disagreement. Therefore, when this situation arises, the OAG includes auditor's comments to comply with this standard.
Control Objectives for Information and Related Technology (COBIT)	A framework, control objectives, and audit guidelines published by the IT Governance Institute as a generally applicable and accepted standard for good practices for controls over IT.
DTMB	Department of Technology, Management, and Budget.
DTMB-FS	DTMB's Financial Services.
effectiveness	Success in achieving mission and goals.
EMS	emergency medical services.
Enterprise Asset Management System (EAM)	An asset management tool to allow for the increased reliability of asset maintenance and to manage work processes and maintenance of those assets based on asset condition.
internal control	The plan, policies, methods, and procedures adopted by management to meet its mission, goals, and objectives. Internal control includes the processes for planning, organizing, directing, and controlling program operations. It also includes the systems for measuring, reporting, and monitoring program performance. Internal control serves as a defense in safeguarding assets and in preventing and detecting errors; fraud; violations of laws, regulations, and provisions of contracts and grant agreements; or abuse.
IT	information technology.
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. Our assessment of materiality is in relation to the respective audit objective.

megahertz	A measure of the frequency of radio transmissions equal to one million hertz.
mission	The main purpose of a program or an entity or the reason that the program or the entity was established.
MPSCS	Michigan's Public Safety Communications System.
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.
person	An individual, a corporation, a partnership, an association, a governmental entity, or any other legal entity.
reportable condition	A matter that, in the auditor's judgment, is less severe than a material condition and falls within any of the following categories: an opportunity for improvement within the context of the audit objectives; a deficiency in internal control that is significant within the context of the audit objectives; all instances of fraud; illegal acts unless they are inconsequential within the context of the audit objectives; significant violations of provisions of contracts or grant agreements; and significant abuse that has occurred or is likely to have occurred.
segregation of duties	Assigning different people the responsibilities of authorizing transactions, recording transactions, and maintaining custody of assets to reduce the opportunities to allow any person to be in a position to both perpetrate and conceal errors or fraud in the normal course of his or her duties. Proper segregation of duties requires separating the duties of reporting, review and approval of reconciliations, and approval and control of documents.
SOW	statement of work.



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