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Office of the Auditor General

Report Summary

Performance Audit

*Bureau of Finance and Administration
(BFA)*

*Michigan Department of Transportation
(MDOT)*

Report Number:
591-0130-19

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February 2020

BFA provides the internal support necessary for MDOT operations including accounting services, fiscal reporting and planning, budgeting, cash management, bond financing, property leasing, and all related financial functions. BFA consists of three divisions: Accounting Services Division (ASD), Financial Operations Division (FOD), and Contract Services Division. ASD uses the Michigan Cashiering and Receivable System (MiCaRS) to perform invoicing and cashiering functions. In fiscal year 2018, BFA expended \$19.1 million on salaries, wages, and administrative expenses. As of June 30, 2019, BFA had 143 employees.

Audit Objective			Conclusion
Objective #1: To assess the effectiveness of BFA's access controls over selected IT systems.			Moderately effective
Findings Related to This Audit Objective	Material Condition	Reportable Condition	Agency Preliminary Response
Improvements are needed to MiCaRS security and access controls. Among the issues we noted was that 99% of read-only users we reviewed could edit dunning letters and invoices and 22% could edit banking information and payment addresses (Finding #1).	X		Partially agrees

Audit Objective			Conclusion
Objective #2: To assess the effectiveness of ASD's efforts to administer accounting services to its customer agencies.			Moderately effective
Findings Related to This Audit Objective	Material Condition	Reportable Condition	Agency Preliminary Response
BFA did not review documentation of contractor estimated accounts payable for reasonableness and did not ensure that expenditures were recorded in the correct fiscal year. For fiscal years 2016 through 2018, BFA annually wrote off an average of \$9.2 million of these payables, indicating that they were overstated (Finding #2).		X	Agrees

Findings Related to This Audit Objective (Continued)	Material Condition	Reportable Condition	Agency Preliminary Response
ASD did not evaluate and prepare required annual reports of the accounting services provided to its customer agencies for fiscal years 2017 and 2018 (<u>Finding #3</u>).		X	Agrees
See <u>Finding #4, part b.</u>			

Audit Objective			Conclusion
Objective #3: To assess the effectiveness of FOD's efforts to deliver financial and operational services throughout MDOT.			Effective
Findings Related to This Audit Objective	Material Condition	Reportable Condition	Agency Preliminary Response
BFA could improve its accounts receivable collection efforts. For 4 (80%) of 5 months sampled, FOD either did not review or did not maintain accounts receivable aging schedules. Also, FOD did not adequately document its follow-up of unpaid invoices from the aging schedules for 3 (60%) of the 5 months (<u>Finding #4</u>).		X	Agrees

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