



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, 2019

Report Number:
071-0010-20

Released:
May 2020

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 March 6, 2020.

Findings Related to Internal Control, Compliance, and Other Matters	Material Weakness	Significant Deficiency	Agency Preliminary Response
The State should enhance its oversight of third party service organizations. State departments did not effectively apply the Office of Internal Audit Services' guidance (Finding #1).	X		Agree
Various State agencies 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 (Finding #2).		X	Agree
The Department of Treasury and the Office of Financial Management (OFM) should continue to enhance internal control to prevent, or detect and correct, misstatements and help ensure the accuracy of tax accruals (Finding #3).		X	Agree
Various State agencies should improve the Michigan Cashiering and Receivable System (MiCARS) internal control to help ensure the completeness and accuracy of the SOMCAFR. State agencies interfaced \$1.3 billion in revenue between MiCARS and SIGMA in fiscal year 2019 (Finding #4).		X	Agree

Findings Related to Internal Control, Compliance, and Other Matters (Continued)	Material Weakness	Significant Deficiency	Agency Preliminary Response
The Michigan Department of Transportation (MDOT) and the Michigan Department of State Police did not establish and implement complete interface controls over SIGMA to ensure that all data exchanged between SIGMA and other State information systems was processed completely, accurately, and timely (<u>Finding #5</u>).		X	Agree
Various State agencies and OFM did not have sufficient internal control to help ensure the accuracy of the accounting information recorded in the SOMCAFR (<u>Finding #6</u>).		X	Partially agree
Various State agencies and OFM did not have sufficient internal control in place to help ensure the existence and accuracy of the State's capital assets recorded in the SOMCAFR (<u>Finding #7</u>).		X	Agree
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 #8</u>).		X	Agree
The Michigan Department of Health and Human Services should enhance internal control to prevent, or detect and correct, misstatements and help ensure the accuracy of Medicaid accruals (<u>Finding #9</u>).		X	Agree

Obtain Audit Reports

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