



# OAG

Office of the Auditor General

## Report Summary

### *Report on Internal Control, Compliance, and Other Matters*

### *State of Michigan Comprehensive Annual Financial Report (Annual Report)*

### *State Budget Office*

### *Fiscal Year Ended September 30, 2020*

**Report Number:**  
**071-0010-21**

**Released:**  
**May 2021**

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 *Annual Report* dated March 19, 2021.

<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 Office of Financial Management (OFM) and the Michigan Department of Health and Human Services should update their year-end closing procedures to ensure that they are current and reflective of generally accepted accounting principles and State policy ( <u>Finding #1</u> ).		X	Agree
Various State agencies and OFM did not have sufficient internal control in place to monitor the existence and accuracy of the State's capital assets recorded in the <i>Annual Report</i> ( <u>Finding #2</u> ).		X	Agree
Various State agencies did not sufficiently limit access to confidential information in the Statewide Integrated Governmental Management Applications (SIGMA) to only appropriate users ( <u>Finding #3</u> ).		X	Agree
The Department of Treasury should continue to enhance internal control to prevent, or detect and correct, misstatements and help ensure the accuracy of tax accruals ( <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>
Various State agencies should improve the Michigan Cashiering and Receivable System (MiCARS) internal control to help ensure the completeness and accuracy of the <i>Annual Report</i> . State agencies interfaced \$1.3 billion in transactions between MiCARS and SIGMA in fiscal year 2020 ( <u>Finding #5</u> ).		X	Agree
Various State agencies did not have sufficient internal control to help ensure the accuracy of all accounting information recorded in the <i>Annual Report</i> ( <u>Finding #6</u> ).		X	Agree
The State should continue to enhance its oversight of third party service organizations. State departments did not effectively apply the Office of Internal Audit Services' guidance ( <u>Finding #7</u> ).		X	Agree

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