



# OAG

Office of the Auditor General

## Report Summary

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

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

### *State Budget Office*

### *Fiscal Year Ended September 30, 2022*

**Report Number:**  
**071-0010-23**

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**May 2023**

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 SOMACFR dated March 29, 2023.

<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 Department of Treasury (Treasury) should complete a comprehensive analysis and evaluation of business tax overpayments carried forward by taxpayers to ensure proper recording of tax revenues, year-end liabilities, and/or deferred inflows of resources. Total credit forward balances exceeded \$1.0 billion at September 30, 2022 ( <a href="#">Finding 1</a> ).	X		Agree
The Statewide Integrated Governmental Management Applications (SIGMA) Operations and Support, within the State Budget Office (SBO), should continue to improve internal control over the State's vendor file to help reduce the risk of fraudulent payments ( <a href="#">Finding 2</a> ).		X	Agree
Treasury should continue to enhance internal control to help prevent, or detect and correct, misstatements and help ensure the reasonableness and accuracy of tax accruals ( <a href="#">Finding 3</a> ).		X	Agree
Various State agencies did not have sufficient internal control to help ensure the accuracy of all accounting information recorded in the SOMACFR ( <a href="#">Finding 4</a> ).		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>
Treasury did not sufficiently limit access to confidential information in SIGMA to only appropriate users ( <u>Finding 5</u> ).		X	Agree
Treasury should improve user access controls over four of its information systems to help prevent and detect inappropriate access and protect confidential information from unauthorized use, disclosure, modification, or destruction ( <u>Finding 6</u> ).		X	Agree
Various State agencies should continue to improve the Michigan Cashiering and Receivable System (MiCARS) internal control to help ensure the completeness and accuracy of the <i>SOMACFR</i> . State agencies interfaced \$1.3 billion in transactions between MiCARS and SIGMA in fiscal year 2022 ( <u>Finding 7</u> ).		X	Agree
Various State agencies and the Office of Financial Management did not have sufficient internal control in place to monitor the existence and accuracy of the State's capital assets recorded in the <i>SOMACFR</i> ( <u>Finding 8</u> ).		X	Agree
Various State agencies should continue to enhance their oversight of third party service organizations and SBO should continue to improve its guidance of reviews performed by agencies to help ensure the accuracy and integrity of all accounting information recorded in the <i>SOMACFR</i> ( <u>Finding 9</u> ).		X	Agree

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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