

Office of the Auditor General
Performance Audit Report

**Selected Michigan Department of Education
IT Systems**

Michigan Department of Education
Department of Technology, Management, and Budget

January 2025

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



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Report Summary

Performance Audit

Selected Michigan Department of Education (MDE) IT Systems

MDE and Department of Technology, Management, and Budget (DTMB)

Report Number:
313-0590-24

Released:
January 2025

MDE primarily uses 28 IT systems to perform its responsibilities. Our scope included the review of four systems: State Aid Management System (SAMS), State Aid Status Reports Website, Library State Aid Management System (LSAMS), and Taxable Value System (TVS). MDE uses these systems to collect, administer, and report school and library State aid payment information. MDE has the primary responsibility for establishing, maintaining, and monitoring internal control over its critical IT applications. DTMB has the primary responsibility for designing, implementing, and executing IT general controls. Between January 1, 2023 and June 30, 2024, the interface between SAMS and the Statewide Integrated Governmental Management Applications (SIGMA) processed \$26.7 billion in State aid to various public school districts. Between March 20, 2023 and May 2, 2024, the interface between LSAMS and SIGMA processed \$15.0 million in State aid to libraries.

Audit Objective			Conclusion
Objective 1: To assess the sufficiency of MDE's and DTMB's user access controls over selected education systems.			Sufficient, with exceptions, for MDE Sufficient for DTMB
Findings Related to This Audit Objective	Material Condition	Reportable Condition	Agency Preliminary Response
MDE did not timely disable access for 17% of LSAMS users with inactivity greater than 60 days. MDE's monitoring of user access excluded all 137 TVS users (Finding 1).		X	Agrees

Audit Objective			Conclusion
Objective 2: To assess the sufficiency of MDE's efforts to ensure the accuracy of State aid payments in accordance with selected State laws.			Sufficient
Findings Related to This Audit Objective	Material Condition	Reportable Condition	Agency Preliminary Response
None reported.		Not applicable.	

Audit Objective			Conclusion
Objective 3: To assess the effectiveness of MDE's efforts to ensure the integrity of selected education system data.			Effective
Findings Related to This Audit Objective	Material Condition	Reportable Condition	Agency Preliminary Response
None reported.	Not applicable.		

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January 7, 2025

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Dr. Rice, Director Lange, and Chief Information Officer Clark:

This is our performance audit report on the Selected Michigan Department of Education (MDE) IT Systems, MDE and Department of Technology, Management, and Budget.

We organize our findings and observations by audit objective. MDE provided the preliminary response to the recommendation 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

ACCESS CONTROLS

BACKGROUND

Access controls* limit or detect inappropriate access to computer resources, thereby protecting the resources from unauthorized modification, loss, and disclosure. For access controls to be effective, they should be properly authorized, implemented, and maintained.

The Michigan Department of Education (MDE) primarily uses 28 IT systems to manage school funding and resources. We conducted an assessment to identify which systems are used specifically to calculate and distribute State aid to schools and libraries. We selected the following to review:

- State Aid Management System* (SAMS)
- State Aid Status Reports Website*
- Library State Aid Management System* (LSAMS)
- Taxable Value System* (TVS)

According to the State of Michigan Financial Management Guide (Part VII, Chapter 1, Section 900), MDE has the primary responsibility for establishing, maintaining, and monitoring internal control* over its critical IT applications.

State of Michigan Administrative Guide to State Government policy 1340.00 indicates the Department of Technology, Management, and Budget (DTMB) is responsible for ensuring agency-required security controls and safeguards are implemented and monitored for compliance. Also, DTMB is responsible for ensuring compliance with established IT security policies, standards, and procedures.

AUDIT OBJECTIVE

To assess the sufficiency of MDE's and DTMB's user access controls over selected education systems.

CONCLUSION

Sufficient, with exceptions, for MDE.

Sufficient for DTMB.

FACTORS IMPACTING CONCLUSION

- MDE materially established and implemented procedures related to user account authorization in SAMS, LSAMS, and TVS for our sample of users reviewed, in accordance with State policies and standards.

* See glossary at end of report for definition.

- MDE established and implemented procedures related to quarterly, semiannual, and annual recertifications of SAMS and semiannual and annual recertifications of LSAMS users, in accordance with State policies and standards.
- MDE appropriately disabled inactive users in accordance with specified periods in SAMS.
- DTMB appropriately restricted access to production data.
- One reportable condition* related to fully establishing and implementing user access controls over LSAMS and TVS (Finding 1).

* See glossary at end of report for definition.

FINDING 1

Improvements needed to LSAMS and TVS access controls.

MDE did not fully establish and implement access controls over the LSAMS and TVS, which could lead to unauthorized access, disclosure, or modification of MDE data.

State of Michigan (SOM) Technical Standard 1340.00.020.01 requires State agencies to conduct semiannual and annual certifications for privileged and non-privileged accounts, respectively, and to verify accounts are still required and compliant with the account settings and access permissions. Also, the Standard requires the information systems automatically disable user accounts after 60 days of inactivity.

Our review of LSAMS and TVS disclosed MDE did not:

- a. Automatically disable inactive user accounts after 60 days. Specifically:

- (1) MDE did not capture the last log-in date for all 137 active TVS users. We were unable to determine if users were deactivated timely or if users were past 60 days of inactivity.

After bringing this matter to management's attention, MDE established the functionality to capture the last log-in date.

- (2) MDE did not timely disable 2 (17%) of 12 LSAMS inactive user accounts. The 2 read-only user accounts were 93 and 134 days, respectively, past the inactivity period.

MDE informed us the LSAMS inactivity period deviated from SOM technical standards; however, a formal Technical Review Board exception* was not obtained as MDE focused its efforts to obtain approvals for systems which contained external users. LSAMS is used only by SOM employees.

- b. Perform annual or semiannual recertifications for the 137 TVS user accounts.

After bringing this matter to management's attention, MDE implemented an annual acknowledgment to be completed for the 11 internal and 126 external TVS users. MDE obtained acknowledgment from internal management and all 83 external counties as of September 17, 2024.

RECOMMENDATION

We recommend MDE fully establish and implement access controls over LSAMS and TVS.

* See glossary at end of report for definition.

**AGENCY
PRELIMINARY
RESPONSE**

MDE provided us with the following response:

MDE agrees with the finding.

MDE agrees with the recommendation to capture the Last Login Date and a formal annual recertification of TVS user accounts. As noted by the OAG in the finding, the recommended changes are already in place. Additionally, the security access request form that is required of counties' new users captured former designees that needed to be deactivated keeping the user list current.

As noted in the finding for LSAMS, the two users that were not deactivated were read-only users. Both users continued to need access and therefore were not deactivated. MDE has a documented business need to allow user to remain enabled until 365 days of inactivity has been reached. MDE will obtain a formal Technical Review Board (TRB) exception for deviating from SOM standards for LSAMS and enforce the policy accordingly.

ACCURACY OF STATE AID PAYMENTS

BACKGROUND

The State Aid and School Finance Unit and the Library of Michigan within MDE are responsible for administering State aid funding to public school districts* and public libraries, respectively.

The State School Aid Act of 1979 was created to provide State aid to public schools, intermediate school districts*, public school academies*, community colleges, and public universities of the State. The State Aid and School Finance Unit is responsible for disbursing current year allowances* to public school districts via SAMS. Between January 1, 2023 and June 30, 2024, the State Aid and School Finance Unit processed 174 current year allowances to public school districts totaling \$26.7 billion.

The State Aid to Public Libraries Act of 1977 was created to provide State aid for public libraries participating in cooperative libraries*. The Library of Michigan is responsible for disbursing State aid to libraries via LSAMS. Between March 20, 2023 and May 2, 2024, the Library of Michigan processed payments totaling \$15.0 million to 391 libraries.

AUDIT OBJECTIVE

To assess the sufficiency of MDE's efforts to ensure the accuracy of State aid payments in accordance with selected State laws.

CONCLUSION

Sufficient.

FACTORS IMPACTING CONCLUSION

- MDE accurately calculated State aid payments for the sampled public school districts in SAMS and public libraries in LSAMS.
- MDE accurately assessed the eligibility for the sampled public school districts and public libraries which received State aid payments.
- MDE established and implemented segregation of duties* in SAMS and LSAMS in accordance with internal policies and procedures.
- MDE and DTMB established and implemented change management procedures and approvals for SAMS in accordance with SOM technical standards.

* See glossary at end of report for definition.

INTEGRITY OF SELECTED EDUCATION SYSTEM DATA

BACKGROUND

Input and output controls are control techniques used to check for accuracy, completeness, validity, and the authenticity of information. SAMS inputs include the Center for Educational Performance and Information (CEPI) pupil counts, taxable value data from TVS, and MDE program office current year allowances and adjustments. LSAMS inputs include local operating income, library personnel data, and taxable value data from the Department of Treasury. SAMS and LSAMS inputs are used in the determination of State aid payment eligibility and calculations made to public school districts and libraries. SAMS and LSAMS outputs are published in Financial Status Reports* (FSRs), which detail the State aid payments made to each eligible public school district and library.

SAMS, LSAMS, and TVS contain validation rule types (e.g., character set, length, numerical range, and acceptable values) to determine whether information may be entered into the systems. Validation rules use programming logic to determine whether data entered aligns with the validation rule. If data does not align with the validation rule, the data cannot be entered into the systems.

AUDIT OBJECTIVE

To assess the effectiveness* of MDE's efforts to ensure the integrity* of selected education system data.

CONCLUSION

Effective.

FACTORS IMPACTING CONCLUSION

- MDE implemented effective validation rules ensuring selected education system data manually entered and interfaced into SAMS, LSAMS, and TVS is accurate.
- We did not identify any instances of incomplete or inaccurate inbound data in SAMS and LSAMS from selected inputs or select external databases.
- MDE implemented effective output controls, helping to ensure selected education system data reported to the public was accurate.
- We did not identify any instances of inaccurate data from SAMS and LSAMS reported in FSRs.

* See glossary at end of report for definition.

AGENCY AND SYSTEM DESCRIPTION

MDE was established under the Executive Organization Act of 1965 (Public Act 380 of 1965) and is headed by the elected eight-member State Board of Education established by the Michigan Constitution. The principal executive officer is the Superintendent of Public Instruction, who is appointed by the Board. Article VIII, Section 3 of the Michigan Constitution vests in the State Board of Education the leadership and general supervision over all public education.

The MDE Division of Business, Health, and Library Services includes the Office of Financial Management and the Library of Michigan, each separately responsible for distributing State funds to public school districts and public libraries across the State.

MDE primarily uses 28 IT systems to administer State and federal aid, assist public school districts, implement education programs, and report education-related information. Our scope included the following four systems:

- SAMS is used for administering legislatively mandated State Aid School funding by the State School Aid Act. As of May 8, 2024, SAMS had 93 active user accounts.
- State Aid Status Reports Website is used as a publishing tool to provide public access to view FSRs of payments distributed to public school districts and public libraries from SAMS and LSAMS, respectively.
- LSAMS is used for determining State aid eligibility and disbursement of State aid to public libraries. As of May 8, 2024, LSAMS had 12 active user accounts.
- TVS is used to collect taxable value information from county treasurers for use in the calculation of K-12 State school aid payments calculated in SAMS. As of June 7, 2024, TVS had 137 active user accounts.

AUDIT SCOPE, METHODOLOGY, AND OTHER INFORMATION

AUDIT SCOPE

To examine the records and processes related to State aid payments, access controls, interface controls, and input and output controls. 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.

Our audit did not include assessing non-state aid payments processed through SAMS and LSAMS or DTMB's operating system and network controls of the selected systems. Therefore, we provide no conclusions related to these items.

As part of the audit, we considered the five components of internal control (control environment, risk assessment, control activities, information and communication, and monitoring activities) relative to the audit objectives and determined all components were significant.

PERIOD

Our audit procedures, which included a preliminary survey, audit fieldwork, report preparation, analysis of agency responses, and quality assurance, generally covered January 1, 2023 through June 30, 2024.

METHODOLOGY

We conducted a preliminary survey to gain an understanding of MDE's and DTMB's processes and internal control to establish our audit objectives, scope, and methodology. During our preliminary survey, we:

- Interviewed MDE and DTMB management to obtain an understanding of the IT systems used to administer State aid to public school districts and public libraries.
- Examined fiscal years 2023 and 2024 appropriation bills and obtained an understanding of applicable State laws.
- Reviewed MDE and SOM policies and procedures related to selected education system security.
- Interviewed MDE personnel responsible for processing State aid payments to public school districts and public libraries.
- Interviewed MDE and DTMB staff to obtain an understanding of processes related to user access.

* See glossary at end of report for definition.

- Performed a comparison of the Statewide Integrated Governmental Management Applications* (SIGMA) expenditures for fiscal year 2024 with State aid payment reports made available to the public.
- Obtained an understanding of MDE's and DTMB's key processes and internal control significant to the potential audit objectives.

OBJECTIVE 1

To assess the sufficiency of MDE's and DTMB's user access controls over selected education systems.

To accomplish this objective, we:

- Selected users with active accounts for each system to better understand, evaluate, and form conclusions on the design and implementation of MDE's internal control procedures against SOM policy and industry best practices for granting and removing access. Specifically, we:
 - Identified 23 of 93 SAMS user accounts active as of May 8, 2024, created within the audit period, and randomly selected 5 of 23 user accounts.
 - Identified 2 of 12 LSAMS user accounts active as of May 8, 2024, created within the audit period, and judgmentally selected both user accounts.
 - Judgmentally and randomly selected 19 of 137 TVS user accounts active as of June 7, 2024, which included SOM and non-SOM user accounts.
- Reviewed last log-in dates for all accounts in SAMS and LSAMS to verify user accounts were being disabled in accordance with SOM technical standards.
- Reviewed quarterly, semiannual, and annual recertifications of all SAMS user accounts and semiannual and annual recertifications of all LSAMS and TVS user accounts.
- Identified SAMS, LSAMS, and TVS internal users and tested for all active accounts assigned to users no longer employed by the State.

* See glossary at end of report for definition.

- Reviewed MDE policies to obtain an understanding of its segregation of duties and reviewed roles defined as incompatible to determine no individual user was assigned incompatible roles in SAMS, LSAMS, and TVS.
- Reviewed the appropriateness of user access as of August 20, 2024 to SAMS, LSAMS, and TVS databases.

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

OBJECTIVE 2

To assess the sufficiency of MDE's efforts to ensure the accuracy of State aid payments in accordance with selected State laws.

To accomplish this objective, we:

- Randomly and judgmentally sampled 17 of 174 unique current year allowances processed for payment within SAMS in fiscal years 2023 and 2024 to validate payments were calculated in compliance with State laws. Specifically, we identified public school districts which received these payments and randomly subsampled 43 public school districts to verify they were eligible for State aid funding.
- Randomly and judgmentally sampled 2 of 18 months of payment approval transactions in SAMS between January 2023 and June 2024 to ensure no payment was submitted, approved, and certified by the same individual.
- Randomly and judgmentally sampled 5 of 53 change request tickets, related to payment calculations closed in SAMS from January 1, 2023 through June 30, 2024, to verify compliance with the State's change management policies and procedures.
- Randomly and judgmentally sampled 26 of 391 public libraries which received State aid funding between March 20, 2023 and May 2, 2024 to verify:
 - MDE calculated payments in compliance with State laws.
 - Public libraries were eligible for State aid funding.

- Reviewed all 2,321 LSAMS payment submissions during our audit period to ensure no payment was submitted and approved by the same individual.

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

OBJECTIVE 3

To assess the effectiveness of MDE's efforts to ensure the integrity of selected education system data.

To accomplish this objective, we:

- Identified SAMS interfaces and manual inputs involved in the process to calculate and distribute State aid to public school districts.
- Judgmentally selected 3 of 8 SAMS manual inputs to verify inbound data from CEPI, TVS, and MDE program offices was complete and accurate in SAMS from January 1, 2023 through June 30, 2024. Specifically, we:
 - Randomly sampled 25 of 892 public school districts which received State aid payments as of calendar year 2023 to determine CEPI pupil count data was complete and accurate in SAMS.
 - Randomly sampled 25 of 580 public schools which received State aid payments as of calendar year 2023 to determine TVS data was complete and accurate in SAMS.
 - Randomly and judgmentally sampled 17 of 174 unique current year allowances processed for payment within SAMS in fiscal years 2023 and 2024. We identified 10 of the 17 current year allowances were manually input into SAMS and judgmentally reviewed all 10 current year allowances to determine MDE program office data was complete and accurate in SAMS.
- Identified LSAMS interfaces and manual inputs involved in the process to calculate and distribute State aid to public libraries.
- Judgmentally selected 2 of 4 LSAMS manual inputs to verify inbound data from public libraries and

Treasury was complete and accurate in LSAMS from January 1, 2023 through June 30, 2024. Specifically, we:

- Randomly sampled 5 of 26 library directors who were hired between January 1, 2023 and June 30, 2024 to determine personnel data from public libraries was complete and accurate in LSAMS.
- Randomly sampled 25 of 391 libraries which received State aid payments from March 20, 2023 through May 2, 2024 to determine taxable value data from Treasury was complete and accurate in LSAMS.
- Judgmentally sampled 126 of 1,171 data fields within SAMS as of June 26, 2024 to verify edit checks were operating as intended.
- Judgmentally sampled 66 of 429 data fields within LSAMS as of June 20, 2024 to verify edit checks were operating as intended.
- Judgmentally sampled 40 of 71 data fields within TVS as of June 26, 2024 to verify edit checks were operating as intended.
- Randomly sampled 25 of 892 public schools and intermediate school districts which received State aid payments as of calendar year 2023 and judgmentally sampled 3 months between January 2023 and June 2024 to determine whether outbound data from SAMS was complete and accurate within the FSRs reported to the public. We reviewed the same 3 months of data for each of the 25 schools.
- Randomly sampled 25 of 391 libraries which received State aid payments from March 20, 2023 through May 2, 2024 to determine whether outbound data from LSAMS was complete and accurate within the FSRs reported to the public.

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

CONCLUSIONS

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

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

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 1 finding and 1 corresponding recommendation. MDE's preliminary response indicates it agrees with the recommendation.

The agency preliminary response following the 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.

GLOSSARY OF ABBREVIATIONS AND TERMS

access controls	Controls protecting data from unauthorized modification, loss, or disclosure by restricting access and detecting inappropriate access attempts.
CEPI	Center for Educational Performance and Information.
cooperative library	A library or service center designated by a cooperative board to execute services established by a cooperative plan and provided to libraries participating in a cooperative.
current year allowance	State school aid payment categories, as defined by the applicable Omnibus State School Aid Act for the current State fiscal year, including two broad types: (1) foundation allowance payment, which is the minimum amount of money per student that the State Legislature guarantees will be received and (2) categorical grants, which are not guaranteed and may be paid based on various eligibility factors.
DTMB	Department of Technology, Management, and Budget.
effectiveness	Success in achieving mission and goals.
Financial Status Report (FSR)	A report published in the State Aid Status Reports Website, which includes the current year allowances received by the applicable public school, intermediate school district, or public library.
integrity	Accuracy, completeness, and timeliness of data in an information system.
intermediate school district	A district providing various administrative services and cooperative, coordinated educational services among many school districts in the name of economy and efficiency.
internal control	The plan, policies, methods, and procedures adopted by management to meet its mission, strategic plan, 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.
Library State Aid Management System (LSAMS)	A software application used for determining State aid eligibility and disbursement of State aid to public libraries.
material condition	A matter, in the auditor's judgment, which 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.
performance audit	An audit which 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.
public school academy	A State-supported public school without geographical boundaries, also referred to as a charter school. A public school academy may include any grade up to grade 12, including kindergarten and early childhood education, or any configuration of those grades as specified in its contract.
public school district	Consists of at least one of three types of publicly funded school districts: (1) local educational agencies, commonly referred to as public schools, (2) public school academies, and (3) intermediate school districts.
reportable condition	A matter, in the auditor's judgment, less severe than a material condition and falls within any of the following categories: a deficiency in internal control; noncompliance with provisions of laws, regulations, contracts, or grant agreements; opportunities to improve programs and operations; or fraud.
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 their duties. Proper segregation of duties requires separating the duties of reporting, review and approval of reconciliations, and approval and control of documents.
SOM	State of Michigan.

State Aid Management System (SAMS)	A software application used for administering State aid school funding legislatively mandated in the State School Aid Act.
State Aid Status Reports Website	A software application used to provide public access to view reports of payments distributed from SAMS and LSAMS.
Statewide Integrated Governmental Management Applications (SIGMA)	The State's enterprise resource planning business process and software implementation suite supporting budgeting, accounting, purchasing, human resource management, and other financial management activities.
Taxable Value System (TVS)	A software application used to collect taxable value information from county treasurers for use in the calculation of K-12 State school aid payments.
Technical Review Board exception	Formal exception requests granted to State agencies in accordance with SOM Technical Standard 1305.00.02 to deviate from SOM technical standards when it is necessary to achieve business objectives.



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