Department of Licensing and Regulatory Affairs
Department of Technology, Management, and Budget
Michigan Liquor Control Commission
Selected Operational Processes and IT Systems
Report Number 641-0162-22
Office of the Auditor General
April 15, 2025
Department Final Corrective Action Plan

Summary Response Matrix

	Complied	Will Comply	Partially Complied	Will Not Comply
Agrees		1-7		
Partially Agrees				
Disagrees				

Final Corrective Action Plan (CAP)

Finding Number: 1
Material/Reportable: Material
Finding Title: MLCC lacks oversight of ADA processes to receive and distribute State-owned spirit inventory.
Related IT system, if applicable: Michigan Liquor Ordering System (MILO)

OAG Recommendation
We recommend MLCC provide adequate oversight of ADAs to ensure all State-owned spirits received and distributed by ADAs are reflected within the State's purchase and sales records and State inventory balances accurately reflect spirit products on hand at ADA warehouses.

Department Response
MLCC agrees with this recommendation and is working to implement the corrective actions detailed below.

Milestone 1: Launch the Sales, Inventory and Purchasing System (SIPS+)
Key process enhancements following the implementation of SIPS+ will include:
- All orders will require an order number.
- Every order will require an invoice that includes the matching order number.

- All orders will have MILO order records, including salesmen's orders, phone orders taken by the ADA, adjustments to existing orders phoned in to the ADA and Electronic Data Interface (EDI) orders from large chain stores.
- Ability to correlate liquor orders to sales, which will allow MLCC to independently verify liquor orders and invoiced amounts to observe variances and excessive inventory balances.
- Ability to generate on-demand product purchase orders, preventing negative inventory.

Anticipated Compliance Date: October 30, 2025
Responsible Individual: Pam Hamilton, Finance Director

Milestone 2: Review and revise administrative orders and bulletins based on SIPS+ requirements
Task(s):
- Collect and separate bulletins and administrative orders.
- Revise the documents to include SIPS+ requirements.
- Route the revised documents to Finance staff, managers, the business manager, and the Commission for review and approval.
- Communicate the revised documents to staff.
- Publish the documents to MLCC's website.

Anticipated Compliance Date: January 31, 2026
Responsible Individual: Pam Hamilton, Finance Director

Milestone 3: Organize and consolidate existing administrative orders, bulletins, and memorandums
Task(s):
- Organize existing administrative orders, bulletins, and memorandums by subject matter and date.
- Consolidate documents as appropriate.
- Route the revised documents to Finance staff, managers, the business manager, and the Commission for review and approval.
- Communicate the revised documents to staff.

Anticipated Compliance Date: January 31, 2026
Responsible Individual: Pam Hamilton, Finance Director

Milestone 4: Revise the ADA Handbook based on SIPS+ requirements
Task(s):
- Draft new administrative orders, consolidating by subject matter.
- Revise the handbook/instructions to include SIPS+ requirements.
- Route the revised handbook/instructions to Finance staff, managers, the business manager, and the Commission for review and approval.
- Publish the ADA handbook to MLCC's website.

Anticipated Compliance Date: January 31, 2026

Responsible Individual: Pam Hamilton, Finance Director

Milestone 5: Coordinate the release of the revised ADA Handbook after the launch of SIPS+
Task(s):
- Coordinate/work with Accenture, MLCC and DTMB staff regarding timing of SIPS+ handbook.
- Coordinate training of ADA staff to review the handbook.
- Distribute revised handbook and post on MLCC website.

Anticipated Compliance Date: January 31, 2026
Responsible Individual: Pam Hamilton, Finance Director

Milestone 6: Obtain an additional Full Time Employee position with auditing responsibilities
Task(s):
- An Executive Budget Recommendation was approved for fiscal year 2024.
- Obtain approval from Civil Service to fill the position.
- Work with Human Resources to create the position description.
- Post the position to the Civil Service jobs site.

Anticipated Compliance Date: January 31, 2026
Responsible Individual: Pam Hamilton, Finance Director

Milestone 7: Improve the oversight and management of complaints
Task(s):
- MLCC leadership holds regular touchpoint meetings to discuss the issues identified in this finding and the status of any complaints received regarding the ADAs.
- MLCC will work with LARA's IT Services Division and DTMB to identify potential enhancements to existing systems or other software programs that may be available to better manage and escalate valid ADA complaints.

Anticipated Compliance Date: January 31, 2026
Responsible Individual: Erika Hoppes, State Administrative Manager

Finding Number: 2
Material/Reportable: Material
Finding Title: Improvements needed to spirit inventory controls.
Related IT system, if applicable: Mainframe

OAG Recommendation
We recommend that MLCC develop and implement sufficient controls to monitor and manage spirit inventory.

Department Response

MLCC agrees with this recommendation and is working to implement the corrective actions detailed below.

Milestone 1: Launch the Sales, Inventory and Purchasing System (SIPS+)

Key process enhancements following the implementation of SIPS+ will include:

- All orders will require an order number.
- Every order will require an invoice that includes the matching order number.
- All orders will have MILO order records, including salesmen's orders, phone orders taken by the ADA, adjustments to existing orders phoned in to the ADA and Electronic Data Interface (EDI) orders from large chain stores.
- Ability to correlate liquor orders to sales, which will allow MLCC to independently verify liquor orders and invoiced amounts to observe variances and excessive inventory balances.
- Ability to generate on-demand product purchase orders, preventing negative inventory.

Anticipated Compliance Date: October 30, 2025

Responsible Individual: Pam Hamilton, Finance Director

Milestone 2: Obtain an additional Full Time Employee position with auditing responsibilities

Task(s):

- An Executive Budget Recommendation was approved for fiscal year 2024.
- Obtain approval from Civil Service to fill the position.
- Work with Human Resources to create the position description.
- Post the position to the Civil Service jobs site.

Anticipated Compliance Date: January 31, 2026

Responsible Individual: Pam Hamilton, Finance Director

Finding Number: 3
Material/Reportable: Material
Finding Title: Missing spirit inventory at ADAs.
Related IT system, if applicable:

OAG Recommendation

We recommend that MLCC effectively manage State-owned spirit inventory housed at ADA warehouses.

Department Response

MLCC agrees with this recommendation.

Milestone 1: Perform physical inventory counts quarterly

Task(s):

- Choose codes based on specific criteria.
- Inform ADAs that an inventory count will be performed and request all zero inventory codes in the warehouses.
- Compare the State inventory balance for the day of the actual count.
- Receive confirmation from the ADAs daily that the inventory balances per code are correct.
- Finance Director monitors to ensure the counts take place and to determine how much we return to the vendor.

Compliance Date: August 17, 2022

Responsible Individual: Pam Hamilton, Finance Director

Milestone 2: Launch the Sales, Inventory and Purchasing System (SIPS+)

Key process enhancements following the implementation of SIPS+ will include:

- All orders will require an order number.
- Every order will require an invoice that includes the matching order number.
- All orders will have MILO order records, including salesmen's orders, phone orders taken by the ADA, adjustments to existing orders phoned in to the ADA and Electronic Data Interface (EDI) orders from large chain stores.
- Ability to correlate liquor orders to sales, which will allow MLCC to independently verify liquor orders and invoiced amounts to observe variances and excessive inventory balances.
- Ability to generate on-demand product purchase orders, preventing negative inventory.

Anticipated Compliance Date: October 30, 2025

Responsible Individual: Pam Hamilton, Finance Director

Milestone 3: Obtain an additional Full Time Employee position with auditing responsibilities

Task(s):

- An Executive Budget Recommendation was approved for fiscal year 2024.
- Obtain approval from Civil Service to fill the position.
- Work with Human Resources to create the position description.
- Post the position to the Civil Service jobs site.

Anticipated Compliance Date: January 31, 2026

Responsible Individual: Pam Hamilton, Finance Director

Finding Number: 4
Material/Reportable: Reportable
Finding Title: Unsellable spirit inventory at ADAs.
Related IT system, if applicable:

OAG Recommendation
We recommend MLCC monitor State-owned spirit inventory balances to ensure unsellable inventory is returned to the vendor at the end of the distribution contract.

Department Response
MLCC agrees with this recommendation and has corrected the unsellable inventory balances. MLCC continues to explore improvements to processes in addition to the corrective action taken below.

> **Milestone 1: Improved internal controls over unsellable spirit inventory at ADAs**
> Task(s):
> - Data Management staff now send a report of products changing ADAs and products associated with State inventory to accounts payable. Accounts payable staff systematically reduce current/future spirit vendor payments by the value of returned inventory until all money is credited to the State.
> - Data Management supervisor who oversees and maintains the documentation monitors the process.
> Compliance Date: October 1, 2022
> Responsible Individual: Alan Cole, State Administrative Manager

Finding Number: 5
Material/Reportable: Reportable
Finding Title: Lack of internal control over liquor license management.
Related IT system, if applicable: Alcohol Information Management System (AIMS)

OAG Recommendation
We recommend MLCC improve controls over the issuance of State liquor licenses to help ensure compliance with laws and minimize the risk of illegal spirit sales.

Department Response
MLCC agrees with this recommendation and is exploring improvements that can be made in addition to the corrective actions taken below.

Milestone 1: Improve internal controls over liquor license management
Task(s):
- A hold type was created in AIMS after the audit period in October 2022 for licensees located in dry LGUs.
- Management will be running an annual report to verify continued compliance by the Club license holders. Anyone that appears to be noncompliant will be referred to MLCC's Enforcement Division so an investigation may be conducted.
- Management will be running annual reports to ensure continued compliance within all 1,776 LGUs, of which 224 are considered dry for spirits in some capacity. In some cases, those LGUs will work with the Commission to lift those restrictions.

Compliance Date: June 23, 2023
Responsible Individual: Erika Hoppes, State Administrative Manager

Finding Number: 6
Material/Reportable: Reportable
Finding Title: Improvements needed to liquor IT system interface controls.
Related IT system, if applicable: Phoenix

OAG Recommendation
We recommend MLCC and DTMB improve controls over the liquor IT system interfaces to ensure audit logs are complete and accurate, audit logs cover a sufficient time period, and reconciliation procedures are consistently performed.

Department Response
MLCC and DTMB agree with the need to ensure interfaces are complete, accurate, and cover a sufficient time period to meet the business needs.

Milestone 1: Improved the process for monitoring failed jobs
Task(s):
- MLCC now receives automatic notifications when any interface fails.
- DTMB and MLCC now retain failed job notifications for 60 days.

Compliance Date: July 16, 2023
Responsible Individual: Erika Hoppes, State Administrative Manager

Milestone 2: Update existing and create new interface documentation
Task(s):
- MLCC and DTMB will create error handling procedures that include processes to detect, report, and correct errors and irregularities.

- DTMB will update the interface documentation and data fields for the DTMB and MLCC job monitoring contacts.
- MLCC will work with DTMB to create additional interface control reports.
- Ensure SIPS+ interface documentation aligns with MLCC business requirements.
- DTMB will update the SharePoint site with additional interface documentation that can be accessed by MLCC.

Anticipated Compliance Date: January 31, 2026
Responsible Individual: Erika Hoppes, State Administrative Manager

Milestone 3: Develop additional documentation for interfaces not migrating to SIPS+
Task(s):
- MLCC will work with DTMB to ensure documentation, audit logs, total transfers, etc. match the reconciliation in the receiving system. DTMB will include relevant updated interface documentation in a location accessible by MLCC.

Anticipated Compliance Date: January 31, 2026
Responsible Individual: Erika Hoppes, State Administrative Manager

Finding Number: 7
Material/Reportable: Reportable
Finding Title: Improvements needed to liquor IT system access and security controls.
Related IT system, if applicable: AIMS, E-Quote, MILO, and Phoenix

OAG Recommendation
We recommend MLCC, in conjunction with DTMB, fully establish and implement access controls over selected liquor IT systems.

Department Response
MLCC and DTMB agree with this recommendation.

Milestone 1: Apply for SOM Executive Technical Review Board (ERTB) Exception for AIMS
Task(s):
- MLCC will work with DTMB to create the ERTB Exception to request an exclusion from the SOM Technical Standard 130.00.020.01 requiring the automatic disabling of inactive user accounts after 60 days.
- DTMB Business Manager will submit the completed ERTB Exception Request via the Governance Risk and Compliance Tool.

- DTMB will communicate the approved exception to applicable MLCC staff.
- MLCC will work with DTMB to research additional solutions to comply with SOM Technical Standards should the exception be denied.

Anticipated Compliance Date: August 30, 2025

Responsible Individual: Jason Croy, Departmental Specialist

Milestone 2: Improve AIMS access controls

Task(s):
- MLCC will expand monthly staffing reports in AIMS for AC-02 compliance and modifications of internal MLCC accounts to include all State users.
- MLCC's IT specialist will review the user access report in AIMS to monitor for any inactive internal accounts that may have been missed. The list will then be shared with DTMB management so they can validate their users.

Compliance Date: July 1, 2024

Responsible Individual: Jason Croy, Departmental Specialist

Milestone 3: Improve Phoenix access controls

Task(s):
- MLCC and DTMB will evaluate the feasibility of modifying Phoenix to capture the last logon dates.

Anticipated Compliance Date: October 30, 2025

Responsible Individual: Jason Croy, Departmental Specialist

Milestone 4: Update the Procedure for Software Access and Role Assignment and revise the access authorization form

Task(s):
- MLCC revised the MLCC Procedure for Software Access and Role Assignment to include the changes outlined in milestones 1-4.
- MLCC will create one user access authorization form covering the four systems that will be used to grant, modify, or remove access. The form will include the various roles and permissions and will be retained for the life of the active account.
- MLCC will notify staff by email of the updated procedure and form.

Compliance Date: November 7, 2023

Responsible Individual: Jason Croy, Departmental Specialist

Milestone 5: Improve MILO access controls

Task(s):
- MLCC will expand monthly staffing reports in MILO for AC-02 compliance to include all State users.

- MLCC will work with DTMB to modify existing roles and permissions to improve existing account access controls.

Anticipated Compliance Date: October 30, 2025

Responsible Individual: Jason Croy, Departmental Specialist