



# OAG

Office of the Auditor General

## Report Summary

### *Performance Audit*

### *IT Contracting*

### *Department of Technology, Management, and Budget (DTMB)*

**Report Number:**  
**171-0510-24**

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DTMB's Central Procurement Services (CPS) sets purchasing policies and procedures for the State and is responsible for managing all aspects of bids to help State agencies achieve their missions and ensure the best value is obtained for Michigan residents. CPS manages IT contracts over \$500,000. When an IT contract is associated with an IT project, Enterprise Portfolio Management Office (EPMO) project managers may be assigned to help ensure business and technical needs are coordinated between the agency, DTMB, and the vendor. Also, EPMO is responsible for assembling a quarterly report to provide key information on enterprise-wide IT projects to the Legislature. As of January 12, 2026, CPS had approximately 276 IT contracts with a total value of \$6.6 billion.

Audit Objective			Conclusion
Objective 1: To assess the sufficiency of DTMB's monitoring of IT contracts.			Not sufficient
Findings Related to This Audit Objective	Material Condition	Reportable Condition	Agency Preliminary Response
Insufficient oversight diminished DTMB's ability to identify and address vendor performance issues in a timely manner ( <a href="#">Finding 1</a> ).	X		Partially agrees
Uncoordinated efforts to monitor the IT contract and its corresponding IT project may impact the effectiveness of managing vendor performance. Consequently, this deficiency may increase project costs and delay IT system completion ( <a href="#">Finding 2</a> ).	X		Partially agrees
We noted 156 (54%) of 287 expected contract monitoring reports were not completed for 20 (83%) of 24 sampled IT contracts. As a result, DTMB could not determine if the contracted vendors were meeting expectations or if issues needed to be addressed ( <a href="#">Finding 3</a> ).		X	Partially agrees
Failure to identify and train program managers who monitor IT contracts increases the risk of undetected vendor performance issues and financial losses to the State ( <a href="#">Finding 4</a> ).		X	Partially agrees

<b>Observations Related to This Audit Objective (Continued)</b>	<b>Material Condition</b>	<b>Reportable Condition</b>	<b>Agency Preliminary Response</b>
IT system development projects could benefit from utilizing independent verification and validation contracts ( <u>Observation 1</u> ).	Not applicable for observations.		
Although this audit focused on IT contracts, the recommendations contained in this audit report related to improving oversight of vendor performance, contract and contract program manager monitoring and training, processes for terminating contracts, and maintaining independence during vendor solicitation can likely be applied more broadly to all DTMB administered contracts ( <u>Observation 2</u> ).			

<b>Audit Objective</b>			<b>Conclusion</b>
Objective 2: To assess the sufficiency of the design of DTMB's controls over the IT contract termination process.			Sufficient, with exceptions
<b>Findings Related to This Audit Objective</b>	<b>Material Condition</b>	<b>Reportable Condition</b>	<b>Agency Preliminary Response</b>
A clear, well-defined contract termination process is needed to manage vendor performance issues and ensure relevant documentation is available when awarding future IT contracts ( <u>Finding 5</u> ).		X	Partially agrees

<b>Audit Objective</b>			<b>Conclusion</b>
Objective 3: To assess the sufficiency of DTMB's compliance with select State laws, regulations, and policies related to IT procurement.			Sufficient, with exceptions
<b>Findings Related to This Audit Objective</b>	<b>Material Condition</b>	<b>Reportable Condition</b>	<b>Agency Preliminary Response</b>
IT project costs may be inaccurate and undervalued because State agencies' employee payroll-related IT costs are not included in DTMB's reports to the Legislature ( <u>Finding 6</u> ).	X		Disagrees
Without reviewing all procurement transactions, DTMB cannot ensure it is monitoring all IT procurements in accordance with the <i>Michigan Compiled Laws</i> ( <u>Finding 7</u> ).		X	Disagrees
<b>Observations Related to This Audit Objective</b>	<b>Material Condition</b>	<b>Reportable Condition</b>	<b>Agency Preliminary Response</b>
The State of Michigan and its taxpayers could benefit from reevaluating policies regarding vendor debarment ( <u>Observation 3</u> ).	Not applicable for observations.		

<b>Audit Objective</b>			<b>Conclusion</b>
Objective 4: To assess the sufficiency of DTMB's controls to ensure the independence of those involved in the IT contracting process.			Sufficient, with exceptions
<b>Findings Related to This Audit Objective</b>	<b>Material Condition</b>	<b>Reportable Condition</b>	<b>Agency Preliminary Response</b>
Conflicts of interest need to be disclosed for all Joint Evaluation Committee members prior to evaluating vendors to ensure an unbiased vendor contract solicitation process ( <b>Finding 8</b> ).		X	Partially agrees

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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