

Office of the Auditor General

Performance Audit Report

State Surplus

Logistics and Operations Support Division, Office of Support Services
Department of Technology, Management, and Budget

October 2026

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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Office of the Auditor General

Report Summary

Performance Audit

State Surplus

*Logistics and Operations Support Division,
Office of Support Services, Department of
Technology, Management, and Budget
(DTMB)*

Report Number:

171-0139-25

Released:

October 2026

Section 18.1267 of the *Michigan Compiled Laws* authorizes the Department of Technology, Management, and Budget (DTMB) to dispose of State surplus personal property. State Surplus manages this surplus except for information technology equipment. Surplus is transferred to other State agencies, donated to nonprofit organizations, recycled, discarded, or sold to the general public. DTMB assists local governments, school districts, community colleges, and State and local law enforcement agencies in the sale of their respective surplus. Also, DTMB has an agreement with the Transportation Security Administration (TSA) to sell voluntarily abandoned property from various airports within the State, and the State retains the revenue generated from these sales.

Audit Objective			Conclusion
Objective 1: To assess the <u>effectiveness</u> of State Surplus' efforts to ensure the accuracy and completeness of revenues from asset sales.			Effective
Findings Related to This Audit Objective	<u>Material Condition</u>	<u>Reportable Condition</u>	Agency Preliminary Response
None reported.	Not applicable.		

Audit Objective			Conclusion
Objective 2: To assess the effectiveness of State Surplus' efforts to ensure surplus assets were properly inventoried, sold, or disposed.			Moderately effective
Findings Related to This Audit Objective	Material Condition	Reportable Condition	Agency Preliminary Response
State Surplus did not document its 2024 annual inventory or its follow-up of 94 assets within the asset management system but not located during its 2023 annual inventory (<u>Finding 1</u>).		X	Agrees

Findings Related to This Audit Objective (Continued)	Material Condition	Reportable Condition	Agency Preliminary Response
Of assets sampled from the asset management system and compared to the items in the warehouse, 50% had inaccurate statuses, quantities, or locations. Also, 27% of assets selected from the warehouse and compared to the system had inaccurate quantities and/or locations (<u>Finding 2</u>).		X	Agrees
State Surplus should improve controls related to its safe, cash drawer, storage areas, and video surveillance system (<u>Finding 3</u>).		X	Disagrees

Audit Objective			Conclusion
Objective 3: To assess the effectiveness of selected <u>security</u> and <u>access controls</u> over State Surplus systems.			Not effective
Findings Related to This Audit Objective	Material Condition	Reportable Condition	Agency Preliminary Response
State Surplus did not remove appropriately or in a timely manner 47% and 100% of the asset management system and online auction site users reviewed, respectively. Also, State Surplus did not configure its systems to disable inactive user accounts appropriately (<u>Finding 4</u>).	X		Agrees

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Auditor General

October 6, 2026

Kyle Guerrant, Acting Director
Department of Technology, Management, and Budget
Elliott-Larsen Building
Lansing, Michigan

Acting Director Guerrant:

This is our performance audit report on State Surplus, Logistics and Operations Support Division, Office of Support Services, Department of Technology, Management, and Budget.

We organize our findings and observations by audit objective. Your agency provided preliminary responses to the recommendations at the end of our fieldwork. The *Michigan Compiled Laws* require an audited agency to develop a plan to comply with the recommendations and to submit it to the State Budget Office (SBO) upon completion. State administrative procedures require the audited agency to develop the plan as early as practicable and within 60 days after report issuance and submit the plan to the Office of Internal Audit Services (OIAS), SBO. Within 30 days of receipt, OIAS will 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

REVENUES FROM ASSET SALES

BACKGROUND

State Surplus generates revenue through three primary methods:

- asset sales through its online auction website [MiBid](#)*.
- funds received from recycling assets.
- asset sales through its public store.

MiBid generates 94% of State Surplus' revenue, where members of the public can bid on and purchase surplus assets available for sale.

State Surplus accepts credit card payments made in person, over the phone, or online, which are processed through the Michigan Department of Treasury's (Treasury's) electronic payment system, [Centralized Electronic Payment and Authorization System](#)* (CEPAS), and entered into the [Statewide Integrated Governmental Management Application](#)* (SIGMA). State Surplus also accepts cash and check payments, which are received throughout a normal business day, placed in a deposit bag, and sent to the Michigan Department of Health and Human Services' (MDHHS') cashiering office the next day for processing.

The Department of Technology, Management, and Budget (DTMB) has a [service level agreement](#)* (SLA) with MDHHS to provide cashiering services, in which MDHHS deposits the payments and enters them into SIGMA, on behalf of DTMB. Once all payments are deposited for the month, DTMB Financial Services performs a reconciliation between SIGMA and State Surplus' asset management system, [Recoup](#)*. DTMB Financial Services also produces financial reports for State Surplus.

AUDIT OBJECTIVE

To assess the [effectiveness](#)* of State Surplus' efforts to ensure the accuracy and completeness of revenues from asset sales.

CONCLUSION

Effective.

FACTORS IMPACTING CONCLUSION

- Payments received from sampled auction and store sales were substantially processed and recorded appropriately.
- All sampled deposit records for payments received between October 1, 2023 and March 31, 2025 were properly accounted for.
- State Surplus' financial reports for the period October 1, 2023 through March 31, 2025 materially reconciled to SIGMA.
- State Surplus accurately recorded MiBid auction information in Recoup for most sample items reviewed.

* See glossary at end of report for definition.

INVENTORIED, SOLD, OR DISPOSED SURPLUS ASSETS

BACKGROUND

State Surplus receives a variety of surplus assets from State agencies such as vehicles, office furniture, electronics, and specialized equipment. State Surplus also receives confiscated property from the Michigan State Police (MSP), Michigan Department of Natural Resources (DNR), and abandoned property from the Transportation Security Administration (TSA).

Once an agency determines it no longer wants or needs an asset, it will submit a transfer request in Recoup. State Surplus will review the transfer, and if the assets are determined to have value, it will approve the transfer and receive the assets. Once received, State Surplus will place the assets in its warehouse, affix a barcode label to them, and turn the status to active in Recoup, indicating they are available for sale or reutilization. Depending on the type, size, or value of an asset, they will be placed in a safe, gated and locked area of the warehouse, or an open area of the warehouse. State Surplus also has a video surveillance system on its property.

For most assets received, State Surplus will attempt to sell them on MiBid. If they don't sell on MiBid, State Surplus will make them available for sale in its quarterly stores (on-site sales to the public). If the asset is unable to be sold or reutilized, it will be trashed or recycled appropriately. Once sold, reutilized, trashed, or recycled, State Surplus updates the status of the asset to inactive in Recoup.

Using a report generated from Recoup showing all active assets, State Surplus completes periodic physical inventories by going through the warehouse and scanning the barcode of every asset available for sale or reutilization. If an asset is not scanned, State Surplus will investigate why the asset is reflected in the system but not located and scanned during the inventory.

AUDIT OBJECTIVE

To assess the effectiveness of State Surplus' efforts to ensure surplus assets were properly inventoried, sold, or disposed.

CONCLUSION

Moderately effective.

FACTORS IMPACTING CONCLUSION

- DTMB appropriately completed 96% of reviewed asset sales, reutilizations, or disposals.
- All sampled assets transferred to State Surplus from October 1, 2023 through March 31, 2025 were received properly.
- Access to the State Surplus building was mostly appropriate for the individuals reviewed.

- Three [reportable conditions](#)* related to State Surplus' inventory processes (Finding 1), recordkeeping of assets (Finding 2), and physical controls over assets (Finding 3).

* See glossary at end of report for definition.

FINDING 1

Inventory processes need improvement.

State Surplus should improve its inventory processes to help ensure assets are appropriately accounted for and safeguarded from risk of loss or theft. We noted these deficiencies contributed to the inventory discrepancies noted within Finding 2.

Section 18.1485(2)(c) of the *Michigan Compiled Laws (MCL)* requires each department establish an internal control* system of authorization and recordkeeping procedures to control assets.

We noted State Surplus:

- a. Did not sufficiently complete physical inventories during our audit period.

Procedures in place at the time of our audit required State Surplus to conduct semiannual inventories of all assets. However, instead of performing inventories on a semiannual basis, State Surplus indicated it completed inventories on an annual basis. Further, our review of calendar years 2023 and 2024 inventory processes noted State Surplus did not:

- (1) Maintain any documentation supporting its completion of the 2024 annual inventory. State Surplus informed us technical issues existed with the scanning equipment used to conduct the inventory, and existing procedures did not include contingency steps for conducting a manual inventory.
- (2) Document its follow-up for 94 assets within Recoup but not located during the 2023 annual inventory. While our review noted some of these assets had a disposition date subsequently entered into Recoup, State Surplus did not document any additional information supporting the disposition of the assets.

- b. Should improve its tracking of abandoned property received from the TSA.

State Surplus enters only items deemed to have value into Recoup and the remaining items are discarded. Documenting information regarding the receipt of TSA shipments and its decision to discard items having no value would help State Surplus ensure appropriate accounting for all property it receives.

RECOMMENDATION

We recommend State Surplus improve its inventory processes to help ensure assets are appropriately accounted for and safeguarded from risk of loss or theft.

* See glossary at end of report for definition.

**AGENCY
PRELIMINARY
RESPONSE**

DTMB provided us with the following response:

DTMB agrees with the recommendation to improve its inventory processes to help ensure assets are appropriately accounted for and safeguarded from risk of loss or theft. DTMB has revised internal procedures to strengthen manual inventory practices and related recordkeeping. Updates include clarified responsibilities for conducting manual inventory counts, standardized documentation requirements, and improved processes to ensure accuracy and completeness of inventory records. These revisions are intended to enhance consistency, reduce errors, and ensure stronger oversight of inventory activities going forward. Implementation will occur with the September 2026 inventory.

FINDING 2

Improved recordkeeping of assets needed.

State Surplus needs to improve the accuracy of Recoup to ensure assets are appropriately accounted for and can be readily identified for sale or reutilization.

MCL Section 18.1485(2)(c) requires each department to establish an internal control system of authorization and recordkeeping procedures to control assets.

We sampled 30 assets with an active status (available for sale or reutilization) in Recoup as of April 2025 to physically observe in the State Surplus warehouse. Also, we selected 30 additional assets during walkthroughs of the warehouse in April and May of 2025 and reviewed the corresponding inventory records in Recoup.

We noted:

- a. 15 (50%) of the 30 assets sampled from Recoup did not have an accurate status, location, or quantity as determined by our physical observation. Specifically:
 - (1) 8 were not in State Surplus' possession and should have had an inactive status.
 - (2) 4 were observed at lower quantities than listed.
 - (3) 3 were not observed in the correct location listed.
- b. 8 (27%) of the 30 assets selected from our physical observation did not have an accurate location and/or quantity in Recoup. Specifically:
 - (1) 4 did not have the correct location listed.
 - (2) 2 had lower quantities than those listed.
 - (3) 2 met both conditions in parts (1) and (2) simultaneously.

State Surplus informed us these discrepancies were caused by relying on manual data entry processes to update Recoup which were not followed consistently.

RECOMMENDATION

We recommend State Surplus improve the accuracy of Recoup to ensure assets are appropriately accounted for and can be readily identified for sale or reutilization.

AGENCY PRELIMINARY RESPONSE

DTMB provided us with the following response:

DTMB agrees with the recommendation to improve the accuracy of Recoup. DTMB will develop a process to ensure staff consistently and accurately update Recoup so that assets are

properly recorded and readily identifiable for sale or reutilization. This process will define staff responsibilities, establish timelines for entering and updating asset information, and include monitoring steps to verify system records remain complete and accurate. Implementation will occur prior to the end of September 2026.

FINDING 3

Improved physical controls over assets needed.

State Surplus should improve physical controls to help secure and safeguard surplus assets from risk of loss or unauthorized use.

Standards for Internal Control in the Federal Government issued by the Comptroller General of the United States (Green Book) was adopted by the State of Michigan (SOM) and provides a framework for designing, implementing, and operating an effective internal control system. According to the Green Book, management should establish physical control activities to secure and safeguard assets.

Our review identified deficiencies in State Surplus' physical control activities related to its safe, cash drawer, storage areas, and video surveillance system. We summarized the results of our testing for presentation in this finding and provided the detailed results to DTMB.

State Surplus informed us it believes additional measures beyond those already in place were not necessary.

RECOMMENDATION

We recommend State Surplus improve its physical controls to help secure and safeguard surplus assets from risk of loss or unauthorized use.

AGENCY PRELIMINARY RESPONSE

DTMB provided us with the following response:

DTMB respectfully disagrees with the recommendation as written.

DTMB maintains that it has adequate compensating controls in place to secure and safeguard assets from the risk of loss or unauthorized access or use.

AUDITOR'S COMMENTS TO AGENCY PRELIMINARY RESPONSE*

While we acknowledge DTMB had some physical controls in place, the collective deficiencies identified support the existence of the Finding and our recommendation for DTMB to improve those controls. DTMB's response provides no additional information to warrant a change in our recommendation; therefore, our Finding and recommendation stand as written.

* See glossary at end of report for definition.

SELECTED SECURITY AND ACCESS CONTROLS OVER STATE SURPLUS SYSTEMS

BACKGROUND

Security* controls are the management, operational, and technical controls designed to protect the availability, confidentiality, and integrity of a system and its information.

Access controls* limit or detect inappropriate access to information resources, thereby protecting these resources against unauthorized modification, loss, and disclosure.

State Surplus uses three main systems to assist with carrying out its responsibilities over surplus assets.

State Surplus uses Recoup as its asset management system. Recoup is a system designed for government and higher education institutions to manage and track surplus assets throughout their lifecycle, from the receipt of the asset to its disposal. The primary users of Recoup are State Surplus employees, employees from other State agencies, and Recoup developers.

State Surplus uses MiBid as its online auction website for the sale of surplus assets. MiBid, managed by DTMB, is open to everyone, including local governments. All auction items may be viewed by the public; however, a free MiLogin* account is required to bid on items. The primary users of MiBid are State Surplus and DTMB employees.

State Surplus uses Talech* as its point-of-sale system for its quarterly stores. Talech is leased to State Surplus through Treasury and is used to load store inventory and pricing, process sales, and generate reports. The primary users of Talech are State Surplus employees.

AUDIT OBJECTIVE

To assess the effectiveness of selected security and access controls over State Surplus systems.

CONCLUSION

Not effective.

FACTORS IMPACTING CONCLUSION

- One material condition* related to user access controls over Recoup, MiBid, and Talech (Finding 4).
- Collection and revenue recording permissions were properly segregated within State Surplus systems.

* See glossary at end of report for definition.

FINDING 4

Improvements needed to Recoup, MiBid, and Talech access controls.

State Surplus did not establish effective user access controls over Recoup, MiBid, and Talech. Doing so would help prevent and detect inappropriate access and protect State Surplus data from unauthorized use, modification, or destruction.

SOM Technical Standard 1340.00.020.01 requires State Surplus to establish National Institute of Standards and Technology* (NIST)-compliant processes for managing access to its information systems.

Recoup had 211 user accounts, MiBid had 12 user accounts, and Talech had 4 user accounts, as of April 2025. Our review of selected access controls over these systems noted State Surplus did not:

- a. Remove users no longer requiring access to Recoup and MiBid in a timely or appropriate manner.

SOM Technical Standard 1340.00.140.01 requires State Surplus to remove user access within one business day upon departure or termination of employment. For instances not involving a departure or termination, SOM Technical Standard 1340.00.020.01 requires State Surplus to remove user access within two business days when accounts are no longer required.

We noted:

State Surplus did not remove or remove in a timely manner access for 47% of Recoup users who had departed State employment.

- (1) State Surplus did not remove or remove in a timely manner access for 7 (47%) of 15 Recoup users who departed State employment from 6 to 748 days, and on average 248 days, prior to our review. Recoup automatically disabled 5 of these user accounts because their password expired after 90 days of inactivity. The remaining 2 user accounts were active at the time of our review. None of these employees accessed Recoup after their departure date.
- (2) State Surplus did not remove access in a timely manner for three MiBid users. All three user accounts had privileged access rights and remained active from 488 to 572 days beyond their job responsibilities warranting access to the system.

- b. Configure the 3 systems to automatically disable user accounts after 60 days of inactivity.

SOM Technical Standard 1340.00.020.01 requires an information system to automatically disable user accounts after 60 days of inactivity.

* See glossary at end of report for definition.

We noted:

- (1) 105 (54%) of the 196 Recoup active employee user accounts had not accessed the system within the last 60 days, as of April 2025. Instead of disabling after 60 days, as required, Recoup automatically disables user accounts after 90 days when the account's password expires.
- (2) MiBid and Talech did not include functionality to automatically disable user accounts. Also, these systems do not capture the users' last log-in date. Therefore, State Surplus could not readily determine its compliance with the 60-day standard.

State Surplus did not perform periodic recertifications of Recoup, MiBid, or Talech user accounts.

- c. Perform periodic recertifications of Recoup, MiBid, or Talech user accounts.

SOM Technical Standard 1340.00.020.01 requires accounts be reviewed to verify they are still required and compliant with the account settings and access permissions through semiannual certification of privileged accounts and annual certification of all other accounts.

- d. Document the approval of user access for all three systems.

SOM Technical Standard 1340.00.020.01 requires approval for the creation, modification, and removal of information systems accounts by an authorized requestor.

State Surplus did not grant access to MiBid based on the principle of least privilege.

- e. Grant access to MiBid based on the principle of least privilege*.

SOM Technical Standard 1340.00.20.01 states access should only be granted to necessary users to accomplish assigned tasks in accordance with roles and responsibilities of job functions.

We noted MiBid had two access roles: a seller role with limited capabilities and an administrative role with privileged capabilities. Because of the seller role not providing sufficient access for front office staff to accomplish their assigned tasks, State Surplus granted them administrative roles. However, the administrative role provides users with full access to the MiBid site, including capabilities such as removing users and the retraction of bids, which do not align with their assigned tasks.

* See glossary at end of report for definition.

- f. Establish unique accounts for all Talech users to ensure system activity is identifiable to an individual employee.

DTMB Administrative Policy 900.022 requires unique user access accounts for each user.

Talech has a single administrator account, which allows users to add and remove items from the Surplus store inventory, and three unique user accounts, used for processing Surplus store sales transactions. State Surplus informed us the log-in credentials for the administrator account is shared amongst staff; thereby eliminating identification of who specifically took which administrative action.

State Surplus believes its compliance with SOM standards was not warranted because of the nature and capabilities of the systems and classification levels of the data.

We consider this finding to be a material condition because of the numerous deficiencies noted and potential negative impact on the integrity of State Surplus data.

RECOMMENDATION

We recommend State Surplus establish effective user access controls over Recoup, MiBid, and Talech to help prevent and detect inappropriate access and protect State Surplus data from unauthorized use, modification, or destruction.

AGENCY PRELIMINARY RESPONSE

DTMB provided us with the following response:

DTMB agrees.

DTMB agrees to establish effective user access controls over Recoup and MiBid and timely or appropriately remove users no longer requiring access to Recoup and MiBid.

- a. *DTMB is currently in the process of implementing MiLogin with Active Directory (AD) for Recoup. Implementation is slated for November 2026. MiBid is currently accessed through MiLogin. Since MiBid is tied to SOM AD, users can no longer access MiBid once the accounts have been disabled in AD. This process serves as a compensating control for access removal. The ability to disable user accounts within the 24-hour and 48-hour timeframes depends on receiving timely and accurate notification from the employing department. To ensure compliance, a Systems Access Request/Removal form was implemented, and mandatory notification language will be incorporated into the MiLogin Terms & Conditions for both MiBid and Recoup. DTMB will evaluate the implementation of additional user access controls to*

ensure timely removal of user access in accordance with the standard.

- b. DTMB implemented the automatic deactivation of Recoup user accounts after 60 days of inactivity effective August 2, 2026. The automatic deactivation of MiBid user accounts after 60 days of inactivity is in development. Implementation is slated for December 2026.*
- c. DTMB has established procedures for performing periodic recertifications of Recoup and MiBid user accounts.*
- d. DTMB has implemented a user access request form and established procedures for the approval of Recoup and MiBid user accounts, which was implemented in May 2026.*
- e. DTMB worked with Agency Services to establish roles granting access to MiBid based on the principle of least privilege. This was implemented in April 2026.*
- f. Separate user accounts have been established for the Talech website to ensure system activity is identifiable to an individual employee.*

Regarding Talech, and specific to subparts b., c., and d., DTMB will ensure appropriate safeguards are in place, and technical standards are adhered to.

PROGRAM DESCRIPTION

MCL Section 18.1267 authorizes DTMB to dispose of all State surplus personal property. State Surplus, within DTMB's Logistics and Operations Support Division, Office of Support Services, manages all surplus, except for IT equipment.

Surplus is transferred to other State agencies, donated to nonprofit organizations, recycled, discarded, or sold to the general public. DTMB assists local governments, school districts, and community colleges in the sale of their respective surplus and receives a portion of sale proceeds to cover costs associated with the sale of those items. Also, DTMB has an agreement with TSA to sell voluntarily abandoned property from various airports within the State. The State retains all the revenue generated from these sales. In addition, DTMB assists MSP, DNR, and local law enforcement agencies in the sale and disposal of their confiscated property.

DTMB accounts for State Surplus operations in the Office Services Revolving Fund. From October 1, 2023 through March 31, 2025, DTMB generated \$2.8 million in State Surplus revenue and \$2.3 million in expenses. State Surplus had seven full-time equated employees as of March 31, 2025.

AUDIT SCOPE, METHODOLOGY, AND OTHER INFORMATION

AUDIT SCOPE

To examine the records and processes related to State Surplus. 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.

We did not include DTMB's operations related to federal or information technology surplus in the scope of this audit because its processes are separate from those of State surplus.

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 October 1, 2023 through March 31, 2025.

METHODOLOGY

We conducted a preliminary survey to gain an understanding of State Surplus' operations to formulate a basis for establishing our audit objectives, scope, and methodology. During our preliminary survey, we:

- Interviewed State Surplus management and staff to obtain an understanding of their respective roles and responsibilities related to managing surplus assets.
- Observed State Surplus staff performing their day-to-day activities to obtain an understanding of internal processes.
- Reviewed applicable sections of the MCL, DTMB policies and procedures, contracts, and SLAs related to State Surplus.
- Analyzed State Surplus expenditure and revenue data from October 1, 2023 through March 31, 2025 to obtain an understanding of payments collected and costs incurred.
- Analyzed State Surplus' internal scorecard metrics from October 1, 2023 through March 31, 2025 to obtain an understanding of key activities and their respective targets.

* See glossary at end of report for definition.

OBJECTIVE 1

To assess the effectiveness of State Surplus' efforts to ensure the accuracy and completeness of revenues from asset sales.

To accomplish this objective, we:

- Analyzed State Surplus' financial reports prepared by DTMB Financial Services, from October 1, 2023 through March 31, 2025, to determine whether they materially reconciled to SIGMA.
- Reviewed reconciliations performed by DTMB Financial Services for payments collected by State Surplus, from October 1, 2023 through March 31, 2025, to obtain an understanding of how payments are tracked and revenue is shared between agencies involved in the sale and recycling of assets.
- Compared MiBid data for all auctions that started and ended between October 1, 2023 and March 31, 2025 to Recoup data created during the same period to identify differences and determine whether State Surplus could provide sufficient explanation for:
 - 8 of 61 randomly and judgmentally selected auctions existing in MiBid and not within Recoup.
 - 6 of 57 randomly and judgmentally selected auctions with a winning bid amount in MiBid and no winning bid amount in Recoup.
 - 9 of 87 randomly and judgmentally selected auctions with discrepancies in the winning bid amounts between MiBid and Recoup.
- Randomly and judgmentally selected 28 of 4,006 assets received by State Surplus between October 1, 2023 and March 31, 2025 and sold on MiBid as of April 10, 2025 to determine whether:
 - The sale was properly supported.
 - The total payment collected by State Surplus, including the MiBid winning bid amount, any fees, and any taxes, were:
 - Complete and accurate.
 - Properly entered into SIGMA by MDHHS's cashiering office.
 - Properly reconciled by DTMB Financial Services.

- Reviewed the Talech report containing information on the 128 assets sold during the March 2025 store to determine whether the total amount collected was complete and accurate, properly entered into SIGMA by MDHHS' cashiering office, and properly reconciled by DTMB Financial Services.
- Randomly and judgmentally selected 13 of 231 assets noted as available for sale on the Talech inventory report for the June 2025 store to determine whether the assets were present in the store and their quantities were accurate.
- Observed the June 2025 store and judgmentally selected 10 of 110 assets purchased by customers to determine whether the assets were included in the product sales and the appropriate adjustments were made to the assets in Recoup.
- Randomly and judgmentally selected 25 of 337 deposits, containing various payments received between October 1, 2023 and March 31, 2025 to determine whether the total amount and individual payment amounts were:
 - Properly supported.
 - Complete and accurate.
 - Properly entered into SIGMA by MDHHS' cashiering office.
 - Properly reconciled by DTMB Financial Services.

Our random samples were selected to eliminate bias and to enable us to project the results to the respective population. We judgmentally selected samples based on risk; therefore, we could not project the results to the entire populations.

OBJECTIVE 2

To assess the effectiveness of State Surplus' efforts to ensure surplus assets were properly inventoried, sold, or disposed.

To accomplish this objective, we:

- Randomly and judgmentally selected 30 of 502 assets received between October 1, 2023 and March 31, 2025, with an active status in Recoup as of April 10, 2025, to determine the accuracy of their status, location, and quantity.
- Judgmentally selected 30 assets during walkthroughs of State Surplus' property on April 16, 2025 and May 14, 2025 to determine the accuracy of their status, location, and quantity within Recoup.

- Randomly and judgmentally selected 49 of 7,072 assets received between October 1, 2023 and March 31, 2025, with an inactive status in Recoup as of April 10, 2025, to determine whether State Surplus followed its established sales, reutilization, and disposal procedures.
- Randomly and judgmentally selected 6 of 69 assets received between October 1, 2023 and March 31, 2025, with an inactive status in Recoup as of April 10, 2025, and reported as sold in the March 2025 store, to determine whether State Surplus followed its established sales procedures.
- Randomly and judgmentally selected 43 of 517 transfers of more than one asset to State Surplus from October 1, 2023 through March 31, 2025 to determine whether State Surplus followed its established receiving procedures.
- Requested and reviewed available evidence for 2 annual and 10 store inventories from October 1, 2023 through March 31, 2025 to determine whether they were properly conducted and documented.
- Observed State Surplus' process for receiving and documenting voluntarily abandoned property received from two airports on July 28, 2025.
- Obtained building access schematics, including card reader access points and door access privileges for the State Surplus building, as of June 30, 2025.
- Obtained a listing of all individuals with access to the State Surplus building as of May 22, 2025 and compared the listing to State of Michigan employment data to determine whether the individuals were active employees. For 176 State employees with access to the State Surplus building, we:
 - Judgmentally reviewed all 10 State Surplus and all 109 MSP employees to determine whether their access was appropriate.
 - Randomly and judgmentally selected 9 of the remaining 57 State employees to determine whether their access was appropriate.
- Interviewed State Surplus staff to determine the controls in place for restricting access to its safe, payment drawer, and the three locked and gated areas within its warehouse.
- Conducted an inventory of State Surplus' safe on May 7, 2025 to identify the assets held within.

- Reviewed State Surplus' key log for the three locked and gated areas within its warehouse on June 4, 2025 to determine whether it was being utilized.
- Observed State Surplus' camera system on April 24, 2025 to determine whether cameras covered all areas holding assets.

Our random samples were selected to eliminate bias and to enable us to project the results to the respective population. We judgmentally selected samples based on risk; therefore, we could not project the results to the entire populations.

OBJECTIVE 3

To assess the effectiveness of selected security and access controls over State Surplus systems.

To accomplish this objective, we:

- Reviewed access permissions for Recoup, MiBid, and Talech, and interviewed State Surplus, DTMB Financial Services, and MDHHS' cashiering office staff to determine whether staff duties over the collection and recording of revenue, and their permissions within each system, were properly segregated.
- Obtained and compared the listing of 211 Recoup users as of April 17, 2025 to State employment data to determine whether the individuals were active employees as of June 3, 2025, and:
 - Reviewed termination dates for the 15 users who had departed State employment to determine whether State Surplus removed their access in a timely manner.
 - Reviewed last log-in dates for the 196 user accounts of active State employees to determine whether those not active in the system for 60 days or more had been disabled appropriately.
 - Randomly and judgmentally selected 18 of 80 user accounts of active State employees with high-risk access to determine whether:
 - The users' access was based on the principle of least privilege.
 - State Surplus documented approval of the users' access.
- Obtained and compared the listing of 12 MiBid users as of April 17, 2025 to State employment data to determine

whether the individuals were active employees as of June 3, 2025, and:

- Reviewed removal dates for the 5 users no longer requiring access to the system to determine whether State Surplus removed their access in a timely manner.
- Judgmentally selected the remaining 7 active users to determine whether:
 - The users' access was based on the principle of least privilege.
 - State Surplus documented approval of the users' access.
- Obtained and reviewed a listing of all 4 users with access to Talech as of April 17, 2025 to determine whether the individuals were State Surplus employees and State Surplus documented approval of the users' access.
- Inquired whether:
 - State Surplus performed semiannual recertifications of privileged user accounts and annual recertifications of all other user accounts for Recoup, MiBid, and Talech.
 - MiBid and Talech included functionality to automatically disable user accounts and capture users' last log-in dates.
 - State Surplus established unique accounts for all Talech users.

Our random samples were selected to eliminate bias and to enable us to project the results to the respective population. We judgmentally selected samples based on risk; therefore, we could not project the results to the entire populations.

CONCLUSIONS

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

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.

**CONFIDENTIAL AND
SENSITIVE
INFORMATION**

Because of the potentially sensitive nature of deficiencies related to physical control activities, we summarized our testing results for presentation in the report and provided the underlying details to DTMB management.

AGENCY RESPONSES

Our audit report contains 4 findings and 4 corresponding recommendations. DTMB's preliminary responses indicate it agrees with 3 of the recommendations and disagrees with 1 of the recommendations.

The agency preliminary response following each recommendation in our report was taken from the agency's written comments and oral discussion at the end of our fieldwork. *MCL* Section 18.1462 requires an audited agency to develop a plan to comply with the recommendations and submit it to SBO upon audit completion. The State of Michigan Financial Management Guide (Part VII, Chapter 3, Section 100) requires the audited agency to develop the plan as early as practicable and within 60 days after report issuance and submit the plan to OIAS, SBO. Within 30 days of receipt, OIAS will either accept the plan as final or contact the agency to take additional steps to finalize the plan.

PRIOR AUDIT FOLLOW-UP

The following is the status of the reported findings from our April 2018 follow-up report on prior audit recommendations of [State Surplus, Logistics and Operations Support Division, Office of Support Services](#), Department of Technology, Management, and Budget (071-0139-14F):

Prior Audit Finding Number	Prior Finding Classification	Topic Area	Current Status	Current Finding Number
1	Material	Sufficient segregation of duties over the collection and recording of revenue needed.	Complied	Not applicable
2	Material	Sufficient records needed to accurately account for the disposition of surplus items received from State agencies.	<u>Rewritten</u> *	1 and 2

* See glossary at end of report for definition.

GLOSSARY OF ABBREVIATIONS AND TERMS

access controls	Controls protecting data from unauthorized modification, loss, or disclosure by restricting access and detecting inappropriate access attempts.
auditor's comments to agency preliminary response	Comments the OAG includes in an audit report to comply with <i>Government Auditing Standards</i> . Auditors are required to evaluate the validity of the audited entity's response when it is inconsistent or in conflict with the findings, conclusions, or recommendations. If the auditors disagree with the response, they should explain in the report their reasons for disagreement.
Centralized Electronic Payment and Authorization System (CEPAS)	An enterprise-wide electronic payment solution used by the State of Michigan to support multiple electronic payment instruments and a variety of input channels.
DNR	Department of Natural Resources.
DTMB	Department of Technology, Management, and Budget.
effectiveness	Success in achieving mission and goals.
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.
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.
MCL	<i>Michigan Compiled Laws.</i>

MDHHS	Michigan Department of Health and Human Services.
MiBid	DTMB's online auction website for surplus sales offering advanced security features, several payment options, and bidder confidentiality. All auction items may be viewed by the public; however, a free MiLogin account is required to bid on items.
MiLogin	The State of Michigan identity, credential, and access management solution. MiLogin connects users to all State of Michigan services through one single user ID.
MSP	Michigan State Police.
National Institute of Standards and Technology (NIST)	An agency of the U.S. Department of Commerce. NIST's Computer Security Division develops standards, security metrics, and minimum security requirements for federal programs.
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.
principle of least privilege	The practice of limiting access to the minimal level which will allow normal functioning. Applied to employees, the principle of least privilege translates to giving people the lowest level of user access rights they can have and still do their jobs. The principle is also applied to things other than people, including programs and processes.
Recoup	Asset management system State Surplus uses to track and manage surplus property from "cradle-to-grave".
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.

rewritten	The recurrence of similar conditions reported in a prior audit in combination with current conditions warranting the prior audit recommendation to be revised for the circumstances.
security	Safeguarding an entity's data from unauthorized access or modification to ensure its availability, confidentiality, and integrity.
service level agreement (SLA)	An agreement between DTMB and MDHHS defining the conditions and expectations for the delivery of cashiering services.
SOM	State of Michigan.
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.
Talech	The point-of-sale system leased to State Surplus from Treasury. State Surplus uses Talech to load inventory and pricing, process sales, and generate sales reports for its quarterly stores.
Treasury	Department of Treasury.
TSA	Transportation Security Administration.

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