



Michigan  
Office of the Auditor General  
**REPORT SUMMARY**

Performance Audit

Report Number:  
313-0590-08

*Selected Payment and Related Systems*

*Michigan Department of Education (MDE) and  
Michigan Department of Information Technology (MDIT)*

Released:  
November 2008

*MDE distributed \$14.3 billion in federal and State grant payments in fiscal year 2006-07 through SAMS, MEGS, CMS, CNAP, and FNS-FRS. MDIT provides information system support services to these systems and the Michigan Education Information System (MEIS), including operating system configuration, database administration, and physical security. MDIT also provides application development and maintenance for SAMS and MEIS. Application project management, development, and maintenance are provided by contracted developers for MEGS, CMS, CNAP, and FNS-FRS.*

**Audit Objective:**

To assess the effectiveness of MDE and MDIT's security and access controls over the selected information systems.

**Audit Conclusion:**

MDE and MDIT's security and access controls over the selected information systems were not effective. We noted two material conditions (Findings 1 and 2) and one reportable condition (Finding 3).

**Material Conditions:**

MDE had not established a comprehensive information systems security program and effective access controls over MDE information systems (Finding 1).

MDIT and MDE had not fully established security controls over the State Aid Management System (SAMS), Michigan Electronic Grants System (MEGS), Cash Management System (CMS), Child Nutrition Application Program (CNAP), and Food Nutrition System - Fiscal Reporting System (FNS-FRS) databases (Finding 2).

**Reportable Condition:**

MDIT had not established effective security controls over the server operating systems (Finding 3).

~ ~ ~ ~ ~

**Audit Objective:**

To assess the effectiveness of system controls to ensure the integrity of data maintained by MDE and MDIT for use in the selected information systems.

**Audit Conclusion:**

MDE and MDIT were moderately effective in their efforts to ensure the integrity of data maintained by MDE and MDIT for use in the selected information systems. We noted one material condition (Finding 4) and three reportable conditions (Findings 5 through 7).

**Material Condition:**

MDE and MDIT had not developed a comprehensive change control process for SAMS, MEGS, CMS, CNAP, and FNS-FRS (Finding 4).

**Reportable Conditions:**

MDE did not fully ensure the completeness and accuracy of SAMS, MEGS, CMS, and CNAP data (Finding 5).

MDE and MDIT had not established complete backup and recovery controls (Finding 6).

MDE did not fully develop and monitor audit trails for SAMS, MEGS, and CMS (Finding 7).

~ ~ ~ ~ ~ ~ ~ ~ ~ ~

**Audit Objective:**

To assess the effectiveness of MDE and MDIT's efforts to ensure that the selected information systems accurately calculate federal and State payments.

**Audit Conclusion:**

MDE and MDIT were moderately effective in their efforts to ensure that the selected information systems accurately calculated federal and State payments. We noted one material condition (Finding 8) and four reportable conditions (Findings 9 through 12).

**Material Condition:**

MDE did not ensure the accurate processing of MEGS and CMS grant transactions (Finding 8).

**Reportable Conditions:**

MDE did not implement system controls to ensure the accurate calculation of education finance incentive grant Title I payments for the No Child Left Behind Act of 2001 (Finding 9).

MDE did not implement separate user roles for processing State aid payments in SAMS (Finding 10).

MDE and MDIT did not ensure that the vendor provided complete system documentation for MEGS and CMS as required by the vendor's contract (Finding 11).

MDE did not fully establish processing controls over meal claims calculated by FNS-FRS (Finding 12).

~ ~ ~ ~ ~ ~ ~ ~ ~ ~

**Agency Response:**

Our audit report contains 12 findings and 12 corresponding recommendations. MDE's and MDIT's preliminary responses indicated that MDE and MDIT generally agree with 11 recommendations and disagree with 1.

~ ~ ~ ~ ~ ~ ~ ~ ~ ~

A copy of the full report can be obtained by calling 517.334.8050 or by visiting our Web site at: <http://audgen.michigan.gov>



Michigan Office of the Auditor General  
201 N. Washington Square  
Lansing, Michigan 48913

**Thomas H. McTavish, C.P.A.**  
Auditor General

**Scott M. Strong, C.P.A., C.I.A.**  
Deputy Auditor General