



STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

RICK SNYDER
GOVERNOR

ANDY DILLON
STATE TREASURER

December 2, 2011

Doug Ringler, Director
Office of Internal Audit Services
Office of the State Budget
George W. Romney Building
111 South Capitol, 6th Floor
Lansing, Michigan 48913

Dear Director:

In accordance with the State of Michigan, Financial Management Guide, Part VII, following is a summary table identifying our response and corrective action plan to address recommendations contained within the Office of the Auditor General's audit report of the Department of Treasury, Financial Audit including the Provisions of the Single Audit Act, October 1, 2008 through September 30, 2010:

Audit recommendations the agency complied with:

1. Transactions with Discretely Presented Component Units (Finding 2711101)

We recommend that the Department of Treasury record transactions with discretely presented component units in accordance with generally accepted accounting principles and DTMB procedures.

Response

Necessary corrections were made the financial schedules presented in the audit report. The Department of Treasury will record these transactions with discretely presented component units in accordance with generally accepted accounting principles in subsequent fiscal years. This change was completed in April 2011.

2. Byrd Honors Scholarships, CFDA 84.185A (Finding 2711103)

We recommend that the Department of Treasury improve its internal control over the Byrd Honors Scholarships Program to ensure compliance with federal laws and regulations regarding reporting.

Response

The necessary corrections have been made to the payment process that led to the errors on the reporting process. The reporting for the next cycle of the program will include carry-over funds. This was completed in June 2011.

3. College Access Challenge Grant Program (CACG), CFDA 84.378A (Finding 2711104)

We recommend that the Department of Treasury improve its internal control over the CACG Program to ensure compliance with federal laws and regulations regarding matching, level of effort, and earmarking and procurement and suspension and debarment.

Response – Matching

The Department of Treasury has obtained the required nonfederal match for the CACG Program by obtaining additional matching funds for award number P378A090022 to make up for the shortage of matching funds award number P378A080022. These two awards allowed the Department to meet its commitment in providing nonfederal match contributions of not less than one-third of total project costs and services. This was completed during the 2010 fiscal year.

Response – Level of Effort

The Department of Treasury received a funding shift from nonfederal dollars to federal dollars for a significant portion of its scholarships awards for fiscal year 2009 and 2010 which impacted the calculation for level of effort. The Department has requested a waiver from the U.S. Department of Education on the level of effort requirement for the CACG Program for both awards. We are awaiting a response from the U.S. Department of Education.

Response – Procurement

The CACG Program was transferred to the Michigan Department of Education effective October 1, 2010. The Department of Treasury will share this report with CACG Program personnel at the Michigan Department of Education. The Department of Treasury has met with the Department of Education to discuss these audit findings. This was completed in September 2011.

Audit recommendations the agency agrees with and will comply:

1. Consistency in Use of Single Business Tax (SBT) Historical Data (Finding 2711102)

We recommend that the Department of Treasury implement internal control to ensure that it consistently applies its methodology related to the use of SBT historical data to estimate MBT receivables and related tax revenues.

Response

The Department of Treasury agrees that methodologies used for full accrual and the 60-day accrual were not consistent. The Department believes that there should be a difference between the application of the full accrual and the 60-day accrual methodologies for calculating Michigan Business Tax (MBT) receivables based on historic SBT data. The approved methodologies did not state this difference.

To eliminate this as an ongoing issue, the methodology for MBT will be changed to clearly differentiate between the two accrual methodologies. This will be completed before the end of the fiscal year 2011 processing.

Audit recommendations the agency disagrees with: **None**

Should you have any questions regarding the summary table or corrective action plans, please contact Suzie Nichols, Chief Accountant at nicholssr@michigan.gov or (517) 373-3165.

Sincerely,

Signature Redacted

Bruce Hanses, Acting Director
Administrative Services Bureau

c: Dennis Muchmore, Executive Office
Wendy Siegel, Executive Office
Thomas McTavish, Office of the Auditor General
Mary Ann Cleary, House Fiscal Agency
Ellen Jeffries, Senate Fiscal Agency
Earl Poleski, House Appropriations Sub-committee
John Pappageorge, Senate Appropriations Sub-committee
Jud Gilbert, House Standing Committee
Jack Brandenburg, Senate Standing Committee
Mary MacDowell, Treasury
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