



Michigan
Office of the Auditor General
REPORT SUMMARY

*Report on Internal Control, Compliance, and
 Other Matters*
*State of Michigan Comprehensive Annual
 Financial Report*
State Budget Office
*Department of Technology, Management, and
 Budget*
Fiscal Year Ended September 30, 2013

Report Number:
 071-0010-14M

Released:
 March 2014

Generally accepted government auditing standards require an auditor to report on internal control over financial reporting; compliance with provisions of laws, regulations, contracts, or grant agreements that have a material effect on the financial statements; and other matters coming to the attention of the auditor during the completion of a financial audit. This report is being issued in conjunction with our financial audit of the State of Michigan Comprehensive Annual Financial Report (SOMCAFR).

Financial Statements:

Auditor's Report Issued

We have audited the *SOMCAFR* principally as of and for the fiscal year ended September 30, 2013 and have issued a separate report thereon dated December 21, 2013. We issued unmodified opinions on the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Michigan.

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Internal Control Over Financial Reporting

In planning and performing our audit of the basic financial statements, we considered the State's internal control over financial reporting (internal control) to determine the audit procedures that

are appropriate in the circumstances for the purpose of expressing our opinions on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the State's internal control. Accordingly, we do not express an opinion on the effectiveness of the State's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider to be material weaknesses; however, material weaknesses may exist that have not been identified. We did identify significant deficiencies (Findings 1

through 3). A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Tax Accruals

The Department of Treasury (Treasury) and the Office of Financial Management (OFM), within the Department of Technology, Management, and Budget (DTMB), should improve internal control to prevent, or detect and correct, misstatements and ensure the reasonableness of the tax accruals. Treasury's accrual methodologies were used to record payables of \$698.7 million and receivables of \$2.9 billion for fiscal year 2012-13 (Finding 1).

Monitoring of Payables and Receivables

OFM, in conjunction with other State departments, should continue to improve internal control to ensure the validity and reasonableness of payable and receivable amounts reflected within year-end balances reported within the *SOMCAFR* (Finding 2).

MDOT Contractor Payments

The Michigan Department of Transportation (MDOT), in conjunction with OFM, did not have sufficient internal control in place to evaluate the dates of service when processing contractor payments and liquidating prior year accounts payable estimates. Consequently, construction expenditures may have been recorded in the wrong fiscal year (Finding 3).

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**Noncompliance and Other Matters
Material to the Financial Statements**

We did not identify any instances of noncompliance or other matters applicable to the basic financial statements that are required to be reported under *Government Auditing Standards*.

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Agency Response:

This report includes 3 findings and 3 corresponding recommendations. OFM's preliminary response indicates that it agrees with 2 recommendations and partially agrees with 1 recommendation.

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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>



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