



STATE OF MICHIGAN

DEPARTMENT OF TECHNOLOGY, MANAGEMENT & BUDGET
LANSING

RICK SNYDER
GOVERNOR

DAVID B. BEHEN
DIRECTOR

December 7, 2015

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

Dear Mr. Bankowski:

In accordance with the State of Michigan, Financial Management Guide, Part VII, attached is a summary table identifying our responses and corrective action plans to address recommendations contained within the Office of the Auditor General's audit report of the Department of Technology, Management and Budget, Procurement Card Program.

Questions regarding the summary table or corrective action plans should be directed to me.

Sincerely,

Signature Redacted

Michael Gilliland, Director
DTMB Financial Services

c: Representative Al Pscholka, Chair, House Appropriations
Senator Dave Hildenbrand, Chair, Senate Appropriations
Mark Freeman, Office of the Auditor General
Dennis Muchmore, Executive Office
Dick Posthumus, Executive Office
House Fiscal Agency
Senate Fiscal Agency
Brom Stibitz, DTMB
Phillip Jeffery, DTMB
Natalie Spaniolo, DTMB
Marsha Stansfield, DTMB
John Juarez, DTMB
Caleb Buhs, DTMB
Rick Lowe, SBO
Matt Sweeney, DTMB

Department of Technology, Management and Budget, Financial Services
Preliminary agency responses to the Procurement Card Program audit
Audit Period: October 1, 2012 through February 28, 2015

Summary of Agency Responses to Recommendations

1. Audit recommendations DTMB fully complied with: 1
2. Audit recommendations DTMB agrees with and will comply: 2, 3, 4, 5
3. Audit recommendations DTMB disagrees with: None

Agency Responses to Recommendations

1. More timely department responses to quarterly reports needed.

DTMB agrees and has complied with the recommendation. However, it is important to note that DTMB previously identified this concern during the internal control evaluation. Prior to the start of the audit, DTMB initiated corrective actions, which included establishing a process for monitoring returned quarterly report responses. In addition, DTMB notes that no fraudulent purchases were discovered due to any delay in obtaining the completed reports. As a result, any lack of timeliness did not contribute to fraud or misuse of the program.

2. Timely cancellation of procurements cards needed when cardholders leave State employment.

DTMB agrees and has implemented the process of running a biweekly departure report to identify cardholders who have separated to ensure the procurement cards were cancelled. DTMB has started the process to update the Administrative Guide to require the supervisor to notify the department procurement card administrator, at the time or before, of the employee's departure for cancellation of the card. However, the responsibility for cancelling procurement cards, at the time of an employee's separation from the State, is with the cardholder's supervisor and the department procurement card administrator. DTMB will work with the procurement card vendor to modify the vendor's software to allow DTMB to verify that all cards are held only by current State employees. DTMB will comply by March 31, 2016.

3. Timely department review of procurement card purchases necessary.

DTMB agrees with the recommendation and has started the process to update the Administrative Guide and Manuals to require that reviews of cardholder transactions must be completed within 30 days of the bi-weekly cycle end date. DTMB will also require that departments complete a secondary review, after the supervisor approves, to ensure compliance. DTMB will comply by September 30, 2016.

4. Improvements needed in obtaining signed cardholder and supervisor agreements.

DTMB agrees with the recommendation and has started the process to update the policy to require that the cardholder and supervisor agreement forms are

obtained prior to the issuance of a procurement card. DTMB will also require that department's procurement card administrators perform an annual cardholder supervisor review. DTMB will comply by February 29, 2016.

5. Improvements needed in departments' review of procurement card transactions.

DTMB agrees with the recommendation and has started the process to update the Administrative Guide to require a secondary review of transaction reports. In addition, DTMB will require that departments conduct the secondary review, using transaction reports obtained directly from the vendor, after the supervisor's initial approval. DTMB will comply by September 30, 2016.