

# **OFFICE OF THE AUDITOR GENERAL**

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**PRESENTATION TO:**

**House General Government Subcommittee of the  
Standing Committee on Appropriations**

**February 20, 2018**

# INTRODUCTION

## Introduction

- Doug Ringler, Auditor General. Certified Public Accountant (CPA), Certified Internal Auditor (CIA). Appointed June 9, 2014.
- Laura Hirst, Deputy Auditor General. CPA. Appointed by the Auditor General August 3, 2014.

## The Michigan Constitution of 1963, Article IV, Section 53

- The Auditor General is a Constitutional Officer and principal executive of the Office of the Auditor General
- The Legislature appoints the Auditor General for an eight-year term
- The Office is within the Legislative Branch of State Government
- "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 Michigan Compiled Laws, Section 13.101

- "The auditor general shall conduct audits and examinations..."
- "Upon demand of the auditor general, deputy auditor general, or any person appointed by the auditor general to make the audits and examinations provided in this act, the officers and employees of all branches, departments, offices, boards, commissions, agencies, authorities, and institutions of this state shall produce for examination all books, accounts, documents, and records..."

## OAG Mission

- To improve the accountability for public funds
- To improve State government operations



# ORGANIZATION

## Staffing Levels

- February 1, 2018 - 147 including 2 student assistants
- 59 certified public accountants
- 12 certified information systems auditors
- 4 certified internal auditors
- 3 certified fraud examiners
- 1 certified government financial manager
- 22 master's degrees

## Operational Areas

- Bureau of Audit Operations
- Office of Professional Practice
- Office of Information Technology
- Office of Administration
- Fraud Investigative Services

## Professional Standards

- Generally accepted auditing standards of the American Institute of Certified Public Accountants
- *Government Auditing Standards* issued by the Comptroller General of the United States

## External Quality Control

- Required Peer Reviews every three years – most recent was October 2015

# FINANCIAL INFORMATION

## Fiscal Year 2018

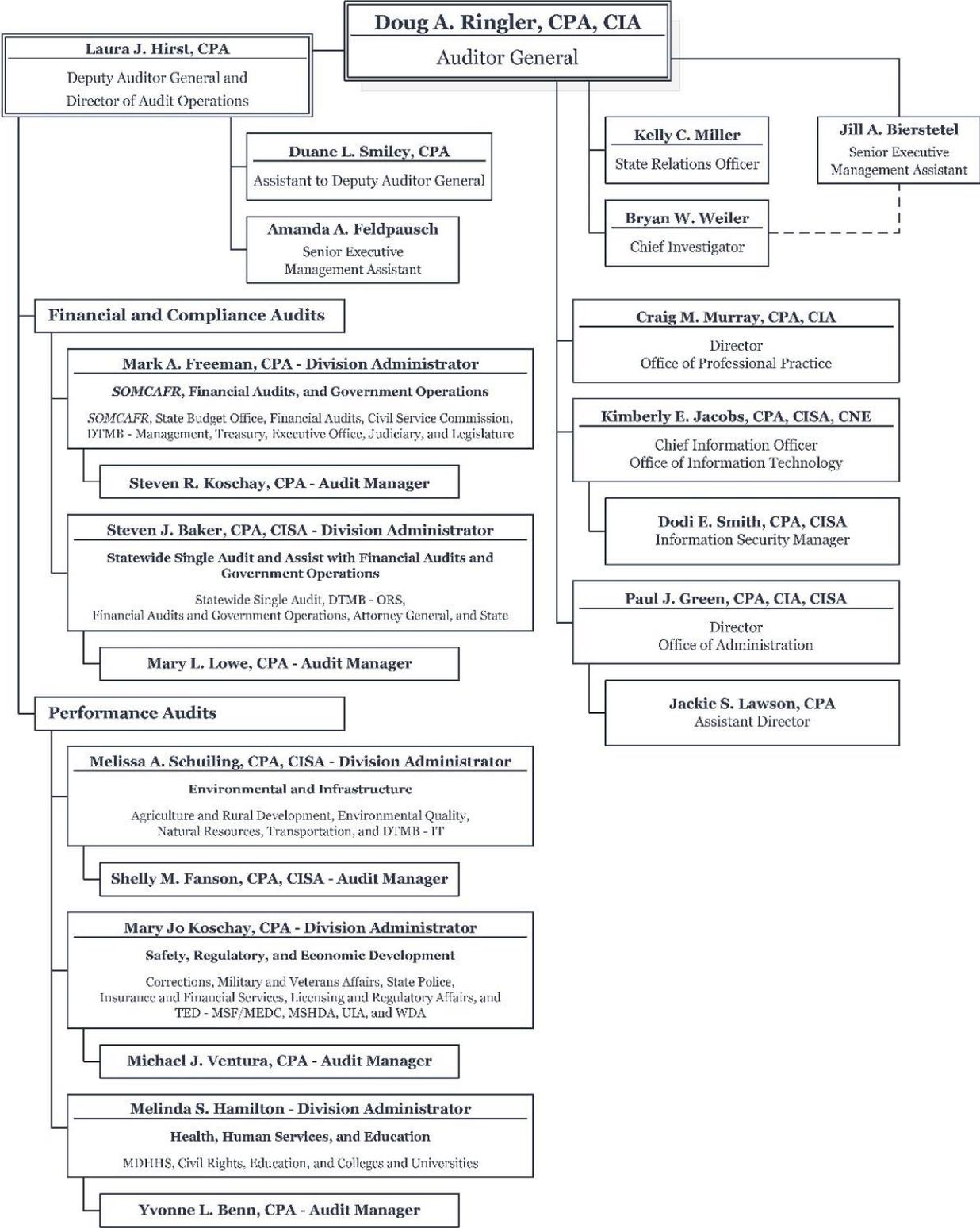
- \$24,286,200 Gross
- \$16,607,600 GF/GP
- Salary and Benefits estimate 93.5%

## Fiscal Year 2019, OAG Request

- \$24,938,000 Gross
- \$17,105,800 GF/GP

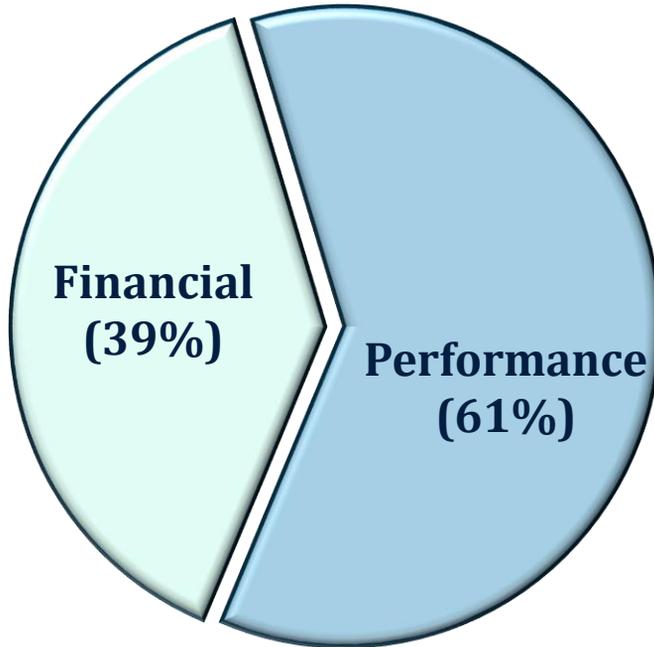
## OAG Request versus Current Year

- \$651,800 Gross increase (2.7%)
- \$498,200 GF/GP increase (3%)
- 2% Cost of Living increase effective October 1, 2018



# AUDIT SERVICES

Distribution of Direct Hours, Fiscal Year 2017



Statewide Single Audit	42%
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<i>SOMCAFR</i>	38%
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Other Financial	20%
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Service and Assistance	26%
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Governmental Operations	25%
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Information Technology	18%
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Education	9%
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Health	9%
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Safety and Regulatory	9%
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Environmental	4%
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# TYPES OF AUDITS AND OTHER PROJECTS

## Financial Audits

- Provide reasonable assurance that financial statements or schedules are presented fairly in all material respects
- Typically mandated by State or Federal law
- The *State of Michigan Comprehensive Annual Financial Report*, and the Statewide Single Audit

## Performance Audits

- Provide conclusions generally related to effective and/or efficient operations
- Many are discretionary and identified using a risk assessment approach
- Includes IT audits of major state applications and operating environments

## Audit Finding Follow-Ups

- Assess an entity's remediation of prior audit findings
- Generally focused on material weaknesses
- Apply to performance audits

## Preliminary Survey Summaries

- Summary information from projects that we decided to terminate

## Investigative Audits

- Limited-scope projects commenced from substantiated allegations of fraud, waste or abuse of State resources
- State employees or citizens may confidentially report suspicious or questionable activity in State government through the OAG hotline or website

## Letters

- Information researched and compiled upon request

# INITIATIVES UPDATE

## House Bill 4259 (Graves)

- Updates MCL 13.101, regarding the Auditor General's duties, to:
  - Recognize that data and information is often in electronic form
  - Affirm authority to access confidential data for audit purposes
  - Codify OAG responsibility to protect confidential data
- House passed and in the Senate Committee on Government Operations

## Report Fraud

- Informants may confidentially report fraud, waste or abuse of State government resources.
- Our website includes answers to common questions such as:
  - What is fraud, waste and abuse
  - What do we investigate
  - How to report allegations
- The fraud hotline number is included on our employee email signatures.
- OAG internal task force meets regularly
- Outreach ongoing with the Legislature, State employees and public

## Repeat Audit Findings

- OAG follow-up reports generally focus on material weaknesses
- Communication with SBO, Office of Internal Audit Services

## Investing in Staff

- Surveyed staff regarding audit-area interests and other matters
- Focused professional development
- Expanded mentoring program

# INFORMATION TECHNOLOGY UPDATE

## Auditing

- Integrating IT system reliability tests when possible into financial and non-IT focused performance audits
- Staff recruitment
- Identified audit staff interested in focusing on IT
- Providing more specialized IT audit-related training
- IT audits for Fiscal Year 2017 to date:

Report Title	Released
Disaster Recovery and Business Continuity of IT Systems	12/15/2016
IT Project Management Processes	2/24/2017
Statewide Change Management Controls	05/09/2017
Motor Fuel Tax Systems, Treasury and DTMB	06/20/2017
Michigan Statewide Automated Child Welfare Information System (MiSACWIS)	06/27/2017
Statewide Windows Active Directory Environments	07/25/2017
MDOT Grant System, MDOT and DTMB	12/12/2017

## Infrastructure

- Replaced auditor laptops – now on a four year replacement plan.
- Increased hard drive space for capacity needs related to SIGMA and performance audit data and information
- Updated backup system for capacity needs
- Replaced five infrastructure servers and reduced server total
- Installing new wireless network
- Setting up and replacing routers and network switches
- Updating management information system (MIS)
  - Planned completion is Fall 2018. MIS houses:
    - Audit work and report tracking
    - Employee timekeeping including SIGMA interface
    - Employee evaluations
    - Employee continuing education requirements and licenses
- Improved Intranet and Website

# AUDIT TRANSPARENCY

The Office of the Auditor General provides:

- Summary table in reports to provide a snapshot of audit purpose and results
- 6-month tentative audit plan to legislative leadership and executive branch departments
- Monthly status of audits in progress to Legislators and the Governor
- Audit supervisors and management for report testimony to Legislative committees
- An updated website that includes:
  - Links to recently released reports from the Home page
  - Titles of work in progress
  - Audit objectives for work in progress once determined
  - Projects scheduled for upcoming release within four to five days
  - 20 years of reports organized by fiscal year and key-word searchable
- Audit commencements, projects scheduled for release, and reports released also provided via Twitter

# QUESTIONS

[www.audgen.michigan.gov](http://www.audgen.michigan.gov)