

# **OFFICE OF THE AUDITOR GENERAL**

**DOUG A. RINGLER, CPA, CIA**  
AUDITOR GENERAL

**LAURA J. HIRST, CPA**  
DEPUTY AUDITOR GENERAL

PRESENTATION TO:

House General Government Subcommittee of the  
Standing Committee on Appropriations

April 9, 2019

# 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

- April 1, 2019 – 161, including 5 student assistants
- 54 certified public accountants
- 11 certified information systems auditors
- 4 certified internal auditors
- 9 certified fraud examiners
- 1 certified government financial manager
- 24 master's degrees

## Operational Areas

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

## 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 November 2018
- Received the best possible rating

# FINANCIAL INFORMATION

## Fiscal Year 2019

- \$24,938,000 Gross
- \$17,105,800 GF/GP
- Salary and Benefits estimate 92.5%

## Fiscal Year 2020, OAG Request

- \$25,935,600 Gross
- \$17,790,100 GF/GP

## OAG Request versus Current Year

- \$997,600 Gross increase (4%)
- \$684,300 GF/GP increase (4%)
- 2% Cost of Living increase effective October 1, 2019
- 2% Cost of Living lump sum effective October 1, 2019

## Governor's Fiscal Year 2020 Recommendation

- 0% increase for OAG
- Mandated economics for Civil Service employees is 4% as of 10/1/19
- OAG staff are Civil Service classified employees

**Doug A. Ringler, CPA, CIA**  
Auditor General

**Laura J. Hirst, CPA**  
Deputy Auditor General and  
Director of Audit Operations

**Duane L. Smiley, CPA**  
Assistant to Deputy Auditor General

**Amanda A. Feldpausch**  
Senior Executive  
Management Assistant

**Kelly C. Miller**  
State Relations Officer

**Jill A. Bierstetel**  
Senior Executive  
Management Assistant

**Bryan W. Weiler, CFE**  
Chief Investigator

**Financial and Compliance Audits**

**Mark A. Freeman, CPA - Division Administrator**  
SOMCAFR, Financial Audits, and Government Operations  
SOMCAFR, State Budget Office, Financial Audits, Civil Service Commission,  
DTMB - Management, Treasury, Executive Office, Judiciary, and Legislature

**Steven R. Koschay, CPA - Audit Manager**

**Mary L. Lowe, CPA - Division Administrator**  
Statewide Single Audit and Assist with Financial Audits and  
Government Operations  
Statewide Single Audit, DTMB - ORS,  
Financial Audits and Government Operations, Attorney General, and State

**Tracy L. Jelneck, CPA - Audit Manager**

**Performance Audits**

**Melissa A. Schuiling, CPA, CISA, CFE - Division Administrator**  
Environmental and Infrastructure  
Agriculture and Rural Development, Environmental Quality,  
Natural Resources, Transportation, and DTMB - IT

**Shelly M. Fanson, CPA, CISA - Audit Manager**

**Mary Jo Koschay, CPA - Division Administrator**  
Safety, Regulatory, and Economic Development  
Corrections, Military and Veterans Affairs, State Police,  
Insurance and Financial Services, Licensing and Regulatory Affairs, and  
TED - MSF/MEDC, MSHDA, UIA, and WDA

**Michael J. Ventura, CPA - Audit Manager**

**Melinda S. Hamilton - Division Administrator**  
Health, Human Services, and Education  
MDHHS, Civil Rights, Education, and Colleges and Universities

**Yvonne L. Benn, CPA - Audit Manager**

**Craig M. Murray, CPA, CIA**  
Director  
Office of Professional Practice

**Kimberly E. Jacobs, CPA, CISA, CNE**  
Chief Information Officer  
Office of Information Technology

**Dodi E. Smith, CPA, CISA**  
Information Security Manager

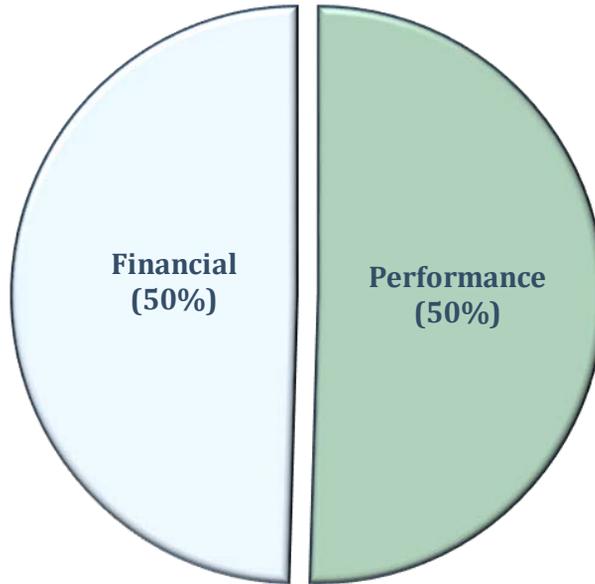
**Paul J. Green, CPA, CIA, CISA**  
Director  
Office of Administration

**Jackie S. Lawson, CPA**  
Assistant Director



# AUDIT SERVICES

## Distribution of Direct Hours, Fiscal Year 2018



Statewide Single Audit	41%
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<i>SOMCAFR</i> Audit	38%
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Other Financial Audits	21%
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Safety and Regulatory	24%
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Information Technology	16%
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Governmental Operations	15%
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Transportation and Public Assistance	15%
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Education	14%
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Health	9%
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Environmental	6%
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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
- Include 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

## Legislation

- Senate Bill 201 of 2019 (Aric Nesbitt)
- House Bill 4336 of 2019 (Steven Johnson)
  - Referred: Senate and House Committees on Oversight
- Updates to MCL 13.101
  - Affirms Constitutional authority to access all information needed in connection to an audit or investigation
  - Recognizes that data is often in electronic form
  - Recognizes that all information includes confidential information
  - Codifies the OAG responsibility to protect confidential information
- Prior Legislation: House Bill 4259 of 2017 (Joe Graves)
  - Passed both chambers unanimously on third reading
  - Governor vetoed on 12/21/2018

## 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
- Our employee email signatures include the fraud hotline number
- OAG internal task force meets regularly
- Outreach ongoing with the Legislature, State employees, and public

## Investing in Staff

- Surveyed staff regarding audit-area interests and other matters
- Focused professional development
- Expanded mentoring program
- Updated recruiting strategy
- Increased internships

# 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 released and in progress:

Report Title	Released
Michigan Cyber Civilian Corps, 071-0519-19	In Progress
MILogin, 071-0570-18	In Progress
SIGMA - Selected Application Controls and Service Level Requirements, 071-0595-18	03/28/2019
Executive Order No. 2016-24 Enterprise Information Management, 071-1595-18	12/28/2018
Offender Management System, 471-0593-17	07/31/2018
MiWaters, 761-0592-17	03/16/2018
IT Project Management Processes, 071-0585-16F	08/07/2018
Network and Cyber Security, 071-0518-17	03/16/2018
Statewide Oracle Database Controls, 071-0565-14F	05/15/2018
MDOT Grant System, 591-0593-17	12/12/2017

## Infrastructure

- IT risk assessments for Financial *SOMCAFR*
- Updated backup system for capacity needs
- Installed new wireless network
- Replaced routers and network switches
- Updated management information system (MIS)
  - MIS houses:
    - Audit work and report tracking
    - Employee timekeeping including SIGMA interface
    - Employee evaluations
    - Employee continuing education requirements and licenses

# TRANSPARENCY

The Office of the Auditor General provides:

- Summary table in reports for a quick reference 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
  - Frequently asked questions
  - Twitter feed
- Audit commencements, projects scheduled for release, and reports released also provided via Twitter, Facebook, and LinkedIn.
  - @MIAUDGEN
  - #MIAUDGEN

# QUESTIONS

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