



HOUSE BILL No. 5388

February 17, 2000, Introduced by Rep. LaSata and referred to the Committee on Appropriations.

A bill to amend 1984 PA 431, entitled
"The management and budget act,"
by amending sections 485 and 486 (MCL 18.1485 and 18.1486), as
amended by 1999 PA 8.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 485. (1) The department head of each principal depart-
2 ment shall establish and maintain an internal accounting and
3 administrative control system within that principal department
4 using the generally accepted accounting principles as developed
5 by the accounting profession and in conformance with directives
6 issued pursuant to section 141(d).

7 (2) Each internal accounting and administrative control
8 system shall include, but not be limited to, all of the following
9 elements:

1 (a) A plan of organization that provides separation of
2 duties and responsibilities among employees.

3 (b) A plan that limits access to that principal department's
4 resources to authorized personnel whose use is required within
5 the scope of their assigned duties.

6 (c) A system of authorization and record-keeping procedures
7 to control assets, liabilities, revenues, and expenditures.

8 (d) A system of practices to be followed in the performance
9 of duties and functions in each principal department.

10 (e) Qualified personnel that maintain a level of
11 competence.

12 (f) Internal control techniques that are effective and
13 efficient.

14 (3) Each head of a principal department shall document the
15 system, communicate system requirements to employees of that
16 principal department, assure that the system is functioning as
17 prescribed, and modify as appropriate for changes in condition of
18 the system.

19 (4) The head of each principal department shall provide a
20 biennial report on or before May 1 of each odd numbered year pre-
21 pared by the principal department's internal auditor on the eval-
22 uation of the principal department's internal accounting and
23 administrative control system to the governor, the auditor gener-
24 al, the senate and house appropriations committees, the fiscal
25 agencies, and the director. For the period reviewed, the report
26 shall include, but not be limited to, both of the following:

1 (a) A description of any material inadequacy or weakness
2 discovered in connection with the evaluation of the department's
3 internal accounting and administrative control system as of
4 October 1 of the preceding year and the plans and a time schedule
5 for correcting the internal accounting and administrative control
6 system, described in detail.

7 (B) A DESCRIPTION AND DISCLOSURE OF THE CORRECTION PLAN FOR
8 MATERIAL WEAKNESSES IN THE DEPARTMENT'S INTERNAL CONTROLS DIS-
9 CLOSED IN AUDITS OF THE DEPARTMENT BY THE AUDITOR GENERAL OR
10 OTHER AUDITING ENTITY.

11 (C) ~~-(b)-~~ A listing of each audit or investigation performed
12 by the internal auditor pursuant to sections 486(4) and 487.

13 Sec. 486. (1) Each principal department shall appoint an
14 internal auditor. Each internal auditor shall be a member of the
15 state classified SENIOR executive service OR THE STATE CLASSIFIED
16 SERVICE, GROUP IV.

17 (2) Except as otherwise provided by law, each internal audi-
18 tor shall report to and be under the ~~general~~ DIRECT supervision
19 of the department head.

20 (3) A person may not prevent or prohibit the internal audi-
21 tor from initiating, carrying out, or completing any audit or
22 investigation. The internal auditor shall be protected pursuant
23 to the whistleblowers' protection act, 1980 PA 469, MCL 15.361 to
24 15.369.

25 (4) The internal auditor of each principal department shall
26 DO ALL OF THE FOLLOWING:

1 (a) Receive and investigate any allegations that false or
2 misleading information was received in evaluating the principal
3 department's internal accounting and administrative control
4 system or in connection with the preparation of the biennial
5 report on the system.

6 (b) Conduct and supervise audits relating to financial
7 activities of the principal department's operations.

8 (c) ~~Review existing activities and recommend policies~~
9 ~~designed to promote efficiency in the administration of that~~
10 ~~principal department's programs and operations as assigned by the~~
11 ~~department head.~~ MONITOR THE DEPARTMENT'S IMPLEMENTATION OF COR-
12 RECTIVE PLANS PREPARED IN ACCORDANCE WITH SECTION 487(2).

13 (d) Recommend policies for activities to protect the state's
14 assets under the control of that principal department, and to
15 prevent and detect fraud and abuse in the principal department's
16 programs and operations.

17 (e) Review and recommend activities designed to ensure that
18 principal department's internal financial control and accounting
19 policies are in conformance with the department of management and
20 budget accounting division directives issued pursuant to sections
21 421 and 444.

22 (f) Provide a means to keep the department head fully and
23 currently informed about problems and deficiencies relating to
24 the administration of that principal department's programs and
25 operations and the necessity for and progress of corrective
26 action.

1 (5) UPON COMPLETION OF THE DUTIES DESCRIBED IN
2 SUBSECTION (4), THE INTERNAL AUDITOR OF EACH PRINCIPAL DEPARTMENT
3 MAY DO 1 OR MORE OF THE FOLLOWING:

4 (A) REVIEW EXISTING ACTIVITIES AND RECOMMEND POLICIES
5 DESIGNED TO PROMOTE EFFICIENCY IN THE ADMINISTRATION OF THAT
6 PRINCIPAL DEPARTMENT'S PROGRAMS AND OPERATIONS AS ASSIGNED BY THE
7 DEPARTMENT HEAD.

8 (B) ~~-(g)-~~ Conduct other audit and investigative activities
9 as assigned by the department head.

10 (6) ~~-(5)-~~ Each internal auditor shall adhere to appropriate
11 professional and auditing standards in carrying out any financial
12 or program audits or investigations.

13 (7) EACH YEAR, THE GOVERNOR'S BUDGET RECOMMENDATIONS SHALL
14 INCLUDE SUFFICIENT RESOURCES FOR EACH PRINCIPAL DEPARTMENT TO
15 COMPLY WITH SECTIONS 483 TO 487.

16 (8) IF AN INTERNAL AUDITOR IS DISCHARGED, REASSIGNED, OR
17 DEMOTED, THE REASONS FOR DISCHARGE, REASSIGNMENT, OR DEMOTION
18 SHALL BE REPORTED TO THE GOVERNOR, THE AUDITOR GENERAL, AND ALL
19 THE MEMBERS OF THE SENATE AND HOUSE APPROPRIATIONS COMMITTEES.