

HOUSE BILL No. 5824

May 11, 1992, Introduced by Reps. Munsell, Dolan, Hoffman, Bartnik, Dalman, Bodem, Gilmer, Goss, London, McBryde, Brackenridge, Strand, Willis Bullard, Dobb, Fitzgerald, Horton, Robertson, Bobier, Jamian, Jaye, Oxender, Walberg, Sikkema, Hillegonds, Martin, Nye, O'Connor, Dresch, Gernaat, Middleton, McNutt, Johnson, Bankes, Bender, DeLange and Harder and referred to the Committee on House Oversight.

A bill to amend sections 485 and 487 of Act No. 431 of the Public Acts of 1984, entitled as amended

"The management and budget act,"

as added by Act No. 272 of the Public Acts of 1986, being sections 18.1485 and 18.1487 of the Michigan Compiled Laws.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Section 1. Sections 485 and 487 of Act No. 431 of the
2 Public Acts of 1984, as added by Act No. 272 of the Public Acts
3 of 1986, being sections 18.1485 and 18.1487 of the Michigan
4 Compiled Laws, are amended to read as follows:

5 Sec. 485. (1) Not later than October 1, 1987, the depart-
6 ment head of each principal department shall establish and main-
7 tain an internal accounting and administrative control system
8 within that principal department using the generally accepted
9 accounting principles as developed by the accounting profession

1 and in conformance with directives issued pursuant to section
2 141(d).

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

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

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

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

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

15 (e) Qualified personnel that maintain a level of
16 competence.

17 (f) Internal control techniques that are effective and
18 efficient.

19 (3) Each head of a principal department shall document the
20 system, communicate system requirements to employees of that
21 principal department, assure that the system is functioning as
22 prescribed, and modify as appropriate for changes in condition of
23 the system.

24 (4) Not later than October 1, 1987, the head of each princi-
25 pal department shall issue a report to the governor, the auditor
26 general, the ~~senate and house~~ appropriations committees, and
27 the director describing the current internal accounting and

1 administrative control systems of the principal department, the
2 organization and size of the internal audit staffs, and the
3 manner in which the internal auditor will be utilized by the
4 department head. Not later than March 1, 1988, the auditor gen-
5 eral shall evaluate and report to the legislature on each princi-
6 pal department's report prepared pursuant to this subsection.

7 (5) Beginning March 1, 1989, and biennially thereafter, the
8 head of each principal department shall provide a report prepared
9 by the principal department's internal auditor on the evaluation
10 of the principal department's internal accounting and administra-
11 tive control system to the governor, the auditor general, the
12 ~~senate and house~~ appropriations committees, THE STANDING COM-
13 MITTEES OF THE SENATE AND THE HOUSE THAT HAVE JURISDICTION OVER
14 MATTERS ADMINISTERED BY THAT DEPARTMENT, and the director. For
15 the period reviewed, the report shall include, but not be limited
16 to, both of the following:

17 (a) A description of any material inadequacy or weakness
18 discovered in connection with the evaluation of the department's
19 internal accounting and administrative control system as of
20 October 1 of the preceding year and the plans and a time schedule
21 for correcting the internal accounting and administrative control
22 system, described in detail.

23 (b) A listing of each audit or investigation performed by
24 the internal auditor pursuant to sections 486(4) and 487.

25 Sec. 487. (1) Each internal auditor shall report immedi-
26 ately to the department head if the internal auditor becomes
27 aware of particularly serious or flagrant problems, abuses, or

1 deficiencies relating to the administration of programs or
2 operations of that principal department or its state agencies.
3 If criminal activity is suspected, the department head shall
4 immediately submit a report to the governor, attorney general,
5 and the auditor general in accordance with reporting requirements
6 established pursuant to section 484.

7 (2) Within 60 days after the receipt of a report filed pur-
8 suant to subsection (1), the department head shall submit a plan
9 to correct the problems, abuses, or deficiencies to the
10 director. Within 30 days after the receipt of the plan to cor-
11 rect, the director shall submit copies of the plan to correct to
12 the auditor general, ~~and the senate and house~~ appropriations
13 committees, AND THE STANDING COMMITTEES OF THE SENATE AND THE
14 HOUSE THAT HAVE JURISDICTION OVER MATTERS ADMINISTERED BY THAT
15 DEPARTMENT.

16 (3) This section shall not be construed to authorize the
17 public disclosure of information which is part of an ongoing
18 criminal investigation or which is specifically prohibited from
19 public disclosure by any other provision of law.