

THE MANAGEMENT AND BUDGET ACT (EXCERPT)
Act 431 of 1984

18.1485 Internal control system; establishment and maintenance; elements; duties of head of principal department; reports.

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

(2) Each internal control system shall include, but not be limited to, all of the following elements:

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

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

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

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

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

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

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

(4) The head of each principal department shall provide a biennial report on or before May 1 of each odd numbered year to the governor, the auditor general, the senate and house appropriations committees, the fiscal agencies, and the state budget director. The department director shall attach a letter from the internal auditor certifying the department's conformance to the evaluation and reporting requirements in the general framework referenced in section 484. For the period reviewed, the report shall include, but not be limited to, both of the following:

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

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

History: Add. 1986, Act 272, Imd. Eff. Dec. 19, 1986;—Am. 1999, Act 8, Imd. Eff. Mar. 22, 1999;—Am. 2018, Act 389, Imd. Eff. Dec. 19, 2018.

Popular name: Act 431

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