

EXECUTIVE REORGANIZATION ORDER

E.R.O. No. 2007-22

18.46 Transfer of powers and duties of internal auditors of principal departments under MCL 18.1486 and 18.1487 to office of the state budget director; transfer of powers and duties of principal departments to appoint and supervise internal auditor under MCL 18.1486 to state budget director.

WHEREAS, Section 1 of Article V of the Michigan Constitution of 1963 vests the executive power of the State of Michigan in the Governor;

WHEREAS, Section 2 of Article V of the Michigan Constitution of 1963 empowers the Governor to make changes in the organization of the executive branch or in the assignment of functions among its units that the Governor considers necessary for efficient administration;

WHEREAS, Section 53 of Article IV of the Michigan Constitution of 1963 limits the duties of the legislative Auditor General to the conduct of post audits of financial transactions and accounts of this state and state entities and performance post audits thereof;

WHEREAS, under Section 485 of The Management and Budget Act, 1984 PA 431, MCL 18.1485, each principal department within the executive branch is required to establish and maintain its own internal accounting and administrative control system and appoint its own internal auditor;

WHEREAS, the Department of Management and Budget is required to minimize the duplication of activities among state agencies, between state agencies and businesses, to effect a better organization and consolidation of functions among state agencies, and to establish, administer, operate, or provide centralized services when advantageous to this state;

WHEREAS, consolidation of internal audit functions within the Department of Management and Budget will promote a more unified approach to internal audit functions within the executive branch of state government and improve the effectiveness of financial controls;

WHEREAS, consolidating state internal audit functions will increase administrative efficiencies;

WHEREAS, there is a continuing need to reorganize functions amongst state departments to ensure efficient administration and effectiveness of government;

NOW THEREFORE, I, Jennifer M. Granholm, Governor of the State of Michigan, by virtue of the power vested in the Governor by the Michigan Constitution of 1963 and Michigan law, order the following:

I. DEFINITIONS

As used in this Order:

A. "Department of Management and Budget" means the principal department of state government created under Section 121 of The Management and Budget Act, 1984 PA 431, MCL 18.1121.

B. "Office of the State Budget Director" means the office created within the Department of Management and Budget under Section 321 of The Management and Budget Act, 1984 PA 431, MCL 18.1321.

C. "State Budget Director" means the individual appointed by the Governor pursuant to Section 321 of The Management and Budget Act, 1984 PA 431, MCL 18.1321.

II. TRANSFERS TO OFFICE OF THE STATE BUDGET DIRECTOR

A. All the authority, powers, duties, functions, responsibilities, rule-making authority, personnel, equipment, and budgetary resources of internal auditors within principal departments of this state under Sections 486 and 487 of The Management and Budget Act, 1984 PA 431, MCL 18.1486 and 18.1487, are transferred to the Office of the State Budget Director. The transfers under this paragraph shall not be construed to inhibit the head of a principal department, elected or appointed, from supervising the powers, duties, and functions of that principal department.

B. All of the authority, powers, duties, functions, responsibilities of a principal department of this state to appoint and supervise an internal auditor for a principal department under Section 486 of The Management and Budget Act, 1984 PA 431, MCL 18.1486, are transferred to the State Budget Director. The State Budget Director may appoint an internal auditor to serve as the internal auditor for one or more principal departments.

C. The Office of the State Budget Director shall operate an internal audit services center to assist departments and agencies within the executive branch with accounting functions and may develop standardized policies and procedures for the performance of accounting functions.

III. ADMINISTRATION OF INTERNAL AUDIT FUNCTIONS

A. Each internal auditor appointed by the State Budget Director shall be a member of the classified state civil

service. Each internal auditor shall report to and be under the general supervision of the State Budget Director.

B. A person shall not prevent or prohibit an internal auditor from initiating, carrying out, or completing any audit or investigation. An internal auditor shall be protected pursuant to the Whistleblowers' Protection Act, 1980 PA 469, MCL 15.361 to 15.369.

C. An internal auditor appointed by the State Budget Director under Section II.B shall do all of the following:

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

2. Conduct and supervise audits relating to financial activities of a principal department's operations.

3. Review existing activities and recommend policies designed to promote efficiency in the administration of a principal department's programs and operations.

4. Recommend policies for activities to protect this state's assets under the control of a principal department, and to prevent and detect fraud and abuse in the principal department's programs and operations.

5. Review and recommend activities designed to ensure that a principal department's internal financial control and accounting policies are in conformance with the accounting directives issued by the Office of the State Budget Director pursuant to Sections 421 and 444 of The Management and Budget Act, 1984 PA 431, MCL 18.1421 and 18.1444.

6. Provide a means to keep the State Budget Director and the head of a principal department fully and currently informed about problems and deficiencies relating to the administration of the principal department's programs and operations, and the necessity for, and progress of, corrective action.

7. Conduct other audit and investigative activities as assigned by the State Budget Director.

8. Prepare biennial reports for principal departments required under Section 485(4) of The Management and Budget Act, 1984 PA 431, MCL 18.1485.

D. Each internal auditor appointed by the State Budget Director under Section II.B shall adhere to appropriate professional and auditing standards in carrying out any financial or program audits or investigations.

E. Each internal auditor appointed by the State Budget Director under Section II.B shall report immediately to the State Budget Director and the principal department head if the internal auditor becomes aware of particularly serious or flagrant problems, abuses, or deficiencies relating to the administration of programs or operations of a principal department or agencies within the department.

IV. IMPLEMENTATION OF TRANSFERS

A. The State Budget Director and the directors of all principal departments within the executive branch of state government shall jointly identify the program positions and administrative function positions that will be transferred to the Office of the State Budget Director under this Order. The State Budget Director and the directors of all principal departments shall make every effort to develop the agreements specifying the positions to be transferred by the effective date of this Order. In the event of a failure to reach an agreement on positions to be transferred under this Order, the State Budget Director shall develop a written recommendation specifying the positions to be transferred and submit the recommendation to the Governor for consideration and approval. All transfers to the Office of the State Budget Director shall be consistent with this Order and documented by a memorandum of understanding between the director of each principal department affected by this Order and the State Budget Director.

B. For the purpose of implementing this Order or facilitating the performance of internal audit functions, the Office of the State Budget Director may enter into a written agreement, including a service level agreement, with any other department or agency regarding the performance of internal audit functions.

C. The State Budget Director shall provide executive direction and supervision for the implementation of all transfers to the Office of the State Budget Director under this Order.

D. The State Budget Director shall immediately initiate coordination with department and agencies within the executive branch of state government to facilitate the transfers under this Order. Each principal department affected by the transfers under this Order shall issue, after consultation with the State Budget Director, a memorandum of record identifying any pending settlements, issues of compliance with applicable federal and state laws and regulations, or other obligations to be resolved by the transferring department related to the transfers under this Order.

E. Departments, agencies, and state officers within the executive branch of state government shall fully and actively cooperate with the Office of the State Budget Director in the implementation of this Order. The State Budget Director may request the assistance of other departments, agencies, and state officers with respect to personnel, budgeting, procurement, telecommunications, information systems, legal services, and other issues related to implementation of the transfers under this Order, and the departments and agencies shall provide the assistance requested.

F. The State Budget Director shall administer the functions transferred under this Order in such ways as to promote efficient administration and shall make internal organizational changes as may be administratively necessary to complete the realignment of responsibilities under this Order.

G. The State Budget Director may delegate within the Office of the State Budget Director a duty or power

conferred on the State Budget Director by this Order or by other law, and the individual to whom the duty or power is delegated may perform the duty or exercise the power at the time and to the extent that the duty or power is delegated by the State Budget Director.

H. All records, property, grants, and unexpended balances of appropriations, allocations, and other funds used, held, employed, available or to be made available to any entity for the authority, activities, powers, duties, functions, and responsibilities transferred under this Order to the Office of the State Budget Director are transferred to the Office of the State Budget Director.

V. MISCELLANEOUS

A. The State Budget Director shall determine and authorize the most efficient manner possible for handling financial transactions and records in this state's financial management system necessary to implement this Order.

B. All rules, orders, contracts, and agreements relating to the functions transferred under this Order lawfully adopted prior to the effective date of this Order shall continue to be effective until revised, amended, repealed, or rescinded.

C. Any suit, action, or other proceeding lawfully commenced by, against, or before any entity affected by this Order, shall not abate by reason of the taking effect of this Order. Any suit, action, or other proceeding may be maintained by, against, or before the appropriate successor of any entity affected by this Order.

D. The invalidity of any portion of this Order shall not affect the validity of the remainder of the Order, which may be given effect without any invalid portion. Any portion of this Order found invalid by a court or other entity with proper jurisdiction shall be severable from the remaining portions of this Order.

In fulfillment of the requirements under Section 2 of Article V of the Michigan Constitution of 1963, the provisions of this Order are effective October 1, 2007 at 12:01 a.m.

History: 2007, E.R.O. No. 2007-22, Eff. Oct. 1, 2007