

**HOUSE SUBSTITUTE FOR
SENATE BILL NO. 1051**

A bill to amend 1984 PA 431, entitled
"The management and budget act,"
by amending sections 113, 115, 123, 124, 283, 299, 343, 353, 363,
367, 421, 447, 462, 483, 484, 485, 486, and 487 (MCL 18.1113,
18.1115, 18.1123, 18.1124, 18.1283, 18.1299, 18.1343, 18.1353,
18.1363, 18.1367, 18.1421, 18.1447, 18.1462, 18.1483, 18.1484,
18.1485, 18.1486, and 18.1487), sections 113, 353, 363, 462, 484,
485, and 486 as amended by 1999 PA 8, section 115 as amended by
2012 PA 430, section 299 as added by 2006 PA 95, section 367 as
amended by 2016 PA 221, section 421 as amended by 1988 PA 504,
section 447 as added by 2012 PA 535, and sections 483 and 487 as
added by 1986 PA 272, and by adding sections 445 and 495.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 113. (1) "Capital outlay" means a project or facility
2 financed either in whole or in part with state funds, including
3 lease purchase agreements, to demolish, construct, renovate, or
4 equip a building or facility for which total project costs exceed
5 \$1,000,000.00. These projects may be on state owned property,
6 property owned by an institution of higher education, property
7 owned by community colleges, or property under the control of the
8 state building authority.

9 (2) "Community college" means a community college or a
10 junior college.

11 (3) "Department" means the department of **TECHNOLOGY**,
12 management, and budget.

13 (4) "Directives" means intergovernmental, interagency, or
14 interdepartment administrative or procedural guidelines or
15 instructions which do not affect the rights of, or procedures and
16 practices available to, the public.

17 (5) "Director" means the director of the department of
18 **TECHNOLOGY**, management, and budget.

19 (6) "Energy conservation measure" means improvement of a
20 building structurally or the installation of equipment or
21 materials in a building for the purpose of reducing energy
22 consumption or cost, increasing energy efficiency, or allowing
23 the use of a renewable resource for fuel.

24 Sec. 115. (1) "Institution of higher education" or
25 "university" means a state supported 4-year college or
26 university.

1 (2) "INFORMATION TECHNOLOGY SERVICES" MEANS SERVICES
2 INVOLVING ALL ASPECTS OF MANAGING AND PROCESSING INFORMATION,
3 INCLUDING, BUT NOT LIMITED TO, ALL OF THE FOLLOWING:

4 (A) APPLICATION DEVELOPMENT AND MAINTENANCE.

5 (B) DESKTOP COMPUTER SUPPORT AND MANAGEMENT.

6 (C) MAINFRAME COMPUTER SUPPORT AND MANAGEMENT.

7 (D) SERVER SUPPORT AND MANAGEMENT.

8 (E) LOCAL AREA NETWORK SUPPORT AND MANAGEMENT, INCLUDING,
9 BUT NOT LIMITED TO, WIRELESS NETWORKING.

10 (F) INFORMATION TECHNOLOGY PROJECT MANAGEMENT.

11 (G) INFORMATION TECHNOLOGY PLANNING AND BUDGET MANAGEMENT.

12 (H) TELECOMMUNICATION SERVICES, SECURITY, INFRASTRUCTURE,
13 AND SUPPORT.

14 (3) ~~(2)~~—"JCOS" means the joint capital outlay subcommittee
15 of the appropriations committees.

16 (4) ~~(3)~~—Except as used in sections 284 to 292, "record"
17 means a public record as defined in section 2 of the freedom of
18 information act, 1976 PA 442, MCL 15.232.

19 (5) ~~(4)~~—"State agency" means a department, board,
20 commission, office, agency, authority, or other unit of state
21 government. State agency does not include an institution of
22 higher education or a community college or, for purposes of
23 article 2 or 3, the legislative branch of government. For
24 purposes of article 2 or 3, except for those sections pertaining
25 to the authorization, planning, construction, and funding of a
26 capital outlay project, including construction of a facility to
27 house offices or functions necessary for operation of the

1 judicial branch of government, state agency does not include the
2 judicial branch of government.

3 **(6)** ~~(5)~~—"Unit of local government" means a political
4 subdivision of this state, including school districts, community
5 college districts, intermediate school districts, cities,
6 villages, townships, counties, and authorities, if the political
7 subdivision has as its primary purpose the providing of local
8 governmental service for citizens in a geographically limited
9 area of the state and has the power to act primarily on behalf of
10 that area.

11 Sec. 123. **(1)** The director of the department of **TECHNOLOGY,**
12 management, and budget shall be appointed by the governor by and
13 with the advice and consent of the senate. The director shall
14 serve at the pleasure of the governor.

15 **(2) THE GOVERNOR SHALL DESIGNATE AN INDIVIDUAL WITHIN THE**
16 **DEPARTMENT, INCLUDING, BUT NOT LIMITED TO, THE DIRECTOR OF THE**
17 **DEPARTMENT, TO SERVE AS THE CHIEF INFORMATION OFFICER FOR THIS**
18 **STATE. THE DIRECTOR MAY SERVE CONCURRENTLY AS THE STATE CHIEF**
19 **INFORMATION OFFICER.**

20 Sec. 124. **(1)** The director may organize the department into
21 organizational entities and may merge or transfer functions
22 between organizational entities to promote efficiency and
23 economy. The director shall exercise direction and supervision
24 over the organization entities in the performance of the
25 respective functions. The director may appoint deputies and other
26 officers and employees as permitted by law to effectively
27 accomplish the duties and responsibilities of the department. The

1 director may designate a deputy or other employee to act on
2 behalf of the director.

3 (2) THE CHIEF INFORMATION OFFICER SHALL REPORT TO AND ADVISE
4 THE GOVERNOR ON MATTERS RELATING TO INFORMATION TECHNOLOGY
5 SERVICES AND RELATED TECHNOLOGY. UNDER DIRECTION AND GUIDANCE OF
6 THE CHIEF INFORMATION OFFICER, THE DEPARTMENT SHALL DO ALL OF THE
7 FOLLOWING RELATED TO INFORMATION TECHNOLOGY SERVICES:

8 (A) LEAD STATE EFFORTS TO REENGINEER THE INFORMATION
9 TECHNOLOGY INFRASTRUCTURE OF THIS STATE TO ACHIEVE THE USE OF
10 COMMON TECHNOLOGY ACROSS THE EXECUTIVE BRANCH OF STATE
11 GOVERNMENT.

12 (B) COORDINATE A UNIFIED EXECUTIVE BRANCH STRATEGIC
13 INFORMATION TECHNOLOGY PLAN, IDENTIFY BEST PRACTICES FROM
14 EXECUTIVE BRANCH AGENCIES AND OTHER PUBLIC AND PRIVATE SECTOR
15 ENTITIES, AND DEVELOP AND IMPLEMENT PROCESSES TO REPLICATE
16 INFORMATION TECHNOLOGY BEST PRACTICES AND STANDARDS THROUGHOUT
17 THE EXECUTIVE BRANCH OF STATE GOVERNMENT.

18 (C) OVERSEE THE EXPANDED USE AND IMPLEMENTATION OF PROJECT
19 MANAGEMENT PRINCIPLES RELATED TO INFORMATION TECHNOLOGY SERVICES
20 WITHIN THE EXECUTIVE BRANCH OF STATE GOVERNMENT. FUNDED PROJECTS
21 WITHIN ALL EXECUTIVE BRANCH DEPARTMENTS AND AGENCIES SHALL USE
22 PROJECT MANAGEMENT METHODOLOGIES SPECIFIED BY THE CHIEF
23 INFORMATION OFFICER FOR THIS STATE.

24 (D) SERVE AS A GENERAL CONTRACTOR BETWEEN INFORMATION
25 TECHNOLOGY USERS WITHIN THE EXECUTIVE BRANCH AND PRIVATE-SECTOR
26 PROVIDERS OF INFORMATION TECHNOLOGY PRODUCTS AND SERVICES WHILE
27 WORKING TO BUILD STRONGER PARTNERING RELATIONSHIPS WITH

1 PROVIDERS.

2 (E) DEVELOP AND PERIODICALLY UPDATE SERVICE-LEVEL AGREEMENTS
3 WITH EXECUTIVE BRANCH DEPARTMENTS AND AGENCIES TO ENSURE QUALITY
4 INFORMATION TECHNOLOGY SERVICES ARE DELIVERED ON SCHEDULE AND
5 WITHIN BUDGET.

6 (F) DEVELOP STANDARDS FOR APPLICATION DEVELOPMENT,
7 INCLUDING, BUT NOT LIMITED TO, A STANDARD METHODOLOGY AND COST-
8 BENEFIT ANALYSIS THAT ALL EXECUTIVE BRANCH DEPARTMENTS AND
9 AGENCIES SHALL UTILIZE FOR APPLICATION DEVELOPMENT ACTIVITIES.

10 (G) DETERMINE AND IMPLEMENT STATEWIDE EFFORTS TO STANDARDIZE
11 DATA ELEMENTS, FORMATS, AND STANDARDS AND DETERMINE DATA AND
12 INFORMATION OWNERSHIP OR CONTROL ISSUES AMONG DEPARTMENTS AND
13 AGENCIES IN THE EXECUTIVE BRANCH OF STATE GOVERNMENT WITH THE
14 FULL COOPERATION OF EXECUTIVE BRANCH DEPARTMENTS AND AGENCIES.

15 (H) DEVELOP SYSTEMS AND METHODOLOGIES TO REVIEW, EVALUATE,
16 AND PRIORITIZE EXISTING INFORMATION TECHNOLOGY SERVICES PROJECTS
17 WITHIN THE EXECUTIVE BRANCH OF STATE GOVERNMENT.

18 (I) ASSIST THE OFFICE OF THE STATE BUDGET DIRECTOR WITH THE
19 DEVELOPMENT OF INFORMATION TECHNOLOGY SERVICES BUDGETS FOR THE
20 EXECUTIVE BRANCH OF STATE GOVERNMENT. ALL INFORMATION TECHNOLOGY
21 BUDGET REQUESTS FROM THE EXECUTIVE BRANCH MUST CONTINUE TO BE
22 SUBMITTED TO THE OFFICE OF THE STATE BUDGET DIRECTOR AND THE
23 CHIEF INFORMATION OFFICER. THE OFFICE OF THE STATE BUDGET
24 DIRECTOR AND THE CHIEF INFORMATION OFFICER WILL CONTINUE TO
25 JOINTLY REVIEW AND RECOMMEND FOR FUNDING CONSIDERATION ONLY THOSE
26 PROPOSALS THAT FIT INTO THE OVERALL STRATEGIC INFORMATION
27 TECHNOLOGY MANAGEMENT PLAN OF THIS STATE AND THAT PROVIDE A

1 REASONABLE RETURN ON INVESTMENT, SUBJECT TO AVAILABLE RESOURCES.

2 (3) ALL EXECUTIVE BRANCH DEPARTMENTS AND AGENCIES SHALL
3 FULLY COOPERATE WITH THE STATE CHIEF INFORMATION OFFICER IN
4 DEVELOPING AND IMPLEMENTING THE SHARING OF DATA AND INFORMATION
5 THROUGHOUT THE EXECUTIVE BRANCH. THE STATE CHIEF INFORMATION
6 OFFICER SHALL DETERMINE AND IMPLEMENT STATEWIDE EFFORTS TO
7 STANDARDIZE DATA ELEMENTS AND SHALL DETERMINE DATA OWNERSHIP
8 ASSIGNMENTS AMONG EXECUTIVE BRANCH DEPARTMENTS AND AGENCIES.

9 Sec. 283. (1) The ~~department~~**STATE BUDGET OFFICE** shall issue
10 directives necessary to establish and maintain the central
11 payroll system for the periodic compensation of the officers and
12 employees of all state agencies of all branches of state
13 government.

14 (2) The ~~department~~**STATE BUDGET OFFICE** shall perform such
15 duties as required as the tax withholding agency for the state
16 government payroll pursuant to any local, state, or federal law.

17 (3) The ~~department~~**STATE BUDGET OFFICE** shall issue
18 directives for the approval or disapproval of any proposal for
19 payroll deductions or withholding other than those required by
20 law.

21 Sec. ~~1299~~**299**. (1) The office of the state budget director
22 shall do all of the following:

23 (a) Establish, maintain, and coordinate the state higher
24 education database commonly known as the higher education
25 institutional data inventory or "HEIDI".

26 (b) Collect data concerning public universities and public
27 university programs in this state, including data required by

1 law, and include it in the database.

2 (c) Establish procedures to ensure the validity and
3 reliability of the data and the collection process.

4 (d) Develop model data collection policies, including, but
5 not limited to, policies that ensure the privacy of individual
6 student data. Privacy policies shall ensure that student social
7 security numbers are not released to the public for any purpose.

8 (e) Provide data in a useful manner to allow state
9 policymakers and public university officials to make informed
10 policy decisions.

11 (f) Assist public universities in complying with audits
12 under this section or federal law.

13 (g) Perform other functions assigned by the state budget
14 director or required by law.

15 (2) There is created within the office of the state budget
16 director in the department the higher education institutional
17 data inventory advisory committee. The committee shall provide
18 advice to the state budget director regarding the management of
19 the state higher education database, including, but not limited
20 to:

21 (a) Determining what data is necessary to collect and
22 maintain.

23 (b) Defining the roles of all stakeholders in the data
24 collection system.

25 (c) Recommending timelines for the implementation and
26 ongoing collection of data.

27 (d) Establishing and maintaining data definitions, data

1 transmission protocols, and system specifications and procedures
2 for the efficient and accurate transmission and collection of
3 data.

4 (e) Establishing and maintaining a process for ensuring the
5 accuracy of the data.

6 (f) Establishing and maintaining policies related to data
7 collection, including, but not limited to, privacy policies
8 related to individual student data.

9 (g) Ensuring the data is made available to state
10 policymakers and citizens of this state in the most useful format
11 possible.

12 (h) Addressing other matters as determined by the state
13 budget director or as required by law.

14 (3) The higher education institutional data inventory
15 advisory committee created in subsection (2) shall consist of the
16 following members:

17 (a) One representative from the house fiscal agency,
18 appointed by the director of the house fiscal agency.

19 (b) One representative from the senate fiscal agency,
20 appointed by the director of the senate fiscal agency.

21 (c) One representative from the office of the state budget
22 director, appointed by the state budget director.

23 (d) Three representatives of the presidents council of state
24 universities, appointed by the presidents council. The presidents
25 council shall appoint 1 representative each from a master's
26 university, a doctoral university, and a research university.

27 (4) The auditor general shall review higher education

1 institutional data inventory enrollment data submitted by all
 2 public universities and shall perform audits of selected data
 3 submitted by public universities **AT LEAST ONCE EVERY 4 YEARS**. The
 4 review and audits shall be based upon the definitions,
 5 requirements, and uniform reporting categories established by the
 6 state budget director in consultation with the higher education
 7 institutional data inventory advisory committee. The auditor
 8 general shall submit ~~an annual~~ **A** report of findings to the house
 9 and senate appropriations committees and the state budget
 10 director by July 1 of each year **IN WHICH AN AUDIT IS PERFORMED**.

11 Sec. 343. The ~~state budget director~~ **BUREAU OF LABOR MARKET**
 12 **AND STRATEGIC INITIATIVES** shall conduct statistical studies and
 13 make estimates and projections of population relative to size and
 14 distribution.

15 Sec. 353. (1) In a calendar quarter following a calendar
 16 quarter in which the seasonally adjusted state unemployment rate
 17 as certified by the director of the department of career
 18 development or its successor is 8% or more, an amount may be
 19 appropriated from the fund by the legislature for the purposes
 20 listed in this section in accordance with the following table:

21 Percent of seasonally 22 adjusted unemployment 23 in the calendar quarter 24 preceding the calendar 25 quarter in which an 26 amount may be appropriated 27	Percent of fund available for economic stabilization during the calendar quarter following a calendar quarter of high unemployment
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1	8.0-11.9%	2.5% of fund balance
2		as of first day of
3		calendar quarter
4	12.0% and over	5.0% of fund balance
5		as of first day of
6		calendar quarter

7 (2) The legislature may appropriate by law money from the
8 fund in the amounts as provided in this section to assist in the
9 following countercyclical economic stabilization purposes:

10 (a) Capital outlay.

11 (b) Public works and public service jobs.

12 (c) Refundable investment or employment tax credits against
13 state business taxes for new outlays and hiring in this state.

14 (d) Any other purpose the legislature may provide by law
15 which provides employment opportunities counter to the state's
16 economic cycle.

17 ~~—— (3) Notwithstanding subsections (1) and (2), there is hereby~~
18 ~~appropriated \$40,000,000.00 from the fund for the Michigan state~~
19 ~~parks endowment fund. The appropriation provided for in this~~
20 ~~subsection shall only be effective after the proceeds from the~~
21 ~~sale of the accident fund have been transferred to the fund as~~
22 ~~provided for in section 701a of the worker's disability~~
23 ~~compensation act of 1969, 1969 PA 317, MCL 418.701a.~~

24 Sec. 363. **(1)** Within 30 days after the legislature convenes
25 in regular session, except in a year in which a newly elected
26 governor is inaugurated into office when 60 days shall be

1 allowed, the governor shall transmit to each member of the
2 legislature and the fiscal agencies the budget in detail as
3 provided in this act, accompanied by such explanations and
4 recommendations relative ~~thereto~~ **TO THE BUDGET** as the governor
5 considers necessary. At the time the budget is transmitted to the
6 legislature, the **STATE BUDGET** director shall transmit line-item
7 appropriation detail to the fiscal agencies using a computer
8 software application that is compatible with the budget tracking
9 computer systems used by the respective fiscal agencies.

10 (2) **THE BUDGET TRANSMITTED BY THE GOVERNOR TO THE**
11 **LEGISLATURE SHALL BE FOR THE UPCOMING FISCAL YEAR AND THE**
12 **FOLLOWING FISCAL YEAR. AT A MINIMUM, THE BUDGETS SHALL CONSIST OF**
13 **ALL OF THE FOLLOWING:**

14 (A) **ESTIMATES OF ANTICIPATED REVENUES BY STATE FUNDS.**

15 (B) **LINE-ITEM DETAILS OF PROPOSED EXPENDITURES UNROLLED TO**
16 **SHOW SPECIFIC PROGRAMS.**

17 (C) **ESTIMATES OF THE YEAR-END UNRESTRICTED FUND BALANCES FOR**
18 **STATE FUNDS.**

19 (D) **ANY ADDITIONAL BUDGET DETAIL REQUIRED BY THIS ACT.**

20 (3) **EACH FISCAL YEAR, BY THE DEADLINE ESTABLISHED IN**
21 **SUBSECTION (1) FOR THE GOVERNOR TO SUBMIT A BUDGET TO THE**
22 **LEGISLATURE, THE GOVERNOR SHALL ALSO PRESENT A STRATEGIC PLAN FOR**
23 **THIS STATE.**

24 (4) **THE STRATEGIC PLAN SHALL BE PUBLISHED ON THE STATE'S**
25 **WEBSITE.**

26 (5) **THE STRATEGIC PLAN SHALL START WITH THE UPCOMING FISCAL**
27 **YEAR AND SHALL COVER THE NEXT 5 FISCAL YEARS. THE STRATEGIC PLAN**

1 CAN BE A REVISED VERSION OF A PREVIOUS STRATEGIC PLAN OR A NEW
2 STRATEGIC PLAN.

3 (6) THE STRATEGIC PLAN SHALL INCLUDE THE MISSION, VISION,
4 GOALS, STRATEGIES, AND PERFORMANCE MEASURES FOR EACH STATE
5 DEPARTMENT, INCLUDING MEASURES OF THE DEPARTMENT'S INPUTS,
6 OUTPUTS, AND OUTPUT MEASURES. THE DEPARTMENT'S BALANCED SCORECARD
7 CAN SERVE AS THE DEPARTMENT'S OUTPUT MEASURES.

8 (7) AT THE GOVERNOR'S DISCRETION, THE STRATEGIC PLAN MAY
9 INCLUDE INPUTS, OUTPUTS, AND OUTPUT MEASURES FOR STATE AGENCIES,
10 BUREAUS, AND DIVISIONS WITHIN A STATE DEPARTMENT.

11 Sec. 367. (1) Concurrent with transmitting the state budget
12 to the legislature, the governor shall submit to the legislature
13 and the fiscal agencies **FOR THE UPCOMING FISCAL YEAR AND THE**
14 **FOLLOWING FISCAL YEAR** executive budget bills containing itemized
15 statements of estimated state spending to be paid to local units
16 of government; annual required employer contributions toward
17 total unfunded retiree health care and pension legacy costs as
18 determined by the state's consulting actuary for each department
19 and the legislative branch and the judicial branch; individual
20 line item amounts, including the number of FTE positions to be
21 funded by each individual line item amount, for the proposed
22 expenditures; and any necessary bills for additional revenue to
23 provide financing for the proposed expenditures.

24 (2) One executive budget bill and 1 enacted budget bill
25 shall contain all of the following:

26 (a) The estimated revenue for each state operating fund in
27 sufficient detail to provide for comparison with actual revenue.

1 (b) Summary totals for each state operating fund to reflect
2 that recommended expenditures for each fund are within proposed
3 and estimated resources.

4 (c) A statement of estimated state spending to be paid to
5 units of local government, total state spending from state
6 sources of financing, and the state-local proportion derived from
7 that data.

8 Sec. 421. (1) In order to establish strong internal control
9 in the management of the state's financial transactions, the
10 **STATE BUDGET** director may do any of the following:

11 (a) Issue directives for the accountability, custody,
12 periodic inventory, and maintaining departmental records of the
13 real and personal property and supplies and materials of the
14 state.

15 (b) Issue directives relative to the formulation and control
16 of a state central accounting system.

17 (c) Monitor, approve or disapprove, and assist in the
18 development and enhancement of agency accounting systems. When
19 assistance is provided, the state agency shall be interaccount
20 billed for the cost of the services provided. The **STATE BUDGET**
21 director shall issue directives to implement this subdivision.

22 ~~(d) Examine, directly or by the director's representative,~~
23 ~~each proposed payment from the state treasury as will enable the~~
24 ~~director to certify to the state treasurer that the proposed~~
25 ~~payment is correct, for the discharge of a state liability or for~~
26 ~~some other purpose authorized by law, within the scope of the~~
27 ~~appropriation to which charged, and is not in excess of the~~

1 ~~unexpended or unencumbered balance of the appropriation. Except~~
2 ~~for investment transactions and refund of taxes, a payment shall~~
3 ~~not be made from the state treasury except upon certification of~~
4 ~~the director.~~ **ISSUE DIRECTIVES REGARDING INTERNAL CONTROL OVER**
5 **PAYMENT PROCESSING AS WILL ENABLE THE STATE BUDGET DIRECTOR TO**
6 **CERTIFY TO THE STATE TREASURER THAT THE SYSTEM OF INTERNAL**
7 **CONTROL IS SUFFICIENT TO ENSURE THAT THE PROPOSED PAYMENT IS**
8 **PROPERLY AUTHORIZED AND IS NOT IN EXCESS OF THE UNEXPENDED OR**
9 **UNENCUMBERED BALANCE OF THE APPROPRIATION. EXCEPT FOR INVESTMENT**
10 **TRANSACTIONS, LOTTERY PRIZE AWARDS, AND REFUND OF TAXES, A**
11 **PAYMENT SHALL NOT BE MADE FROM THE STATE TREASURY EXCEPT UPON**
12 **CERTIFICATION OF THE STATE BUDGET DIRECTOR.**

13 (e) Issue directives for the refund to payers of money which
14 has been deposited in the state treasury through
15 misunderstanding, inadvertence, or mistake and to which the state
16 does not have a claim. The refunds shall be made pursuant to the
17 directives except as otherwise provided in this act.

18 (f) Issue directives providing for and governing the
19 establishment, the proper uses of, and accounting for imprest and
20 petty cash funds by state agencies. An imprest or petty cash fund
21 shall not exceed the monetary limit approved by the board.

22 (g) Prepare and publish a comprehensive annual financial
23 report at the close of each fiscal year which clearly reflects
24 the financial position of the state funds at the close of the
25 fiscal year.

26 (2) If there is a conflict between generally accepted
27 accounting principles, the principles adopted by the governmental

1 accounting standards board, or its successor, shall be used.
2 Changes in generally accepted accounting principles which require
3 budgetary revisions shall be incorporated not later than the next
4 executive budget after the change is issued. The **STATE BUDGET**
5 director shall issue directives to incorporate any changes,
6 additions, and rescissions made to the generally accepted
7 accounting principles as they affect the accounting of state
8 government. If an item is not covered by an existing generally
9 accepted accounting principle, the **STATE BUDGET** director shall
10 issue a directive which shall not be effective until 30 days
11 after the directive is reported to the appropriations committee
12 and the auditor general.

13 (3) The ~~department~~**STATE BUDGET OFFICE** shall not change an
14 accounting principle, or the application of an accounting
15 principle, from that which was followed in the preceding fiscal
16 year if the change will materially affect the final year-end
17 balance of an appropriated operating fund, unless the change in
18 the accounting principle or the application of the accounting
19 principle is reported to the senate and house appropriations
20 committees not later than 120 days after the end of the fiscal
21 year for which the change is to be implemented. However, the 120-
22 day notice requirement shall not apply to a change in an
23 accounting principle or the application of an accounting
24 principle which is implemented to conform with requirements
25 promulgated by the governmental accounting standards board, or
26 its successor.

27 (4) **THE STATE BUDGET DIRECTOR SHALL DETERMINE AND AUTHORIZE**

1 THE MOST EFFICIENT MANNER POSSIBLE FOR HANDLING FINANCIAL
2 TRANSACTIONS AND RECORDS IN THE STATE'S FINANCIAL MANAGEMENT
3 SYSTEM NECESSARY TO IMPLEMENT EXECUTIVE REORGANIZATION ORDERS AS
4 PROVIDED UNDER SECTION 2 OF ARTICLE V OF THE STATE CONSTITUTION
5 OF 1963.

6 Sec. 447. (1) Each fiscal year, by the deadline established
7 in section 363 for the governor to submit a budget to the
8 legislature, each department shall have a strategic ~~mission,~~
9 ~~vision, goals,~~ **PLAN FOR ITS OPERATIONS**, and a balanced scorecard
10 in place. The scorecard shall include at least 1 existing metric
11 or establish at least 1 new metric for each 1-time or ongoing
12 enhancement budget recommendation. Each metric shall be in 1 of
13 the following categories:

- 14 (a) Customer service.
15 (b) Financial.
16 (c) Internal business process.
17 (d) Learning and growth.

18 (2) As used in this section:

19 (a) "Balanced scorecard" means a management tool that allows
20 managers to lead through monitoring the performance of an
21 organization on the few but vital set of activities and measures
22 that drive enterprise success. It focuses not just on financial
23 dimensions but also other vital areas such as employees,
24 customers, processes, and any other area crucial to the success
25 of the organization.

26 (b) "Customer service metric" means a standard that measures
27 the value received from the citizen perspective and the scale and

1 quality of the service.

2 (c) "Financial metric" means a standard for quantifying the
3 amount that the strategy, implementation, and execution of an
4 enhancement budget recommendation is contributing to the bottom
5 line.

6 (d) "Internal business process metric" means a standard that
7 measures how well business processes are structured or organized
8 to meet citizen service expectations.

9 (e) "Learning and growth metric" means a standard that
10 measures how well the people, technology, and climate support the
11 strategy of the enhancement.

12 Sec. 462. ~~(1) Within 60 days after the final audit is~~
13 ~~released,~~ **UPON COMPLETION OF AN AUDIT**, the principal executive
14 officer of a state agency which is audited shall submit a plan to
15 comply with the audit recommendations to the ~~department.~~ **STATE**
16 **BUDGET OFFICE**. The plan shall be prepared in accordance with
17 procedures prescribed by the ~~principal department.~~ **STATE BUDGET**
18 **DIRECTOR**. Copies of the plan shall be distributed in accordance
19 with the administrative guide to state government. Copies shall
20 also be distributed to relevant house and senate appropriations
21 subcommittees, relevant house and senate standing committees,
22 fiscal agencies, and the executive office.

23 **(2) THE STATE BUDGET DIRECTOR SHALL DEVELOP PROCEDURES FOR**
24 **PRINCIPAL DEPARTMENTS TO FOLLOW FOR THE DEVELOPMENT OF CORRECTIVE**
25 **ACTION PLANS. THE PLAN DESCRIBED UNDER THIS SECTION SHALL BE**
26 **PREPARED IN ACCORDANCE WITH PROCEDURES PRESCRIBED BY THE STATE**
27 **BUDGET DIRECTOR AND IN ACCORDANCE WITH REINFORCING PROCEDURES**

1 **PRESCRIBED BY THE PRINCIPAL DEPARTMENT.**

2 **(3) PRINCIPAL DEPARTMENTS SHALL PERIODICALLY REPORT PROGRESS**
3 **ON REMEDIATING MATERIAL WEAKNESSES ON A SCHEDULE PROVIDED BY THE**
4 **STATE BUDGET DIRECTOR.**

5 Sec. 483. As used in this section and sections 484 to 489:

6 (a) "Department head" means the head of a principal
7 department.

8 (b) "~~Internal accounting and administrative control system~~"
9 ~~means the methods through which reasonable assurances can be~~
10 ~~given that measures are being used by a principal department and~~
11 ~~its state agencies to safeguard assets, check the accuracy and~~
12 ~~reliability of accounting data, promote operational efficiency,~~
13 ~~and encourage adherence to prescribed managerial policies.~~**A**
14 **PROCESS, EFFECTED BY THE DIRECTOR OF THE PRINCIPAL DEPARTMENT,**
15 **MANAGEMENT, AND OTHER PERSONNEL, DESIGNED TO PROVIDE REASONABLE**
16 **ASSURANCE REGARDING THE ACCOMPLISHMENT OF DEPARTMENT OBJECTIVES**
17 **RELATING TO OPERATIONS, SAFEGUARDING OF ASSETS, REPORTING, AND**
18 **COMPLIANCE.**

19 Sec. 484. (1) The **STATE BUDGET** director, in consultation
20 with the auditor general, shall develop a system of reporting and
21 a general framework which shall be used by the principal
22 departments in performing evaluations on their respective
23 internal ~~accounting and administrative control~~ systems.

24 (2) The **STATE BUDGET** director, in consultation with the
25 auditor general, may modify the format for the report or the
26 framework for conducting the evaluations after giving 30 days'
27 notice to each principal department head and the senate and house

1 appropriations committees.

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

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

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

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

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

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

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

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

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

1 (4) The head of each principal department shall provide a
2 biennial report on or before May 1 of each odd numbered year
3 ~~prepared by the principal department's internal auditor on the~~
4 ~~evaluation of the principal department's internal accounting and~~
5 ~~administrative control system~~ to the governor, the auditor
6 general, the senate and house appropriations committees, the
7 fiscal agencies, and the **STATE BUDGET** director. **THE DEPARTMENT**
8 **DIRECTOR SHALL ATTACH A LETTER FROM THE INTERNAL AUDITOR**
9 **CERTIFYING THE DEPARTMENT'S CONFORMANCE TO THE EVALUATION AND**
10 **REPORTING REQUIREMENTS IN THE GENERAL FRAMEWORK REFERENCED IN**
11 **SECTION 484.** For the period reviewed, the report shall include,
12 but not be limited to, both of the following:

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

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

21 Sec. 486. (1) ~~Each principal department shall appoint an~~
22 ~~internal auditor.~~ **THE STATE BUDGET DIRECTOR SHALL APPOINT**
23 **INTERNAL AUDITORS AS NEEDED TO AUDIT PRINCIPAL DEPARTMENTS.** Each
24 internal auditor shall be a member of the state classified
25 executive service.

26 (2) Except as otherwise provided by law, each internal
27 auditor shall report to and be under the general supervision of

1 the ~~department head~~. **STATE BUDGET DIRECTOR**.

2 (3) A person may not prevent or prohibit the internal
3 auditor from initiating, carrying out, or completing any audit or
4 investigation. The internal auditor shall be protected pursuant
5 to the whistleblowers' protection act, 1980 PA 469, MCL 15.361 to
6 15.369.

7 ~~The internal auditor of each principal department~~ **AN**
8 **INTERNAL AUDITOR APPOINTED BY THE STATE BUDGET DIRECTOR** shall:

9 (a) Receive and investigate any allegations that false or
10 misleading information was received in evaluating the principal
11 department's internal ~~accounting and administrative control~~
12 system or in connection with the preparation of the biennial
13 report on the system.

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

16 (c) Review existing activities and recommend policies
17 designed to promote efficiency in the administration of that
18 principal department's programs and operations as assigned by the
19 department head.

20 (d) Recommend policies for activities to protect the state's
21 assets under the control of that principal department, and to
22 prevent and detect fraud and abuse in the principal department's
23 programs and operations.

24 (e) Review and recommend activities designed to ensure that
25 principal department's internal financial control and accounting
26 policies are in conformance with the ~~department of management and~~
27 ~~budget accounting division~~ **STATE BUDGET OFFICE** directives issued

1 pursuant to sections 421 and 444.

2 (f) Provide a means to keep the department head fully and
3 currently informed about problems and deficiencies relating to
4 the administration of that principal department's programs and
5 operations and the necessity for and progress of corrective
6 action.

7 (g) Conduct other audit and investigative activities as
8 assigned by the ~~department head~~. **STATE BUDGET DIRECTOR.**

9 **(H) PREPARE BIENNIAL REPORTS FOR PRINCIPAL DEPARTMENTS**
10 **REQUIRED UNDER SECTION 485.**

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

14 **(6) EACH INTERNAL AUDITOR APPOINTED BY THE STATE BUDGET**
15 **DIRECTOR SHALL REPORT IMMEDIATELY TO THE STATE BUDGET DIRECTOR**
16 **AND THE PRINCIPAL DEPARTMENT HEAD IF THE INTERNAL AUDITOR BECOMES**
17 **AWARE OF PARTICULARLY SERIOUS OR FLAGRANT PROBLEMS, ABUSES, OR**
18 **DEFICIENCIES RELATING TO THE ADMINISTRATION OF PROGRAMS OR**
19 **OPERATIONS OF A PRINCIPAL DEPARTMENT OR AGENCIES WITHIN THE**
20 **DEPARTMENT.**

21 **(7) INTERNAL AUDIT IS AN EXTENSION OF MANAGEMENT AS A**
22 **MONITORING FUNCTION TO HELP IMPROVE STATE OPERATIONS. INTERNAL**
23 **AUDIT STAFF SHALL HAVE UNRESTRICTED ACCESS TO ALL FUNCTIONS,**
24 **RECORDS, PROPERTY, AND PERSONNEL RELEVANT TO THE STATE WORK**
25 **ACTIVITIES, UNLESS SUCH ACCESS IS CLEARLY PROHIBITED BY STATE OR**
26 **FEDERAL LAW. IN THOSE INSTANCES WHERE ACCESS MAY VIOLATE LAW,**
27 **PRINCIPAL DEPARTMENTS SHALL VIEW INTERNAL AUDIT ACCESS AS AN**

1 **EXTENSION OF MANAGEMENT TO ENHANCE MONITORING. ACCESS TO RECORDS**
2 **INCLUDES ACCESS TO INFORMATION SYSTEMS AND RECORDS IN DIGITAL AND**
3 **HARD COPY FORMATS.**

4 Sec. 487. (1) Each internal auditor **AND DEPARTMENT**
5 **MANAGEMENT** shall report immediately to the department head if the
6 internal auditor becomes aware of particularly serious or
7 flagrant problems, abuses, or deficiencies relating to the
8 administration of programs or operations of that principal
9 department or its state agencies. If criminal activity is
10 suspected, the department head shall immediately submit a report
11 to the governor, attorney general, and the auditor general in
12 accordance with reporting requirements established pursuant to
13 section 484. **DEPARTMENTS SHALL ESTABLISH INCIDENT REPORTING**
14 **PROTOCOLS, REVIEWED AND APPROVED BY THE PRINCIPAL DEPARTMENT**
15 **DIRECTOR, TO FULFILL THE REPORTING OF ALL SUSPECTED SERIOUS**
16 **PROBLEMS BY EITHER INTERNAL AUDIT OR DEPARTMENT MANAGEMENT.**
17 **INCIDENCES WARRANTING REPORTING UNDER THESE PROVISIONS SHALL**
18 **INCLUDE THOSE PERPETRATED BY STATE EMPLOYEES OR EXTERNAL ENTITIES**
19 **WITH WHOM DEPARTMENTS COME INTO CONTACT.**

20 (2) Within 60 days after the receipt of a report filed
21 pursuant to subsection (1), the department head shall submit a
22 plan to correct the problems, abuses, or deficiencies to the
23 **STATE BUDGET** director. Within 30 days after the receipt of the
24 plan to correct, the **STATE BUDGET** director shall submit copies of
25 the plan to correct to the auditor general and the senate and
26 house appropriations committees.

27 (3) This section shall not be construed to authorize the

1 public disclosure of information which is part of an ongoing
2 criminal investigation or which is specifically prohibited from
3 public disclosure by any other provision of law.

4 **SEC. 495. (1) WITHIN 9 MONTHS AFTER THE END OF THE FISCAL**
5 **YEAR, THE STATE BUDGET DIRECTOR SHALL PUBLISH ON THE INTERNET A**
6 **REPORT THAT COMMUNICATES THE STATE'S CURRENT FINANCIAL SITUATION**
7 **IN AN EASY-TO-UNDERSTAND REPORT.**

8 **(2) AT A MINIMUM, THE REPORT WILL CONTAIN INFORMATION ON NO**
9 **LESS THAN THE MOST RECENT 5 YEARS OF DATA FOR EACH OF THE**
10 **FOLLOWING:**

11 **(A) TOTAL STATE REVENUES AND EXPENDITURES.**

12 **(B) TOTAL GENERAL FUND/GENERAL PURPOSE REVENUES AND**
13 **EXPENDITURES.**

14 **(C) TOTAL SCHOOL AID FUND REVENUES AND EXPENDITURES.**

15 **(D) THE UNRESTRICTED FUND BALANCE FOR THE GENERAL FUND AND**
16 **SCHOOL AID FUND.**

17 **(E) TOTAL OUTSTANDING STATE DEBT BY MAJOR TYPE.**

18 **(F) TOTAL UNFUNDED PENSION AND OTHER POSTEMPLOYMENT BENEFIT**
19 **OBLIGATIONS FOR EACH OF THE FOLLOWING RETIREMENT SYSTEMS:**

20 **(i) THE STATE EMPLOYEES' RETIREMENT ACT, 1943 PA 240, MCL**
21 **38.1 TO 38.69.**

22 **(ii) THE PUBLIC SCHOOL EMPLOYEES RETIREMENT ACT OF 1979, 1980**
23 **PA 300, MCL 38.1301 TO 38.1437.**

24 **(iii) THE JUDGES RETIREMENT ACT OF 1992, 1992 PA 234, MCL**
25 **38.2101 TO 38.2670.**

26 **(iv) THE STATE POLICE RETIREMENT ACT OF 1986, 1986 PA 182,**
27 **MCL 38.1601 TO 38.1648.**

1 (V) THE MICHIGAN LEGISLATIVE RETIREMENT SYSTEM ACT, 1957 PA
2 261, MCL 38.1001 TO 38.1080.

3 (G) TOTAL REVENUES BY MAJOR SOURCE, INCLUDING TAXES AND
4 FEDERAL GRANTS.

5 (H) TOTAL EXPENDITURES BY MAJOR SPENDING CATEGORY.

6 (I) THE NUMBER OF STATE EMPLOYEES BY DEPARTMENT.

7 (J) BASIC ECONOMIC INFORMATION FOR THIS STATE, INCLUDING
8 PER-CAPITA INCOME, NONFARM PAYROLL EMPLOYMENT, AND THE
9 UNEMPLOYMENT RATE.