



OFFICE OF THE LEGISLATIVE AUDITOR
STATE OF MINNESOTA

Financial-Related Audit

Board of Electricity

For the Period July 1, 1996, through December 31, 1999



Financial Audit Division

The Office of the Legislative Auditor (OLA) is a professional, nonpartisan office in the legislative branch of Minnesota State government. Its principal responsibility is to audit and evaluate the agencies and programs of state government (the State Auditor audits local governments).

OLA's Financial Audit Division annually audits the state's financial statements and, on a rotating schedule, audits agencies in the executive and judicial branches of state government, three metropolitan agencies, and several "semi-state" organizations. The division also investigates allegations that state resources have been used inappropriately.

The division has a staff of approximately fifty auditors, most of whom are CPAs. The division conducts audits in accordance with standards established by the American Institute of Certified Public Accountants and the Comptroller General of the United States.

Consistent with OLA's mission, the Financial Audit Division works to:

- Promote Accountability,
- Strengthen Legislative Oversight, and
- Support Good Financial Management.

Through its Program Evaluation Division, OLA conducts several evaluations each year and one best practices review.

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OFFICE OF THE LEGISLATIVE AUDITOR

State of Minnesota • James Nobles, Legislative Auditor

Report Summary

Financial-Related Audit

Board of Electricity

For the Period July 1, 1996, through December 31, 1999

Key Findings and Recommendations:

- **PRIOR FINDING PARTIALLY RESOLVED:** The board's controls over license and inspection fees were inadequate. The board needs to adequately safeguard receipts by restrictively endorsing all checks immediately, and keeping all checks physically secure until deposited. In addition, the board should separate license and inspection fee checks from accompanying documentation and deposit receipts totaling \$250 or more on a daily basis as required by Minn. Stat. Section 16A.275. (Finding 1, page 6)
- **PRIOR FINDING PARTIALLY RESOLVED:** The board did not effectively control access to computer resources and data within its licensing and inspection system. The board should limit each employee's computer access to the specific resources and data needed to fulfill the employee's job responsibilities. Supervisory security clearance privileges should be very limited and only provided to those individuals currently responsible for security. (Finding 2, page 6)
- **PRIOR AUDIT FINDING NOT RESOLVED:** The board did not void requests for electrical inspections as required by board rule. The board should comply with Minn. Rule 3800.3780 and void request for inspection certificates that are over 18 months old. (Finding 3, page 7)
- The board did not adequately segregate or control certain employee's access to the state's payroll and human resources data system (SEMA4). The board should have an employee independent of the payroll and the human resources function review payroll transactions for propriety. (Finding 4, page 11)

Financial-Related Audit Reports address internal control weaknesses and noncompliance issues found during our audit of the agency. The scope of work at the State Board of Electricity included license and inspection fees, payroll, and contracted inspection services. The board's response to our recommendations is included in the report.

State Board of Electricity

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Audit Participation

The following members of the Office of the Legislative Auditor prepared this report:

| | |
|------------------------|----------------------------|
| Claudia Gudvangen, CPA | Deputy Legislative Auditor |
| Tom Donahue, CPA | Audit Manager |
| Carl Otto, CPA | Auditor-in-Charge |
| Tory Monson | Auditor |

Exit Conference

We discussed the results of the audit at an exit conference with the following State Board of Electricity staff held on April 6, 2000:

| | |
|------------------|-------------------------------|
| John Schultz | Executive Secretary |
| John Williamson | Assistant Executive Secretary |
| Barbara Ellinger | Office Manager |
| Julie Klejewski | Assistant Office Manager |



OFFICE OF THE LEGISLATIVE AUDITOR
State of Minnesota • James Nobles, Legislative Auditor

Representative Dan McElroy, Chair
Legislative Audit Commission

Members of the Legislative Audit Commission

Mr. James M. Moravek, President
State Board of Electricity

Members of the State Board of Electricity

Mr. John Schultz, Executive Secretary
State Board of Electricity

We have completed a financial-related audit of the State Board of Electricity for the period July 1, 1996, through December 31, 1999. Our audit scope included license and inspection fees, payroll, and contracted inspection services.

We conducted our audit in accordance with *Government Auditing Standards*, as issued by the Comptroller General of the United States. Those standards require that we obtain an understanding of management controls relevant to the audit. The standards also require that we design the audit to provide reasonable assurance that the board complied with provisions of laws, regulations, contracts, and grants that are significant to the audit. The board's management is responsible for establishing and maintaining the internal control structure and for compliance with applicable laws, regulations, contracts, and grants.

This report is intended for the information of the Legislative Audit Commission and the management of the board. This restriction is not intended to limit the distribution of this report, which was released as a public document on April 20, 2000.

/s/ James R. Nobles

James R. Nobles
Legislative Auditor

/s/ Claudia J. Gudvangen

Claudia J. Gudvangen, CPA
Deputy Legislative Auditor

End of Fieldwork: February 16, 2000

Report Signed On: April 17, 2000

State Board of Electricity

Chapter 1. Introduction

The State Board of Electricity is a service and regulatory agency, which licenses electricians, electrical contractors, and alarm and communication contractors. It also inspects new electrical installations in all areas of the state except when a political subdivision, by ordinance, provides its own electrical inspections. The primary purpose of the board is to assure consumers that electrical wiring installations conform with accepted construction standards.

The State Board of Electricity operates under Minn. Stat. Sections 326.241 through 326.248, known as the Minnesota Electrical Act. The board consists of 11 members appointed by the Governor. The board currently has 25 employees who are under the supervision of the Executive Secretary, Mr. John Schultz. The board contracts with electricians who perform electrical inspections throughout the state. There are currently 71 inspectors under contract.

License and inspection fees finance the operations of the State Board of Electricity. The board deposits the revenues collected into a special revenue account in the state treasury. Electrical inspection fees are held in an inspection escrow account and are used to pay inspection service expenses. Electrical licensing fees are collected at the time of initial licensing and upon license renewal and are based on a 2-year license period. Table 1-1 presents the financial activity of the State Board of Electricity for fiscal year 1999. The inspection escrow account balance represents the deferred portion of inspection fees collected and held for contract inspections not yet performed. The operations account balance represents the amount carried forward to fiscal year 2000.

Table 1-1
Summary of Financial Activity
For the Fiscal Year Ending June 30, 1999

| | <u>Inspection Account</u> | <u>Operations Account</u> | <u>Total</u> |
|------------------------|-------------------------------|-------------------------------|--------------------|
| Fund Balance - 7/1/98 | \$2,829,088 | \$1,429,284 | \$4,258,372 |
| Revenues (Note 1) | <u>4,952,118</u> | <u>1,566,726</u> | <u>6,518,844</u> |
| Funds Available | 7,781,206 | 2,996,010 | 10,777,217 |
| Expenditures | <u>5,034,632</u> | <u>1,921,411</u> | <u>6,956,043</u> |
| Fund Balance - 6/30/99 | <u>\$2,746,575</u> | <u>\$1,074,599</u> | <u>\$3,821,174</u> |

Note 1: Inspection account revenues shown net of \$722,222 in inspection fees retained and deposited to the operations account to finance board operations.

Source: Minnesota Accounting and Procurement System- Budget Fiscal Year 1999.

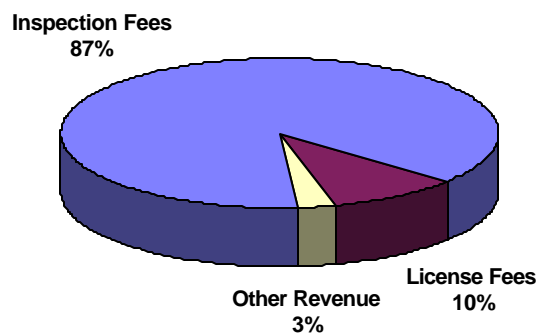
Chapter 2. Licensing and Inspection Fees

Chapter Conclusions

The State Board of Electricity properly assessed and collected license and inspection fees and accurately recorded the fees in the accounting records. However, the board did not have adequate controls to provide reasonable assurance that the license and inspection fees collected were adequately safeguarded. In addition, the board did not always deposit license and inspection fee receipts in a timely manner, nor did the board void outdated requests for electrical inspections.

Responsibilities of the State Board of Electricity include electrical inspections of all new electrical installations throughout the state. The board's responsibilities do not extend to any political subdivision that, by ordinance, provides its own electrical inspection services. Additional responsibilities of the board include licensing various classes of electricians, electrical contractors, alarm and communication contractors, and elevator contractors throughout the state. Inspection and license fees account for 97 percent of total revenues each year. Figure 2-1 shows an overall comparison of revenues received from inspection fee services, licensing fees, and other revenue sources for the audit period.

Figure 2-1
Comparison of Receipt Types
For the Period of July 1, 1996, through December 31, 1999



Source: MAPS receipts for the period of July 1, 1996, through December 31, 1999.

State Board of Electricity

The board developed its own computerized application to account for license and inspection fees. This license and inspection fee system runs on the board's local area network. Employees use this system to process license and inspection fee receipts, track license issuances and renewals, and to generate license and inspection fee accounting reports.

The board uses the state's accounting system called MAPS (Minnesota Accounting and Procurement System) to record receipts and disbursements. The board enters summarized receipts information into MAPS from its licensing and inspection fee system.

Inspection Fees

A Request for Electrical Inspection form must be submitted to the board at or before the start of any electrical installation. In addition to the request, the electrical contractor, installer, special electrician, or owner making the installation must attach the required fee. Inspection fees are set by rule and vary based on the type of electrical installation.

During the audit period, inspection fees totaling \$19.7 million were collected and deposited. As explained in Chapter 3, the majority of inspection fee receipts are subsequently paid to electrical inspectors who contract with the board to perform the inspections. At the time of inspection, if it is determined that the fee amount submitted was insufficient, the inspector initiates an additional order for payment.

Licensing Fees

The board requires all personal classes of licensees to pass an examination, administered by the board, prior to obtaining a license. Licensees must also provide proof of meeting the required levels of work experience and technical knowledge. In addition, the board requires contractor licensee types to post a bond and provide proof of liability coverage.

Generally, licenses are issued or renewed for a two-year period. Electrical contractor licenses expire March 1 of even-numbered years. Alarm and communication contractor licenses expire July 1 of odd-numbered years. During the audit period, approximately \$2.2 million in licensing fees were collected and deposited in the State Treasury. Table 2-1 shows the number of licenses issued, by type, as of September 1999.

State Board of Electricity

Table 2-1
Biennial Licenses Issued by License Type
Total as of September 1999

| <u>License Type</u> | <u>Total Licensees</u> |
|------------------------|------------------------|
| Alarm & Communication | 678 |
| Electrical Contractors | 2,277 |
| Master Class A | 5,535 |
| Master Class B | 120 |
| A Journeyman | 9,428 |
| Elevator | 428 |
| Lineman | 119 |
| B Journeyman | 86 |
| A Installer | 6 |
| B Installer | 16 |
| Maintenance | 499 |
| Total | <u>19,192</u> |

Source: State Board of Electricity licensing data.

Audit Scope and Objectives

Our review of the State Board of Electricity's inspection and license fee revenues focused on the following questions:

- Did the board design and implement controls to provide reasonable assurance that the appropriate license and inspection fees were assessed and collected, adequately safeguarded, and accurately reported in the accounting records?
- Did the board comply with finance-related legal provisions over inspection and license fees tested?

To answer these questions, we interviewed board employees to gain an understanding of the controls in place over the receipt and collection process for inspection and license fees. We also analyzed revenue fluctuations that occurred over the audit period, compared amounts recorded on the board's license and inspection fee system to amounts in MAPS, and tested a sample of license and inspection fee receipts.

Conclusions

The State Board of Electricity appropriately assessed and collected license and inspection fees and accurately recorded the fees in the accounting records. However, the board did not adequately safeguard its fees or deposit them in a timely manner, as discussed in Finding 1. The board also failed to limit employee access to specific resources and data as explained in Finding 2. In addition, the board did not comply with Minn. Rules 3800.3780, as further explained in Finding 3.

State Board of Electricity

1. PRIOR FINDING PARTIALLY RESOLVED: The board's controls over license and inspection fees were inadequate.

The State Board of Electricity did not adequately safeguard its incoming receipts. Although the board has made some strides towards implementing our prior audit recommendations, it has not addressed all the risks associated with receipt processing. While checks for inspection fees coming through the mail and checks for contractor renewal licenses are restrictively endorsed upon receipt, checks for individual license fees are not immediately endorsed. Once individual license information was posted, the corresponding checks were restrictively endorsed and prepared for deposit. As was identified in our last audit, checks were kept in an unlocked, fireproof file cabinet during the day. The cabinet was locked at night. All employees have access to the file cabinet, which is located in a high-traffic area of the board office. Checks remained in the file cabinet until the board could input the license or inspection information into its computer system. However, this practice of holding the checks until license and inspection information is input into the system contributes to the board's inability to deposit its receipts promptly. Minn. Stat. Section 16A.275 provides that "receipts should be deposited daily or when they total \$250."

The board's receipts are susceptible to theft or loss and the state's investment earnings are reduced as a result of the deposit delays. To improve controls, all checks should be restrictively endorsed, separated from the accompanying documentation, and deposited daily. A log should be prepared or checks photocopied to provide the information necessary to record collections in the board's system at a later date.

Recommendations

- *The board needs to adequately safeguard receipts by restrictively endorsing all checks immediately, and keeping all checks physically secure until deposited.*
- *The board should separate license and inspection fee checks from accompanying documentation, and deposit receipts totaling \$250 or more on a daily basis as required by Minn. Stat. Section 16A.275.*

2. PRIOR FINDING PARTIALLY RESOLVED: The board did not effectively control access to computer resources and data within its licensing and inspection system.

The board has not made significant progress in limiting its employees to only those clearances necessary to perform their job responsibilities. We noted during this audit, as in the prior audit, that many board employees had more clearance than they needed to complete their job responsibilities. The license and inspection fee system runs on a local area network, which has a security module that could be used to limit access to sensitive computer resources and data. However, the board has not used the network security module effectively. The board did, however, implement one of our prior audit recommendations and requires its employees to change their passwords every 40 days.

State Board of Electricity

We identified one specific area of concern relating to high-level system security. Currently, three board employees have a special “supervisory” security clearance privilege. This privilege gives these individuals complete access to all board data and computer resources, including the ability to add, delete or make changes to data. Supervisory privileges should only be given to individuals who perform network administration duties, such as entering security transactions. As a precautionary measure, most network administrators also have a second non-supervisory user account for activities that do not require the high level clearance. Giving users continuous supervisory privileges is extremely risky and could lead to a disastrous loss of data.

The board is currently in the process of replacing its license and inspection fee system. In the development of a new system, the board needs to be cognizant of the security issues identified in this report and in our previous report. It is important that the board address system access issues during the implementation of the new system.

Recommendation

- *The board should limit each employee’s computer access to the specific resources and data needed to fulfill the employee’s job responsibilities. Supervisory security clearance privileges should be very limited and only provided to those individuals currently responsible for security.*

3. PRIOR AUDIT FINDING NOT RESOLVED: The board did not void requests for electrical inspections as required by board rule.

The board did not void certain requests for electrical inspections, with inspection fees of \$100 or less after 18 months from the original filing date. The board's current process is to void a request only after it is certain that a project has been abandoned. According to board records, as of August 26, 1999, there were approximately 14,000 requests for electrical inspections that were at least 18 months old. Information on the number of those requests for electrical inspections that were for less than \$100 and the actual dollar amount of these outstanding requests was unavailable.

Minn. Rules 3800.3780 provides that “a request for inspection certificates on installations with inspection fees of \$100 or less are void 18 months from the original filing date. A new request for inspection shall be filed on all unfinished work.”

The rule appears to limit the board’s inspection responsibility for requests under \$100 to 18 months. The board disagrees with our interpretation of the rule and believes that it has a responsibility to inspect any work performed pursuant to the request even if the time frame exceeds 18 months. In addition, the rule does not specify whether inspection fees associated with a voided request should be refunded or retained by the board. The board indicated that, generally, inspectors are paid and the remaining fees are refunded.

State Board of Electricity

Recommendations

- *The board should comply with Minn. Rule 3800.3780 and void request for inspection certificates that are at least 18 months old.*
- *The board should clarify Minn. Rule 3800.3780 to include circumstances under which exceptions to the rule would be allowed. Also, the rule should specify whether inspection fees associated with a voided request should be refunded or retained by the board.*

Chapter 3. Contract Inspection Services and Payroll

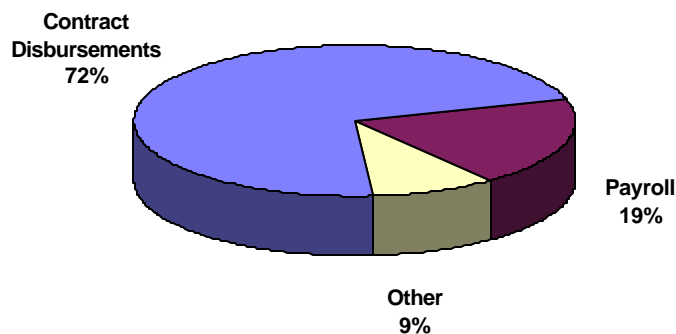
Chapter Conclusions

The State Board of Electricity provided reasonable assurance that expenditures for contract inspector services and payroll were properly authorized and supported, and accurately reported in the accounting records. In addition, the board appropriately contracted with the electrical inspectors to conduct inspections in accordance with applicable legal provisions. However, the board needs to strengthen its control over staff access to the payroll and human resources data system.

During the audit period, the State Board of Electricity expenditures averaged over \$6 million annually. Figure 3-1 shows the percentage of the board's expenditures by type. The largest expenditure category was for payments to electrical inspectors under contract with the board.

Payroll for the support staff employed by the board represent the second largest class of expenditures. Support staff responsibilities include administering electrician examinations, licensing and monitoring electricians' professional activities and education, and administering the inspection fee program.

Figure 3-1
Comparison of Expenditure Types
For the Period of July 1, 1996, through December 31, 1999



Source: MAPS disbursements for the period of July 1, 1996, through December 31, 1999.

State Board of Electricity

Contract Inspector Expenditures

The board contracts with licensed electricians to inspect electrical installations as required by statute. Currently, there are 71 inspectors who are under contract with the board. These inspectors are not state employees. In most cases, inspectors do not receive payment from the board until the inspection work is completed. However, on very large inspections, inspectors may receive payment based on work completed to date. The board pays contract inspectors a percentage of fees collected for the specific inspection. The specific percentage varies depending on location. The board retained an average of approximately 13 percent of inspection fees to finance its operations. Electrical inspections are paid out of the inspection escrow account.

Audit Objectives and Scope

Our review of the State Board of Electricity's expenditures to electrical inspection contractors focused on the following questions:

- Did the board design and implement internal controls to provide reasonable assurance that payments to electrical inspectors were properly authorized and supported, and accurately reported in the accounting records?
- Did the board appropriately contract with the electrical inspectors to conduct inspections in accordance with applicable legal provisions?

To answer these questions, we interviewed board employees to gain an understanding of the control structure in place over electrical inspection expenditures. We also performed analytical procedures. We reviewed board contracts with certain electrical inspectors, verified payments under the contract, and noted the bonding requirements. We also reviewed the applicable statutes and rules relating to electrical inspectors.

Conclusions

The State Board of Electricity properly authorized and supported, and accurately recorded its expenditures for contractor inspections. In addition, for the items tested, the board appropriately contracted with the electrical inspectors to conduct inspections in accordance with applicable legal provisions.

Payroll

During the audit period, payroll costs represented about 19 percent of the board's total expenditures each year. The board's employees were represented by four different bargaining agreements. All employees, except the executive secretary, were in the classified service and were compensated pursuant to Minn. Stat. Chapter 43A. The executive secretary was in the unclassified service. The board processes payroll on the state's State Employee Management System (SEMA4).

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Audit Objectives and Scope

Our review of the State Board of Electricity's payroll expenditures focused on the following questions:

- Did the board design and implement internal controls to provide reasonable assurance that payroll expenditures were properly authorized and supported, and accurately reported in the accounting records?
- Did the board comply with material finance-related legal provisions and the appropriate state bargaining unit agreements?

To answer these questions, we interviewed board employees to gain an understanding of the control process in place over the board's payroll and personnel functions, performed analytical procedures over payroll transactions from year to year, reviewed appropriate bargaining unit agreements, and tested a sample of payroll transactions, including leave requests and timesheets.

Conclusions

The State Board of Electricity designed and implemented internal controls to provide reasonable assurance that payroll expenditures were properly authorized and supported, and accurately recorded in the state's accounting system. In addition, board employee timesheets were adequately documented and approved, including the use of employee leave balances. However, as explained in Finding 4, the board needs to strengthen its control over staff access to the payroll and human resources data system (SEMA4).

4. The board did not adequately segregate or control certain employee's access to the state's payroll and human resources data system (SEMA4).

Three staff members had full clearance to access both the payroll and human resource components of the SEMA4 system. Two of these staff members were able to change their own data. In a small office, such as the State Board of Electricity, it is often necessary and even advisable to have one function act as a backup for another function. However, without an adequate separation of duties, errors or irregularities in payroll could occur and go undetected. To reduce this risk, an individual not having access to either the payroll or human resources functions should review payroll transactions for propriety. As an alternative, the board could consider eliminating the employees' clearance or ability to change their own data.

Recommendation

- *The board should have an employee independent of the payroll and the human resources function review the payroll transactions for propriety. Alternatively, the board could eliminate the employee's clearance or ability to change the employee's own data.*

State Board of Electricity

Status of Prior Audit Issues As of February 16, 2000

Most Recent Audits

Legislative Audit Report 97-31, issued in June 1997, covered the period July 1, 1994, through December 31, 1996. The audit scope included license and inspection fees, payroll, and disbursements to contracted inspectors. This report contained six findings. The first finding addressed the board's inadequate controls over license and inspection fees. Although the board did segregate the duties of the accounting position and now restrictively endorses checks for inspection fees, control issues still remain and are repeated in Finding 1. Finding 3 concerning the board's inability to control user access to its computer resources or data is repeated in Finding 2 of this report. Finally, the board was not voiding requests for electrical inspections as required by board rule. This remains an issue and is repeated in Finding 3 of this report.

The remaining three findings have been implemented by the board.

Other Audit Coverage

The Department of Finance, Internal Control Unit, issued an internal audit report to the State Board of Electricity in April 1999. The report contained 18 observations. This audit reviewed the board's processes and related control activities relating to the entry of transactions into the statewide accounting, procurement and payroll systems. The accounting cycles reviewed for the period of May 1, 1998 through July 31, 1998, included: accounts receivable/cash receipts, bidding/procurement, professional/technical contracts, accounts payable/receiving, fixed assets, human resources, payroll, business expense reimbursements, budgeting/transfers/negative cash balances, and imprest cash.

| State of Minnesota Audit Follow-Up Process |
|--|
| <p>The Department of Finance, on behalf of the Governor, maintains a quarterly process for following up on issues cited in financial audit reports issued by the Legislative Auditor. The process consists of an exchange of written correspondence that documents the status of audit findings. The follow-up process continues until Finance is satisfied that the issues have been resolved. It covers entities headed by gubernatorial appointees, including most state agencies, boards, commissions, and Minnesota state colleges and universities. It is not applied to audits of the University of Minnesota, any quasi-state organizations, such as the metropolitan agencies or the State Agricultural Society, the state constitutional officers, or the judicial branch.</p> |



State of Minnesota Board of Electricity

April 13, 2000

Mr. James Nobles
Legislative Auditor
Office of the Legislative Auditor
Centennial Building
658 Cedar Street
Saint Paul, MN 55155

Electricity Board Response to the Financial-Related Audit performed by the Office of the Legislative Auditor during the third quarter of fiscal year 2000.

Dear Mr. Nobles:

The board appreciates the thoroughness of the audit and the assistance provided to enable the board to modify its policies and procedures to meet current requirements. The board recognizes the importance of concerns expressed in this audit and is committed to resolution.

One of the areas of deficiency identified within the audit was segregation of duty and responsibility related to job function. Because the board employs a relatively small number of employees that are involved with various job functions, the board is presented with significant challenge to attain recommended or necessary segregation of duty while optimizing employee resource. In some instances it may be necessary to implement alternative policies and procedures to balance segregation of duty with optimal use of personnel resource while achieving the intended result.

The following is a response to each of the observations identified in the audit report.

Finding 1. PRIOR FINDING PARTIALLY RESOLVED: The board's controls over license and inspection fees are inadequate.

Recommendations

- The board needs to adequately safeguard receipts by restrictively endorsing all checks immediately, and keeping all checks physically secure until deposited.*
- The board should separate license and inspection fee checks from accompanying documentation, and deposit receipts totaling \$250 or more on a daily basis as required by Minnesota Statute Section 16A.275.*

Response

Although payments for most fees are received in the submitters envelope, payments for personal license renewals are submitted in a preaddressed return envelope and upon receipt are sorted from the general mail and forwarded to the license clerk for processing. Upon receipt, the license clerk restrictively endorses enclosed checks as this mail is opened and processed. During high volume renewal periods, when license applications and renewals can not be processed within one day, checks are copied and prepared for deposit as a separate process.

The board is developing an IT Business System that will ensure timely deposit as one of its primary design features. Under this system both licensing and inspection receipts will be deposited into an initial deposit account and transferred to appropriate accounts upon completion of related processing. This system will allow immediate separation of payment from accompanying documentation thereby enabling a more immediate deposit. Full development and implementation of this new system is anticipated later this year.

Finding 2. PRIOR FINDING PARTIALLY RESOLVED: The board did not effectively control access to computer resources and data within its licensing and inspection system.

Recommendation

The board should limit each employee's computer access to the specific resources and data needed to fulfill the employee's job responsibilities. Supervisory security clearance privileges should be very limited and only provided to those individuals currently responsible for security.

Response

The board will institute the policy of employees only having system authority necessary for their job responsibilities. Employees with administrative authority will be provided with an administrative user account in addition to their normal user account to minimize inadvertent alteration of data.

Finding 3. PRIOR FINDING NOT RESOLVED: The board did not void requests for electrical inspection as required by board rule.

Recommendation

- *The board should comply with Minnesota Rule 3800.3780 and void request for inspection certificates that are at least 18 months old.*
- *The board should clarify Minnesota Rule 3800.3780 to include circumstances under which exceptions to the rule would be allowed. Also the rule should specify whether inspection fees associated with a voided request should be refunded or retained by the board.*

Response

The literal meaning of this rule as interpreted by the Office of the Legislative Auditor is not consistent with the interpretation and application by the board. The board believes the intent of this rule is for the installer's authority to install electrical wiring under a request for inspection to expire 18 months after the filing date, not for the board's authority/responsibility to inspect installed electrical wiring to expire after 18 months. This rule has been in effect for approximately 30 years and has been applied in a consistent manner by the board over this time. The board will amend this rule to clarify the intent.

Finding 4. The board did not adequately segregate or control certain employee's access to the state's payroll and human resources data system (SEMA4).

Recommendation

- *The board should have an employee independent of the payroll and the human resources function review the payroll transactions for propriety.*
- *Alternatively, the board could eliminate the employee's clearances or ability to change their own data.*

Response

Currently the board has data entered by one employee and checked by a different employee. The board will modify specific clearances to not allow an employee to change their own data. The responsibilities for entering and checking data will remain the same.

Sincerely,

/s/ John Schultz

John A. Schultz
Executive Secretary