OLA

OFFICE OF THE LEGISLATIVE AUDITOR
STATE OF MINNESOTA

Financial-Related Audit

Department of Administration
July 1, 1998, through December 31, 2001

JUNE 20, 2002 **02-41**

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.

OLA is under the direction of the Legislative Auditor, who is appointed for a six-year term by the Legislative Audit Commission (LAC). The LAC is a bipartisan commission of Representatives and Senators. It annually selects topics for the Program Evaluation Division, but is generally not involved in scheduling financial audits.

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If you have comments about our work, or you want to suggest an audit, investigation, evaluation, or best practices review, please contact us at 651-296-4708 or by e-mail at auditor@state.mn.us

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

Senator Ann H. Rest, Chair
Legislative Audit Commission

Members of the Legislative Audit Commission

Mr. David F. Fisher, Commissioner
Department of Administration

We have audited selected financial activities of the Department of Administration for the period July 1, 1998, through December 31, 2001. Our audit scope included: payroll expenditures, Minnesota Statewide 911 Program activity, and surplus services operations. We highlight the audit objectives and conclusions in the individual chapters of this report. We emphasize that this has not been a comprehensive audit of all of the Department of Administration's financial activities.

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 Department of Administration complied with provisions of laws, regulations, contracts, and grants that are significant to the audit. The management of the Department of Administration is responsible for establishing and maintaining the internal control structure and for complying with applicable laws, regulations, contracts, and grants.

This report is intended for the information of the Legislative Audit Commission and the management of the Department of Administration. This restriction is not intended to limit the distribution of this report, which was released as a public document on June 20, 2002.

/s/ James R. Nobles

James R. Nobles
Legislative Auditor

/s/ Claudia J. Gudvangen

Claudia J. Gudvangen, CPA
Deputy Legislative Auditor

End of Fieldwork: April 19, 2002

Report Signed On: June 14, 2002

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Department of Administration

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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
David Poliseno, CPA, CISA	Audit Manager
Susan Kachelmeyer, CPA, CISA	Auditor-in-Charge
Gena Hoffman	Auditor
Sheila Sun	Auditor

Exit Conference

We discussed the results of the audit with the following staff of the Department of Administration at an exit conference on June 5, 2002:

Kirsten Cecil	Deputy Commissioner
Deb Tomczyk	Director, Human Resources
Larry Freund	Director, Financial Management and Reporting
Julie Poser	Assistant Director, Financial Management and Reporting

Report Summary

Overall Conclusions:

Except as noted below, The Department of Administration's internal controls provided reasonable assurance that it safeguarded public funds and accurately recorded financial activity for the department's payroll expenditures, Minnesota Statewide 911 Program activity, and surplus services operations. For the items tested, the department complied with significant finance-related legal provisions.

Key Findings:

- The department did not review the payroll register report to ensure that payroll transactions were accurately entered on the State Employment Management System (SEMA4). (Finding 1, page 6)

- The Department of Administration did not always verify that it received the correct Minnesota Statewide 911 Program fees from the telecommunication companies. The telecommunication companies remitted the fees to the department along with a report detailing the number of assessed lines used to calculate the fee. The department reviewed the reports, but it did not always verify or confirm the number of lines reported on the form. (Finding 2, page 8)

- We noted several weaknesses in the internal controls over the department's surplus services' expenditures. The Surplus Services Unit did not properly separate the procurement and payment functions, and the unit did not document expenditure approvals. In addition, the Surplus Services Unit inappropriately used field purchase orders to purchase certain goods or services. (Finding 3, page 13)

- The Surplus Services Unit did not always deposit certain receipts in a timely manner. (Finding 4, page 14)

Financial Related Audit Reports address internal control weaknesses and noncompliance issues found during our audits of state departments and agencies. The scope of our work at the Department of Administration included payroll expenditures, Minnesota Statewide 911 Program activity, and selected surplus services operations. The Department of Administration's response to our recommendations is included in the report.

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Chapter 1. Introduction

The Department of Administration's mission is to improve the quality and productivity of Minnesota government by providing facilities, services, and infrastructure that contribute to each state agency's ability to meet their goals. The department consists of five bureaus and 24 divisions and provides administrative support to nine separate councils. The divisions provide a variety of services to state agencies. Some of these services include information management, facilities and operations management, consultation on effective and innovative management techniques, and leadership on government technology issues.

The department also provides services directly to the general public. Some of these services include the sale of government publications, education and advice on the state's data practices and privacy statutes, and administration and enforcement of the state building code.

Most of the department's divisions charge fees for their services. During the audit period, these charges account for approximately 80 percent of the department's budget. The remaining 20 percent comes from legislative appropriations. The department received General Fund appropriations of approximately $40 million, $41 million, and $26 million for fiscal years 1999, 2000, and 2001, respectively. Governor Ventura appointed David F. Fisher commissioner of the department in March 1999.

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Chapter 2. Payroll Expenditures

Chapter Conclusions

The Department of Administration's internal controls provided reasonable assurance that employees were accurately compensated in compliance with the applicable bargaining agreements and management's authorization, and payroll expenditures were properly recorded in the accounting and payroll systems. For the items tested, the department complied with applicable payroll requirements. However, the Department of Administration did not review the payroll register to verify that the payroll transactions were properly recorded on the state's accounting system.

Employee payroll represents the largest administrative expenditure for the Department of Administration. Table 2-1 summarizes the department's payroll expenditures for fiscal years 1999, 2000, and 2001.

Table 2-1
Summary of Payroll Expenditures
By Budget Fiscal Year

Earnings Type	1999	2000	2001
Full Time	$43,722,582	$48,163,015	$51,378,817
Part Time, Seasonal, Labor Service	945,554	964,973	1,026,502
Over Time Pay	331,891	417,427	816,839
Premium Pay	623,136	700,017	786,292
Other Benefits	1,048,244	783,611	891,093
Total	**$46,671,407**	**$51,029,043**	**$54,899,543**

Source: Minnesota Accounting and Procurement System (MAPS) as of December 31, 2001.

The department's human resources division provides personnel services to all department employees. The department processes bi-weekly payroll transactions and pay rate changes through the Department of Employee Relations' State Employment Management System (SEMA4). The department records these transactions in MAPS through a system interface.

As of December 31, 2001, the department had approximately 950 employees. These employees belonged to various bargaining units that included the following compensation plans:

- American Federation of State, County, and Municipal Employees
- Minnesota Association of Professional Employees

Department of Administration

- Middle Management Association
- Managerial Plan
- Commissioner's Plan
- Minnesota Government Engineer's Council

Audit Objectives and Methodology

We focused on the following objectives during our audit of payroll expenditures:

- Did the Department of Administration's internal controls provide reasonable assurance that it accurately compensated its employees in compliance with the bargaining agreements and management's authorization and properly recorded payroll expenditures in the state's accounting system?
- Did the Department of Administration comply with material finance-related legal provisions including provisions of the bargaining agreements?

To meet these objectives, we interviewed staff from the Department of Administration to gain an understanding of the internal control structure over personnel and payroll processing. We analyzed biweekly payroll transactions and verified that hours processed were supported by timesheets authorizing hours worked and leave taken. We tested the commissioner's salary to ensure it did not exceed 95 percent of the Governor's salary. We reviewed employee access to update SEMA4 human resource and payroll data.

Conclusions

The Department of Administration's internal controls provided reasonable assurance that employees were accurately compensated in compliance with the applicable bargaining agreements and management's authorization, and payroll expenditures were properly recorded in the accounting and payroll systems. For the items tested, the department complied with applicable payroll requirements. However, the Department of Administration did not review the payroll register to verify that the payroll transactions were properly recorded on the state's accounting system.

1. The department did not review the payroll register report to ensure that payroll transactions were entered accurately on SEMA4.

The department entered payroll transactions into SEMA4, which generated payments to its employees. However, the department did not review the payroll register report to verify that staff accurately entered those transactions into SEMA4. SEMA4 Operating Policy and Procedure PAY0028 requires agencies to review the payroll register. The policy requires agencies to, "…review the payroll register to verify that time and amounts were paid at the correct rate, and any necessary adjustments were processed." Without this verification, erroneous payroll transactions could be entered into SEMA4 without detection.

Recommendation

- *The Department of Administration should review the payroll register to verify that staff entered the correct payroll transactions into SEMA4.*

Chapter 3. Minnesota Statewide 911 Program

Chapter Conclusions

The Department of Administration's internal controls provided reasonable assurance that the Minnesota Statewide 911 Program revenues and expenditures were safeguarded, accurately accounted for, and reasonably and prudently administered. For the items tested, the Minnesota Statewide 911 Program complied with significant finance-related legal provisions. However, we noted that the department could improve its 911 emergency operations by formalizing and expanding its verification process over revenues received.

The Minnesota Statewide 911 Program is part of the Department of Administration's Customer Service and Product Management Division in the InterTechnologies Group. The program unit provides technical assistance to cities and counties in implementing, maintaining, and improving 911 emergency systems. It also enforces rules that set system standards and pays the state share of 911 emergency costs from funds collected through a monthly statewide telephone surcharge, currently 27 cents. The telecommunication companies collect the surcharge from their customers and remit this surcharge to the department's Minnesota Statewide 911 Program Unit. As of March 31, 2002, there were 163 telecommunication companies operating in the state of Minnesota.

The department accounts for the Minnesota Statewide 911 Program in a Special Revenue Fund, which allows the department to carry forward any unexpended funds into the next year. Table 3-1 summarizes the fund's financial activity. The disbursement amounts include about $600,000 that the department annually transfers to the Department of Public Safety for the State Patrol 911 emergency services.

Table 3-1
911 Emergency Program
Summary of Financial Activity
By Budget Year

	1999	2000	2001
Beginning Fund Balance	$6,180,847	$8,009,467	$9,749,986
Receipts	12,881,513	14,058,536	15,790,828
Disbursements (1)	(11,052,893)	(12,318,017)	(18,454,178)
Ending Fund Balance	$ 8,009,467	$ 9,749,986	$ 7,086,636

Note (1): Disbursements include transfers made to the Department of Public Safety.

Source: Prepared by the Department of Administration.

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Audit Objectives and Methodology

The primary objectives of our review of Minnesota Statewide 911 Program financial activities related to the following questions:

- Did the Department of Administration's internal controls provide reasonable assurance that it received the correct amount of Minnesota Statewide 911 Program revenues, and that it accurately recorded the revenue in the accounting system?

- Did the Department of Administration's internal controls provide reasonable assurance that it accurately paid 911 emergency service expenditures, obtained management authorization, and properly recorded the transactions in the accounting system?

- Did the Department of Administration comply with material finance-related legal provisions for the Minnesota Statewide 911 Program?

To answer these questions, we made inquiries of the department's staff to gain an understanding of the Minnesota Statewide 911 Program. We tested a sample of transactions to ensure that the transactions were authorized and determined if controls were operating as described. We also tested for compliance with applicable legal provisions.

Conclusions

The Department of Administration's internal controls provided reasonable assurance that the Minnesota Statewide 911 Program revenues and expenditures were safeguarded, accurately accounted for, and reasonably and prudently administered. For the items tested, the 911 emergency program complied with significant finance-related legal provisions. However, we noted that the department could improve its 911 emergency operations by formalizing and expanding its verification process over revenues received.

2. The Department of Administration did not adequately verify that it received the correct Minnesota Statewide 911 Program fees from the telecommunication companies.

The department did not verify that it received the correct fees from the telecommunication companies for 911 emergency service. Minn. Stat. Section 403.11 requires that each month the telecommunication companies should collect 27 cents per access line or other basic access service from its customers and remit these fees to the department. The telecommunication companies remit the fees to the department along with a report detailing the number of lines assessed the fee. The department reviewed the reports, but it did not always verify or confirm the number of lines reported on the form used for the fee calculation.

During our audit, we noted that several telecommunications companies have outsourced the compliance function. As of March 31, 2002, 12 large and small Minnesota telecommunication companies have contracted with the same third-party vendor. The vendor processed the data, calculated the fees due, completed the required remittance forms, collected funds from the telecommunication companies, and remitted the fees to the state. On occasion, the department confirmed some of the information included in the reports submitted by the vendor. In some instances, 911 staff indicated that the third-party vendor only remitted the amount it collected from the telecommunication companies and not the full amount due. The 911 staff also indicated that the vendor sometimes netted its administrative fees against the amount collected from the telecommunication companies and submitted the remainder. Further, because the third-party vendor is preparing these reports, it is unclear who is taking responsibility for the information contained in the report.

Although the risk of not collecting the full amount of fees appears to be greater with the telecommunication companies that outsource their work, the department needs to ensure itself that all telecommunication companies submit the correct amount to the state. The 911 emergency unit is responsible to ensure that the telecommunication companies submit the proper amount. The unit has periodically contacted certain telecommunication companies and requested verification of the monthly phone line counts that are used to calculate the fees owed. However, the unit has not adopted a formal policy or procedure to perform this verification on a regular basis. Without a formal verification process, there is an increased risk that the state would not receive all of the fees due.

Recommendations

- *The department should establish a process to periodically verify that the telecommunication companies are accurately reporting and remitting the 911 emergency fees to the state.*

- *The department should require management from each telecommunication company to certify the amounts reported to the state.*

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Chapter 4. Surplus Services

Chapter Conclusions

The Department of Administration's internal controls provided reasonable assurance that the Surplus Services Unit's revenues were properly collected, adequately safeguarded, and accurately recorded in the state's accounting system.

The Department of Administration's internal controls provided reasonable assurance that the Surplus Services Unit's expenditures were accurately recorded in the state's accounting system. However, we noted several weaknesses in the internal controls over the department's surplus services' expenditures.

For the items tested, except for the following issue, the department complied with significant finance-related legal provisions concerning surplus services. We found that the Surplus Services Unit did not always deposit its receipts in a timely manner.

The Surplus Services Unit is part of the Department of Administration's Materials Management Division. Surplus Services is responsible for the recycling of federal and state surplus property to state agencies, political subdivisions, and non-profit health, educational, and homeless advocacy organizations. The unit also provides a variety of services to state government agencies and local units of government, including selling surplus property in an auction process.

The purpose of the Department of Administration's Surplus Services Unit is to optimize the use of state-owned property. The department's ultimate goal is to obtain maximum return on investment for the State of Minnesota. For the most part, this involves the recycling of surplus property for the benefit of state agencies, other governmental units, and non-profit organizations in Minnesota. During our audit period, the Surplus Services Unit annually received and disbursed between $5,000,000 and $5,600,000 worth of property.

Through its warehouse, Surplus Services annually acquires and distributes approximately 900 items of surplus office supplies and furniture, medical supplies and equipment, clothing, a wide range of vehicles, machine tools, hardware and electrical supplies, and many other items. The items are available for a nominal service charge to other government entities. The Surplus Services Distribution Center is not open to the general public.

The Surplus Services Unit also disposes of surplus property through public auctions and daily public garage sales. Auctions are open to the general public, and anyone, including employees of the state and its political subdivisions, can purchase property through the auction process.

However, Minn. Stat. Section 15.054 limits state employees to one vehicle purchase per year. The statute further restricts employees of the state and its political subdivisions from purchasing state property through the daily public garage sales. The department takes reasonable precautions to comply with this provision by posting signs on the premises and including language in the sales invoices that prohibit purchases by state employees. However, we did note one instance in October 2000 where a state employee purchased a vehicle through the garage sale. It appeared to be an isolated instance.

In addition to handling State of Minnesota property, the Surplus Services Unit acquires federal property through the Federal Surplus Personal Property Donation Program. Through this federal property program, the unit can offer federal property to state agencies and eligible organizations for the cost of a service fee only. Federal surplus property is disposed of in the same manner as state property, but federal warehouse inventory and federal warehouse sales are kept separate. On occasion, federal vehicles are included in a Surplus Services vehicle auction.

The Surplus Services Unit records all of its inventory activities in its computer system. The scope of our audit did not include reviewing the internal controls over the inventory system or testing a sample of the transactions recorded in the system.

Audit Objectives and Methodology

We focused on the following objectives during our audit of the Surplus Services Unit.

- Did the Department of Administration's internal controls provide reasonable assurance that the Surplus Services Unit's receipts were accurately reported in the accounting records, adequately safeguarded, properly deposited in the state treasury, and administered in compliance with applicable legal provisions and management's authorization?

- Did the Department of Administration's internal controls provide reasonable assurance that the Surplus Services Unit's expenditures were accurately reported in the accounting records, adequately safeguarded, and administered in compliance with applicable legal provisions and management's authorization?

- For the items tested, did the Department of Administration comply with significant finance-related legal provisions concerning the Surplus Services Unit?

To answer these questions, we interviewed department staff to gain an understanding of the internal controls over the Surplus Services Unit's receipts and disbursements. We tested a sample of receipt transactions to determine if the department collected, processed, and recorded the receipts. We tested a sample of the unit's property disbursement transactions to determine if the department properly authorized, processed, and recorded the disbursements. Finally, we tested a sample of receipt and disbursement transactions to determine if Administration complied with applicable legal provision.

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Conclusions

The Department of Administration’s internal controls provided reasonable assurance that the Surplus Services Unit’s revenues were properly collected, adequately safeguarded, and accurately recorded in the state’s accounting system.

The Department of Administration’s internal controls provided reasonable assurance that surplus services were accurately recorded in the state’s accounting system. However, we noted several weaknesses in the internal controls over the department’s surplus services’ expenditures.

For the items tested, except for the following issue, the department complied with significant finance-related legal provisions concerning surplus services. We found that the Surplus Services Unit did not always deposit its receipts in a timely manner.

3. The Department of Administration needs to improve its purchasing and disbursing functions over its surplus services’ expenditures.

During our audit of surplus services, we identified the following weaknesses with its purchasing and disbursing functions:

- The department did not adequately separate the purchasing, receiving, and disbursing functions for surplus services. We found that one person was predominantly responsible for the surplus services’ procurement process. This person purchased the goods, received the goods, received the invoices, made the payments, and recorded the transactions into MAPS. The department did not appear to have mitigating controls in place, such as independent written authorization and approval of expenditures. Without an adequate separation of duties, errors or irregularities could occur and not be detected.

- The Surplus Services Unit did not properly approve its purchases or disbursements. A sample of ten transactions showed that none of the purchase orders or invoices had an authorized signature. We found that the unit did not require written authorizations when staff ordered goods or services off a purchase order or when staff purchased goods or services in the field. Agency policy and procedure FMR-4A-01 requires that the division personnel both identify the need for goods or services and submit a written request. The policy also requires that division personnel (other than purchasing personnel) approve in writing that goods or services were properly received. Without proper authorization, there is an increased risk that the purchases may not be appropriate.

- The Surplus Services Unit inappropriately used field purchasing procedures to acquire goods and services. During our audit, we observed the unit using an excessive amount of field purchase orders.

The field purchase order is intended for immediate-need situations when an employee is not in his or her primary work location. It appears that the Surplus Services Unit used the field purchase orders rather than following the standard procurement process. The Department of

Administration has issued directives that field purchase orders should not to be used to circumvent the established purchasing policies and procedures. The Surplus Services Unit should use the appropriate purchase order for its purchases.

Recommendations

- *The department should separate the purchasing, receiving, and disbursing functions for surplus services expenditures.*

- *The Surplus Services Unit should have an independent approval and authorization of its purchase orders and payments.*

- *The Surplus Services Unit should limit the use of field purchase orders to their intended purposes.*

4. The Surplus Services Unit did not deposit certain of its property receipts in a timely manner.

The Surplus Services Unit did not always deposit its receipts in a timely manner. In two out of ten garage sale receipt sample items tested, the unit did not deposit the receipts in a timely manner. The Surplus Services Unit held a $7,000 check for a week before it deposited it into its local bank. In another instance, we noted that the unit held receipts for three days before making the deposit. Minn. Stat. Section 16A.275 requires state agencies to daily deposit receipts totaling $250 or more into the state treasury. The delay in making the deposit increases the risk that receipts could be lost or stolen.

Recommendation

- *The Surplus Services Unit should daily deposit its receipts that exceed $250.*

Status of Prior Audit Issues
As of March 2002

Most Recent Audit

<u>Legislative Audit Report 02-05,</u> focused on selected state programs as part of the fiscal year 2001 Statewide Audit. The audit covered areas material to the State of Minnesota's financial statements and federally funded programs. The audit focused on selected components of the state's Internal Services Fund, selected building construction projects, and selected components of the Pharmaceutical Outreach Program. The report contained three findings related to allocation of InterTechnologies Group costs to the correct fiscal year, users' clearances for the Pharmaceutical Outreach Program's tracking system, and monitoring certain Print Communications Division's accounts receivable. The report was issued shortly before we started this financial-related audit, and the three findings will be followed up on in a subsequent audit.

State of Minnesota Audit Follow-Up Process

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 and quasi-state organizations, such as the metropolitan agencies or the State Agricultural Society, the state constitutional officers, or the judicial branch.

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Department of Administration

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June 11, 2002

James R. Nobles, Legislative Auditor
First Floor South, Centennial Building
658 Cedar Street
St. Paul, MN 55155

Dear Mr. Nobles:

Thank you for the opportunity to discuss with your staff the results of the audit of selected financial activities of the Department of Administration for the period of July 1, 1998, through December 31, 2001. We are committed to addressing each finding and recommendation in your report.

Below is a summary response to your report.

1. **The department did not review the payroll register report to ensure that payroll transactions were entered accurately on SEMA4.**

<u>Resolution</u>

Beginning with the pay period ending 04-09-02, the Human Resources division began the audit process requested by statute. Each payroll period, three divisions within the department are audited for correct payroll entry and accuracy of payroll procedures. The Payroll Register for the identified divisions is compared with both the individual timesheets and the data entry of the timekeeper. Each division is audited on a rotating schedule and should be subject to the audit procedure at least twice each fiscal year.

Person Responsible: Deb Tomczyk, Human Resources Director

Implementation: Implemented

2. **The Department of Administration did not adequately verify that it received the correct Minnesota Statewide 9-1-1 Program fees from the telecommunications companies.**

<u>Resolution</u>

In order to verify accurate reporting and remitting of the 9-1-1 fees to the state, Statewide 9-1-1 Program staff will investigate whether subscriber count information reported to regulatory agencies can be used to verify compliance. The Department of Commerce requires telecommunication companies to submit an Annual Report, which includes a count of the number of access lines served. Statewide 9-1-1 Program staff have initiated contact with counterparts in the Department of Commerce to find out whether subscriber information from the companies' annual reports can be made available for this purpose or if verification of the reported subscriber numbers can be accomplished by some other means. Similarly, an annual report of wireless carrier subscribers in Minnesota may be available from the FCC (Federal Communications Commission), which regulates wireless telephone service. Statewide 9-1-1 Program staff will investigate whether FCC information would be available to provide verification of Wireless fee submission information.

Through a revision to the current submission form, management from each telecommunications company will be required to certify amounts reported to the state.

Person Responsible: Jim Beutelspacher, ITG – MN Statewide 9-1-1 Program Manager

Implementation: March 15, 2003

3. The Department of Administration needs to improve its purchasing and disbursing functions over its surplus services expenditures.

Resolution

Materials Management Division's Surplus Services concurs with this finding and will develop and implement procedures for the purchasing, receiving and disbursing functions, for the independent approval and authorization of purchase orders and payments, and for limiting the use of field purchase orders to their intended use.

Person Responsible: Jon Schaefer, Manager, Operations Management

Implementation: August 15, 2002

4. The Surplus Services Unit did not deposit certain of its property receipts in a timely manner.

Resolution

Materials Management Division's Surplus Services recognizes the importance of timely deposits and intends to follow legal requirements. Even though the referenced $7,000 check was deposited late, we believe it was three days late, rather than the seven days indicated in the audit.

Person Responsible: Jon Schaefer, Manager, Operations Management

Implementation: Implemented

Very truly yours,

/s/ Kirsten Cecil for

David Fisher
Commissioner