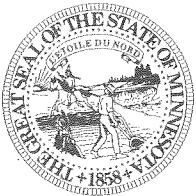


**DEPARTMENT OF ADMINISTRATION  
FINANCIAL AND COMPLIANCE AUDIT  
FOR THE THREE YEARS ENDED JUNE 30, 1986**

**JUNE 1987**





STATE OF MINNESOTA

**OFFICE OF THE LEGISLATIVE AUDITOR**

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JAMES R. NOBLES, LEGISLATIVE AUDITOR

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Representative Phillip J. Riveness, Chairman  
Legislative Audit Commission

Members of the Legislative Audit Commission

Ms. Sandra Hale, Commissioner  
Department of Administration

**Audit Scope**

We have completed a financial and compliance audit of the Department of Administration for the three years ended June 30, 1986. The introduction provides a brief description of the department's activities and finances. Our audit was made in accordance with generally accepted auditing standards, and the standards for financial and compliance audits contained in the U.S. General Accounting Office Standards for Audit of Governmental Organizations, Programs, Activities, and Functions, and accordingly, included such audit procedures as we considered necessary in the circumstances. Our audit procedures are further described in the audit techniques section of this letter. Field work was completed on February 27, 1987.

We have issued separate management letters, dated February 14, 1985, February 18, 1986, and February 12, 1987, as part of our Statewide Financial and Single Audit work in the department for fiscal years 1984, 1985, and 1986. The management letters contained 15 recommendations for fiscal year 1984, 12 recommendations for fiscal year 1985, and 23 recommendations for fiscal year 1986, relating primarily to various internal service funds administered by the department. We have also issued a separate management letter, dated March 11, 1986 on the Information Management Bureau's computer operations and a special review, dated July 16, 1986, on the Capitol Complex cafeteria contracts administered by the department.

The audit objectives were to:

- study and evaluate major internal control systems at the Department of Administration, including a review of receipts, payroll, fixed assets, administrative and grant disbursements;
- verify that financial transactions were made in accordance with applicable laws, regulations, and policies, including Minnesota Statutes Chapter 16B, and other finance-related laws and regulations; and
- verify that financial transactions were properly recorded in the Statewide Accounting (SWA) System.

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#### Management Responsibilities

The management of Administration is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgements by management are required to access the expected benefits and related costs of control procedures. The objectives of a system are to provide management with reasonable, but not absolute assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly.

Because of inherent limitations in any system of internal accounting control, errors or irregularities may occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions, or that the degree of compliance with the procedures may deteriorate.

The management of Administration is also responsible for the department's compliance with laws and regulations. In connection with our audit, we selected and tested transactions and records from the programs administered by the department. The purpose of our testing of transactions was to obtain reasonable assurance that Administration had, in all material respects, administered its programs in compliance with applicable laws and regulations.

#### Audit Techniques

The Statewide Financial and Single Audits for fiscal years 1984, 1985, and 1986 covered material state internal service funds including Computer Services, Plant Management, Motor Pool, Telecommunications, State Printer, and Central Stores; and material centralized function activities for Procurement, Contract Management, State Building Construction, and Real Estate Management. The current audit, which also covered the three years ended June 30, 1986, supplements the Statewide Financial and Single Audits and was specifically designed to focus on those areas not previously audited, including Administration's administrative expenditures, such as payroll, travel, contractual services, and fixed assets. We also examined other activities listed below which were not subject to review during the 1984, 1985, or 1986 Statewide Audits:

- Public Broadcasting Grants
- Fixed Asset Records Management System (FARMS)
- Consumable Inventory Management
- Federal Surplus Property Fund
- Electronic Equipment Rental Fund

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Members of the Legislative Audit Commission  
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**Conclusions**

Our study and evaluation disclosed the issues addressed in Section II, recommendations 1-5, 7-10, and 12-23, and the issues raised in our management letter dated February 12, 1987, recommendations 2-10, 12-14, 16-20, 22, and 23, concerning the Department of Administration's system of internal accounting control in effect on February 27, 1987, which, in our opinion, result in more than a relatively low risk that errors or irregularities in amounts that would be material in relation to the financial activities of the department may occur and not be detected within a timely period.

In our opinion, except for the issues addressed in Section II, recommendations 6, 11, and 16, and subject to the effects, if any, of recommendation 24, and except for the issues raised in our management letters dated February 12, 1987 recommendations 1, 11, 15, and 21, and dated February 14, 1985 recommendations 4, 13, and 14, for the three years ended June 30, 1986, the Department of Administration administered its programs in compliance, in all material respects, with Minn. Stat. Chapter 16B and applicable finance-related laws and regulations.

In our opinion, except for the issue discussed in Section II, recommendation 11, and subject to the effects, if any, of recommendation 24, for the three years ended June 30, 1986, the financial transactions of the Department of Administration were properly recorded in the statewide accounting system.

Section II of this Audit Report contains the recommendations we developed during this audit. It is presented to assist the department in improving accounting procedures and controls. We will be monitoring and reviewing progress on implementing these recommendations during our audit next year.

We would like to thank the Department of Administration staff for their cooperation during this audit.

  
James R. Nobles  
Legislative Auditor

June 16, 1987

  
John Asmussen  
Deputy Legislative Auditor



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AUDIT PARTICIPATION

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

John Asmussen, CPA	Deputy Legislative Auditor
Jeanine Leifeld, CPA	Audit Manager
Brad White	Auditor-in-Charge
Paul Cullen	EDP Auditor
Jean Mellett	Staff Auditor
Rhonda Warner	Staff Auditor
Linda Lochner	Staff Auditor

EXIT CONFERENCE

The findings and recommendations in this report were discussed with the following staff of the Department of Administration at an exit conference which was held on May 13, 1987:

Armi Armajani	Deputy Commissioner
Jeff Zlonis	Assistant Commissioner
Nancy Abraham	Assistant Commissioner
Dick Diercks	Director of Administrative Services
Don Klein	Director of Fiscal Services



DEPARTMENT OF ADMINISTRATION

INTRODUCTION

The Department of Administration is a central staff agency responsible for providing management and general support services for state departments and agencies. Administration carries out responsibilities in such diverse areas as information management, grounds services, printing and mailing services, and employee assistance. Department activities are divided into five general categories as follows:

Operations Management provides central services to agencies of state government.

Information Management aids state and local government units with their use of information technology and resources.

Property Management provides management of the state's real property, including both land and physical plant.

Administrative Services provides internal financial, personnel, and training services to the department's approximately 750 employees.

The Commissioner's Office provides the leadership for the department. The current commissioner, Sandra Hale, has served in that capacity since 1983.

Expenses of the department for the three fiscal years audited are shown below.

	FISCAL YEAR		
	1986	1985	1984
Personnel Services	\$22,740,274	\$21,824,800	\$20,698,204
Expense & Contractual Services	33,527,303	28,145,419	23,912,825
Supplies	5,287,948	5,506,371	5,646,283
Equipment	19,823,995	5,251,248	5,315,747
Real Property	659,844	12,348	46,174
Grants	2,300,206	8,889,408	1,052,852
Other	<u>2,658,182</u>	<u>999,252</u>	<u>1,969,883</u>
TOTAL	<u>\$86,997,752</u>	<u>\$70,628,846</u>	<u>\$58,641,968</u>

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### II. CURRENT FINDINGS AND RECOMMENDATIONS

#### ADMINISTRATIVE SERVICES BUREAU

Administrative Services assists the commissioner's staff and the department's operating units by providing budget and fiscal services, personnel services, agency relations coordination, systems and automation coordination, and other administrative support services. It also oversees the financial activities of miscellaneous state boards and commissions.

The role of Administrative Services within the Department of Administration needs to be clarified.

Administration provides a variety of services through numerous divisions in various locations. The divisions operate fairly autonomously. However, certain functions are performed centrally through Administrative Services, which includes the Fiscal Services Division for accounting and the Personnel Services Division for payroll and personnel. In a decentralized operating environment such as Administration's, Administrative Services may either take a strong control and leadership role, or they may simply provide a service to other divisions. Currently, the role Administrative Services should play has not been clearly defined.

The lines of authority between the divisions and Administrative Services are not clear. In all key accounting functions within the department, including receipts, disbursements, payroll, and fixed assets, procedures among the divisions are not uniform and clearly understood. Each division has been allowed to develop their own methods and procedures without establishing a clear interrelationship with Administrative Services. This creates confusion and inefficiency. It also makes the department vulnerable to the risk that financial transactions may not be processed correctly or methods used may not comply with finance-related legal provisions.

The current decentralized system, with the lack of clarity concerning the role of Administrative Services, has caused problems in several areas including receipts, disbursements, fixed assets, and payroll. Recommendations 2 to 11 discuss the specific problems relating to those areas.

While it may be beneficial for Administration's divisions to operate with autonomy, it is essential that they all understand their duties and responsibilities concerning the processing of financial transactions. Administration must decide whether the role of their Administrative Services, such as Fiscal Services and Personnel, should be service-oriented or control-oriented. This will help to determine the extent of the role these divisions should play in the processing of financial transactions for the department. Administration should also consider creating an internal audit function for the department. Internal auditors would be valuable in monitoring division activities.

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RECOMMENDATION:

1. Administration should evaluate the role of Administrative Services in the processing of financial transactions such as receipts, disbursements, payroll, and fixed assets department wide. They should determine the type of role they expect their Administrative Services to play in this processing. To the extent practical, procedures among divisions should be uniform. If this is not possible, both the divisions and Fiscal Services should be made aware of their responsibilities to ensure that internal control is maintained and processing complies with applicable finance-related legal provisions.

Receipts are inadequately controlled and not promptly deposited.

The Department of Administration collects receipts for a variety of services rendered to other state agencies and to those outside the state. Most collections from other state agencies are made through interdepartmental transfers within statewide accounting. In those cases, no actual cash changes hands. However, receipts in the form of cash and checks are also collected at numerous locations within the department. There is a great disparity in how these receipts are handled, depending on the division involved. Certain divisions have established their own depositing procedures and controls while other divisions submit receipts to the Fiscal Services Division for deposit. The role of Fiscal Services in monitoring and controlling these receipts is not clearly defined. Effective internal control procedures for processing and depositing receipts in such diverse and physically separated operations is critical.

Current receipt controls and procedures are not adequate. Receipts are not deposited promptly, all receipts are not recorded when received, deposit records are not reconciled to original receipts lists, and there is not always a separation of duties between staff responsible for receipts, accounts receivable records, and reconciliations.

Within Administration, responsibility for certain receipts is unclear, especially for miscellaneous receipts which come to Fiscal Services. In addition, the routing of receipts from divisions to Fiscal Services for deposit is cumbersome and time consuming. As a result of these problems, receipts are not being promptly deposited daily when the aggregate amount exceeds \$250. This daily depositing is required by Minn. Stat. Section 16A.275 and Department of Finance Operating Policy and Procedure 06:06:01. Thirty-five of 111 checks tested were not deposited promptly as required. These 35 checks were all routed to Fiscal Services for deposit. They included three Plant Management rent checks over \$40,000 each which were not deposited for 10 working days and two checks which were held for five days. They also included a check to the Information Management Bureau (IMB) for \$6,598 that was not deposited for 23 working days, despite the fact that IMB logged and forwarded this check to Fiscal Services the same day it was received. The Fiscal Services receptionist did not log this check until eight days later and it was not deposited by the account clerk

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for 15 additional days. Holding these checks makes them more susceptible to loss or theft. It also causes the loss of investment income for the state.

Controls over incoming receipts are also weakened because all receipts are not being logged at the original location of collection. Fiscal Services currently prepares a list of checks they receive directly and those which are forwarded from divisions for deposit. Certain divisions, like IMB, log receipts at the division. However, many divisions which collect receipts, including Plant Management, do not prepare a list of incoming checks before they send them to Fiscal Services for deposit. Such a list would provide a record of the check before it is sent through mail to Fiscal Services for processing. It would provide a trail to verify that all checks were ultimately deposited. Nineteen of 111 receipts tested were not logged on any check list, either at Fiscal Services or at a division. Because of this, there is no way of knowing which division originally received the money and the actual date received.

Lack of reconciliations also weaken receipts controls at Administration. A primary internal control over receipts is the reconciliation of the original check list to deposit slips and deposit transactions made within the statewide accounting (SWA) system. The original check lists prepared by the divisions should be periodically sent to Fiscal Services for this purpose. Department of Finance Operating Policy and Procedure 06:06:03 requires reconciliation of deposit slips to monthly SWA deposit reports. These reconciliations would verify that all checks were deposited, and were credited to the proper accounts.

Finally, adequate receipts controls should include a proper separation of duties between receipts, accounts receivable, and reconciliation responsibilities. This separation provides the ability to internally prevent and detect errors in receipts processing and check on the timeliness and accuracy of receipts processing and records. Currently, Fiscal Services account clerks collect the receipts, prepare and make the deposits, compare deposit slips to SWA deposit reports, and post to the accounts receivable for the divisions under their responsibility. Without this separation, there is no independent control to ensure proper compliance and accurate recordkeeping.

RECOMMENDATIONS:

2. Administration should review receipts processing in all divisions of the department. Policies and procedures should be developed to ensure that there are clear and defined listing, depositing, routing and reconciliation procedures for all divisions, including Fiscal Services.
3. Internal controls over receipts processing and depositing should be improved by:
  - immediately listing all incoming receipts in all divisions;

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- depositing receipts daily when the aggregate amount exceeds \$250;
- separating duties between receipts and accounts receivable responsibilities; and
- independently reconciling SWA deposit transactions to deposit slips and receipts lists.

Fixed asset management and control require improvement.

Fixed assets used by the Department of Administration are managed and controlled at the division level. Divisional staff maintain fixed asset records either manually or through the use of the Fixed Asset Record Management System (FARMS). There is no overall department coordination of fixed assets.

There have been no formal delegations of accountability or responsibility for fixed assets within Administration. Policies for certain divisions had to be developed to satisfy financial reporting requirements. However, some divisions do not have anyone responsible for fixed asset accounting. Schedules for complete physical inventories or spot-checks have not been defined as required by the FARMS Users Manual. Certain divisions have not conducted spot-checks or a complete physical inventory of fixed assets for many years. Fixed asset recordkeeping is inconsistent between divisions; nine divisions examined are using FARMS while seven use their own manual or computerized fixed asset systems. Some divisions do not use FARMS nor any other fixed asset system, resulting in no fixed asset records at all. Currently, no reporting beyond the division level exists because the department has not established responsibilities for a department inventory coordinator.

Without these controls, the risk of loss or theft of fixed assets significantly increases, fixed asset records are inaccurate, and fixed asset management is poor for the department as a whole.

RECOMMENDATION:

4. Administration should improve their fixed asset accountability by doing the following:
  - requiring adequate fixed asset records be maintained by all divisions of Administration;
  - delegating accountability and responsibility for fixed assets to various staff within the department;
  - designing spot-checking procedures and a mechanism to determine when a complete physical inventory of fixed assets is necessary;

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- creating policies and procedures for proper update, retirement, and transfer of fixed asset records, and;
- designating an overall inventory coordinator to oversee the fixed asset efforts of the various divisions within the department.

There is inadequate review and approval of Administration timesheets and leave slips.

Payroll costs are a major expense of the Department of Administration. During each of the past three fiscal years, payroll expenses exceeded \$20 million per year. Timesheets and leave slips are the key documents which support the hours that employees are paid and the portion that is to be applied against earned benefits for sick and annual leave. The Departments of Finance and Employee Relations (DOER) have established "Operating Policies and Procedures" which govern the specific payroll procedures that agencies are required to follow. Finance Operating Policy and Procedure 07:04:23 requires all leave to be documented by the employee and approved by the supervisor. Procedure 07:04:21 requires each employee's supervisor to review and approve the Bi-Weekly Time Report each pay period after comparing to approved leave slips for accuracy.

Administration's time and leave reporting is decentralized. There are a variety of payroll requirements put on employees, depending on the division in which they work. Each division has a divisional timekeeper. This timekeeper reviews the employee time sheets and prepares a biweekly time roster for that division. This time roster is sent to the Personnel Division, which enters the payroll information into the on-line payroll system. Since each division retains time and leave records, Personnel is not in a position to determine compliance with Finance and DOER requirements. Divisions must bear the responsibility to ensure that all time and leave requirements have been met.

Six of 66 timesheets examined did not have leave slips to support leave hours taken as required by Policy 07:06:23. Without a documented leave slip or alternative system to record leave, there is no assurance that all leave is being properly authorized and reported. One division, Energy Conservation, does not require employees to complete leave slips.

The time and leave records of certain divisions are not being adequately reviewed and approved by a supervisor. Some timesheets and leave slips did not have the appropriate supervisor's approval. In fact, two divisions tested did not require supervisors to sign or approve staff time sheets. Instead, the division timekeeper initialled the timesheets. In one case, a Plant Management employee reported 8 hours of sick leave on the timesheet while the supporting leave slip reflected 16 hours actually taken. Neither the timesheet or leave slip was reviewed or approved by the employee's supervisor. If the appropriate review had been performed, the supervisor could have detected this error.

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Finally, certain Administration divisions are using nonstandard, unapproved timesheet forms. Finance Operating Policy and Procedure 07:04:21 requires that the standard Employee Bi-Weekly Time Report must be used unless DOER has authorized the agency to use a different form. Currently three Administration divisions, Plant Management, State Printer, and Building Construction, have established their own time report and have not requested or obtained DOER approval. The Personnel Division was unaware that these timesheets were being used.

**RECOMMENDATIONS:**

5. Administration should ensure that adequate time and leave reporting procedures are used throughout the department. This includes ensuring that all timesheets and leave slips are reviewed and approved by the employee's supervisor.
6. Administration should request Department of Employee Relations authorization for use of any nonstandard time reports within the department.

Procedures and responsibilities for the placement and payment of personnel advertisements is unclear.

The Department of Administration places advertisements for various purposes, including personnel recruitment. Advertisements for recruitment of personnel are placed both locally and nationally.

The department does not have clear and consistent lines of responsibility for personnel advertising. For most personnel advertisements, the Personnel Division initiates ad placement and approves payments. However, since personnel funds are limited and the cost of certain ads is high, many divisions may also initiate and pay for their own personnel advertisements. This arrangement has created unclear payment and approval responsibilities. Currently, vendor invoices can be sent to the wrong division for approval, resulting in confusion and delays in payment. In some cases, Personnel may receive invoices for ads which they were not even aware had been placed. As a result of these delays, payment discounts are often lost.

The Personnel Division does not use departmental purchase orders to document approval and to confirm personnel advertisements. Finance Operating Policy and Procedure 06:04:04 requires a departmental purchase order when purchasing advertisements from outside vendors under local purchase authority. The purchase order provides control over the placement of advertisements by requiring a signed approval prior to initiating placement and also serves as a confirmation to the vendor. Not using purchase orders could result in unauthorized placement of advertisements. The existence of a purchase order also provides a means of verifying the subsequent invoice for accuracy. It may also serve as a control to prevent duplicate payments.

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RECOMMENDATION:

7. All divisions placing personnel advertisements should prepare departmental purchase orders. They should compare the purchase order to the subsequent invoice before it is paid.

Responsibility for disbursement files and control procedures have not been clearly defined between Fiscal Services and the various division staff.

All invoices are sent to Fiscal Services for input into the statewide accounting system. A Fiscal Services Procedures Manual has been developed to describe what must be completed and checked on each invoice before entry. However, the responsibilities between Fiscal Services and the user divisions are not consistent and not followed. Disbursement documentation, including invoices, purchase orders, and receiving reports, are not consistently filed. Fiscal Services returns some paid invoices to the divisions, while some remain in the Fiscal Services disbursement files. Since there is no central filing, locating a particular invoice or purchase order may be difficult.

It is sometimes not clear whether Fiscal Services or the division accounting staff should be exercising control over the validity of invoices submitted for payment. Matching the vendor invoice to an approved purchase order and receiving report is a key disbursement control. However, in some cases, purchase orders and receiving reports are retained only at the division level. Fiscal Services must then assume that all work necessary to verify the validity of the invoice was done before it was sent to them. If responsibility for control is not clearly established, the necessary verifications could be easily overlooked by either division under the assumption it was performed by the other division.

Fiscal Services also has not identified the various division staff permitted to authorize disbursements. By authorizing disbursement for payment, the division staff certify that they have complied with the finance and legal requirements. Fiscal Services can simply input disbursement based on the authorization provided by the division. However, since they process disbursements submitted by numerous divisions' staff, Fiscal Services must assume that only invoices properly authorized by the designated staff of a particular division are submitted for payment. This could be assured by developing a list of authorized staff for each division. This list would provide the ability for Fiscal Services to check for unauthorized approvals before input of payment.

RECOMMENDATION:

8. Fiscal Services should clearly define disbursement filing, authorization, and control responsibilities for each division.

Disbursement controls and fixed asset records for equipment purchased through the Building Fund need improvement.

In many cases, the Legislature appropriates money for major state building projects to the Department of Administration on behalf of the agency or

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department who will actually receive the benefit of the construction. These projects are monitored by Administration's Building Construction Division, which is responsible for central control and coordination of all projects on state-owned buildings. Administration is also responsible for receiving and reviewing vendor invoices and making payments relating to this construction.

Equipment and furnishings are sometimes included in the building appropriations made by the Legislature. In those cases, a purchase order is completed by the requesting agency and submitted to the Building Construction Division. There it is reviewed and approved and sent to Administration's Fiscal Services Division for entry into the procurement (PALS) and state-wide accounting (SWA) systems. The fixed asset number is assigned by the agency requesting the equipment.

Although the agency receives the asset, the vendor invoice is submitted to the Building Construction Division, who approves the payment. Building Construction personnel have to rely on a verbal acknowledgement that the agency has received the asset. The division does not require agencies to submit written receiving reports to document that assets have been received. This does not comply with Department of Finance Operating Policy and Procedure 06:05:01, which requires a signed receiving report to support disbursements for goods and equipment. The absence of a signed receiving report increases the potential for payment for equipment that may have not been received or does not meet specifications.

The agency that receives the equipment is responsible for its custodial control. However, since the funds for the equipment are disbursed through the Department of Administration, the Fixed Asset Record Management System (FARMS) automatically assigns the equipment to the Building Construction Division. \$315,868.23 of fixed assets are currently recorded on FARMS in the Building Construction Division. However, the department does not have accountability or control over these assets. There are FARMS procedures for transferring assets, but these procedures are not being followed by the receiving agencies or the Building Construction Division.

**RECOMMENDATIONS:**

9. The Building Construction Division should disburse funds for equipment only upon obtaining a signed receiving report from the agencies acknowledging that the equipment was received and inspected.
10. The department should ensure that the fixed asset (FARMS) records concerning previous assets purchased for other agencies are properly transferred to that agency's records. Responsibilities should be assigned for accurate and timely transfer of fixed asset records for all future agency equipment purchases by the Building Construction Division.

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Administration exceeded the \$1,500 authorized limit for department head expense and incorrectly transferred the excess.

Minn. Stat. Section 15A.081, Subd. 8, permits state department heads to use up to \$1,500 per year to pay certain expenses related to their positions in accordance with the guidelines established by the Commissioner of Finance. The department head expense payment and reimbursement guidelines are set forth in the Department of Finance Operating Policy and Procedure 06:05:27.

Administration department head expenses for fiscal year 1984 totalled \$2,022, which exceeded the authorized limit by \$522. However, this overspending was not readily apparent because expense transfers were made in statewide accounting to avoid the appearance of overspending. A portion of the excess totalling \$400 was originally charged to the department head expense code within the statewide accounting system, but was later transferred to other expenditure (object) codes within the commissioner's budget. For example, \$132 spent for various local lunches with department staff was transferred from department head expense to miscellaneous supplies expense. Additional department head expenditures incurred in June 1984, totalling \$122, were incorrectly charged to the next fiscal year's department head expense account. This was accomplished by incorrectly coding the disbursement with a July 1, 1984 occurrence date. This in turn caused the fiscal year 1985 department head expense to slightly exceed the \$1,500 limit. However, because of this manipulation, the final fiscal year 1984 statewide accounting (SWA) reports showed only \$1,500 spent on department head expenses for fiscal year 1984.

Administration staff have indicated that the Department of Finance was slow to inform agencies of a statutory decrease in the department head expense limit from \$2,000 to \$1,500. The 1983 Minnesota Laws, Chapter 299, Sections 7 and 36, resulted in the new limit effective July 1, 1983 and was approved on June 7, 1983. However, the Department of Finance did not distribute the revised Operating Policy and Procedure 06:05:27 until August 22, 1984. Although Finance is required to promulgate rules for expenditure and reimbursement of department head expenses, the individual agencies are responsible for legal compliance on the effective implementation date.

RECOMMENDATION:

11. Administration should ensure that the \$1,500 statutory limit for department head expenses is not exceeded.

MATERIALS MANAGEMENT DIVISION

The Material Management Division is responsible for the following: the overall centralized purchasing of goods and services; contracting for construction and professional services; acquisition, inventory, and disposal of fixed and consumable assets; and the distribution of goods through central stores and state and federal surplus property to the executive branch agencies of state government.

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Duties and responsibilities relating to the Fixed Asset Records Management (FARM) system have not been made clear to user agencies.

The state's previous fixed asset accounting system was discontinued on June 30, 1984. At that time, a new system, called the Fixed Asset Records Management System (FARMS), was implemented. The Materials Management Division has three staff responsible for the security and operation of FARMS and who assist user agencies.

With the implementation of the new system came many changes in the processing and responsibilities for the state's fixed assets. Under the previous system, user agencies had no direct access to the system. Instead, they had to submit detailed documents for input to the Materials Management Division. The new FARM system uses an on-line feature allowing direct access to the system by user agencies.

As a result of this on-line feature, agencies now directly perform the duties necessary for fixed asset changes and additions. There have been other dramatic shifts in agency duties as well. The Materials Management Division has discontinued physical fixed asset inventory audits of state agencies. These audits were routinely performed in the past to ensure the integrity of the fixed asset information on the system. Administration is now placing complete reliance on the individual agency inventory coordinators to comply with spot-checking and physical inventory requirements to ensure the accuracy of fixed asset records.

Although agency duties have changed, there has been little attempt to communicate these changes to agency heads. Certain informal means of delegation have occurred. For example, the FARMS users manual cites certain expectations on the part of agencies in controlling their fixed assets. However, no Administration directive or document was ever issued which explicitly delegates specific duties relating to fixed assets to the FARM system users. Minn. Stat. Section 16B.04, Subd. 2 authorizes the Commissioner of Administration to manage and control state property. Minn. Stat. Section 16B.05, Subd. 1 states that the Commissioner may delegate these duties to the head of an agency and to any subordinates of the head. Delegated duties are to be exercised in the name of the Commissioner and under the Commissioner's supervision and control.

Without the formality of the written delegation from the Commissioner of Administration to all department heads, duties relating to the state's fixed asset system have not been effectively transferred. To date, many agencies have not taken responsibility for the maintenance and updating of fixed asset information on FARMS. This is evidenced by the fact that many agencies are still not using the FARMS system as it was intended. Because of this, the fixed asset activity reports and totals included on FARMS are not reliable and cannot be used for the state's financial statements. Once a formal delegation occurs, state agencies can be required to use the FARM system policies, guidelines, and procedures established by Administration.

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Even though Administration has shifted fixed asset duties to individual agencies, they still have the responsibility to monitor agency activities to ensure the integrity of the fixed asset information included on FARMS. The discontinuance or postponement of the Materials Management Division audits of agencies increases the need to monitor the frequency and results of agency verification efforts. The FARMS user's manual requires each agency to annually report the results of "all actions taken to maintain an accurate fixed asset inventory." Central monitoring of the frequency and results of physical inventories taken by agencies would provide Materials management with one way to evaluate the accuracy of each agency's fixed asset records.

RECOMMENDATIONS:

12. The Commissioner of Administration should issue a formal delegation of fixed asset duties relating to the FARM system to the department heads of all state agencies.
13. The Materials Management Division should set up processes and procedures to verify the integrity of the information included on the FARM system. These procedures should include a system for monitoring the frequency and results of physical inventories of fixed assets performed by agencies.

Access and security controls over the Fixed Asset Records Management (FARM) system are inadequate.

In order to use the FARM system, a user must first access the central computer at IMB. This is done by entering a logonID and password onto the system. The user must then reenter their logonID with a different password in order to specifically access the FARM system. Currently, logonIDs are matched to computer terminal location by the FARMS security software and a specific logonID can only be used at a certain terminal location. While security over the central computer system in general is controlled by the IMB security group, security over the FARM system is controlled by Administration's Materials Management Division.

Access security over the FARM system currently is not sufficient. Although logonIDs are restricted to certain terminal locations, there are no restriction of system records once the system has been accessed. All logonIDs with the authority to access FARMS have access to all fixed asset records from all departments and agencies. Therefore, any employee with the authority to add, change, or delete FARM system fixed asset records may do so not only with their own department's records, but also with the records of other departments as well. After-the-fact detection of transactions or changes to a wrong department can be made from monthly activity reports. However, by the time such transactions have been identified, it may take substantial time and effort to correct changes which were erroneously or maliciously made. A vendor software modification to restrict logonID access to specific records was requested and obtained by the Materials Management Division. However, funding for implementation of this modification has not been obtained and the modification has never been implemented.

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Control over access to FARMS is also weak because of the current method of granting logonIDs to employees. When the FARM system began, the Materials Management Division distributed forms to agencies in order to identify logonIDs which should be granted access to FARMS. These forms required the signature of the department head. Although many commissioners and department heads did approve the FARM system access form, some were approved by other lower levels of management. For example, in one case the chief engineer of a university approved the form. In another case, the approval was granted over the telephone. In order to improve access control over FARMS, the Materials Management Division should reexamine which logonIDs have been granted access to date and confirm these with the appropriate department heads.

Employees with access to FARMS should also be reminded of the need to keep their passwords to the system a secret. Initially, all employees were given a specific password to be used to activate their logonID on FARMS. However, once that initial activation was completed, each employee was to change their password to a unique one. The need for employees to change their password has not been made clear, and many employees may still be using the standard password. Since the standard password is commonly known, the current access controls may not be effective.

Finally, procedures to report or track staff employment changes have not been established. The Materials Management Division must have a method of determining which employees with access to FARMS have left state service or have changed their job responsibilities so that their access to FARMS can be discontinued.

RECOMMENDATIONS:

14. Administration should implement the FARM system security software modification to limit access to each department's fixed asset records.
15. FARM system security controls should be improved by:
  - reviewing and confirming logonIDs which have access to FARMS;
  - establishing procedures for reporting employment changes, and;
  - requiring all employees with access to FARMS to use a unique secret password.

Certain Federal Surplus Property activities are not allowed under Administration's current statutory authority.

Administration's Federal Surplus Property (FSP) section manages a distribution center for surplus property received from the federal government. Public agencies, non-profit educational, and public health institutions or

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organizations may purchase this surplus property. Local units of government are a major FSP clientele. Minn. Stat. Section 16B.28 establishes Administration's federal surplus property activity and defines its purpose and scope. Subd. 3 discusses the revolving fund created to account for FSP activities. It states in part:

"To pay for surplus property received from the federal government for governmental or nonprofit organizations, including the expense of accepting and distributing that property, there is a surplus property revolving fund in the state treasury. Money paid into the surplus property revolving fund is appropriated to the commissioner (of Administration) for the purposes of this section."

In recent years, FSP, which is accounted for as an enterprise fund, has suffered large losses. This has occurred largely due to the diminished quantity and quality of federal surplus property made available to FSP by the federal government. Recognizing this, the General Services Administration, the federal agency which oversees FSP activities nationwide, has encouraged individual FSP organizations, such as the one in Minnesota, to diversify.

In response to this declining revenue base, FSP began selling office supplies in January 1987. The primary marketing target for these supplies has been local units of government. FSP staff believe that buyers of these supplies may also purchase additional federal surplus items, whereby increasing revenues in that activity as well. However, FSP has no express statutory authority to sell office supplies to local governmental units, either in Minn. Stat. Section 16B.28 or in other Administration statutes. The only current authority to buy and sell office supplies lies in Minn. Stat. 16B.04, Subd 2 (2), which relates to a central store for state agencies.

FSP did not obtain approval to sell office supplies before they began the activity. Based on a recent Attorney General's opinion requested by Administration, the sale of office supplies to local governmental units is not allowed under the current Administration statutes. Because of this, Administration has discontinued sales of office supplies through FSP. Arrangements should be made to dispose of the existing supplies on hand.

**RECOMMENDATION:**

16. Administration should clarify their authority to proceed before any new services are begun, or funds and activities are restructured.

Travel advances are paid from imprest funds without requiring that employee expense reports be submitted.

Federal Surplus Property (FSP) has a \$1,000 imprest cash fund for payment of travel advances and miscellaneous expenses. This imprest cash account is authorized by Minn. Stat. Section 16B.28, Subd. 3b. Advances made from

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this fund are to be paid in accordance with the requirements prescribed by the Commissioner of the Department of Finance.

FSP employees currently obtain a travel advance from the imprest cash fund without completing an employee expense report or any other written documentation. Advance requests are verbal and the amount of the advance is estimated by the imprest cash clerk. FSP should obtain the employee expense report as support for payment of an advance to an employee, as required by the Department of Finance. The expense report must be approved by the supervisor and provide detail of estimated daily travel costs. Without the expense report, the supervisor's approval and detailed estimate of daily travel costs is not obtained and could result in payment of an unauthorized or excessive travel advance.

Because one FSP employee appears to require substantial travel on a continuing basis, FSP should consider authorizing an annual (permanent) travel advance to that employee. Department of Finance Operating Policy and Procedure 06:05:24 provides for annual travel advances when work assignments require travel on a regularly recurring basis. This would avoid the necessity for that employee to submit travel advance documentation for each trip.

### RECOMMENDATIONS:

17. The Federal Surplus Property division should pay travel advances imprest cash funds only upon receipt of an authorized employee expense report.
18. FMP should consider issuing annual travel advances or state credit cards to eligible employees.

## INFORMATION MANAGEMENT BUREAU

The Information Management Bureau (IMB) maintains the state's central computer system and is responsible for coordinating all computer system applications, facilities, and records for state agencies. IMB bills the state agencies for the computer and support services they use.

Controls over IMB billing system charge numbers should be improved.

The Information Management Bureau (IMB) maintains the state's central computer system. IMB bills agencies for a variety of computer services, including computer time used on the central processing unit (CPU), disk and tape storage charges, computer equipment rentals, and programming/analysis charges for systems development. In order to facilitate this billing process, agencies or work units within agencies are assigned charge numbers. A charge number must be entered and validated before access to the computer system is granted. IMB maintains a charge number file which is referenced whenever a job is run or a person attempts to access the computer.

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Although the system verifies the validity of the charge number which is entered, there is currently no method to verify that a person requesting access has the authority to use that particular charge number. A valid but wrong charge number could be specified and the wrong agency would be billed. Standard bills sent out by IMB do not provide sufficient detail to allow agencies to review the charges. Detailed billing information is available from a job execution audit list and from summary reports produced from monthly tapes created by IMB, but agencies may find this information difficult to analyze. Agencies typically do not receive or scrutinize detailed lists of the jobs for which they are being charged. IMB also has a series of nonbillable charge numbers which are not restricted and could be used by unauthorized personnel. Although large variances in charge number billing amounts may be noticed, many unauthorized charges could easily go undetected.

According to IMB personnel, it is possible but administratively difficult to restrict charge number usage to authorized users. Charge numbers could be protected by validation software or access rules which would match charge numbers with certain authorized employee logonID numbers. However, manual matching of job name to terminal location, user name, and logonID on a test basis could also be done. Another alternative would be to routinely provide agencies with sufficient documentation to enable them to conduct detail reviews of their computer charges.

RECOMMENDATION:

19. IMB should develop a system to monitor agency charge numbers in order to confirm that the agency charge numbers are being used correctly.

Access rules for the IMB billing system programs and files need improvement.

A basic method of protecting computer systems, programs, and files is to limit access to them. Generally, access should be limited to those individuals who must have access in order to perform their job duties and responsibilities.

Access over IMB billing system programs and files has not been adequately limited. Currently, 18 people have unlimited access to all of the IMB billing system programs and files. No record of actual access by these employees is logged. Although there may be a legitimate need for some or all of these employees to access portions of the billing system programs and files, it is unlikely that all of these employees require unlimited authority. In addition, all IMB employees can read, write, create and delete the files that are used to update the billing system. This access is logged and reviewed by the IMB security officers. However, access to these files, especially the capability to write to the files, should be limited only to those needing it.

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According to IMB personnel, the current access rules were written when the system was first developed and it was not yet clear to what extent access would be needed by IMB staff. Since that time, the access rule has never been revised to restrict access based on actual staff responsibilities. Allowing such unrestricted access could result in intentional or unintentional loss of data or unauthorized changes to data that is used by the IMB billing system. This could create potential for lost revenues or incorrect agency billings.

**RECOMMENDATION:**

20. Access to IMB billing system programs and files should be restricted to individuals who need access to in order to perform their job duties and responsibilities.

The process of charging computer equipment rentals to agencies should be improved.

IMB charges agencies for computer equipment which it rents. This equipment includes computer terminals and printers. IMB uses a network software package called NETMAN to track this computer equipment. NETMAN identifies each piece of equipment by a device-ID number. New device-IDs are entered biweekly on NETMAN upon the receipt of an agency request form. When equipment is scheduled to be installed, the IMB staff that install the device-IDs notify the IMB staff responsible for the IMB billing charges. IMB then bills agencies for all device-IDs belonging to that agency.

However, some agencies are incorrectly billed for pieces of equipment. Since there is no direct interface between NETMAN and the IMB billing system, the information relating to when equipment should be added and removed from an agency's bill must be handled manually. Problems arise when the billing staff are notified that a device-ID is being installed and they start billing the charges before it is actually put into operation. Also, device-IDs that have been removed may continue to be billed even though they are no longer in use if the billing staff is not notified. These problems could result in errors in agency charges and ultimately IMB revenue and accounts receivable.

It is possible to correct this problem by using software modification to enable the billing system to interface directly with NETMAN. Such an interface would allow the two systems to operate using the same data and would result in more accurate billing charges. However, if the current manual process is continued, steps should be taken to improve the timing and accuracy of the information from the installers to the billing staff.

**RECOMMENDATION:**

21. IMB should improve the accuracy of device-ID charges billed to user agencies.

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ELECTRONIC EQUIPMENT RENTAL

The Electronic Equipment Rental section is part of the Printing and Mailing Services Division. This section provides copy machines, electric and electronic typewriters and other office equipment, for rental and sales to state agencies.

Internal control over Electronic Equipment Rental revenue and accounts receivable records require improvement.

The Electronic Equipment Rental (EER) Fund rents and sells office equipment to state agencies. Invoices for rentals and sales are sent to agencies either monthly or quarterly by EER. Although these invoices are numbered in order, the numeric sequence is not controlled to ensure that all invoices were entered into the sales journal and to provide accurate fiscal year-end cutoff. The sales journal does not list invoices in numeric order and has gaps in the sequences. Since point of revenue recognition occurs at the end of the rental period or date of equipment sale, the date of invoice preparation and entry into the sales journal should be the same. Invoices easily could be entered into the sales journal in the same order they were prepared. Preparation of invoices and recognition of the sale in the sales journal at different points of time creates increased potential for the revenue to be recognized at the wrong time. This would primarily effect year-end revenue and accounts receivable figures for the EER financial statements.

The accounts receivable subsidiary records are not reconciled to the general ledger control account. EER uses the sales journal as the accounts receivable record by posting the date of each Statewide Accounting (SWA) transfer on the same line as the sale was posted for that agency. Those invoices for which no payment has been posted in the sales journal are considered to be outstanding accounts receivable. To provide effective control the subsidiary records, in this case blank lines in the sales journal, should be reconciled to the general ledger control account to ensure accuracy of detailed records and financial reporting for accounts receivable.

**RECOMMENDATIONS:**

22. Electronic Equipment Rental should improve sequential control over the invoices posted to the sales journal.
23. Electronic Equipment Rental accounts receivable subsidiary records should be periodically reconciled to the general ledger control account.

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DOCUMENTS DIVISION

The Documents Division sells a variety of state and federal publications, in addition to maps, flags, novelty items, materials and information about Minnesota. They also publish the State Register.

State Register and Document's financial records were not retained in accordance with records retention schedule.

Minn. Stat. Chapter 138.17 gives the requirements for retention and disposal of governmental records. Subd. 7 establishes a records management program for the retention of official records administered by the Commissioner of Administration. It is the duty of each agency and subdivision to properly comply by adhering to an approved records retention schedule. The Department of Administration has adopted the general records retention schedule set forth by the Department of Finance. This schedule requires that most financial records are to be retained for a period of four years including the current fiscal year plus the three previous fiscal years.

The State Register and Public Documents Division has not complied with this records retention policy. They destroyed all records pertaining to the first half of fiscal year 1984 from July 1, 1983 through December 31, 1983. Deposit slips, receipts records, purchase orders, invoices, time sheets, and leave slip records were not retained in accordance with the established records retention schedule for the department and were therefore not available for our audit.

RECOMMENDATION:

24. The department should remind all divisions of their current records retention requirements. Records should be destroyed only in accordance with the records retention policy.

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STATE OF MINNESOTA

*Office Memorandum*

TO: James R. Nobles, Legislative Auditor  
and  
John Asmussen, Deputy Legislative Auditor

FROM: Sandra J. Hale *Sandra J. Hale*  
Commissioner

DATE: June 16, 1987  
PHONE: 296-3862

SUBJECT: **DEPARTMENT AUDIT**

I appreciate the opportunity to review and comment on the preliminary draft of your management letter regarding this department. The letter was a result of your financial audit of the department for the three years ending June 30, 1986. The assistance given to this department by the audit staff will be helpful as we continue our efforts to improve our financial management practices.

We have numbered our responses to correspond to your recommendations. Our responses outline what we have done or propose to do to implement your recommendations.

**RECOMMENDATION 1**

Administration will conduct a major review of its administrative services during F.Y. 1988. Dick Diercks is the person responsible for the review. The role of the Administrative Services Bureau will be clarified. Also, procedures and responsibilities in such areas as receipts, disbursements, payroll, and fixed assets throughout the department will be clarified. The question of whether responsibilities should be centralized or decentralized will be addressed. How to provide internal control, compliance, and, at the same time, basic operating services to divisions within the constraints of very limited resources will also be addressed.

**RECOMMENDATIONS 2 and 3**

A committee will be formed from those divisions that receive cash and checks. The committee will unify in one clear procedure from original entry lists to reconciliation with SWA reports. Don Klein is the person responsible. Procedures are to be in place by October 1, 1987.

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**RECOMMENDATION 4**

Administration will improve its fixed asset accountability by doing the following: a) requiring adequate fixed asset records be maintained by all divisions of Administration; b) delegating accountability and responsibility for fixed assets to various staff within the department; and c) designing spot-checking procedures and a mechanism to determine when a complete physical inventory of fixed assets is necessary.

A central coordinator to oversee the fixed asset efforts of all divisions with DOA has been appointed.

More definitive policies and procedures for fixed asset inventory management have been drafted and are being prepared for circulation to all state agencies. A part of these procedures clearly defines the parameters to be used for spot-checking and the intervals and/or criteria defining when complete physical inventories are to be taken.

**RECOMMENDATION 5**

Timesheets and leave slips will be reviewed and approved by employee's supervisor.

We propose to ensure that this occurs by developing a training session for divisional timekeepers. This training would stress the proper procedures for all aspects of payroll and especially review and approval procedures. In conjunction with the training, a memo would be sent to all DOA managers and supervisors stressing the necessity for strict review and approval procedures. Those divisions where problems were identified during the audit have already been instructed to revise their procedures and have done so.

In addition, we will propose to develop an internal audit procedure. Audits will be conducted by the Personnel Services staff or, if established, an Internal Auditor, on a scheduled basis.

The person responsible for implementing this recommendation is Julie Angeles. Training will be conducted during the fall.

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RECOMMENDATION 6

Nonstandard time reports will be approved by DOER before they are used internally.

Nonstandard timesheets currently used in DOA have already been submitted to and approved by DOER. This issue will be covered in the training proposed under RECOMMENDATION 5 and timekeepers will be made aware that any proposed form changes must be approved in advance.

RECOMMENDATION 7

Although no formal, written procedure has ever been distributed, the placement and payment of personnel advertisements has always been the responsibility of Personnel Services. Instances of mix-ups have been very rare. The one incident identified during the audit involved one of the State Councils, which is not actually a part of DOA. Personnel Services has contracts with both the St. Paul Dispatch/Pioneer Press and the Minneapolis Star and Tribune, and discounts are received on all advertisements placed which is a great incentive to divisions to let Personnel place the ads.

We would propose the development and distribution of a formal, written policy clarifying the system already in place. The current procedure is as follows:

1. The division works with Personnel Services to develop the ad.
2. Personnel Services places the ad and verifies that it was run as ordered.
3. Personnel Services receives all invoices for ads which have been placed. They then go through and identify the charge(s) associated with each ad. (The bills clearly identify the charges associated with each ad.)
4. Personnel Services submits the bill for payment (after verification to either: a) Fiscal Services, for ads being paid by Personnel Services advertisement budget (general fund activities) or b) the requesting division (for revolving fund activities)).
5. Personnel Services monitors the accounts to ensure that all payments have been made.

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This procedure could include preparation of a DPO by the requesting division for each ad to comply with finance operating procedures. However, the benefit of doing so would be very limited. The amount charged for an ad is never known at the time the ad is placed. The amount charged is not known until we receive the invoice. As a result, the DPO would not contain an amount, thus eliminating "a means of verifying the subsequent invoice for accuracy" as suggested in the audit report.

**RECOMMENDATION 8**

Current procedures by each division concerning disbursement filing, authorization, and control will be identified. The individual procedures will be clarified and maintained, and a uniform procedure will be developed. Don Klein is the person responsible.

**RECOMMENDATION 9**

The statement that the Division of State Building Construction does not receive written verification of receipt of the asset is not correct. While on occasion, DSBC does rely on a verbal acknowledgment, the vast majority of the invoices are sent to the agency involved for their approval. This approval involves a matching of both the quantity received to that on the invoice and the price shown on the purchase order and the invoice. If no problems are noted, the agency approves the invoice and returns the document to DSBC for payment. Memos are sent to agencies outlining the procedure to be followed in the payment of these invoices.

**RECOMMENDATION 10**

There is no question that FARMS records should and will properly reflect the agency which receives assets paid for from building funds. We are working toward the implementation of procedures to allow this to occur on the new FARMS system. The persons responsible for implementing this recommendation are Bruce Taber and John Haggerty.

**RECOMMENDATION 11**

The department-head expense will be encumbered as a separate encumbrance at the statutory level--currently \$1,500.00. On a quarterly basis, an analysis of spending will be given to the commissioner.

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**RECOMMENDATION 12**

The Commissioner of Administration will issue a formal delegation of fixed asset duties relating the the FARM system to the department heads of all state agencies. An inventory directive reaffirming the importance of this management responsibility and directing all agency and department heads to establish formal delegation of the fixed asset responsibilities within their organizations will be initiated.

**RECOMMENDATION 13**

Internal procedures for the Fixed Asset Unit of the Materials Management Division are being modified to include regular monitoring and analysis of agency transactions (i.e., additions, transfers, physical inventory adjustments, retirements, etc.).

FARM System modifications planned for fiscal year 1988 will further enhance the Fixed Asset Unit's ability to more completely analyze the input of all new purchased assets as they are paid for through Statewide Accounting. John Haggerty is the person responsible for implementing this recommendation.

**RECOMMENDATION 14**

Administration will implement the FARM system security software modification to limit access to each department's fixed asset records. The FARM System security software will be installed as part of the FARM System during F.Y. 1988.

**RECOMMENDATION 15**

New policies and procedures now being prepared for circulation to all state agencies to re-enforce and more clearly define the need for agencies to report employee changes among those using FARMS and the need to use unique passwords.

A system security officer has been designated and procedures related to this responsibility are being established. Among these procedures will be the regular and systematic review of all logon ID's which will include the verification of the employment of those with logon ID's at the agencies specified and the verification and updating of the passwords used by all employees with access for FARMS.

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**RECOMMENDATION 16**

Administration will clarify its authority to proceed before any new services are begun or funds and activities are restructured. In the case of Federal Surplus Property, all state contract office products were sold to Central Stores. No further purchases of these products, in this manner, for resale will be considered until statutory authority for same is secured.

**RECOMMENDATION 17**

All Federal Surplus Property employees will use the authorized employee expense reports before travel advances from the imprest cash fund are issued.

**RECOMMENDATION 18**

Recent changes made in the methods used for screening property, which was the primary reason for travel, make it unnecessary to consider annual travel advances at this time.

**RECOMMENDATION 19**

Since the auditor did not find any problems in this area and since IMB is not aware of any, we will develop a procedure to spot check use of charge numbers. We will re-evaluate this position if a problem shows up. This will be implemented by August 1, 1987.

**RECOMMENDATION 20**

Phil Allison is responsible for this recommendation. Access to the IMB billing system has been restricted. Unlimited access to the IMB billing programs is now limited to: a) the Financial Services billing supervisor, b) the Financial Services Senior Account Clerk in charge of billing, and c) the staff of the Software Support Section responsible for maintaining the IMB billing programs.

Unlimited access to the IMB billing data (ISMU files) is given to the Financial Services staff and staff of the Software Support and Interactive Systems Software Sections of IMB. This has been implemented.

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RECOMMENDATION 21

The administrative responsibility for NETMAN usage will be assigned to the Financial Services staff. They plan to obtain software to interface NETMAN to the MICS billing system for file matching. Until then, the procedure to notify Financial Services when equipment is installed, removed, or moved will be enforced. John Van Hook is responsible for this recommendation. This will be implemented by September 1, 1987.

RECOMMENDATION 22

Electronic Equipment Rental will improve sequential control over the invoices posted to the Sales Journal. A procedure has been implemented whereby a copy of each invoice that has been prepared for a rental or sale transaction is filed in sequential order.

RECOMMENDATION 23

Electronic Equipment Rental accounts receivable subsidiary records should be periodically reconciled to the General Ledger Control Account.

The accounts receivable and sales procedures for Electronic Equipment Rental are currently being reviewed. Measures will be taken to ensure that this recommendation is followed. Gene Kilmer is the person responsible for implementing this recommendation.

RECOMMENDATION 24

Documents believes that maintaining records for the time period proposed by the auditor is too long. Documents is in the process of preparing a change to its records retention schedule that would require it to retain the present and two previous fiscal years' records only. The rest would either be destroyed or transferred to the state's records holding area. Divisions departmentwide are and will be reminded of their current records retention requirements.

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