DEPARTMENT OF ADMINISTRATION
MANAGEMENT LETTER
FISCAL YEAR 1988

MARCH 1989

89-25

STATE OF MINNESOTA
OFFICE OF THE LEGISLATIVE AUDITOR
VETERANS SERVICE BUILDING, ST. PAUL, MN 55155 • 612/296-4708
JAMES R. NOBLES, LEGISLATIVE AUDITOR

Ms. Sandra Hale, Commissioner
Department of Administration
208 Administration Building
St. Paul, Minnesota 55155

Dear Commissioner Hale:

We have reviewed certain accounting procedures and controls for your department as part of our statewide audit of the State of Minnesota's fiscal year 1988 financial statements and federal programs. The scope of our work was limited to:

- those aspects of your department which have a material impact on any of the state's various funds and account groups shown in the financial statements, including major components of the Computer Services Fund, the Plant Management Fund, the Motor Pool Fund, the Telecommunications Fund, and the Printer Fund;

- your statewide functional responsibilities for procurement, contract management, building construction, and real estate management;

- a review of general data processing controls at the InterTechnologies Group, including organization and operational controls, system development and documentation controls, access controls, hardware and system software controls, and data and procedural controls;

- a review of certain other internal service funds, including the Risk Management Fund and Central Stores; and

- a determination of the status of prior audit recommendations included in the departmental audit report for the three years ended June 30, 1986, dated June 16, 1987 and the fiscal year 1987 management letter dated March 10, 1988.

We emphasize that this has not been a complete financial and compliance audit of all programs within your department. However, the Single Audit coverage satisfies the federal government's requirements for all federal programs administered by your department in fiscal year 1988.

Four findings from the fiscal year 1987 management letter were not implemented and are included again in this letter as findings #4, 5, 9, and 11. All except one departmental audit report recommendation were ultimately resolved, as indicated in the follow-up letter issued on September 21, 1988. This management letter contains 11 findings. We will review your progress on resolving these findings during our audit next year.

MATERIALS MANAGEMENT DIVISION

The materials management division is responsible for the centralized purchasing of goods and services, the operation of a central stores activity, and the management of resource recovery and surplus property activities.

1. State agency contracts and leases are authorized and encumbered after the effective start date of the agreements.

The Department of Administration authorizes all agency contracts and leases. The Department of Finance subsequently encumbers agency funds from the authorized contract or lease document. Minn. Stat. Section 16A.15, Subd. 3 requires that funds be encumbered prior to obligation by the state agency. However, many agency contracts and leases are authorized and encumbered after the effective start date, and after financial obligations have been incurred by state agencies. If an obligation is incurred before funds are encumbered, the Department of Finance requires the agency to document justification in a letter to the department (commonly referred to as a "Chapter 16A letter") in accordance with operating policy and procedure 06:04:18. Over 800 Chapter 16A letters were received by the Department of Finance during fiscal year 1988. However, we found additional exceptions which were not justified in writing to the Department of Finance.

State agencies prepare and submit consultant and professional service contracts to the contract management section for final approval prior to encumbrance of funds by the Department of Finance. Four contracts of 37 tested had obligations incurred prior to the date when funds were authorized and encumbered and without a Chapter 16A letter which justified the reason for the delay. Contract management staff indicated that it is difficult for them to identify obligation dates but they can screen the effective period of contracts for significant delays between effective start date and contract authorization.

In the real estate management division, obligations for leases are incurred before lease contracts are finalized. Real estate management is responsible for preparing and negotiating state agency leases for space rental. The division provides final approval on the lease prior to encumbrance of funds by the Department of Finance. Thirty-seven of a sample of seventy-nine (47%) leases examined were authorized and encumbered after the effective start date of the lease. One lease extension effective January 1, 1988 was not authorized until April 1988 and encumbered in May 1988. Another lease included an amendment for a $62,620 remodeling job which was completed before all required authorizations were provided. After-the-fact authorization was obtained but this creates a risk that work may be performed without management's approval or without adequate funding.

RECOMMENDATIONS

- **Administration contract management and real estate management staff should work with state agencies and the Department of Finance to authorize and encumber prior to the effective start date of the contract or lease.**

- **State agencies should be reminded of their responsibilities to have contracts and leases authorized and encumbered before any obligations have been incurred.**

2. Central stores subsidiary accounts receivable records are inadequate.

The accountant for central stores maintains a general ledger control account which contains monthly revenue and collection totals. The June 30, 1988 general ledger balance of $189,140 differed from the subsidiary central stores accounts receivable records balance of $388,139.

The inaccurate subsidiary balance occurred because collections were not applied correctly against a specific invoice. The subsidiary accounts receivable records consist of monthly invoices for which no receipt recorded on the statewide accounting (SWA) system can be found. A computer program matches the monthly invoices to SWA collections and generates an exception report which identifies unmatched invoices and collections. Central stores staff manually follow up any unmatched items. However, the central stores accountant did not produce a revised monthly report as of June 30 to provide an accurate listing of unpaid invoices and to serve as the subsidiary accounts receivable record. Efforts are currently being made to modify the computer program match to improve the subsidiary records and require less manual follow up. Without a detailed, accurate list of accounts receivable, it is impossible for central stores staff to monitor outstanding accounts and verify that all earned revenue is being collected.

RECOMMENDATION

- **Central Stores staff should maintain accurate subsidiary accounts receivable records which agree with the general ledger supporting the financial statements. Any differences should be investigated and resolved.**

RISK MANAGEMENT

The risk management division operates an internal service (self-insurance) fund that provides state agencies with alternative means of obtaining insurance other than through commercial insurance companies.

3. Administrative costs are not allocated to the Risk Management Fund.

The Risk Management Fund was established to provide certain types of insurance to state agencies. Minn. Stat. Section 16B.85 provides that state agencies which may have casualty claims against them may contribute to the fund based on the agency's casualty claim experience as compared to other affected agencies. In turn, the fund will pay casualty claims arising from state activities and administrative costs including costs for the adjustment and defense of claims. The Risk Management Fund began operations on January 1, 1987.

During fiscal year 1988, administrative expenses were not allocated to the Risk Management Fund. Payroll expenses incurred during the year were paid by the General Fund, resulting in an estimated $22,289 understatement of administrative expenses as reported on the Risk Management Fund financial statements. Payroll and other administrative costs should be allocated to the fund in accordance with applicable statutes.

RECOMMENDATION

- **Administration should allocate to the Risk Management Fund an appropriate share of administrative costs incurred by that fund.**

COMPUTER SERVICES

The InterTechnologies Group (InterTech), previously the information management bureau, is responsible for operating the state's central computers and coordinating all computer systems used with the state.

4. PRIOR FINDING PARTIALLY RESOLVED: InterTech should strengthen data security and access controls.

The Department of Administration is responsible for controlling access to the state computer systems and ensuring the integrity of computerized data. Minn. Stat. Section 16B.40, Subd. provides:

> In consultation with the attorney general and appropriate agency heads, the commissioner [of Administration] shall develop, install, and administer a state data security system consistent with the state law to assure the integrity of computer based and all other data and to assure confidentiality of the data, consistent with the public's right to know.

InterTech employs three security officers and uses a computer software package, ACF2, to limit access to computer systems and data sets to only authorized personnel. Access is limited through the use of logonIDs. LogonIDs are assigned to individuals by the InterTech security officers based on signed authorization forms received from agencies. The security officers follow up on unauthorized access attempts reported by ACF2.

Data security, however, remains vulnerable because of certain control weaknesses. Past audit reports have disclosed that InterTech has not identified agency contacts authorized to approve logonID requests and pursue violation attempts. InterTech sent a request to user agencies over four years ago asking agencies to identify authorized agency contacts. However, many agencies did not respond. Furthermore, many of the assigned delegates have now left state employment or changed positions. No additional steps have been taken to resolve this weakness. For effective control over system and data access, a process should be established to formally identify these agency contacts. In addition, a method for continually updating this list is necessary as staff change their employment status. Without a current and complete authorization list, the InterTech security officers may work with agency personnel not authorized to grant access to data or pursue violations. InterTech should consider suspending the processing of any further logonID requests for agencies in which no current agency designee has been provided.

InterTech has also not resolved control weaknesses over computer system output. Those who pick up output and tapes at InterTech are not required to provide identification or authorization. InterTech should identify individuals authorized to remove tapes and reports from the InterTech output window. To effectively control output, window personnel should have a list of authorized individuals for each agency. These individuals could be required to show an identification badge or sign for the output. In addition, agencies should be required to identify which tapes can be removed from InterTech and which tapes cannot.

Finally, access controls could be strengthened if all computer systems were subjected to the controls exercised by the ACF2 software security package. Currently a job scheduling system, UCC7, operates outside the ACF2 security controls. The company owning UCC7 and ACF2 is currently working to make the UCC7 software package function within the ACF2 control system. InterTech has not corrected this problem internally because user modifications may not be supported by the vendor. Because of the importance of this modification, InterTech should continue to encourage the software vendor involved to develop a suitable modification.

RECOMMENDATIONS

- **InterTech should strengthen oversight of state agencies involved in data security and access controls by:**
  - **developing reporting procedures to formally designate agency personnel that are authorized to create logonIDs, grant access to data sets, and follow up ACF2 violations;**
  - **not processing logonID requests unless a formal designation of authorized personnel is filed; and**
  - **devising a system to verify that agency output is given only to authorized personnel.**
- **InterTech should take any necessary steps to establish access controls over UCC7.**

5. <u>PRIOR FINDING PARTIALLY RESOLVED: InterTech has not completed a formal disaster recovery plan</u>.

The State of Minnesota relies on its central computer for many critical systems such as the statewide accounting system, income tax processing, and the criminal justice system. A formal, written disaster recovery plan is needed to ensure a rapid recovery of these systems from either short interruptions or a catastrophe.

A recovery manual should be prepared to identify:

- loss exposures, the risks the installation is exposed to;
- critical and vital applications;
- resources necessary to operate critical and vital operations;
- responsibilities of each organizational unit in case of a disaster;
- locations where operations can continue and the extent of backup equipment; and
- security controls needed during recovery, including protection of critical assets and data if normal security measures break down.

The absence of a written disaster recovery plan could result in critical risk exposure or unrecoverable aspects of major systems. The state could lose major functions for an excessive amount of time or lose data permanently. Recovery costs could be minimized with a formal plan addressing the approach to recovery of systems and data.

InterTech has addressed some preliminary aspects of disaster recovery like identification of personnel for recovery procedures. Many backup features for continuing operations have been implemented including a backup power supply. In 1984 InterTech also completed a survey of major state computer systems as part of its major systems life cycle project. However, there has not been a formal risk analysis, analysis of recoverability of critical systems, or written procedures for recovery. During fiscal year 1988 InterTech was given approval to fund a consultant position to perform a risk analysis of each critical application, assess the degree of vulnerability associated with each type of risk, and develop a written disaster recovery plan. The consultant's report will be finalized and released during fiscal year 1989.

RECOMMENDATION

- **InterTech should continue efforts to develop a formal written plan for disaster recovery and interruption of operations.**

6. <u>InterTech fixed asset accounting control requires improvement</u>.

Four different computer records are maintained to manage and control InterTech's fixed assets. First, a personal computer record is updated to calculate depreciation and accumulate subsidiary balances for each fixed asset. A separate computer system maintains physical control of fixed assets by monitoring asset locations and dates assets were verified. The state fixed asset record system is also maintained. Finally, the fiscal services accountant maintains a general ledger which accumulates fixed asset transaction totals for the year. A comparison of the general ledger and subsidiary records is performed at year-end to verify the fixed asset balance for the financial statements. However, this reconciliation did not prevent and detect errors in accounting for InterTech fixed assets.

Fixed asset addition and retirement transactions are not always flagged and updated in the InterTech personal computer. These omissions should be found during the reconciliation of the control account and subsidiary record balances. However, differences between the general ledger and the personal computer record, which totalled $38,000 at June 30, 1988, were not properly investigated and resolved. Rather, the control account was simply adjusted to agree with the subsidiary records total. Five purchases totalling $27,805 were not properly updated in the subsidiary fixed asset records. Likewise, nine fixed asset retirements totalling $75,432 were not properly deleted from the subsidiary fixed asset records. If InterTech staff had investigated these differences, they would have detected these missing additions and deletions and been able to make the necessary adjustments.

RECOMMENDATION

- **InterTech fixed asset accounting should be improved either by making sure that any differences between the general ledger control account and subsidiary record balances are resolved, or by consolidating the various fixed asset systems being used.**

TELECOMMUNICATIONS

The telecommunications division of the InterTechnologies Group is responsible for the planning, design, acquisition, and approval of telecommunications services for state agencies.

7. <u>Methods for billing and reporting monthly Telecommunication Fund revenue are not established</u>.

Telecommunications division staff bill state agencies for telephone equipment, circuit, and long-distance charges. This responsibility shifted from Administration's fiscal services division to the telecommunications division in July 1988. However, responsibilities for certain immaterial revenue areas, such as rebills and radio pagers, were not specifically assigned to telecommunications staff at that time. Because of this, certain credit memorandums caused by charges to a wrong agency were not rebilled to the correct agency during fiscal year 1988. Telecommunications did not rebill the proper agencies for thirteen credits. This resulted in lost revenue of $3,262. Effective management of revolving fund operations would fix financial responsibilities upon specific individuals.

The fiscal services accountant still must accumulate annual revenue amounts for the telecommunications financial statements. However, as responsibilities shifted, no method for reporting monthly Telecommunications Fund revenue and billing credits to the fiscal services accountant was developed. Lack of coordination between the divisions caused billing credits totalling $166,045 to be reduced twice from fiscal year 1988 revenue and go undetected by both divisions. Without an established process for reporting revenue and billing credits, increased potential for errors or irregularities exists.

RECOMMENDATIONS

- **Telecommunications management should assign staff responsibility for billing immaterial revenue areas to state agencies.**

- **Telecommunications division staff should establish a process for reporting monthly revolving fund revenue and billing credits to the fiscal services accountant.**

8. <u>Telephone service requisitions are not consistently completed and routed through the telecommunication division's financial services</u>.

Telecommunications local service staff initiate changes to telephone systems through the use of telephone service requisitions. These service requisitions include a cost estimate and authorize work by the phone company. Some service requisitions result in changes to Telecommunications Fund services and are a key record affecting the revenues and expenses for the fund. During fiscal year 1988, inadequate completion and inconsistent routing of telephone service requisitions has weakened overall internal control over revolving fund revenue and expenses.

Telecommunications financial services staff do not always receive the telephone service requisitions which affect the Telecommunications Fund. Staff responsible for revenue need these requisitions to initiate a bill to the agency for the work done. During fiscal year 1988, two agencies were not invoiced for installation or maintenance for two to three months after completion of work because the financial services section did not receive a requisition. Even though the telephone services requisition forms contain a separate box for a financial services signature, local service staff submit some requisitions directly to fiscal services for payment processing without routing through the telecommunication's financial services section.

Also, financial services staff responsible for payments need these requisitions to maintain a disbursement control record. This disbursement record controls monthly payments made to the phone companies for each circuit or billing number. Telephone services requisitions are used to add, modify, or delete circuit or billing numbers on this disbursement control record. Likewise, memorandums allowing long distance carrier changes were also not routed through the financial services section. Not routing telephone service requisitions through the financial services section, or other documentation authorizing changes to existing phone circuits, could result in payment for service on a modified or cancelled phone station.

Finally, cost estimates shown on the telephone service requisitions intend to provide control over the reasonableness of the amount billed to the state by the phone company. A separate box is available on the requisition form to provide cost estimates or system cost increases or decreases. This becomes especially critical to avoid excessive payment on one time charges. Several requisitions which affect the Telecommunications Fund do not have cost estimates provided on the form. The account clerk can substantiate that the authorization for work was obtained but cannot be assured that the amount billed to the state is reasonable and accurate.

RECOMMENDATIONS

- **Telephone service requisitions affecting the Telecommunications Fund should be consistently routed through the financial services section.**

- **Telecommunication's local service staff should include cost estimates on the telephone services requisitions to provide control over amounts billed to the state by telephone companies.**

9. PRIOR FINDING PARTIALLY RESOLVED: Telecommunications Fund accounts receivable controls require improvement.

Telecommunication's accounts receivable procedures and controls need improvement. Delinquent accounts receivable were not effectively pursued during fiscal year 1988. The June 30, 1988 accounts receivable balance of $1,106,785 reflected a 50% increase from the prior year end. Follow-up efforts improved in July 1988 staff responsibilities were reassigned. By October 1, 1988, telecommunications had collected all but $140,000 of the outstanding June 30 accounts receivable balance. A portion of the remaining outstanding balance, especially relating to prior years, may not represent valid revenue. Credits may have to be issued to cancel the accounts receivable balance. These invalid accounts receivable should be cancelled to avoid strain on the subsidiary recordkeeping by repeatedly needing to track unpaid items. Management should review old accounts receivable to determine the amount collectible and write off the unpaid portion to reduce the accounts receivable balance. Prompt follow-up and resolution of uncollected accounts is important to ensure that revenue and accounts receivable recognition is accurate. Delays in follow-up may result in improper recognition if credits issued to the agencies do not reduce revenue and accounts receivable in the proper fiscal year. Department of Finance operating policy and procedure 06:09:06 requires agencies to pay telecommunications invoices within five working days and referral of delinquent accounts to the Department of Finance when necessary.

RECOMMENDATIONS

- **Follow-up of delinquent telecommunications accounts receivable must occur timely by the financial services section of the telecommunications division. Referral of uncollected delinquent accounts to the Department of Finance or issuance of billing credits for improper charges is necessary.**

- **Telecommunications staff should investigate prior years uncollected accounts and write off the telecommunications subsidiary accounts receivable balance if collection is unlikely.**

PRINTING SERVICES

The printing and duplicating section of the printing and mailing services division processes all printing and duplicating requests from state agencies.

10. Printing jobs were not billed to customers timely.

In fiscal year 1988, many completed printing jobs were not billed to state agencies in a timely fashion. The slow billing cycle has caused the State Printer Fund accounts receivable balance at June 30, 1988 to increase substantially from the prior year:

Accounts receivable balance 6-30-88	$966,649	
Accounts receivable balance 6-30-87	$401,433	
Increase Percentage	$565,216	140%

One printing requisition for $70,409 was completed and shipped by an overload vendor on October 8, 1987. Printing services received the invoice from the overload vendor in January, 1988 but did not bill the state agency until June 1988. As of October 11, 1988, the receivable was still outstanding. Staff indicated that this requisition was billed late due to cost overruns and insufficient encumbrance of funds in the state agency's account. However, prompt billing may have improved the state agency's ability to make the necessary funding arrangements.

Additional sales of $56,512 were recognized as fiscal year 1988 revenue for printing orders shipped before year end but not yet billed to the customer. These invoices had not been prepared by September 30, 1988, over three months after the shipping date. A timely billing cycle is necessary for accurate recognition of revenue and to ensure that all earned revenue is being billed to the customer.

These delays in invoicing state agencies and collection of funds have caused a severe cash flow problem for the State Printer Fund. In May 1988, printing services borrowed $400,000 from the Plant Management Fund under the authority of Laws of Minnesota 1988, Chapter 613, Section 3. Also, there has been discussion on the need for an additional loan in fiscal year 1989. Improvements in the timeliness of billing cycle would improve cash flow and lessen the need for reliance on borrowed funding.

RECOMMENDATION

- **Printing services should improve timeliness of billing state agencies for completed printing jobs. Alternative methods for billing overload printing jobs should be considered.**

11. <u>PRIOR FINDING PARTIALLY RESOLVED: Printing services perpetual inventory records and controls require improvement.</u>

Printing services maintains an inventory of paper, inks, and other supplies required in their printing process. The inventory is priced on a perpetual, computerized inventory system using the "moving weighted average cost method" which computes a new unit cost amount after each purchase.

Problems with valuation of the June 30, 1988 inventory resulted in an adjustment of $22,454 to accurately present this inventory on the financial statements. Warehouse staff conducted a physical count of the inventory on June 30, 1988 to substantiate quantities on hand for financial statement valuation. Despite these counts, the warehouse supervisor subsequently changed certain of these count quantities to more closely agree with perpetual balances listed. The June 30 inventory valuation should be based upon quantities physically counted and on hand at that date.

Internal controls over inventory are weak and require improvements as follows:

-- Periodic spotchecks and physical counts made by printing services staff during the year also detected differences between the perpetual inventory balances and quantities on hand. These differences were not investigated and resolved, but rather the inventory amounts were simply adjusted to agree with the quantity on hand. Adjusting perpetual records does not achieve effective inventory control and, in fact, may conceal the reasons for shortages. Printing services management should critically review any major adjustments to the perpetual inventory to determine if differences were caused by entry errors, physical count errors, issuance errors, or theft.

-- Certain inventory purchases are entered into the perpetual system at a per unit price which is not consistent with the unit of measure for that inventory item. For example, the perpetual records contained the per box price was listed, while the quantity was determined on a per bottle basis. This causes both the price per unit and quantity to be misstated.

-- Purchases are not entered into the inventory system until several weeks after delivery. Purchases require prompt entry into the inventory system to avoid omission of materials received and to provide perpetual records which more consistently follow the flow of warehouse materials.

-- Finally, there is no inventory control over these materials once they have been issued to the printing copy centers. No comparison of the inventory issued to and used by each copy center is performed. Management has no way of determining whether excessive spoilage or other irregularities have occurred.

RECOMMENDATIONS

- **Printing inventory valuation for financial reporting should be based on actual physical inventory quantities on hand at year end.**

- **Inventory control should be improved by:**

  - **-- establishing and utilizing consistent units of measure within the perpetual inventory;**

  - **-- entering purchases in a timely manner into the perpetual inventory system;**

  - **-- investigating promptly any differences between perpetual inventory balances and physical counts; and**

  - **-- comparing periodically the quantity of materials issued to quantities used for each individual copy center.**

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

Sincerely,

James R. Nobles
Legislative Auditor

John Asmussen, CPA
Deputy Legislative Auditor

March 7, 1989

STATE OF MINNESOTA

Department of Administration

OFFICE OF THE COMMISSIONER

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Volunteer Services

March 7, 1989

Jeanine Leifeld, Audit Manager
Office of the Legislative Auditor
1st Floor, Veterans Service Building
20 West 12th Street
St. Paul MN 55155

Dear Jeanine:

I appreciate the opportunity to review and comment on the preliminary draft of your management letter regarding this department as a result of your financial audit of the State of Minnesota's fiscal year 1988 financial statements. 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.

Sincerely,

Sandra J. Hale

Sandra J. Hale, Commissioner
Department of Administration

enclosure

SJH/DK:bc

200 Administration Building
50 Sherburne Avenue
Saint Paul, Minnesota 55155
(612) 296-3862

RECOMMENDATION #1
State agency contracts and leases are authorized and encumbered after the effective start dates.

Response:
Administration Contract Management staff should work with State agencies and the Department of Finance to authorize and encumber prior to the effective start date of the contract.

The Contract Management Unit for professional/technical and consultant contracts has sent a memo to all State agencies stating that we will no longer approve contracts which we receive after the beginning date on the contract without either a "16A letter" or a memo stating that no work has begun or will begin under the contract until it has been encumbered by the Department of Finance. This took effect on January 9, 1989.

This recommendation has been implemented.
The person responsible for implementation is Gerald Joyce.

RECOMMENDATION #2
Central Stores subsidiary A/R records are inadequate.

Response:
On September 30, 1988 the subsidiary A/R ledger was reconciled with the A/R general ledger. On December 29, 1988 modifications to the computer program were implemented which produces an accurate list of unpaid A/R's and allows for timely verification of any discrepancies between the A/R subsidiary and general ledger; as well as more effective and efficient monitoring and collection of accounts receivables.

This recommendation has been implemented
The person responsible for implementation is Ron Kovacich.

RECOMMENDATION #3
Administrative costs are not allocated to the Risk Management Fund.

Response:
Administration will allocate to the Risk Management Fund an appropriate share of administrative costs incurred by that fund.

Implementation date is March 1, 1989.
The persons responsible for implementation are Fred Johnson and Ralph Fredlund.

RECOMMENDATION #4
InterTech should strengthen data security and access controls.

Response:
A memo to customers asking for names of appointed data security officers has been finalized and will be sent in early March with return requested from agencies no later than March 30, 1989.

Implementation date is June 30, 1989.
The person responsible for implementation is Don Gemberling

RECOMMENDATION #5
InterTech has not completed a formal disaster recovery plan.

Response:
A formal disaster recovery plan has been completed. The plan covers identifying the risks, critical applications, resources necessary to operate critical operations, and responsibilities of each organizational unit. A disaster recovery coordinator has been hired to keep the plan current and train the recovery teams. The actual testing of this plan is contingent on the implementation of a second computer site.

The person responsible for implementation is Pat Lozier

RECOMMENDATION #6
InterTech fixed asset accounting control requires improvement.

Response:
Fixed assets will be reconciled with Fiscal Services semiannually and a report produced by March 30,1989.

Implementation date is March 30, 1989.
The person responsible for implementation is Don Duffy

RECOMMENDATION #7
Methods for billing and reporting monthly Telecommunication Fund revenue are not established.

Response:
Methods for billing and reporting monthly Telecommunications Fund revenue have now been established.

This recommendation has been implemented.
The person responsible for implementation is Charlotte Clark

RECOMMENDATION #8
TSR's are not consistently completed and routed through the telecommunication division's financial services.

Response:
A consultant analyst has been hired to analyze telecommunications service requests.

Implementation date is June 30, 1989
The person responsible for implementation is John Van Hook.

<u>RECOMMENDATION #9</u>
Telecommunication Fund A/R controls require improvement.

<u>Response</u>:
An automated accounts receivable system will be implemented.

Implementation date is April 30, 1989
The person responsible for implementation is Charlotte Clark.

<u>RECOMMENDATION #10</u>
Printing jobs were not billed to customers timely.

<u>Response</u>:
The billing issue has been addressed and many changes to speed up invoicing have implemented since October 1988. Additional changes and improvements are currently being studied.

The person responsible for implementation is Jim Joiner.

<u>RECOMMENDATION #11</u>
Printing services perpetual inventory records and controls require improvement.

<u>Response</u>:
The inventory procedures are being reviewed. This review will be completed and any required changes will be in place.

Implementation date is June 30, 1989
The person responsible for implementation is Roy Schmidtke.