

**DEPARTMENT OF ADMINISTRATION  
FINANCIAL AUDIT  
FOR THE YEAR ENDED JUNE 30, 1990**

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**APRIL 1991**

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**Financial Audit Division  
Office of the Legislative Auditor  
State of Minnesota**



# DEPARTMENT OF ADMINISTRATION

## FINANCIAL AUDIT FOR THE YEAR ENDED JUNE 30, 1990

Public Release Date: April 5, 1991

No. 91-15

### OBJECTIVES:

- **EVALUATE INTERNAL CONTROL STRUCTURE:** Controls over significant portions of the Intertechnologies Group, the Information Policy Office, and the Management Analysis Division; controls over other Administration activities including plant management receipts and accounts receivable, motor pool fixed assets, printing inventories, postage clearing receipts and disbursements, statewide building construction disbursements, and statewide real estate lease disbursements.
- **TEST COMPLIANCE WITH CERTAIN FINANCE-RELATED LEGAL PROVISIONS.**

### CONCLUSIONS:

We found nine areas where the internal control structure needed improvement:

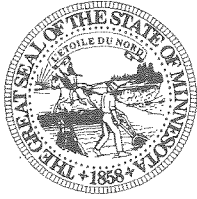
- Controls over the development of information systems are inadequate.
- The Intertechnologies Group does not properly administer overload contracts.
- Intertechnologies is not following established procedures for credit approvals.
- Internal controls over the telecommunications computer system need improvement.
- Intertechnologies does not adequately review invoices for telecommunications services.
- Intertechnologies does not ensure that all receipts are properly deposited.
- The print communications division needs to improve controls over its computer system.
- Controls over copy center inventory need improvement.
- The Department of Administration does not pay invoices promptly.

We found four areas where the department had not complied with finance-related legal provisions:

- Intertechnologies paid \$89,000 in consulting fees from the wrong fund.
- Intertechnologies is not following established procedures for accounts receivable cancellations.
- Administration improperly funded workers' compensation costs.
- The department does not pay invoices promptly.

Contact the Financial Audit Division for additional information.  
(612) 296-1730





STATE OF MINNESOTA

**OFFICE OF THE LEGISLATIVE AUDITOR**

VETERANS SERVICE BUILDING, ST. PAUL, MN 55155 • 612/296-4708

JAMES R. NOBLES, LEGISLATIVE AUDITOR

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Representative Ann Rest, Chair  
Legislative Audit Commission

Members of the Legislative Audit Commission

Ms. Dana Badgerow, Commissioner  
Department of Administration

**Audit Scope**

We have conducted a financial related audit of the Department of Administration's Intertechnologies Group, Information Policy Office, and Management Analysis Division, as well as other programs of the Department of Administration which are material to the financial activities of the State of Minnesota. We conducted this audit as of and for the year ended June 30, 1990. Our audit was limited to only that portion of the State of Minnesota financial activities attributable to the transactions of the Department of Administration, as discussed in the Introduction. We have also made a study and evaluation of the internal control structure of the Intertechnologies Group in effect at June 30, 1990.

We conducted our audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial activities attributable to the transactions of the Department of Administration are free of material misstatements.

As part of our study and evaluation of the internal control structure, we performed tests of the Department of Administration's compliance with certain provisions of laws, regulations, contracts, and grants. However, our objective was not to provide an opinion on overall compliance with such provisions.

**Management Responsibilities**

The management of the Department of Administration is responsible for establishing and maintaining an internal control structure. This responsibility includes compliance with applicable laws, regulations, contracts, and grants. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that:

- assets are safeguarded against loss from unauthorized use or disposition;
- transactions are executed in accordance with applicable legal and regulatory provisions, as well as management's authorization; and

- transactions are recorded properly on the statewide accounting system in accordance with Department of Finance policies and procedures.

Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

#### Internal Control Structure

For purposes of this report, we have classified the significant internal control structure policies and procedures in the following categories:

Intertechnologies Group activities:

- computer services receipts and accounts receivable,
- computer services fixed assets,
- computer services professional and technical services,
- telecommunications receipts,
- telecommunications communications disbursements,
- payroll,
- emergency 911 receipts, and
- general data processing controls.

Information Policy Office, payroll.

Management Analysis Division, payroll.

Other Administration activities:

- plant management receipts and accounts receivable,
- motor pool fixed assets,
- printing raw materials, work in process and finished goods inventories,
- postage clearing receipts,
- postage clearing disbursements,
- statewide building construction disbursements, and
- statewide real estate lease disbursements.

For all of the internal control structure categories listed above, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk.

### Conclusions

Our study and evaluation disclosed the conditions discussed in findings 1-2, 4-7, and 9-11 involving the internal control structure of the Department of Administration programs as stated in the scope section of this letter. We consider these conditions to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data.

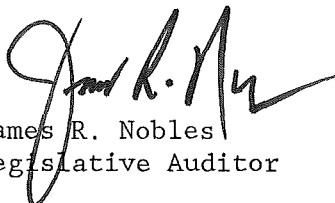
A material weakness is a reportable condition in which the design or operation of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial activities being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We believe the reportable conditions described in finding 1 is a material weaknesses.


We also noted other matters involving the internal control structure and its operation that we reported to the management of the Department of Administration at the exit conference held on March 15, 1991.

The results of our tests indicate that, except for the issues discussed in findings 3, 4, 8, and 11, with respect to the items tested, the Department of Administration complied, in all material respects, with the provisions referred to in the audit scope paragraphs. With respect to items not tested, nothing came to our attention that caused us to believe that the Department of Administration had not complied, in all material respects, with those provisions.

This report is intended for the information of the Legislative Audit Commission and management of the Department of Administration. This restriction is not intended to limit the distribution of this report, which was released as a public document on April 5, 1991.

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

  
James R. Nobles  
Legislative Auditor

  
John Asmussen, CPA  
Deputy Legislative Auditor

END OF FIELDWORK: January 15, 1991

REPORT SIGNED ON: March 29, 1991





## DEPARTMENT OF ADMINISTRATION

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### AUDIT PARTICIPATION

The following members of the Office of the Legislative Auditor participated in this audit:

John Asmussen, CPA	Deputy Legislative Auditor
Jeanine Leifeld, CPA	Audit Manager
Alan Finlayson, CPA	Auditor-in-Charge
Ellen Merlin, CPA	Senior Auditor
Beth Hammer, CPA	Senior Auditor
Dan Quandt	Senior Auditor
Susan Rumpca	Senior Auditor
Amy Jorgenson	Staff Auditor
Mark Johnson	Staff Auditor
Janet Knox	Staff Auditor
David Wohlberg	Intern

### EXIT CONFERENCE

The findings and recommendations in this report were discussed with the following staff of the Department of Administration on March 15, 1991:

Dana Badgerow	Commissioner
Lawrence Grant	Assistant Commissioner, Information Policy Office
Dick Diercks	Assistant Commissioner, Operations Management Bureau
James Pederson	Assistant Commissioner, Property Management Bureau
Richard Kelly	Director, Processing Services Division
Terry Bock	Director, Management Analysis Division
Karen Carpenter	Director, Administrative Services Bureau
Don Klein	Director, 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 seven general areas, or bureaus. Our scope included the following three bureaus:

Intertechnologies Group aids state and local government units with their use of information technologies and resources.

Information Policy Office coordinates the development of a comprehensive, statewide information and technology structure.

Management Analysis Division consults and advises the Governor, Legislature, and agencies in making management decisions.

Financial activity for the Intertechnologies Group, Information Policy Office, and Management Analysis Division for the year ended June 30, 1990 is described below:

### Revenues:

Computer services	\$30,189,524
Telecommunications	8,501,648
Emergency 911	4,147,307
Other	<u>1,379,256</u>
Total	<u>\$44,217,735</u>

### Expenditures:

#### Payroll:

Intertechnologies	\$11,474,939
Information Policy Office	1,009,931
Management Analysis	973,930
Computer services fixed assets	13,600,093
Computer services professional and technical services	6,316,252
Telecommunications communications	6,380,968
Other	<u>10,053,938</u>
Total	<u>\$49,810,051</u>

Our audit scope included other Department of Administration financial activities for the year ended June 30, 1990, which are material to the financial activities of the State of Minnesota. These were the following:

### Revenues:

Plant management	\$15,042,860
Postage clearing	8,529,316

### Expenditures:

Motor pool fixed assets	\$ 4,181,247
Postage clearing	8,549,500
Statewide building construction	11,933,926
Statewide real estate leases	30,291,097

### Inventory balances as of June 30, 1990:

Print communications-raw materials	\$ 120,750
Print communications-work-in-process	85,834

Source: Audit analysis of statewide accounting data.

## DEPARTMENT OF ADMINISTRATION

### II. CURRENT FINDINGS AND RECOMMENDATIONS

#### 1. Controls over the development of information systems are inadequate.

The Department of Administration has not established a standard methodology for information systems development. Currently, individual state agencies have the primary responsibility for planning computer systems. In contrast, Minn. Stat. Section 16B.40, Subd. 6 states:

The commissioner [of Administration] shall establish and, as necessary, update and modify a methodology for the development of approved data processing systems by state agencies. The development methodology shall be used to define the design, programming, and implementation of approved data processing systems. . .

Minn. Stat. Section 16B.41 goes on to require Administration's Information Policy Office to develop standards for state agencies. System development standards are necessary to ensure that new systems meet agency objectives, they interface properly with existing systems and the state's data security software, they have proper accounting controls, and that agencies are able to adequately monitor and control project costs.

As a result of this lack of standards, some computer applications do not properly interface with the state's data security software, ACF2. For example, technical problems exist with the interface between ACF2 and some of the state's data base systems. Administration did not address these interface problems when agencies planned new systems using these data bases. As described in Minn. Stat. Section 16B.40, the Department of Administration has the responsibility, in consultation with the Attorney General, to "develop, install, and administer state data security systems consistent with state law to assure the integrity of computer based data." Security software is necessary to prevent unauthorized use of data. An important aspect of system development is the need to analyze potential security risks and the cost which the agency is willing to incur to reduce this risk. Without proper study, agencies may accept unnecessary risks, or incur excessive costs.

The Department of Administration should clearly determine and communicate its responsibilities, as well as the responsibilities of state agencies, relating to systems development. Each party must understand its duties for the planning, contracting, and testing of new computer systems. A review is also necessary to ensure that operations continue to meet the established standards, and that controls are in place to ensure the integrity and confidentiality of data. Without a standard system development policy to address these concerns, information systems may not run effectively or efficiently.

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### RECOMMENDATIONS

- The Department of Administration should establish a standard system develop policy for developing new state computer systems. This policy should clearly define agency responsibilities for the various phases of system development.
- The Information Policy Office should establish security standards over the development of information systems.
- Each systems development project should include a documented assessment of security requirements and the associated costs.
- Administration should assist state agencies currently using data bases which do not readily interface with ACF2 to determine what steps, if any, should be taken, to decrease the risk of unauthorized data access.

2. The Intertechnologies Group does not properly administer overload contracts.

The Intertechnologies Group does not have adequate control over their professional and technical service contracts. Intertech routinely establishes "overload" contracts for computer programming, analysis, and microcomputer services. During fiscal year 1990, Intertech disbursed approximately \$3.5 million to these overload contract vendors. Intertech negotiates these contracts on behalf of state agencies. Although Intertech and the vendor sign the contract, various state agencies use the contracts to purchase specific systems maintenance and development services. Intertech pays the contract vendors and bills the costs back to the appropriate state agency.

These overload contracts are not well controlled in four respects. First, agencies do not receive detailed work plans before using an Intertech overload consultant. Overload contracts generally contain only hourly consultant service rates and a contract maximum. The contracts do not contain information concerning specific projects on which the consultants will work. Minn. Stat. Section 16B.17 requires that "the agency has received, reviewed, and accepted a detailed work plan from the contractor for performance under the contract." Intertech does not require plans for each project. Without reviewing plans, the state has no assurance that the consultant is qualified for the project nor that the consultant and the agency have a clear understanding of the work to be done.

In addition, these overload contracts circumvent normal state bidding procedures. Neither Intertech nor the agencies bid projects. Since these contracts are general in nature, including only an hourly rate for a consultant's services, Intertech should compare hourly rates before signing

## DEPARTMENT OF ADMINISTRATION

these large contracts. The statute requires agencies to either follow the normal competitive bidding process, or certify that bidding will not provide the needed service. Intertech cannot evaluate consulting fees without a bid that includes hours for each project.

Also, Intertech has not controlled increases in hourly rates. In one case, Cap Gemini America raised its rates from \$47 to \$70 per hour. Since the company had worked on some projects for over a year, agencies could not easily use another consultant. Instead, the state amended the contract to allow the higher rates. Cap Gemini America charged the higher rates before the contract was amended. As a result, the state paid \$23,579 more than the contract required. In another instance, Analysts International Corporation billed \$42 per hour for a programmer/analyst. The contract set a range of \$33 to \$39 for these services. The total overpayment using the maximum rate was \$144. Intertechologies needs to recover these overpayments from the vendors.

Finally, agencies use overload contracts on a continuing basis without determining the overall cost of a project. The contracts state the maximum amount the consultant may receive for all projects combined. However, Intertech routinely increases this maximum amount when vendor payments reach the contract limit. We do not believe that this is an effective process. Without specific contracts, agencies cannot adequately monitor performance or costs. With system development, planning is essential to ensure important issues are addressed. Finding #1 discusses system development issues.

### RECOMMENDATIONS

- Intertechologies needs to improve the administration of overload contracts by:
  - requiring detailed project work plans;
  - separately bidding major projects;
  - monitoring and controlling increases in hourly rates; and
  - controlling consulting contracts on a project basis.
- Intertechologies should seek repayment of \$23,579 from Cap Gemini America and \$144 from Analysts International Corporation.

### 3. Intertechologies paid \$89,000 in consulting fees from the wrong fund.

Intertechologies inappropriately paid \$89,000 in consulting fees from the Computer Services Fund. The consultant's duties were to plan and develop the statewide telecommunications access and routing system network (STARS). Laws of 1989 Chapter 335, Article 1, Subd. 7 provided money for the planning and initial start-up costs associated with STARS.

## DEPARTMENT OF ADMINISTRATION

Administration should have paid the costs of this contract from the STARS appropriation. The department did not have authority to pay the consulting fees from the computer services revolving fund account. As of June 30, 1990, the remaining balance in the STARS appropriation was \$215,621. It needs to transfer \$89,000 back to that fund.

### RECOMMENDATION

- The Intertechnologies STARS account should reimburse \$89,000 to the Computer Services Fund.

4. Intertechnologies is not following established procedures for credit approvals and accounts receivable cancellations.

Intertechnologies is not following its policy when approving requests from agencies for billing credit. The policy required the assistant commissioner's approval for credits over \$5,000 and a division director's approval for credits over \$1,000. However, during fiscal year 1990, the assistant commissioner did not approve three credits totaling nearly \$50,000. A division director did not approve two other credits totaling \$5,400.

In addition, Intertechnologies did not notify the executive council of uncollectible accounts nor did it receive approval from the Attorney General to write off over \$6,100 in uncollectible accounts. These receivables are for prior years' services Intertech provided to local governments. Intertech no longer has documentation to support these charges. Minn. Stat. Section 10.12 requires notification of the executive council and approval from the Attorney General to cancel accounts over \$100.

### RECOMMENDATION

- Intertechnologies should follow the established policy for approving credit requests and canceling accounts receivable.

5. Internal controls over the telecommunications computer system need improvement.

Controls over the communications informations billings system are not adequate in three areas. Currently, only one employee is trained to operate the system. In addition, program documentation is limited and the program software and data are not adequately protected.

Telecommunications uses the communications information billing system to process changes in state telephone services, as well as to prepare agency bills. The program was written by a consultant. Since it runs on a personal computer, the system is not under the general controls of the state's main computer system.

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Telecommunications needs to train additional staff to use the system. Currently, only one person knows how to operate the program. Staff turnover could create problems with implementing service changes and processing bills. At least one other person needs to learn how to use the system.

In addition, telecommunications staff need to maintain adequate program documentation. The staff modify the program as necessary, but they do not document the changes. Without adequate documentation, another person would have difficulty understanding the program.

Finally, telecommunications needs to protect copies of the program and data. This information is currently stored in an unsecured area next to the computer. A natural disaster or malicious act could result in destruction of both the computer system and backup disks. Remote storage in a secured location is necessary to ensure that a copy of essential information is always available.

### RECOMMENDATIONS

- The telecommunications division should train additional staff to use the communications information billing system.
- The division should document the current program, and any future changes to it.
- The division should store copies of the program and data in a secured location separate from the computer system.

#### 6. Intertechnologies does not adequately review invoices for telecommunication services.

Intertechnologies does not verify charges for telecommunication services. Telephone companies bill Intertech each month for the telecommunications circuits the state uses. Although Intertech maintains records showing anticipated monthly costs for each telephone circuit, the staff do not inquire into differences between their records and the amounts charged by the telephone companies.

Vendor invoices often differ from Intertechnologies records. In some cases during fiscal year 1990, telephone company invoices included charges for discontinued services. Intertechnologies did not detect the errors and have them corrected until 16 months later. In June 1990, data circuit charges according to the telephone company were \$11,800 lower than Intertechnologies had calculated. The main reason for the difference was that the vendor did not bill for new circuits. Although the next invoice included an adjustment for missed charges, Intertechnologies did not verify the amount of the adjustment. As a result, they did not have assurance that the amount of the adjustment was accurate.



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### RECOMMENDATION

- Intertechnologies should substantiate all charges for telecommunication services.

7. Intertechnologies does not ensure that all receipts are properly deposited.

Intertechnologies does not reconcile receipt records to actual deposits. The bureau deposits receipts for Telecommunication Services and the 9-1-1 program. For Fiscal Year 1990, revenue for these two programs was \$12.6 million.

State agencies pay Intertechnologies for telecommunication services. The Business Services office records payments to ensure that all amounts billed are paid. For the 9-1-1 program, the receptionist in the office records checks received. The amount recorded is not compared to the amount deposited for either program.

A periodic comparison of accounting records and deposits allows for detection of any depositing errors. To ensure that the reconciliation is independent, someone not handling the checks needs to prepare it.

### RECOMMENDATION

- Someone independent of the depositing function should reconcile the receipt list to deposits.

8. Administration improperly funded workers' compensation costs.

Administration inappropriately used the Risk Management Fund to manage its workers' compensation costs. The purpose of the fund is to account for insurance programs administered by the risk management division under Minn. Stat. Section 16B.85. However, subd. 1 specifically excludes workers' compensation from the Commissioner of Administration's insurance programs.

During fiscal year 1990, Administration assessed its divisions workers' compensation premiums based on the divisions' history of claims. Administration transferred these premiums into the Risk Management Fund. We do not believe that the fund was intended for the department's internal use. Unless Administration obtains Legislative approval, it must discontinue funding its workers' compensation costs in this manner. The department must also return all unused money to its appropriate fund. As of June 30, 1990, that amount was \$39,334.

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### RECOMMENDATIONS

- Administration should discontinue its method of funding workers' compensation costs, or seek legislation authorizing it.
- The department should return the balance of workers' compensation money to the appropriate funds.

9. The print communication division needs to improve controls over its computer system.

Employees have unnecessary access to the print communication division's computer systems and programs. The division has a computer and operates a program for recording inventory and billing printing costs to state agencies. The computer program has a security package capable of restricting access by transaction type. However, the division does not use this feature.

Some employees can process transactions which are not compatible with their job duties. For example, the warehouse staff can enter inventory transactions. The division may not detect unauthorized use of goods when the inventory custodians also process transactions. The warehouse should be restricted to inquiries only. The division needs to review all staff duties, and limit transaction authority accordingly.

### RECOMMENDATION

- The print communication division should review employees duties and limit access to the computer system accordingly.

10. Controls over copy center inventory need improvement.

Inventory controls at the print communication division copy centers are weak in two areas. The division operates three copy centers at remote locations. The centers obtain supplies, consisting mostly of paper, from the main division warehouse. As of June 30, 1990, the inventory balance in these locations was \$24,675.

Access to inventory is not restricted. Copy center inventory items are more susceptible to loss because the copy centers each only have one employee. The operators leave the centers open when unattended to allow access to photocopy machines. The inventory is accessible to anyone entering the copy centers. Management needs to limit access to prevent unauthorized use of inventory. Management also needs an independent review of the quantity of inventory used at each center.

## DEPARTMENT OF ADMINISTRATION

### RECOMMENDATION

- The print communications division should restrict access to copy center inventory.

11. PRIOR FINDING NOT RESOLVED: The Department of Administration does not pay invoices promptly.

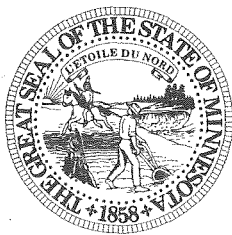
The Department of Administration does not pay invoices within 30 days as required by Minn. Stat. 16B.124. During fiscal year 1990, the travel management division was consistently late in paying invoices. For example, its prompt payment percentage during the months of January through March 1990, was 39, 58, and 49 percent, respectively. As of June 30, 1990, the Intertechnologies Bureau had \$500,000 of past due invoices. The entire department only paid 90 percent of its invoices promptly during fiscal year 1990. The statewide goal is that agencies pay 98 percent of bills within 30 days. Late payments can result in interest charges and poor relationships with vendors.

### RECOMMENDATION

- The Department of Administration should pay invoices within 30 days.



# Department of Administration



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

March 22, 1991

Jeanine Leifeld, Audit Manager  
Office of the Legislative Auditor  
First 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 1990 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,

*Dana B. Badgerow*

Dana B. Badgerow  
Department of Administration

DBB:DK:li  
Enclosure

Architectural Design  
Building Code  
Building Construction  
Contracting  
Data Practices  
Data Processing  
Employee Assistance  
Energy Conservation  
Fleet Management  
Information Management  
Inventory Management  
Local Government Systems  
Management Analysis  
Plant Management  
Printing & Mailing  
Public Documents  
Purchasing  
Real Estate Management  
Records Management  
Resource Recycling  
State Bookstore  
Telecommunications  
Volunteer Services

## RECOMMENDATION #1

Controls over the development of information systems are inadequate.

### Response:

We agree with the finding. The Information Policy Office will develop more complete standards for systems development. Some standards, which are prerequisites for systems development standards, are currently in place. There are established standards for strategic information planning, life cycle cost analysis, and systems performance review procedures. Standards for design, documentation, testing, and data security are a part of future plans.

We are currently tracking several emerging international standards in the areas of open systems environments, software, and system development guidelines.

It should be noted, however, that these standards present extremely complex development problems, and are only a small part of the hundreds of information technology standards that must be developed, adopted, implemented, and maintained. When these particular standards are implemented depends on other office priorities such as architecture development. The Department of Administration requested resources from the legislature in the last biennial session for architecture development, strategic information planning consulting, education and training, and standards development. The standards development piece was turned down, and our priorities reflect that legislative decision. We are committed to developing standards even without additional funding, but the pace will be relatively slow.

Administration has, in the past, required a standard system development methodology -- PRIDE. It was so complicated that agencies refused to use it. We do not wish to repeat this experience.

Person Responsible: Director of Information Policy  
Office

Implementation Dates: Security issue is June 30, 1992  
Standards for Systems Development, 1996

## RECOMMENDATION #2

The InterTechnologies Group does not properly administer overload contracts.

### Response:

InterTechnologies needs to improve the administration of overload contracts by requiring detailed project work plans; separately bidding major projects; monitoring and controlling increases in hourly rates; and controlling consulting contracts on a project basis.

Detailed project work plans for major projects will be required in addition to the work outline on the InterTech work authorizations. Major projects outside the scope of the overload contracts will be recommended for bid. Contractor hourly rates will be monitored and controlled. Administrative controls will be added as necessary and enforced on a project basis.

Person Responsible: Keith Hovland  
Implementation Date: May 30, 1991

### RECOMMENDATION #3

InterTechnologies paid \$89,000 in consulting fees from the wrong fund.

#### Response:

The InterTechnologies STARS account should reimburse \$89,000 to the Computer Services Fund.

Person Responsible: Beth Bengtson  
Implementation Date: March 29, 1991

### RECOMMENDATION #4

InterTechnologies is not following established procedures for credit approvals and accounts receivable cancellations.

#### Response:

InterTechnologies should follow the established policy for approving credit requests and cancelling accounts receivable.

Business Services is currently reviewing credits to verify written approval by all required persons. The required procedure for cancelling accounts receivable is now being followed.

Person Responsible: Jerry Green  
Implementation Date: April 1, 1991

### RECOMMENDATION #5

Internal controls over the Telecommunications computer system need improvement.

#### Response:

The Telecommunications division should train additional staff to use the communications information billing system.

Plans are being developed to train an additional staff person to use the Telecommunications information billing system.

Persons Responsible: Jerry Green and John Lockman  
Implementation Date: May 31, 1991, for the plan;  
and December 31, 1991, for the project.

The division should document the current program, and  
any future changes to it.

All available CIBS program documentation is being  
finalized.

Persons Responsible: Jerry Green and John Lockman  
Implementation Date: April 1, 1991

The division should store copies of the program and data  
in a secured location separate from the computer system.

Procedures are being developed to store backup programs  
and data at an off site location

Persons Responsible: Jerry Green and John Lockman  
Implementation Date: April 1, 1991

#### RECOMMENDATION #6

InterTechnologies does not adequately review invoices for  
Telecommunications services.

#### Response:

InterTechnologies should substantiate all charges for  
Telecommunications services.

A procedure is being developed using Telecommunications  
Service Requests (TSRs) to verify invoice amounts.

Person Responsible: Jerry Green  
Implementation Date: June 30, 1991

#### RECOMMENDATION #7

InterTechnologies does not ensure that all receipts are properly  
deposited.

#### Response:

Someone independent of the depositing function should  
reconcile the receipt list to deposits.

Business Services will assign the recurring responsibility  
for this function. The procedure will involve matching  
checks received to those listed on the SWA Receipts by  
Deposit report.

Person Responsible: Jerry Green  
Implementation Date: April 1, 1991

#### RECOMMENDATION #8

Administration should discontinue its method of funding workers'  
compensation costs, or seek legislation authorizing it.



The department should return the balance of workers' compensation money to the appropriate funds.

Response:

The appropriateness of using the Risk Management Fund for managing the workers' compensation costs of the Department of Administration was asked of the Attorney General's Office in 1988 before the program began. The auditors were not aware of the written response from the Attorney General's Office that indicated that such a plan was discretionary on the part of the Commissioner of Administration. Therefore, there has been no improperly funded workers' compensation costs and it is not necessary to discontinue this method of funding or to return the balance of workers' compensation money to the appropriate funds. In addition, statutory language to positively state the appropriateness of this approach is contained in the department's 1991 housekeeping bill.

RECOMMENDATION #9

The Print Communication Division should review employees duties and limit access to the computer system accordingly.

Response:

PrintComm will install security on the AS/400 to limit access to certain files.

Person Responsible: Jan Prelgo, Information Systems Manager  
Implementation Date: June 30, 1991

RECOMMENDATION #10

The Print Communications Division should restrict access to copy center inventories.

Response:

Steps to tighten controls and improve accountability at each copy center have been taken. A monthly spot check of stocking items by a disinterested third party has been implemented, and copy center operators are conducting more frequent inventory checks.

The nature and magnitude of inventory shrinkage, if any, will be determined and appropriate corrective steps will then be taken.

Person Responsible: Steve Ordahl  
Implementation Date: September 1, 1991

RECOMMENDATION # 11

The Department of Administration should pay invoices within 30 days.

Response:

Monthly prompt payment reports will be more closely scrutinized.

Prompt payment will be included in each bureau chief's and each activity managers performance plan. Prompt payment will also be part of performance reviews.

Persons Responsible: Bureau Chiefs and activity managers

Implementation date: May 1, 1991