

## REPORT SUMMARY

### Department of Administration

This report documents the results of our financial-compliance audit of the Department of Administration (department) for the two fiscal years ended June 30, 2008. We issued an unqualified opinion on the financial schedules contained in this report. This means the reader may rely on the presented financial information and the supporting data on the state's accounting records.

This report contains 11 recommendations addressing compliance with state or federal laws and regulations and adequate controls. The report also includes disclosure issues related to holiday leave and electronic check clearing. Of the 12 recommendations made in the prior financial-compliance audit report, the department implemented seven, partially implemented three, and did not implement two.

The listing below serves as a means of summarizing the recommendations contained in the report, the department's response thereto, and a reference to the supporting comments.

<u>Recommendation #1</u> .....	7
We recommend the department:	
A. Limit group benefit expenses to plan claims as required by state law.	
Department Response: Concur .....	B-3
B. Fund the volunteer employee benefit account from plan revenue.	
Department Response: Concur .....	B-3
C. Reimburse the group benefits fund \$498,622 for VEBA administrative costs charged to the group benefits fund.	
Department Response: Concur .....	B-4
<u>Recommendation #2</u> .....	8
We recommend the department pay the procurement credit card bill through an appropriation as required by the state constitution.	
Department Response: Concur .....	B-4
<u>Recommendation #3</u> .....	9
We recommend the department:	
A. Charge the approved SWCAP costs to state agencies to the extent possible, as defined in state law.	
Department Response: Do not concur .....	B-4

B. Bill state agencies in proportion to the costs allocated in the SWCAP plan.

Department Response: Conditionally concur..... B-4

Recommendation #4..... 10

We recommend the department:

A. Obtain required documentation prior to loan approval as required by state law.

Department Response: Concur.....B-5

B. Request and obtain monthly billing certifications from agencies as required by state law.

Department Response: Concur.....B-5

Recommendation #5..... 12

We recommend the department:

A. Design and implement an internal control structure to ensure compliance with software license agreements.

Department Response: Concur.....B-5

B. Establish internal controls to limit costs charged to Homeland Security Grants to those listed in an approved grant budget.

Department Response: Concur.....B-5

Recommendation #6..... 12

We recommend the department complete its implementation of internal control procedures by monitoring and testing its established internal controls.

Department Response: Conditionally concur.....B-6

Recommendation #7..... 16

We recommend the department:

A. Pay counties the federal forest reserve allocations plus interest within the time frame required by state law.

Department Response: Concur.....B-6

B. Charge financial institutions for examinations conducted by the Banking and Financial Institutions Division as required by state law and administrative rule.

Department Response: Concur.....B-6

C. Assign auditors to local government entities in the time period required by state law.

Department Response: Conditionally concur.....B-6

D. Refund securities upon the completion of contracts as required by administrative rule.

Department Response: Concur.....B-6

E. Send out written notices to apparent owners of abandoned property as required by state law.

Department Response: Conditionally concur.....B-6

Recommendation #8..... 17

We recommend the department record expenditure accrual activity for construction costs in accordance with state accounting policy and state law.

Department Response: Concur.....B-7

Recommendation #9..... 18

We recommend the department:

- A. Ensure agencies with administrative responsibility for an accounting entity file a form to delete that role before assigning the entity for use by another agency.

Department Response: Concur.....B-7

- B. Develop expense categories as needed to disclose expenditures in appropriate activity classifications.

Department Response: Concur.....B-7

Recommendation #10.....20

We recommend the department:

- A. Record holiday leave liability as required by state accounting policy.

Department Response: Concur.....B-8

- B. Follow state accounting policy for financial services license collections by third parties.

Department Response: Concur.....B-8

- C. Record revenue for financial examination costs incurred but not paid by fiscal year-end as required by state policy.

Department Response: Concur.....B-8

Recommendation #11.....21

We recommend the department ensure rates for its rent and maintenance internal service funds are commensurate with costs as required by state law.

Department Response: Concur.....B-8