
Secretary of State

State of Oregon
Department of Administrative Services

**STATEWIDE FINANCIAL
MANAGEMENT SYSTEM
Phase 3A Review**



Audits Division

Secretary of State

State of Oregon
Department of Administrative Services

**STATEWIDE FINANCIAL
MANAGEMENT SYSTEM
Phase 3A Review**



Audits Division

T A B L E O F C O N T E N T S

	<u>Page</u>
STATE AUDITOR’S REPORT	1
REPORT DISTRIBUTION	6
AGENCY’S RESPONSE TO THE AUDIT REPORT	7
ATTACHMENT 1	
Implementation Readiness Assessment Detailed Results by Agency	11
ATTACHMENT 2	
Post-Implementation Conversion Review Detailed Results by Agency	22



Secretary of State

Audits Division

Auditing for a Better Oregon

The Honorable John Kitzhaber
Governor of Oregon
State Capitol
Salem, Oregon 97310

Jon Yunker, Director
Department of Administrative Services

John Radford, Administrator
State Controller's Division
Department of Administrative Services

Michael Zanon, Acting Chief Information Officer
Information Resources Management Division
Department of Administrative Services
155 Cottage Street NE
Salem, Oregon 97310

We have been involved in the Statewide Financial Management System (SFMS) conversion process since August 1994, when we performed our first implementation readiness assessment. Since then, we have been attending meetings, reviewing documentation, and monitoring the progress toward implementation. Throughout our audit work, we have kept the SFMS project managers informed of the results of our testing.

At the request of the Department of Administrative Services (DAS), we agreed to perform a review of the implementation readiness of the Phase 3A agencies. Our audit objectives were:

1. To identify any significant problems that could prevent an agency from accurately converting data to SFMS.
2. To determine whether agencies have developed sufficient SFMS Relational Statewide Accounting and Reporting System (R*STARS) and Advanced Purchasing and Inventory Control System (ADPICS) desk procedures and received sufficient training for the employees to conduct business activities after implementing R*STARS and ADPICS.
3. To determine whether agencies' user security assignments provided for an adequate segregation of duties related to the operation of R*STARS.

4. To determine whether the accounting data reported by R*STARS accurately represents account balances converted from the Executive Accounting System (EAS), Control Accounting System (CAS), and other agency accounting systems.

To accomplish these objectives, we agreed to perform the following procedures:

- ◆ Attended meetings where the agencies' readiness status was reviewed. We reviewed agencies' EAS or other agency accounting systems to CAS reconciliations to determine if they were properly prepared and current. We performed other inquiries as needed to identify problems that would prevent agencies from accurately converting data to SFMS.
- ◆ Inquired about the status of agency desk procedures to determine if the procedures were complete and had been appropriately distributed. We determined if the agency's employees had tested the desk procedures to ensure that each procedure was defined accurately and would serve the agency's business needs. We also inquired about the training received by the agency's staff, to determine if they would be able to conduct the agency's business after conversion.
- ◆ Reviewed the R*STARS user class security assignments by employee within each agency. We looked for situations where the access authorized did not allow for adequate segregation of duties. When necessary, we followed up with the agency and the state security officer to determine if the questioned user classes were necessary or adequate.
- ◆ Reviewed the agencies' procedures for reconciling EAS, CAS, or other agency accounting system financial reports to R*STARS financial reports. On a test basis, we traced a representative sample of summary and detailed balances from EAS, CAS, or other agency accounting systems to R*STARS. We observed the performance of verification and error correction procedures and determined whether the accounting data converted to the desired R*STARS data output.

Our audit scope was limited to reviewing conversion documentation for the following Phase 3A agencies:

Oregon Department of Revenue
Oregon State Police
Department of Energy and the Energy Bond Program
Vocational Rehabilitation Division
Oregon State Fair and Exposition Center
Oregon Department of Forestry and the Oregon Forest Resources Institute
Oregon Housing and Community Services Department

To assist in making the May 1997 implementation decision, we provided the SFMS project manager with the draft results of these procedures. For the Oregon Department of Forestry and Oregon Forest Resources Institute we provided the draft results on April 23, 1997. We provided the draft results for the Oregon Department of Revenue, Department of Energy and Energy Bond Program, Oregon Housing and Community Services Department, Oregon State Fair and Exposition Center, Oregon State Police and Vocational Rehabilitation Division on May 9, 1997.

We defined implementation risk as the risk that the data converted from EAS, CAS, or other agency accounting systems to R*STARS would not be accurate or that the agency would not be able to conduct normal business activities after implementation. The risk assessment results are summarized in the following table. The detailed results by agency of these implementation readiness procedures are included in Attachment 1.

Implementation Risk Assessment

Agency	Readiness Status	Training and Desk Procedures	Security	Conversion Reconciliation	Overall Implementation Risk	Page No.
Oregon Department of Revenue	HIGH	MODERATE	LOW	HIGH	HIGH	13
Oregon State Police	LOW	LOW	LOW	LOW	LOW	14
Department of Energy and Energy Bond Program	LOW	LOW	LOW	LOW	LOW	15
Vocational Rehabilitation Division	HIGH	MODERATE	LOW	HIGH	HIGH	16
Oregon State Fair and Exposition Center	LOW	MODERATE	MODERATE	MODERATE	MODERATE	17
Oregon Department of Forestry and Oregon Forest Resources Institute	LOW	LOW	LOW	LOW	LOW	18
Oregon Housing and Community Services Department	LOW	LOW	LOW	LOW	LOW	19

In addition to the implementation readiness assessment and interface testing procedures, we also performed post-implementation conversion procedures. For the post-implementation conversion review, our objectives were:

1. To determine if the user class security assignments appeared to be appropriate and whether adequate segregation of duties existed.
2. To determine whether the accounting data reported by R*STARS accurately represented account balances converted from the EAS, CAS, or other agency accounting systems.

We performed the following post-implementation conversion procedures for each of the Phase 3A agencies.

- ◆ We determined if significant changes in user class security assignments had occurred since our review of implementation readiness and verified that access authorization still provided adequate safeguards.

- ◆ We traced a representative sample of balances from EAS, CAS, or other agency accounting systems to R*STARS. We determined if any reconciling items had been resolved, and whether the accounting data correctly converted to R*STARS.

The assessed post-implementation conversion risk for all agencies is summarized below. Because we identified a high conversion risk for the Oregon Department of Revenue and the Vocational Rehabilitation Division, we provided you with these agencies' draft risk assessment on July 3, 1997 and June 6, 1997. The detailed results, by agency, of the post-implementation conversion review are included in Attachment 2. This risk assessment addresses the risk the converted accounting data, and future R*STARS operations, may not completely and accurately represent the agency's true financial position. This includes assessing the risk that the converted balances are incorrect, or that future transactions will not be processed correctly.

Post-Implementation Conversion Risk Assessment

Agency	Security	Conversion Reconciliation	Significant Outstanding Reconciling Items	Overall Conversion Risk	Page No.
Oregon Department of Revenue	OK	not completed as of July 1, 1997	N/A	HIGH	24
Oregon State Police	OK	materially correct	none	LOW	24
Department of Energy and Energy Bond Program	OK	materially correct	none	LOW	25
Vocational Rehabilitation Division	OK	not available for review as of July 1, 1997	N/A	HIGH	26
Oregon State Fair and Exposition Center	OK	materially correct	none	LOW	27
Oregon Department of Forestry and Oregon Forest Resources Institute	OK	materially correct	none	LOW	27
Oregon Housing and Community Services Department	OK	materially correct	none	LOW	28

We have identified two areas of concern we believe the Department of Administrative Services (DAS) should monitor:

1. Oregon Department of Revenue: We assessed the conversion risk associated with the Department of Revenue's conversion reconciliation as high. At the time of completing our field work, the department had not successfully completed a final conversion reconciliation of general fund revenues from the Integrated Tax Accounting System to SFMS. We also had not received any documentation to support that the department's suspense account had been recorded on SFMS. **We recommend** that DAS ensure that these issues are resolved by the department.
2. Department of Human Resources Vocational Rehabilitation Division: We assessed the conversion risk associated with the Vocational Rehabilitation Division's conversion

reconciliations as high. The Office of the Director is responsible for providing the accounting services for the Vocational Rehabilitation Division. At the time of completing our field work, the department had not successfully completed final conversion reconciliations for all funds. We also noted problems with the agency's Control Accounting reconciliations and issues with a negative cash balance as explained in Attachment 2 of this report. **We recommend** that DAS ensure that these issues are resolved by the Department of Human Resources.

We appreciate the cooperation of the DAS SFMS section, KPMG Peat Marwick implementation analysts, and agency personnel during the course of our reviews.

OREGON AUDITS DIVISION

John N. Lattimer
Director

Fieldwork Completion Date:
July 1, 1997

REPORT DISTRIBUTION

This report is a public record and is intended for the information of the governor of the state of Oregon, the Oregon Legislative Assembly and the Department of Administrative Services. It is also intended for use by the management of the Oregon Department of Revenue, the Oregon State Police, the Oregon Department of Energy, the Energy Bond Program, Department of Human Resources - Vocational Rehabilitation Division, the Oregon State Fair and Exposition Center, the Oregon Department of Forestry, the Oregon Forest Resource Institute, the Oregon Housing and Community Services Department, and all other interested parties.

AUDIT TEAM

Nancy Buffinton-Kelm, CPA, CISA, Audit Administrator
Mark Winter, CPA
Rob Olson, CFE
Phil Burger, CPA
Sarah Edwards
Curt Hartinger
Chuck Hibner
Anne Lawrence
Nancy Winston, CPA
Nancy Young

AGENCY'S RESPONSE TO THE AUDIT REPORT

SEPTEMBER 15, 1997

SHARRON E. WALKER, DEPUTY DIRECTOR
OREGON AUDITS DIVISION
255 CAPITOL STREET NE SUITE 500
SALEM OR 97310

EXECUTIVE
DEPARTMENT

ACCOUNTING
DIVISION

Dear Sharron:

Your letter to Jon Yunker, DAS Director, was referred to me for response. We have reviewed your draft audit report on the SFMS Phase 3A implementation review. The Department of Administrative Services has the following responses:

1. Oregon Department of Revenue (Revenue). We agree with your recommendation that DAS ensure the issues are resolved by Revenue. We believe this issue has been resolved.

Revenue has successfully converted to SFMS. They completed the final conversion reconciliation for the General Fund revenues from the Integrated Tax Accounting System. Their suspense account has been recorded on SFMS. They are working with SARS to complete their June 30, 1997 SFR entries. They are using SFMS on a monthly basis for General Fund accounting transaction processing. In addition, Revenue will be transferred from their assigned Implementation Analyst to their permanent, on-going Operations Analyst on September 17, 1997.

2. Vocational Rehabilitation Division (VRD). We agree with your recommendation that DAS ensure the issues are resolved by VRD.

VRD has successfully converted to SFMS. They have completed their final conversion reconciliations for all funds. The Control Accounting reconciliations have been completed and VRD has identified all possible reconciling transactions. The negative cash balances have been adjusted by transferring erroneous deposits to the correct fund. VRD is using SFMS as their accounting system of record and has been transitioned from their assigned Implementation Analyst to their permanent, on-going Operations Analyst.

VRD has continued to work diligently on cleaning up conversion deficiencies. They recently reported that work on all outstanding issues is either completed or ongoing. VRD is processing interfaces into SFMS and is reconciling Oracle to SFMS monthly. They have made several procedure/process changes to better manage their accounting functions. We are continuing to work with VRD on the outstanding Other Funds cash/fund equity issue. They are providing us with periodic progress reports.



155 Cottage Street NE
Salem, OR 97310-0310
(503) 378-3156
FAX (503) 378-8940

We appreciate the opportunity to respond to your draft report and your continuing support for the SFMS project.

Sincerely,



James A. Lamka
SFMS System Administrator

c: John J. Radford, SCD Administrator
Rodger Clawson, SFMS Project Director
Shirley Jasmer, IRMD Systems Development Manager
Pauline Wiley, Department of Revenue
Judy Lathrop, Vocational Rehabilitation Division

s:\section\sfms\jlamka\phase3\3audit.doc

Attachment 1

**Implementation Readiness Assessment
Detailed Results by Agency**

**Implementation Readiness Assessment
Detailed Results by Agency**

OREGON DEPARTMENT OF REVENUE

Readiness Status (Audit Objective No. 1)

We attended status meetings and reviewed the agency's EAS to CAS reconciliations to determine if they were current. We also performed other procedures, including a review of the Integrated Tax Accounting System (ITA) to CAS reconciliations and inquiries of DAS accounting analysts. We designed our tests and procedures to identify significant problems that could prevent the agency from successfully converting to SFMS. We were unable to obtain current ITA reconciliations to CAS. As a result we were not able to examine the final preliminary conversion reconciliation for general fund revenues.

Because we had insufficient information prior to May 9, 1997, to determine if the department's accounts were appropriately reconciled, we assessed the risk that Oregon Department of Revenue would not successfully convert to SFMS R*STARS as HIGH.

Training and Desk Procedures (Audit Objective No. 2)

We inquired about the status of the agency's desk procedures and the extent of the training provided to users. Agency personnel appear to have adequate procedures and training to enable them to conduct business after implementing SFMS. However, agency personnel working with general fund revenues from the ITA appear to have minimal training and practice to enable them to record the agency's business after implementing SFMS.

The risk associated with training and procedures is MODERATE

Security (Audit Objective No. 3)

We reviewed the agency's user class security assignments to assure that system access authorizations provide sufficient segregation of duties and to provide reasonable assurance against unauthorized transactions. The user class security assignments appear to be appropriate based upon each employee's duties and functions.

The risk associated with the Oregon Department of Revenue's security is LOW.

Conversion Reconciliation (Audit Objective No. 4)

We obtained expenditure test conversion reconciliations and traced selected balances to EAS and R*STARS. We ensured that agency personnel had identified and explained reconciling items. Verification and error correction procedures appeared reasonable.

The Department of Revenue has not successfully completed a test conversion reconciliation prior to May 9, 1997, from ITA to SFMS. Because the reconciliation was

**Implementation Readiness Assessment
Detailed Results by Agency**

not complete, we were unable to assure ourselves that ITA data would convert successfully to R*STARS.

The risk associated with the Oregon Department of Revenue's conversion reconciliation is HIGH.

Overall Implementation Risk

Final test conversion reconciliations from ITA to SFMS were not complete. Overall implementation risk at the Department of Revenue is HIGH.

OREGON STATE POLICE

Readiness Status (Audit Objective No. 1)

We attended status meetings and reviewed the agency's EAS to CAS reconciliations to determine if they were current. We also performed other procedures, including a review of the Oregon Law Enforcement Data System interface and inquiries of DAS accounting analysts. We designed our tests and procedures to identify significant problems that could prevent the agency from successfully converting to SFMS. We were not aware of any significant problems existing before conversion.

The risk that Oregon State Police will not be able to convert due to significant problems is LOW.

Training and Desk Procedures (Audit Objective No. 2)

We inquired about the status of the agency's desk procedures and the extent of training provided to users. Agency personnel appear to have adequate procedures and training to enable them to conduct business after implementing SFMS.

The risk associated with training and procedures is LOW.

Security (Audit Objective No. 3)

We reviewed the agency's user class security assignments to assure that system access authorizations provide sufficient segregation of duties and to provide reasonable assurance against unauthorized transactions. The user class security assignments appear to be appropriate based upon each employee's duties and functions.

The risk associated with the Oregon State Police's security is LOW.

Conversion Reconciliation (Audit Objective No. 4)

We obtained test conversion reconciliations and traced selected balances to EAS and R*STARS with no exceptions. We ensured that agency personnel had identified and

**Implementation Readiness Assessment
Detailed Results by Agency**

explained reconciling items. Verification and error correction procedures appeared reasonable. It appears that the test accounting data converted properly to R*STARS.

The risk associated with the Oregon State Police's conversion reconciliation is LOW.

Overall Implementation Risk

We did not find any conditions at Oregon State Police that would cause the conversion to R*STARS to be unsuccessful or that would prevent the agency from successfully conducting normal business activities after SFMS implementation. Overall, implementation risk is LOW.

**OREGON DEPARTMENT OF ENERGY
AND
ENERGY BOND PROGRAM**

Readiness Status (Audit Objective No. 1)

We attended status meetings and reviewed the agency's EAS to CAS reconciliations to determine if they were current. We also performed other procedures, including inquiries of DAS accounting analysts. Our tests and procedures were designed to identify any significant problems that could prevent the agency from converting to SFMS. We were not aware of any significant problems existing before conversion.

The risk that the Oregon Department of Energy and Energy Bond Program will not be able to convert due to significant problems is LOW.

Training and Desk Procedures (Audit Objective No. 2)

We inquired about the status of the agency's desk procedures and the extent of the training provided to users. Agency personnel appear to have adequate procedures and training to enable them to conduct business after implementing SFMS.

The risk associated with training and procedures is LOW.

Security (Audit Objective No. 3)

We reviewed the agency's user class security assignments to assure that system access authorizations provide sufficient segregation of duties and to provide reasonable assurance against unauthorized transactions. The user class security assignments appear to be appropriate based upon each employee's duties and functions.

The risk associated with the Department of Energy's security was assessed at LOW.

**Implementation Readiness Assessment
Detailed Results by Agency**

Conversion Reconciliation (Audit Objective No. 4)

We obtained test conversion reconciliations and traced selected balances to EAS and R*STARS with no exceptions. We ensured that reconciling items were identified and explained by agency personnel. Verification and error correction procedures appeared reasonable. It appears that the test accounting data converted properly to R*STARS.

The risk associated with the agency's conversion reconciliation was assessed at LOW.

Overall Implementation Risk

We did not find any conditions at the Department of Energy and Energy Bond Program that would cause the conversion to R*STARS to be unsuccessful or that would prevent the agency from successfully conducting normal business activities after SFMS implementation. Overall, implementation risk is LOW.

**DEPARTMENT OF HUMAN RESOURCES --
VOCATIONAL REHABILITATION DIVISION**

Readiness Status (Audit Objective No. 1)

We attended status meetings and reviewed the agency's ORACLE to CAS reconciliations to determine if they were current. We also performed other procedures, including inquiries of DAS accounting analysts. Our tests and procedures were designed to identify any significant problems that could prevent the agency from converting to SFMS. We noted that the Vocational Rehabilitation Division had problems successfully downloading accounting information from ORACLE and transferring it to SFMS.

The risk that the Vocational Rehabilitation Division (VRD) will not be able to convert due to significant problems is HIGH.

Training and Desk Procedures (Audit Objective No. 2)

We inquired about the status of the agency's desk procedures and the extent of training provided to users. Agency personnel have not had training on SFMS in over a year. In addition, VRD has no desk procedures. We understand that DAS is working with VRD to develop desk procedures. DAS is using desk procedures developed by the Adult and Family Services Division (AFSD) as a model. These procedures will be adapted to fit the needs of VRD.

The risk associated with training and procedures is MODERATE.

**Implementation Readiness Assessment
Detailed Results by Agency**

Security (Audit Objective No. 3)

We reviewed the agency's user class security assignments to assure that system access authorizations provide sufficient segregation of duties and to provide reasonable assurance against unauthorized transactions. The user class security assignments appear to be appropriate based upon each employee's duties and functions.

The risk associated with the Vocational Rehabilitation Division's security is LOW.

Conversion Reconciliation (Audit Objective No. 4)

We obtained test conversion reconciliations and traced selected balances to ORACLE and R*STARS. We verified that reconciling items were identified and explained by agency personnel. We noted that VRD has not completed a CAS reconciliation in a number of years. We also noted cash differences that we could not verify to the preliminary conversion reconciliation. The Office of the Director is responsible for providing accounting services for VRD.

The risk associated with the agency's conversion reconciliation is HIGH.

Overall Implementation Risk

CAS reconciliations had not been completed for a number of years. There were unresolved difficulties with the ORACLE to SFMS interface. Overall, implementation risk at the Vocational Rehabilitation Division is HIGH.

OREGON STATE FAIR AND EXPOSITION CENTER

Readiness Status (Audit Objective No. 1)

We attended status meetings and reviewed the agency's EAS to CAS reconciliations to determine if they were current. We also performed other procedures, including inquiries of DAS accounting analysts. Our tests and procedures were designed to identify any significant problems that could prevent the agency from converting to SFMS. We were not aware of any significant problems existing before conversion.

The risk that the Oregon State Fair and Exposition Center will not be able to convert due to significant problems is LOW.

Training and Desk Procedures (Audit Objective No. 2)

We inquired about the status of the agency's desk procedures and the extent of their user training. Agency personnel have not obtained all the training they need to enable them to conduct the agency's business after implementing SFMS.

The risk associated with training and procedures is MODERATE.

**Implementation Readiness Assessment
Detailed Results by Agency**

Security (Audit Objective No. 3)

We reviewed the agency's user class security assignments to assure that system access authorizations provide sufficient segregation of duties and to provide reasonable assurance against unauthorized transactions. We determined that the segregation of duties was not adequate for this agency due to the limited number of personnel. We found that one individual was given access to initiate and approve certain types of transactions.

The risk associated with the Oregon State Fair and Exposition Center's security is MODERATE.

Conversion Reconciliation (Audit Objective No. 4)

We obtained test conversion reconciliations and traced selected balances to EAS and R*STARS. We verified that reconciling items were identified and explained by agency personnel. Agency verification and error correction procedures appeared reasonable. We noted that SFMS Fund 4450 and 4500 were not established for the preliminary test conversion to account for bond administration transactions and COP cash in bank.

The risk associated with the Oregon State Fair and Exposition Center's conversion reconciliation is MODERATE.

Overall Implementation Risk

We found several conditions at the Oregon State Fair and Exposition Center that could cause the conversion to R*STARS to be unsuccessful or that could prevent the agency from successfully conducting normal business activities after SFMS implementation. Considering the above risk assessments, overall implementation risk is MODERATE.

**OREGON DEPARTMENT OF FORESTRY
AND
OREGON FOREST RESOURCES INSTITUTE**

Readiness Status (Audit Objective No. 1)

We attended status meetings and reviewed the agency's Forestry Accounting System (FAS) to CAS reconciliations to determine if they were current. We also examined the four interfaces maintained by the Department of Forestry and made inquiries of DAS accounting analysts. Our tests and procedures were designed to identify any significant problems that could prevent the agencies from successfully converting to SFMS. We were not aware of any significant problems existing before conversion.

The risk that the Department of Forestry and Oregon Forest Resources Institute will not be able to convert due to significant problems is LOW.

**Implementation Readiness Assessment
Detailed Results by Agency**

Training and Desk Procedures (Audit Objective No. 2)

We inquired about the status of the agency's desk procedures and the extent of their user training. Agency personnel appear to have adequate procedures and training to enable them to conduct the agency's business after implementing SFMS.

The risk associated with training and procedures is LOW.

Security (Audit Objective No. 3)

We reviewed the agency's user class security assignments to assure that system access authorizations provide sufficient segregation of duties and to provide reasonable assurance against unauthorized transactions. The user class assignments appear to be appropriate based upon each employee's duties and functions.

The risk associated with the Oregon Department of Forestry's and Oregon Forest Resources Institute's security was assessed at LOW.

Conversion Reconciliation (Audit Objective No. 4)

We obtained test conversion reconciliations and traced selected balances to FAS and R*STARS. We verified that agency personnel had identified and explained any reconciling items. Agency verification and error correction procedures appeared reasonable. It appears that the accounting data converted properly to R*STARS.

The risk associated with the Oregon Department of Forestry's and Oregon Forest Resources Institute's conversion reconciliation is LOW.

Overall Implementation Risk

We did not find any conditions at the Oregon Department of Forestry and the Oregon Forest and Resources Institute that would cause the conversion to R*STARS to be unsuccessful or that would prevent the agency from successfully conducting normal business activities after SFMS implementation. Overall, implementation risk is LOW.

**OREGON HOUSING AND COMMUNITY SERVICES
DEPARTMENT**

Readiness Status (Audit Objective No. 1)

We attended status meetings and reviewed the agency's EAS to CAS reconciliations to determine if they were current. We also made inquiries of DAS accounting analysts. Our tests and procedures were designed to identify any significant problems that could prevent the agency from converting to SFMS. We were not aware of any significant problems existing before conversion.

**Implementation Readiness Assessment
Detailed Results by Agency**

The risk that the Oregon Housing and Community Services Department will not be able to convert due to significant problems is LOW.

Training and Desk Procedures (Audit Objective No. 2)

We inquired about the status of the agency's desk procedures and the extent of the training provided to users. Agency personnel appear to have adequate procedures and training to enable them to conduct the agency's business after implementing SFMS.

The risk associated with training and procedures is LOW.

Security (Audit Objective No. 3)

We reviewed the agency's user class security assignments to assure that system access authorizations provide sufficient segregation of duties and to reasonably prevent unauthorized transactions. The user class assignments appear to be appropriate based upon each employee's duties and functions.

The risk associated with the Oregon Housing and Community Service Department's security is LOW.

Conversion Reconciliation (Audit Objective No. 4)

We obtained test conversion reconciliations and traced selected balances to EAS and R*STARS. We verified that agency personnel had identified and explained any reconciling items. Agency verification and error correction procedures appeared reasonable. It appears that the test accounting data converted properly to R*STARS.

The risk associated with the Oregon Housing and Community Service Department's conversion reconciliation is LOW.

Overall Implementation Risk

We did not find any conditions at the Oregon Housing and Community Services Department that would cause the conversion to R*STARS to be unsuccessful or that would prevent the agency from successfully conducting normal business activities after SFMS implementation. Overall, implementation risk is LOW.

Attachment 2

**Post-Implementation Conversion Review
Detailed Results by Agency**

**Implementation Readiness Assessment
Detailed Results by Agency**

**Post-Implementation Conversion Review
Detailed Results by Agency**

OREGON DEPARTMENT OF REVENUE

Security (Audit Objective No. 1)

We have reviewed changes made to the agency's R*STARS user class security assignments since our preliminary review. The purpose of the review was to assure that system access authorizations provide sufficient segregation of duties and reasonably prevent unauthorized transactions. The user class security assignments appear to be appropriate based upon each employee's duties and functions.

Conversion Reconciliation (Audit Objective No. 2)

The Department of Revenue has not successfully completed a final conversion reconciliation of general fund revenues from the Integrated Tax Accounting System (ITA) to SFMS. In addition, DOR used CAS data rather than the ITA book balances for initial input. Subsequent transactions will be recorded from the ITA. It is our understanding that, as a consequence, DOR will need to enter adjusting entries to bring SFMS into agreement with actual transactions. Also, CAS did not include the revenue suspense account, the largest component of revenue processing at DOR. We have not received any documentation to verify that the suspense account has been recorded on SFMS.

The portions of the Department of Revenues accounting records previously maintained on EAS appear to have successfully converted to R*STARS.

Because of the above noted concerns we assessed the risk associated with the Department of Revenue's conversion reconciliation as HIGH.

Conclusion

Final conversion reconciliations for the suspense account were not complete. Overall, implementation risk at the Department of Revenue is HIGH.

OREGON STATE POLICE

Security (Audit Objective No. 1)

We have reviewed changes made to the agency's R*STARS user class security assignments since our preliminary review. The purpose of the review was to assure that system access authorizations provide sufficient segregation of duties and to provide reasonable assurance against unauthorized transactions. The user class security assignments appear to be appropriate based upon each employee's duties and functions.

**Post-Implementation Conversion Review
Detailed Results by Agency**

Conversion Reconciliation (Audit Objective No. 2)

We tested the agency's conversion of May 1997 data and found no unexplained reconciling items. The reconciling items have been corrected by agency accounting staff. Overall, it appears that the accounting data converted properly to R*STARS.

Conclusion

Considering the results of our procedures at Oregon State Police, it appears that the accounting data converted properly in all material respects to the desired output. The agency's overall conversion risk is LOW.

**DEPARTMENT OF ENERGY
AND
ENERGY BOND PROGRAM**

Security (Audit Objective No. 1)

We have reviewed changes made to the agency's R*STARS user class security assignments since our preliminary review. The purpose of the review was to assure that system access authorizations provide sufficient segregation of duties and to provide reasonable assurance against unauthorized transactions. The user class security assignments appear to be appropriate based upon each employee's duties and functions.

Conversion Reconciliation (Audit Objective No. 2)

We tested the agency's conversion of May 1997 data and found no unexplained reconciling items. The reconciling items have been corrected by agency accounting staff. Overall, it appears that the accounting data converted properly to R*STARS.

Conclusion

Considering the results of our procedures at the Department of Energy, it appears that the accounting data converted properly in all material respects to the desired output. The agency's overall conversion risk is LOW.

**Post-Implementation Conversion Review
Detailed Results by Agency**

**DEPARTMENT OF HUMAN RESOURCES
VOCATIONAL REHABILITATION DIVISION**

Security (Audit Objective No. 1)

We have reviewed changes made to the agency's R*STARS user class security assignments since our preliminary review. The purpose of the review was to assure that system access authorizations provide sufficient segregation of duties and to provide reasonable assurance against unauthorized transactions. The user class security assignments appear to be appropriate based upon each employee's duties and functions.

Conversion Reconciliation (Audit Objective No. 2)

As of our field work completion date, the Vocational Rehabilitation Division (VRD) had not successfully completed final conversion reconciliations for all funds. Because the reconciliations have not been completed, we are unable to assure ourselves that VRD converted successfully. In addition, due to problems with the financial data contained in VRD's ORACLE accounting system, we were not able to satisfy ourselves about the reliability of the accounting data. Some of the problems we noted included the following:

- VRD has not completed a CAS reconciliation for a number of years. The latest draft of the April 1997 pre-implementation reconciliation has a forced figure of over \$121,000.00 to make the reconciliation balance.
- The April 1997 reconciliation that we reviewed has a negative cash balance totaling \$1.9 million that appears to be inadequately supported. The amount of the negative cash balance for April has subsequently increased. Because R*STARS does not allow the posting of negative cash, VRD is using non standard accounting practices to post this negative cash to R*STARS.
- At the end of fiscal year 1996 VRD closed accounts when they should not have, resulting in incorrect balances.

The Office of the Director staff members assigned to provide accounting services to VRD are not able to use R*STARS effectively due to an inadequate understanding of the system. DAS has temporarily removed release authority for R*STARS from the staff. Instead, the accounting staff assigned to Adult and Family Services Division have release authority for VRD transactions. Release authority will be granted to the staff assigned to VRD accounting when they gain a better understanding of R*STARS.

Conclusion

Considering the results of our procedures at the Vocational Rehabilitation Division, we assess the overall conversion risk as HIGH.

**Post-Implementation Conversion Review
Detailed Results by Agency**

OREGON STATE FAIR AND EXPOSITION CENTER

Security (Audit Objective No. 1)

We have reviewed changes made to the agency's R*STARS user class security assignments since our preliminary review. The purpose of the review was to assure that system access authorizations provide sufficient segregation of duties and to provide reasonable assurance against unauthorized transactions. The user class security assignments appear to be appropriate based upon each employee's duties and functions, except for the purchase order and approval process. Because there are only three employees in the State Fair's accounting office, there appears to be no way to set up security to avoid this conflict. We understand that the Business Services Manager is spot checking purchase orders and related supporting documentation to help compensate for this deficiency.

Conversion Reconciliation (Audit Objective No. 2)

We tested the agency's conversion of May 1997 data and found no unexplained reconciling items. The reconciling items have been corrected by agency accounting staff. Overall, it appears that the accounting data converted properly to R*STARS.

Conclusion

Considering the results of our procedures at the Oregon State Fair and Exposition Center, it appears that the accounting data converted properly in all material respects to the desired output. The agency's overall conversion risk is LOW.

**OREGON DEPARTMENT OF FORESTRY
AND
OREGON FOREST RESOURCES INSTITUTE**

Security (Audit Objective No. 1)

We have reviewed changes made to the agency's R*STARS user class security assignments since our preliminary review. The purpose of the review was to assure that system access authorizations provide sufficient segregation of duties and to provide reasonable assurance against unauthorized transactions. The user class security assignments appear to be appropriate based upon each employee's duties and functions.

Conversion Reconciliation (Audit Objective No. 2)

We tested the agency's conversion of April 1997 data and found no unexplained reconciling items. The reconciling items have been corrected by agency accounting staff. Overall, it appears that the accounting data converted properly to R*STARS.

**Post-Implementation Conversion Review
Detailed Results by Agency**

Conclusion

Considering the results of our procedures at the Oregon Department of Forestry and Oregon Forest Resources Institute, it appears that the accounting data converted properly in all material respects to the desired output. The agency's overall conversion risk is LOW.

**OREGON HOUSING AND COMMUNITY SERVICES
DEPARTMENT**

Security (Audit Objective No. 1)

We have reviewed changes made to the agency's R*STARS user class security assignments since our preliminary review. The purpose of the review was to assure that system access authorizations provide sufficient segregation of duties and to provide reasonable assurance against unauthorized transactions. The user class security assignments appear to be appropriate based upon each employee's duties and functions.

Conversion Reconciliation (Audit Objective No. 2)

We tested the agency's conversion of May 1997 data and found no unexplained reconciling items. The reconciling items have been corrected by agency accounting staff. Overall, it appears that the accounting data converted properly to R*STARS.

Conclusion

Considering the results of our procedures at the Oregon Housing and Community Services Department, it appears that the accounting data converted properly in all material respects to the desired output. The agency's overall conversion risk is LOW.

FACTS ABOUT THE SECRETARY OF STATE AUDITS DIVISION

The mission of the Audits Division is to “Protect the Public Interest and Improve Oregon Government.” The Oregon Constitution provides that the Secretary of State shall be, by virtue of his office, Auditor of Public Accounts. The Audits Division exists to carry out this duty. The division reports to the elected Secretary of State and is independent of the Executive, Legislative, and Judicial branches of Oregon government. The division audits all state officers, agencies, boards, and commissions and oversees audits and financial reporting for local governments.

DIRECTORY OF KEY OFFICIALS

Director

Deputy Director

Acting Deputy Director

John N. Lattimer

Sharron E. Walker, CPA, CFE

Catherine E. Pollino, CGFM

This report is intended to promote
the best possible management of public resources.



Oregon Audits Division
Public Service Building
Salem, Oregon 97310
503-986-2255 Hotline: 800-336-8218
Internet: Audits.Hotline@state.or.us
<http://www.sos.state.or.us/audits/audithp.htm>

If you received a copy of an audit and you no longer need it, you may return it to the Audits Division. We maintain an inventory of past audit reports, and your cooperation will help us save on printing costs.

We invite comments on our reports through our Hotline or Internet address.

Auditing to Protect the Public Interest and Improve Oregon Government