



Secretary of State Audit Report

Department of Administrative Services: Statewide Financial Management Application— Data Integrity Audit

Summary

PURPOSE

The objective of our audit was to determine whether data remained complete, accurate, and valid from the source of entry into the Statewide Financial Management Application (SFMA) and the state's DataMart.

RESULTS IN BRIEF

We were unable to draw a conclusion on the integrity of data entered into SFMA due to incomplete agency supporting documentation in 70 percent of the transactions tested. In addition, we also found a significant number of errors in 13 percent of the transactions that were supported. Finally, we found that once data was processed in SFMA and downloaded into the DataMart, the data remained complete and accurate between the two systems.

RECOMMENDATIONS

We recommend that the Department of Administrative Services define in policy the specific financial information that must be documented and retained in order for supporting documentation to be considered adequate.

We have also issued a management letter to each agency included in our audit providing the specific results and recommendations applicable to that agency.

AGENCY RESPONSE

The Department of Administrative Services generally agrees with the recommendation. The agency's response is included in its entirety at the end of this report.

Background

The Statewide Financial Management Application (SFMA) includes provisions for the full accounting cycle as well as grant, project and budgetary accounting, cash control and management, and aspects of internal and external financial reporting. SFMA is the primary source of data used in preparing the *Oregon State Comprehensive Annual Financial Report*.

The Statewide Financial Management Services (SFMS) Division of the Department of Administrative Services (DAS) is responsible for maintaining

SFMA. The mission and purpose of the SFMS division is to provide effective statewide automated financial systems and excellent service for its customer agencies.

State agencies enter data into SFMA by three different methods. First, some agencies enter transactions directly into SFMA. Second, some agencies have a stand-alone computer system that interfaces with SFMA. Finally, some agencies have staff manu-

ally enter summary data from their stand-alone computer system into SFMA.

Once transactions are processed in SFMA, the transactions are downloaded into the state's DataMart. The DataMart contains historical data for accounting transactions and is available to agency fiscal personnel for reporting and/or researching transactions.

Audit Results

We were unable to determine whether data entered into SFMA was complete, accurate, and valid due to an overall lack of supporting documentation. Further, we found a significant number of errors with those transactions that were supported.

Specifically, our audit attempted to trace 743 transactions from SFMA back to agency source documentation. This process included verifying key fields of data for each transaction tested. Of the transactions tested, 522 either contained an error where the data in SFMA did not match the agency's supporting documentation (13 percent) or the agency was unable to provide complete supporting documentation (70 percent).

Finally, we found that once data was processed in SFMA and downloaded into the DataMart, the data remained complete and accurate between the two systems.

Agency Source Documentation

Management is responsible to ensure that data entered in a computer system is accurate, complete, and valid. In addition, procedures should be in place to ensure original source documents are retained or are reproducible for an adequate amount of time to facilitate retrieval or reconstruction of data.

DAS requires in Oregon Administrative Rules (rule) 166-300-0025 that financial records be retained from four to six years, depending on the document type. The financial records may include input documents such as an invoice or payroll record, output reports from a separate computer system, or other documentation as defined in the rule. DAS also has issued the Oregon Accounting Manual as a comprehensive set of policies and procedures to assist state fiscal managers with analyzing, processing, and reporting financial transactions.

Table 1
SFMA Transactions Completely Unsupported

Agency	Number of Transactions Tested	Number of Transactions Unsupported
Department of Human Services	380	60
Employment Department	94	42
Department of Corrections	105	1
Other Agencies	164	0
Total	743	103

Agency Source Documentation Was Non-existent or Incomplete

Of the 743 transactions tested, 103 transactions (14 percent) were completely unsupported by the agency, as depicted in Table 1.

Furthermore, an additional 415 transactions (56 percent) lacked supporting documentation for one or more key fields, such as the amount, effective date, document date, document number and suffix, and various accounting classification codes used for budgeting and reporting purposes.

As a result, we were unable to draw a conclusion on the integrity of the data entered into SFMA.

Although DAS describes the types of documents to be retained, they are unclear regarding specific financial information agencies need to retain as part of the financial record to support their transactions.

We recommend that the Department of Administrative Services define in policy the specific financial information that must be documented and retained in order for supporting documentation to be considered adequate.

Agency Source Documents Did Not Match SFMA

We also found that 96 of the 743 transactions tested (13 percent) had one or more fields that did not agree with the agency's source documentation.

In 12 of those instances the transaction should have been posted to a different reporting period. Specifically, five transactions at the Department of Human Services, one transaction at the Judicial Department and one transaction at the Department of Fish and Wildlife should have been posted to fiscal year 2001 but were posted to fiscal year 2002. In addition, five transactions at the Department of Corrections were posted to fiscal year 2001 when they should have been posted to fiscal year 2002. The net effect of these transactions is fiscal year 2001 may be understated by approximately \$1,263.

Furthermore, we identified an additional 50 transactions at the Department of Human Services where the posted document date was different from the fiscal year identified in agency source documentation. Based on that documentation, it is unclear whether these additional 50 transactions, with a net effect of approximately \$10,259, were posted to the correct accounting period.

In nine instances the transaction amount was in error. For example, at the Department of Corrections one transaction amount posted in SFMA was \$6,174.04 but the agency source documentation identified \$1,687.09. Some of the transaction amount errors may be due in part to data entry. For example, at the Department of Corrections one transaction amount posted in SFMA was \$261.66 but the agency source documentation showed \$216.66.

Audit Results (continued)

In 16 instances various accounting classification codes used for budgeting and reporting purposes were not supported by agency source documentation. Specifically, source documentation for 14 transactions at the Department of Human Services and two transactions at the Department of Corrections cited different codes than what was posted in SFMA.

Finally, in 14 instances the vendor name or number did not agree to agency source documentation. For example, at the Department of Fish and Wildlife one transaction was charged to the State of Washington when the agency source documentation identified a magazine publisher as the vendor.

As a result, budgeting information and financial statement position may not be accurately reflected.

Table 2 shows the agencies where some data in SFMA did not agree to the agency's supporting documentation.

SFMA and the State's Data Mart Transactions Reconcile

Utilizing specialized audit software we compared more than 7 million transactions in SFMA to the matching transactions in the state's DataMart and found that data remained complete and accurate between the two systems. Specifically, when downloading records from SFMA into the DataMart no records were lost in the transition. For every record in SFMA

Table 2
Agency Source Documents Did Not Match SFMA

Agency	Number of Transactions Tested	Number of Transactions Where Agency Source Documents Did Not Match SFMA
Department of Human Services	380	69
Department of Corrections	105	25
Department of Fish and Wildlife	13	2
Judicial Department	21	1
Other Agencies	224	0
Total	743	97

we identified the corresponding records in the DataMart. In addition, record counts and control totals matched without exception for the entire population and on an agency-by-agency comparison.

When comparing key fields in SFMA to the corresponding fields in the DataMart, we found that individual fields remained complete and accurate.

Other Matter

The Secretary of State Audits Division is responsible for auditing the *Oregon State Comprehensive Annual Financial Report*. We conduct our financial audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial

statements are free of material misstatements.

This audit of SFMA data integrity does not affect our ability to express an opinion, as the errors identified in this audit are immaterial to such an opinion. In addition, our financial audit includes specific steps to test evidence supporting amounts and disclosures in the financial statements as well as assessing the accounting principles used and significant estimates made by management.

During prior financial audits we have communicated to the Department of Human Services (Management Letter No. 410-2004-02-01) and the Department of Corrections (Management Letter No. 291-2004-01-01) the need to improve their supporting documentation as well as their posting of transactions to the correct accounting period or account.

Objectives, Scope and Methodology

The objective of our audit was to determine whether data remained complete, accurate, and valid from the source of entry into the Statewide Financial Management Application (SFMA) and the state's DataMart. We conducted our fieldwork at various times from February 2002 to March 2004.

We tested transactions from the months of June, July, and December 2001 and January 2002 at various state agencies. Those agencies included:

- Department of Administrative Services
- Department of Agriculture
- Board of Medical Examiners
- Commission for the Blind
- Department of Consumer and Business Services
- Department of Corrections
- Criminal Justice Commission
- Economic and Community Development Department
- Department of Education
- Employment Department
- Department of Energy
- Department of Environmental Quality
- Department of Fish and Wildlife
- Department of Forestry
- Health Licensing Office
- Housing and Community Services
- Department of Human Services
- Judicial Department
- Department of Justice
- Department of Land Conversation and Development
- Legislative Administrative Committee
- Liquor Control Commission
- Department of Oregon State Police
- Department of Public Safety Standards and Training
- Public Utility Commission
- Department of Revenue
- Secretary of State
- Department of State Lands
- Department of Transportation
- Oregon State Treasury
- Department of Veterans' Affairs
- Water Resources Department
- Oregon Youth Authority

Furthermore, at the Employment Department we tested additional transactions from March, April, May, and June 2002, as the department had not retained an audit trail for longer than three months.

Our testing included transactions from agencies that directly input data into SFMA, agencies that utilize a computer application that interfaces with SFMA, and agencies where staff must manually enter summary information from their stand-alone system into SFMA.

To determine if the DataMart transactions were complete and accurate we tested all of the transactions for the months of June, July, and December 2001 and January 2002.

During our audit we interviewed various agency department personnel to identify key accounting fields and examined various types of documents supporting the financial transactions. We also evaluated compliance with applicable laws, rules and regulations pertaining to the SFMA.

During our audit, we used the Information Systems Audit and Control Foundations' (ISACF) publication "Control Objectives for Information and Related Technology" (COBIT) to identify generally accepted and applicable control objectives and practices for information systems. ISACF is a worldwide organization dedicated to research, develop, and publicize control objectives and audit guidelines.

We conducted our audit according to generally accepted government auditing standards.



Oregon

Theodore R. Kulongoski, Governor

Department of Administrative Services

Office of the Director
155 Cottage Street NE, U20
Salem, OR 97301-3966
(503) 378-3104
FAX (503) 373-7643

July 9, 2004

Cathy Pollino, Director
Oregon Audits Division
255 Capitol Street NE
Salem, Oregon 97310

Dear Ms. Pollino:

This letter is in response to the audit report issued by the Oregon Audits Division upon completion of the Statewide Financial Management Application (SFMA) Data Integrity Audit.

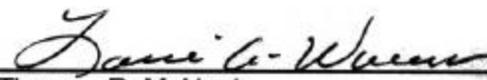
The primary purpose of this audit was to determine whether data entered into SFMA and then downloaded into the State's DataMart remained complete and accurate between the two systems. DAS was pleased to learn that the auditors compared more than seven million transactions in SFMA to matching transactions in the DataMart and found no discrepancies.

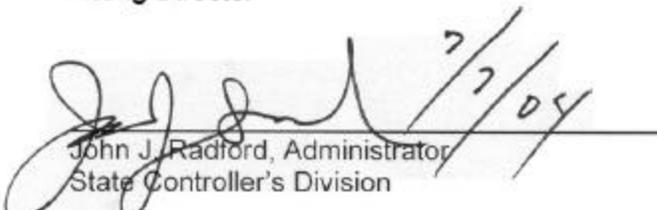
Audits Division also tested the integrity of the data entered into SFMA by tracing selected transactions to the supporting documentation. The result was a number of other findings where, in some cases, the documentation was lacking, incomplete or did not match. DAS generally agrees with the findings, except for those involving documentation of key data fields.

In particular, DAS does not agree that all of the data fields designated as *key data fields* were necessary to test the adequacy of the supporting documentation. DAS believes that only certain data fields are needed to establish a transaction's validity, accuracy and completeness, and that these fields are the minimum that must be supported by the underlying documentation.

Audits Division has recommended that DAS define in its policy the financial information that must be documented and retained in order for supporting documentation for accounting transactions to be considered adequate. DAS supports this recommendation and plans to review the accounting policies contained in the Oregon Accounting Manual (OAM) to address this issue. In addition, DAS will use agency feedback to assess the need for additional training. It is estimated the policy and training assessment will be completed by the end of August, 2004.

Sincerely,


for Theresa R. McHugh
Acting Director


John J. Radford, Administrator
State Controller's Division



Secretary of State
Audits Division

BILL BRADBURY, SECRETARY OF STATE
CATHY POLLINO, STATE AUDITOR, AUDITS DIVISION

255 Capitol St. NE Suite 500
Salem, OR 97310

*Auditing to Protect the
Public Interest and Improve
Oregon Government.*

AUDIT MANAGER: *Nancy L. Young, CPA, CISA, CFE*

AUDIT STAFF: *Janice I. Caley CPA, CISA
Raul Valdivia, CPA
Ron H. Forehand, CPA
Diana Barkelew, CPA
Jessica E. Wicklund
Jonathan Hart*

DEPUTY STATE AUDITOR: *Charles A Hibner, CPA*

*The courtesies and cooperation extended by the officials and staff of the
Department of Administrative Services were commendable and much appreciated.*

*This report, which is a public record, is intended to promote the best possible
management of public resources. Copies may be obtained by mail at:*

*Oregon Audits Division
255 Capitol Street NE, Suite 500
Salem, OR 97310*

*by phone at 503-986-2255 and 800-336-8218 (hotline), or
internet at Audits.Hotline@state.or.us and
<http://www.sos.state.or.us/audits/audithp.htm>*