



Secretary of State Audit Report

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

Summary

PURPOSE

The purpose of this audit was to follow up on the findings and recommendations in Report No. 2004-23, *Department of Administrative Services: Statewide Financial Management Application—Data Integrity Audit*.

BACKGROUND

The prior audit questioned the availability of agency source documentation to support transactions in the Statewide Financial Management Application (SFMA) and the accuracy of certain data fields in SFMA because recorded information did not agree with agencies' source documentation.

As a result of our audit, we had recommended the Department of Administrative Services (department) define in policy the specific financial information that must be documented and retained in order for supporting documentation to be considered adequate.

In December 2004, the department implemented a policy outlining minimum documentation requirements for accounting transactions by state agencies. The policy identified specific fields of data to be included in the documentation, adequate supporting information for system-generated transactions, and references to specific sections of the *Oregon Revised Statutes* and Oregon Administrative Rules regarding records retention.

RESULTS IN BRIEF

We tested a sample of 403 transactions entered into SFMA by 39 state agencies and found that 395 (98 percent) were adequately supported. The remaining 8 transactions represented transactions from the Employment Department's application for allocating costs to various cost centers. The Employment Department could not provide documentation that fully supported these transactions.

We recommend the Employment Department comply with the documentation requirements policy and retain adequate supporting documentation to provide assurance that its cost allocation transactions are properly recorded in the accounting records.

AGENCIES' RESPONSE

The Department of Administrative Services and the Employment Department generally agree with the recommendation.

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 Oregon's *Comprehensive Annual Financial Report*.

State agencies enter data into SFMA by three different methods. First, some agencies enter transactions directly into SFMA. Second, some agencies use an independent accounting application that interfaces with SFMA. Finally, some agencies manually enter summary data into SFMA from their independent accounting applications.

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

We conducted this audit to follow up on the findings and recommendations in Report No. 2004-23, *Department of Administrative Services: Statewide Financial Management Application – Data Integrity Audit*.

The prior audit report contained a two-part finding questioning the availability of agency source documentation to support transactions in SFMA and the accuracy of certain data fields in SFMA because recorded information did not agree with agencies' source documentation.

As a result of our audit, we recommended the Department of Administrative Services (department) define in policy the specific financial information that must be documented and retained in order for supporting

documentation to be considered adequate.

In December 2004, the department's State Controller's Division implemented a new policy published in the *Oregon Accounting Manual* outlining minimum documentation requirements for accounting transactions by state agencies. The policy, OAM 10.15.00.PO, identifies specific fields of data to be included in the documentation, adequate supporting information for system-generated transactions, and references to specific sections of the *Oregon Revised Statutes* and Oregon Administrative Rules regarding records retention.

Audit Results

To follow up on the prior audit findings, we tested a sample of 403 transactions entered into SFMA by 39 state agencies. Our examination found that 395 transactions (98 percent) were adequately supported at the respective agencies.

The remaining eight transactions represented transactions from the Employment Department's cost allocation application that interfaces with SFMA. For these transactions, the Employment Department could not provide supporting documentation.

As a result of the lack of documentation, the Employment Department could not be assured that its cost allocation transactions were properly calculated, accurately recorded, properly classified, and posted in the accounting records and no required fields were omitted as required by the OAM policy described above.

We recommend the Employment Department comply with the OAM policy and retain adequate supporting documentation to provide assurance that its cost allocation transactions are properly recorded in the accounting records.

Department of Administrative Services' Response:

We generally agree with the finding and recommendation in your audit report. We respectfully submit the Employment Department's proposed action to resolve this finding. It is important to note that the Employment Department's management agrees with the finding presented in the report.

Employment Department's Response:

Employment Department management is reviewing the current system for allocating costs to various cost centers. From the review, management will decide whether to maintain the current system or make changes to the processing. Either way, appropriate documentation will be maintained to support accounting transactions. The review should be completed no later than June 30, 2008.

Objectives, Scope and Methodology

The purpose of our audit was to follow up on the findings and recommendations in Report No. 2004-23, *Department of Administrative Services: Statewide Financial Management Application – Data Integrity Audit*.

During our audit, we interviewed staff from the department's State Controller's Division and Statewide Financial Management Services division to identify key fields in SFMA to be used as the criteria for our testing. We refined our definitions of key fields from our prior audit to conform to the department's 2004 policy, OAM 10.15.00.PO. We also interviewed various agency and department personnel regarding the key accounting fields and examined various types of documents supporting the financial transactions we tested.

We tested a sample of 403 transactions from June through September 2005 at 39 state agencies. Those agencies consisted of:

- Department of Administrative Services
- Department of Agriculture
- Department of Aviation
- Construction Contractors Board
- Department of Consumer and Business Services
- Department of Corrections
- Oregon Economic and Community Development Department
- Department of Education
- Oregon Employment Department
- Department of Energy
- Department of Environmental Quality
- Department of Fish and Wildlife
- Department of Forestry
- Department of Geology and Mineral Industries
- Oregon Health Related Licensing Boards
- Oregon Housing and Community Services Department
- Department of Human Services
- Oregon Judicial Department
- Department of Justice
- Department of Land Conservation and Development
- Legislative Administration Committee
- Oregon Liquor Control Commission
- Oregon Military Department
- Oregon Parks and Recreation Department
- Oregon State Police
- Office of Private Health Partnerships
- State Board of Psychologist Examiners
- Oregon Public Defense Services Commission
- Public Employees Retirement System
- Department of Public Safety and Standards Training
- Public Utilities Commission
- Department of Revenue
- Secretary of State
- Oregon State Fair and Exposition Center
- Oregon Department of Transportation
- Office of the State Treasurer
- Department of Veterans' Affairs
- Water Resources Development
- Oregon Youth Authority

Our tests included transactions from agencies that directly input data into SFMA, agencies that use an independent application that interfaces with SFMA, and agencies where staff manually enter summary information from their independent applications into SFMA.

We conducted our fieldwork from March 2006 to May 2007.

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



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Courtesies and cooperation extended by officials and staff of the Department of Administrative Services, as well as all agencies contacted during the course of the audit, were commendable and much appreciated.

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

Internet: <http://www.sos.state.or.us/audits/index.html>

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