



Auditing for a Better Oregon

July 31, 2003

Gary Weeks, Director
Department of Administrative Services
155 Cottage St. NE, U20
Salem, Oregon 97301-3966

Dear Mr. Weeks:

We have completed our audit of the Oregon Department of Administrative Services, Surplus Property's (division) controls over cash handling, disbursements, and inventory. Based on our audit, we identified four areas needing management's attention. These issues are of lesser significance and did not warrant inclusion in our financial controls audit report (No. 2003-29). The issues are summarized below, along with our recommendations.

Improve Cash Handling Review

Division cashiers collect payments and prepare daily receipts for deposit. Management does not regularly review the daily cash input documents and bank deposits. A review is performed only if a problem is noted by the cashier preparing the input documents and deposits. State policy states, "The duties of collecting and depositing cash should be segregated to the extent possible so that accuracy and completeness can be verified through independent checks."¹

We recommend that management review the daily cash input documents and bank deposits for accuracy before deposits are made.

Strengthen Security Over Computer Passwords

Although department policy states that passwords must never be stored in clear text and users must never share their passwords with anyone unless directed by a manager, the division's inventory and accounting system does not allow users to change their own passwords and displays employee passwords in clear text. Management has taken steps to limit employee access to the password file to a single individual; however, that individual has the ability to view

¹ *Oregon Accounting Manual*, policy number 10.20.00.PR

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passwords and must make all changes to employee passwords. Unless passwords remain confidential to the user, controls intended to limit access and ensure integrity, availability, and confidentiality of information are compromised.

We recommend that management implement a programming change to its inventory and accounting system to ensure passwords are not displayed in clear text and allow for the user to change his or her own password.

Improve Refund/Adjustment Documentation

The division does not always fully complete documentation for transactions requiring an adjustment or refund. The division policy for property returns indicates that the cashier is to complete and sign the Adjustment/Refund form and then submit it to a supervisor for signature. We tested 20 invoices for which a refund or adjustment had been made and found that all invoices were supported with the appropriate Adjustment/Refund form. However, five of the forms did not include the cashier's signature.

We recommend that management ensure that all Adjustment/Refund forms are complete.

Maintain Current Inventory of Warehouse Keys

The division has an inventory list of warehouse keys, which identifies employee key assignments. Initially, the list showed that 10 warehouse keys and one master key were unaccounted for (i.e., lost, missing, broken). Management obtained a list showing the keys that were issued to the division by the Department of Administrative Services (DAS), Key Card and Lock Shop. After updating the division key list, the revised list shows that five warehouse keys are still unaccounted for. These keys open Surplus Property's west office, file room, and front gate. In addition, management has in their safe numerous extra keys that are not assigned to employees.

The division also distributed keys to employees for the E-bay cage, back gate, car lot and federal cage that apparently were not issued by DAS. Since these keys are not imprinted with "Do Not Duplicate", this may result in an increased security risk should the keys become misplaced or stolen.

We recommend that management:

- Ensure that all warehouse keys are accounted for by updating their key list to include identifying key numbers and reconcile it with the key list from the DAS Key Card and Lock Shop.
- Consider re-keying locks for keys that are unaccounted for.
- Ensure that keys have "Do Not Duplicate" imprinted on them.
- Maintain as few extra keys as possible.

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Should you have any questions, feel free to contact Diane Farris or me at (503) 986-2255.

Sincerely,
OREGON AUDITS DIVISION

Kelly L. Olson, CPA
Audit Administrator

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enclosures

cc: Cameron Birnie, Division Administrator, Procurement, Fleet and Surplus Services
George Dunford, Internal Audit Manager
Skip Morton, Manager, State and Federal Surplus Property