



# OIA Public Report Summary

June 21, 2012

## Youth Services: Payment Card Audit

Objective	Conclusion
<p>Evaluate the design and effectiveness of payment card issuance and cancellation process.</p>	<p><b>Well-Controlled</b></p>
<p>Evaluate the design and effectiveness of payment card usage in compliance with established policies and procedures.</p> <p><b>Payment Card Processing (High)</b> - Payment card transactions tested from July 2011 through February 2012 revealed the following errors:</p> <ul style="list-style-type: none"> <li>• 11 of 25 (52%) appear to have been split into multiple payments to bypass the \$2,500 per transaction limit rule.</li> <li>• 3 of 25 (12%) had inadequate evidence approving the purchase or reconciling the transaction in the financial system (OAKS).</li> <li>• 2 of 25 (8%) had insufficient or inaccurate supporting documentation (i.e., card log and receipts) for amounts reported in OAKS.</li> <li>• 1 of 25 (4%) appears the same transaction, totaling \$93, was processed twice on the same voucher to the same vendor.</li> </ul> <p>Action: DYS had taken a number of immediate and direct action steps as it relates to this audit. Target implementation: September 2012</p> <p><b>Timely Payment Processing – (Low)</b></p> <p><b>Vendor Spending Limit Exceeded – (Low)</b></p> <p><b>Unallowable Account Codes – (Low)</b></p>	<p><b>Improvement Needed</b></p>
<p>Evaluate the operational effectiveness of the payment card administration.</p> <p><b>Unused Payment Cards (Low)</b></p> <p><b>Payment Card Efficiencies (Low)</b></p>	<p><b>Well-Controlled with Improvement Needed</b></p>



## Commerce: State Fire Marshal Code Enforcement

Objective	Conclusion
<p>Evaluate the design and effectiveness of the monitoring/inspection process within the Bureau of Code Enforcement.</p> <p><b>Credit Card Payment Processing (Moderate)</b> – Sensitive credit card information is received on a required form via email, fax or phone. Data is maintained in hard copy in a redacted format. Email and fax are not considered secure forms of communication. Management should ensure sensitive credit card information is sufficiently controlled. <b>Action: COM will establish a comprehensive committee to examine practices, assess risks, and consider alternatives within 60 days. Target implementation: September 2012.</b></p> <p><b>Policies and Procedures (Moderate)</b> - No policy exists to establish grace periods or standardize time granted for each type of violation. Also, no policy outlines the process or frequency to perform QA reviews of inspectors. Code Enforcement has an informal policy to inspect complaints within 3 business days but testing revealed 24% were inspected over 5 after the complaint was received. <b>Action: COM will develop procedures for grace periods, QA process, and complaint resolution. Target implementation: September 2012.</b></p> <p><b>Segregation of Duties (Moderate)</b> - The office assistant manually enters inspection fee amounts for each invoice, receives mailed payments, records revenue in the system and prepares the deposit. <b>Action: COM segregated invoicing duties from revenue receiving duties and procedures will be formally documented. CAVU will be implemented in 2013 and invoice amounts will automatically populate. Target implementation: September 2012.</b></p> <p><b>Formalize Re-Inspection Process (Moderate)</b> – Tracking and follow-up processes are not consistent for a facility requiring a re-inspection due to violations. In one instance, violations continued to exist after a re-inspection but no further re-inspections or citations have been issued for this facility. <b>Action: COM will provide training to inspectors to ensure proper use of the re-inspection date field. Target implementation: September 2012.</b></p> <p><b>Citation Reports (Low) &amp; One-time Inspections (Low)</b></p>	<p><b>Improvement Needed</b></p>
<p>Evaluate the design and effectiveness of processes within the Bureau of Code Enforcement that support issuance of permits and licenses.</p> <p><b>Storage Tank Inspection Tracking (Moderate)</b> - Upon receipt of a permit, an owner must contact SFM to schedule an inspection. Four files contained expired permits or extensions had not been inspected. Also, one storage tank application was inspected yet remained as a pending file. <b>Action: COM will develop a formal process to track storage tank files. Monitoring tools will be built into CAVU. Target implementation: September 2012.</b></p> <p><b>Data Systems (Low)</b></p>	<p><b>Improvement Needed</b></p>



## Administrative Services: eBid System

Objective	Conclusion
Determine the administrative and logical controls adequately protect the confidentiality, integrity and availability of computer resources per business requirements.	<b>Well-Controlled</b>
Determine the new application system's functionality is consistent with business requirements and the system operates within specifications. <b>Testing Standards and Strategy (Low)</b>	<b>Well-Controlled with Improvement Needed</b>
Determine design and effectiveness over management's controls to help ensure vendors, contracted to provide IT resources or perform IT functions, meet the needs of business and comply with applicable contractual agreements and regulatory requirements in an effective and efficient manner. <b>Vendor Performance and Oversight (Low)</b>	<b>Well-Controlled with Improvement Needed</b>
Evaluate the design and effectiveness of DAS' controls over the process for creation of a bid event. <b>Procurement Independence (Low)</b>	<b>Well-Controlled with Improvement Needed</b>
Evaluate the design and effectiveness of DAS' controls over the bid process. <b>Efficiencies (Low)</b>	<b>Well-Controlled with Improvement Needed</b>
Evaluate the design and effectiveness of DAS' controls over the processes for analyzing bids/awarding contracts. <b>Policies and Procedures (Moderate)</b> –DAS should develop policies and procedures for the eBid purchase request process. They should include: controls to ensure state resources are used, standard review process for each winning bidder/vendor, and periodic reviews of bidding trends and/or vendor analysis. The implemented policies and procedures should also be reviewed periodically by management and updated as needed.  <b>Action:</b> DAS will develop formal procedures for the overall administration of the eBid module. Also, DAS will research and explore ideas to monitor vendors and trends. Target implementation: September 2012.	<b>Improvement Needed</b>



## Development: Percentage of Income Payment Plan Plus Program Audit

Objective	Conclusion
<p>Evaluate the design and effectiveness of controls over the PIPP Plus initial eligibility review process.</p> <p><b>Confirmation files sent to utilities not tracked (Low)</b></p> <p><b>Inconsistent application review process (Low)</b></p>	<p><b>Well-Controlled with Improvement Needed</b></p>
<p>Evaluate the design and effectiveness of controls over the PIPP Plus eligibility re-verification process.</p>	<p><b>Well-Controlled</b></p>
<p>Evaluate the design and effectiveness of controls over the Universal Service Fund collection process.</p> <p><b>Utility Company PIPP Plus External Audit Frequency - (Moderate)</b> – Two electric utility companies are to be reviewed annually by a CPA firm; however, the practice stopped in 2008. New program rules were issued in 2010 and audits were postponed.</p> <p><i>Action: DEV will reinstate utility company audits every three years. DEV plans to issue an RFP and select an accounting firm to perform audits by January 2013. Target Implementation: Jan. 2013.</i></p>	<p><b>Improvement Needed</b></p>
<p>Evaluate the design and effectiveness of controls over Universal Service Fund disbursements for monthly customer bills and arrearages.</p> <p><b>Customer Arrearage Advancements (Moderate)</b> – Since July 2011, 80% of PIPP Plus customers dropped from the program for delinquent payments have not satisfied their debt to qualify for reinstatement back into the program. DEV does not track dropped PIPP Plus customers' arrearages with the intent of collecting reimbursement of the advancement from the utility.</p> <p><i>Action: DEV will determine if utilities are actively collecting pre-PIPP Plus arrearages, identify amounts recovered, and accuracy of amounts remitted to DEV. DEV will determine if the capability exists to track the returned pre-PIPP charges. Target Implementation: January 2013.</i></p> <p><b>Utility company filing recovery riders (Low)</b></p> <p><b>Policies and procedures (Low)</b></p>	<p><b>Improvement Needed</b></p>



## Development: Payment Card Audit

Objective	Conclusion
Evaluate the design and effectiveness of payment card issuance and cancellation process.	<b>Well-Controlled</b>
Evaluate the design and effectiveness of payment card usage in compliance with established policies and procedures. <b>Timely Payment (Low)</b> <b>Unallowable Account Codes (Low)</b>	<b>Well-Controlled with Improvement Needed</b>
Evaluate operational effectiveness of payment card administration. <b>Unused Payment Cards (Low)</b> <b>Payment Card Efficiencies (Low)</b>	<b>Well-Controlled with Improvement Needed</b>