



Auston G. Johnson, CPA
UTAH STATE AUDITOR

STATE OF UTAH
Office of the State Auditor

211 STATE CAPITOL
SALT LAKE CITY, UTAH 84114
(801) 538-1025
FAX (801) 538-1383

DEPUTY STATE AUDITOR:
Joe Christensen, CPA

FINANCIAL AUDIT DIRECTORS:
H. Dean Eborn, CPA
Deborah A. Empey, CPA
Stan Godfrey, CPA
Jon T. Johnson, CPA

REPORT NO. 01-623a

May 6, 2002

S. Camille Anthony, Executive Director
Department of Administrative Services
3120 State Office Building
Salt Lake City, Utah 84114

Dear Ms. Anthony:

We have performed the procedures described below to certain aspects of the Department of Administrative Services' (Administrative Services) internal control at the Division of Information Technology Services in Richfield for the period July 1, 2000 through March 15, 2001. The purpose of these procedures is to assist Administrative Services in evaluating its internal control. The procedures performed were as follows:

1. We tested the completeness and accuracy of the fixed assets listings through a sample of fixed assets.
2. We reviewed the internal control over the approval of timesheets.
3. We reviewed compliance with certain laws, policies, and procedures regarding personnel and payroll issues, such as nepotism and annual evaluations.

Our finding resulting from the above procedures is as follows:

INADEQUATE CONTROLS OVER FIXED ASSETS (Significant Weakness)

The Division of Information Technology Services in Richfield is not performing an effective annual fixed assets physical observation in accordance with State accounting policies (FIACCT 09). We noted the following fixed asset problems during our fixed assets testwork:

- a. Five of 21 fixed assets selected from the fixed asset listing could not be located at the Richfield Site.
- b. Three of 24 fixed assets selected at the Richfield Site could not be traced to the fixed asset listing.
- c. The fixed asset listing does not include unique identification numbers that can be used to identify and track each fixed asset.

All purchased or donated items with a purchase price or value greater than \$5,000 should be listed on the Fixed Asset Listing. Performing an effective annual physical inventory of all fixed assets, including checking for unique identification numbers, helps in maintaining an accurate fixed asset listing. An accurate fixed asset listing helps prevent fixed assets from being lost or stolen without detection. In addition, failure to properly account for all fixed assets can result in the misstatement of fixed assets in the State's financial statements.

Recommendation:

We recommend that the Administrative Services, Division of Information Technology Services (ITS) perform an effective annual physical inventory to ensure that all fixed assets are properly accounted for on the fixed asset listing. As part of this inventory, ITS should record unique identification numbers on the fixed asset listing to identify and track each fixed asset.

We feel that this finding is a significant weakness to fixed assets at the Division of Information Technology Services in Richfield. If this weakness is left uncorrected, an unacceptable amount of errors or misappropriations could occur without detection.

Our procedures were more limited than would be necessary to express an opinion on any of the items referred to above or to express an opinion on the effectiveness of Administrative Services' internal control or any part thereof. Accordingly, we do not express such opinions. Alternatively, we have identified the procedures we performed and the findings resulting from those procedures. Had we performed additional procedures or had we made an audit of the effectiveness of Administrative Services' internal control, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of Administrative Services and is not intended to be and should not be used by anyone other than this specified party.

By its nature, this report focuses on exceptions, weaknesses, and problems. This focus should not be understood to mean there are not also various strengths and accomplishments. We appreciate the courtesy and assistance extended to us by the personnel of Administrative Services during the course of the engagement, and we look forward to a continuing professional relationship. If you have any questions, please call Dean Eborn, Audit Director, at 538-1352.

Sincerely,

Auston G. Johnson, CPA
Utah State Auditor

cc: Steve Fulling, Director of Information Technology Services
Brad Bland, Operations Manager

attachment: Administrative Services' response to audit finding



State of Utah

Department of Administrative Services

Michael O. Leavitt
Governor
Raylene G. Ireland
Executive Director

3120 State Office Building
Salt Lake City, Utah 84114
(801) 538-3010

May 3, 2002

Auston G. Johnson
Utah State Auditor
211 State Capitol
Salt Lake City, UT 84114

Dear Mr. Johnson:

We have reviewed the findings in your recent audit of internal control at the Division of Information Technology Services in Richfield. We appreciate the professionalism of your audit team in preparing **Report No. 01-623a** and provide the following comments in response:

Audit Finding - Inadequate Controls over Fixed Assets: We acknowledge that heretofore, an effective fixed assets physical observation on assets located in Richfield, had not been performed.

Audit Recommendation: On April 15, 2002, several members of the Finance and Administration section of ITS, along with several staff members in charge of operations in the Richfield site, conducted a comprehensive physical audit to ensure that all fixed assets are properly accounted for on the fixed asset listing. On May 9, 2002, the team will administer and record a unique identification number on the fixed assets in Richfield to identify and track each fixed asset. It is the intent of ITS to perform a similar effective physical audit on an annual basis at the Richfield site.

Respectfully,



S. Camille Anthony
Executive Director

Utah Department of Administrative Services