



**Auston G. Johnson, CPA**  
UTAH STATE AUDITOR

**STATE OF UTAH**  
**Office of the State Auditor**

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**REPORT NO. 02-21**

January 14, 2003

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

Dear Ms. Anthony:

We have completed our audit of the financial statements of the State of Utah for the year ended June 30, 2002. Our report thereon, dated November 1, 2002, was issued under separate cover. We have not yet completed the Department of Administrative Services' (Administrative Services) portion of the statewide federal compliance audit for the year ended June 30, 2002. Our report on the statewide federal compliance audit for the year ended June 30, 2002 should be issued by April 2003. Any additional findings resulting from completion of the federal compliance audit will be issued to you as a supplement to this letter.

In planning and performing our audits, we considered Administrative Services' internal control over financial reporting and administration of major federal programs in order to determine our auditing procedures for the purpose of expressing our opinion on the State's financial statements and on the State's compliance with the requirements of its major programs and not to provide assurance on internal control. We noted no matters involving Administrative Services' internal control over financial reporting and administration of federal programs that we consider to be a material weakness. However, our consideration of the internal control over financial reporting and administration of federal programs would not necessarily disclose all matters in the internal control that might be material weaknesses, particularly since our review was based on our audit of the State as a whole.

During our audit, we noted certain matters involving the internal control over financial reporting and compliance of Administrative Services and its operations. We are submitting for your consideration related recommendations designed to help Administrative Services make improvements and achieve operational efficiencies. These matters are described in the attached findings and recommendations.

This report by its nature focuses on exceptions, weaknesses, and problems. This should not be understood to mean there are not also various strengths and accomplishments.

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.

We appreciate the courtesy and assistance extended to us by the personnel of Administrative Services during the course of our audit, and we look forward to a continuing professional relationship. If you have any questions, please call Stan Godfrey, Audit Director, at 538-1356.

Sincerely,

Auston G. Johnson, CPA  
Utah State Auditor

cc: David R. Lamb, Financial Director, Dept. of Administrative Services  
Kim S. Thorne, Director, State Division of Finance  
Lynn H. Vellinga, Assistant Director, State Division of Finance  
John Reidhead, Assistant Controller, State Division of Finance  
Steven W. Saltzgeber, Director, Division of Fleet Operations  
Joseph A. Jenkins, Director, Facilities Construction and Management

**DEPARTMENT OF ADMINISTRATIVE SERVICES**  
FOR THE YEAR ENDED JUNE 30, 2002

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# **DEPARTMENT OF ADMINISTRATIVE SERVICES**

## **FINDINGS AND RECOMMENDATIONS FOR THE YEAR ENDED JUNE 30, 2002**

### **1. CASH RECEIPTING WEAKNESSES – Division of Facilities Construction and Management**

During our review of cash receipts at the Division of Facilities Construction and Management (DFCM), we noted that the initial cash receipt records are not reconciled to FINET by a person independent of cash receipts. In addition, the numeric sequence of the pre-numbered receipts is not tracked. The failure to perform the above actions increases the risk that funds could be lost or stolen without detection.

#### **Recommendation:**

**We recommend that the Division of Facilities Construction and Management have a person independent of cash receipts reconcile the initial cash receipt records to FINET, including accounting for pre-numbered receipts.**

#### **Department of Administrative Services' Response:**

*With the recent consolidation of DFCM's accounting services into one working section, we have revised the cash receipting policies and duties to address this issue.*

### **2. INADEQUATE CALCULATION/RECOGNITION OF DEPRECIATION EXPENSE – Division of Fleet Operations**

We tested two disposed vehicles at the Division of Fleet Operations and noted that one did not have the proper amount of depreciation expense recognized prior to its disposal. This vehicle should have had \$2,586 in recognized depreciation, but only \$2,351 was actually recorded. Hence, Fleet Operations' depreciation expense was understated by \$235, while losses on disposal of assets were overstated by the same amount. The error resulted from a failure to recognize depreciation in the month the asset was disposed. According to Fleet Operations' accounting policies, depreciation expense begins in the month following the date a vehicle is placed in service and ends in the month the vehicle is disposed of or sold. Failure to properly recognize depreciation expense could result in misstatements on the State's financial statements.

#### **Recommendation:**

**We recommend that Fleet Operations properly calculate depreciation expense related to vehicle disposals.**

#### **Department of Administrative Services' Response:**

*The Division of Fleet Operations is implementing new procedures to insure that the final period of depreciation expense related to vehicle disposals is properly calculated and independently reviewed.*