12 The Commission is reconciling to the Comptroller Generals records in total and not by Program causing differences in the State's classifications and the Commission's.

Criteria: Generally accepted accounting principles and good internal controls that provide for accurate financial statements and proper segregation of duties.

Effect: The Commission is not producing accurate financial information.

Recommendation: The Commission should merge the management of and the accounting and record keeping functions of the various areas under one common management team that will be charged with the overall responsibility of ensuring that all of the records of the Commission be properly maintained. All bank accounts of the Commission should be reconciled monthly in a timely manner and supporting detail should be attached for all reconciling items including outstanding checks. All account reconciliations should be initialed and dated by the preparer and a reviewer. All other balance sheet accounts should be agreed to supporting schedules. Procedures should be put in place to ensure for proper cut-off procedures at year-end. Proper segregation of duties should be established and maintained so that the same individual cannot prepare and post journal entries to the accounting system.

B. TAXES RECEIVABLE MISSTATED

Condition: The Commission did not properly record its unemployment taxes receivable on the modified accrual basis of accounting. The primary cause of the misstatement is the failure to accrue the taxes receivable for the second quarter which ended on June 30.

Criteria: Governmental accounting standards require the Commission to use the modified accrual basis of accounting which requires the accrual of all revenue amounts that are both measurable and available which the Commission has defined as amounts collected within 60 days after the end of the year.

Effect: Taxes receivable and related revenues of approximately $32 million were not recorded for the year ended June 30, 1998 and taxes receivable and revenues were understated by approximately $43 million as of June 30, 1997. Adjustments were made to correct the errors.

Recommendation: That the Commission should record its taxes receivable and the related revenue in accordance with the modified accrual basis method of accounting and the Commission's revenue recognition policy.

C. ACCOUNTS PAYABLE FOR JTPA PROGRAM MISSTATED

Condition: Our audit disclosed that the Commission was substantially overstating accounts payable for the JTPA program on the general ledger and understating accounts payable on the Accounts Payable Closing Package, which it prepares for the State Comptroller. Accounts payable were overstated by approximately $425,000 in 1997 and $615,000 in 1998 on the general ledger. A completely separate listing was prepared to support the closing package which was understated by approximately $900,000 as of June 30, 1998.

The general ledger overstatement apparently occurred because of the procedures used by the personnel in the JTPA Department in requesting information from subrecipients. The closing package for accounts payable was apparently overstated because Finance Department personnel estimated the accounts payable by taking the budget less the year to date expenditures, but only did this for certain of the programs.

Criteria: Generally accepted accounting principles that require that accruals be based on actual amounts to be paid and the State's GAAP Manual requires all agencies to submit accurate closing packages.

Effect: Failure to accurately record payables for this program resulted in an overstatement of federal revenues and expenditures. Adjustments were made to correct the errors.

Recommendation: That the Commission should review and revise its procedures for estimating and recording accounts payable. Also, the same listing should be used for support to post the journal entry to the general ledger and to prepare the closing package.