

RECOMMENDATION:

All invoices be paid timely so the Department can take advantage of discounts available and not be required to pay late charged unnecessarily.

RESPONSE:

We agree with the recommendation. The accounting staff works to the best of their ability to ensure payments are made with in the time frame specified by law. However there are circumstances that exist that delay the payment process. We will continue to monitor the payment process, streamline where we can, and still maintain proper control over disbursements to ensure all Department and state regulations are followed.

Contract retainage payable included \$14,678 for two balances that were not owed, \$5,170 for a billing on a contract for overtime that was disputed by the Department, and \$11,784 that should have been escrowed as required.

RECOMMENDATION:

The retainage payable liability accounts and the related escrows be reconciled to draw request billings from contractors at month end.

RESPONSE:

The retainage account was increased for \$5,170 for liquidated damages that were assessed on the previous estimate in January 1999. The final estimate payment was sent to Accounting in July of 1999 for payment. This payment was reduced by the amount of the damages and the retainage account relieved of this amount. If liquidated damages are assessed against a contractor for whom the Department holds retainage, the retainage account is increased by the amount of the damages until the matter is resolved. The \$11,784 error was discovered and the amount has been sent to the bank for the escrow amount. We concur that the statements should be reconciled in a timely manner.

ACCOUNTS RECEIVABLE NOT RECORDED ON MODIFIED ACCRUAL BASIS

The Department's accounts receivable include balances from numerous sources, including other state agencies. The Department records revenues relating to these receivables on the accrual basis of accounting instead of the modified accrual basis of accounting required by GAAP for governmental funds. Revenues and the related receivables should only be recorded if they are collected soon enough after each year-end to finance current expenditures.

RECOMMENDATION:

We recommend that all accounts receivable be recorded on the modified accrual basis as required for governmental funds.

RESPONSE:

The Department will continue to utilize working paper adjustment to annually portray accounts receivable on a modified accrual basis, however the Department will continue to record actual receivable and revenues on an accrual basis to provide a true picture of revenues and amounts due from outside entities.

YEAR END JOURNAL ENTRIES NOT POSTED BY DEPARTMENT

Some of the adjusting journal entries prepared by the audit firm as of the prior year-end were not posted by the Department. This causes the beginning fund balances per the Department's general ledger accounts not to agree with the Department's audited financial statements. Additional time is required to adjust the beginning fund balances to agree to the prior year's audited financial statements.