

RECOMMENDATION:

We recommend that the Department review, and upon approval, post all auditor prepared adjusting journal entries.

RESPONSE:

The year-end adjusting entries are reviewed and recorded to the extent possible. The Department recognizes that those not posted will require adjustment at the beginning of the subsequent audit and will advise the auditors of those not posted.

IMPROVEMENT NEEDED OVER ACCOUNTING FOR PARTICIPATION AGREEMENTS

Improvements are needed in the accounting for participation agreements. A review of Report CA-213, "Status of Outstanding Participation Agreements", and the related client prepared schedule disclose the following deficiencies: incorrect amounts, handled in an inconsistent manner, closed contracts carried on the statement, omission of budgetary amount, no subsidiary ledger, exclusion of long term accounts receivable, omission of payments received on two agreements.

RECOMMENDATION:

We recommend that the Department accounting staff set up detail and control records so that an accurate accounting can be made of participating contracts. A schedule should be prepared as of each month end that is mathematically correct; properly reflects all contract data; excludes all completed and closed contracts; properly reflects all amounts due and/or deferred; and agrees with the related general ledger accounts.

RESPONSE:

A monthly statement is prepared and is mathematically correct. There were also numerous contracts closed out during the fiscal year and properly removed from the schedule. Participation agreements are negotiated based upon the outside entities' willingness to provide funding for the various stages of construction and are handled by the Contracts Grants Coordinator. The accounting staff is coordinating efforts to ensure the participation agreements are allotted and recorded on the statement. The new financial system will meet the expanded reporting requirements recommended.

PROPRIETARY FUND FIXED ASSETS ACQUISITIONS AND DISPOSALS NOT RECORDED CORRECTLY

- The Department recorded all fixed assets acquisitions and disposals for proprietary fund (internal service fund) asses in the general fixed asset account group. All acquisitions are purchased utilizing special revenue funds and then recorded as a transfer from the general fixed asset account group to the internal service fund. All disposals are recorded as fixed assets transferred from the internal service fund to the general fixed asset account group and then recorded as a retirement or disposal. Because of this method of handling fixed asset transactions, the internal service fund rates do not reflect full cost for fixed assets, such as gains or losses on disposals and, therefore, the reported results of Internal Service fund operations are misstated. Furthermore, the Special Revenue fund bears the additional costs of losses on disposals for Internal Service Fund assets. The result is costs are not properly allocated to the benefiting fund. The Department has apparently been handling these transactions in the manner because of the limitations in its general ledger system.

RECOMMENDATION:

We recommend any acquisitions that are to be initially utilized by the internal service fund be recorded as a purchase by that fund. All disposals should be recorded in the internal service fund and not transferred to the general fixed asset account group unless the asset will continue to be utilized by the Department.

RESPONSE: