

**Department of General Services**

**For the Years Ended  
June 30, 1997, and June 30, 1996**

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March 2, 1999

The Honorable Don Sundquist, Governor  
and  
Members of the General Assembly  
State Capitol  
Nashville, Tennessee 37243  
and  
The Honorable Larry N. Haynes, Commissioner  
Department of General Services  
Suite 2400, Tennessee Tower  
Nashville, Tennessee 37243

Ladies and Gentlemen:

We have conducted a financial and compliance audit of selected programs and activities of the Department of General Services for the years ended June 30, 1997, and June 30, 1996.

We conducted our audit in accordance with generally accepted government auditing standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. These standards require that we obtain an understanding of management controls relevant to the audit and that we design the audit to provide reasonable assurance of the department's compliance with the provisions of laws, regulations, contracts, and grants significant to the audit. Management of the Department of General Services is responsible for establishing and maintaining internal control and for complying with applicable laws and regulations.

Our audit disclosed certain findings which are detailed in the Objectives, Methodologies, and Conclusions section of this report. The department's administration has responded to the audit findings; we have included the responses following each finding. We will follow up the audit to examine the application of the procedures instituted because of the audit findings.

We have reported other less significant matters involving the department's internal controls and/or instances of noncompliance to the Department of General Services' management in a separate letter.

Sincerely,

John G. Morgan  
Comptroller of the Treasury

JGM/rm  
98/056

State of Tennessee

# Audit Highlights

Comptroller of the Treasury

Division of State Audit

Financial and Compliance Audit  
**Department of General Services**  
For the Years Ended June 30, 1997, and June 30, 1996

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## AUDIT SCOPE

We have audited the Department of General Services for the period July 1, 1995, through June 30, 1997. Our audit scope included a review of management's controls and compliance with policies, procedures, laws, and regulations in the areas of motor vehicle management, internal audit, equipment, purchasing, Property of the State of Tennessee (POST) system, Tennessee On-line Purchasing System (TOPS), payroll and personnel, and utilization of the Department of Finance and Administration's STARS grant module to record the receipt and expenditure of federal funds. The audit was conducted in accordance with generally accepted government auditing standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

## AUDIT FINDINGS

### **Vehicles in the Motor Vehicle Management Fleet Are Not Properly Maintained\*\***

Maintenance is not always performed on state vehicles within the mileage or time guidelines set forth in the department's policies and procedures manual (page 4).

### **The Office of Internal Audit Has Not Complied with Established Policies\***

The Office of Internal Audit has not reviewed all principal programs within the past six years and has not audited any cost-reimbursement type contracts within the past year because of a shortage of personnel (page 6).

### **The State's Main Security Guard Contract Was Not Monitored**

Guards were not registered or licensed at the time they served as guards (page 9).

### **Administration of POST Needs Improvement\***

Problems were found with retirement batches; security administration; documentation and authorization for retired, surplus, and transferred assets; and asset values and object codes (page 10).

**Documentation to Support Access to TOPS Was Not on File**

Proper authorization for departmental users' access to TOPS was not on file at the Department of General Services (page 14).

**Established State Procedures Have Been Circumvented**

The department knowingly participated in a plan with another department to place an employee in a position that circumvented established state procedures (page 16).

- \* This finding is repeated from the prior audit.
- \*\* This finding is repeated from three prior audits.

**PAST FINDING NOT ACTED UPON BY MANAGEMENT**

Prior audits of the Department of General Services have contained a finding concerning noncompliance with state laws relating to the coordination and administration of state personal property. The Department of Transportation (DOT) uses its own property management system. Department of General Services management indicated that they have tried to work with DOT to incorporate its property into the statewide system but that DOT has been uncooperative.

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"Audit Highlights" is a summary of the audit report. To obtain the complete audit report which contains all findings, recommendations, and management comments, please contact

Comptroller of the Treasury, Division of State Audit  
1500 James K. Polk Building, Nashville, TN 37243-0264  
(615) 741-3697

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**Audit Report**  
**Department of General Services**  
**For the Years Ended June 30, 1997, and June 30, 1996**

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**Department of General Services**  
**For the Years Ended June 30, 1997, and June 30, 1996**

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**INTRODUCTION**

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**POST-AUDIT AUTHORITY**

This is the report on the financial and compliance audit of the Department of General Services. The audit was conducted pursuant to Section 4-3-304, *Tennessee Code Annotated*, which authorizes the Department of Audit to “perform currently a post-audit of all accounts and other financial records of the state government, and of any department, institution, office, or agency thereof in accordance with generally accepted auditing standards and in accordance with such procedures as may be established by the comptroller.”

Section 8-4-109, *Tennessee Code Annotated*, authorizes the Comptroller of the Treasury to audit any books and records of any governmental entity that handles public funds when the Comptroller considers an audit to be necessary or appropriate.

**BACKGROUND**

The mission of the Department of General Services is to provide quality goods and services to all state agencies to facilitate the operation of state government in the most timely, efficient, and economical manner. To accomplish this mission, the department provides a broad range of support services to other departments and agencies of state government. Those services include procurement of equipment and materials, building management, motor vehicle and equipment management, surplus property utilization, printing and photographic services, postal services, food services, records management, and central stores.

The department is composed of four main areas: Commissioner’s Office, Administrative Services, Property Management, and Purchasing Management. Each area consists of several divisions. An organization chart of the department is on the following page.

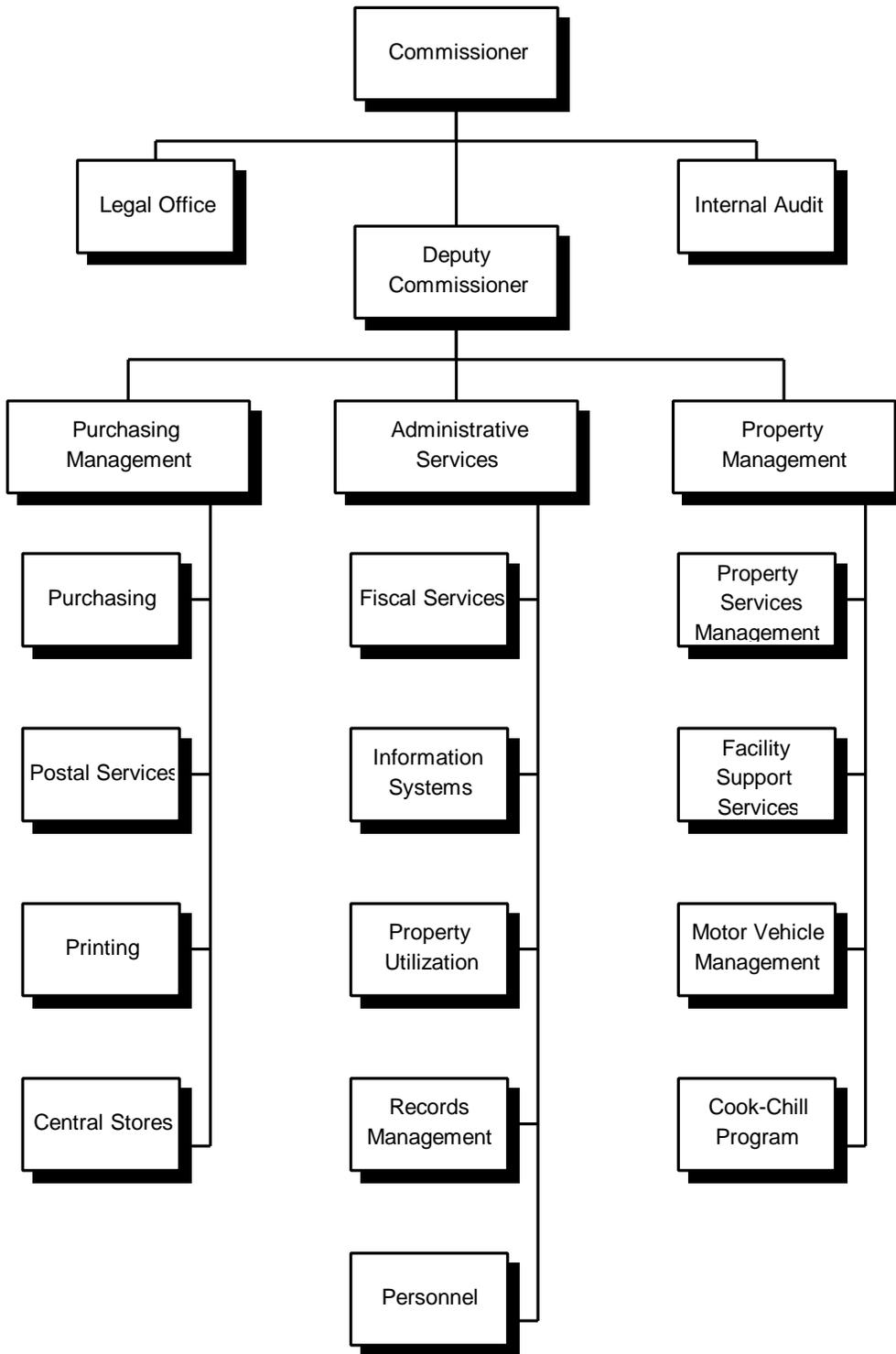
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**AUDIT SCOPE**

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We have audited the Department of General Services for the period July 1, 1995, through June 30, 1997. Our audit scope included a review of management’s controls and compliance with policies, procedures, laws, and regulations in the areas of motor vehicle management, internal audit, equipment, purchasing, Property of the State of Tennessee (POST) system,

# TENNESSEE DEPARTMENT OF GENERAL SERVICES



Tennessee On-Line Purchasing System (TOPS), payroll and personnel, and utilization of the Department of Finance and Administration's STARS grant module to record the receipt and expenditure of federal funds. The audit was conducted in accordance with generally accepted government auditing standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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## OBJECTIVES, METHODOLOGIES, AND CONCLUSIONS

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### MOTOR VEHICLE MANAGEMENT (MVM)

The objectives of our review of Motor Vehicle Management controls and procedures were to determine whether

- state vehicles were safeguarded against theft and abuse;
- state vehicles were properly maintained;
- adequate records were maintained for both use and maintenance;
- state vehicles were purchased in compliance with established procedures;
- commercial credit cards were used only for authorized vehicles in an emergency or for gasoline purchased during out-of-state travel;
- Fuelman purchases were reviewed and reconciled on a timely basis and were made in accordance with the state's contract;
- MVM revenues were properly supported, accurate, and recorded in a timely manner;
- vehicles were surplus and sold in accordance with the state's policies and procedures; and
- qualified personnel performed maintenance and repair work on state vehicles.

We interviewed key department personnel to gain an understanding of the department's procedures and controls over Motor Vehicle Management. We reviewed the procedures used to ensure that state vehicles were safeguarded against theft and abuse. We selected several samples of vehicles to determine whether adequate records were maintained for both use and maintenance and whether the vehicles were properly maintained, were purchased in compliance with established procedures, and were surplus and sold in compliance with established procedures. We selected samples of commercial credit card and Fuelman billings to determine whether purchases were made in compliance with the department's policies. We selected a sample of MVM revenue items to determine whether the receipts were properly supported, accurate, and recorded in a timely manner. We also reviewed the files of vehicle maintenance employees to determine whether the employees complied with education and training requirements. We determined that the department had not ensured that the vehicles in the Motor Vehicle Management

fleet were properly maintained, as noted in finding 1. In addition to the finding, other minor weaknesses came to our attention and have been reported to management in a separate letter.

**1. The department did not ensure that vehicles in the Motor Vehicle Management fleet were properly maintained**

**Finding**

As noted in the four prior audits covering eight years, the Division of Motor Vehicle Management has not ensured that its vehicles are serviced at the required preventive maintenance intervals. Management concurred with all of the prior findings and stated that the FleetTracker Management System had been modified to produce reports identifying vehicles overdue for preventive maintenance and projecting preventive maintenance due dates for all other vehicles based on average monthly miles driven. These reports are to be furnished to the user agencies each month.

Although the department's efforts have decreased the percentage of vehicles overdue for maintenance, the percentage is still high enough to create concern. According to 50 of 111 maintenance records reviewed (45.0%), maintenance was not performed within the mileage or time guidelines set forth in the department's policies and procedures manual. The maintenance for 15 of those 50 (30.6%) was not performed within the mileage or time guidelines shown in the manufacturers' owner's manuals. (The department's preventive maintenance schedule requires a shorter interval than manufacturer requirements.) In response to a prior finding, management stated that the reason for any delays in performing maintenance would be documented. However, no documentation was on file to explain the untimely maintenance.

Not properly maintaining vehicles lowers the vehicles' resale value and may endanger the lives of its operators.

**Recommendation**

The Director of Motor Vehicle Management or his designee should contact as soon as possible vehicle operators and user agencies that are not properly maintaining the state's vehicles and penalize repeat offenders perhaps by withdrawing their driving privileges. The director should require a letter of explanation for all untimely maintenance.

**Management's Comment**

We concur. Management has devoted extensive effort and resources to ensure the preventive maintenance program is carried out in accordance with policy. There have been two management reports developed that are produced monthly and reviewed by key MVM staff.

These reports are provided to each agency listing the units due service, the units overdue service and the units which have appeared on the overdue list for the three consecutive months. Each overdue listing is followed up by MVM staff through verbal contact to ensure and verify the preventive maintenance has been performed. In extreme cases where MVM's efforts have not produced compliance, the operator's fuel cards have been deactivated until maintenance has been completed.

Management has seen dramatic improvement in the preventive maintenance program. December 1998 data indicated 543 (12%) units out of 4,413 were overdue service. Management will continue efforts to lower the overdue percentages. The preventive maintenance program will continue to be the number one priority until an acceptable level of compliance has been met.

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## **INTERNAL AUDIT**

The objectives of our review of internal audit controls and procedures were to determine whether

- internal auditors had the education, experience, and supervision needed for their work to be relied on by other auditors;
- the internal audit division is independent of the program functions of the department;
- internal auditors adequately documented their work; and
- internal auditors complied with established policies regarding content and amount of audits.

We interviewed key department personnel to obtain an understanding of the procedures and controls over internal audit. We reviewed all applicable policies and procedures. We reviewed the department's organization chart to determine whether the internal audit division is independent of the program functions of the department. We reviewed personnel files to determine whether the internal auditors have the education and experience needed for their work to be relied on by other auditors. We also reviewed the testwork for evidence of adequate supervision. We obtained and reviewed a listing of all audits completed during the audit period and during the past six years to determine if all programs had been audited at least once during the past six years and if cost-reimbursement contracts greater than \$500,000 had been audited. We also selected a sample of audits completed during the audit period to determine if the working papers were adequate and if the report was issued timely. We determined that the Office of Internal Audit had not complied with established policies, as noted in finding 2. In addition to the finding, other minor weaknesses came to our attention and have been reported to management in a separate letter.

## **2. The Office of Internal Audit did not comply with established policies**

### **Finding**

As noted in the prior audit, the Office of Internal Audit, which was created to continually test the department's internal controls, did not comply with established policies because of a shortage of personnel. During the audit period, the Office of Internal Audit issued reports relating to lost, stolen, or damaged equipment, Postal accountability, motor vehicle damage, lost or stolen motor vehicle credit cards, year-end inventory, follow-up of findings in the prior State Audit report, telephone bill analysis, Financial Integrity Act, and special requests. Although internal audit released 246 reports during the audit period, only three included reviews of internal controls in the various divisions. The department's policy on internal auditing states, "To the extent resources are available for such purposes, all principal programs, including administrative, financial, and supporting programs, shall be audited with a report issued by the Office of Internal Audit at least once during each six-year period." During the last six years, only eight such audits, covering five different divisions, have been performed. Seven divisions have not been audited at all.

Another responsibility of the Office of Internal Audit is the contract audit program. The Office of Internal Audit's Policy Statement states, "The contract audit program includes the site audit of documentation in support of claims, costs, cost proposals, and cost and pricing data arising from Department of General Services funded contracts, and other financial agreements entered into or proposed by all units of the Department of General Services." The department's procedures on contract auditing state, "To the extent resources are available for such purposes, the Office of Internal Audit will audit all cost reimbursement type contracts with costs of or greater than \$500,000 at least once during each two-year period." During the audit period, the department had 11 contracts with costs of \$500,000 or greater. None of these contracts, however, were audited.

During the audit period, the Office of Internal Audit consisted of the director, an auditor 4, and an auditor 2. Three people cannot fully meet the audit needs of a department as large and diverse as the Department of General Services.

Management concurred with the prior finding and stated that an additional auditor would be hired as soon as possible. However, the director has not been able to find a qualified person for the salary offered.

### **Recommendation**

The Commissioner should seek additional funding to hire qualified internal auditors. The Director of Internal Audit should ensure compliance with the department's internal audit policies and procedures by planning the audit work to ensure all divisions receive a review once every six years. The director should consider delegating routine follow-up work such as investigations of lost, stolen, or damaged equipment; telephone bill analysis; and Postal Accountability Report

analysis to a clerk or someone in each division who will report to the Director of Internal Audit. Also, the director should ensure that contracts of \$500,000 or greater are audited. Any vacant internal audit positions should be filled as quickly as possible.

### **Management's Comment**

We concur. During the period from July 1, 1997, through January 29, 1999, the Office of Internal Audit issued 137 reports and 9 projects are in process. The projects either completed or in process include 17 inventory observations, six limited reviews (Property Utilization, Central Stores, Systems, Postal Services, Cook Chill, and Property Services Management divisions), one follow-up of a State Audit report, and one contract audit. One of the six limited reviews and the contract audit report are currently in review and should be issued shortly. The inventory observations, limited reviews, and follow-up of State Audit reports are all time consuming projects that are completed as quickly as possible.

On June 30, 1998, the Office of Internal Audit was given approval to obtain one new Auditor 3 position. Our vacant Auditor 2 was filled September 16, 1998, after working an insufficient register with only two applicants on May 26, 1998. Five of the applicants on the Auditor 2 register who were not interested in the position were also on the Auditor 3 register. We are currently trying to find a suitable candidate to fill this position. However, our other Auditor 2 recently has taken an accounting job with another department and left on January 29, 1999. Thus, until the two vacancies are filled, our staff will be one Director, one Auditor 4, and one Auditor 2. In addition, we have made several unsuccessful attempts to find a suitable replacement for our Administrative Secretary position, which has been vacant since January 1, 1998. Some of our auditors' time has been used performing administrative tasks. We are currently working a transfer list to fill the Administrative Secretary position, which should allow us to shift some of our more administrative reports to this position.

We will continue to attempt to fill our vacancies with suitable auditors and will comply with our policies and procedures to the extent limited audit resources are available.

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### **EQUIPMENT**

The objectives of our review of equipment controls and procedures were to determine whether

- information on the Property of the State of Tennessee (POST) was accurate and updated on a timely basis;
- lost and stolen equipment was properly reported to the Comptroller's Office and was timely and properly removed from the equipment listing;
- property and equipment were adequately safeguarded;

- expenditures charged to object code 16 (equipment) represented a complete listing of equipment acquired during the audit period; and
- equipment purchases charged to federal grants complied with grant requirements.

We interviewed key department personnel to gain an understanding of the department's procedures and controls over equipment. We selected samples of equipment to determine whether items could be located, whether information on POST was correct, whether purchases charged to federal grants complied with grant requirements, and whether the Comptroller's Office was notified about lost and stolen equipment. We selected a sample of equipment items purchased during the audit period to determine whether the expenditures charged to object code 16 represent a complete listing of equipment acquired during the audit period. We also selected a sample of equipment leased from the Office for Information Resources to determine if the information was correct. We had no findings related to equipment; however, other minor weaknesses came to our attention and have been reported to management in a separate letter.

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## **PURCHASING**

The objectives of our review of purchasing controls and procedures were to determine whether

- the procedures used to select vendors for statewide contracts complied with state guidelines;
- companies providing security guard services had been properly monitored;
- procedures used to limit emergency purchases to only true emergencies were adequate; and
- delegated purchase authority was used properly.

We interviewed key department personnel to gain an understanding of the department's purchasing procedures and controls. We selected a sample of statewide contracts in force during the audit period to determine if proper bid procedures were followed. In addition, we selected a sample of emergency purchases and delegated purchase authority contracts to determine if they complied with state purchasing regulations. We reviewed the procedures used to ensure that security guards were qualified. We then selected a sample of security guard contracts to determine if the procedures were followed. We determined that the state's security guard contract was not properly monitored, as noted in finding 3. In addition to the finding, other minor weaknesses came to our attention and have been reported to management in a separate letter.

### **3. The state's security guard contract was not monitored**

#### **Finding**

The Department of General Services has contracted with Murray Guard, Inc., to provide security services for state office buildings in downtown Nashville. However, the department has not properly monitored this contract to ensure the guards are qualified.

Not all guards were licensed during the audit period. For 18 of 64 guard assignments tested (28.1%), the guards were not registered or licensed by the date of their assignment. *Tennessee Code Annotated*, Section 62-35-115(a), states, "It is unlawful for any individual to act as an armed or unarmed security guard/officer without having first obtained the appropriate registration card from the commissioner [of commerce and insurance]."

Because the Murray Guard, Inc., contract was not monitored, unqualified persons served as security guards.

#### **Recommendation**

The Commissioner or his designee should require Murray Guard, Inc., to furnish the department in advance a list of all persons who will be serving as security guards. The department should then verify with the Division of Private Protective Services of the Department of Commerce and Insurance that these persons are licensed. The Commissioner or his designee should periodically monitor Murray Guard's attendance rosters to ensure that only qualified persons are used as guards.

#### **Management's Comment**

We concur. To ensure compliance with the provisions of *Tennessee Code Annotated*, Section 62-35-115(a), and *Tennessee Code Annotated*, Section 62-35-119(b), a full-time contract administrator has been assigned to monitor the security guard's contract. In addition, the following procedures have been instituted: when a security guard's hired, trained and a license application submitted, a form is forwarded to the contract administrator requesting approval to assign this guard to duty. The contract administrator maintains a file of these requests and periodically checks with the Division of Protective Services of the Department of Commerce and Insurance on the status of the application. Also the contract administrator has required that the security company submit a copy of its semi-annual audit of license/application status to the contract administrator for cross-checking. The contract administrator also will make periodic checks of guards on duty, requiring them to produce their license or a copy of their application.

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## **PROPERTY OF THE STATE OF TENNESSEE (POST)**

As part of the audit of the state's Comprehensive Annual Financial Report (CAFR), we reviewed the controls over the Property of the State of Tennessee (POST) system to determine whether

- the system was operating effectively, and
- purchases were properly recorded.

We interviewed key department personnel to gain an understanding of the procedures and controls over POST. We reviewed the reconciliation procedures between POST and STARS. We also reviewed the POST error reports to determine if the necessary changes were made. In addition, we selected several samples to determine whether items were properly entered and coded on POST and whether required approvals were obtained for retired, surplus, or transferred items. We determined that administration of POST does not provide assurance that assets are accurately recorded, as noted in finding 4.

### **4. Administration of the Property of the State of Tennessee System needs improvement**

#### **Finding**

Administration of the Property of the State of Tennessee (POST) system does not provide assurance that assets are accurately recorded. Problems were found with retirement batches; security administration; documentation and authorization for retired, surplus, and transferred assets; and asset values and object codes.

#### **Retirement Batches**

Sometimes retirement (deletion) batches do not post correctly and halt processing. To restart processing, the Department of General Services makes changes directly to the POST database through Utility Services On-line (USO). This utility overwrites data and leaves no audit trail such as the date of the change, its purpose, and the name of the employee making the change.

#### **Security Administration**

To control access to POST, General Services has established user groups limiting each group's access to specific screens and data. Several POST users at the Department of General Services, however, are not assigned to user groups and have inappropriate access:

- A programmer and an analyst have access to production transactions, USO, and security access not related to their job duties. With this unlimited access, they can enter or change production transactions that have been approved and entered by others; add, change, and delete files, tables, and data directly in the database; or add or delete users or change users' access.

- Four property representatives at General Services have unlimited access to POST, although they need access only to property records.
- The Property Manager and the Security Administrator have access to USO. The Property Manager would not need this type of access if the system functioned correctly, and the Security Administrator's job duties do not require this type of access.

General Services did not obtain complete and accurate authorization requests for access to POST.

- Six of 15 users (40%) had no written access authorization on file.
- Seven of the 15 requests (47%) did not specify the type of access needed.
- Eleven of 15 requests (73%) did not specify which allotment codes the user needed to access.
- Two of eight users (25%) were not given the type of access requested on the form.
- One of 15 users (7%) was no longer employed by the agency that made the request.

Failure to obtain complete and accurate access authorization forms before granting system access and failure to assign the access requested and approved allow some individuals unauthorized access to the system and leave others without the access needed to perform their jobs.

#### Documentation and Authorization

Documentation for retirements, transfers, and surplus items was not maintained.

- There were no written requests to retire five of 23 assets (22%) from POST.
- Two of eight retirement requests (25%) were not approved by General Services management.
- A signed inspection request form was not on file for two of seven surplus items (29%).
- There was no written transfer request for five of 28 transferred assets (18%).
- Eight of 28 transferred asset requests (29%) had no documentation of approval to transfer the asset.
- Three of 15 transferred assets (20%) did not have adequate supporting documentation.

State policies and procedures require written authorization to retire, transfer, or surplus fixed assets. Without this written authorization, there is no evidence items have been properly retired, transferred, or surplus.

## Asset Values and Object Codes

Records on POST were incomplete, invalid, and inaccurate:

- Four hundred six records had blank object codes because the object codes had been incorrectly deleted when the transfers of equipment were keyed. These items totaled \$784,678.25. There are no edits in POST to prevent blank object codes.
- Sixty-four donated items had a cost less than \$1.00 because they were not recorded at fair market value at date of donation. General Services personnel do not investigate items with low costs to determine whether the items need to be recorded on the POST system, and if so, whether they are recorded at the appropriate amount.
- POST did not have complete funding or location information for two of 19 equipment expenditures (11%).
- The description on POST did not match the description on the invoice for two of 17 equipment expenditures (12%).

Inaccurate object codes, costs, and descriptions affect the accuracy of the state's fixed assets records.

### **Recommendation**

The POST system should be modified so that retirement transactions record correctly, thereby eliminating the need to use USO to correct data. Any use of USO should be well documented to include date of change, purpose of the change, name of employee making the change, and approval.

POST security should be strengthened. Every user should be assigned to a user group. Employees should have no more access in POST than is necessary to perform their job duties. Programmers and analysts should not have access to production transactions or security. Property representatives should not have access to security tables and files and to USO. The Property Manager's and Security Administrator's USO use should be documented, limited as much as possible, and eventually eliminated as the system problems are corrected.

Written security requests should be obtained for all POST users. These requests should specify the allotment codes and type of access needed. Users should be given only the type of access specified in the written request authorized by user management. Employee access to POST should be canceled upon termination.

Proper documentation should be obtained and maintained for all POST retirements, transfers, and surpluses. Requests to retire assets should be approved by General Services management in accordance with state policies. Before assets are surplus, the signed inspection request should be obtained. Assets should not be transferred without a written request for transfer, approval to release the asset, and authorization to accept the asset.

Edits should be established in POST to prevent blank object codes. Donated assets should be recorded at fair market value at the date of donation. General Services personnel should investigate items with low costs to determine whether the items need to be recorded on POST and if so, whether they are recorded at the appropriate amount. All funding and location information should be completed on POST and the asset's description on POST should match the description on the invoice.

## **Management's Comment**

### Retirement Batches

We concur. The POST system currently will not allow two transfer transactions in the same period. If a surplus retirement is attempted during the same period (month) as a transfer was processed, the system "abends." The previous method of correction was through the USO transaction by the Asset Management group. These situations are now turned over to ISM to be handled through Multitrac and OIR utilities to correct the data problem. The long-range solution for this problem will be when the state migrates to version 16.6.4 of POST. The state is currently operating in version 16.5.0.

### Security Administration

We concur. The security for the POST system has been modified to allow analysts and programmers inquiry capability only. General Services employees who work directly in POST now have only those capabilities required for them to complete day-to-day responsibilities. The section manager will maintain USO until version 16.6.4 is installed by OIR. This provision is only as an aide to the ISM efforts.

The POST Security Administrator is currently auditing the files that relate to the profiles needed for users in other departments and agencies. The goal of this audit and subsequent modifications is to ensure that all users are set up correctly in POST. We should be completed with this project by June 30, 1998.

### Documentation and Authorization

We concur. Proper documentation will be maintained.

### Asset Values and Object Codes

We concur. The blank object code problem was discovered prior to the audit being conducted and was in the process of being corrected. It appears that when a transfer transaction was processed, the object code field was being dropped. The problems with object codes, and those concerning funds and costs, have been corrected in the POST system.

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## TENNESSEE ON-LINE PURCHASING SYSTEM (TOPS)

As part of the state's Comprehensive Annual Financial Report (CAFR), we reviewed the controls over and procedures for the Tennessee On-Line Purchasing System (TOPS). The objectives of our review of TOPS were to determine whether

- system errors were properly corrected;
- transaction inputs were reconciled with system outputs; and
- controls in TOPS were operating effectively to ensure all purchases were properly recorded.

We interviewed key department personnel to gain an understanding of the department's procedures for and controls over TOPS. We reviewed exception reports listing transactions that did not have the appropriate approvals, procedures for monitoring system logs, and access controls to TOPS. We also selected samples of error reports, disbursement vouchers, and canceled warrants. We determined that proper authorization for departmental users' access to TOPS was not on file at the Department of General Services, as noted in finding 5.

### **5. Documentation to support access to the Tennessee On-Line Purchasing System was not on file**

#### **Finding**

Proper authorization for departmental users' access to the Tennessee On-line Purchasing System (TOPS) was not on file at the Department of General Services. Although each state department determines the access its staff need to perform their jobs and files authorization forms for this access, General Services' staff are responsible for ensuring that the forms are completed and access is established in TOPS. In many instances however, access authorization forms were either not obtained, not complete, or inconsistent with actual access.

- For two of 15 users' access tested (13%), no written request for access was on file at General Services.
- Four of 13 access authorization forms tested (31%) did not specify the type of access (view or update) to give the user.
- Four of 13 access authorization forms tested (31%) did not specify which department the user was approved to access.
- Nine of 13 users (69%) did not have the type of access to TOPS the department requested on the access authorization form.

There was also no documentation for TOPS security groups. Each user is assigned to a security group which limits access to certain screens. However, the Department of General

Services has not documented to which screens each group has access. Without documentation of the screens in each group, it may be difficult for departments to determine in which groups their users need to be included. As a result, users may request more access than they really need. Access controls are needed to prevent the unauthorized alteration or deletion of data.

### **Recommendation**

The Purchasing Division of the Department of General Services should obtain and maintain complete access authorization requests for all TOPS users. The requests should specify the type of access and allotment codes approved by user management. The user should be given only the type of access requested. Users should not be given access to TOPS until their departments submit access authorization forms. Also, TOPS security should be well documented to include the screens each security group may access.

### **Management's Comment**

We concur. The Purchasing Division is in the process of documenting TOPS security set-up, user groups and the various screens involved and what functions these users are allowed to perform. A complete and signed TOPS security form is required to set up TOPS security for an individual. Forms that are not signed are returned to the sender for signature. It has been our policy to accept security forms only when completely filled out. If a portion is missing, it is our policy to phone the individual who authorized the form and get the needed information from them verbally. The TOPS Security Officer will write this information on the form in the proper field. All security forms are being filed by department in alphabetical order.

In addition, our Systems Security Administrator is obtaining electronic copies of the policies concerning assignment and maintenance of users. This information will be stored on the network in a shared area and will include a copy of the group names as well as a description of each group. In addition, a listing of the screens that are associated with each group will be provided.

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## **PAYROLL AND PERSONNEL**

During an audit of the Department of Environment and Conservation, we reviewed payroll and personnel controls and procedures. The objectives of our review were to determine whether

- payroll disbursements were made for work authorized and performed,
- payroll disbursements were recorded correctly as to amount and time period, and
- employees were qualified for their positions.

Through discussions with key department personnel and testwork, we discovered that one employee was working in one department while being paid by another department, as discussed in finding 6.

**6. Established state personnel procedures have been circumvented**

**Finding**

The Department of General Services has knowingly participated in a plan with another department to place an employee in a position that circumvents established state personnel procedures.

On July 1, 1994, an employee was transferred from an Executive Housekeeper 2 position in the Department of General Services to a Hospitality Manager 1 position assigned to the restaurant at Paris Landing State Park, part of the Department of Environment and Conservation. However, the employee has continued to work full-time at the Executive Residence and at no time has performed duties at the state park. The Department of Environment and Conservation has paid the employee's salary and benefits and then billed the Department of General Services through monthly journal vouchers for the costs. A review of the request for personnel action form and the attached daily input roster indicates the transfer was done to give the employee a two-step raise above the top range for an Executive Housekeeper 2 position.

Shifting employees and salaries between departments circumvents established state procedures and distorts the actual operating expenditures of the departments involved.

**Recommendation**

The commissioner should ensure that salaries and benefits are paid only for employees who work for the Department of General Services.

**Management's Comment**

We concur. This personnel action has now been corrected. We will make every effort in the future to ensure personnel transactions are processed in accordance with established procedures.

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**DEPARTMENT OF FINANCE AND ADMINISTRATION POLICY 20,  
"RECORDING OF FEDERAL GRANT EXPENDITURES AND REVENUES"**

Department of Finance and Administration Policy 20 requires that state departments whose financial records are maintained on the State of Tennessee Accounting and Reporting

System (STARS) fully utilize the STARS grant module to record the receipt and expenditure of all federal funds. Our testwork focused on whether

- appropriate grant information was entered into the STARS Grant Control Table upon notification of the grant award, and whether related revenue and expenditure transactions were coded with the proper grant codes;
- appropriate payroll costs were reallocated to federal programs within 30 days of each month-end using an authorized redistribution method;
- the department made drawdowns at least weekly using the applicable STARS reports;
- the department negotiated an appropriate indirect cost recovery plan, and whether indirect costs were included in drawdowns; and
- the department utilized the appropriate STARS reports as bases for preparing the Schedules of Expenditures of Federal Awards and reports submitted to the federal government.

We interviewed key personnel to gain an understanding of the department's procedures and controls concerning Policy 20. There were no findings related to this policy.

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## **PRIOR AUDIT FINDINGS**

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Section 8-4-109, *Tennessee Code Annotated*, requires that each state department, agency, or institution report to the Comptroller of the Treasury the action taken to implement the recommendations in the prior audit report. The Department of General Services filed its report with the Department of Audit on May 1, 1998. A follow-up of all prior audit findings was conducted as part of the current audit.

### **RESOLVED AUDIT FINDING**

The current audit disclosed that the Department of General Services had corrected the previous audit finding concerning inadequate data-processing security.

### **REPEATED AUDIT FINDINGS**

The prior audit report also contained findings concerning the failure to fully utilize the Property of the State of Tennessee (POST) system, inadequate controls over POST assets, Internal Audit's noncompliance with established procedures, and the inadequate maintenance of the Motor Vehicle Management fleet. These findings have not been resolved and are repeated in the applicable sections of this report.

## **PAST FINDING NOT ACTED UPON BY MANAGEMENT**

Prior audits of the Department of General Services have contained a finding concerning noncompliance with state law relating to the coordination and administration of state personal property. The Department of Transportation (DOT) uses its own property management system. Department of General Services management indicated that they have tried to work with DOT to incorporate its property into the statewide system but that DOT has been uncooperative.

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## **OBSERVATIONS AND COMMENTS**

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### **TITLE VI OF THE CIVIL RIGHTS ACT OF 1964**

*Tennessee Code Annotated*, Section 4-21-901, requires each state governmental entity subject to the requirements of Title VI of the Civil Rights Act of 1964 to submit an annual Title VI compliance report and implementation plan to the Department of Audit by June 30, 1994, and each June 30 thereafter. For the year ending June 30, 1997, the Department of General Services filed its compliance report and implementation plan on June 30, 1997, for the year ended June 30, 1996, on June 28, 1996.

Title VI of the Civil Rights Act of 1964 is a federal law. The act requires all state agencies receiving federal money to develop and implement plans to ensure that no person shall, on the grounds of race, color, or origin, be excluded from participation in, be denied the benefits of, or be subjected to discrimination under any program or activity receiving federal funds.

The State Planning Office in the Executive Department was assigned the responsibility of serving as the monitoring agency for Title VI compliance, and copies of the required reports were filed with the State Planning Office for evaluation and comment. However, the State Planning Office has been abolished. The Office of the Governor has not designated a new monitoring agency for the Executive Branch.

A summary of the dates state agencies filed their annual Title VI compliance reports and implementation plans is presented in the special report *Submission of Title VI Implementation Plans*, issued annually by the Comptroller of the Treasury.

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## APPENDIX

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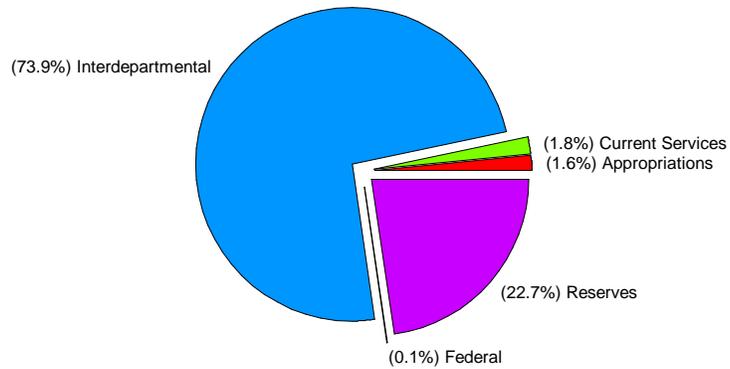
### DIVISIONS AND ALLOTMENT CODES

Department of General Services' divisions and allotment codes:

- 321.01 Administration
- 321.02 Postal Services
- 321.04 Property Utilization
- 321.06 Motor Vehicle Management
- 321.07 Building Management
- 321.09 Printing
- 321.10 Purchasing
- 321.15 Systems Management
- 321.17 Records Management
- 321.18 Central Stores
- 501.01 Facilities Revolving Fund

## Funding Sources

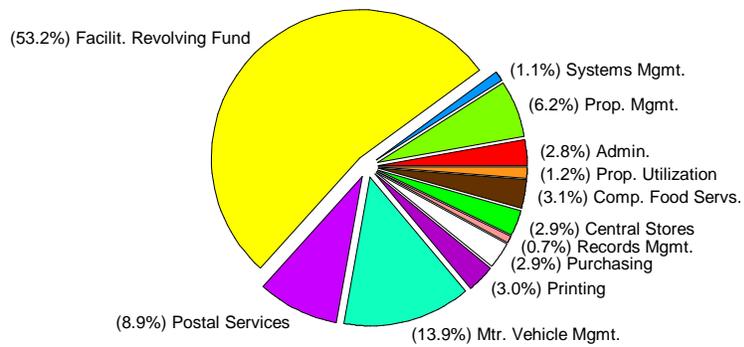
Year Ended June 30, 1997 (unaudited)



Source: Department of General Services

## Expenditures by Allotment & Division

Year Ended June 30, 1997 (unaudited)



Source: Department of General Services

