REPORT DIGEST

DEPARTMENT OF TRANSPORTATION

FINANCIAL AUDIT AND COMPLIANCE EXAMINATION
For the Year Ended:
June 30, 2009

Summary of Findings:
Total this audit: 20
Total last audit: 30
Repeated from last audit: 14

Release Date:
May 11, 2010

State of Illinois
Office of the Auditor General
WILLIAM G. HOLLAND
AUDITOR GENERAL

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SYNOPSIS

- The Department's year-end financial reporting to the Illinois Office of the State Comptroller contained weaknesses and inaccuracies.
- The Department maintained inaccurate commodities inventory records for the year ended June 30, 2009.
- The Department did not accurately report capital assets to the Illinois Office of the State Comptroller for fiscal year 2009.
- The Department did not exercise adequate controls over employee attendance to ensure employees' work hours and benefit time were properly recorded and documented.
- The Department did not exercise adequate controls over the employee use, accrual and documentation of Equivalent Earned Time (EET) or overtime.
- The Department did not have adequate internal controls over its personnel functions and policies.
- The Department did not comply with certain requirements of an interagency agreement and an Illinois Commerce Commission Order when disbursing payments for a Grade Crossing Protection Fund Project.
- The Department's process to monitor interagency agreements was inadequate.
- The Department did not have adequate controls to prevent inappropriate payments to vendors.

{Expenditures and Activity Measures are summarized on the reverse page.}

DEPARTMENT OF TRANSPORTATION
FINANCIAL AUDIT AND COMPLIANCE EXAMINATION
For The Year Ended June 30, 2009

EXPENDITURE STATISTICS	FY 2009	FY 2008
• **Total Expenditures..**	**$4,149,581,073**	**$3,881,043,834**
OPERATIONS TOTAL	$760,780,904	$726,267,214
% of Total Expenditures..............................	18.33%	18.71%
Personal Services	$379,246,955	$385,758,556
% of Operations Expenditures	49.85%	53.12%
Average No. of Employees	5,135	5,326
Other Payroll Costs (FICA, Retirement)..	$109,166,895	$93,632,116
% of Operations Expenditures	14.35%	12.89%
Contractual Services	$127,121,897	$118,531,864
% of Operations Expenditures	16.71%	16.32%
All Other Operations Items...........................	$145,245,157	$128,344,678
% of Operations Expenditures	19.09%	17.67%
GRANTS TOTAL...	$1,399,099,730	$1,416,341,723
% of Total Expenditures..............................	33.72%	36.49%
CONSTRUCTION TOTAL	$1,984,561,054	$1,733,775,930
% of Total Expenditures..............................	47.83%	44.68%
CAPITAL IMPROVEMENTS TOTAL...........	$5,139,385	$4,658,967
% of Total Expenditures	0.12%	0.12%
CAPITAL ASSETS – GROSS		
Infrastructure..	$23,417,341,000	$22,895,369,000
All Other	2,768,744,000	2,634,319,000
Total	$26,186,085,000	$25,529,688,000

SELECTED ACTIVITY MEASURES (Not Examined)	FY 2009	FY 2008
• Number of bridges maintained/improved.................	293	272
• Percent of bridges in need of repair.........................	9.0%	9.4%
• Number of lane miles of pavement maintained	42,875	42,875
• Construction investment/lane mile	$44,996	$39,295
• Miles of pavement maintained/improved.................	2,528	933
• Percent of roads in need of repair	13.0%	14.4%

AGENCY SECRETARY(S)
During Audit Period: Mr. Gary Hannig Currently: Mr. Gary Hannig

FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

NEED TO IMPROVE FINANCIAL REPORTING

The Department of Transportation's (Department's) year-end financial reporting in accordance with Generally Accepted Accounting Principles (GAAP) to the Illinois Office of the Comptroller contained weaknesses and inaccuracies.

Some of the conditions noted follow:

GAAP packages submitted late

- GAAP reporting packages were not submitted to the Comptroller in a timely manner. GAAP reporting packages were due to the Comptroller on September 11, 2009. The Department submitted 7 of its 32 (22%) packages late. The final package was submitted on October 14, 2009, approximately (1) month late. Due to discussions and communication between the Department, Comptroller, and other State agencies and universities, the forms did not receive the Comptroller's final review until December 15, 2009, and the final draft of the financial statements, after adjustments, was provided on February 19, 2010.

Lack of support for federal expenditures

- The Department could not provide supporting documentation from its accounting records for $59,423,000 (4%) of $1,412,088,000 federal expenditures reported to the Office of the State Comptroller for five federal programs. The expenditure totals reported for those programs were derived by subtracting prior year grant receivables from the current year grant receipts.

Encumbrances understated by approximately $2,321,000

- The Department's liability estimation model does not permit for the calculation of encumbrances. During fieldwork, the Department performed an analysis of its encumbrances at June 30, 2009 and determined that it was approximately $2,321,000 more than what was recorded in its financial statements.

We recommended the Department implement procedures and cross-training measures to ensure GAAP Reporting Packages are prepared in a timely, accurate and complete manner. Also, the Department should modify its accounts payable model to include the dates tangible items such as commodities and fixed assets are ordered and received so that the encumbrances can be accurately computed.

Department agrees with auditors

Department officials agreed with our recommendation and stated the Department experienced the unexpected loss of key personnel during the GAAP reporting process.

NEED TO IMPROVE COMMODITIES INVENTORY RECORDS

The Department maintained inaccurate commodities inventory records for the year ended June 30, 2009.

Entire inventory population was understated by an estimated $4,093,000

During our physical inventory counts, we counted 650 inventory items and noted discrepancies between audit test counts and Department inventory counts for 240 (37%) items. The errors resulted in an understatement of the year end inventory balance of $327,000 which, when extrapolated over the entire inventory population, resulted in an estimated understatement of $4,093,000. The Department was not able to reconcile between audit test counts and Department physical inventory counts for these differences.

Pricing errors resulted in an estimated overstatement of $7,478,000 for inventory

During our price testing, we sampled 67 inventory items. We were not provided with price documentation for 6 (9%) items in our sample. Of the documentation provided, 23 (34%) items contained an inaccurate price. It was determined that certain commodities were given equal pricing across the State although actual commodity costs varied by location. In other instances, the inventoried commodities costs did not agree to the actual invoice at the time the commodities were purchased. The discrepancies between final inventory prices and invoice prices, including the 6 items for which no documentation was provided, resulted in an overstatement of the year end inventory amount of $308,000. When extrapolated over the entire inventory population, this discrepancy resulted in an estimated overstatement of $7,478,000. (Finding 2, pages 15-17) **This finding was first reported in 1994.**

We recommended the Department strongly emphasize the importance of maintaining accurate inventory quantity and cost records throughout the year. We also recommended the Department perform periodic physical inventory counts of commodities inventory and reconcile those counts to its Department records. Further, we recommended the Department implement a review at year-end to compare costs assigned per inventory listings to the most recent inventory amounts to ensure accurate unit costs.

Department agrees with auditors

Department officials agreed with the recommendation and stated the Department is committed to resolving the issues involved with the commodities inventory process (For the previous Department response, see Digest Footnote #1)

NEED TO IMPROVE REPORTING OF CAPITAL ASSETS

The Department did not accurately report capital assets to the Illinois Office of the State Comptroller for fiscal year 2009.

We noted the following errors and weaknesses in the Department's capital assets financial reporting process:

Capital asset balance was understated by $21,259,000

- The Department determined that its June 30, 2008 government activity capital assets balance, net, was understated by $21,259,000 due to errors in the preparation of its quarterly State property information. This information is reported to the Illinois Office of the State Comptroller. When the Department discovered the error in fiscal year 2009, it determined to record the activity necessary to correct the understatement in fiscal year 2009 rather than restating the balance as of July 1, 2008. This treatment, while significant, did not result in materially misstating the Department's financial statements for the year ended June 30, 2009. However, the error represents deficiencies in the operation of the Department's control over the capital asset reporting process.

$135,188,000 in errors on reports filed with the Office of the State Comptroller

- Our testing noted errors of $135,188,000 in the initial information reported by the Department to the Office of the State Comptroller. These errors included rounding infrastructure accounts payable to millions rather than thousands; mathematical inaccuracies of data input; and improper determination of the cost basis of Right of Way land assets disposed of during fiscal year 2009. (Finding 3, pages 18-19)

We recommended the Department devote sufficient resources to its financial accounting functions such that the capital assets information is properly recorded and accounted for to permit the preparation of reliable financial information and reports to the Office of the State Comptroller.

Department agrees with auditors

Department officials agreed with the recommendation and stated they identified errors in the prior year capital assets reporting and as a result had significant corrections to the capital assets balance during FY09.

INADEQUATE CONTROLS OVER EMPLOYEE ATTENDANCE

The Department did not exercise adequate controls over employee attendance to ensure employees' work hours and benefit time were properly documented.

During testing , we noted the following:

Accrued absence balances overstated

- Three of 35 (9%) employees tested did not complete leave slips for 63 hours of benefit time taken and no leave time was entered into the Department's timekeeping system (TKS) resulting in the overstatement of employees' accrued compensated balances by that amount.

Sign in sheets were not located or inaccurate

- The Department could not locate all employee sign-in sheets for 4 of 35 (11%) employees tested. The Department had no FY09 weekly sign-in sheets for one employee who separated in August. In addition, 26 weekly sign-in sheets were missing for the 3 employees. Further, 6 of 35 (17%) employees' tested timesheets were inaccurate in that the employee signed in and out on their regular day off or on State holidays, or they did not document benefit time used when signing out.

Timesheets prepared late

- Three of 35 (9%) employees tested did not prepare timesheets until 36 to 148 days after the end of the pay period.

Supervisors did not approve timesheets

- Four of 35 (11%) employees' tested supervisors did not approve the timesheets for the 3 months tested. In addition 1 of 35 (3%) tested employees timesheets were approved by the supervisor from 37 to 83 days after the end of the pay period for the 3 months tested.

Leave slips not completed timely

- Six of 35 (17%) employees tested did not complete leave slips timely for the 3 months tested. The leave requests tested were submitted from 14 to 153 days after the time off occurred. (Finding 4, pages 20-21) **This finding was first reported in 2007**.

We recommended the Department implement controls to ensure employees complete leave requests for time off, accurately complete the sign-on sheets and agree those records to the timekeeping system to ensure accrued absence balances are accurate. Further, the Department should ensure employees time records are complete and approved by their supervisor. In addition, the Department should correct any employee's accrued absence balance noted as incorrect.

Department agrees with auditors

Department officials agreed with the recommendation and stated the Personnel Policy Manual has been updated to state employees are responsible for submitting leave requests to their supervisors in advance when possible, but no later than one week after the absence. (For the previous Department response, see Digest Footnote #2)

INADEQUATE CONTROLS OVER EMPLOYEE OVERTIME

The Department did not exercise adequate controls over the employee use, accrual, and documentation of Equivalent Earned Time (EET) or overtime.

Some of the conditions noted follow:

- Nineteen of 35 (54%) employees tested overtime or Equivalent Earned Time (EET) was not properly tracked, recorded, and approved.

EET and overtime reported without supervisory pre-approval

  - Thirteen employees reported a total of 508 hours of EET without the supervisor's pre-approval.
  - Six employees reported a total 575 hours of overtime on overtime cards without the supervisor's pre-approval.

Leave slips not completed

  - Five employees did not complete leave slips for 41 hours of EET utilized.
  - Three employees did not maintain overtime cards for 38 hours of overtime and 11 hours of EET earned.

EET accrued at 1½ times the standard rate

  - Three employees worked 34 hours of EET that were accrued at 1 ½ times the standard rate. This resulted in an overstatement of 17 hours.

- Four of 35 (11%) employees tested had accrued EET balances totaling from 219 to 259 hours as of June 30, 2009.

Department policy limits the EET accrual for certain technical employees' levels to 90 hours. (Finding 5, pages 22-24) **This finding was first reported in 2007.**

We recommended the Department ensure overtime and EET is approved in advance, properly documented, recorded and accrued.

Department agrees with auditors

Department officials agreed with the recommendation and stated the Personnel Policy Manual has been updated to clarify Employee Overtime and Earned Equivalent Time (EET). (For the previous Department response, see Digest Footnote #3)

INADEQUATE INTERNAL CONTROLS OVER PERSONNEL FUNCTIONS AND POLICIES

The Department did not have adequate internal controls over its personnel functions and policies.

During our testing of personnel files, we noted the following:

Interim pay extended without proper approval

- Three of 35 (9%) employees tested received pay increases for interim assignments that were extended beyond the initial term without proper approval. In addition, one employee's interim assignment pay was $216 per month higher than the policy allowed for twelve and one-half months.

Pay increase of 10% without documented additional duties

- Seven of 35 (20%) employees tested received pay increases up to 10% for additional duties effective January 15, 2009. We reviewed the individual's specific job description and did not note any documented additional duties. These raises were subsequently rescinded on April 29, 2009.

Could not determine which employee used Secretary's signature stamp

Written authorizations for signature stamps not maintained

- We noted the Secretary's signature approved via stamp or autopen were routinely used as approvals on changes in personnel transactions on the Notice of Personnel Action Form (PM 1) such as salary changes and employee status. The stamps are not differentiated and there were typically no initials present to distinguish which employee had affixed the stamp. In addition, the Department did not maintain documentation to substantiate any of the former Secretary's authorizations for the stamps. Further, we did not note written documentation of the current Secretary's authorization for one of the individuals we were informed had possession and affixed the signature stamp on PM1s. (Finding 6, pages 25-26)

We recommended the Department ensure its signature authorizations are properly documented and the signature stamps are either differentiated or accompanied by documentation of the user. In addition, the Department should ensure all salary adjustments are adequately documented and authorized as required in the Department's Personnel Policy.

Department agrees with auditors

Department officials agreed with the recommendation and stated they will ensure that appropriate staff is reminded of the documentation and authorization requirements related to salary adjustments.

FAILURE TO COMPLY WITH INTERAGENCY AGREEMENT AND ORDER

Failure to comply with ICC Order for a Grade Crossing Protection Fund Project

The Department did not comply with certain requirements of an interagency agreement and an Illinois Commerce Commission (Commission) Order when disbursing payments for a Grade Crossing Protection Fund Project.

39% of project costs to be paid by GCPF

The Department entered into an interagency agreement with the Commission on March 21, 2005 to administer Grade Crossing Protection Fund (GCPF) safety improvement projects. The agreement assigns certain responsibilities to the Commission and the Department. The Commission issued an Order on June 7, 2006 for improvements to a railroad carrier's street structure component in a large city in Illinois. The estimated cost was $1.5 million with approximately 39% or $582,000 to be paid by the GCPF and the railroad carrier paying the remaining 61%. A supplemental order was approved by the Commission on November 13, 2008 increasing the project cost by $1,100,000, of which, the Department would be responsible for approximately 39% or $429,000.

No GCPF audit since FY07

The interagency agreement and Order assigns the Department the responsibility to ensure the rail carrier provided sufficient documentation for all reimbursements and provided for minimum documentation requirements. The agreement further requires the Department to conduct audits of all GCPF projects. As of June 30, 2009, Department management stated the last such audit was conducted in FY07.

Payments totaled $1,011,000 in FY09

We reviewed the payments totaling $1,011,000 by the Department to the railroad carrier during FY09 and noted none of the invoices contained sufficient documentation. The following problems were noted:

Inadequate supporting documentation for labor charges

- The Department was unable to provide adequate supporting documentation for a total of $255,822 paid for labor charges including engineering and supervision and the overhead additive percentage of 82%.

Equipment charges in addition to additive rate not documented

- The Department reimbursed a 60% overhead additive rate applied to the labor charges for equipment totaled $81,756 rather than paying the actual equipment costs. We also noted equipment charges in addition to the overhead rate which were paid totaling $5,727 with no documentation provided.

Lack of documentation for materials and supplies

- The Department was unable to provide supporting documentation for a total of $158,458 paid for materials and supplies.

Contractual payments not adequately documented

- Contractual payments totaling $480,723 were not adequately documented or were supported by the railroad carrier rather than the contractors.

Travel and miscellaneous expenses did not appear reasonable

- We were unable to determine whether expenditures related to travel totaling $67,060 and miscellaneous expenses totaling $6,426 were related to the GCPF project. The travel expenses included meals, lodging, and mileage reimbursement in different states and locations that did not appear reasonable given the location of the project. (Finding 7, pages 27-29)

We recommended the Department ensure all payments are adequately supported and in compliance with the Order and interagency agreement. Further, the Department should conduct audits as required by the interagency agreement.

Department agrees with auditors

Department officials agreed with the recommendation and stated they are currently conducting reviews in compliance with the Illinois Commerce Commission (ICC) Order and ICC/Department of Transportation Interagency agreement. Department officials further stated the auditors' concerns over the bill in question have been forwarded to the railroad for explanation and additional documentation for charges billed. Further review of this project will be conducted.

INADEQUATE PROCESS TO MONITOR INTERAGENCY AGREEMENT

The Department's process to monitor interagency agreements was inadequate.

We noted the following:

Agreements not signed prior to the effective date

- Three of 5 (60%) interagency agreements tested were not signed by all parties prior to the effective date. The agreements were signed from 11 to 132 days late.

Salary differed from the amount specified in the agreement

- For 1 of 5 (20%) agreements tested, entered into by the Office of the Governor (Office) and the Department, for the sharing of employee services ("liaisons") during FY09, the salary paid differed from the salary amount specified in the agreement. The agreement stated the employee's annual salary paid would be $76,020; however, the annual salary paid by the Department totaled $79,620, a difference of $3,600.

- For 4 of 5 (80%) agreements tested, required documentation was not maintained by the Department. These agreements for liaisons entered into by the Office and the Department required the Department to maintain all documentation related to leave administration, payroll, and other personnel activities. We noted the following:

Liaisons' sign-in sheets not maintained

  - Three liaisons' sign-in sheets were not maintained by the Department;

Accrued absence balances overstated

  - One liaison did not submit leave requests for 37.5 hours of vacation and 15 hours of sick time taken. In addition, the Department's timekeeping system (TKS) balances were not adjusted and the employees' accrued absence balances were overstated by those amounts. (Finding 9, pages 33-34) **This finding was first reported in 2007.**

We recommended the Department ensure interagency agreements are approved prior to the effective date of the agreement. Also, the Department should ensure terms of the agreement are followed.

Department agrees with auditors

Department officials agreed with the recommendation and stated they were working with the IAA manager in the Governor's Office to ensure that all IAA's are properly executed before the employee begins work, that if during the term of the IAA a salary increase is proposed, the appropriate

IAA amendment will be executed and the employees will be asked to coordinate all leave requests with the Department's timekeeper. (For the previous Department response, see Digest Footnote #4)

INADEQUATE CONTROLS TO PREVENT INAPPROPRIATE PAYMENTS TO VENDORS

$103,172 in duplicate or erroneous payments

The Department did not have adequate controls to prevent inappropriate payments to vendors. During testing, we noted eight instances where the Department issued $103,172 in duplicate or erroneous payments to vendors during FY09.

Payments were issued twice

We obtained a report of potential duplicate vouchers using auditing software and the following 2 of 25 (8%) payments tested were issued twice by the Department:

- $956 to an employee for lodging, parking and meals reimbursement;

- $3,400 reimbursement to a local government for overpayment on its share of construction costs on a joint improvement.

Vendors return duplicate or erroneous payments

We also noted 6 of 25 (24%) refunds tested were received by the Department when vendors returned duplicate or erroneous payments:

- A vendor was paid $2,367 twice for a scenic byway grant;
- A park district was paid $1,994 twice for municipal maintenance of State highways;
- Two counties returned checks totaling $53,027 and $31,833 for duplicate payments for construction costs and operating assistance to provide public transportation;
- Two vendors returned checks totaling $7,887 and $1,708 and stated the Department did not owe them any money.

No review of employee overrides

The Department's accounting system invokes a warning for duplicate payments for invoices if the invoice number already exists or if the payee identification and invoice dollar amount are the same, but the same individual who enters the voucher can override the alert. In addition, there is no centralized report to allow management to review all employee overrides for reasonableness. Further, the system only warns for duplicates within the same accounting entity and fiscal year, and the Department has 35 accounting entities entering vouchers and also has reappropriated accounts that do not lapse at the end of the fiscal year. (Finding 13, pages 41-42) **This finding was first reported in 2007.**

We recommended the Department implement controls to review the employee override for duplicate payments. In addition, we recommended controls be implemented to prevent duplicate payments between accounting entries and over different fiscal years for the reappropriated accounts. Further, the Department should obtain reimbursement for any duplicate payments made if not already received.

Department agrees with auditors

The Department officials agreed with the recommendation and stated for FY10 the Department now requires all Accounting Entities to keep copies of invoices received and sent to the accounting unit. (For the previous Department response, see Digest Footnote #5)

OTHER FINDINGS

The remaining findings are reportedly being given attention by the Department. We will review the Department's progress toward implementation of our recommendations in our next examination.

AUDITORS' OPINION

Our auditors state the basic financial statements of the Department as of and for the year ended June 30, 2009 were fairly presented in all material respects.

STATE COMPLIANCE EXAMINATION – ACCOUNTANT'S REPORT

The auditors qualified their report on State Compliance for findings 09-3 and 09-5 through 09-7. Except for the noncompliance described in these findings, the auditors state the Department complied, in all material respects, with the requirement described in the report.

WILLIAM G. HOLLAND, Auditor General

WGH:PH:pp

AUDITORS ASSIGNED

The compliance examination was performed by the Auditor General's staff. Sikich, LLP was our special assistant auditors for the financial audit.

DIGEST FOOTNOTES

#1 – INACCURATE COMMODITIES INVENTORY RECORDS

2008: The Department agreed with the recommendation and stated the Division of Highways staff was preparing a standard spreadsheet which will go out to all districts on which they will record the inventory counts. They stated they would expand the spreadsheet to include the last year's counts and the spreadsheet will perform a calculation for variances and ask the districts to investigate items with significant variances and provide reasons as to why there was a variance. When the district was pricing out some of the commodity items they would average yard costs among commodity items to get an average district price. The Department further stated they would have a conference call with all the districts approximately a month before the inventory is taken, emphasizing the importance of correct pricing and attention to detail. This call will be followed up with a detailed memo reiterating the main points on the call.

#2 –INADEQUATE CONTROLS OVER EMPLOYEE ATTENDANCE

2008: The Department agreed with the recommendation and stated the sign-in/sign-out sheets were under the purview of Labor Relations. A reminder will be sent employees/supervisors reminding them of the proper procedure for completion of sign-in/sign-out sheets. A reminder will be sent to the Personnel Managers requesting that TKS be updated to reflect current work schedules and remind them that leave requests must be signed and dated by supervisors.

#3 –INADEQUATE CONTROLS OVER EMPLOYEE OVERTIME

2008: The Department agreed with the recommendation and stated a reminder will be distributed reinforcing the need to complete overtime cards in a complete/consistent manner as well as document all time on individual office timesheets as opposed to the main desk (particularly for time worked on weekends).

#4 –INADEQUATE PROCESS TO MONITOR INTERAGENCY AGREEMENT

2008: The Department agreed with the recommendation and stated they will work with the other agencies participating in the interagency agreement to ensure a more timely process. The Department stated with respect to the issues concerning the three interagency agreements for liaisons, these agreements were developed by the Office of the former Governor and sent to the Department to execute and then returned to the former Governor's Office for execution. While the interagency agreements clearly establish a sharing responsibility for the salary and leave administration of each employee, the Department was not in control of the agreement execution process at the former Governor's Office and can therefore not address the time lapse between the effective date of the agreements and when we received them to execute, or when the former Governor's Office executed the agreements after the Department had returned them for their execution.

The Department further stated with regard to the timekeeping issues with one of the interagency agreements for liaisons, insurance and deferred compensation benefits were deducted by IDOT. As noted, leave administration was not handled by IDOT, but rather by the former Governor's Office. The former Governor's Office used an electronic timekeeping system and informed IDOT that the individual's time off requests would be submitted and approved or denied electronically within the Office of the former Governor and that the employee would not be sending paper time off requests to IDOT to approve or deny. Because all management staff at the former Governor's Office apparently used electronic timekeeping, they did not want to agree to have the individual's leave administration handled by paper, through IDOT. As to the approval or denial of the electronic time sheets submitted by the individual, the former Governor's Office would have had to respond to the actions taken by the individual's supervisor in the former Governor's Office. When the Department is asked to enter into such interagency agreements in the future, they stated they would coordinate with the Governor's Office to ensure that leave administration is handled by the Governor's Office, rather than by IDOT. With regard to the salary issues noted, the Department stated they had sent a letter to the former Governor's Office signed by the Secretary of Transportation amending the interagency agreements to correct the salary information. The former Governor's Office was asked to sign the letter as a two-party agreement to amend the interagency agreements. The Department stated they contacted the former Governor's Office numerous times over several months to get the signed copy of the letter (i.e., to have been signed by the former Chief of Staff). Each time the Department was told the former Governor's Chief of Staff still had the letter to sign. The Department stated they never received a signed copy of the letter and had to assume it was not signed. Unfortunately they could remedy this situation. When it is agreed to increase salaries for staff paid through interagency agreements with the Governor's Office, the Department stated they would coordinate with the Governor's Office to make every effort to execute appropriate amendments to the interagency agreements in a timely manner, prior to the effective date of the salary adjustments.

#5 –INADEQUATE CONTROLS TO PREVENT INAPPROPRIATE PAYMENT TO VENDORS

2008: The Department agrees with our recommendation and stated:

- $3,026 paid to the Communications Revolving Fund for telecommunication Services: The duplicate payment to Central Management Services was credited back to the department six days after it was recorded as paid to CMS.
- $7,378 paid to a consultant for condemnation services. The consultant will be invoiced for the duplicate payment.
- $213 paid for aerosol cleaner. The vendor has now refunded the overpayment to the department.
- $342.29 to an employee for mileage reimbursement: The Department was aware of this payment and the issue has been pending with Labor Relations.

The Department stated it would review its processes so that duplicate payments and employee overrides are controlled and monitored.