

REPORT DIGEST

**DEPARTMENT OF INSURANCE
FINANCIAL AND COMPLIANCE AUDIT**

**(In accordance with the Single Audit Act of 1984
and OMB Circular A-128)
FOR THE TWO YEARS ENDED JUNE 30, 1993**

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

FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

FIXED ASSET RECORDS

The Department did not exercise adequate control over fixed asset record keeping and reporting. There was no supporting documentation to verify the accuracy of the additions, deletions, and transfer amounts for the quarters ended June 30, 1993 and June 30, 1992. In addition, the ending balances did not agree to the detail records by \$126,096 at June 30, 1993 and \$109,921 at June 30, 1992. (Finding 1, page 13)

We recommended the Department implement the necessary controls to ensure that the Agency Reports of Fixed Assets are accurate and agree to the Department's detailed records, and that supporting documentation is retained. The Department responded that it will manually complete a monthly ledger of additions, deletions and transfers. The Department also announced its intent to develop an automated General Ledger in FY 96 for expenditures which will include the Agency reports of Fixed Assets.

INTERNAL AUDIT COVERAGE AND WORKPAPERS

The Department did not provide internal audit coverage of all of the Department's systems of internal control as required by statute. During the audit period, eight control categories were not covered by internal audit including revenues, personnel and property. (Finding 2, page 15)

We also noted that internal audit workpapers did not fully meet professional standards. None of the three audits tested were supported by fully completed workpaper files. It appeared that there was sufficient documentation to support the audit reports, but the files were not organized and indexed sufficiently to be properly reviewed. (Finding 3, page 16)

We recommended the Department allocate the necessary resources to provide for review of all systems of internal control and to ensure that the internal audit workpapers meet professional standards.

The Department responded that it will provide assistance to the internal auditor in the form of word processing and EDP support. The Department also responded that it will make a concerted effort to insure that the workpapers on all future internal audits are in compliance with the standards of the Institute of Internal Auditors.

CASH MANAGEMENT

The Department requested federal grant cash in advance and maintained cash balances in excess of its immediate needs by an average of \$50,000 throughout the term of the applicable grant. (Finding 13, page 125)

We recommended the Department implement the controls necessary to ensure that cash requested under the federal grant not exceed the anticipated disbursements of the next month. The Department agreed, and has stated that it had implemented a system of electronic transfers of cash every two weeks.

QUARTERLY GRANT EXPENDITURE REPORTS

The Department did not comply with Federal reporting requirements because it filed inaccurate reports for all three quarters tested in connection with the Senior Health Insurance Program. In addition, reports on financial status and cash transactions were filed late. (Finding 14, page 127)

We recommended the Department implement the necessary controls to ensure that the required reports be filed accurately and timely. The Department responded that it now understands the reporting requirements and will make a concerted effort to file reports accurately and timely in the future.

AUDITORS' OPINION

Our special assistant auditors, the accounting firm of Checkers, Simon & Rosner, stated the June 30, 1993 financial statements of the Department of Insurance are fairly presented.

WILLIAM G. HOLLAND, Auditor General

WGH:JTD:jr

SUMMARY OF AUDIT FINDINGS

Current Audit Prior Audit
Audit Findings 510
Repeated Findings 1 4
Prior Recommendations Implemented
or Not Repeated 919

AUDITORS ASSIGNED

This audit was completed by the accounting firm of Checkers, Simon & Rosner.

DEPARTMENT OF INSURANCE
FINANCIAL AND COMPLIANCE AUDIT
For The Two Years Ended June 30, 1993

EXPENDITURE STATISTICS	FY 1993	FY 1992	FY 1991
●Total Expenditures (All Funds)	\$17,078,346	\$14,011,632	\$13,683,231
<u>OPERATIONS TOTAL</u>	\$17,078,346	\$14,011,632	\$13,683,231
% of Total Expenditures	100%	100%	100%
Personal Services	\$10,160,533	\$9,508,596	\$9,322,799
% of Operations Expenditures	59%	68%	68%
Average No. of Employees	317	298	303
Other Payroll Costs (FICA, Retirement)			
% of Operations Expenditures	\$2,949,019 17%	\$1,726,224 12%	\$1,488,754 11%
Contractual Services	\$1,456,560	\$1,406,561	\$1,502,888
% of Operations Expenditures	9%	10%	11%
All Other Operations Items	\$2,512,234	\$1,370,251	\$1,368,790
% of Operations Expenditures	15%	10%	10%
●Cost of Property and Equipment	\$3,780,793	N/A	\$3,067,519

SELECTED ACTIVITY MEASURES	FY 1993	FY 1992	FY 1991
●Closed Complaints	11,454	13,288	13,342
●Insurance Agency Examinations	701	611	537
●Pension Fund Examinations	82	81	83
●Field Financial Examinations	127	122	112
●Financial Statement Analysis	659	505	510

AGENCY DIRECTOR(S)
During Audit Period: Steve Selcke Currently: Jim Schacht (Acting)