



## NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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October 2, 2017

Byron Diamond, Director  
Department of Administrative Services  
1526 K Street, Suite 240  
Lincoln, NE 68508

Kyle Schneweis, Director  
Department of Transportation  
1500 Highway 2  
Lincoln, NE 68502

Dear Gentlemen:

This letter is provided pursuant to AICPA Auditing Standards AU-C Section 265, which permits the early communication of audit findings due to their significance and the need for corrective action. The work addressed herein was performed as part of the fiscal year 2017 Comprehensive Annual Financial Report (CAFR) audit. This communication is based on our audit procedures and related activity through June 30, 2017. Because we have not completed our audit of the fiscal year 2017 CAFR, additional matters may be identified and communicated in our final reports.

In planning and performing our audits of the State's financial statements, the Auditor of Public Accounts (APA) considered the State's internal control over financial reporting (internal control) as a basis for designing the audit procedures. The audit procedures selected were utilized for the purpose of expressing our opinions on the financial statements of the State, but not for the purpose of expressing an opinion on the effectiveness of the State's internal control. Accordingly, we do not express an opinion on the effectiveness of the State's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies; therefore, material weaknesses or significant deficiencies may exist that were not identified.

We noted certain internal control or compliance matters related to the activities of the Nebraska Department of Administrative Services (DAS) and the Nebraska Department of Transportation (NDOT) or other operational matters, which are presented below for your consideration. The following comments and recommendations, which have been discussed with the appropriate members of DAS and NDOT and their management, are intended to improve internal control or result in other operating efficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We did not identify any deficiencies in internal control that we consider to be a significant deficiency.

Draft copies of this letter were furnished to DAS and NDOT to provide their management with an opportunity to review and to respond to the comments and recommendations contained herein. Any formal response received has been incorporated into this letter. Such response has been objectively evaluated and recognized, as appropriate, in the letter. A response that indicates corrective action has been taken was not verified at this time, but it will be verified in the next audit.

### **Background Information**

For fiscal year 2017, the APA conducted a detailed analysis of State employees, vendors, and leave balances within the State Accounting System, EnterpriseOne. The APA performed this detailed analysis to identify potentially fictitious employees, fraudulent payments, and internal control deficiencies.

EnterpriseOne maintains detailed information about each State employee and vendor, which is categorized by an assigned address book number. This unique identification number can also be used to query certain information or run reports for a specific employee or vendor in the system.

In order to perform a detailed analysis, the APA ran reports and queries from EnterpriseOne to obtain detailed listings of active and terminated employees as well as vendors doing business with the State of Nebraska. This data was exported to a separate database, where the APA performed queries to identify potential risk areas for further review. For example, the APA ran queries to identify any duplicate address book numbers, tax identification numbers, or bank accounts, which could potentially identify fictitious employees.

The APA noted multiple issues that have been described in the comments below. As part of this testing, the APA identified a potential fraud involving a former Lincoln Regional Center employee, which was summarized in a separate letter issued by the APA on August 22, 2017. That document, titled "DHHS – Child Care CAFR Early Management Letter," can be found on the APA's website at [www.auditors.nebraska.gov](http://www.auditors.nebraska.gov).

## **Comments and Recommendations**

### **1. NDOT Employee and Vendor Issues**

For fiscal year 2017, the APA used the State Accounting System, EnterpriseOne, to conduct a detailed analysis of State employees who were also paid as vendors. In addition to their regular salaries, these employees received payment for other services provided to the State.

The APA identified one Nebraska Department of Transportation (NDOT) employee who was receiving additional vendor payments for both contracted janitorial services and his official duties as a member of the Board of Examiners for County Highway and City Street Superintendents (BEX). To ascertain whether those vendor payments were reasonable when compared to his normal wages and work hours, the APA requested copies of the employee's janitorial contracts as well as documentation supporting his expense reimbursements as a member of BEX.

The NDOT employee received \$2,560 for providing janitorial services during the fiscal year, while also receiving \$403 for expense reimbursements as a member of BEX. The APA identified certain issues regarding these payments, as summarized below.

#### ***Questionable Use of Sick Leave***

The employee's duties as a member of BEX included traveling to Kearney, NE, for a BEX pre-examination licensing workshop from September 7, 2016, to September 9, 2016. Per his NDOT timesheet, the employee requested and was paid for eight hours of sick leave on September 8, 2016, the second day of the workshop. Policy No. 7.2, "Political Activities," Section IV, of NDOT's Human Resources Policies and Procedures (Effective Revision Date January 2017) states, in relevant part, the following:

*If an employee wishes to take part in political activities during normally scheduled work hours, the employee must arrange for leave (vacation, leave without pay, etc.) to cover the period of absence.*

On August 25, 2017, the APA first questioned NDOT regarding the employee's use of sick leave while attending the BEX workshop. NDOT responded by email on August 28th, stating the following:

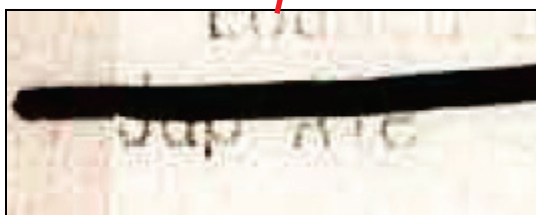
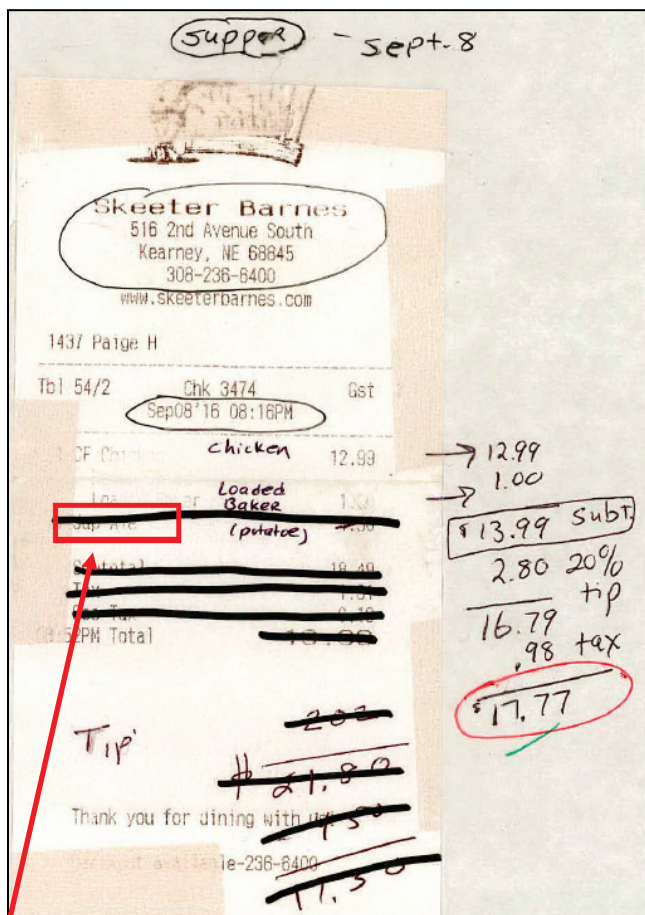
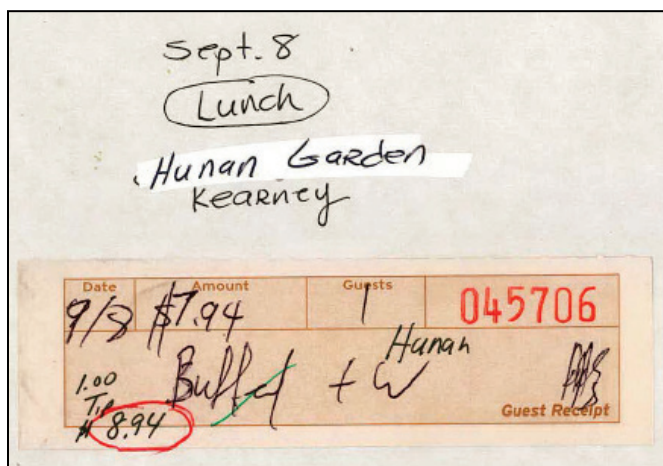
*Per his supervisor's recommendation . . . [the employee] entered sick leave on his time sheet. We will be process [sic] an adjustment to change those 8 hours of sick leave to 8 hours of vacation leave with the pay period ending 9/3/17.*

On that same day, NDOT provided the following explanation in response to the APA's additional questions regarding the apparent falsification of the employee's timesheet:

*The supervisor thought it was the right thing to do, since . . . [the employee] was sick was [sic] to enter sick leave on the time sheet and did not attend the Board Meeting that day and was on travel status for the Board Meeting. However, since . . . [the employee] was on travel status for the Board Meeting the leave should have been entered as vacation leave.*

Nevertheless, the APA still considered the employee's original recording of sick leave highly questionable given the fact that he was also reimbursed for meals and mileage on that same day. Despite claiming to be sick on September 8, the employee ate lunch at the local Hunan Garden

Chinese buffet and later had dinner at a nearby Skeeter Barnes restaurant, where he enjoyed a “Jap Ale” beer with his chicken and loaded potato. The receipts for those meals are shown below.



Article 14.11 of the 2015-2017 Nebraska Association of Public Employees (NAPE) labor contract states, in relevant part, the following regarding the appropriate uses of sick leave by covered State of Nebraska employees:

*The following conditions are valid reasons that sick leave may be used:*

- When an employee is unable to perform his/her duties because of sickness, disability, injury, or when an employee's presence at work jeopardizes the health of others by exposing them to a contagious disease. Pregnancy, post-natal recovery, and miscarriage, shall be treated as a temporary medical condition.*

A good internal control plan requires procedures to ensure that employee sick leave usage is in accordance with the terms of applicable agency regulations and/or labor contracts. It also requires procedures to ensure that agency timesheets are properly completed and reflect accurately the hours worked and the appropriate type of leave used.

When employee sick leave usage is not in accordance with applicable regulations and/or contract provisions, and agency timesheets do not reflect the correct type of leave used, there is an increased risk of theft, loss, or misuse of State funds.

We recommend NDOT implement procedures to ensure employee sick leave usage not only complies with the terms of applicable regulations and/or labor contracts but also is properly reflected on agency timesheets.

*NDOT Response: NDOT concurs with the recommendation. When the situation was brought to our HR's attention, the issue was researched, corrections were made and HR spoke to those involved.*

#### ***Questionable Agreement Language***

As noted above, this employee also entered into an agreement with the NDOT to provide janitorial services as an independent contractor for the period October 1, 2016, through November 30, 2019. Section 2 of that agreement contains the following:

*WORK shall also include: Strip and wax tile floors with 2 coats of wax once a year in the Fall.*

Section 7 of the agreement adds the following:

*The State agrees to pay the Service Company the sum of \$265.00 per month for service [sic] agreed to in Section 2, 3, 4, 5, 6, 7. The State agrees to pay the Service Company the sum of \$55.00 per year for stripping and waxing work done once a year in the Fall. The Service Company shall submit an invoice on the third of each month to the State for payment of services performed in the prior month. The Service Company shall submit a separate invoice for the stripping and waxing after such work has been completed in September.*

However, the NDOT employee has been receiving \$320 (\$265.00 plus \$55.00) per month, even though the agreement clearly states that the “[s]trip and wax” floor work is only to be performed annually. The following amounts have been paid to date:

Date Paid	Amount
11/9/2016	\$320
12/8/2016	\$320
1/13/2017	\$320
2/14/2017	\$320
3/9/2017	\$320
4/14/2017	\$320
5/17/2017	\$320
6/16/2017	\$320
<b>Total During Fiscal Year</b>	<b>\$2,560</b>
7/20/2017	\$320
8/18/2017	\$320
<b>Total To Date</b>	<b>\$3,200</b>

NDOT provided the following response to the APA's inquiry regarding the reason for paying the employee staff the extra \$55 every month:

*The initial bid stated the waxing would be monthly. The agreement was written incorrectly by stating the waxing would be yearly. The District will be writing up an addendum to the agreement to correct the yearly to monthly and have all parties involved sign. I have attached a copy of the initial bid which shows monthly.*

According to the Nebraska Supreme Court, "The rule in Nebraska has been that extrinsic evidence is not permitted to explain the terms of a contract that is not ambiguous." *Gary's Implement, Inc. v. Bridgeport Tractor Parts, Inc.*, 270 Neb. 286, 313, 702 N.W.2d 355, 376 (2005). The Court explains further, "A contract is ambiguous when a word, phrase, or provision in the contract has, or is susceptible of, at least two reasonable but conflicting interpretations or meanings." *Id.* Consequently, the Court has concluded, "A contract written in clear and unambiguous language is not subject to interpretation or construction and must be enforced according to its terms." *Spanish Oaks, Inc. v. Hy-Vee, Inc.*, 265 Neb. 133, 147, 655 N.W.2d 390, 403 (2003).

Given the importance of precise and accurate contractual language, a good internal control plan and sound business practices require procedures to ensure that written agreements are drafted carefully to reflect the actual intent of the parties thereto. Such procedures should also ensure that poorly or improperly drawn contracts are amended immediately. A lack of these procedures increases the risk of both costly litigation and the loss and/or misuse of State funds.

We recommend NDOT implement procedures to ensure all contracts to which it is a party are drafted correctly, containing precise and accurate terms. We also recommend the NDOT employee's contract for janitorial services be amended immediately to reflect the true intent of the parties thereto.

*NDOT Response: NDOT concurs with the recommendation. The agreement has been terminated.*

## **2. State Employee Leave Balance and Accrual Issues**

As part of our analysis, the APA tested leave balances and accruals for State employees and noted multiple issues, as summarized below.

### ***Inappropriate Negative Leave Balances***

Per the State Accounting System, EnterpriseOne, 470 State employees had negative vacation or sick leave balances at December 31, 2016. The APA selected each negative vacation or sick leave balance over 100 hours for testing. That selection included 51 negative leave balances, consisting of 28 sick and 23 vacation leave balances, for 42 separate employees. Based on our testing, it appears that all 51 negative leave balances were unreasonable, as summarized in the table below.

Reason for Negative Leave Balance	Number of Balances	Range of Negative Balances (In Hours)		Total (In Hours)
Incorrect Payout	9	(100)	(2,447)	(4,473)
Miscoding	11	(128)	(1,044)	(3,732)

Reason for Negative Leave Balance	Number of Balances	Range of Negative Balances (In Hours)		Total (In Hours)
EnterpriseOne Issue	14	(226)	(2,159)	(11,761)
Unknown	17	(109)	(421)	(3,256)
<b>Totals</b>	<b>51</b>			<b>(23,222)</b>

As noted above, the APA determined that 9 of the 51 negative leave balances for eight different employees were a result of what appears to have been an inappropriate payout upon termination of employment. The following table summarizes these over and underpayment amounts.

Employee	Leave Type	Over/Under Payment	Hours	Amount
Employee 1	Vacation	Over	152.69	\$2,755.90
Employee 2	Vacation	Over	22.50	\$1,012.37
Employee 3	Sick	Over	25.13	\$783.32
Employee 4	Vacation	Over	16.00	\$669.84
Employee 5	Vacation	Over	7.50	\$214.18
Employee 6	Vacation	Over	4.37	\$198.31
<b>Overpayment Total</b>				<b>\$5,633.92</b>
Employee 7	Vacation	Under	(611.80)	\$(9,589.35)
	Sick	Under	(156.07)	\$(2,446.24)
Employee 8	Vacation	Under	(259.00)	\$(4,166.72)
<b>Underpayment Total</b>				<b>\$(16,202.31)</b>

Employee 3 also had a \$612.63 overpayment for his vacation leave balance, which was not included in the table above because the vacation balance was not negative.

Neb. Rev. Stat. § 81-1328(8) (Cum. Supp. 2016) provides the following regarding vacation leave payouts:

*Each state employee, upon retirement, dismissal, or voluntary separation from state employment, shall be paid for unused accumulated vacation leave. Upon the death of a state employee, his or her beneficiary shall be paid for unused accumulated vacation leave.*

Furthermore, Section 14.14 of the 2015-2017 Nebraska Association of Public Employees (NAPE) labor contract states, in relevant part, the following:

*All sick leave shall be forfeited upon separation from employment, except that an employee age 55 or above, or of a younger age if the employee meets all criteria necessary to retire under the primary retirement plan covering his/her State employment, or at death, shall receive a one-time payment of one quarter of his/her accumulated sick leave not to exceed 480 hours.*

Section 14.8, “Vacation Leave Payment,” of the same NAPE labor contract states the following:

*Employees who leave employment shall be paid for any unused accumulated vacation leave earned, calculated on their base hourly rate. Pay for the unused accumulated vacation leave shall be in a lump sum addition to the employee’s last paycheck.*

Additionally a good internal control plan and sound business practices require procedures to ensure not only that all leave balances are accurate in EnterpriseOne but also that payouts of vacation and sick leave are calculated correctly.

Without such procedures, there is an increased risk of leave payouts being inappropriate, resulting in the potential loss of State funds.

We recommend the Department of Administrative Services (DAS) work with State agencies in implementing procedures to ensure the following: 1) negative leave balances are pursued and resolved in a timely manner; 2) leave balances are accurately maintained in EnterpriseOne; and 3) leave payouts are accurately calculated and reviewed before payout.

### ***Excess Leave Accrual***

The APA tested leave accruals for 31 State employees for calendar year 2016 and noted that 8 employees had their vacation leave accrued at a higher rate than allowed per the Nebraska Administrative Code (NAC) or the Nebraska Association of Public Employees (NAPE) labor contract. Seven of these eight employees also had their sick leave accrued at a higher rate than allowed.

The following table summarizes the hours and overstatement amounts for each employee.

<b>Employee Note 2</b>	<b>Type</b>	<b>Years of Service</b>	<b>Excess Vacation Hours Earned</b>	<b>Excess Sick Hours Earned</b>	<b>Total Excess Leave Hours</b>	<b>Employee Hourly Rate Note 1</b>	<b>Dollar Overstatement Note 1</b>
Employee 1	NAPE	16	13.55	27.57	41.12	\$21.402	\$880.05
Employee 2	NAC	17	10.35	11.39	21.74	\$23.450	\$509.80
Employee 3	NAC	22	8.04	9.60	17.64	\$23.450	\$413.66
Employee 4	NAPE	27	4.30	12.00	16.30	\$24.193	\$394.35
Employee 5	NAPE	24	11.53	8.31	19.84	\$16.798	\$333.27
Employee 6	NAC/NAPE	27	11.32	8.42	19.74	\$12.925	\$255.14
Employee 7	NAPE	16	7.68	0.00	7.68	\$18.163	\$139.49
Employee 8	NAC	27	1.40	1.68	3.08	\$22.329	\$68.77
<b>Totals</b>			<b>68.17</b>	<b>78.97</b>	<b>147.14</b>		<b>\$2,994.53</b>

**Note 1:** The “Employee Hourly Rate” and “Dollar Overstatement” columns are based on the employee’s hourly rate at December 31, 2016, as the excess leave accruals noted above are for calendar year 2016. It should be noted that these employees may receive pay increases in the future, further increasing the overstatement amount.

**Note 2:** The eight employees noted in this table are not the same employees noted in the “Inappropriate Negative Leave Balances” section above.

Title 273 NAC 10-004, “Vacation Leave,” provides the accrual schedule for vacation leave, stating that an employee of 16 years or more earns 200 hours of vacation leave annually. Furthermore, Title 273 NAC 10-005, “Sick Leave,” states that an employee of 19 years or more earns 240 hours of sick leave annually.

For employees covered under the NAPE labor contract, Section 14.5, “Vacation Leave,” of the 2015-2017 agreement sets out the vacation leave schedule, stating that an employee (except one of the “E” bargaining Unit) of 16 or more years earns 200 hours of vacation leave annually. Section 14.10, “Sick Leave,” of the same NAPE contract, states that an employee (except one of the “E” bargaining Unit) of 16 or more years earns 144 hours of sick leave per year.

A good internal control plan requires procedures to ensure leave accruals are in accordance with the provisions of applicable regulations and/or labor contracts.

Without such procedures, there is an increased risk for the loss of State funds.

We recommend DAS work with the State agencies in implementing procedures to ensure leave accruals are in accordance with the applicable regulations and/or contracts. We also recommend implementing procedures to identify any accruals in excess of allowed amounts, and resolving any identified issues in a timely manner.

*DAS Response: DAS will continue to work with State Agencies in reviewing procedures to ensure leave accruals are accurately calculated and maintained at allowed amounts in accordance with regulations and/or contracts.*

### **3. State Employee and Vendor Address Book Issues**

The APA's detailed analysis of State employees and vendors within the State's Accounting System (EnterpriseOne) revealed multiple issues, including payments to deactivated address book numbers, invalid address book numbers, and address book numbers missing key data elements, such as a bank account or address. The APA has summarized these issues below.

#### ***Payments to Deactivated Address Book Numbers***

The APA identified three deactivated vendor address book numbers that inappropriately received a payment after the deactivation date. Payments received after the deactivation dates that do not relate to a prior purchase order or payable totaled \$4,271.34, as detailed in the table below.

<b>Vendor</b>	<b>Amounts</b>
Vendor 1	\$3,273.90
Vendor 2	\$734.94
Vendor 3	\$262.50
<b>Total</b>	<b>\$4,271.34</b>

A good internal control plan requires procedures to ensure that deactivated address book numbers in EnterpriseOne are restricted to prevent payments after the deactivation date. Without such procedures, there is an increased risk of fraud, misuse, and/or loss of State funds due to deactivated address book numbers in EnterpriseOne receiving payments.

We recommend DAS implement procedures to ensure payments are made only to active address book numbers in EnterpriseOne. We also recommend, if feasible, implementing a control within EnterpriseOne to restrict payments to deactivated address book numbers.

*DAS Response: DAS will review EnterpriseOne controls for restricting payments to deactivated address book numbers and assess means to mitigate this risk.*

### ***Invalid Active Employee Address Book Numbers***

The APA noted five employee address book numbers that were active within EnterpriseOne but should have been terminated or removed from the system. Four of these five address book numbers were not associated with an actual, active employee, while the other address book number appears to be a second address book number for an actual, active employee.

A good internal control plan requires procedures to ensure that active employee address book numbers are assigned to actual, active employees and terminated in EnterpriseOne when there is a separation of employment to prevent misuse of the ID. Without such procedures, there is an increased risk of fraud or misuse of State funds.

We recommend DAS implement procedures to ensure active employee address book numbers are assigned to actual, active employees and terminated in EnterpriseOne when a separation of employment occurs.

*DAS Response: DAS will review procedures for deactivating employee address book numbers upon separation of employment.*

### ***No Bank Account Information and Payroll Warrants***

As part of our detailed analysis, the APA identified the following issues with bank account information within EnterpriseOne:

- Two active employees in EnterpriseOne did not have a bank account associated with their address book numbers.
- Four active Military Department contingent employees did not have a bank account associated with their address book numbers; however, these address book numbers have not received a paycheck in the last five years and have an inactive pay status in the system. Therefore, the address book numbers should be terminated in EnterpriseOne.
- Two active employees were paid with a paper warrant rather than an electronic funds transfer (EFT), as required by both State statute and the State's accounting manual.

A good internal control plan requires procedures to ensure that complete and accurate information is maintained for all active employees in order to prevent the creation of fictitious employees in EnterpriseOne.

Furthermore, Neb. Rev. Stat. § 81-1117.05 (Reissue 2014) provides the following requirement for payments to State employees:

*The Department of Administrative Services may make payments that include, but are not limited to, wages and reimbursable expenses to state employees by electronic funds transfer or a similar means of direct deposit. For purposes of this section, state employee means any person or officer employed by the state who works a full-time or part-time schedule on an ongoing basis.*

The Nebraska State Accounting Manual, AM-005, Section 40, "Payments for State Employee Wages," also requires that payments to State employees be by EFT (i.e., direct deposit).

Incomplete or inaccurate employee records increases the potential for creating fictitious employees in EnterpriseOne, resulting in the possible risk of fraud or misuse of State funds. When employees are paid by paper warrants, moreover, the State is not in compliance with State statute.

We recommend DAS implement procedures to ensure all active employee address book numbers are associated with an accurate bank account. We also recommend paying all State employees via EFT, as required by both State statute and the Nebraska State Accounting Manual.

*DAS Response: DAS will review procedures for maintaining accurate bank account information for active employees; and, will review procedures for identifying unavoidable exceptions to payment methods.*

### ***Invalid or Missing Tax IDs***

During testing of employee and vendor tax identification numbers (tax ID), the APA found that 15 vendors lacked a reasonable explanation for having no tax ID in EnterpriseOne. During fiscal year 2017, these vendors were paid \$359,550 and may be required to have an IRS Form 1099 issued, which would require a tax ID.

It was also noted that multiple vendors had text (e.g., “FOREIGN”) entered in the tax ID field in EnterpriseOne. For fiscal year 2017, these 28 vendors received \$1,065,727.

Additionally, the APA noted that one employee’s tax ID was incorrect in EnterpriseOne, which could lead to potential tax consequences for the employee.

The “Information Returns” Section of Internal Revenue Service (IRS) Publication 15, “Employer’s Tax Guide (Circular E),” (2017) contains the following:

*You [employers] may be required to file information returns to report certain types of payments made during the year. For example, you must file Form 1099-MISC, Miscellaneous Income, to report payments of \$600 or more to persons not treated as employees (for example, independent contractors) for services performed for your trade or business.*

Furthermore, a good internal control plan requires procedures to ensure that accurate tax identification information is obtained and entered into EnterpriseOne for all employees and vendors subject to the United States tax code.

Without such procedures, there is an increased risk of violating Federal tax law due to the resulting inability to file an IRS Form W-2 or Form 1099.

We recommend DAS implement procedures to ensure that all employees and vendors covered under the United States tax code have an accurate tax identification number associated with their address book number in EnterpriseOne.

*DAS Response: DAS will review procedures for retaining accurate vendor and/or employee tax identification information in EnterpriseOne.*

### ***No Mailing Addresses***

The APA noted that 7 of 36 active employees tested in EnterpriseOne did not have mailing addresses associated with their address book numbers at the time of testing. For 9 of these 36 employees, we noted also that addresses were added after the APA's testing began. Having been entered into EnterpriseOne as much as one month after the employees were hired, these addresses were not added in a timely manner.

Furthermore, the APA noted that seven of seven vendors tested did not have mailing addresses associated with their address book numbers in EnterpriseOne. For fiscal year 2017, these vendors were paid \$221,260.

A good internal control plan requires procedures to ensure that EnterpriseOne contains complete and accurate address information for all active employees to help prevent the creation of fictitious workers in the system. Such a plan also requires all vendors receiving State payments to have accurate mailing addresses in EnterpriseOne to ensure compliance with IRS Publication 15 – which, as explained above, requires an IRS Form 1099 to be issued for certain vendors receiving more than \$600 in a tax year.

Without these procedures, there is an increased risk of fraud or misuse of State funds due to the potential creation of fictitious employees in EnterpriseOne. There is also an increased risk that the State will not be in compliance with IRS guidance regarding the issuance of important tax forms.

We recommend DAS implement procedures to ensure that all active employees and vendors have accurate mailing addresses in EnterpriseOne.

*DAS Response: DAS will review procedures for receiving and retaining accurate mailing addresses in EnterpriseOne.*

### ***Incorrect or Blank Dates of Births***

Six active employees did not have dates of birth associated with their address book numbers in EnterpriseOne at the time of testing. Furthermore, the APA noted that 14 active employees had incorrect dates of birth associated with their address book numbers in the system; these individuals were assigned a default date of January 1, 1910, which would make each of them over 107 years old at the time of testing.

A good internal control plan requires procedures to ensure that complete and accurate information is included in EnterpriseOne for all active employees to help prevent the creation of fictitious workers in the system.

Without such procedures, there is an increased risk of fraud or misuse of State funds due to the possibility of payments being made to fictitious employees.

We recommend DAS implement procedures to ensure that accurate and complete dates of birth are entered into EnterpriseOne for all active employees.

*DAS Response: DAS will review procedures for receiving and retaining accurate dates of birth for employees in EnterpriseOne.*

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Our audit procedures are designed primarily on a test basis and, therefore, may not bring to light all weaknesses in policies or procedures that may exist. Nevertheless, our objective is to use the knowledge of DAS and NDOT, as well as their respective interactions with other State agencies and administrative departments, gained during our work to make comments and suggestions that we hope will be useful to both entities.

This interim communication is intended solely for the information and use of DAS and NDOT, their management, the Governor and the State Legislature, and others within these State agencies. It is not intended to be, and should not be, used by anyone other than the specified parties. However, this letter is a matter of public record, and its distribution is not limited.

If you have any questions regarding the above information, please contact our office.

Sincerely,

A handwritten signature in blue ink, reading "Philip J. Olsen". The signature is fluid and cursive, with a long horizontal stroke at the end.

Philip J. Olsen, CPA, CISA  
Audit Manager