

September 8, 1998

Internal Audit Report 98-12
ACCPAC Financial Accounting System
Anchorage Parking Authority

Introduction. The Anchorage Parking Authority (APA) recently purchased and implemented ACCPAC, a fully integrated computerized financial accounting system by ACCPAC International, Inc. This software is suited to the needs of a small business, and has the ability to track costs by cost center, as well as to automatically post transactions to the general ledger. Modules currently purchased and in use are Accounts Payable, Payroll, General Ledger, and Bank Reconciliation. A core program called System Manager provides for centralized settings, including company profiles, database management and security. According to APA management, this software is Year 2000 compliant.

Scope. The objective of this audit was to review the adequacy of the APA's new computerized financial accounting system controls. The audit was conducted in accordance with generally accepted government auditing standards, except for the requirement of an external quality control review, and accordingly, included review of documentation and such other auditing procedures as we considered necessary in the circumstances. The audit was performed during the month of July 1998. The audit was requested by the Administration.

Overall Evaluation. Controls relating to the ACCPAC system were not adequate to protect computer equipment and accounting data from loss due to damage, misuse or destruction. ACCPAC security including user groups had not been activated, allowing users to log onto ACCPAC without a password. In addition, network controls did not prevent anyone from logging onto ACCPAC and working with the financial records. Backup procedures were not adequate to re-create the system,

and procedures for payroll, bank reconciliations and general ledger processing had not been documented.

FINDINGS AND RECOMMENDATIONS

1. Security Controls.

a. Finding. Security controls had not been implemented to prohibit unauthorized use of the system, nor to provide adequate segregation of duties. Specifically, the following was noted:

- 1) The ACCPAC system security had not been activated.
- 2) Users had greater access than was necessary to perform their duties. It was possible for an employee to perform all functions from data input to bank reconciliations.
- 3) The password for the ADMIN user ID had not been changed from the default setting. This user ID has access to all functions within ACCPAC.
- 4) Maintenance type accounts were not deactivated when not in use.
- 5) Current NT network controls did not compensate for the lack of ACCPAC security.

b. Recommendation. Security controls should be strengthened as follows:

- 1) The ACCPAC system security should be activated.

- 2) User access should be limited to those functions necessary to perform their duties.
- 3) A unique password for the ADMIN user should be used to maintain security over the ACCPAC system.
- 4) Maintenance type accounts should be deactivated when not in use.
- 5) NT network controls should be implemented to require a minimum password length of five characters, force cyclical password changes, require unique passwords each change, and require a lockout after three incorrect login attempts within twenty-four hours.

c. **Management Comments.** Management concurred and stated, “The ACCPAC system security will be activated, and user access will be limited. The administrative password will be changed from the default password and maintenance accounts will be deactivated. We are discussing with our system administrator ways to implement periodic change of NT passwords.”

d. **Evaluation of Management Comments.** Management comments were responsive to the audit finding and recommendation.

2. **Backup.**

a. **Finding.** Backup procedures were not adequate to re-create the system or its data in case of a fire or other disaster. Daily data and monthly system backup tapes were stored in the same room as the computer subjecting them to the same risk as the computer. However each Thursday, daily data tapes for the prior Friday through Thursday were sent to an off site location for storage.

- b. **Recommendation.** Procedures should be developed for backup, off-site storage, and rotation of tapes that include, at a minimum:
 - 1) a complete backup of all system, network, application, and communications files should be stored off-site;
 - 2) daily backups, Friday through Wednesday, should be kept on-site in a location separate from the computer; and
 - 3) Thursday's daily backup should continue to be rotated off-site per current practices.

 - c. **Management Comments.** Management concurred and stated, "We are in the process of purchasing new backup hardware and software, which will enable us to do complete system backup tapes. Once the equipment is functional, we will create a full system backup and store it off-site. Daily backup tapes will be stored in a separate location in our office, and we will continue to store the Thursday data backup off site."

 - d. **Evaluation of Management Comments.** Management comments were responsive to the audit finding and recommendation.
3. **Documentation.**
- a. **Finding.** Procedures for payroll, bank reconciliation and general ledger processing had not been documented. Without adequate documentation, processing could be delayed or not performed in the absence of the responsible employee.

- b. Recommendation.** Written processing procedures should be developed for payroll, general ledger, and bank reconciliation.

- c. Management Comments.** Management concurred and stated, “Now that we have the ACCPAC system implemented and most of the procedures have been established, we recognize the necessity of documentation. Each accounting position will be instructed to document the tasks and procedures, to enable someone other than the primary processor to perform each task.”

- d. Evaluation of Management Comments.** Management comments were responsive to the audit finding and recommendation.

Discussion With Responsible Officials. The results of this audit were discussed with appropriate officials on August 17, 1998.

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