



STATEWIDE INTERNET PORTAL AUTHORITY

Performance Audit, November 2012

Report Highlights



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PURPOSE

To determine whether there are effective internal controls in place at the Statewide Internet Portal Authority (SIPA) over contracts, financial activities, and information systems.

AUDIT CONCERN

SIPA's contract administration does not provide assurance that government entity or consumer data are secure, that services will continue in the event of a disaster, or that the government entities are receiving high-quality services. Additionally, SIPA has not established a comprehensive system of controls, limitations on expenditures, or management of its risk. As a result, SIPA cannot ensure that its financial statements are accurate and complete or protect the organization from fraud and abuse.

BACKGROUND

- SIPA, a political subdivision of the State, was created to bring e-government solutions to government entities and the public they serve. SIPA contracts with third-party vendors to provide the statewide internet portal, "Colorado.gov" and to provide services to its clients (i.e., government entities), including website hosting, payment processing, custom application development, and software applications such as Google Apps.
- SIPA provides services to more than 260 government entities and through its contract with Colorado Interactive processed \$252 million in payments for government service transactions in Fiscal Year 2011.

KEY FACTS AND FINDINGS

- SIPA does not have sufficient contract provisions requiring Colorado Interactive to protect the security of the data or to develop and design a disaster recovery plan that will reduce the impact of a major disruption of key business functions and processes. Further, SIPA is not adequately monitoring the services provided by its vendors.
- SIPA has not developed a comprehensive system of internal controls to: (1) prevent financial reporting errors; (2) ensure that expenses are reasonable and necessary; and (3) prevent fraud, abuse, and noncompliance with laws and regulations. For example: the Executive Director approves his own expenses; SIPA could not document review and approval of 40 percent of the expenses we sampled totaling \$100,700; SIPA's bank reconciliations are not identifying critical errors, such as \$391,800 in deposits made to the wrong bank account; and SIPA lacks a centralized filing system for contracting and financial documentation.
- 272 expenses totaling \$13,700 do not appear reasonable or necessary. These included \$9,500 in meals charged by SIPA employees while not on travel status, and \$4,200 in other expenses such as a holiday party costing \$80 per person, alcohol, and over-limit and late payment fees on credit cards. Further, 69 expenses, totaling about \$21,700, did not have adequate documentation to support the expense.
- SIPA has accumulated a \$1.7 million fund balance, and has not established a formal policy that identifies the optimal amount of reserves needed or how to use any excess reserves to further SIPA's mission and goals.
- SIPA has not developed a comprehensive risk management plan to protect SIPA in the event of a criminal act (e.g., theft, fraud, harassment, etc.), natural disaster, or other lawsuit.

OUR RECOMMENDATIONS

SIPA and the SIPA Board should:

- Improve provisions in its contract with Colorado Interactive to better ensure that sensitive data is protected and that there is a comprehensive disaster recovery plan that ensures continuity of operations and appropriate notifications in the event of a breach.
- Develop contract monitoring policies, train staff on the policies, document contract monitoring efforts, and include measures in staff performance evaluations for contract monitoring efforts.
- Develop a comprehensive system of internal controls over its financial activities.
- Improve controls over expenses to ensure that expenses are reasonable, necessary, and supported by adequate documentation.

SIPA agreed with most of the audit recommendations.