

PERFORMANCE AUDIT
OF THE
AUTOMATED INFORMATION SYSTEMS
DEPARTMENT OF AGRICULTURE

November 1997

EXECUTIVE DIGEST

AUTOMATED INFORMATION SYSTEMS

INTRODUCTION

This report, issued in November 1997, contains the results of our performance audit* of the Automated Information Systems, Department of Agriculture.

AUDIT PURPOSE

This performance audit was conducted as part of the constitutional responsibility of the Office of the Auditor General. Performance audits are conducted on a priority basis related to the potential for improving effectiveness* and efficiency*.

BACKGROUND

The Finance and Technology Division provides data processing services to the Department. These services include local area network* (LAN) administration, system development, and microcomputer support.

The Food Licensing System*, Food Service Licensing System*, and Motor Fuel Licensing System* are information processing systems that the Department uses to store and process information relating to the licensing of retail food establishments*, food service establishments* , and gasoline stations, respectively.

AUDIT OBJECTIVES, CONCLUSIONS, AND NOTEWORTHY ACCOMPLISHMENTS

Audit Objective: To assess the effectiveness of the Department's general controls over the management, development, and security of its automated information systems.

* See glossary on page 25 for definition.

Conclusion: The Department's general controls were reasonably effective over the management, development, and security of its automated information systems. Our assessment did not disclose any material conditions* , however, we noted reportable conditions* involving user access controls, LAN access controls, LAN backup and recovery controls, system development and documentation controls, and data processing policies and procedures (Findings 1 through 5).

Audit Objective: To assess the effectiveness of the Department's internal control structure* over its automated information systems.

Conclusion: The internal control structure over the Department's automated information systems was reasonably effective. Our assessment did not disclose any material conditions; however, we noted reportable conditions related to input and processing controls, system edits, and system audit trails (Findings 6 through 8).

Noteworthy Accomplishments: The Department is taking steps to evaluate the effectiveness and efficiency of its automated information systems. The Department has established an Information Technology Master Plan which includes the following objectives: (1) To develop a comprehensive corporate data base, (2) To integrate all Department data on a common platform using a common identifier, (3) To develop flexible information systems which access the corporate data base, and (4) To develop a comprehensive security system to safeguard the Department's information technology resources. The first phase of the Information Technology Master Plan is due in

* See glossary on page 25 for definition.

October 1997 and will define and prioritize the Department's information requirements.

**AUDIT SCOPE AND
METHODOLOGY**

Our audit scope was to examine the information processing and other records of the Automated Information Systems. Our audit was conducted in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States and, accordingly, included such tests of the records and such other auditing procedures as we considered necessary in the circumstances.

Our methodology included examination of the Department's information processing and other records for the period October 1, 1994 through May 31, 1997. Our methodology also included developing a preliminary assessment of the Finance and Technology Division and the automated information systems. We then analyzed the information and determined where to concentrate our detailed analysis and testing. We designed tests of the control structure and performed those tests to meet our audit objectives.

AGENCY RESPONSES

Our audit report contains 8 findings and 8 corresponding recommendations. The agency preliminary response indicated that it agreed with all of our recommendations.

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Mr. Norman R. Veliquette, Chairperson
Commission of Agriculture
Ottawa Building
Lansing, Michigan

Dear Mr. Veliquette:

This is our report on the performance audit of the Automated Information Systems, Department of Agriculture.

This report contains our executive digest; description of agency; audit objectives, scope, and methodology and agency responses; comments, findings, recommendations, and agency preliminary responses; and a glossary of acronyms and terms.

Our comments, findings, and recommendations are organized by audit objective. The agency preliminary responses were taken from the agency's responses subsequent to our audit fieldwork. The *Michigan Compiled Laws* and administrative procedures require that the audited agency develop a formal response within 60 days after release of the audit report.

We appreciate the courtesy and cooperation extended to us during this audit.

AUDITOR GENERAL

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TABLE OF CONTENTS

AUTOMATED INFORMATION SYSTEMS DEPARTMENT OF AGRICULTURE

INTRODUCTION

	<u>Page</u>
Executive Digest	1
Report Letter	5
Description of Agency	8
Audit Objectives, Scope, and Methodology and Agency Responses	10

COMMENTS, FINDINGS, RECOMMENDATIONS, AND AGENCY PRELIMINARY RESPONSES

Effectiveness of General Controls	13
1. User Access Controls	13
2. LAN Access Controls	15
3. LAN Backup and Recovery Controls	16
4. System Development and Documentation Controls	17
5. Data Processing Policies and Procedures	19
Internal Control Structure Over Automated Information Systems	20
6. Input and Processing Controls	20
7. System Edits	22
8. System Audit Trails	23

GLOSSARY

Glossary of Acronyms and Terms	25
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Description of Agency

Finance and Technology Division

Effective June 1, 1997, the Department of Agriculture's Finance Division merged with the Internal Operations Division (IOD) to become the Finance and Technology Division. The mission of IOD was to provide the Department with computer based technology and associated administrative support services. IOD planned, designed, developed, and implemented computerized information systems; developed and supported electronic data communications; and provided administrative and technical support. The Department's data communications consists of a wide area network* and local area networks (LANs) located at the central and regional offices. For fiscal year 1995-96, IOD expenditures totaled approximately \$1.1 million.

Food Licensing System

The Department's Food and Dairy Division is authorized by Sections 289.701 - 289.727 of the *Michigan Compiled Laws* (the Michigan Food Law) to regulate the manufacture, distribution, and sale of food for protection of the consuming public and to prevent fraud and deception by prohibiting the misbranding, adulteration, manufacture, distribution, and sale of foods in violation of the statute. The Food and Dairy Division uses the Food Licensing System to issue new and renewal licenses to qualified applicants and to monitor the licensing process. Qualified applicants are retail food establishments, such as grocery and convenience stores, which sell food to consumers for off-premises consumption. In fiscal year 1995-96, the Food Licensing System processed approximately 20,000 licenses and approximately \$1.0 million in license fee revenue.

Food Service Licensing System

The Department's Food and Dairy Division is authorized by Part 129 of the Michigan Public Health Code (which relates to food service sanitation) to perform inspections of and issue licenses to persons who operate food service establishments (restaurants), transitory food units, temporary food service establishments, or vending machine locations in the State. Executive Order 1996-1 reassigned responsibility for licensing food service establishments from the Department of Community Health to the Department of Agriculture effective April 1, 1996. At that time, the Food Service

* See glossary on page 25 for definition.

Licensing System was converted from a mainframe system to a LAN-based system and transferred to the Department of Agriculture. The Food and Dairy Division uses the Food Service Licensing System to assist in the processing and issuance of licenses. In fiscal year 1995-96, this System processed approximately 35,800 licenses and approximately \$0.4 million in license fee revenue.

Motor Fuel Licensing System

The Department's Laboratory Division is authorized by Sections 290.641 - 290.650d of the *Michigan Compiled Laws* (the Motor Fuels Quality Act) to provide for the licensing of persons engaged in the transfer, sale, dispensing, or offering of motor fuels for sale. The Laboratory Division uses the Motor Fuel Licensing System to assist in the processing and issuance of licenses to retail gasoline stations. In fiscal year 1995-96, the System processed approximately 5,450 licenses and approximately \$64,000 in license fee revenue.

Audit Objectives, Scope, and Methodology and Agency Responses

Audit Objectives

Our performance audit of the Automated Information Systems, Department of Agriculture, had the following objectives:

1. To assess the effectiveness of the Department's general controls over the management, development, and security of its automated information systems.
2. To assess the effectiveness of the Department's internal control structure over its automated information systems.

Audit Scope

Our audit scope was to examine the information processing and other records of the Automated Information Systems. Our audit was conducted in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States and, accordingly, included such tests of the records and such other auditing procedures as we considered necessary in the circumstances.

Audit Methodology

Our methodology included examination of the Department's information processing and other records for the period October 1, 1994 through May 31, 1997. Our work was performed between March 1997 and June 1997. To accomplish our audit objectives, our audit methodology included the following phases:

1. Data Gathering Phase

We collected background information about the Department's automated information systems. We performed an assessment of the internal control structure pertaining to: (a) general controls for the Department's local area network (LAN), which included network administration, physical security, access, systems development, and management controls; and (b) application controls for the Food Licensing System, Food Service Licensing System, and Motor Fuel Licensing System, which included data origination, data input, data processing, and data output.

2. Preliminary Review and Evaluation Phase

We identified the automated information systems and performed a risk analysis of each system to identify systems with the highest risk. Our risk assessment considered the critical nature of the information processed through each system as well as the number and dollar value of transactions processed. We used this analysis to determine the systems to audit and the extent of our detailed analyses and testing.

3. Detailed Analysis and Testing Phase

a. Effectiveness of General Controls:

- (1) We analyzed controls over the management of the Department's automated information systems.
- (2) We examined policies and procedures for the development and implementation of new computer systems. We analyzed system documentation for selected systems. We also examined procedures for making and implementing program changes.
- (3) We observed and assessed the security of the LAN, including physical security, backup, and access controls.

b. Internal Control Structure and Effectiveness of Automated Information Systems:

- (1) We evaluated controls over access and use of the automated information systems.
- (2) We assessed and documented the internal control structure over data input, data processing, and data output. Also, we conducted tests to determine whether the controls were working as intended.
- (3) We reviewed the effectiveness of the automated information systems in complying with laws and regulations.

4. Evaluation and Reporting Phase

We evaluated and reported on the results of the data gathering phase and the detailed analysis and testing phase.

Agency Responses

Our audit report contains 8 findings and 8 corresponding recommendations. The agency preliminary response indicated that it agreed with all of our recommendations.

The agency preliminary response which follows each recommendation in our report was taken from the agency's written comments and oral discussion subsequent to our audit fieldwork. Section 18.1462 of the *Michigan Compiled Laws* and Department of Management and Budget Administrative Guide procedure 1280.02 require the Department of Agriculture to develop a formal response to our audit findings and recommendations within 60 days after release of the audit report.

COMMENTS, FINDINGS, RECOMMENDATIONS, AND AGENCY PRELIMINARY RESPONSES

EFFECTIVENESS OF GENERAL CONTROLS

COMMENT

Audit Objective: To assess the effectiveness of the Department of Agriculture's general controls over the management, development, and security of its automated information systems.

Conclusion: The Department's general controls were reasonably effective over the management, development, and security of its automated information systems. Our assessment did not disclose any material conditions; however, we noted reportable conditions involving user access controls, local area network (LAN) access controls, LAN backup and recovery controls, system development and documentation controls, and data processing policies and procedures.

FINDING

1. User Access Controls

The Department had not established control procedures to prevent unauthorized access to and use of the automated information systems.

We examined usercode and password security over the LAN and four of the Department's systems: the Food Licensing System, the Food Service Licensing System, the Motor Fuel Licensing System, and the Cashier Receipts Validation System*:

- a. The Department did not restrict the LAN administrator usercode* or administrator access rights* to appropriate users. The LAN administrator usercode and administrator access rights allow a user to access all files on the LAN and to create new users. These capabilities should be restricted.

* See glossary on page 25 for definition.

We noted that the Department allowed a contractor to use the LAN administrator usercode. We also noted that the Department assigned administrator access rights to one Finance and Technology Division employee whose job responsibilities did not require all such rights. Misuse of the administrator usercode or the administrator access rights could result in unauthorized access and use of the LAN.

- b. The Department did not restrict system access and update capabilities to appropriate users. Our review of 24 system users disclosed that 9 had update capabilities beyond what was necessary for their jobs. Limiting access would help reduce the risk of processing unauthorized transactions.
- c. The Department did not delete usercodes of employees who had terminated employment. We identified 21 active usercodes that belonged to former employees. Allowing former employees to have the capability to access the Department's computer systems could result in unauthorized transactions. The Department needs to develop controls to help ensure that the Finance and Technology Division is notified when an employee leaves the Department.
- d. The Department did not automatically disconnect computer terminals after a reasonable period of inactivity. This could result in unauthorized system access. The Department of Management and Budget Administrative Guide procedure 1310.02 requires that terminals automatically log off if left unattended for a specific period of time.
- e. The Department did not restrict users to only one concurrent connection. Our review disclosed that users were allowed two or more concurrent connections. This increased the risk that a user would leave a terminal unattended while signed on to the LAN.
- f. The Department did not disable usercodes after a reasonable number of repeated invalid sign-on attempts. Disabling usercodes prevents an individual from attempting to gain unauthorized access to a system. Subsequent to our bringing this to management's attention, the Department modified the LAN to disable usercodes after three invalid sign-on attempts.

- g. The Department did not obtain any signed computer security agreements from system users before granting them access to a computer system. A security agreement helps assure management that users are aware of their responsibilities regarding license restrictions, software usage, and confidentiality of information.

Although our review did not disclose any unauthorized updates, control procedures would help ensure that only authorized users access and change data on the LAN.

RECOMMENDATION

We recommend that the Department establish control procedures to prevent unauthorized access to and use of the automated information systems.

AGENCY PRELIMINARY RESPONSE

The Department agreed with the recommendation and informed us that it is taking steps to address the conditions cited.

FINDING

2. LAN Access Controls

The Department had not established sufficient control procedures to restrict access to the LAN file servers* and file server consoles. Establishing additional access controls would help ensure that only authorized users have access to the data and applications on the LAN. We reviewed LAN file server security at the Department's central office and at one Department laboratory:

- a. The Department did not restrict access to the central office file server room to only authorized network administrators. The file server room was frequently unlocked and unattended throughout the day. Proper access controls require that the Department limit access to the file server room to help prevent unauthorized use of the LAN.

Subsequent to our bringing this to management's attention, the Department improved the security of the file server room.

* See glossary on page 25 for definition.

- b. The Department did not lock file server consoles that operated the central office and one Department laboratory's LAN software. When the file server consoles are unlocked and logged on, staff with access to the consoles could disable the file servers, change data and system configuration, and gain access to sensitive data using these consoles. The ability to make changes to the LAN should be limited to the network administrators.

RECOMMENDATION

We recommend that the Department establish sufficient control procedures to restrict access to the LAN file servers and file server consoles.

AGENCY PRELIMINARY RESPONSE

The Department agreed with the recommendation and informed us that it is complying to the extent possible but that the condition of the facility housing the LAN file servers does not allow for ideal conditions to adequately control the hardware. The Department also informed us that, when it moves to a new facility, LAN access controls will be taken into account.

FINDING

3. LAN Backup and Recovery Controls

The Department had not established complete controls over LAN backup and recovery of files.

Improving controls over backup and recovery would help ensure that LAN applications can be restored in the event of a disaster. We reviewed backup and recovery controls over the LANs at the Department's central office and one Department laboratory:

- a. The Department did not store current copies of its central office and the laboratory's LAN backup files off-site. The Department sent its central office monthly backup files off-site but maintained the office's weekly and daily backup files on-site. The Department sent the laboratory's monthly backup files off-site only periodically and maintained the laboratory's weekly and daily backup files on-site. In the event of an on-site fire or other disaster, up to one month's data and program files would be unrecoverable. Maintaining more

current off-site backup files would help ensure the recovery of critical systems if a disaster destroys files at a main processing site.

- b. The Department had not completed and tested a written plan for recovering the central office and the laboratory's LANs from backup files and restoring data and programs in the event of a disaster. Data and programs can be lost through human error, equipment malfunction, and natural disasters. Without adequate planning and testing, restoring backup files and recovering from a disaster could be extremely costly and time consuming, if not impossible, and could significantly impair Department operations.

RECOMMENDATION

We recommend that the Department establish complete controls over LAN backup and recovery of files.

AGENCY PRELIMINARY RESPONSE

The Department agreed with the recommendation and informed us that it is developing procedures to comply.

FINDING

4. **System Development and Documentation Controls**

The Department had not established and enforced control procedures over system development and documentation.

The Department had established some written system development and documentation standards; however, it did not enforce these standards. We reviewed the documentation of the Food, Food Service, and Motor Fuel Licensing Systems:

- a. The Department did not ensure that contracted system developers provided complete system documentation for any of these systems. The documentation did not include technical and user documentation, such as source code listings, program revision logs, lists of valid data elements, error correction procedures, and output handling procedures. Complete documentation helps promote operating efficiencies, minimizes the impact of

employee turnover, and reduces the amount of resources needed to maintain programs.

- b. The Department did not ensure that contracted system developers appropriately tested program changes. The Department could not provide us with appropriate testing documentation, such as test plans, test data, and test results for any of the systems. The Department should require the contracted system developer to provide such documentation prior to implementing program changes. Without appropriate documentation, the users cannot determine whether all critical program and system features were tested. In addition, without appropriate documentation, the users cannot determine whether the program changes meet their needs prior to implementation of the changes.

We identified a coding error in a Food Licensing System program. As a result, the Food Licensing System incorrectly recorded the amount received from applicants in the fee data field rather than in the amount received data field. This could result in inaccurate reporting. This type of error could have been detected and corrected if the Department had ensured complete program testing.

- c. The Department did not establish controls over the data conversion process.

Effective September 1, 1996, the Department became responsible for licensing food service establishments. The Department of Community Health, which had been performing this function, had contracted for the conversion of the Food Service Licensing System from a mainframe system to a LAN-based system. The LAN-based system was transferred to the Department of Agriculture; however, the Department did not obtain control totals from the Department of Community Health to be used to reconcile with the converted system. As a result, records for approximately 2,000 food service establishments were lost or unreadable. Establishing controls over the data conversion process would help ensure that data is converted completely and accurately.

RECOMMENDATION

We recommend that the Department establish and enforce control procedures over system development and documentation.

AGENCY PRELIMINARY RESPONSE

The Department agreed with the recommendation and informed us that it will comply during the development of any new software initiatives.

FINDING

5. **Data Processing Policies and Procedures**

The Department had not developed comprehensive data processing policies and procedures:

- a. The Department had not established procedures to address data processing security issues, including general, physical, software, and data security. Although the Department had appointed a security officer, we found that the security officer's responsibilities were not clearly defined.

Establishing procedures to address data processing security issues would help better define the security officer's responsibilities and correct some of the security weaknesses identified in this report (Findings 1 through 3).

- b. The Department had not developed up-to-date data processing policies and procedures, including those for systems development, physical security, technical support, and LAN administration. A policies and procedures manual helps to communicate to staff the extent of their responsibilities. Because of recent staff turnover and fewer staff, policies and procedures are especially important to help ensure proper management and support of data processing.

RECOMMENDATION

We recommend that the Department develop comprehensive data processing policies and procedures.

AGENCY PRELIMINARY RESPONSE

The Department agreed with the recommendation and informed us that it will comply as time and resources permit.

INTERNAL CONTROL STRUCTURE OVER AUTOMATED INFORMATION SYSTEMS

COMMENT

Audit Objective: To assess the effectiveness of the Department's internal control structure over its automated information systems.

Conclusion: The internal control structure over the Department's automated information systems was reasonably effective. Our assessment did not disclose any material conditions; however, we noted reportable conditions related to input and processing controls, system edits, and system audit trails.

Noteworthy Accomplishments: The Department is taking steps to evaluate the effectiveness and efficiency of its automated information systems. The Department has established an Information Technology Master Plan which includes the following objectives: (1) To develop a comprehensive corporate data base, (2) To integrate all Department data on a common platform using a common identifier, (3) To develop flexible information systems which access the corporate data base, and (4) To develop a comprehensive security system to safeguard the Department's information technology resources. The first phase of the Information Technology Master Plan is due in October 1997 and will define and prioritize the Department's information requirements.

FINDING

6. Input and Processing Controls

The Department had not established control procedures to ensure the completeness and timeliness of data entered and processed on the Food, Food Service, and Motor Fuel Licensing Systems:

- a. The Department did not maintain a log or record of the receipt of license applications and the processing and distribution of licenses for any of these

three systems. Such a log or record would help ensure that applications are not lost during data input and processing. As a result, the Department had limited assurance that all applications were entered and processed by the systems.

- b. The Department did not cancel license applications to indicate that they were entered on the Food Service Licensing System. The Department should cancel or mark each application after entering it on the system. Canceling license applications would provide a means for the Department to verify that all applications were entered. It would also provide a control to prevent duplicate data input.
- c. The Department had not established controls to help ensure that all licenses were printed by these three systems. The Department did not prepare control totals for licenses before they were printed, and the systems did not generate control totals after the licenses were printed. Without using control totals, the Department could not be certain that all licenses were printed. Establishing and reconciling control totals would help ensure that all licenses were printed.

Although our review did not disclose any unprocessed applications or licenses, establishing control procedures would provide the Department with further assurance of the completeness and timeliness of input and processing.

RECOMMENDATION

We recommend that the Department establish control procedures to help ensure the completeness and timeliness of data entered and processed on the Food, Food Service, and Motor Fuel Licensing Systems.

AGENCY PRELIMINARY RESPONSE

The Department agreed with the recommendation and informed us that it will comply as time and resources permit. In addition, the Department is proposing a corporate data base initiative. This new system will address control concerns and provide adequate control procedures.

FINDING

7. System Edits

The Department had not established control procedures to help ensure that data was properly edited for accuracy by the Food, Food Service, and Motor Fuel Licensing Systems.

Although most data input to these systems was accurate, our review disclosed the following weaknesses:

a. The systems did not edit all data to help ensure that it was accurate. Edits help detect and identify input records with inaccurate or missing data:

- (1) We performed an analytical review of data on the Food and Motor Fuel Licensing Systems and found invalid or missing information in the following fields: license type, transaction type, transaction fee, seasonal, square footage, expiration year, plant evaluator code, owner type, county, and region. This invalid data occurred because of data entry errors.

The Food and Dairy Division and Laboratory Division had established manual processes to identify data entry errors. However, these processes did not detect all errors.

- (2) We performed an analytical review of data on the Food Service Licensing System and found invalid or missing information in the following fields: reason code, state exempt, local exempt, seasonal, reduced, action code, and print license. We also identified licenses processed with invalid inspection years. This invalid data occurred because of data entry errors.

The Food Service Licensing System edited some, but not all, of the data fields. However, some of the edits did not reject invalid data.

b. The Food Service Licensing System did not reject license applications that did not meet the requirements for inspection dates. *Michigan Administrative Code R 325.25902* requires that food service establishments be inspected by

local health departments every 6 or 12 months. We noted instances when the Department issued licenses to establishments that had not met the inspection requirements. Editing the inspection date against the application date would help ensure that only inspected and approved establishments receive licenses.

Subsequent to our bringing this to management's attention, the Department informed us that it modified the system to enforce inspection requirements.

- c. The Food Service Licensing System did not produce error messages for some edited data fields that did not meet edit requirements. For other data fields, error messages did not provide clear and understandable corrective actions. The display of clear and understandable corrective actions for each data field would help enable users to correct errors and input only accurate data into the system.

RECOMMENDATION

We recommend that the Department establish control procedures to help ensure that data is properly edited for accuracy by the Food, Food Service, and Motor Fuel Licensing Systems.

AGENCY PRELIMINARY RESPONSE

The Department agreed with the recommendation and informed us that it will address these issues for all licensing processes as the corporate data base is implemented.

FINDING

8. System Audit Trails

The Department had not established controls to provide system audit trails for the identification of transactions and the reconstruction of data files:

- a. The Department did not record complete identifying information for transactions in the Food, Food Service, and Motor Fuel Licensing Systems.

The design of these systems did not include an audit trail to assist in the reconstruction of the data files and to enable management to identify the originator of the transactions. These systems did not record the date, time, and usercode for each transaction.

An audit trail would provide identification of the user who input transactions as well as the date and time of input.

- b. The Department did not systematically file license applications and other input documents for the Food and Motor Fuel Licensing Systems. The Department stacked license applications and other documents in piles and placed them in a file drawer in no particular order. As a result, we could not rely on the Food and Dairy Division's filing system to locate supporting documentation for 2 out of 30 refund transactions that we tested. The Department should file license applications and other documents so that it can easily access and verify input transactions.

RECOMMENDATION

We recommend that the Department establish controls to provide system audit trails for the identification of transactions and the reconstruction of data files.

AGENCY PRELIMINARY RESPONSE

The Department agreed with the recommendation and informed us that it will implement audit trails in the design of the corporate data base. In addition, the Food and Dairy Division has established a business manager position that will be responsible for licensing functions and will evaluate and develop adequate procedures over licensing.

Glossary of Acronyms and Terms

administrator access rights	Rights granted to a user enabling him/her access and control over all LAN directories, files, and hardware.
administrator usercode	A usercode used by the LAN administrator whereby the administrator has access and control over all LAN directories, files, and hardware.
Cashier Receipts Validation System	A computer system used by the Department of Agriculture for recording and processing the receipt of cash.
effectiveness	Program success in achieving mission and goals.
efficiency	Achieving the most outputs and outcomes practical for the amount of resources applied or minimizing the amount of resources required to attain a certain level of outputs or outcomes.
file server	A computer containing files available to all users connected to a LAN.
food establishment	A retail store which sells food to the consumer for off premises consumption.
Food Licensing System	A computer system used by the Department for processing and issuing licenses for retail food establishments, such as grocery and convenience stores, which sell food to consumers for off-premises consumption.
food service establishment	A fixed or mobile restaurant, coffee shop, cafeteria, short-order café, luncheonette, grill, tearoom, sandwich shop, soda fountain, tavern, bar, cocktail lounge, industrial feeding establishment, private organization serving the public, rental hall, catering kitchen, delicatessen, theater, commissary, or

similar place in which food or drink is prepared for direct consumption through service on the premises or elsewhere, and any other eating or drinking establishment or operation where food is served or provided for the public.

**Food Service
Licensing System**

A computer system used by the Department for processing and issuing licenses for food service establishments.

**internal control
structure**

The management control environment, management information system, and control policies and procedures established by management to provide reasonable assurance that goals are met; that resources are used in compliance with laws and regulations; and that valid and reliable performance related information is obtained and reported.

IOD

Internal Operations Division.

**local area network
(LAN)**

A group of computers connected to each other over a small geographical area, such as a building or office, for the purpose of sharing hardware, software, and information.

material condition

A serious reportable condition which could impair the ability of management to operate a program in an effective and efficient manner and/or could adversely affect the opinion of an interested person concerning the effectiveness and efficiency of the program.

**Motor Fuel Licensing
System**

A computer system used for processing and issuing licenses for retail gasoline stations.

performance audit	An economy and efficiency audit or a program audit that is designed to provide an independent assessment of the performance of a governmental entity, program, activity, or function to improve public accountability and to facilitate decision making by parties responsible for overseeing or initiating corrective action.
reportable condition	A matter coming to the auditor's attention that, in his/her judgment, should be communicated because it represents either an opportunity for improvement or a significant deficiency in the design or operation of the internal control structure or in a management's ability to operate a program in an effective and efficient manner.
wide area network	A group of computers connected to each other over a large geographical area, such as the State, for the purpose of sharing hardware, software, and information.

