

# Arizona Department of Administration Central Services Bureau

Procedural Review

As of March 30, 2017  
Report 17-305



A Report to the Arizona Legislature

Debra K. Davenport  
Auditor General





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AUDITOR GENERAL

**STATE OF ARIZONA**  
OFFICE OF THE  
**AUDITOR GENERAL**

**MELANIE M. CHESNEY**  
DEPUTY AUDITOR GENERAL

April 13, 2017

Craig C. Brown, Director  
Arizona Department of Administration

We have performed a procedural review of the Arizona Department of Administration–Central Services Bureau’s internal controls in effect as of March 30, 2017. Our review consisted primarily of inquiries, observations, and selected tests of internal control policies and procedures, accounting records, and related documents. The review was more limited than would be necessary to give an opinion on internal controls. Accordingly, we do not express an opinion on the effectiveness of internal controls or ensure that all deficiencies in internal controls are disclosed.

Specifically, we reviewed cash disbursements, transfers, payroll, client services, and information technology access controls.

As a result of our review, we noted a deficiency in internal controls that the Department’s management should correct to ensure that it fulfills its responsibility to establish and maintain adequate internal controls. Our finding and recommendation concerning this deficiency is described below.

The Department should ensure proper approval of its contracts with state agencies

Criteria—Contracts, known as Internal Service Agreements (ISA), between the Arizona Department of Administration’s (Department) Central Services Bureau (Bureau) and other state agencies should be complete, be up to date, include all parties’ responsibilities, and be approved by all parties.

Condition and context—The Bureau and other state agencies used ISAs to establish their respective duties and responsibilities; however, the Bureau did not ensure all parties involved properly approved ISAs prior to work performance. Specifically, the Department did not sign or approve any of the 13 ISAs tested, and the other state agencies did not sign or approve 9 of those ISAs.

Effect—The Bureau may have performed unauthorized services on behalf of state agencies and both parties may be uninformed as to their respective duties and responsibilities in administering the ISA.

Cause—The Bureau did not obtain appropriate approvals from state agencies and from the Department prior to conducting services for those agencies because of employee oversight.

Recommendation—To help ensure ISAs are properly approved and all parties involved are aware of their duties and responsibilities, the Bureau should obtain signatures from authorized officials of the Department and the applicable state agency.

This report is intended solely for the Department's information and use and is not intended to be and should not be used by anyone other than the specified party. However, this report is a matter of public record, and its distribution is not limited.

Should you have any questions concerning our procedural review, please let us know.

Sincerely,

Jay Zsorey, CPA  
Financial Audit Director

# DEPARTMENT RESPONSE



Douglas A. Ducey  
Governor

Craig C. Brown  
Director

ARIZONA DEPARTMENT OF ADMINISTRATION

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April 7, 2017

Jay Zsorey, Financial Audit Director  
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2910 North 44<sup>th</sup> Street, Suite 410  
Phoenix, AZ 85018

RE: Central Services Bureau Procedural Review

Dear Mr. Zsorey:

The Central Services Bureau ("Department"), a unit within the Department of Administration's General Accounting Office, appreciates the opportunity to respond to the finding of the procedural review performed by Travis Attkisson.

**Finding 1: The Department should ensure proper approval of its contracts with state agencies.**

Response: The Department concurs with the finding that it should ensure proper approval of its contracts with state agencies. The Department is in the process of ensuring that all current Internal Service Agreements are signed. Furthermore, the Department will have a plan in place to obtain appropriate approvals in a timely manner going forward.

The Department would like to thank the Auditor General's staff for the time and effort spent on the procedural review. They conducted the review with professionalism and efficiency.

Sincerely,

D. Clark Partridge  
State Comptroller

