



A REPORT  
TO THE  
ARIZONA LEGISLATURE

Financial Audit Division

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Procedural Review

# Arizona Disease Control Research Commission

As of May 10, 2004

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**Debra K. Davenport**  
Auditor General

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

**DEBRA K. DAVENPORT, CPA**  
AUDITOR GENERAL

**WILLIAM THOMSON**  
DEPUTY AUDITOR GENERAL

July 8, 2004

Dawn C. Schroeder, D.D.S., M.A.  
Executive Director  
Arizona Disease Control Research Commission  
15 South 15<sup>th</sup> Avenue, Suite 103  
Phoenix, AZ 85007

Dear Dr. Schroeder:

We have performed a procedural review of the Commission's internal controls in effect as of May 10, 2004. 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 internal controls or ensure that all deficiencies in internal controls are disclosed.

Specifically, we reviewed cash receipts, cash disbursements, transfers, payroll, purchasing, and equipment.

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

**The Commission should properly  
account for its equipment**

Since the Commission has invested a significant amount of money in equipment, effective stewardship requires the Commission to have an accurate equipment list to ensure equipment items are properly identified and accounted for. This is especially critical for the Commission since its contracted organizations and individuals have custody of many equipment items to which the Commission has title. For example, two contractors had nearly \$1.2 million of equipment items listed on their records that weren't included on the Commission's list. Also, the Commission did not record its equipment on the State's capital assets system and did not list complete information for each item on its equipment list.

The following procedures can help the Commission improve controls over equipment items and ensure that its list is accurate and complete.

- Perform a physical inventory of all Commission-owned equipment items including items on contractors' premises.

Dawn C. Schroeder, D.D.S., M.A.

July 8, 2004

Page Two

- Record all essential information, such as property identification number, acquisition date, method of acquisition, and purchase document number, for each item.
- Create a current and accurate equipment list on the State's capital assets system.
- Require each contractor to submit a list of Commission-owned items that are on its premises annually.
- Reconcile individual contractor lists to the Commission's list and make all necessary corrections to the capital assets system.

This letter is intended solely for the information and use of the Commission and is not intended to be and should not be used by anyone other than the specified party. However, this letter 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,

Dennis L. Mattheisen, CPA  
Financial Audit Director



15 June 2004

Mr. Dennis L. Mattheisen, CPA  
Financial Audit Director  
Office of the Auditor General  
2910 North 44th Street, Suite 410  
Phoenix, Arizona 85018

Dear Sir:

*Janet Napolitano*  
GOVERNOR

Commission agrees with the audit team finding concerning capital asset accounting and has already taken steps to rectify the problem. In late May members of the Commission staff met with the audit team, the state comptroller and General Accounting Office (GAO) staff responsible for capital asset tracking to discuss the problem.

COMMISSIONERS:

C. Eileen Bond, JD  
Lyra McCoy, MPH  
Steven Weinberg, JD

The Commission is in a unique position because capital assets owned by the Commission are purchased by researchers and housed in their facilities. The current capital asset computer program will not allow direct entry of this kind of capital asset onto the system.

T. Lon Owen, PhD  
Henry C. Reeves, PhD  
Walter H. Williams,  
PhD, MD

At the meeting a solution to the problem was outlined. The Commission will maintain an Excel Spreadsheet containing the specified information. That spreadsheet will be delivered to GAO with the annual closing package. The information will be incorporated with other capital asset data and included in the State's annual financial statement. Specific procedures are currently being written to formalize the process.

William Crisp, MD  
Eladio Pereira, MD  
Colleen Brophy, MD

The Commission would like to thank the audit team for their willingness to take the extra time to understand the specific issues and meet with all parties involved to find a solution.

Sincerely,

Dawn C. Schroeder,  
DDS, MA  
EXECUTIVE DIRECTOR

Dawn C. Schroeder, D.D.S., M.A.  
Executive Director

ddb:DCS