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October 18, 2018

The Honorable Anthony Kern, Chair
Joint Legislative Audit Committee

The Honorable Bob Worsley, Vice Chair
Joint Legislative Audit Committee

Dear Representative Kern and Senator Worsley:

Our Office has recently completed an 18-month followup of the Arizona Department of Public Safety regarding the implementation status of the four audit recommendations presented in the procedural review report on internal controls in effect as of December 5, 2016, released in February 2017 (Auditor General Report 17-301). As the attached grid indicates:

- 2 have been implemented, and
- 2 are in the process of being implemented.

Unless otherwise directed by the Joint Legislative Audit Committee, this concludes our follow-up work on the Arizona Department of Public Safety's efforts to implement the recommendations from the February 2017 procedural review.

Sincerely,

Donna Miller, CPA
Director, Financial Audit Division

cc: Colonel Frank Milstead, Director
Arizona Department of Public Safety

Arizona Department of Public Safety

Auditor General Report No. 17-301

18-Month Follow-Up Report

Recommendation

Status/Additional Explanation

Finding 1: Cash Receipts

1. To help ensure that cash receipts are properly collected, recorded, reconciled, and deposited, the Department should strengthen the monitoring of its operating units to ensure that they follow established written policies and procedures. Specifically, the Department should require its operating units to maintain a daily receipts log for cash receipts received by mail or drop-box. The daily receipts log should be reconciled to the day's total cash receipts collections and bank deposit to help ensure that all cash receipts are recorded and deposited. In addition, the Department should establish policies and procedures for nonsufficient funds (NSF) checks and ensure that NSF checks are controlled and that the individuals who are responsible for tracking, pursuing, and resolving NSF checks are independent of cash-handling and cash-recording responsibilities.

Implementation in Process

The Department has implemented procedures to maintain a daily receipts log for cash receipts and reconcile the daily cash receipts and bank deposit. The Department reported that it expects to implement a procedure to reconcile the application-processing system to the general ledger system by December 31, 2019. Further, the Department reported that it plans to implement procedures to review NSF checks monthly by March 31, 2019.

Finding 2: Travel Expenditures

2. To help ensure that the Department's travel costs are the most economically advantageous and comply with its policies and state guidelines, the Department should require that all employee travel requests and travel claims are properly reviewed and approved for allowability by individuals who are knowledgeable of the travel policies and procedures prior to disbursing funds. In addition, the Department should ensure that all out-of-state travel is approved and that the Central Finance Office makes all airline and car rental reservations.

Implemented at 18 months

Finding 3: Purchasing

3. To help ensure that it obtains the most advantageous price for the goods and services it purchases, and to comply with the State's procurement requirements, the Department should ensure that it prepares and maintains documentation evidencing that competitive purchasing procedures were followed. For example, the Department should include a written determination of the basis for the sole source procurement and request for quotations in the contract files.

Implemented at 18 months

**Arizona Department of Public Safety
Auditor General Report No. 17-301
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Recommendation	Status/Additional Explanation
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Finding 4: Capital Assets

4. To help ensure that its capital assets are properly controlled, safeguarded, and accounted for in accordance with state policies and procedures, the Department should update its capital assets list for any changes resulting from its annual inventory and compare the list to the Department's capital assets recorded on the State's fixed asset system. In addition, the Department should develop and implement procedures to properly account for assets on loan to other law enforcement agencies. Specifically, the Department should contact those agencies at least annually to verify that the assets on loan were properly identified by the agency as belonging to the Department and to provide guidance on loaned assets' return or disposal.

Implementation in Process

The Department completed an annual inventory, which included contacting the agencies that had assets belonging to the Department in May 2018 and ensuring they were properly identified as loaned-out assets in the Department and agency records. The Department is in the process of implementing a reconciliation between its own asset management systems and the State's fixed asset system. The Department expects to implement the reconciliation by September 30, 2020.