

**STATE OF ARIZONA**  
**BOARD OF FINGERPRINTING**  
**Procedural Review Letter**  
**As of February 23, 2001**

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<b>Table of Contents</b>	<b>Page</b>
Procedural Review Letter	1
Board Response	3



DEBRA K. DAVENPORT, CPA  
AUDITOR GENERAL

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

WILLIAM THOMSON  
DEPUTY AUDITOR GENERAL

April 6, 2001

Sally Loveland, Director  
State of Arizona, Board of Fingerprinting  
Mail Code 2500  
P.O. Box 6638  
Phoenix, AZ 85005-6638

**Subject: Procedural Review Letter**

Dear Ms. Loveland:

We have performed a procedural review of the Board of Fingerprinting's internal controls in effect as of February 23, 2001. 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 disbursements, purchasing, and equipment.

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

**The Board did not capitalize computer software**

The Board did not record the costs associated with the development of customized computer software as a capital asset on the fixed assets listing.

To help ensure that assets are properly stated on the fixed assets listing in accordance with generally accepted accounting principles, the Board should capitalize all costs associated with the development of customized computer software over \$5,000 and list the item on its fixed assets listing. (*State of Arizona Accounting Manual*, pages II-G2 and II-G3)

Sally Loveland, Director  
April 6, 2001  
Page Two

This letter is intended solely for the information and use of the Board of Fingerprinting 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

# ARIZONA BOARD OF FINGERPRINTING

Mail Code 2500 P.O. Box 6638 Phoenix, AZ 85005-6638  
Telephone: (602) 223-2800 Fax: (602) 223-2947

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Board Members:

Mr. Mike LeHew, Chair      Ms. Corinne Velasquez, Vice Chair      Ms. Cynthia Goertz      Ms. Katherine Hill      Ms. Kim Pipersburgh

March 27, 2001

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

Re: Board of Fingerprinting Audit Response - First Half Fiscal Year 2001

Dear Mr. Mattheisen:

The Arizona Board of Fingerprinting has reviewed the findings contained in the procedural audit conducted by Auditor General personnel for the first half of fiscal year 2001. Following is the Board's response to the auditor's finding that "The Board did not capitalize computer software."

The Department of Public Safety (DPS) provides capital inventory, accounting, financial and other services to the Board. According to the General Accounting Office (GAO), the Board's purchase of software application development was correctly coded as professional and outside services when purchased. The purchase should then have been assigned a fixed asset number and carried on the fixed asset listing. Since the Board's software application is housed on DPS' server, it is considered a "betterment" to their server and should be transferred to their fixed asset listing.

The GAO recently modified the fixed asset system to accommodate this type of situation (that is, assign a fixed asset number to an item purchased under a comptroller object code other than the 8400 series), but no guidelines have yet been issued to the state agencies. DPS follows the guidelines set forth in the State of Arizona Accounting Manual and fully intends to comply with the new GAO guidelines respective to these issues just as soon as they are published.

If you have any questions, or if I can be of further assistance, please contact me at (602) 223-2809.

Sincerely,

Sally A. Loveland  
Director