



**REPORT
 HIGHLIGHTS**
 PROCEDURAL REVIEW

Subject

The Arizona Commission for the Deaf and the Hard of Hearing (Agency) is a state agency charged with providing services to Arizona's deaf and hard of hearing community to improve their quality of life. The Agency no longer receives any monies from the General Fund. In fiscal year 2000, the Agency was given authority to pay for its general operations with monies from the Telecommunications Device for the Deaf Fund.

Our Conclusion

The Agency failed to follow the established rules for purchases and payments for over \$1 million in goods and services. Specifically, the Agency

- Contracted for services and goods without adequate planning,
- Made inappropriate payments,
- Disregarded guidelines designed to spend public monies efficiently, and
- Purchased items that constituted gifts of public monies.



2002

May 10, 2002

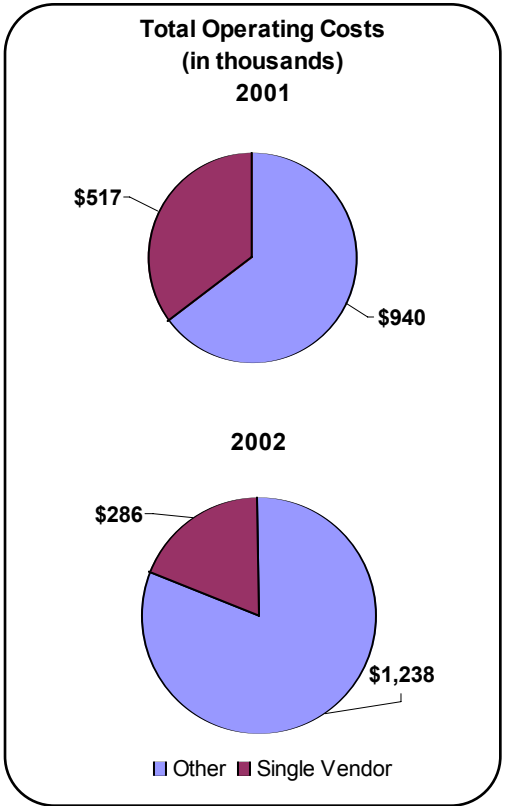
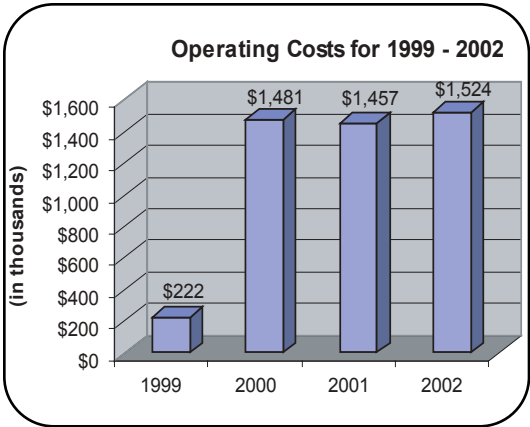
**The Agency Awarded
 Nearly \$803,000 in Ten
 Contracts to One Vendor
 Without Adequate Planning**

Actual operating costs for the last three years has averaged almost \$1.5 million, however; in 1999 the actual operating costs were only \$222,000 as shown in the top right Figure. This increase was made possible because of a funding change from general appropriations to the Telecommunications Device for the Deaf Fund monies.

Since fiscal year 2000, the Agency contracted for nearly \$803,000 of operating costs to one vendor as shown in the bottom table to prepare public service announcements, distribute equipment, perform consulting services, prepare open-captioned videotapes, and host a television program.

In contracting for these services, the Agency demonstrated a pattern of poor business practices by:

- Dividing contracts to below spending limits to avoid competitive purchasing,
- Awarding a contract that was significantly different than the original request for purchase,
- Failing to identify vendors that could reasonably perform the contracts,
- Failing to adequately develop a request for proposal, and
- Not allowing adequate time for the advertising, awarding, and performing of certain contracts.



The Agency Made Inappropriate Payments

The Agency made \$294,375 of inappropriate payments to one vendor. The Agency paid \$256,550 almost a year before the product was received and \$30,325 in monthly installments

when the contract specified payment upon completion. Also, the Agency paid \$7,500 although the vendor's invoice lacked descriptions of services provided.

The Agency Disregarded Prudent Business Guidelines for Spending Public Monies

State agency operations are supported by taxpayer dollars, and agency officials have a duty to use those monies prudently. However, the Agency spent \$128,000 without following state purchasing and policy guidelines.

- The Agency paid \$93,163 to develop equipment-tracking software without obtaining the necessary approval from the Government Information Technology Agency. Adequate off-the-shelf software could have been purchased for only \$5,000.
- The Agency inappropriately paid \$15,938 for events that it sponsored. As shown in the Figure at top right, the Agency paid for trainings and meetings held at hotel conference rooms instead of utilizing state facilities. The Agency also paid for employees' food at staff retreats and trainings and for hotel rooms in excess of the maximum lodging rate allowed under state travel reimbursement guidelines. Further, the Agency inappropriately provided food to the public at meetings.
- The Agency paid \$18,763 (see Figure to the right) to sponsor a booth at a conference that exceeded its spending authority of \$5,000 and did not select the most appropriate venue to meet its objective of attracting interpreters to the state or document the effectiveness of the conference.

Cost of Events July 2000 – February 2002

Description	Amount
Hotel conference rooms	\$ 7,175
Catered food	8,287
Hotel lodging	<u>476</u>
Total	<u>\$15,938</u>

Conference Costs August 2001

Description	Amount
Rental of booth props	\$13,088
Booth space and conference registration	5,500
Banquet tickets	<u>175</u>
Total	<u>\$18,763</u>

The Agency Purchased Items that Constitute Gifts of Public Monies

The executive director authorized expenditures of \$168,118 that constituted a gift of public monies. The Agency inappropriately used a state contract intended for employee recognition awards to make this purchase. The Figure to the right illustrates the types of promotional items purchased.

Description	Amount
Sunshades	\$ 27,735
Magnets	16,595
Prepaid phone cards	15,894
Miscellaneous	15,355
Pens	10,148
Leather coasters	9,836
Lunch and plastic bags	9,008
Chip clips and screwdriver tool kits	8,783
Pill boxes	8,147
Mouse pads	8,036
Stress balls	7,847
Stickers, note pads, and holders	7,417
Business cards, magnifiers, direct mailers	6,935
Key tags	6,736
Jar and letter openers	5,846
Cowboy hats	3,800
Total	<u>\$168,118</u>

Recommendations

- The Commission for the Deaf and the Hard of Hearing should:
- Follow applicable rules for purchasing and paying for goods and services,
 - Observe the Agency's spending limit,
 - Plan adequately for any major purchase of good and services,
 - Pay vendors only after it receives contracted goods and services,
 - Follow guidelines for spending public monies and prudent business practices, and
 - Ensure that public monies are not used to buy gifts.

TO OBTAIN
MORE INFORMATION

A copy of the full report
can be obtained by calling
(602) 553-0333



or by visiting
our Web site at:
www.auditorgen.state.az.us

Contact person for
this report is:
Philip C. Shultz
(602) 553-0333

