

**Arizona Commission of Indian Affairs
Procedural Review Letter
As of April 30, 2002**



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

DEBRA K. DAVENPORT, CPA
AUDITOR GENERAL

WILLIAM THOMSON
DEPUTY AUDITOR GENERAL

June 18, 2002

Ron S. Lee, Executive Director
Arizona Commission of Indian Affairs
1400 West Washington, Suite 300
Phoenix, AZ 85007

Subject: Procedural Review Letter

Dear Mr. Lee:

We have performed a procedural review of the Commission's internal controls in effect as of April 30, 2002. 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, payroll, purchasing, journal entries, and equipment.

As a result of our review, we noted certain deficiencies 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 recommendations concerning them are described below.

**The Commission needs to improve accountability
over cash receipts**

Because cash is highly susceptible to potential theft or misuse, the Commission needs to establish controls to properly account for and safeguard cash receipts. Auditors noted the following deficiencies:

- The Commission could not ensure that all cash receipts were recorded because prenumbered cash receipt forms were not always prepared.
- The Commission did not deposit monies received on a timely basis. For cash receipts tested, monies were deposited 2 weeks to 4 months after the date received.

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To help ensure that all monies received are properly accounted for and adequately safeguarded, the Commission should implement the following procedures:

- Prepare prenumbered cash receipt forms or use a cash register to record all receipts when cash or checks are received. These cash receipt forms should be numerically controlled and reconciled daily to monies collected.
- Deposit cash receipts intact at least weekly. If the amount is over \$500, receipts should be deposited daily.

The Commission needs to follow State procurement policies

To help ensure goods and services are purchased at a competitive price, the Commission needs to follow State procurement policies. The Commission did not follow State policies for two purchases between \$1,000 to \$5,000, since there was no evidence of any verbal or written quotations being obtained. Consequently, the Commission may have paid more than necessary for the goods or services purchased.

The Commission should follow State procurement policies and procedures requiring three verbal or written quotations be obtained for purchases between \$1,000 to \$5,000. This will help to ensure that goods and services are purchased at the most competitive price. In addition, support should be retained to document that State procurement policies were followed.

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



Arizona Commission of Indian Affairs

1400 W. Washington, Suite 300
Phoenix, Arizona 85007
Phone: (602) 542-3123
FAX: (602) 542-3223
Web: www.indianaffairs.state.az.us

Jane Dee Hull
Governor

Ron S. Lee
Executive Director

June 12, 2002

Dennis L. Mattheisen, Financial Audit Director
State of Arizona, Auditor General
2910 N. 44th Street, Suite 410
Phoenix, AZ 85018

Dear Mr. Mattheisen:

We have received your procedural review of the Arizona Commission of Indian Affairs' internal controls that are in effect as of April 30, 2002.

We agree with the audit findings and will comply with the recommendations offered by the Office of the Auditor General to ensure proper accountability over cash receipts and to follow the State procurement policies.

Thank you for your assistance and if should you need additional information, you may contact me at (602) 542-3123.

Sincerely,

Ron S. Lee
Executive Director