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August 1, 2019

The Honorable Rick Gray, Chair
Joint Legislative Audit Committee

The Honorable Anthony Kern, Vice Chair
Joint Legislative Audit Committee

Dear Senator Gray and Representative Kern:

We have recently completed a 12-month followup of the Arizona Corporation Commission (Commission) regarding the implementation status of the 9 audit recommendations presented in our procedural review report on internal controls over cash receipts in effect as of April 23, 2018, released in May 2018 (Auditor General Report 18-301). As the attached grid indicates, of the 9 recommendations:

- 8 have been implemented, and
- 1 is in the process of being implemented.

Unless otherwise directed by the Joint Legislative Audit Committee, this concludes our follow-up work on the Commission's efforts to implement the recommendations from the May 2018 procedural review.

Sincerely,

Donna Miller, CPA
Director, Financial Audit Division

cc: Matthew Neubert, Executive Director

Arizona Corporation Commission

Auditor General Report 18-301

12-Month Follow-Up Report

Recommendation

Status/Additional Explanation

Finding 1: Commission should strengthen controls over cash receipts

To help ensure that cash receipts are properly collected, recorded, and deposited in a timely manner, the Commission should strengthen controls over cash receipts. Specifically, the Commission should:

- Ensure two employees are present when mail is opened. If the Commission does not have sufficient staff to accomplish this, it should consider entering into a labor-sharing arrangement with another agency or enter into a contract with the Arizona Department of Administration's Central Services Bureau to provide additional support.
- Implement policies and procedures to ensure all cash receipts, including fingerprint-processing receipts, are deposited in a timely manner in accordance with the requirements outlined in SAAM, Topic 20, Section 10.
- Ensure all receipts are recorded and deposited in a timely manner. If employees responsible for recording and depositing receipts in a timely manner are out of the office, another employee should be trained to perform these duties while also maintaining proper separation of responsibilities.
- Establish, implement, and maintain policies and procedures for cash receipts the Corporations Division receives through the mail and online.

Implemented at 12 months

Implementation in process

The Commission has developed policies and procedures addressing the timely deposit of cash receipts. However, those policies and procedures were not sufficient for fingerprint-processing receipts. We found that the Commission did not deposit those receipts from February and April 2019 within the timeframe outlined in the Commission's policies and procedures. According to the Commission, it intends to implement additional procedures to help ensure fingerprint-processing receipts are deposited timely.

Implemented at 12 months

Implemented at 12 months

Finding 2: Commission's Enforcement Unit should establish policies and procedures to ensure it properly controls cash receipts

To help ensure that all restitution and penalty payments are properly collected, recorded, deposited, and safeguarded from loss or theft, the Commission's Enforcement Unit should establish and implement policies and procedures as outlined in SAAM, Topic 05, Section 10, including:

Recommendation**Status/Additional Explanation**

- Only employees who are not responsible for maintaining accounting records should receive mail receipts. Two employees should be present when mail is opened. **Implemented at 12 months**
 - Restrictively endorse all payments on the day received. **Implemented at 12 months**
 - Properly log cash receipts when received and record them in the Unit's accounting system. **Implemented at 12 months**
 - Reconcile cash receipts to the accounting system records and amounts deposited, resolving any discrepancies. An employee who is not responsible for collecting or recording cash receipts should review and approve the reconciliation. **Implemented at 12 months**
 - Establish and implement policies and procedures for processing restitution and penalty payments, including procedures when the Attorney General's Office collects receipts and remits them to the Unit for further processing. **Implemented at 12 months**
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