

**State of Arizona**  
**Department of Mines and Mineral Resources**  
**Procedural Review Letter**  
**As of February 26, 2002**



DEBRA K. DAVENPORT, CPA  
AUDITOR GENERAL

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

WILLIAM THOMSON  
DEPUTY AUDITOR GENERAL

May 17, 2002

W. Doug Sawyer, Director  
State of Arizona  
Department of Mines and Mineral Resources  
1502 West Washington Street  
Phoenix, AZ 85007

**Subject: Procedural Review Letter**

Dear Mr. Sawyer:

We have performed a procedural review of the Department's internal controls in effect as of February 26, 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, transfers, payroll, purchasing, equipment, and financial reporting.

As a result of our review, we noted certain deficiencies in internal controls that the Department'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 Department should adequately control cash receipts**

The Department had not established adequate controls over cash receipts because of the following:

- The Department's cash box was kept in an unlocked drawer in the reception area.
- Two of eight checks examined were not restrictively endorsed upon receipt.
- Cash collections were not reconciled to the deposit slip when the deposit was prepared. As a result, 1 of 15 cash receipts selected for testwork could not be traced into a bank deposit.
- Cash receipts were not deposited in a timely manner. Four of ten deposits tested included ten or more days of cash receipts.

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As a result of these deficiencies, cash receipts were subject to an increased risk of theft or loss. Therefore, the Department should establish the following controls to safeguard these monies:

- ✓ The cashier should lock the cash drawer when away from the desk. (*State of Arizona Accounting Manual* [SAAM], page II-Q-4)
- ✓ Immediately upon receipt, all checks should be restrictively endorsed. (SAAM, page II-Q-2)
- ✓ The cashier should prepare a summary reconciling cash collections to total receipts deposited. The supervisor should review the summary and the deposit ticket for accuracy and completeness and sign the summary to document the review. (SAAM, page II-Q-4)
- ✓ Cash receipts should be deposited intact daily if over \$500 or at least weekly. (SAAM, page II-Q-2)

This letter is intended solely for the information and use of the Department 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 Department of Mines and Mineral Resources  
1502 West Washington, Phoenix, AZ 85007 Phone (602) 255-3795  
Toll Free in Arizona 1-800-446-4259 FAX (602) 255-3777

May 6, 2002

Dennis L. Mattheisen, CPA  
Financial Audit Director Office  
of the Auditor General 2910  
North 44<sup>th</sup> Street, Suite 410  
Phoenix, Arizona 85018

Dear Mr. Mattheisen:

The Office of the Auditor General conducted a Procedural Accounting Audit of the Arizona Department of Mines and Mineral Resources (ADMMR).

The Audit noted one deficiency: cash receipts were not promptly deposited or reconciled. In response, the ADMMR acknowledges the deficiency and has taken steps to remove the cash box from the reception area and to the office administrator. We have also taken steps to insure that cash receipts are deposited in a timely manner and that all checks are endorsed for deposit only. Finally, cash receipts will be reconciled with other monies on a daily basis.

Should you have any questions or need additional information, please do not hesitate to contact me at the above address or phone number.

Willis D. (Doug) Sawyer  
Director ADMM