

ARIZONA DEPARTMENT OF RACING
Procedural Review Letter
As of February 16, 2001

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DEBRA K. DAVENPORT, CPA
AUDITOR GENERAL

STATE OF ARIZONA
OFFICE OF THE
AUDITOR GENERAL

WILLIAM THOMSON
DEPUTY AUDITOR GENERAL

April 2, 2001

Wade Turner, Director
Arizona Department of Racing
3877 North 7th Street, Suite 201
Phoenix, AZ 85014

Subject: Procedural Review Letter

Dear Mr. Turner:

We have performed a procedural review of the Arizona Department of Racing's internal controls in effect as of February 16, 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, payroll, purchasing, and equipment.

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. Those deficiencies and our recommendations concerning them are described below.

The Department has not implemented the necessary policies and procedures to control purchasing.

The Department did not require a purchase requisition and purchase order for all purchases, and purchase orders were not encumbered until after the receipt of goods or services, increasing the possibilities of unauthorized purchases and of exceeding expenditure budgets.

To help prevent unauthorized purchases and minimize the risk of budgetary over-expenditures, the Department should require purchase requisitions and purchase orders to be prepared for all purchases. Additionally, the Department should encumber the purchase orders prior to making purchases to ensure monies are available (*State of Arizona Accounting Manual*, II-H-1, page 8).

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This letter is intended solely for the information and use of the Arizona Department of Racing 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 RACING



JANE DEE HULL
GOVERNOR

WADE TURNER
DIRECTOR

March 6, 2001

Dennis L. Mattheisen, CPA
Financial Audit Director
State of Arizona
Office of the Auditor General
2010 North 44th Street, Suite 4 10
Phoenix, AZ 85018

Re: Procedural Review Letter

Dear Mr. Mattheisen:

The Department of Racing ("Department") has examined the Procedural Review Letter provided by your office. We thank you for the opportunity to respond.

The Department agrees with the findings of the Auditor General's Office and has already taken steps to correct the deficiencies found in our internal controls relating to purchasing.

A purchase requisition and purchase order are now required for all purchases. Encumbrances are being entered in advance to ensure the availability of funds.

We thank the Auditor General's Office for their time and efforts to help us correct these deficiencies and prevent the possibility of unauthorized purchases or exceeding expenditure budgets.

If you have any questions, please call Pamela Hoback, the Department's Administrative Services Officer, at (602) 277-1704.

Sincerely,

A handwritten signature in black ink, appearing to read "W. Turner".

Wade Turner
Director

cc: Rita Fresquez
Pamela Hoback
Mary Ellen Bloomberg

3877 N. 7th Street, Suite 201
Phoenix, AZ 85014
(602) 277-1704
FAX: (602) 277-1165

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