

ARIZONA EXPOSITION AND STATE FAIR
Management Letter
Year Ended June 30, 2000

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Table of Contents	Page
Management Letter	1
Summary of Audit Findings	2
Arizona Exposition and State Fair Response	4



DEBRA K. DAVENPORT, CPA
AUDITOR GENERAL

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

WILLIAM THOMSON
DEPUTY AUDITOR GENERAL

June 22, 2001

Gary D. Montgomery, Executive Director
Arizona Exposition and State Fair
1826 West McDowell
Phoenix, AZ 85007

Subject: Management Letter

Dear Mr. Montgomery:

In planning and conducting our audit of the Arizona Exposition and State Fair for the year ended June 30, 2000, we considered the agency's internal control over financial reporting as required by generally accepted auditing standards and tested compliance with laws and regulations that could have a direct and material effect on the agency's financial statements.

We noted no findings involving internal control over financial reporting or instances of noncompliance that we consider to be material. However, our audit disclosed internal control weaknesses that are briefly described in the accompanying summary. Management should correct these deficiencies to ensure that it fulfills its responsibility to establish and maintain adequate internal controls.

This letter is intended solely for the information of the Arizona Exposition and State Fair, 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 its contents, please let us know.

Sincerely,

Dennis L. Mattheisen, CPA
Financial Audit Director

Attachment

ARIZONA EXPOSITION AND STATE FAIR
Summary of Audit Findings
Year Ended June 30, 2000

One employee was allowed to perform incompatible duties

Whenever an employee is allowed to perform incompatible duties, there is an increased possibility that loss or errors could occur and not be detected by other employees in the normal course of performing their duties. The Director of Accounting maintained total control over several types of transactions, performed key reconciliations, occasionally became involved in cash and payroll transactions and controlled the agency's investing activities. Specifically, the Director of Accounting:

Accounting

- Prepared, reviewed and approved claims, interfund transfers, and journal entries,
- Maintained detailed accounting records for accounts receivable, property, and the general ledger, and reconciled those records to the Arizona Financial Information System (AFIS) reports,
- Received, deposited, recorded, and reconciled cash receipts in the absence of the regular cashier,
- Reconciled bank accounts, and
- Prepared, input, and approved payroll and received warrants in the absence of the payroll clerk.

Investing

- Initiated, evaluated, and monitored investments,
- Maintained investment records,
- Posted investment transactions to the general ledger, and
- Authorized the release of investments from safekeeping.

No one employee should ever control an entire transaction cycle. Therefore, the person who reviews and approves claims, interfund transfers, and journal entries should not be the same person who prepares and inputs them. Likewise, someone other than the person who maintains detailed accounting records should be responsible for reconciling those records to other documents. The agency should ensure that duties are appropriately separated and that employees are cross-trained to assume other compatible duties when necessary. If it is not feasible to completely separate incompatible duties, an administrator in another department should review the applicable records or reconciliations and document that review.

Recordkeeping and authorization responsibilities for investments should be separated among employees. In addition, two signatures should be required to release investments from safekeeping.

ARIZONA EXPOSITION AND STATE FAIR
Summary of Audit Findings
Year Ended June 30, 2000

The agency's fixed assets listing was not adequate

The agency's fixed assets listing at June 30, 2000, was incomplete and inaccurate. The agency did not tag all fixed assets and include all fixed assets' tag numbers on its listing. In addition, the listing had not been updated for disposals and did not include current assets' locations. Furthermore, many donated assets were not included on the listing or were not recorded at fair market value when received.

The agency must maintain an accurate and complete fixed assets listing to help ensure that its investment in fixed assets is adequately safeguarded and that such assets are properly recorded on the State of Arizona's financial statements. Those policies and procedures designed to adequately control fixed assets are documented in the *State of Arizona Accounting Manual*, section II-G.



Office of the Auditor General
Mr. Dennis L. Mattheisen
Financial Audit Director
2910 N. 44th Street, Suite 4 10
Phoenix, Arizona 85018

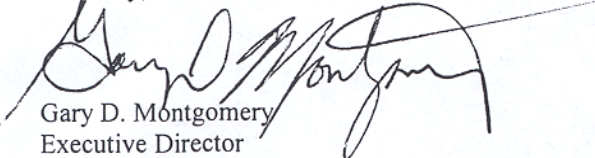
Dear Mr. Mattheisen:

This letter is in response to the Office of the Auditor General's most recent audit findings for the Arizona Exposition and State Fair (AESF).

Corrections will be made as follows:

- The Director of Accounting will no longer prepare any claims. The AESF accounts payable clerk will prepare all future interfund transfers. All journal entries will be reviewed and approved by the Deputy Director.
- The AESF box office supervisor will maintain the accounts receivable records. The AESF accounts payable clerk will maintain the property records. Per your recommendation, AFIS reconciliations will be reviewed and approved by the Deputy Director who shall serve as our agency administrator.
- AESF's box office supervisor will perform the duties of receiving and depositing cash receipts in the absence of the regular cashier. The accounts payable clerk will record all future cash receipts.
- All bank reconciliations will be prepared by someone other than the person making the deposits and reviewed by the Director of Accounting.
- AESF's box office supervisor will prepare and input payroll in the absence of the payroll clerk. The Director of Accounting will handle the payroll warrants in the absence of the payroll clerk.
- As per Senate Bill 1138, all investing activities will be handled through the State Treasurer's Office on notice from the agency's Executive Director. Records will be kept in accordance with guidelines from the State Treasurer's Office.
- AESF is revising its fixed assets program to ensure accurate and complete listings.
- AESF will continue to make every effort to maintain adequate internal accounting controls.

Sincerely,



Gary D. Montgomery
Executive Director

4