

State of Arizona
Government Information Technology Agency
Procedural Review Letter
As of April 26, 2001

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

DEBRA K. DAVENPORT, CPA
AUDITOR GENERAL

WILLIAM THOMSON
DEPUTY AUDITOR GENERAL

July 20, 2001

Richard Zelznak, Director
State of Arizona
Government Information Technology Agency
411 North Central Avenue, Suite 770
Phoenix, AZ 85004

Subject: Procedural Review Letter

Dear Mr. Zelznak:

We have performed a procedural review of the Government Information Technology Agency's internal controls in effect as of April 26, 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, transfers, and equipment.

As a result of our review, we noted a deficiency in internal controls that the Agency's management should correct to ensure that it fulfills its responsibility to establish and maintain adequate internal controls. The deficiency and our recommendation concerning it are described below.

**The Agency did not adequately
separate employee responsibilities**

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 Agency did not adequately separate employees responsibilities for cash disbursements. One employee ordered and received goods and services, prepared the invoices for payment, approved purchase orders under \$1,000, and reconciled accounting records.

All financial and accounting responsibilities must be segregated so that no one individual has complete authority over an entire transaction cycle. The Agency should separate employee duties for purchasing, receiving, and accounting. At the minimum, purchase orders under \$1,000 should be reviewed by an employee not involved in the cash disbursements transaction cycle. (*State of Arizona Accounting Manual*, section II-H)

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This letter is intended solely for the information and use of the Government Information Technology Agency 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

JANE DEE HULL
GOVERNOR



RICHARD C. ZELZNAK
DIRECTOR

STATE OF ARIZONA
GOVERNMENT INFORMATION TECHNOLOGY AGENCY
411 North Central Avenue, Suite 770
Phoenix, AZ 85004

July 10, 2001

Dennis L. Mattheisen, Financial Audit Director
Auditor General's Office
2910 N. 44th Street, Suite 410
Phoenix, AZ 85018

Dear Mr. Mattheisen:

We have reviewed your correspondence related to the recent Procedural Review of GITA conducted by members of your audit team. The description of the finding was, *"The Agency did not adequately separate employee responsibilities"*. As a small agency, it is a challenge to disseminate duties and have all functions separated. However, we will review our current processes and determine what steps need to be taken to address your finding.

I appreciate the opportunity to respond to your Procedural Review Letter and look forward to working with your office in the future.

Sincerely,

A handwritten signature in black ink, appearing to read "Richard Zelznak", with a long horizontal line extending to the right.

Richard Zelznak
Director/State CIO