



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

DEBRA K. DAVENPORT, CPA
AUDITOR GENERAL

WILLIAM THOMSON
DEPUTY AUDITOR GENERAL

June 12, 2001

Verna L. Allen, Executive Director
Arizona Commission for Postsecondary Education
2020 North Central Avenue, Suite 275
Phoenix, AZ 85004-4503

Subject: Procedural Review Letter

Dear Ms. Allen:

We have performed a procedural review of the Arizona Commission for Postsecondary Education's internal controls in effect as of March 31, 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 receipts, cash disbursements, bidding, interfund transactions, and financial reporting.

As a result of our review, we noted the following deficiency that the Commission's management should correct to ensure that it fulfills its responsibility to establish and maintain adequate internal controls.

**The Commission failed to follow the State's
encumbrance policies and procedures**

The Commission did not encumber purchases exceeding \$1,000 on the Arizona Financial Information System (AFIS) as required by Arizona Revised Statutes (A.R.S.) §35-151.A.

In order to determine that sufficient budgetary capacity exists before goods or services are purchased from the appropriated fund, the Commission should establish policies and procedures to encumber purchases exceeding \$1,000. Specifically, the Commission should prepare purchase orders for all purchases exceeding \$1,000, except for items exempted by A.R.S. §35-151.A, and record the encumbered amounts on the AFIS. These procedures would also help ensure that the Commission is in compliance with A.R.S. §35-151.A.

This letter is intended solely for the information and use of the Arizona Commission for Postsecondary Education 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