



A REPORT
TO THE
ARIZONA LEGISLATURE

Financial Audit Division

Procedural Review

Arizona State Department of Corrections

As of June 8, 2004



Debra K. Davenport
Auditor General

The **Auditor General** is appointed by the Joint Legislative Audit Committee, a bipartisan committee composed of five senators and five representatives. Her mission is to provide independent and impartial information and specific recommendations to improve the operations of state and local government entities. To this end, she provides financial audits and accounting services to the State and political subdivisions, investigates possible misuse of public monies, and conducts performance audits of school districts, state agencies, and the programs they administer.



Copies of the Auditor General's reports are free.
You may request them by contacting us at:

Office of the Auditor General

2910 N. 44th Street, Suite 410 • Phoenix, AZ 85018 • (602) 553-0333

Additionally, many of our reports can be found in electronic format at:

www.auditorgen.state.az.us



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

DEBRA K. DAVENPORT, CPA
AUDITOR GENERAL

WILLIAM THOMSON
DEPUTY AUDITOR GENERAL

July 21, 2004

Dora B. Schriro, Director
Arizona State Department of Corrections
1601 West Jefferson Street
Phoenix, AZ 85007

Dear Ms. Schriro:

We have performed a procedural review of the Department's internal controls in effect as of June 8, 2004. 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, payroll, revolving accounts, and capital assets.

As a result of our review, we noted a deficiency 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 recommendation concerning it is described below.

**The Department should ensure that payroll expenditures
on its financial records are accurate**

The Department's management and state officials depend on accurate financial information so they can fulfill their oversight responsibility, report accurate information to the public, and ensure accurate information is reported in the State's annual financial report. Reconciling payroll expenditures from the Human Resource Information System (HRIS) to the Arizona Financial Information System (AFIS) allows the Department to detect and correct any data entry errors, such as inaccurate account codes, in a timely manner. However, the Department did not perform such reconciliations.

Dora B. Schriro, Director
July 21, 2004
Page Two

To help ensure that accurate and complete financial information is recorded on AFIS, the Department should reconcile its payroll expenditures recorded on HRIS to those recorded on AFIS after each pay period and for each account code. The Department should promptly investigate and correct all differences noted.

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 Corrections



JANET NAPOLITANO
GOVERNOR

1601 WEST JEFFERSON
PHOENIX, ARIZONA 85007
(602) 542-5497



DORA B. SCHIRO
DIRECTOR

June 28, 2004

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

Dear Mr. Mattheisen:

We are in receipt of the findings of the audit of the State of Arizona for the year ended June 30, 2004 in which you recommend that "the Department should reconcile HRIS to AFIS on a bi-weekly basis." Since the implementation of HRIS in January 2004, the Arizona Department of Corrections (ADC) has been aware and concerned about this issue.

Since the Arizona Department of Administration did not provided the ADC with any means of accomplishing this task, our IT Department has been developing and refining, since February of 2004, a series of reports that will allow the ADC to reconcile AFIS to HRIS on a bi-weekly basis. Although further refining is still needed, we expect to be able to perform reconciliations by the first pay period in August 2004.

If you have any questions, please contact Judith Kilgus at (602) 364-3370.

Sincerely,

Dora Schiro

DBS/MJS/JMK:rm

<http://www.adcprisoninfo.az.gov>

<http://www.adcprisoninfo.az.gov>