



A REPORT
TO THE
ARIZONA LEGISLATURE

Financial Audit Division

Management Letter

Department of Education

Year Ended June 30, 2006



Debra K. Davenport
Auditor General

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

DEBRA K. DAVENPORT, CPA
AUDITOR GENERAL

WILLIAM THOMSON
DEPUTY AUDITOR GENERAL

June 20, 2007

The Honorable Tom Horne
State Superintendent of Public Instruction
Department of Education
1535 West Jefferson Street
Phoenix, AZ 85007

Dear Mr. Horne:

In planning and conducting our single audit of the State of Arizona for the year ended June 30, 2006, we performed the following as required by *Government Auditing Standards* (GAS) and Office of Management and Budget (OMB) Circular A-133:

- Considered the Department's internal controls over financial reporting,
- Tested its internal controls over major federal programs, and
- Tested its compliance with laws and regulations that could have a direct and material effect on the State's financial statements and major federal programs.

Specifically, we performed tests of revenues, expenditures, and compliance with laws and regulations for the Title I Grants to Local Educational Agencies, Migrant Education—State Grant Program, Special Education—Grants to States, Special Education—Preschool Grants, Even Start—State Educational Agencies, School Breakfast Program, National School Lunch Program, and Child and Adult Care Food Program.

All audit findings that are required to be reported by GAS and OMB Circular A-133 will be included in the State of Arizona's Single Audit Reporting Package for the year ended June 30, 2006, and have been communicated to your staff. In addition, our audit disclosed an internal control weakness and instance of noncompliance with laws and regulations that did not meet the reporting criteria. Management should correct this deficiency to ensure that it fulfills its responsibility to establish and maintain adequate internal controls and comply with laws and regulations. Our recommendation is briefly described below:

The Department must comply with statutes governing intergovernmental agreements

The Department was required to submit child count information for the Migrant Education—State Grant Program to the U.S. Department of Education to assist them in allocating migrant education program monies. The Department had Buckeye Elementary District—Statewide Services collect the data, verify the child counts, and forward the information to it. Although the Department had the District submit an application to provide services through its Grants Management Enterprise System, it did not prepare and execute an intergovernmental agreement in accordance with Arizona Revised Statutes (A.R.S.) §11-952.

The Honorable Tom Horne
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To help ensure compliance with A.R.S. §11-952, the Department should prepare and have an intergovernmental agreement approved by the State Board of Education that includes the following:

- The purpose of the services provided,
- The responsibilities of the District,
- Cost of the services,
- Duration of the agreement, and
- Signatures of district officials.

This letter is intended solely for the information 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 its contents, please let us know.

Sincerely,

Debbie Davenport
Auditor General



State of Arizona
Department of Education

Tom Horne
Superintendent of
Public Instruction

May 21, 2007

Ms. Debbie Davenport, Auditor General
Office of the Auditor General
2910 North 44th Street, Suite 410
Phoenix, Arizona 86018

Dear Ms. Davenport:

In response to the audit performed, the Arizona Department of Education concurs with the internal control weakness found in the managing of services provided to the Department by an outside entity.

To help ensure compliance with A.R.S. 11-952, the Arizona Department of Education will prepare an intergovernmental agreement with the Buckeye Elementary District—Statewide Services. The intergovernmental agreement will include: the purpose of the services provided; the responsibilities of the District; the cost of the services; the duration of the agreement; and signatures of the district officials. The Arizona Department of Education will submit the intergovernmental agreement to the State Board of Education for approval by December 30, 2007.

Sincerely,

Vicki Salazar
Associate Superintendent of Business and Finance
Arizona Department of Education