

**STATE OF ARIZONA
DEPARTMENT OF GAMING
Procedural Review Letter
As of April 19, 2001**

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

DEBRA K. DAVENPORT, CPA
AUDITOR GENERAL

WILLIAM THOMSON
DEPUTY AUDITOR GENERAL

June 19, 2001

Stephen M. Hart, Director
State of Arizona, Department of Gaming
202 East Earll Drive, Suite 200
Phoenix, AZ 85012

Subject: Procedural Review Letter

Dear Mr. Hart:

We have performed a procedural review of the Department of Gaming's internal controls in effect as of April 19, 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, payroll, purchasing, transfers, and equipment.

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. That deficiency and our recommendation concerning it are described below.

**Cash receipts were not
deposited on a timely basis**

Because cash receipts are susceptible to loss or theft, the Department should establish effective controls to properly safeguard these monies. We noted that the Department did not establish the necessary procedures to ensure that cash receipts were deposited on a timely basis. For three of six receipts tested with total daily receipts in excess of \$500, monies were deposited 8 to 17 days after the receipt dates.

To help ensure that all monies received are adequately safeguarded, the Department should deposit receipts intact at least weekly. If the amount is over \$500, receipts should be deposited daily. (*State of Arizona Accounting Manual*, section II-Q, page 2)

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This letter is intended solely for the information and use of the Department of Gaming 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

Stephen M. Hart
Director



Arizona Department of Gaming

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June 5, 2001

HAND-DELIVERED

Debra K. Davenport, Auditor General
State Office of the Auditor General
2910 North 44th Street, Suite 410
Phoenix, Arizona 85018

Re: Procedural Review Letter

Dear Ms. Davenport:

This is in response to your letter dated April 19, 2001, regarding the Office of the Auditor General's procedural review of this Department's internal controls. From the onset, we welcomed the review as an opportunity for independent assessment of our internal control policies and procedures. With the exception of the single finding, we were very pleased with the outcome of the review.

As to the one finding, that the cash receipts were not deposited on a timely basis, we respond as follows:

Because of this Department's responsibility for and concern with safeguarding the monies it receives, we have a well-established comprehensive system of internal controls for handling these monies. The policies and procedures are based on the requirements set forth in the Arizona Accounting Manual, as well as input and verification from the State General Accounting Office and the Office of the Auditor General in prior internal control audits. The Department is proud of its diligence in adhering to these internal controls and that by doing so has successfully safeguarded the monies it has received since the establishment of the agency.

With that said, we agree that the Department should deposit receipts intact at least weekly and ideally on a daily basis. Unfortunately, the Administrative Services Division in the Department has very limited staffing, which means that each employee in this Division is tasked with multiple responsibilities and job functions. In addition, the Department is not located in close proximity to the capitol where the monies are deposited. This makes it extremely difficult, if not impossible, to deposit the receipts on a daily basis. The Department has, however,

Ms. Debra K. Davenport

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received approval and funding in the 2002/2003 biennial budgets for an additional FTE to assist with our accounting functions. This should enable the Department to deposit receipts on at least a twice-weekly basis.

We appreciate this opportunity to respond to the Auditor General's procedural review letter. On behalf of the Department, it was a pleasure working with your auditors. We greatly appreciate their professionalism and cooperation during the course of the audit. Should you have any questions or need more information, please contact me.

Sincerely,

Penny Taylor Moore
Deputy Director, Administration

PTM\ltp

cc: Stephen Hart
May Ann Lewis
Kevin Dodson