



A REPORT
TO THE
ARIZONA LEGISLATURE

Financial Audit Division

Management Letter

**Maricopa County
Medical Center**

Year Ended June 30, 2002



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

December 27, 2002

Board of Supervisors
Maricopa County
County Administration Building
301 West Jefferson Street, 10th Floor
Phoenix, AZ 85003

Members of the Board:

In planning and conducting our audit of the Maricopa County Medical Center for the year ended June 30, 2002, we considered the Medical Center's internal controls over financial reporting and tested compliance with laws and regulations that could have a direct and material effect on its financial statements as required by U.S. generally accepted auditing standards.

We noted no internal control weaknesses or instances of noncompliance that we consider to be material to the financial statements. However, our audit disclosed another matter involving internal controls that management should correct to ensure that it fulfills its responsibility to establish and maintain adequate internal controls. Our recommendation is described below.

The Medical Center needs to enforce
its property control procedures

The Medical Center has adequate policies and procedures to account for its property, plant, and equipment; however, it failed to ensure that employees followed those policies and procedures. As a result, the Medical Center lacked a current and accurate property, plant, and equipment listing and could not locate many equipment items. For example, the Medical Center had not taken a physical inventory of its equipment in the last 10 years. Also, the listing lacked property control tag numbers or serial numbers and locations for many items and contained inaccurate costs for other items.

Because property, plant, and equipment constitute a significant portion of its total assets, Medical Center management should ensure that its employees follow its written policies and procedures by performing the following:

- Assign employees not responsible for custody of equipment items to perform a physical inventory of all items and prepare a listing that includes accurate property control tag numbers or serial numbers, locations, and costs.
- Inform employees of asset control policies and procedures and emphasize their importance.
- Perform periodic checks to ensure that employees are following policies and procedures.

Following these procedures will help ensure that equipment items are not lost or stolen and that property, plant, and equipment is accurately recorded.

This letter is intended solely for the information of the Maricopa County Board of Supervisors 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,

Dennis L. Mattheisen, CPA
Financial Audit Director



MARICOPA
INTEGRATED
HEALTH SYSTEM

Count on us to care.

FINANCE MANAGEMENT
2444 E. University Drive, Suite 10
Phoenix, AZ 85038
(602) 389-4500

Pat Walz, Vice President, Chief Financial Officer

December 18,2002

Debra K. Davenport
Auditor General
2910 North 44th Street, Suite 410
Phoenix, AZ 85018

Dear Ms. Davenport:

The following is Maricopa Integrated Health System's (MIHS') response to the Management Letter findings for fiscal year 01-02.

Property Control Procedures

Finding:

Because property, plant and equipment constitute a significant portion of its total assets, Medical Center management should ensure that its employees follow its written policies and procedures by performing the following:

- Assign employees not responsible for custody of equipment items to perform a physical inventory of all items and prepare a listing that includes accurate property control tag numbers or serial numbers, locations and costs.
- Inform employees of asset control policies and procedures and emphasize their importance.
- Perform periodic checks to ensure that employees are following policies and procedures.

MIHS concurs with the audit findings related to property control procedures. The following are being implemented to address these findings.

- Managers will be provided with lists semi-annually beginning in March 2003 from the FAS Encore system to verify the accuracy of the fixed assets within their departments.
- A team will be convened consisting of representatives from the Finance Department, Materials Management and Health Information Systems to develop an action plan for ensuring that all MIHS managers understand the importance of the fixed asset policies and procedures. The MIHS Finance Department will develop an action plan for random audits.

Sincerely,

Pat Walz
Vice President, CFO