



A REPORT  
TO THE  
ARIZONA LEGISLATURE

Financial Audit Division

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Procedural Review

# Office of Administrative Hearings

As of May 31, 2004

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**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

October 22, 2004

Cliff J. Vanell, Director  
State of Arizona  
Office of Administrative Hearings  
1400 West Washington Street, Suite 101  
Phoenix, AZ 85007

Dear Mr. Vanell:

We have performed a procedural review of the Office's internal controls in effect as of May 31, 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, purchasing, transfers, and equipment.

As a result of our review, we noted a deficiency in internal controls that the Office'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 Office should prepare  
purchase orders**

State agencies have unique requirements for expenditures to help ensure that budgetary capacity exists and expenditures are properly approved. To meet these requirements, the State of Arizona Accounting Manual requires purchase orders to be prepared for all nonpayroll expenditures over \$500. However, the Office did not prepare purchase orders for any of its 41 nonpayroll expenditures over \$500 paid during the review period.

The Office should prepare purchase orders for all nonpayroll expenditures over \$500 to help ensure that all purchases have been properly approved. This will also help the Office determine that budget capacity exists before making a purchase.

Cliff J. Vanell, Director  
October 22, 2004  
Page Two

This letter is intended solely for the information and use of the Office 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

# Office of Administrative Hearings

1400 West Washington, Suite 101 - Phoenix, Arizona 85007  
Telephone (602)-542-9826 FAX (602)-542-9827

Janet Napolitano  
Governor

Cliff J. Vanell  
Director

October 6, 2004

Dennis L. Mattheisen, CPA  
2910 N. 44<sup>th</sup> Street, Suite 410  
Phoenix, Arizona 85018

Subject: Procedural Review Response: OAH internal controls as of May 31, 2004.

Dear Mr. Mattheisen,

Your recent procedural review found that purchase orders for all non-payroll expenditures over \$500.00 should have been prepared in order to meet the requirements contained in the State of Arizona Accounting Manual.

We were made aware of this requirement during your procedural review and we immediately implemented procedures to comply. We standardized the process so that purchase orders are created for all non-payroll expenditures not withstanding the amount.

We appreciate your review and look forward to working with you in the future.

Sincerely,

Cliff J. Vanell  
Director



**Mission Statement:** We will contribute to the quality of life in the State of Arizona by fairly and impartially hearing the contested matters of our fellow citizens arising out of State regulation.