

**State of Arizona
Office of Tourism
Procedural Review Letter
As of August 13, 2001**

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

DEBRA K. DAVENPORT, CPA
AUDITOR GENERAL

WILLIAM THOMSON
DEPUTY AUDITOR GENERAL

January 15, 2002

Mark McDermott, Director
State of Arizona
Office of Tourism
2702 North 3rd Street, Suite 4015
Phoenix, AZ 85004-4608

Subject: Procedural Review Letter

Dear Mr. McDermott:

We have performed a procedural review of the Office of Tourism's internal controls in effect as of August 13, 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, receivables, cash disbursements, payroll, purchasing, equipment, and travel expenditures.

As a result of our review, we noted a deficiency in internal control over cash receipts and accounts receivable. The Office's management should correct this to ensure that it fulfills its responsibility to establish and maintain adequate internal controls. Our recommendation is described in the accompanying summary.

This letter is intended solely for the information and use of the State of Arizona, Office of Tourism 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

Attachment

The Office Should Safeguard and Account For All Monies Received

Various departments within the Office sponsor promotional projects on behalf of the State and other governmental entities. The departments then bill the other governments to recover a portion of the project costs. However, the Office lacked a centralized system to account for the project expenditures, amounts billed, and the related receivables. Instead, the departments tracked their activity separately and informally on departmental spreadsheets.

Later, the other governments' payments were received and processed through a centralized function. However, information about amounts received was not forwarded to the billing departments. Consequently, departmental personnel were unable to update their spreadsheets.

In addition, the Office has failed to establish adequate controls over the cash and checks it received. For example, cash and checks were kept in a small lockbox in an unlocked file cabinet for up to 6 weeks before they were deposited. In addition, the employee who received mailed receipts also maintained the mail log, and the employee who recorded the receipts in the accounting records also reconciled information from the mail log to the deposit slips. Consequently, cash receipts may have been subject to theft or loss.

At a minimum, the Office should establish the following controls.

- ✓ Lock up and restrict access to undeposited cash receipts.
- ✓ Deposit cash receipts at least weekly. If the amount is greater than \$500, the receipts should be deposited daily.
- ✓ Separate duties so that no single employee has responsibility for both the cash and the accounting records.

Recommended cash receipt procedures.

For a complete discussion of controls over cash receipts, see the *State of Arizona Accounting Manual*, section II-Q.

Further, without an adequate accounts receivable system, the Office cannot determine whether it has been reimbursed for the expenditures it made on behalf of other governmental entities. However, until that system is established, the Office should develop policies and procedures designed to ensure that the departments billing other governments are informed about payments received from those governments. Further, the Office should enforce adherence to those policies and procedures.



November 7, 2001

Ulysses Garcia
Office of the Auditor General
2910 North 44th Street, Suite 410
Phoenix, AZ 85018

Dear Mr. Garcia:

Please find attached the Arizona Office of Tourism's response to the preliminary copy of the summary of audit findings pertaining to the recent procedural audit. If you have any questions, please contact me at 602-248-1491.

Sincerely,

A handwritten signature in black ink, appearing to read "Felipe Carreras".

Felipe Carreras
Director of Finance & Technology

AUDIT RESPONSE

RECOMMENDATION:

The Office should safeguard and account for all monies received.

Response:

The recommendation is agreed to and will be implemented.

Action 1:

An accounts receivable procedure has been developed.

The Office has completed development of an internal application that will be used by each department to generate standardized and numbered invoices. Hard copies of these invoices will be forwarded to the Accounting Coordinator to be reconciled with the payments received by the Office. In addition, the Accounting Coordinator will maintain an "Open Invoice" file containing all invoices for which payment has not been received.

This new procedure also addresses the handling of cash receipts, as this is an integral portion of the accounts receivable process.

Action 2:

The Office will implement the following measures to safeguard cash receipts prior to deposit:

- 1) Undeposited cash receipts will be kept in a small lock box in a locked file cabinet.
 - a) Only the Accounting Coordinator and the Director of Finance and Technology will possess keys to this file cabinet.
- 2) Cash receipts greater than \$500 will be deposited daily and all cash receipts will be deposited at least weekly.
- 3) The Accounting Coordinator will make photocopies of the actual receipts and it will be these photocopies that are distributed to the individual departments rather than the actual cash receipts.
- 4) All cash receipts will be restrictively endorsed for deposit only by the Accounting Coordinator.