



Our Authority

The Office of the Auditor General is a legislative agency under the direction of the Joint Legislative Audit Committee. The Office provides information to the Legislature and various other governmental entities, which assists them in overseeing operations, improving their financial management and effectiveness, and giving the public a measure of accountability.

Our Mission

To improve state and local government operations and accountability by independently providing the Legislature, government decision-makers, and the public with timely, accurate, and impartial information; relevant recommendations; and technical assistance.

Our Vision

To serve as catalysts for improving the effectiveness, efficiency, and accountability of government in Arizona.



2008

Year Ended June 30, 2008

Auditor General Staff Have Excellent Reputation in Government Auditing

The Office conducts high-quality work and demonstrates leadership in the government auditing field. As a result, we have an excellent national reputation among audit organizations, including recognition for the quality of our work and involvement in professional organizations.

One example of recognition of the quality of our work is the National Legislative Program Evaluation Society (NLPES) presenting its Recognition of Impact Award to our Office for our performance audit and sunset review of the Board of Homeopathic Medical Examiners. This award was presented to us for demonstrating impact from the legislature's, public's, and other organization's perspectives, and/or dollar savings and program improvements resulting from the implementation of our report recommendations. For instance, in this audit, we made recommendations that resulted in several improvements in the way the Board operates and resulted in statutory changes to address recommendations in our report. The

NLPES Impact Award acknowledges our Office's efforts to produce useful and impactful audit reports.

Our staff's involvement in professional organizations demonstrates their expertise, energy, and enthusiasm as leaders in the government auditing field. Numerous employees participate in professional organizations in various capacities, at the national, state, and local levels. They serve in these organizations at the board, executive, committee, task force, and conference levels. They are involved in standards-setting, oversight and monitoring, best-practices sharing, and training activities. These activities directly contribute to our staff's professional development and improves the audit quality of other government auditors and accountability over government auditees. As individuals, and cumulatively as an audit organization, these efforts have helped to establish our Office as one of the premier state audit organizations in the country.

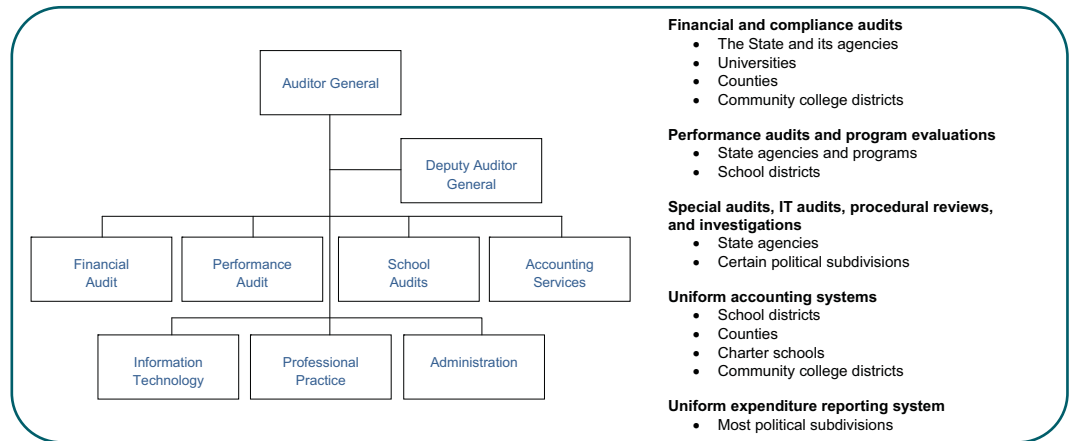
National Awards and Recognition

- Received NLPES Recognition of Impact Award for performance audit and sunset review of the Board of Homeopathic Medical Examiners
- Numerous staff actively participate in national, state, and local professional accountability organizations
- Gave 24 presentations to numerous professional organizations and local governments, providing technical assistance and education

Auditor General Responsibilities and Activities

The Office has audit and oversight responsibility for state agencies, universities, counties, community colleges, and school districts. We also complete specific research

and investigative projects at the Legislature's request. The Office's responsibilities and activities detailed below are carried out by four operating and three support divisions.



Auditor General Issued Nearly 200 Reports

The Office issued 197 reports in fiscal year 2008, providing the Legislature, state and local governments, and the public with reliable, valuable information. These reports communicate the results of our audits and reviews, broadly summarized in three categories as follows:

Performance audits, evaluations, studies, and reviews—These reports focus on determining how effectively, efficiently, and economically state agencies and school districts conduct business. For example, sunset audits help the Legislature determine whether to continue, modify, or terminate an agency. Our follow-up letters tell the Legislature how well state agencies and school districts are implementing our recommendations.

Financial audits and related letter reports—These reports focus on the accuracy of financial data, effectiveness of internal controls, and compliance with required accounting practices of the State, its agencies, and local governments. Also, we

issue letter reports that provide recommendations to improve financial practices.

Compliance reports and letters—These reports focus on whether the State, its agencies, and local governments are complying with laws and regulations for various administrative and reporting requirements. Various federal and state agencies use these reports to monitor state and local governments' activities. For example, single audits satisfy federal audit requirements, and are necessary for the State and local governments to continue receiving federal funding.

The table on page 3 summarizes the number of reports issued, by type, for each of the state agencies and local governments we audit. Many reports are accompanied by report highlights, which summarize the results and conclusions of our audits and reviews. All of our reports can be accessed from our Web site at www.azauditor.gov.

Number of Reports Issued by Type of Report and Government

Type of Report	State Agencies	Universities	Counties	Community Colleges	School Districts
Performance audit	12				5
Sunset audit	6				
Audit follow-up letter	35				16
Special legislative report/study	2				3
Information brief	1				
Questions and answers	4				
Financial statement audit	8	3	7	7	
Single audit	1		5	4	
Special investigation			1		1
Internal control letter	2	3	1	4	
Procedural review letter					3
Compliance review					21
Status review					14
Agreed-upon procedures report			4		
Expenditure limitation			6	4	
Other special reports	1		2		

Auditor General Activities Positively Impact State and Local Governments

We are committed to making a difference in the way state and local governments operate. We accomplish this through our audit and oversight activities by providing impartial, objective information in our reports or at briefings and hearings, and technical assistance to the State and local governments. All of these activities focus on helping state agencies and local governments to improve their accountability.

For example, our performance audit of the state universities' information technology security addressed practices at Arizona's three universities in protecting large amounts of sensitive data stored on their computers, including personal information of students, faculty, and staff. Our audit found serious weaknesses in the universities' Web-based applications, making them vulnerable, and that the universities had not fully implemented information technology security programs. Our report also included recommendations that the universities develop and implement plans for developing secure Web-based applications, conducting regular security assessments of those applications, training the developers of those applications, and updating their Web

servers, as well as recommendations for continuing to develop and implement information security programs and compliance.

In another example, our performance audits of juvenile detention centers and juvenile treatment programs addressed their impact on juveniles who are involved in the juvenile justice system. Our juvenile detention center audit found that improvements were needed in several areas to better ensure the safety and well being of juveniles and staff within the facilities. More importantly, many of our recommendations were implemented within 6 months of the report being issued, and a task force was formed by the Chief Justice of the Supreme Court to address our recommendations.

This year's school district performance audits are yet another example, identifying some common issues that affect accountability and the effective use of public monies. In three of our five school district performance audit reports issued during fiscal year 2008, we found that controls over district computer systems and expenditure processing left the districts susceptible to fraud, theft, and errors.

TO OBTAIN MORE INFORMATION

Or to obtain copies of
our reports, call
(602) 553-0333



or visit
our Web site at:
www.azauditor.gov

Two reports identified poor oversight of district credit card usage, and four of the five district audits identified inaccurate reporting of district costs. All of our reports made recommendations for improving or correcting the problems we noted.

One measure of our success is how many of our recommendations are implemented. During fiscal year 2008, state agencies and school districts implemented 99 percent and 97 percent, respectively, of our performance audit recommendations. Local governments are also addressing our Uniform System of Financial Records compliance and single audit recommendations for improving their accountability.

Another way our Office makes a difference is by helping state agencies and local governments establish practices that improve operations, compliance with laws, and financial reporting. For example, our Office issued budget preparation and annual report

preparation packages, and several memorandums that provided guidance to counties, cities and towns, community college districts, school districts, charter schools, and special districts that will assist them in meeting their various statutory responsibilities. We have also been providing technical guidance to the school districts placed in receivership. More recently, we have been developing solvency criteria that our Office will use to certify that a district has been financially solvent for at least one year, which is one of several criteria districts must meet before the State Board of Education may remove them from receivership.

We have continued our various strategies to help our State's rural counties and community college districts become more timely in meeting financial and compliance reporting requirements after many of these local governments experienced difficulties in implementing newer comprehensive governmental reporting requirements. These difficulties, which resulted in some rural

counties and community college districts not being able to meet financial reporting deadlines, could lead to a loss in federal funding or lower bond ratings. We continued to partner with those governments in fiscal year 2008 to provide assistance and tools that will improve their ability to issue more timely and accurate financial reports. As a result of these strategies, we have been helping governments catch up, auditing and releasing 9 county and community college district financial statement and single audit reports over the past year for fiscal years ranging from 2004 through 2007. We plan to continue these strategies, looking forward to the opportunity to improve accountability in Arizona's local governments.

Making a Difference

- State agencies implemented or were in the process of implementing 99 percent of our performance audit recommendations
- School districts implemented or were in the process of implementing 97 percent of our performance audit recommendations
- 77 percent of school districts corrected deficiencies sufficiently to comply with the *Uniform System of Financial Records*
- Single audits identified over \$900,000 in federal grant monies that state and local governments spent in violation of federal grant provisions
- Special investigations found that nearly \$30,000 was stolen from and nearly \$8,000 was misused by employees of three local governments, and resulted in \$980,000 in court-ordered restitution from 4 convicted individuals
- We provided technical assistance to other agencies, universities, counties, cities, community college districts, and school districts about financial reporting, compliance, and other matters