

### 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 independently provide the Legislature, government decision-makers, and the public with impartial, relevant information, specific recommendations, and technical assistance to improve state and local government operations.

### Our Vision

To serve as catalysts for improving the quality and accountability of government in Arizona.



2006

Year Ended June 30, 2006

## A Message from the Auditor General

Educating Arizona's children is important. As parents, taxpayers, and community, we all understand the need to prepare our children for the future. One of the unique challenges Arizona faces in educating its children is educating English Language Learners (ELL). And because of recent legislation, our Office has an opportunity to make a difference in this unique area.

The Legislature's goal is to have school districts adopt cost-efficient, research-based models for Structured English Immersion (SEI) and manage incremental costs of the SEI programs. Our new responsibilities include modifying budget and reporting forms for school districts' use, auditing school district's ELL budget requests, auditing ELL



Debra K. Davenport, Auditor General

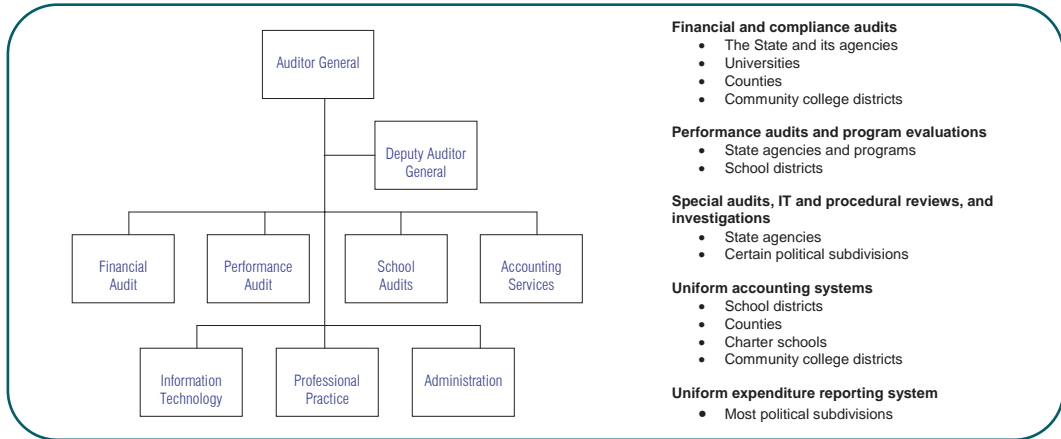
program compliance, and reporting biennially on the ELL program's effectiveness.

We have begun the planning and preparation for carrying out the activities and challenges associated with our new responsibility. Our efforts will assist the Legislature in accomplishing their goal.

## 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.



- Financial and compliance audits**
  - The State and its agencies
  - Universities
  - Counties
  - Community college districts
- Performance audits and program evaluations**
  - State agencies and programs
  - School districts
- Special audits, IT and procedural reviews, and investigations**
  - State agencies
  - Certain political subdivisions
- Uniform accounting systems**
  - School districts
  - Counties
  - Charter schools
  - Community college districts
- Uniform expenditure reporting system**
  - Most political subdivisions

# Auditor General Issued More Than 200 Reports

The Office issued 220 reports in fiscal year 2006, 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 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 below 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](http://www.azauditor.gov).

**Number of Reports Issued  
by Type of Report and Government**

Type of Report	State Agencies	Universities	Counties	Cities	Community Colleges	School Districts
Performance audit	16					4
Sunset audit	7					
Audit follow-up letter	44					16
Special legislative report/study	2					3
Information brief	2					
Financial statement audit	7	3	10		5	
Single audit	1		6		4	
Special investigation			3			
Management letter	15	3	11		2	
Procedural review letter	10	1				4
Compliance review						16
Status review						13
Agreed-upon procedures report			3			
Expenditure limitation			6		4	
Other special reports	2				1	

# 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.

Our audit results and oversight activities provide recommendations to state agencies and local governments, which give guidance on improving an agency's operations. For example, our performance audit of Child Protective Services' timeliness and thoroughness of investigations addressed the need for CPS to improve its investigations of child abuse and neglect reports. Our audit found that CPS did not investigate some reports, and many reports that were investigated did not meet requirements for timeliness and thoroughness. Accordingly, our audit report recommended streamlining the investigation process and establishing effective oversight and accountability mechanisms.

Another example is our work on the National School Lunch Program that resulted in two reports. The first report provided a state-wide overview of the Program in Arizona schools. Our report recommended the Legislature consider other indicators of poverty on which to base state funding for education programs. The second report verified the eligibility of 100 percent of approved program applications at seven sampled schools. Verification results showed that 41 percent of the applicants lost their benefits because the parents or guardians did not respond to verification requests, a required provision for eligibility. This second report recommended that the State's Department of Education establish

consequences that encourage districts to ensure applications are correctly approved; require expanded verification sample sizes when higher error rates are identified; and ensure that key district employees attend the Department's training classes.

Recently, our work in information technology areas have increased. For example, we issued performance audit reports of the Department of Administration, Department of Economic Security, Department of Education, and Department of Revenue, all of which included recommendations to improve information technology functions. For the Departments, we recommended, respectively, improvement in information security procedures; adherence to state-wide security standards related to user access, network protection, and computer program changes; better management of systems and applications

## Results of Audit Work

- School districts implemented or were in the process of implementing 99 percent of our performance audit recommendations
- State agencies implemented or were in the process of implementing 98 percent of our performance audit recommendations
- The Legislature implemented 64 percent of our performance audit recommendations
- 62 percent of school districts corrected deficiencies sufficiently to comply with the *Uniform System of Financial Records*
- Single audits identified over \$1.5 million in federal grant monies that state and local governments spent in violation of federal grant provisions
- School district performance audits identified a district that spent nearly \$2 million to re-open a closed school while other schools within the district were operating far below capacity
- Special investigations found that over \$112,600 was stolen from three local governments
- Provided technical assistance to other agencies, universities, counties, cities, community college districts, and school districts about financial reporting, compliance, and other matters

## TO OBTAIN MORE INFORMATION

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



or visit  
our Web site at:  
[www.azauditor.gov](http://www.azauditor.gov)

security; and improvements in new IT systems development. With the recent expansion of the Office's IT Audit Team, our work should continue to increase in the important areas of information technology operations and security.

One measure of our success is how many of our recommendations are implemented. During fiscal year 2006, state agencies and school districts implemented over 98 percent and 99 percent, respectively, of our performance audit recommendations. Local governments are also addressing our Uniform System of Financial Reports compliance and single audit recommendations for improving their accountability.

Another way our Office makes a difference is by helping state agencies and local governments implement new accounting requirements and establish practices that improve operations and compliance with laws. For example, our Office issued five budget preparation packages and three annual report preparation packages to counties, cities and towns, community college districts, school districts, charter schools, and special districts. These efforts provide guidance that helps these local governments implement annual budgeting and financial accounting and reporting requirements to comply with Arizona law.

## Auditor General Staff Has Excellent Reputation in Government Auditing

Our staff's achievements and activities demonstrate their commitment to leadership in the government auditing field. We have an excellent national reputation among state audit organizations, including recognition for the quality of our work and involvement in professional organizations.

One example is the National Legislative Program Evaluation Society (NLPES) presenting its Recognition of Impact Award to

our Office in fiscal year 2006 for our special study, *Joint Technological Education Districts: Analysis of an Urban and a Rural JTED*. 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. This award acknowledges our Office's efforts to produce meaningful and useful audit reports.

### National Awards and Recognition

- Received NLPES Recognition of Impact Award for study performed on the structure and funding for joint technological education districts
- Numerous staff actively participate in national, state, and local professional accountability organizations
- Gave 14 presentations to numerous professional organizations and local governments, providing technical assistance and education

Our staff's expertise, energy, and enthusiasm draw attention in other ways, too. Numerous employees participate in professional organizations in various capacities, such as national, state, and local 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. As individuals, and cumulatively as an audit organization, this has helped to establish our Office as one of the premier state audit organizations in the country.