



A REPORT  
TO THE  
ARIZONA LEGISLATURE

Financial Audit Division

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Single Audit

# State of Arizona

Year Ended June 30, 2007

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**Debra K. Davenport**  
Auditor General

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State of Arizona  
Single Audit Reporting Package  
Year Ended June 30, 2007

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

**DEBRA K. DAVENPORT, CPA**  
AUDITOR GENERAL

**WILLIAM THOMSON**  
DEPUTY AUDITOR GENERAL

**Independent Auditors' Report on Internal Control over Financial Reporting  
and on Compliance and Other Matters Based on an Audit of Basic Financial  
Statements Performed in Accordance with *Government Auditing Standards***

The Honorable Janet Napolitano, Governor  
State of Arizona

The Honorable Timothy S. Bee, President  
Arizona State Senate

The Honorable James P. Weiers, Speaker  
Arizona House of Representatives

The Honorable Ruth V. McGregor, Chief Justice  
Arizona Supreme Court

We have audited the financial statements of the governmental activities, business-type activities, aggregate discretely presented component units, each major fund, and aggregate remaining fund information of the State of Arizona as of and for the year ended June 30, 2007, which collectively comprise the State's basic financial statements, and have issued our report thereon dated June 16, 2008. Our report was modified to include references to our reliance on other auditors, for an emphasis of a matter regarding the Healthcare Group of Arizona, and for a change in the capitalization threshold for equipment. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the Arizona Department of Transportation, Arizona Health Care Cost Containment System, Arizona Lottery, Arizona State Retirement System, Public Safety Personnel Retirement System, Corrections Officer Retirement Plan, Elected Officials' Retirement Plan and the discretely presented component units, as described in our report on the State's financial statements. The financial statements of the discretely presented component units (except for the Water Infrastructure Finance Authority) were not audited by the other auditors in accordance with *Government Auditing Standards*. This report includes our consideration of the results of the other auditors' testing of internal control over financial reporting and compliance and other matters that are reported on separately by those other auditors. However, this report, insofar as it relates to the results of the other auditors, is based solely on the reports of the other auditors.

## Internal Control over Financial Reporting

In planning and performing our audit, we considered the State's internal control over financial reporting as a basis in designing our auditing procedures for the purpose of expressing our opinions on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the State's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the State's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we and the other auditors identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the State's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the State's basic financial statements that is more than inconsequential will not be prevented or detected by the State's internal control. We consider items 07-01 through 07-42 described in the Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the State's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider items 07-01, 07-11, 07-14, 07-15, 07-16, 07-17, 07-18, 07-23, 07-24, 07-34, 07-35, 07-36, 07-37, 07-38, and 07-39 to be material weaknesses.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the State's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests and those of the other auditors disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The other auditors for the Arizona Department of Transportation and Water Infrastructure Finance Authority also noted certain matters that they reported to management in separate letters dated November 15, 2007, and September 24, 2007, respectively. In addition, certain information came to our attention that has not been included in this report because of its sensitive nature. However, this information has been provided to the appropriate state officials.

The State's responses to the findings identified in our audit are presented on pages 110 through 134. The University-Affiliated Component Units' responses are included in the body of the finding (see findings 07-34 through 07-42). We did not audit the State's responses or the University-Affiliated Component Units' responses, and, accordingly, we express no opinion on them.

This report is intended solely for your information and use and that of the Chairperson and Vice Chairperson of the Joint Legislative Audit Committee, management of state agencies, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record, and its distribution is not limited.

Debbie Davenport  
Auditor General

June 16, 2008



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

**DEBRA K. DAVENPORT, CPA**  
AUDITOR GENERAL

**WILLIAM THOMSON**  
DEPUTY AUDITOR GENERAL

**Independent Auditors' Report on Compliance with Requirements  
Applicable to Each Major Program and on Internal Control over Compliance in  
Accordance with OMB Circular A-133**

The Honorable Janet Napolitano, Governor  
State of Arizona

The Honorable Timothy S. Bee, President  
Arizona State Senate

The Honorable James P. Weiers, Speaker  
Arizona House of Representatives

The Honorable Ruth V. McGregor, Chief Justice  
Arizona Supreme Court

## **Compliance**

We have audited the compliance of the State of Arizona with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2007, except for that portion of the federal programs administered by the Arizona Health Care Cost Containment System and the Arizona Department of Transportation. Those agencies were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the compliance of those agencies with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement*, is based solely on the reports of the other auditors. The State's major federal programs are identified in the Summary of Auditors' Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the State's management. Our responsibility is to express an opinion on the State's compliance based on our audit and the reports of the other auditors.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the State's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit and the reports of the other auditors provide a reasonable basis for our opinion. Our audit does not provide a legal determination of the State's compliance with those requirements.

As described in the following table, the State did not comply with certain compliance requirements that are applicable to the following major federal programs. Compliance with such requirements is necessary, in our opinion, for the State to comply with requirements applicable to those programs.

<u>Program Title (CFDA Number)</u>	<u>Compliance Requirement</u>	<u>Finding Number</u>
Food Stamp Cluster:  Food Stamps (10.551) State Administrative Matching Grants for Food Stamp Program (10.561)	Special Tests and Provisions	07-112, 07-113
Child Nutrition Cluster:  School Breakfast Program (10.553) National School Lunch Program (10.555) Special Milk Program for Children (10.556) Summer Food Service Program for Children (10.559)	Subrecipient Monitoring	07-106
Child and Adult Care Food Program (10.558)	Subrecipient Monitoring	07-106
Emergency Food Assistance Cluster:  Emergency Food Assistance Program (Administrative Costs) (10.568) Emergency Food Assistance Program (Food Commodities) (10.569)	Subrecipient Monitoring	07-116
Homeland Security Grant Program Cluster:  State Domestic Preparedness Equipment Support Program (16.007) State Domestic Preparedness Equipment Support Program (97.004) Homeland Security Grant Program (97.067)	Cash Management, Subrecipient Monitoring	07-126, 07-127
WIA Cluster:  WIA Adult Program (17.258) WIA Youth Activities (17.259) WIA Dislocated Workers (17.260)	Suspension and Debarment	07-123
Title I Grants to Local Educational Agencies (84.010)	Subrecipient Monitoring	07-106
Migrant Education—State Grant Program (84.011)	Subrecipient Monitoring, Reporting, Special Tests and Provisions	07-106, 07-110



<u>Program Title (CFDA Number)</u>	<u>Compliance Requirement</u>	<u>Finding Number</u>
Special Education Cluster (IDEA): Special Education—Grants to States (84.027) Special Education—Preschool Grants (84.173)	Subrecipient Monitoring, Reporting	07-106, 07-107, 07-108
Rehabilitation Services—Vocational Rehabilitation Grants to States (84.126)	Eligibility	07-118
Reading First State Grants (84.357)	Subrecipient Monitoring	07-106
Improving Teacher Quality State Grants (84.367)	Subrecipient Monitoring	07-106
Temporary Assistance for Needy Families (93.558)	Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Eligibility	07-112
Foster Care—Title IV-E (93.658)	Activities Allowed or Unallowed, Allowable Costs/Cost Principles	07-120
Urban Areas Security Initiative (97.008)	Cash Management, Subrecipient Monitoring	07-126, 07-127

In our opinion, based on our audit and the reports of the other auditors, except for the noncompliance described in the preceding table, the State of Arizona complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007. The results of our auditing procedures also disclosed other instances of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133 and are described in the accompanying Schedule of Findings and Questioned Costs as items 07-101, 07-102, 07-104, 07-105, 07-109, 07-111, 07-114, 07-115, 07-117, 07-119, 07-121, 07-122, 07-124, 07-125, and 07-128.

### **Internal Control over Compliance**

The State's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the State's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the State's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the State's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies and others that we consider to be material weaknesses.

A control deficiency in the State's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the State's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the State's internal control. We consider items 07-101 through 07-128 described in the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over compliance.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the State's internal control. Of the significant deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs, we consider items 07-103, 07-106, 07-107, 07-108, 07-110, 07-112, 07-113, 07-116, 07-118, 07-120, 07-123, 07-126, and 07-127 to be material weaknesses.

### **Schedule of Expenditures of Federal Awards**

We have audited the financial statements of the governmental activities, business-type activities, aggregate discretely presented component units, each major fund, and aggregate remaining fund information of the State of Arizona as of and for the year ended June 30, 2007, and have issued our report thereon dated June 16, 2008. Our report was modified to include references to our reliance on other auditors, for an emphasis of a matter regarding the Healthcare Group of Arizona, and for a change in the capitalization threshold for equipment. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the State's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, in our opinion, based on our audit and the reports of the other auditors, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The State's responses to the findings identified in our audit are presented on pages 135 through 159. We did not audit the State's responses and, accordingly, we express no opinion on them.

This report is intended solely for your information and use and that of the Chairperson and Vice Chairperson of the Joint Legislative Audit Committee, management of state agencies, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record, and its distribution is not limited.

Debbie Davenport  
Auditor General

July 18, 2008, except for the  
Schedule of Expenditures of Federal  
Awards, for which the date is June 16, 2008

State of Arizona  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2007

CFDA/Identifying Number	Federal Grantor/Program Title/ <i>Pass-Through Grantor</i> /Contract Number	Grantee (Appendix)	Expenditures
<b><u>WHITE HOUSE OFFICE OF NATIONAL DRUG CONTROL POLICY</u></b>			
07.HT16-06-1110, HT16-06-0510, HT16-06-1510, HT16-06-1910, HT16-06-2410	High Intensity Drug Trafficking Areas, <i>Arizona Alliance Planning Committee</i>	AGA	\$ 716,523
07.I6PSAP501Z	High Intensity Drug Trafficking Areas, <i>Arizona Alliance Planning Committee</i>	JCA	4,562,376
07.I3PSAP549, I4PSAP549, I2PSAP549, I5PSAP549, 0111C1362161004, 22005EXECMTG, CNACODE63963	High Intensity Drug Trafficking Areas, <i>Arizona Alliance Planning Committee</i>	PSA	1,860,756
	Total White House Office of National Drug Control Policy		<u>\$ 7,139,655</u>
<b><u>PEACE CORPS</u></b>			
08.0318120150000, PC-05-8-084, PC-06-8-103	Peace Corps	ASA	\$ 21,037
08.55000827, 66000898	Peace Corps Coordinator	NAA	15,665
	Total Peace Corps		<u>\$ 36,702</u>
<b><u>DEPARTMENT OF AGRICULTURE</u></b>			
<b><u>Food Stamp Cluster</u></b>			
10.551	Food Stamps	DEA	\$ 629,666,890
10.561	State Administrative Matching Grants for Food Stamp Program	ASA	18,548
10.561	State Administrative Matching Grants for Food Stamp Program	DEA	32,778,083
10.561	State Administrative Matching Grants for Food Stamp Program	HSA	6,804,585
10.561	State Administrative Matching Grants for Food Stamp Program	UAA	581,739
	10.561 Subtotal		<u>40,182,955</u>
	Food Stamp Cluster Subtotal		<u>669,849,845</u>
<b><u>Child Nutrition Cluster</u></b>			
10.553	School Breakfast Program	DCA	47,296
10.553	School Breakfast Program	DJA	285,354
10.553	School Breakfast Program	EDA	44,413,591
	10.553 Subtotal		<u>44,746,241</u>
10.555	National School Lunch Program	DCA	64,591
10.555	National School Lunch Program	DJA	482,784
10.555	National School Lunch Program	EDA	189,610,395
10.555	National School Lunch Program	SDA	161,354
	10.555 Subtotal		<u>190,319,124</u>
10.556	Special Milk Program for Children	EDA	109,330
10.559	Summer Food Service Program for Children	EDA	2,557,523
	Child Nutrition Cluster Subtotal		<u>237,732,218</u>
<b><u>Emergency Food Assistance Cluster</u></b>			
10.568	Emergency Food Assistance Program (Administrative Costs)	DEA	1,278,792
10.569	Emergency Food Assistance Program (Food Commodities)	DEA	3,774,716
	Emergency Food Assistance Cluster Subtotal		<u>5,053,508</u>
<b><u>Schools and Roads Cluster</u></b>			
10.665	Schools and Roads—Grants to States	TRA	7,630,147
	Schools and Roads Cluster Subtotal		<u>7,630,147</u>
<b><u>Other Department of Agriculture Programs</u></b>			
10.025	Plant and Animal Disease, Pest Control, and Animal Care	AHA	2,364,451
10.025	Plant and Animal Disease, Pest Control, and Animal Care	GFA	116,439
	10.025 Subtotal		<u>2,480,890</u>
10.066	Livestock Assistance Program	AHA	2,395,043
10.206	Grants for Agricultural Research—Competitive Research Grants	UAA	1,183

See accompanying notes to schedule.

State of Arizona  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2007

CFDA/Identifying Number	Federal Grantor/Program Title/ <i>Pass-Through Grantor</i> /Contract Number	Grantee (Appendix)	Expenditures
10.206	Grants for Agricultural Research—Competitive Research Grants, <i>University of Utah</i> , Contract # 041464001	UAA	766
	10.206 Subtotal		<u>1,949</u>
10.210	Food and Agricultural Sciences National Needs Graduate Fellowship Grants	UAA	46,000
10.217	Higher Education Challenge Grants	UAA	45,316
10.220	Higher Education Multicultural Scholars Program	NAA	21,558
10.224	Fund for Rural America—Research, Education, and Extension Activities	ASA	129,055
10.224	Fund for Rural America—Research, Education, and Extension Activities	UAA	49,023
	10.224 Subtotal		<u>178,078</u>
10.225	Community Food Projects	NAA	20,102
10.303	Integrated Programs	UAA	523,660
10.303	Integrated Programs, <i>University of California, Davis</i> , Contract #s K009607AZ, K009607AZ2	UAA	26,762
	10.303 Subtotal		<u>550,422</u>
10.304	Homeland Security—Agricultural, <i>University of California, Davis</i> , Contract # K007797-18	AHA	67,082
10.435	State Mediation Grants	ASA	68,819
10.446	Rural Community Development Initiative	EPA	17,139
10.455	Community Outreach and Assistance Partnership Program	UAA	101,606
10.457	Commodity Partnerships for Risk Management Education	UAA	94,879
10.475	Cooperative Agreements with States for Intrastate Meat and Poultry Inspection	AHA	67,780
10.500	Cooperative Extension Service	UAA	3,264,370
10.500	Cooperative Extension Service, <i>Kansas State University</i> , Contract #s S04067, S07041	UAA	33,520
10.500	Cooperative Extension Service, <i>National 4-H Club Foundation</i> , Contract # EYSC2A20024520101528	UAA	13,318
10.500	Cooperative Extension Service, <i>National 4-H Council</i> , Contract #s 200305099, 20054520103332	UAA	7,004
10.500	Cooperative Extension Service, <i>University of Wyoming</i> , Contract #s UTSTUNV61306128STATE	UAA	8,497
10.500	Cooperative Extension Service, <i>Utah State University</i> , Contract #s 061554014, C029762	UAA	9,363
10.500	Cooperative Extension Service, <i>Washington State University</i> , Contract #s 11838G001820, G001175	UAA	4,544
	10.500 Subtotal		<u>3,340,616</u>
10.550	Food Distribution	EDA	177,500
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	EDA	749
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	HSA	131,559,648
	10.557 Subtotal		<u>131,560,397</u>
10.558	Child and Adult Care Food Program	EDA	44,964,778
10.560	State Administrative Expenses for Child Nutrition	EDA	3,303,888
10.565	Commodity Supplemental Food Program	HSA	3,331,585
10.572	WIC Farmers' Market Nutrition Program (FMNP)	HSA	131,047
10.574	Team Nutrition Grants	EDA	52,409
10.580	Food Stamp Program Outreach Grants	GVA	154,968
10.582	Fresh Fruit and Vegetable Program	EDA	121,196
10.652	Forestry Research	ASA	1,958
10.652	Forestry Research	GFA	61,026
10.652	Forestry Research	NAA	1,770,631
10.652	Forestry Research	UAA	29,622
	10.652 Subtotal		<u>1,863,237</u>
10.664	Cooperative Forestry Assistance	ASA	7,213
10.664	Cooperative Forestry Assistance	LDA	3,315,901
10.664	Cooperative Forestry Assistance	UAA	1,081,307
10.664	Cooperative Forestry Assistance, <i>Navajo County Board of Supervisors</i> , Contract # SFA1005	UAA	95,493
	10.664 Subtotal		<u>4,499,914</u>
10.762	Solid Waste Management Grants	NAA	25,894
10.766	Community Facilities Loans and Grants	NAA	94,993
10.771	Rural Cooperative Development Grants	ASA	93,592
10.902	Soil and Water Conservation	AHA	9,264
10.904	Watershed Protection and Flood Prevention	NAA	2,306
10.912	Environmental Quality Incentives Program	AHA	115,151

See accompanying notes to schedule.

State of Arizona  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2007

CFDA/Identifying Number	Federal Grantor/Program Title/ Pass-Through Grantor /Contract Number	Grantee (Appendix)	Expenditures
10.912	Environmental Quality Incentives Program	GFA	12,990
10.912	Environmental Quality Incentives Program	UAA	83,049
10.912	Environmental Quality Incentives Program	WCA	357,159
	10.912 Subtotal		568,349
10.960	Technical Agricultural Assistance, <i>Washington State University</i> , Contract # 105116G001936	UAA	14,021
10.03-DG-11030300-042, 10.05- CR-11031600-079	Forest Service	NAA	1,810,375
10.05DG11030121040	Wildfire Risk Reduction Program for Gila County	UAA	19,580
10.05IE08310147	Southwest Risk Management Education for Livestock Forage and Specialty Crop Producers	UAA	76,441
10.06CR11030511022	National Fire Plan's Firewise Program	UAA	4,742
10.07DG11030121004	Sitgreaves ND and Associated Communities' Parcel Assessment and Data Management	UAA	11,845
10.7294574A016	Wildlife Enhancement—Raymond Ranch	GFA	50,670
10.Unknown	Change Agent States Project: CASD/CASE Mentoring Support, <i>Cornell University</i> , Contract # CK00381374	UAA	1,000
10.Unknown	Cattle Handling Equipment for Navajo Nation, <i>University of Texas Health Center at Tyler</i> , Contract # U50OH07541	UAA	49,998
10.Unknown	Wildfire Risk Reduction for Yavapai County Homeowners, <i>Yavapai County</i> , Contract # CK40229118	UAA	17,836
	Total Department of Agriculture		\$ 1,122,774,822
<b><u>DEPARTMENT OF COMMERCE</u></b>			
<b><u>Public Works and Economic Development Cluster</u></b>			
11.307	Economic Adjustment Assistance	NAA	\$ 21,978
11.307	Economic Adjustment Assistance	UAA	85,599
	Public Works and Economic Development Cluster Subtotal		107,577
<b><u>Other Department of Commerce Programs</u></b>			
11.302	Economic Development—Support for Planning Organizations	EPA	116,348
11.303	Economic Development—Technical Assistance	UAA	7,283
11.431	Climate and Atmospheric Research	UAA	32,386
11.550	Public Telecommunications Facilities Planning and Construction	UAA	456,070
11.07-66-05876	Department of Commerce, Economic Development Administration	NAA	84,960
	Total Department of Commerce		\$ 804,624
<b><u>DEPARTMENT OF DEFENSE</u></b>			
12.110	Planning Assistance to States	GFA	\$ 324,180
12.300	Basic and Applied Scientific Research	ASA	247,225
12.300	Basic and Applied Scientific Research	GFA	22,409
	12.300 Subtotal		269,634
12.400	Military Construction, National Guard	MAA	2,565,516
12.401	National Guard Military Operations and Maintenance (O&M) Projects	GFA	95,065
12.401	National Guard Military Operations and Maintenance (O&M) Projects	MAA	29,706,070
	12.401 Subtotal		29,801,135
12.404	National Guard Civilian Youth Opportunities	MAA	2,259,463
12.420	Military Medical Research and Development	UAA	15,707
12.431	Basic Scientific Research	ASA	245,580
12.431	Basic Scientific Research, <i>Academy of Applied Science</i> , Contract # W911NF0410001	ASA	11,318
	12.431 Subtotal		256,898
12.610	Community Economic Adjustment Planning Assistance for Joint Land Use Studies	EPA	120,894
12.800	Air Force Defense Research Sciences Program	ASA	136,482
12.800	Air Force Defense Research Sciences Program	GFA	165,395
	12.800 Subtotal		301,877
12.901	Mathematical Sciences Grants Program	ASA	212,196
12.910	Research and Technology Development	ASA	10,000
12.910	Research and Technology Development	NAA	1,083,306
	12.910 Subtotal		1,093,306

See accompanying notes to schedule.

State of Arizona  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2007

CFDA/Identifying Number	Federal Grantor/Program Title/ Pass-Through Grantor /Contract Number	Grantee (Appendix)	Expenditures
12.DAHA2 00 2 3003, DAHA2 98 3003	Camp Navajo	MAA	8,709,254
12.EH99296321	Technical Consultation Services for ADIR Project Oversight, <i>Simpex</i> , Contract # PO 0629	ASA	27,020
12.H9823006C0483	Technical Consultation Services for ADIR Project Oversight	ASA	825,559
12.NAFBA104D0044	Operation Military Kids, <i>Auburn University</i> , Contract # 05ACES539120AZ	UAA	24,640
12.W9124A-05-D-0002	Business Enterprise Program/FT Huachuca	DEA	4,023,652
12.Unknown	Education of How to Maximize Efficiency Within US Army MEDCOM, <i>Wingler &amp; Sharp Architects &amp; Planners, Inc.</i> , Contract # 05114041	ASA	54,039
12.Unknown	Intergovernmental Personnel Act for Scott Slater Herrington	ASA	93,281
12.Unknown	Sonia Kovalevsky High School Mathematics Day, <i>Association for Women in Mathematics</i> , Contract # LTR DTD 110106	UAA	879
12.Unknown	Uniform Commutation Fund	UAA	46,845
	Total Department of Defense		<u>\$ 51,025,975</u>
<b><u>DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u></b>			
<b><u>Section 8 Project-Based Cluster</u></b>			
14.195	Section 8 Housing Assistance Payments Program—Special Allocations	HDA	\$ 33,720,361
	Section 8 Project-Based Cluster Subtotal		<u>33,720,361</u>
<b><u>CDBG—Entitlement and (HUD-Administered) Small Cities Cluster</u></b>			
14.218	Community Development Block Grants/Entitlement Grants, <i>City of Phoenix</i> , Contract # 105830	ASA	13,118
14.218	Community Development Block Grants/Entitlement Grants, <i>City of Tucson</i> , Contract # 000407	UAA	15,483
	CDBG—Entitlement and (HUD-Administered) Small Cities Cluster Subtotal		<u>28,601</u>
<b><u>Other Department of Housing and Urban Development Programs</u></b>			
14.228	Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	HDA	13,643,916
14.231	Emergency Shelter Grants Program	DEA	857,852
14.235	Supportive Housing Program	HDA	1,962,801
14.238	Shelter Plus Care	HDA	6,331,976
14.239	HOME Investment Partnerships Program	HDA	6,978,103
14.241	Housing Opportunities for Persons with AIDS	HDA	163,802
14.250	Rural Housing and Economic Development	HDA	314,305
14.401	Fair Housing Assistance Program—State and Local	AGA	440,439
14.511	Community Outreach Partnership Center Program	UAA	201,804
14.514	Hispanic-Serving Institutions Assisting Communities	UAA	364,319
14.866	Demolition and Revitalization of Severely Distressed Public Housing, <i>City of Tucson</i> , Contract #s 032906, 033306	UAA	40,105
14.871	Section 8 Housing Choice Vouchers	HDA	277,043
14.CH-AZ-049D	Department of Housing and Urban Development	NAA	35,687
	Total Department of Housing and Urban Development		<u>\$ 65,361,114</u>
<b><u>DEPARTMENT OF THE INTERIOR</u></b>			
<b><u>Fish and Wildlife Cluster</u></b>			
15.605	Sport Fish Restoration Program	GFA	\$ 6,521,352
15.611	Wildlife Restoration	GFA	5,951,378
	Fish and Wildlife Cluster Subtotal		<u>12,472,730</u>
<b><u>Other Department of the Interior Programs</u></b>			
15.130	Indian Education—Assistance to Schools	EDA	354,417
15.219	Wildlife Habitat Management Technical Assistance	GFA	133,416
15.224	Cultural Resource Management	GFA	47,314
15.224	Cultural Resource Management	UAA	16,648
	15.224 Subtotal		<u>63,962</u>
15.227	Distribution of Receipts to State and Local Governments	DTA	544,371
15.228	National Fire Plan—Wildland Urban Interface Community Fire Assistance	LDA	353,063
15.503	Small Reclamation Projects	GFA	59,404
15.504	Water Reclamation and Reuse Program	GFA	6,985
15.608	Fish and Wildlife Management Assistance	GFA	31,106
15.615	Cooperative Endangered Species Conservation Fund	AHA	160,500
15.615	Cooperative Endangered Species Conservation Fund	GFA	1,168,543
	15.615 Subtotal		<u>1,329,043</u>

See accompanying notes to schedule.

State of Arizona  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2007

CFDA/Identifying Number	Federal Grantor/Program Title/ <i>Pass-Through Grantor</i> /Contract Number	Grantee (Appendix)	Expenditures
15.616	Clean Vessel Act	GFA	52,343
15.622	Sportfishing and Boating Safety Act	GFA	7,000
15.623	North American Wetlands Conservation Fund	GFA	4,690
15.626	Hunter Education and Safety Program	GFA	207,619
15.633	Landowner Incentive Program	GFA	608,781
15.634	State Wildlife Grants	GFA	1,743,292
15.642	Challenge Cost Share	GFA	1,599
15.808	U.S. Geological Survey—Research and Data Collection	GFA	439,184
15.808	U.S. Geological Survey—Research and Data Collection	GSA	31,408
15.808	U.S. Geological Survey—Research and Data Collection	LDA	9,502
15.808	U.S. Geological Survey—Research and Data Collection	UAA	38,825
	15.808 Subtotal		518,919
15.809	National Spatial Data Infrastructure Cooperative Agreements Program	NAA	8,943
15.810	National Cooperative Geologic Mapping Program	GSA	190,626
15.812	Cooperative Research Units Program	UAA	34,716
15.904	Historic Preservation Fund Grants-In-Aid	ASA	8,268
15.904	Historic Preservation Fund Grants-In-Aid	PRA	59,922
15.904	Historic Preservation Fund Grants-In-Aid, <i>Fort McDowell Yavapai Nation</i> , Contract # 04-04-NA-0426	ASA	6,369
	15.904 Subtotal		74,559
15.916	Outdoor Recreation—Acquisition, Development and Planning	PRA	1,102,381
15.922	Native American Graves Protection and Repatriation Act	UAA	11,029
15.0401GP291	Tribal Consultation on Ceramic Collection	UAA	6,685
15.04FC320310	Native Fishes Hatchery Development	GFA	199,536
15.04FG320200	Hubbell Trading Post Irrigation Demonstration Farm	UAA	8,722
15.04FG320210	Arizona Water Resources	UAA	2,396
15.04FG320270	Projects to Enhance Arizona's Environment: Their Functions, Water Requirements	UAA	18,600
15.04FG340014	O&M Quigley Wildlife Area	GFA	14,825
15.04FG811018,	Bureau of Reclamation	ASA	198,178
15.05FG3200420,			
15.05FG811124			
15.05FC340006	Design and Installation of Water Measurement Structures for the Yuma Mesa Irrigation District	UAA	10,803
15.05FC340007	Bilingual Outreach for Efficient Irrigation on the Yuma Mesa Irrigation District	UAA	4,841
15.05FC320430	Bureau of Reclamation	NAA	16,660
15.05FC320560	Bureau of Reclamation	WCA	482,810
15.05FG320490	Rainwater Harvesting: A Neglected Significant Source of Water for Arid Lands	UAA	9,617
15.05PG303295	A Weather Network to Provide Reference Evapotranspiration Data for the Bureau of Reclamation's Lower Colorado River ACCT System	UAA	13,434
15.06FC340008, 05FC340002	Flat Tailed Horn Lizard Study	GFA	27,526
15.06FG300027	Water-Wise Communities' Education and Development Program with Mohave County, AZ	UAA	8,501
15.06FG300040	Razorback Sucker Production & Bubbling Ponds Hatchery	GFA	31,617
15.06FG320750	Bureau of Reclamation Leak Detection Program	WCA	50,000
15.06PG321029	Bureau of Reclamation Historic Water Utilization Booklet	PRA	2,677
15.07FG320800	Arizona Project Wet Water Festival Teams Workshop	UAA	4,779
15.07PG321016	Bureau of Reclamation	NAA	940
15.08FG300030	Razorback Growth Studies	GFA	71,635
15.20050004064	Central Arizona Weed Management Operations, <i>National Fish and Wildlife Foundation</i> , Contract # 20050004064	UAA	32,077
15.2006 25950090	BOR Technology Transfer	WCA	5,000
15.501814M265	Partners For Amphibian and Reptile Conservation	GFA	33,194
15.50730W0330	Bureau of Reclamation Restricted Endowment	ASA	5,999,802
15.99FC320140	Arizona Flood Warning System	WCA	8,844
15.99FC320140	Bureau of Reclamation	WCA	65,113
15.AAA000011AAF030043	Monitoring Data for Rangeland Health Evaluations	UAA	795
15.AAA000011AAF040042	Living with Wildfire in Arizona	UAA	11,455
15.AAA000011AAF050041	ADR Conflict Resolution Prevention Program	UAA	48,020
15.AAA000019AAF050039	Sonoita Valley Planning Partnership Organization	ASA	4,658
15.AAA050001	Monitor the Peregrine Falcon	GFA	7,731
15.AAA050001	Sonoran Pronghorn Semi Captive Breeding, Ajo	GFA	8,339
15.AAA050003AAF060010	Rangeland Resources Monitoring Technician	UAA	49,726
15.CA124800002J124203060	Mission Parks Initiative Project Administration	UAA	2,521
15.CA124800002UAZ142	DS-CESU Operations at Historic Smith House	UAA	6,140
15.CA124800002UAZ147	Architectural Documentation Bates Well Ranch—Organ Pipe Cactus National Monument	UAA	11,115
15.CA124800002UAZ149	PBS Video on the Hummingbird Monitoring Network	UAA	1,808
15.CA124800002UAZ155	KUAT PBS Documentary on the Great Western Drought (Including NW Mexico)	UAA	1,777

See accompanying notes to schedule.

State of Arizona  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2007

CFDA/Identifying Number	Federal Grantor/Program Title/ Pass-Through Grantor /Contract Number	Grantee (Appendix)	Expenditures
15.CA235000010H822705402	Living with Wildfire in Arizona—Educational Materials	UAA	4,113
15.H1200040002	National Park Service	NAA	21,645
15.H1200040002J1330050051	Preparation Lodge Historic District and Housing Historic District Cultural Landscape Reports—Bryce Canyon National Park	UAA	25,872
15.H1200040002J1330060046	Historic Structures Report for Two Historic Log Restrooms Bryce Canyon National Park	UAA	6,775
15.H1200040002J1350040012	Ripple Rock Nature Center Exhibits—Capital Reef National Park	UAA	1,515
15.H1200040002J719005011	Architectural Documentation and Preservation Planning Earl Head Homestead (UAZ16)	UAA	2,332
15.H1200040002J7470060C75	Preparation of a Historic Structures Report for Ranger Cabin and Boundary Fence—Walnut Canyon National Monument	UAA	21,729
15.H1200040002J7481G019	Cultural Resource Management Technical Assistance—Intermountain Regional Parks	UAA	4,871
15.H1200040002J8100070078	Provide Library Assistance—Rocky Mountain National Park (UAZCP75)	UAA	1,986
15.H1200040002J819070414	Preparation of Historic Structure Report Hermit's Rest—Grand Canyon National Park	UAA	18,373
15.H1200040002J819070419	Preparation of Historic Structure Report First Administration Building—Grand Canyon National Park	UAA	7,696
15.H1200040002J8219060993	Preparation of a Historic Structures Report for Four Buildings Village Historic District (UAZCP21)	UAA	28,795
15.H1200040002UAZ12	Historic Structures Report Utah Parks Company Service Station—Bryce Canyon National Park	UAA	3,762
15.H1200050003J1242060008	Landscape Design for Interpretive Islands at Organ Pipe Cactus National Monument	UAA	445
15.H1200050003J1242070003	Speaker Series Graduate Planning Seminar 564—Desert Southwest CESU (UAZDS219)	UAA	480
15.H1200050003J1242070004	Preliminary Workshop on Heritage Tourism—Desert Southwest CESU (UAZDS218)	UAA	2,371
15.H1200050003J865006001	Exhibit Production at Various Southern Arizona National Park Service Sites	UAA	19,410
15.H2380040002	National Park Service	NAA	100,339
15.JSA041002	Bureau of Land Management	NAA	23,241
15.JSA041006	Managing and Marketing Public Lands for Explicitly Stated Benefits: A Case Study of McInnis Canyons National Conservation Area	ASA	35,745
15.SMK00040537	Gila River Indian Community Archaeological Materials for Transfers to the Tribes	UAA	12,983
15.SMK0E50714	Special Education Program for Teachers and Administrators (SEPTA)	UAA	171,204
15.Unknown	Fire Ecology Workshops for PLT, <i>Project Learning Tree</i> , Contract # CK023935	UAA	1,276
15.Unknown	Forestry After-School Programs, <i>Coconino County</i> , Contract # CK095020592	UAA	1,080
15.Unknown	Highway 93 Project, <i>University of Nevada Reno</i> , Assistance agreement # FAA0100017 - Task Order 26	GSA	36,974
15.Unknown	Improving Communities of Practice, <i>University of New Mexico</i> , Contract # 3R807	NAA	32,927
15.Unknown	Indian Children Program, <i>Utah State University</i> , Contract # C028604	NAA	58,030
15.Unknown	National Natural Landmark Program	GFA	46,143
15.Unknown	PARC's Guides, Pamphlets, and Display	GFA	7,351
15.Unknown	Roosevelt Lake Goose Mitigation Project	GFA	25,585
15.Unknown	U.S. Forest Service Conservation & Management	GFA	18,697
15.Unknown	Water Education	UAA	1,515
Total Department of the Interior			\$ 28,143,151
<b><u>DEPARTMENT OF JUSTICE</u></b>			
16.202	Prisoner Reentry Initiative Demonstration (Offender Reentry)	DCA	\$ 38,186
16.202	Prisoner Reentry Initiative Demonstration (Offender Reentry)	DJA	925,308
16.202 Subtotal			963,494
16.523	Juvenile Accountability Block Grants	DJA	173,404
16.523	Juvenile Accountability Block Grants	GVA	844,719
16.523	Juvenile Accountability Block Grants	SPA	178,812
16.523 Subtotal			1,196,935
16.540	Juvenile Justice and Delinquency Prevention—Allocation to States	GVA	714,328
16.540	Juvenile Justice and Delinquency Prevention—Allocation to States	NAA	12,015
16.540	Juvenile Justice and Delinquency Prevention—Allocation to States	SPA	28,000
16.540 Subtotal			754,343
16.541	Part E—Developing, Testing and Demonstrating Promising New Programs	AGA	15,643
16.547	Victims of Child Abuse, <i>National CASA</i>	SPA	48,879
16.548	Title V—Delinquency Prevention Program	GVA	219,158
16.550	State Justice Statistics Program for Statistical Analysis Centers	JCA	66,532
16.554	National Criminal History Improvement Program (NCHIP)	JCA	603,637
16.554	National Criminal History Improvement Program (NCHIP)	PSA	24,650
16.554	National Criminal History Improvement Program (NCHIP)	SPA	159,000
16.554 Subtotal			787,287
16.560	National Institute of Justice Research, Evaluation, and Development Project Grants	JCA	721,582
16.560	National Institute of Justice Research, Evaluation, and Development Project Grants	PSA	84,115
16.560 Subtotal			805,697



State of Arizona  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2007

CFDA/Identifying Number	Federal Grantor/Program Title/ <i>Pass-Through Grantor</i> /Contract Number	Grantee (Appendix)	Expenditures
16.564	Crime Laboratory Improvement—Combined Offender DNA Index System Backlog Reduction	PSA	36,607
16.575	Crime Victim Assistance	AGA	120,653
16.575	Crime Victim Assistance	DCA	55,974
16.575	Crime Victim Assistance	DJA	41,045
16.575	Crime Victim Assistance	PSA	7,108,270
	16.575 Subtotal		<u>7,325,942</u>
16.576	Crime Victim Compensation	JCA	1,153,015
16.579	Edward Byrne Memorial Formula Grant Program	AGA	1,468,773
16.579	Edward Byrne Memorial Formula Grant Program	DCA	19,875
16.579	Edward Byrne Memorial Formula Grant Program	PSA	83,882
16.579	Edward Byrne Memorial Formula Grant Program, <i>City of Tucson</i> , Contract # 027705	UAA	163,467
	16.579 Subtotal		<u>1,735,997</u>
16.580	Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	PMA	13,158
16.580	Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	PSA	15,694
16.580	Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	SPA	185,460
16.580	Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	UAA	129,614
	16.580 Subtotal		<u>343,926</u>
16.582	Crime Victim Assistance/Discretionary Grants	DCA	1,000
16.588	Violence Against Women Formula Grants	GVA	1,814,295
16.588	Violence Against Women Formula Grants	NAA	2,148
16.588	Violence Against Women Formula Grants	SPA	26,298
	16.588 Subtotal		<u>1,842,741</u>
16.589	Rural Domestic Violence, Dating Violence, Sexual Assault, and Stalking Grant Program	GVA	440,267
16.589	Rural Domestic Violence, Dating Violence, Sexual Assault, and Stalking Grant Program	UAA	52,280
	16.589 Subtotal		<u>492,547</u>
16.593	Residential Substance Abuse Treatment for State Prisoners	DCA	100,055
16.593	Residential Substance Abuse Treatment for State Prisoners	DJA	170,214
16.593	Residential Substance Abuse Treatment for State Prisoners	JCA	159,860
	16.593 Subtotal		<u>430,129</u>
16.595	Community Capacity Development Office, <i>City of Tucson</i> , Contract # 0361-06	UAA	5,692
16.597	Motor Vehicle Theft Protection Act Program	ATA	2,220
16.607	Bulletproof Vest Partnership Program	ADA	15,822
16.609	Community Prosecution and Project Safe Neighborhoods	JCA	458,030
16.609	Community Prosecution and Project Safe Neighborhoods	PSA	42,304
	16.609 Subtotal		<u>500,334</u>
16.610	Regional Information Sharing Systems	PSA	5,503,078
16.710	Public Safety Partnership and Community Policing Grants	ASA	15,984
16.710	Public Safety Partnership and Community Policing Grants	PSA	359,147
	16.710 Subtotal		<u>375,131</u>
16.727	Enforcing Underage Drinking Laws Program	GHA	306,498
16.727	Enforcing Underage Drinking Laws Program	LLA	124,445
	16.727 Subtotal		<u>430,943</u>
16.738	Edward Byrne Memorial Justice Assistance Grant Program	JCA	3,472,196
16.738	Edward Byrne Memorial Justice Assistance Grant Program	PSA	345,385
	16.738 Subtotal		<u>3,817,581</u>
16.742	Paul Coverdell Forensic Sciences Improvement Grant Program	JCA	27,077
16.742	Paul Coverdell Forensic Sciences Improvement Grant Program	PSA	27,278
	16.742 Subtotal		<u>54,355</u>
16.2004UMWX005A	Community Oriented Policing Services (COPS) Universal Hiring Program	UAA	51,087
16.DPS 2006 242	FBI ACTIC Facility	PSA	122,045

See accompanying notes to schedule.

State of Arizona  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2007

CFDA/Identifying Number	Federal Grantor/Program Title/ <i>Pass-Through Grantor</i> /Contract Number	Grantee (Appendix)	Expenditures
16.Unknown	Neighborhood Leadership Development, <i>City of Tucson</i> , Contract # 0114-07	UAA	9,628
16.Unknown	Southwest Border Prosecution Initiative (SWBPI)	AGA	338,376
	Total Department of Justice		<u>\$ 29,446,164</u>
<b><u>DEPARTMENT OF LABOR</u></b>			
<b><u>Employment Service Cluster</u></b>			
17.207	Employment Service/Wagner-Peyser Funded Activities	AFA	\$ 85,098
17.207	Employment Service/Wagner-Peyser Funded Activities	DEA	13,126,309
17.207	Employment Service/Wagner-Peyser Funded Activities	GVA	1,138,154
	17.207 Subtotal		<u>14,349,561</u>
17.801	Disabled Veterans' Outreach Program (DVOP)	DEA	1,561,660
17.804	Local Veterans' Employment Representative Program	DEA	998,986
	Employment Service Cluster Subtotal		<u>16,910,207</u>
<b><u>WIA Cluster</u></b>			
17.258	WIA Adult Program	DEA	15,510,445
17.258	WIA Adult Program	EDA	262,380
	17.258 Subtotal		<u>15,772,825</u>
17.259	WIA Youth Activities	DEA	12,476,318
17.259	WIA Youth Activities	GVA	516,686
17.259	WIA Youth Activities	NAA	6,644
	17.259 Subtotal		<u>12,999,648</u>
17.260	WIA Dislocated Workers	DEA	13,428,181
17.260	WIA Dislocated Workers	GVA	530,583
	17.260 Subtotal		<u>13,958,764</u>
	WIA Cluster Subtotal		<u>42,731,237</u>
<b><u>Other Department of Labor Programs</u></b>			
17.002	Labor Force Statistics	DEA	1,173,349
17.005	Compensation and Working Conditions	ICA	71,247
17.203	Labor Certification for Alien Workers	DEA	377,310
17.225	Unemployment Insurance	DEA	274,917,492
17.235	Senior Community Service Employment Program, <i>National Council on Aging</i> , Contract # AD-10840-00-55-02	DEA	1,026,494
17.245	Trade Adjustment Assistance	DEA	1,347,525
17.245	Trade Adjustment Assistance	EDA	1,079,337
	17.245 Subtotal		<u>2,426,862</u>
17.250	Job Training Partnership Act	EPA	534,530
17.261	WIA Pilots, Demonstrations, and Research Projects	EPA	840,912
17.266	Work Incentive Grants	DEA	507,609
17.267	Incentive Grants - WIA Section 503	DEA	51,452
17.503	Occupational Safety and Health—State Program	ICA	1,801,399
17.504	Consultation Agreements	ICA	763,131
17.505	OSHA Data Initiative	ICA	5,330
17.600	Mine Health and Safety Grants	MIA	265,794
17.PE152690660	Pima County Prisoner Re-Entry Partnership, <i>Primavera Foundation, Inc.</i> , Contract # PE152690660	UAA	33,301
	Total Department of Labor		<u>\$ 344,437,656</u>
<b><u>DEPARTMENT OF STATE</u></b>			
19.300	Program for Study of Eastern Europe and the Independent States of the Former Soviet Union, <i>American Council of Learned Societies (ACLS)</i> , Contract #s LTR 041805, LTR 051106	ASA	\$ 52,220
19.300	Program for Study of Eastern Europe and the Independent States of the Former Soviet Union, <i>Social Science Research Council</i> , Contract #s LTR 110105, LTR 032207	ASA	42,155
	19.300 Subtotal		<u>94,375</u>
19.406	Educational Partnerships Program	ASA	64,052
19.415	Professional Exchanges—Annual Open Grant	ASA	66,668
19.430	International Education Training and Research	ASA	9,534
19.SECAA05GR121	A Plan to Revitalize the North American Higher Education Community Through Conahec's Portal	UAA	17,182

See accompanying notes to schedule.

State of Arizona  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2007

CFDA/Identifying Number	Federal Grantor/Program Title/ <i>Pass-Through Grantor</i> /Contract Number	Grantee (Appendix)	Expenditures
19.SECAP06GR127CS	Improving Health Care in the Balkans Using Telemedicine, <i>Kosova Foundation for Medical Development</i> , Contract # <i>PO1</i>	UAA	49,610
19.Unknown	IIE-Fulbright Pre-Academic Program, <i>Institute of International Education</i> , Contract # CK00406577	UAA	135,052
	Total Department of State		<u>\$ 436,473</u>
<b><u>DEPARTMENT OF TRANSPORTATION</u></b>			
<b><u>Highway Planning and Construction Cluster</u></b>			
20.205	Highway Planning and Construction	ADA	\$ 136,289
20.205	Highway Planning and Construction	DTA	391,513,221
20.205	Highway Planning and Construction	GFA	324,159
20.205	Highway Planning and Construction	PRA	200,252
20.205	Highway Planning and Construction	PSA	5,613
	Highway Planning and Construction Cluster Subtotal		<u>392,179,534</u>
<b><u>Highway Safety Cluster</u></b>			
20.600	State and Community Highway Safety	DTA	101,139
20.600	State and Community Highway Safety	GHA	3,557,101
20.600	State and Community Highway Safety	LLA	75,130
20.600	State and Community Highway Safety	PSA	817,402
	20.600 Subtotal		<u>4,550,772</u>
20.601	Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants	ASA	4,294
20.601	Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants	GHA	1,384,154
20.601	Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants	PSA	25,633
	20.601 Subtotal		<u>1,414,081</u>
20.604	Safety Incentive Grants for Use of Seatbelts	GHA	506,054
20.604	Safety Incentive Grants for Use of Seatbelts	PSA	40,495
	20.604 Subtotal		<u>546,549</u>
20.612	Incentive Grant Program to Increase Motorcyclist Safety	GHA	57,233
20.613	Child Safety and Child Booster Seats Incentive Grants	GHA	850,588
	Highway Safety Cluster Subtotal		<u>7,419,223</u>
<b><u>Other Department of Transportation Programs</u></b>			
20.106	Airport Improvement Program	DTA	609,849
20.215	Highway Training and Education	DTA	540,409
20.215	Highway Training and Education, <i>Arizona Transportation Research Center</i> , Contract # JPA05010T	ASA	23,233
	20.215 Subtotal		<u>563,642</u>
20.218	National Motor Carrier Safety	DTA	1,768,662
20.218	National Motor Carrier Safety	PSA	5,637,999
	20.218 Subtotal		<u>7,406,661</u>
20.219	Recreational Trails Program	DTA	1,676,704
20.219	Recreational Trails Program	PRA	1,414,525
	20.219 Subtotal		<u>3,091,229</u>
20.233	Border Enforcement Grants	PSA	644,616
20.505	Federal Transit—Metropolitan Planning Grants	DTA	1,613,904
20.509	Formula Grants for Other Than Urbanized Areas	DTA	6,586,356
20.513	Capital Assistance Program for Elderly Persons and Persons with Disabilities	DTA	1,968,891
20.700	Pipeline Safety	CCA	278,883
20.703	Interagency Hazardous Materials Public Sector Training and Planning Grants	MAA	197,263
20.760	University Transportation Centers, <i>South Carolina State University</i> , Contract # 02447374NSTIASU	ASA	29,744
	Total Department of Transportation		<u>\$ 422,589,795</u>
<b><u>EQUAL EMPLOYMENT OPPORTUNITY COMMISSION</u></b>			
30.001	Employment Discrimination—Title VII of the Civil Rights Act of 1964	AGA	\$ 220,973
	Total Equal Employment Opportunity Commission		<u>\$ 220,973</u>

See accompanying notes to schedule.

State of Arizona  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2007

CFDA/Identifying Number	Federal Grantor/Program Title/ <i>Pass-Through Grantor</i> /Contract Number	Grantee (Appendix)	Expenditures
<b><u>GENERAL SERVICES ADMINISTRATION</u></b>			
39.003	Donation of Federal Surplus Personal Property	ADA	\$ 667,987
	Total General Services Administration		<u>\$ 667,987</u>
<b><u>LIBRARY OF CONGRESS</u></b>			
42.LCOS107C0023	Capture of Multimedia, Multilingual Opensource Web-Based Terrorist Content	UAA	\$ 1,557
	Total Library of Congress		<u>\$ 1,557</u>
<b><u>NATIONAL AERONAUTICS AND SPACE ADMINISTRATION</u></b>			
43.001	Aerospace Education Services Program	ASA	\$ 8,962
43.NAG26074	A Series of "Astrobiology Online" Courses for Teachers	UAA	29,983
43.NAS526555	Exploring Light and Planetary Atmospheres Through the Eyes of the Hubble Space Telescope, <i>Space Telescope Science Institute</i> , Contract # HSTEO1086912A	UAA	653
43.NAS526555	Tools for Teaching Cosmology and Galaxy Evolution, <i>Space Telescope Science Institute</i> , Contract # HSTEO0974428A	UAA	129
43.NAS526555	Understanding Light Through the Eyes of the Hubble Telescope, <i>Space Telescope Science Institute</i> , Contract # HSTEO1063906A	UAA	18,739
43.NAS71407	Curriculum and Training Support for Navigators Extra-Solar Planet Research, <i>Jet Propulsion Laboratory</i> , Contract # 1251186	UAA	184,200
43.NNX06AD83H	Meteorites on Other Planets: Litmus Testing the Martian Environment	ASA	22,801
43.Unknown	Internet-Based Workshops to Support the 2003/4 SIRTf EPO Effort, <i>Jet Propulsion Laboratory</i> , Contract # 1260022	UAA	125,424
43.Unknown	Phoenix Mars Scout Mission	NAA	30,278
43.Unknown	Reach For The Stars, <i>Space Telescope Science Institute</i> , Contract # HST-EO-09794.08-A	NAA	2,975
43.Unknown	Space Grant Program	NAA	95,596
	Total National Aeronautics and Space Administration		<u>\$ 519,740</u>
<b><u>NATIONAL ENDOWMENT FOR THE ARTS</u></b>			
45.024	Promotion of the Arts—Grants to Organizations and Individuals	ASA	\$ 33,728
45.024	Promotion of the Arts—Grants to Organizations and Individuals	UAA	95,003
45.024	Promotion of the Arts—Grants to Organizations and Individuals, <i>New England Foundation for the Arts (NEFA)</i> , Contract #s 10207, LTR 080906	ASA	8,167
	45.024 Subtotal		<u>136,898</u>
45.025	Promotion of the Arts—Partnership Agreements	HUA	356,378
45.025	Promotion of the Arts—Partnership Agreements, <i>Western States Arts Federation (WESTAF)</i> , Contract # TWP070146	ASA	2,125
	45.025 Subtotal		<u>358,503</u>
	Total National Endowment for the Arts		<u>\$ 495,401</u>
<b><u>NATIONAL ENDOWMENT FOR THE HUMANITIES</u></b>			
45.129	Promotion of the Humanities—Federal/State Partnership	ASA	\$ 18,924
45.129	Promotion of the Humanities—Federal/State Partnership	PRA	54,495
45.129	Promotion of the Humanities—Federal/State Partnership, <i>Arizona Humanities Council</i> , Contract # GG39-4614-2006	NAA	2,258
45.129	Promotion of the Humanities—Federal/State Partnership, <i>Arizona Humanities Council</i> , Contract #s GG1644842006, GG1947142007, GG4048312007	UAA	5,129
	45.129 Subtotal		<u>80,806</u>
45.149	Promotion of the Humanities—Division of Preservation and Access	UAA	122,429
45.149	Promotion of the Humanities—Division of Preservation and Access, <i>Cornell University</i> , Contract # 485038230	UAA	31,588
	45.149 Subtotal		<u>154,017</u>
45.160	Promotion of the Humanities—Fellowships and Stipends	ASA	80,482
45.163	Promotion of the Humanities—Professional Development	ASA	75,262
45.164	Promotion of the Humanities—Public Programs	ASA	3,720
45.164	Promotion of the Humanities—Public Programs, <i>National Endowment for the Humanities</i> , Contract # QI-50019-16	NAA	30,424
	45.164 Subtotal		<u>34,144</u>

See accompanying notes to schedule.

State of Arizona  
Schedule of Expenditures of Federal Awards  
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CFDA/Identifying Number	Federal Grantor/Program Title/ Pass-Through Grantor /Contract Number	Grantee (Appendix)	Expenditures
45.168	Promotion of the Humanities—We the People, <i>Arizona Humanities Council</i> , Contract # GG2547162007	UAA	1,890
45.Unknown	Creative Photo Term Endowment	UAA	52,582
45.Unknown	NEA Challenge Permanent Endowment	UAA	78,519
45.Unknown	NEH/ASM Educational Endowment	UAA	450,213
	Total National Endowment for the Humanities		<u>\$ 1,007,915</u>
<b><u>FEDERAL COUNCIL ON THE ARTS AND THE HUMANITIES</u></b>			
45.201	Arts and Artifacts Indemnity	ASA	\$ 40,344
	Total Federal Council on the Arts and the Humanities		<u>\$ 40,344</u>
<b><u>INSTITUTE OF MUSEUM AND LIBRARY SERVICES</u></b>			
45.301	Museums for America	UAA	\$ 102,523
45.303	Conservation Project Support	ASA	5,715
45.310	Grants to States	LAA	3,210,856
45.310	Grants to States	UAA	161,771
	45.310 Subtotal		<u>3,372,627</u>
45.313	Laura Bush 21st Century Librarian Program	UAA	530,850
45.0177003002	Saving Southwest Traditions: The Pottery Project	UAA	100,996
45.PA5173306	Cold Storage of Historic Cellulose Nitrate Negatives at ASM	UAA	872
45.Unknown	2007 Arizona Library Institute	UAA	25,318
45.Unknown	Arizona Sonora Desert Museum Digital Library, <i>Arizona Sonora Desert Museum</i> , Contract # CK1034423	UAA	47,037
45.Unknown	Enrichment of Library Education ASLPA/SIRLS Partnership 2006-2007	UAA	3,786
45.Unknown	Medallion Papers Digitization Project	UAA	2,860
45.Unknown	Tohono O'odham Collection, 1970-1980	UAA	9,867
45.Unknown	Visiting Poets and Writers Reading Series	UAA	2,887
	Total Institute of Museum and Library Services		<u>\$ 4,205,338</u>
<b><u>NATIONAL SCIENCE FOUNDATION</u></b>			
47.041	Engineering Grants	ASA	\$ 285,309
47.049	Mathematical and Physical Sciences	ASA	13,101
47.049	Mathematical and Physical Sciences	UAA	735,765
	47.049 Subtotal		<u>748,866</u>
47.050	Geosciences	ASA	65,274
47.050	Geosciences	NAA	47,928
47.050	Geosciences	UAA	138,041
	47.050 Subtotal		<u>251,243</u>
47.070	Computer and Information Science and Engineering	ASA	11,518
47.070	Computer and Information Science and Engineering	UAA	125,806
	47.070 Subtotal		<u>137,324</u>
47.074	Biological Sciences	ASA	242,624
47.074	Biological Sciences	NAA	202,062
47.074	Biological Sciences	UAA	5,962
	47.074 Subtotal		<u>450,648</u>
47.075	Social, Behavioral, and Economic Sciences	ASA	411,932
47.075	Social, Behavioral, and Economic Sciences	UAA	145,717
	47.075 Subtotal		<u>557,649</u>
47.076	Education and Human Resources	ASA	5,398,563
47.076	Education and Human Resources	NAA	452,231
47.076	Education and Human Resources	UAA	2,926,175
47.076	Education and Human Resources, <i>Boston College</i> , Contract # 9304	UAA	21,236
47.076	Education and Human Resources, <i>University of California, San Diego</i> , Contract # 10251211	UAA	35,327
47.076	Education and Human Resources, <i>University of Nebraska</i> , Contract # 2505360004002	UAA	13,443

See accompanying notes to schedule.

State of Arizona  
Schedule of Expenditures of Federal Awards  
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CFDA/Identifying Number	Federal Grantor/Program Title/ <i>Pass-Through Grantor</i> /Contract Number	Grantee (Appendix)	Expenditures
47.076	Education and Human Resources, <i>University of Puerto Rico</i> , Contract # 995256 47.076 Subtotal	UAA	14,919 <hr/> 8,861,894
47.079	International Science and Engineering (OISE)	ASA	44,037
47.DEB-0550048	National Science Foundation	NAA	16,844
47.ESI0515589	Building Demand for Math Literacy, <i>The Young People's Project, Inc.</i> , Contract # ESI0515589	UAA	8,234
47.PHY0108787	Physics Teacher Education Coalition (PhysTEC), <i>American Physical Society</i> , Contract # CK096771	UAA	60,949
	Total National Science Foundation		<hr/> <hr/> \$ 11,422,997
<b><u>SMALL BUSINESS ADMINISTRATION</u></b>			
59.Unknown	Federal and State Technology (FAST) Partnership Program	EPA	\$ 30,694
	Total Small Business Administration		<hr/> \$ 30,694
<b><u>DEPARTMENT OF VETERANS AFFAIRS</u></b>			
64.124	All-Volunteer Force Educational Assistance	VSA	\$ 386,502
64.Unknown	Department of Veterans Affairs	NAA	4,029
	Total Department of Veterans Affairs		<hr/> \$ 390,531
<b><u>ENVIRONMENTAL PROTECTION AGENCY</u></b>			
66.001	Air Pollution Control Program Support	EVA	\$ 4,107,732
66.001	Air Pollution Control Program Support	NAA	15,392
	66.001 Subtotal		<hr/> 4,123,124
66.032	State Indoor Radon Grants	AEA	65,977
66.034	Surveys, Studies, Investigations, Demonstrations and Special Purpose Activities Relating to the Clean Air Act	EVA	476,340
66.034	Surveys, Studies, Investigations, Demonstrations and Special Purpose Activities Relating to the Clean Air Act	NAA	227,822
	66.034 Subtotal		<hr/> 704,162
66.454	Water Quality Management Planning	EVA	88,628
66.458	Capitalization Grants for Clean Water State Revolving Funds	WFA	231,772
66.460	Nonpoint Source Implementation Grants	EVA	3,113,777
66.460	Nonpoint Source Implementation Grants	UAA	39,856
	66.460 Subtotal		<hr/> 3,153,633
66.463	Water Quality Cooperative Agreements	EVA	155,335
66.463	Water Quality Cooperative Agreements	NAA	32,997
	66.463 Subtotal		<hr/> 188,332
66.468	Capitalization Grants for Drinking Water State Revolving Funds	EVA	1,308,251
66.468	Capitalization Grants for Drinking Water State Revolving Funds	WFA	1,347,614
	66.468 Subtotal		<hr/> 2,655,865
66.471	State Grants to Reimburse Operators of Small Water Systems for Training and Certification Costs	EVA	172,058
66.471	State Grants to Reimburse Operators of Small Water Systems for Training and Certification Costs	WFA	37,058
	66.471 Subtotal		<hr/> 209,116
66.474	Water Protection Grants to the States	EVA	151,747
66.500	Environmental Protection—Consolidated Research	GFA	44,285
66.511	Office of Research and Development Consolidated Research/Training, <i>Malcolm Pirnie, Inc.</i> , Contract # 04030444	ASA	10,210
66.511	Office of Research and Development Consolidated Research/Training, <i>Water Environment Research Foundation</i> , Contract # CR83155901	ASA	26,299
	66.511 Subtotal		<hr/> 36,509
66.512	Regional Environmental Monitoring and Assessment Program (REMAP) Research Projects	EVA	134,550
66.513	Greater Research Opportunities (GRO) Fellowships for Undergraduate/Graduate Environmental Study	ASA	6,694

See accompanying notes to schedule.

State of Arizona  
Schedule of Expenditures of Federal Awards  
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CFDA/Identifying Number	Federal Grantor/Program Title/ <i>Pass-Through Grantor</i> /Contract Number	Grantee (Appendix)	Expenditures
66.513	Greater Research Opportunities (GRO) Fellowships for Undergraduate/Graduate Environmental Study	NAA	7,116
	66.513 Subtotal		13,810
66.514	Science To Achieve Results (STAR) Fellowship Program	ASA	23,384
66.605	Performance Partnership Grants	EVA	3,931,177
66.606	Surveys, Studies, Investigations and Special Purpose Grants	EVA	40,808
66.607	Training and Fellowships for the Environmental Protection Agency	AGA	233,796
66.607	Training and Fellowships for the Environmental Protection Agency	NAA	213,544
	66.607 Subtotal		447,340
66.608	Environmental Information Exchange Network Grant Program and Related Assistance	EVA	334,446
66.608	Environmental Information Exchange Network Grant Program and Related Assistance	NAA	37,181
	66.608 Subtotal		371,627
66.609	Protection of Children and Older Adults (Elderly) from Environmental Health Risks	EVA	16,322
66.700	Consolidated Pesticide Enforcement Cooperative Agreements	AHA	347,318
66.700	Consolidated Pesticide Enforcement Cooperative Agreements	SBA	86,031
	66.700 Subtotal		433,349
66.708	Pollution Prevention Grants Program	EVA	56,960
66.709	Multi-Media Capacity Building Grants for States and Tribes	EVA	31,225
66.709	Multi-Media Capacity Building Grants for States and Tribes	NAA	130,203
	66.709 Subtotal		161,428
66.801	Hazardous Waste Management State Program Support	EVA	1,550,342
66.802	Superfund State, Political Subdivision, and Indian Tribe Site—Specific Cooperative Agreements	EVA	1,031,059
66.804	State and Tribal Underground Storage Tanks Program	EVA	412,010
66.805	Leaking Underground Storage Tank Trust Fund Program	EVA	1,133,850
66.808	Solid Waste Management Assistance Grants	NAA	68,938
66.817	State and Tribal Response Program Grants	EVA	1,094,790
66.931	International Financial Assistance Projects Sponsored by the Office of International Affairs	AGA	7,807
66.931	International Financial Assistance Projects Sponsored by the Office of International Affairs	ASA	6,550
66.931	International Financial Assistance Projects Sponsored by the Office of International Affairs	HSA	43,324
	66.931 Subtotal		57,681
66.940	Environmental Policy and State Innovation Grants	EVA	11,093
66.951	Environmental Education Grants	UAA	15,050
66. 4D06437-NAEX, T-83243801, T-83038801, NC-164-06-07E, EP05D000917, T53AC5359	Environmental Protection Programs	NAA	1,747,112
66.Unknown	Ecostart/Pima Vocational High School EPA Grant, <i>Arizona Pima County</i> , Contract # 0167A1385860506	UAA	15,000
66.Unknown	Preparing Emission Inventories, <i>Portage Environmental, Inc.</i> , Contract # PEI-2155S01	NAA	36,680
66.Unknown	Water Quality Assessment, <i>Fort Peck Tribes</i> , Contract # 57187	NAA	9,910
	Total Environmental Protection Agency		\$ 24,467,420
<b><u>DEPARTMENT OF ENERGY</u></b>			
81.041	State Energy Program	EPA	\$ 500,824
81.042	Weatherization Assistance for Low-Income Persons	EPA	1,338,138
81.049	Office of Science Financial Assistance Program	ASA	26,401
81.049	Office of Science Financial Assistance Program, <i>Krell Institute</i> , Contract # 000010063	ASA	885
81.049	Office of Science Financial Assistance Program, <i>Sandia National Laboratory</i> , Contract # 49285	ASA	25,000
	81.049 Subtotal		52,286
81.089	Fossil Energy Research and Development	GSA	13,079
81.106	Transport of Transuranic Wastes to the Waste Isolation Pilot Plant: States and Tribal Concerns, Proposed Solutions	AEA	133,058
81.117	Energy Efficiency and Renewable Energy Information Dissemination, Outreach, Training and Technical Analysis/Assistance	EPA	29,171

See accompanying notes to schedule.

State of Arizona  
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CFDA/Identifying Number	Federal Grantor/Program Title/ <i>Pass-Through Grantor</i> /Contract Number	Grantee (Appendix)	Expenditures
81.117	Energy Efficiency and Renewable Energy Information Dissemination, Outreach, Training and Technical Analysis/Assistance	NAA	47,020
81.117	Energy Efficiency and Renewable Energy Information Dissemination, Outreach, Training and Technical Analysis/Assistance, <i>Battelle Memorial Institute</i> , Contract # DEAC0500OR22725	ASA	13,574
	81.117 Subtotal		89,765
81.119	State Energy Program Special Projects	EPA	630,607
81.119	State Energy Program Special Projects	NAA	23,629
	81.119 Subtotal		654,236
81.Unknown	Petroleum Escrow Funds	EPA	802,546
81.U215X060247	Teaching American History Grant, <i>Tucson Unified School District</i> , Contract # TUSD10000130547	UAA	40,343
81.Unknown	Industrial Affiliates Membership, <i>Lawrence Livermore Laboratory</i> , Contract # MEM0503	UAA	13,697
	Total Department of Energy		\$ 3,637,972

**DEPARTMENT OF EDUCATION**

**Special Education Cluster (IDEA)**

84.027	Special Education—Grants to States	ASA	\$ 273,399
84.027	Special Education—Grants to States	DCA	89,589
84.027	Special Education—Grants to States	DJA	172,085
84.027	Special Education—Grants to States	EDA	164,845,907
84.027	Special Education—Grants to States	HSA	2,269
84.027	Special Education—Grants to States	NAA	202,425
84.027	Special Education—Grants to States	SDA	613,410
84.027	Special Education—Grants to States	SPA	189,031
84.027	Special Education—Grants to States	UAA	460,296
84.027	Special Education—Grants to States, <i>Flagstaff Unified School District</i> , Contract # P704358	NAA	9,502
	84.027 Subtotal		166,857,913
84.173	Special Education—Preschool Grants	EDA	5,585,933
84.173	Special Education—Preschool Grants	SDA	27,728
	84.173 Subtotal		5,613,661
	Special Education Cluster (IDEA) Subtotal		172,471,574

**TRIO Cluster**

84.042	TRIO—Student Support Services	ASA	523,321
84.042	TRIO—Student Support Services	NAA	282,079
84.042	TRIO—Student Support Services	UAA	211,994
	84.042 Subtotal		1,017,394
84.044	TRIO—Talent Search	NAA	328,509
84.047	TRIO—Upward Bound	ASA	993,334
84.047	TRIO—Upward Bound	NAA	759,125
	84.047 Subtotal		1,752,459
84.066	TRIO—Educational Opportunity Centers	ASA	173,783
84.066	TRIO—Educational Opportunity Centers	NAA	426,272
	84.066 Subtotal		600,055
84.217	TRIO—McNair Post-Baccalaureate Achievement	UAA	212,509
	TRIO Cluster Subtotal		3,910,926

**Other Department of Education Programs**

84.002	Adult Education—State Grant Program	EDA	11,045,840
84.004	Civil Rights Training and Advisory Services	UAA	744,403
84.010	Title I Grants to Local Educational Agencies	ASA	1,054,456
84.010	Title I Grants to Local Educational Agencies	EDA	251,993,370
84.010	Title I Grants to Local Educational Agencies	SDA	19,973
	84.010 Subtotal		253,067,799
84.011	Migrant Education—State Grant Program	ASA	9,741
84.011	Migrant Education—State Grant Program	EDA	6,048,356
	84.011 Subtotal		6,058,097

See accompanying notes to schedule.



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CFDA/Identifying Number	Federal Grantor/Program Title/ <i>Pass-Through Grantor</i> /Contract Number	Grantee (Appendix)	Expenditures
84.013	Title I Program for Neglected and Delinquent Children	DCA	274,660
84.013	Title I Program for Neglected and Delinquent Children	DJA	633,208
84.013	Title I Program for Neglected and Delinquent Children	EDA	20,599
84.013	Title I Program for Neglected and Delinquent Children	SPA	728,852
	84.013 Subtotal		<u>1,657,319</u>
84.015	National Resource Centers and Fellowships Program for Language and Area or Language and International Studies	UAA	567,865
84.016	Undergraduate International Studies and Foreign Language Programs	ASA	6,961
84.017	International Research and Studies	UAA	103,355
84.021	Overseas—Group Projects Abroad	UAA	88,119
84.031	Higher Education—Institutional Aid, <i>Central Arizona College</i> , Contract # P031S050056	ASA	29,665
84.031	Higher Education—Institutional Aid, <i>Cochise College</i> , Contract # P031S030013	UAA	150,446
	84.031 Subtotal		<u>180,111</u>
84.048	Vocational Education—Basic Grants to States	ASA	462,661
84.048	Vocational Education—Basic Grants to States	DJA	207,131
84.048	Vocational Education—Basic Grants to States	EDA	23,637,579
84.048	Vocational Education—Basic Grants to States	NAA	58,940
84.048	Vocational Education—Basic Grants to States	UAA	366,721
	84.048 Subtotal		<u>24,733,032</u>
84.069	Leveraging Educational Assistance Partnership	PEA	512,199
84.069	Leveraging Educational Assistance Partnership	NAA	33,939
	84.069 Subtotal		<u>546,138</u>
84.116	Fund for the Improvement of Postsecondary Education	UAA	636,649
84.116	Fund for the Improvement of Postsecondary Education, <i>Baylor University</i> , Contract # P116J020002	ASA	3,059
84.116	Fund for the Improvement of Postsecondary Education, <i>Pennsylvania State University</i> , Contract # P116J020029	ASA	3,432
84.116	Fund for the Improvement of Postsecondary Education, <i>University of Cincinnati</i> , Contract # P000030N8700269	UAA	17,501
	84.116 Subtotal		<u>660,641</u>
84.126	Rehabilitation Services—Vocational Rehabilitation Grants to States	ASA	582,171
84.126	Rehabilitation Services—Vocational Rehabilitation Grants to States	DEA	53,598,593
84.126	Rehabilitation Services—Vocational Rehabilitation Grants to States	DJA	32,910
84.126	Rehabilitation Services—Vocational Rehabilitation Grants to States	HSA	57,014
84.126	Rehabilitation Services—Vocational Rehabilitation Grants to States	SDA	490,027
84.126	Rehabilitation Services—Vocational Rehabilitation Grants to States	UAA	86,076
	84.126 Subtotal		<u>54,846,791</u>
84.129	Rehabilitation Long-Term Training	UAA	529,152
84.133	National Institute on Disability and Rehabilitation Research	UAA	149,489
84.169	Independent Living—State Grants	DEA	257,800
84.170	Javits Fellowships	UAA	43,260
84.177	Rehabilitation Services—Independent Living Services for Older Individuals Who Are Blind	DEA	478,278
84.181	Special Education—Grants for Infants and Families with Disabilities	DEA	10,080,164
84.181	Special Education—Grants for Infants and Families with Disabilities	HSA	739,324
84.181	Special Education—Grants for Infants and Families with Disabilities	SDA	370,692
	84.181 Subtotal		<u>11,190,180</u>
84.184	Safe and Drug-Free Schools and Communities—National Programs	EDA	175,849
84.184	Safe and Drug-Free Schools and Communities—National Programs	UAA	233,006
84.184	Safe and Drug-Free Schools and Communities—National Programs, <i>Dysart Unified School District</i> , Contract # ISA 061406	ASA	12,441
84.184	Safe and Drug-Free Schools and Communities—National Programs, <i>Tucson Unified School District</i> , Contract # TUSD0000112102	UAA	11,584
84.184	Safe and Drug-Free Schools and Communities—National Programs, <i>Vail Unified School District</i> , Contract #s MEM0106, Q184L050306	UAA	324,398
84.184	Safe and Drug-Free Schools and Communities—National Programs, <i>Washington Elementary School District (WESD)</i> , Contract #s PO07011427, ISA 041206, AGR 120303	ASA	177,791
84.184	Safe and Drug-Free Schools and Communities—National Programs, <i>Yuma Elementary School District</i> , Contract # ISA 041605	ASA	298,665
	84.184 Subtotal		<u>1,233,734</u>

See accompanying notes to schedule.

State of Arizona  
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CFDA/Identifying Number	Federal Grantor/Program Title/ Pass-Through Grantor /Contract Number	Grantee (Appendix)	Expenditures
84.185	Byrd Honors Scholarships	EDA	804,938
84.185	Byrd Honors Scholarships	UAA	320,625
	84.185 Subtotal		1,125,563
84.186	Safe and Drug-Free Schools and Communities—State Grants	AGA	178,582
84.186	Safe and Drug-Free Schools and Communities—State Grants	DCA	446
84.186	Safe and Drug-Free Schools and Communities—State Grants	DJA	198
84.186	Safe and Drug-Free Schools and Communities—State Grants	EDA	5,362,881
84.186	Safe and Drug-Free Schools and Communities—State Grants	GVA	1,401,815
84.186	Safe and Drug-Free Schools and Communities—State Grants	NAA	27,198
84.186	Safe and Drug-Free Schools and Communities—State Grants	SPA	1,014
84.186	Safe and Drug-Free Schools and Communities—State Grants	UAA	18,072
	84.186 Subtotal		6,990,206
84.187	Supported Employment Services for Individuals with Severe Disabilities	DEA	301,853
84.195	Bilingual Education—Professional Development	ASA	23,578
84.195	Bilingual Education—Professional Development	NAA	545,413
84.195	Bilingual Education—Professional Development	UAA	262,094
	84.195 Subtotal		831,085
84.196	Education for Homeless Children and Youth	EDA	1,302,564
84.213	Even Start—State Educational Agencies	EDA	2,571,424
84.214	Even Start—Migrant Education	EDA	119,589
84.215	Fund for the Improvement of Education, <i>Deer Valley Unified School District</i> , Contract # 06085789	ASA	160,163
85.215	Fund for the Improvement of Education, <i>Young Men's Christian Association</i> , Contract # Q215R040754	UAA	215,679
	84.215 Subtotal		375,842
84.224	Assistive Technology	NAA	670,303
84.229	Language Resource Centers	UAA	219,294
84.243	Tech-Prep Education	EDA	2,141,112
84.243	Tech-Prep Education, <i>Valley Academy for Career and Technology Education</i> , Contract # 04FCTDTP47004501A	ASA	14,168
	84.243 Subtotal		2,155,280
84.264	Rehabilitation Training—Continuing Education, <i>San Diego State University Foundation</i> , Contract # 54383AP26997802212JLS	UAA	71,980
84.265	Rehabilitation Training—State Vocational Rehabilitation Unit In-Service Training	DEA	114,468
84.282	Charter Schools	ASA	836,978
84.286	Ready to Teach, <i>Public Broadcasting Service (PBS)</i> , Contract # R286A050005	ASA	22,739
84.287	Twenty-First Century Community Learning Centers	EDA	17,135,869
84.298	State Grants for Innovative Programs	DCA	1,056
84.298	State Grants for Innovative Programs	DJA	2,441
84.298	State Grants for Innovative Programs	EDA	2,964,524
84.298	State Grants for Innovative Programs	SPA	2,353
	84.298 Subtotal		2,970,374
84.299	Indian Education—Special Programs	ASA	542,556
84.299	Indian Education—Special Programs	NAA	236,587
84.299	Indian Education—Special Programs, <i>Little Singer Community School</i> , Contract # E299B040019	NAA	62,763
	84.299 Subtotal		841,906
84.305	Education, Research, Development and Dissemination, <i>American Psychological Association</i> , Contract # R305U030004	ASA	3,441
84.315	Capacity Building for Traditionally Underserved Populations	NAA	247,695
84.318	Education Technology State Grants	EDA	6,159,240
84.318	Education Technology State Grants	SDA	663
	84.318 Subtotal		6,159,903
84.323	Special Education—State Personnel Development	EDA	928,581
84.323	Special Education—State Personnel Development	NAA	39,294
84.323	Special Education—State Personnel Development	UAA	62,645
	84.323 Subtotal		1,030,520
84.324	Research in Special Education	ASA	126,782

State of Arizona  
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CFDA/Identifying Number	Federal Grantor/Program Title/ Pass-Through Grantor /Contract Number	Grantee (Appendix)	Expenditures
84.324	Research in Special Education, <i>University of Maryland</i> , Contract # H324J990003	ASA	543
	84.324 Subtotal		127,325
84.325	Special Education—Personnel Development to Improve Services and Results for Children with Disabilities	ASA	219,003
84.325	Special Education—Personnel Development to Improve Services and Results for Children with Disabilities	NAA	526,843
84.325	Special Education—Personnel Development to Improve Services and Results for Children with Disabilities	UAA	2,044,228
	84.325 Subtotal		2,790,074
84.326	Special Education—Technical Assistance and Dissemination to Improve Services and Results for Children with Disabilities	EDA	33,938
84.326	Special Education—Technical Assistance and Dissemination to Improve Services and Results for Children with Disabilities	SDA	194,348
84.326	Special Education—Technical Assistance and Dissemination to Improve Services and Results for Children with Disabilities, <i>University of Colorado-Denver</i> , Contract # H326E020003	ASA	12,770
	84.326 Subtotal		241,056
84.327	Special Education—Technology and Media Services for Individuals with Disabilities	SDA	9,199
84.329	Special Education—Studies and Evaluations	NAA	71,279
84.330	Advanced Placement Program	EDA	369,506
84.331	Grants to States for Incarcerated Youth Offenders	DCA	219,713
84.332	Comprehensive School Reform Demonstration	EDA	2,942,486
84.333	Demonstration Projects to Ensure Students with Disabilities Receive a Higher Education	UAA	38,747
84.334	Gaining Early Awareness and Readiness for Undergraduate Programs	NAA	4,999,124
84.334	Gaining Early Awareness and Readiness for Undergraduate Programs	SDA	12,772
84.334	Gaining Early Awareness and Readiness for Undergraduate Programs	UAA	1,654,293
84.334	Gaining Early Awareness and Readiness for Undergraduate Programs, <i>Tucson Unified School District</i> , Contract # TUSD10000107481	UAA	15,865
	84.334 Subtotal		6,682,054
84.335	Child Care Access Means Parents in School	ASA	180,921
84.335	Child Care Access Means Parents in School	UAA	178,182
	84.335 Subtotal		359,103
84.336	Teacher Quality Enhancement Grants	ASA	1,711,242
84.336	Teacher Quality Enhancement Grants	EDA	965,840
84.336	Teacher Quality Enhancement Grants	GVA	990,748
84.336	Teacher Quality Enhancement Grants	NAA	364,245
	84.336 Subtotal		4,032,075
84.346	Vocational Education—Occupational and Employment Information State Grants	EDA	29,777
84.349	Early Childhood Educator Professional Development	ASA	157,015
84.349	Early Childhood Educator Professional Development	GVA	108
	84.349 Subtotal		157,123
84.350	Transition to Teaching	EDA	317,104
84.350	Transition to Teaching	NAA	32,298
	84.350 Subtotal		349,402
84.351	Arts in Education, <i>Childsplay, Inc.</i> , Contract # 07057476	ASA	47,305
84.351	Arts in Education, <i>Phoenix Union High School District</i> , Contract #s IGA 050106, IGA 110106	ASA	9,245
	84.351 Subtotal		56,550
84.357	Reading First State Grants	ASA	552,979
84.357	Reading First State Grants	EDA	27,329,319
	84.357 Subtotal		27,882,298
84.358	Rural Education	EDA	979,973
84.359	Early Reading First, <i>Gadsden Elementary School District</i> , Contract # U215X030354	ASA	127,624
84.360	Dropout Prevention Programs	EDA	521,725
84.363	School Leadership	ASA	47,095
84.363	School Leadership, <i>Creighton Elementary School District</i> , Contract # U215X030354	ASA	19,035
	84.363 Subtotal		66,130
84.365	English Language Acquisition Grants	EDA	15,259,595

See accompanying notes to schedule.

State of Arizona  
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CFDA/Identifying Number	Federal Grantor/Program Title/ Pass-Through Grantor /Contract Number	Grantee (Appendix)	Expenditures
84.366	Mathematics and Science Partnerships	EDA	2,245,950
84.366	Mathematics and Science Partnerships, <i>Coconino County Education Service Agency</i> , Contract #s 07FSDMNSP-770669-07A, 07FSDMSP-770669-08A	NAA	41,895
84.366	Mathematics and Science Partnerships, <i>Pendergast Elementary School District</i> , Contract # S366B040003	ASA	8,189
84.366	Mathematics and Science Partnerships, <i>Yavapai County Education Service Agency</i>	NAA	69,038
	84.366 Subtotal		2,365,072
84.367	Improving Teacher Quality State Grants	ASA	195,466
84.367	Improving Teacher Quality State Grants	DCA	57,171
84.367	Improving Teacher Quality State Grants	DJA	185,321
84.367	Improving Teacher Quality State Grants	EDA	46,253,332
84.367	Improving Teacher Quality State Grants	NAA	403,328
84.367	Improving Teacher Quality State Grants	SDA	7,764
84.367	Improving Teacher Quality State Grants	SPA	164,864
84.367	Improving Teacher Quality State Grants	UAA	101,119
	84.367 Subtotal		47,368,365
84.369	Grants for State Assessments and Related Activities	EDA	9,298,820
84.815	Troops to Teachers	EDA	155,452
84.938	Hurricane Education Recovery	EDA	891,513
84.567A 8735 S1591	Pacific DBTAC	ADA	18,131
84.P116J040032	Managing Global Value Chains, <i>Pennsylvania State University</i> , Contract # 2849ASUUSDE0032	ASA	1,196
84.P176A30003	Expired Paul Douglas Teacher Scholarship Program Award Monies	PEA	2,008
84.Unknown	Application for National Writing Project Matching Funds, <i>National Writing Project</i> , Contract # 92AZ03	UAA	238,836
84.Unknown	Crossing the Educational Divide, <i>Arizona Western College</i>	NAA	7,089
84.Unknown	Math Science Partnership Grant: Timex2, <i>Tucson Unified School District</i> , Contract # MEM0407	UAA	5,435
84.Unknown	NCES—National Center for Educational Statistics	EDA	129,659
84.Unknown	National Middle East Resource Center (NMELRC) Language Development, <i>Brigham Young University</i> , Contract # LTR DTD 081605	UAA	483
84.Unknown	National Writing Project 2005, <i>National Writing Project Corporation</i> , Contract # 92-AZ02	NAA	30,981
84.Unknown	Promoting Inquiry in Science Education (PRISE), <i>Pinon Unified School District</i> , Contract # 72409	UAA	27,686
84.Unknown	Second Certification Project, <i>Catalina Foothills School District</i> , Contract # 234284	UAA	24,753
84.Unknown	The Southeast Asia Digital Library, <i>Northern Illinois University</i> , Contract # PO 76139	ASA	7,218
84.Unknown	Teacher Improvement Through Math Education, <i>Tucson Unified School District</i> , Contract # TUSD10000121997	UAA	87,250
	Total Department of Education		\$ 714,642,501
<b><u>SCHOLARSHIP AND FELLOWSHIP FOUNDATIONS</u></b>			
85.400	Morris K. Udall Scholarship Program	UAA	\$ 784,292
85.601	Smithsonian Institution Fellowship Program	ASA	29,490
85.FY03WP	Morris K. Udall Workplan FY 2003	UAA	154
85.FY04WP	Morris K. Udall Workplan FY 2004	UAA	15,941
85.MEM0305	Morris K. Udall Workplan FY 2005	UAA	35,002
	Total Scholarship and Fellowship Foundations		\$ 864,879
<b><u>NATIONAL ARCHIVES AND RECORDS ADMINISTRATION</u></b>			
89.003	National Historical Publications and Records Grants	LAA	\$ 10,384
	Total National Archives and Records Administration		\$ 10,384
<b><u>ELECTION ASSISTANCE COMMISSION</u></b>			
90.401	Help America Vote Act Requirements Payments	STA	\$ 11,981,166
	Total Election Assistance Commission		\$ 11,981,166
<b><u>DEPARTMENT OF HEALTH AND HUMAN SERVICES</u></b>			
<b><u>Aging Cluster</u></b>			
93.044	Special Programs for the Aging—Title III, Part B—Grants for Supportive Services and Senior Centers	DEA	\$ 7,983,859
93.045	Special Programs for the Aging—Title III, Part C—Nutrition Services	DEA	8,697,273

State of Arizona  
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CFDA/Identifying Number	Federal Grantor/Program Title/ Pass-Through Grantor /Contract Number	Grantee (Appendix)	Expenditures
93.053	Nutrition Services Incentive Program	DEA	1,637,479
	Aging Cluster Subtotal		18,318,611
	<b><u>CCDF Cluster</u></b>		
93.575	Child Care and Development Block Grant	DEA	54,644,164
93.575	Child Care and Development Block Grant	GVA	581,120
93.575	Child Care and Development Block Grant	HSA	767,038
93.575	Child Care and Development Block Grant	NAA	2,403
93.575	Child Care and Development Block Grant	UAA	163,563
	93.575 Subtotal		56,158,288
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund	DEA	56,098,408
	CCDF Cluster Subtotal		112,256,696
	<b><u>Medicaid Cluster</u></b>		
93.775	State Medicaid Fraud Control Units	AGA	689,604
93.776	Hurricane Katrina Relief	HCA	46,197
93.777	State Survey and Certification of Health Care Providers and Suppliers	BNA	708,621
93.777	State Survey and Certification of Health Care Providers and Suppliers	HSA	3,395,560
	93.777 Subtotal		4,104,181
93.778	Medical Assistance Program	DEA	77,607,845
93.778	Medical Assistance Program	HCA	4,605,786,360
93.778	Medical Assistance Program	HSA	1,089,212
	93.778 Subtotal		4,684,483,417
	Medicaid Cluster Subtotal		4,689,323,399
	<b><u>Other Department of Health and Human Services Programs</u></b>		
93.003	Public Health and Social Services Emergency Fund	HSA	10,679,723
93.006	State and Territorial and Technical Assistance Capacity Development Minority HIV/AIDS Demonstration Program	HSA	78,802
93.018	Strengthening Public Health Services at the Outreach Offices of the U.S.-Mexico Border Health Commission	HSA	207,411
93.018	Strengthening Public Health Services at the Outreach Offices of the U.S.-Mexico Border Health Commission	UAA	69,294
	93.018 Subtotal		276,705
93.041	Special Programs for the Aging—Title VII, Chapter 3—Programs for Prevention of Elder Abuse, Neglect, and Exploitation	DEA	71,482
93.042	Special Programs for the Aging—Title VII, Chapter 2—Long Term Care Ombudsman Services for Older Individuals	DEA	283,204
93.043	Special Programs for the Aging—Title III, Part D—Disease Prevention and Health Promotion Services	DEA	433,780
93.048	Special Programs for the Aging—Title IV—and Title II—Discretionary Projects	DEA	684,949
93.052	National Family Caregiver Support, Title III, Part E	DEA	2,818,913
93.103	Food and Drug Administration—Research	AHA	783
93.104	Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)	HSA	486,516
93.107	Model State-Supported Area Health Education Centers	UAA	403,367
93.110	Maternal and Child Health Federal Consolidated Programs	GVA	121,141
93.110	Maternal and Child Health Federal Consolidated Programs	HSA	552,625
93.110	Maternal and Child Health Federal Consolidated Programs	UAA	913,557
93.110	Maternal and Child Health Federal Consolidated Programs, <i>Mountain States Genetics Foundation</i> , Contract # CK1394	UAA	14,626
93.110	Maternal and Child Health Federal Consolidated Programs, <i>University of Alaska Anchorage</i> , Contract # 324590	NAA	738
93.110	Maternal and Child Health Federal Consolidated Programs, <i>University of Alaska Anchorage</i> , Contract #s PO324592, PO324591A, PO324593A	UAA	10,740
93.110	Maternal and Child Health Federal Consolidated Programs, <i>University of Colorado</i> , Contract # FY07003001	UAA	58,705
	93.110 Subtotal		1,672,132
93.116	Project Grants and Cooperative Agreements for Tuberculosis Control Programs	HSA	1,024,686
93.127	Emergency Medical Services for Children	HSA	120,747
93.130	Cooperative Agreements to States/Territories for the Coordination and Development of Primary Care Offices	HSA	259,140

See accompanying notes to schedule.

State of Arizona  
Schedule of Expenditures of Federal Awards  
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CFDA/Identifying Number	Federal Grantor/Program Title/ Pass-Through Grantor /Contract Number	Grantee (Appendix)	Expenditures
93.136	Injury Prevention and Control Research and State and Community Based Programs	ASA	96,021
93.136	Injury Prevention and Control Research and State and Community Based Programs	HSA	777,375
93.136	Injury Prevention and Control Research and State and Community Based Programs	UAA	85,427
93.136	Injury Prevention and Control Research and State and Community Based Programs, <i>Pennsylvania Coalition Against Domestic Violence</i> , Contract # CK057466	UAA	76,983
	93.136 Subtotal		1,035,806
93.142	NIEHS Hazardous Waste Worker Health and Safety Training, <i>University of California-Los Angeles</i> , Contract # 2U45ES006173-14R	ASA	268,638
93.145	AIDS Education and Training Centers, <i>University of California San Francisco</i> , Contract # 2943SC	UAA	209,174
93.150	Projects for Assistance in Transition from Homelessness (PATH)	HSA	899,304
93.157	Centers of Excellence	UAA	107,645
93.165	Grants to States for Loan Repayment Program	HSA	92,052
93.172	Human Genome Research	ASA	1,353
93.189	Health Education and Training Centers	UAA	44,536
93.191	Allied Health Special Projects	NAA	18,542
93.192	Quentin N. Burdick Programs for Rural Interdisciplinary Training	ASA	7,403
93.192	Quentin N. Burdick Programs for Rural Interdisciplinary Training	UAA	126,959
	93.192 Subtotal		134,362
93.197	Childhood Lead Poisoning Prevention Projects—State and Local Childhood Lead Poisoning Prevention and Surveillance of Blood Lead Levels in Children	HSA	101,080
93.210	Tribal Self-Governance Program: Planning and Negotiation Cooperative Agreements and IHS Compacts/Funding Agreements	ASA	212,976
93.211	Telehealth Network Grants	UAA	45,714
93.217	Family Planning—Services	ASA	247,961
93.230	Consolidated Knowledge Development and Application (KD&A) Program, <i>University of California-Los Angeles</i> , Contract # 5UD1T113594	ASA	216,155
93.230	Consolidated Knowledge Development and Application (KD&A) Program, <i>Codac Behavioral Health Services of Pima County</i> , Contract # H79T112145	UAA	6,149
93.230	Consolidated Knowledge Development and Application (KD&A) Program, <i>Empact - SPC</i> , Contract # KD1T111892	UAA	17,160
	93.230 Subtotal		239,464
93.231	Epidemiology Cooperative Agreements, <i>Inter Tribal Council of Arizona, Incorporated</i> , Contract #s U26IHA300007, U26IHS300007	UAA	215,516
93.234	Traumatic Brain Injury State Demonstration Grant Program	DEA	91,419
93.235	Abstinence Education Program	HSA	1,196,604
93.235	Abstinence Education Program	UAA	134,556
	93.235 Subtotal		1,331,160
93.236	Grants for Dental Public Health Residency Training	HSA	14,349
93.240	State Capacity Building	HSA	241,240
93.241	State Rural Hospital Flexibility Program	UAA	603,205
93.243	Substance Abuse and Mental Health Services—Projects of Regional and National Significance	ASA	980,256
93.243	Substance Abuse and Mental Health Services—Projects of Regional and National Significance	DCA	303,209
93.243	Substance Abuse and Mental Health Services—Projects of Regional and National Significance	GVA	1,528,115
93.243	Substance Abuse and Mental Health Services—Projects of Regional and National Significance	HSA	1,993,024
93.243	Substance Abuse and Mental Health Services—Projects of Regional and National Significance	NAA	3,222
93.243	Substance Abuse and Mental Health Services—Projects of Regional and National Significance	UAA	2,341,097
93.243	Substance Abuse and Mental Health Services—Projects of Regional and National Significance, <i>TERROS Behavioral Health Services</i> , Contract # SP 13318-01	ASA	23,365
93.243	Substance Abuse and Mental Health Services—Projects of Regional and National Significance, <i>Pima County Juvenile Courts</i> , Contract # B504013	UAA	43,971
	93.243 Subtotal		7,216,259
93.247	Advanced Education Nursing Grant Program	ASA	754,088
93.247	Advanced Education Nursing Grant Program	UAA	813,423
	93.247 Subtotal		1,567,511
93.250	Geriatric Academic Career Awards, <i>Janet M. Campion</i> , Contract # K01HP00124	UAA	9,905
93.251	Universal Newborn Hearing Screening	HSA	133,600
93.252	Healthy Communities Access Program, <i>Mariposa Community Health Center</i> , Contract # 1G90A037270100	UAA	3,499

State of Arizona  
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CFDA/Identifying Number	Federal Grantor/Program Title/ Pass-Through Grantor /Contract Number	Grantee (Appendix)	Expenditures
93.253	Poison Control Stabilization and Enhancement Grants	UAA	187,788
93.256	State Planning Grants Health Care Access for the Uninsured	HCA	171,416
93.259	Rural Access to Emergency Devices Grant	HSA	102,382
93.264	Nurse Faculty Loan Program (NFLP)	UAA	117,333
93.265	Comprehensive Geriatric Education Program (CGEP)	ASA	123,801
93.265	Comprehensive Geriatric Education Program (CGEP)	UAA	6,821
	93.265 Subtotal		130,622
93.268	Immunization Grants	HSA	57,275,074
93.283	Centers for Disease Control and Prevention—Investigations and Technical Assistance	ASA	5,659
93.283	Centers for Disease Control and Prevention—Investigations and Technical Assistance	HSA	27,674,857
93.283	Centers for Disease Control and Prevention—Investigations and Technical Assistance	UAA	1,254,985
93.283	Centers for Disease Control and Prevention—Investigations and Technical Assistance, <i>Association of Schools of Public Health</i> , Contract #s A36292323, D37842525	UAA	107,675
93.283	Centers for Disease Control and Prevention—Investigations and Technical Assistance, <i>Association of Teachers of Preventive Medicine</i> , Contract # TS1360	UAA	54,825
94.283	Centers for Disease Control and Prevention—Investigations and Technical Assistance, <i>Hispanic Serving Health Professions Schools</i> , Contract # 325128AHC0E011	UAA	7,943
93.283	Centers for Disease Control and Prevention—Investigations and Technical Assistance, <i>Oklahoma State Department of Health</i> , Contract # MEM0507	UAA	3,648
93.283	Centers for Disease Control and Prevention—Investigations and Technical Assistance, <i>University of Colorado</i> , Contract #s FY07003006U01DD000198 U27CCU813109	UAA	14,051
	93.283 Subtotal		29,123,643
93.286	Discovery and Applied Research for Technological Innovations to Improve Human Health	UAA	12,250
93.301	Small Rural Hospital Improvement Grant Program	UAA	107,139
93.307	Minority Health and Health Disparities Research	UAA	1,241,766
93.333	Clinical Research	UAA	14,946
93.358	Advanced Education Nursing Traineeships	ASA	71,448
93.358	Advanced Education Nursing Traineeships	NAA	9,985
93.358	Advanced Education Nursing Traineeships	UAA	61,016
	93.358 Subtotal		142,449
93.359	Nurse Education, Practice and Retention Grants	ASA	217,189
93.389	National Center for Research Resources	ASA	593,550
93.389	National Center for Research Resources	UAA	1,023,079
93.389	National Center for Research Resources, <i>Translational Genomics Research Institute</i> , Contract # TRENT0601	UAA	17,455
93.389	National Center for Research Resources, <i>University of Medicine &amp; Dentistry of New Jersey</i> , Contract # R25RR018490	UAA	34,816
	93.389 Subtotal		1,668,900
93.393	Cancer Cause and Prevention Research	UAA	39,725
93.398	Cancer Research Manpower	NAA	71,442
93.398	Cancer Research Manpower	UAA	210,509
	93.398 Subtotal		281,951
93.399	Cancer Control, <i>National Surgical Adjuvant Breast and Bowel Project Foundation, Incorporated</i> , Contract # MIN21ARZ	UAA	21,352
93.448	Food Safety and Security Monitoring Project	HSA	333,590
93.556	Promoting Safe and Stable Families	DEA	9,387,638
93.556	Promoting Safe and Stable Families, <i>Navajo Nation—Division of Social Services</i> , Contract # C03137	ASA	114,958
	93.556 Subtotal		9,502,596
93.558	Temporary Assistance for Needy Families	DEA	202,831,392
93.558	Temporary Assistance for Needy Families	GVA	77,229
	93.558 Subtotal		202,908,621
93.563	Child Support Enforcement	DEA	54,325,822
93.564	Child Support Enforcement Research	DEA	44,791
93.566	Refugee and Entrant Assistance—State Administered Programs	DEA	5,786,675
93.568	Low-Income Home Energy Assistance	DEA	11,270,584

See accompanying notes to schedule.

State of Arizona  
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CFDA/Identifying Number	Federal Grantor/Program Title/ Pass-Through Grantor /Contract Number	Grantee (Appendix)	Expenditures
93.568	Low-Income Home Energy Assistance	EPA	1,788,615
	93.568 Subtotal		<u>13,059,199</u>
93.569	Community Services Block Grant	DEA	5,144,701
93.570	Community Services Block Grant—Discretionary Awards, <i>National Collegiate Athletic Association</i> , Contract #s CK4630, NYSPF051149	UAA	405
93.570	Community Services Block Grant—Discretionary Awards, <i>National Youth Sports Program Fund</i> , Contract # 06002	UAA	1,780
	93.570 Subtotal		<u>2,185</u>
93.576	Refugee and Entrant Assistance—Discretionary Grants	DEA	1,029,775
93.576	Refugee and Entrant Assistance—Discretionary Grants	EDA	412,660
	93.576 Subtotal		<u>1,442,435</u>
93.584	Refugee and Entrant Assistance—Targeted Assistance Grants	DEA	990,184
93.586	State Court Improvement Program	SPA	296,333
93.590	Community-Based Child Abuse Prevention Grants	DEA	364,879
93.597	Grants to States for Access and Visitation Programs	DEA	109,668
93.599	Chafee Education and Training Vouchers Program (ETV)	DEA	590,733
93.600	Head Start	GVA	165,274
93.603	Adoption Incentive Payments	DEA	1,034,000
93.617	Voting Access for Individuals with Disabilities—Grants to States	STA	136,569
93.623	Basic Center Grant	GVA	205,005
93.623	Basic Center Grant	NAA	38,448
	93.623 Subtotal		<u>243,453</u>
93.630	Developmental Disabilities Basic Support and Advocacy Grants	ASA	56,346
93.630	Developmental Disabilities Basic Support and Advocacy Grants	DEA	1,370,448
	93.630 Subtotal		<u>1,426,794</u>
93.632	University Centers for Excellence in Developmental Disabilities Education, Research, and Service	NAA	505,634
93.632	University Centers for Excellence in Developmental Disabilities Education, Research, and Service	UAA	194,721
	93.632 Subtotal		<u>700,355</u>
93.643	Children's Justice Grants to States	GVA	244,078
93.643	Children's Justice Grants to States	NAA	1,074
	93.643 Subtotal		<u>245,152</u>
93.645	Child Welfare Services—State Grants	DEA	7,558,951
93.647	Social Services Research and Demonstration	HCA	574
93.648	Child Welfare Services Training Grants	ASA	419,517
93.648	Child Welfare Services Training Grants	NAA	53,892
	93.648 Subtotal		<u>473,409</u>
93.658	Foster Care—Title IV-E	ASA	1,812,594
93.658	Foster Care—Title IV-E	DEA	77,122,432
	93.658 Subtotal		<u>78,935,026</u>
93.659	Adoption Assistance	DEA	46,118,295
93.667	Social Services Block Grant	ADA	220,957
93.667	Social Services Block Grant	DEA	60,099,079
	93.667 Subtotal		<u>60,320,036</u>
93.669	Child Abuse and Neglect State Grants	DEA	259,564
93.669	Child Abuse and Neglect State Grants	UAA	14,404
	93.669 Subtotal		<u>273,968</u>
93.671	Family Violence Prevention and Services/Grants for Battered Women's Shelters—Grants to States and Indian Tribes	HSA	1,731,807
93.674	Chafee Foster Care Independence Program	DEA	2,766,560
93.767	State Children's Insurance Program	HCA	114,295,194
93.768	Medicaid Infrastructure Grants to Support the Competitive Employment of People with Disabilities	HCA	50,203
93.779	Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	NAA	201
93.783	Medicare Transitional Drug Assistance Program for States	UAA	3,884
93.793	Medicaid Transformation Grants	HCA	296,769
93.794	Reimbursement of State Costs for Provision of Part D Drugs	HCA	6,243,801

See accompanying notes to schedule.



State of Arizona  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2007

CFDA/Identifying Number	Federal Grantor/Program Title/ Pass-Through Grantor /Contract Number	Grantee (Appendix)	Expenditures
93.822	Health Careers Opportunity Program	UAA	11,046
93.837	Heart and Vascular Diseases Research	UAA	30,351
93.853	Extramural Research Programs in the Neurosciences and Neurological Disorders	ASA	32,290
93.884	Grants for Training in Primary Care Medicine and Dentistry	UAA	292,230
93.888	Specially Selected Health Projects	UAA	226,450
93.912	Rural Health Care Services Outreach and Rural Health Network Development Program, <i>Hardrock Council on Substance Abuse, Inc., Contract # CK2115</i>	UAA	19,578
93.913	Grants to States for Operation of Offices of Rural Health	UAA	147,900
93.914	HIV Emergency Relief Project Grants	HSA	3,096
93.917	HIV Care Formula Grants	HSA	14,239,197
93.918	Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease	UAA	253,444
93.919	Cooperative Agreements for State-Based Comprehensive Breast and Cervical Cancer Early Detection Programs	HSA	2,913,628
93.925	Scholarships for Health Professions Students from Disadvantaged Backgrounds	ASA	257,258
93.928	Special Projects of National Significance	UAA	22,470
93.933	Demonstration Projects for Indian Health, <i>Hualapai Tribe, Contract # CK38591</i>	UAA	667
93.933	Demonstration Projects for Indian Health, <i>Inter Tribal Council of Arizona, Incorporated, Contract # U269400011</i>	UAA	20,187
	93.933 Subtotal		20,854
93.938	Cooperative Agreements to Support Comprehensive School Health Programs to Prevent the Spread of HIV and Other Important Health Problems	EDA	213,217
93.938	Cooperative Agreements to Support Comprehensive School Health Programs to Prevent the Spread of HIV and Other Important Health Problems, <i>National 4H Club Foundation, Contract # U58DP000456</i>	UAA	110,891
	93.938 Subtotal		324,108
93.940	HIV Prevention Activities—Health Department Based	HSA	3,471,393
93.944	Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance	HSA	632,134
93.945	Assistance Programs for Chronic Disease Prevention and Control, <i>Migrant Health Promotion, Contract # CK12293</i>	UAA	64,079
93.958	Block Grants for Community Mental Health Services	HSA	8,066,411
93.959	Block Grants for Prevention and Treatment of Substance Abuse	HSA	31,161,833
93.969	Geriatric Education Centers	ASA	12,496
93.969	Geriatric Education Centers	UAA	96,204
	93.969 Subtotal		108,700
93.970	Health Professions Recruitment Program for Indians	ASA	11,502
93.970	Health Professions Recruitment Program for Indians	UAA	350,593
93.970	Health Professions Recruitment Program for Indians, <i>Phoenix Area Indian Health Service, Contract #s 5040027900, PO 6TGANR0008</i>	ASA	8,956
	93.970 Subtotal		371,051
93.977	Preventive Health Services—Sexually Transmitted Diseases Control Grants	HSA	1,209,261
93.988	Cooperative Agreements for State-Based Diabetes Control Programs and Evaluation of Surveillance Systems	HSA	286,027
93.988	Cooperative Agreements for State-Based Diabetes Control Programs and Evaluation of Surveillance Systems	UAA	6,768
	93.988 Subtotal		292,795
93.991	Preventive Health and Health Services Block Grant	HSA	1,221,264
93.991	Preventive Health and Health Services Block Grant	UAA	35,183
	93.991 Subtotal		1,256,447
93.994	Maternal and Child Health Services Block Grant to the States	GVA	2,530
93.994	Maternal and Child Health Services Block Grant to the States	HSA	7,636,819
	93.994 Subtotal		7,639,349
93.996	Bioterrorism Training and Curriculum Development Program, <i>University of New Mexico, Contract # 3R88538852</i>	UAA	669,686
93.0376197A02	EWIDS (Early Warning Infectious Disease Surveillance) Border-Wide Needs Assessment Tool, <i>University of California, San Diego, Contract # 10258983</i>	UAA	42,942
93.0600-98-32781, 0600-03-60032	Enumeration at Birth	HSA	185,303
93.200-1998-07255	National Death Index	HSA	27,354
93.200-2000-07202	Vital Statistics Cooperative Program	HSA	311,504

See accompanying notes to schedule.

State of Arizona  
Schedule of Expenditures of Federal Awards  
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CFDA/Identifying Number	Federal Grantor/Program Title/ Pass-Through Grantor /Contract Number	Grantee (Appendix)	Expenditures
93.233030107	National Centers of Excellence in Women's Health	UAA	165,829
93.1H79TI404501	Family Drug Court and Court Assisted Treatment Services Program, <i>Pima County Juvenile Courts</i> , Contract #s 0718A1318841102	UAA	4,886
93.1UO1CA11496-01	Policy Research & Analysis for the Inter Tribal Council of Arizona, <i>InterTribal Council of Arizona, Inc.</i> , Contract # LTR 040007	ASA	39,846
93.467MZ401583	Support for Knowledge River Library School Internships	UAA	10,250
93.5H79TI1586303	Eon Capacity Enhancement to Improve and Integrate Culturally Relevant Substance Abuse and HIV/AIDS Services, <i>Pima County Health Dept.</i> , Contract # 1801A1375480905	UAA	122,448
93.6H79SP12923011	South Tucson Drug Free Communities, <i>City of South Tucson</i> , Contract # H79SP12923	UAA	53,844
93.HHSH230200432004C	U.S. Mexico Border Center of Excellence Consortium, <i>University of Texas Health Science Center San Antonio</i> , Contract # 12221312209	UAA	56,225
93.HP532003	Community Partnerships of Southern Arizona Evaluations, <i>Community Partnerships of Southern Arizona</i> , Contract # P0615	UAA	86,846
93.N02CO51111	Cancer Information Service of Region 12 Rocky Mountain, <i>Penrose St. Francis Health Services</i> , Contract # N02CO51111AZ2	UAA	55,540
93.R13HL086285	Update and Modification of Task Force Criteria for Arrhythmogenic Right Ventricular Dysplasia/Cardiomyopathy	UAA	24,660
93.USIOA0000301	Infant Adoption Awareness Training Program, <i>Arizona Children's Association</i> , Contract # USIOA0000301	UAA	36,844
93.Unknown	2007 Trejo Foster Foundation Institute, <i>Center for Public Service Communications, LLC</i> , Contract # LTR DTD 02192007	UAA	3,677
93.Unknown	Drug Abuse Warning Network (DAWN), <i>Westat, Inc.</i> , Contract # 030064A	UAA	5,826
93.Unknown	Indian Children's Program, <i>Utah State University</i> , Contract # 070042001	NAA	160,150
93.Unknown	Navajo Narch Bridge Funding, <i>Navajo Nation</i> , Contract # C06342	UAA	30,739
93.Unknown	Steps to a Healthier Cochise County, <i>Cochise County, Arizona</i> , Contract # 0755HEA03	UAA	20,276
93.Unknown	Strengthening Communities, <i>Codac Behavioral Health Services of Pima County</i> , Contract # 325	UAA	132,786
93.Unknown	Support for Knowledge River Library School Internships, <i>Center for Public Service Communications, LLC</i> , Contract # CK2312	UAA	30,552
Total Department of Health and Human Services			<b>\$ 5,638,403,883</b>
<b><u>CORPORATION FOR NATIONAL AND COMMUNITY SERVICE</u></b>			
<b><u>Foster Grandparent/Senior Companion Cluster</u></b>			
94.011	Foster Grandparent Program	DEA	\$ 250,129
94.011	Foster Grandparent Program	NAA	293,452
	94.011 Subtotal		543,581
94.016	Senior Companion Program	NAA	207,674
	Foster Grandparent/Senior Companion Cluster Subtotal		751,255
<b><u>Other Corporation for National and Community Service Programs</u></b>			
94.002	Retired and Senior Volunteer Program	NAA	71,520
94.003	State Commissions	GVA	269,269
94.003	State Commissions	NAA	6,135
	94.003 Subtotal		275,404
94.004	Learn and Serve America—School and Community Based Programs	EDA	299,279
94.005	Learn and Serve America—Higher Education, <i>Community Campus Partnerships for Healthcare</i> , Contract # HDLCAZ07	UAA	1,396
94.006	AmeriCorps	GVA	1,291,113
94.006	AmeriCorps	NAA	304,264
94.006	AmeriCorps	UAA	40,228
94.006	AmeriCorps, <i>Jumpstart for Young Children Inc.</i>	ASA	8,730
94.006	AmeriCorps, <i>Public Allies, Inc.</i> , Contract # 06NDHWI0010004	ASA	165,778
	94.006 Subtotal		1,810,113
94.007	Planning and Program Development Grants	GVA	88,905
94.009	Training and Technical Assistance	GVA	106,299
94.009	Training and Technical Assistance	NAA	68,410
94.009	Training and Technical Assistance	UAA	116,068
	94.009 Subtotal		290,777
Total Corporation for National and Community Service			<b>\$ 3,588,649</b>

See accompanying notes to schedule.

State of Arizona  
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CFDA/Identifying Number	Federal Grantor/Program Title/ <i>Pass-Through Grantor</i> /Contract Number	Grantee (Appendix)	Expenditures
<b><u>SOCIAL SECURITY ADMINISTRATION</u></b>			
<b><u>Disability Insurance/SSI Cluster</u></b>			
96.001	Social Security—Disability Insurance	DEA	\$ 26,370,731
	Disability Insurance/SSI Cluster Subtotal		<u>26,370,731</u>
96.008	Social Security—Work Incentives Planning and Assistance Program	ASA	17,303
	Total Social Security Administration		<u>\$ 26,388,034</u>
<b><u>DEPARTMENT OF HOMELAND SECURITY</u></b>			
97.008	Urban Areas Security Initiative	AHA	\$ 588,430
97.008	Urban Areas Security Initiative	EVA	120,545
97.008	Urban Areas Security Initiative	MAA	7,070,780
	97.008 Subtotal		<u>7,779,755</u>
97.012	Boating Safety Financial Assistance	GFA	1,279,942
97.017	Pre-Disaster Mitigation (PDM) Competitive Grants	MAA	424,531
97.021	Hazardous Materials Assistance Program	MAA	5,000
97.023	Community Assistance Program State Support Services Element (CAP-SSSE)	WCA	104,358
97.036	Disaster Grants—Public Assistance (Presidentially Declared Disasters)	GFA	94,193
97.036	Disaster Grants—Public Assistance (Presidentially Declared Disasters)	HCA	311,904
97.036	Disaster Grants—Public Assistance (Presidentially Declared Disasters)	MAA	6,790,018
	97.036 Subtotal		<u>7,196,115</u>
97.039	Hazard Mitigation Grant	GSA	8,009
97.039	Hazard Mitigation Grant	MAA	314,577
	97.039 Subtotal		<u>322,586</u>
97.041	National Dam Safety Program	WCA	8,077
97.042	Emergency Management Performance Grants	GVA	47,030
97.042	Emergency Management Performance Grants	MAA	3,449,407
	97.042 Subtotal		<u>3,496,437</u>
97.044	Assistance to Firefighters Grant	UAA	37,813
97.070	Map Modernization Management Support	WCA	124,456
97.078	Buffer Zone Protection Plan (BZPP)	MAA	1,507,246
	Total Department of Homeland Security		<u>\$ 22,286,316</u>
<b><u>UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT</u></b>			
98.001	USAID Foreign Assistance for Programs Overseas	ASA	\$ 46,127
98.002	Cooperative Development Program (CDP), <i>Higher Education for Development (HED)</i> , Contract # HNEA00970005900	ASA	185,605
98.AEGA00050000700	Transforming Accountancy Education at the University of Pristina, <i>Higher Education for Development (HED)</i> , Contract # LTR 021507	ASA	15,245
98.EDH00030000400	Cooperative Association of States for Scholarships (CASS) Program, <i>Georgetown University Medical Center</i> , Contract # EDH-00-03-00004-00	ASA	29,604
98.EDHA00030000400	Cooperative Association of States for Scholarships (CASS) Program, <i>Georgetown University</i> , Contract #s UARRX205085205D1, UARRX205085206CAM	UAA	317,000
98.HNEA00970005900	Development of Human Resource Training Capabilities in Emerging Areas of Agricultural Production and Processing in Mexico, <i>American Council on Education</i> , Contract # 05122002	UAA	11,601
98.HNEA0097005900	The Transborder Collaboration to Strengthen the Public Health Infrastructure and Increase the Health and Competitiveness of Sonora's Workforce, <i>American Council on Education</i> , Contract # LTR DTD 040104	UAA	110,242
98.306A00060052400	Afghan Digital Libraries Alliance, <i>Washington State University</i> , Contract # G002117	UAA	58,213
98.Unknown	Maintaining an Independent Judiciary: A Seminar on Judicial and Justice System Reform for Visiting Kosovar Leaders, <i>World Learning—Transit Europe</i> , Contract # LTR 092705	ASA	4,350
	Total United States Agency for International Development		<u>\$ 777,987</u>
<b><u>MISCELLANEOUS FEDERAL AGENCIES</u></b>			
99.Unknown	CPB Digital Radio Conversion - KUAT FM, <i>Corporation for Public Broadcasting</i> , Contract # 1281	UAA	\$ 80,000

See accompanying notes to schedule.

State of Arizona  
Schedule of Expenditures of Federal Awards  
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CFDA/Identifying Number	Federal Grantor/Program Title/ <i>Pass-Through Grantor</i> /Contract Number	Grantee (Appendix)	Expenditures
99.Unknown	CPB FY06—Radio Community Service Grant, <i>Corporation for Public Broadcasting</i> , Contract # 1281	UAA	336,992
99.Unknown	CPB FY06—Television Community Service Grant, <i>Corporation for Public Broadcasting</i> , Contract # 1707	UAA	915,068
99.Unknown	Digital Distribution Fund Master Control Grant, <i>Corporation for Public Broadcasting</i> , Contract # 9572	UAA	151,200
99.Unknown	KUAT-FM Digital Radio Conversion, <i>Corporation for Public Broadcasting</i> , Contract # 9321	UAA	80,000
99.Unknown	Ready to Lead in Literacy—KUAT, <i>Corporation for Public Broadcasting</i> , Contract # 10735	UAA	17,444
Total Miscellaneous Federal Agencies			\$ 1,580,704
<b><u>HOMELAND SECURITY GRANT PROGRAM CLUSTER</u></b>			
<b><u>U.S. Department of Justice</u></b>			
16.007	State Domestic Preparedness Equipment Support Program	MAA	\$ 1,012,843
<b><u>Department of Homeland Security</u></b>			
97.004	State Domestic Preparedness Equipment Support Program	AEA	181,469
97.004	State Domestic Preparedness Equipment Support Program	DCA	10,071
97.004	State Domestic Preparedness Equipment Support Program	MAA	16,128,535
97.004	State Domestic Preparedness Equipment Support Program	PSA	3,088,417
	97.004 Subtotal		19,408,492
97.067	Homeland Security Grant Program	ADA	383,000
97.067	Homeland Security Grant Program	AHA	247,374
97.067	Homeland Security Grant Program	ASA	15,230
97.067	Homeland Security Grant Program	EVA	17,467
97.067	Homeland Security Grant Program	GVA	287,029
97.067	Homeland Security Grant Program	HLA	3,050,710
97.067	Homeland Security Grant Program	LLA	210,255
97.067	Homeland Security Grant Program	MAA	19,299,269
97.067	Homeland Security Grant Program	NAA	10,376
97.067	Homeland Security Grant Program	PSA	950,212
	97.067 Subtotal		24,470,922
Total Homeland Security Grant Program Cluster			\$ 44,892,257
<b><u>STUDENT FINANCIAL AID CLUSTER</u></b>			
<b><u>Department of Education</u></b>			
84.007	Federal Supplemental Educational Opportunity Grants	ASA	\$ 2,291,677
84.007	Federal Supplemental Educational Opportunity Grants	NAA	516,370
84.007	Federal Supplemental Educational Opportunity Grants	UAA	944,318
	84.007 Subtotal		3,752,365
84.033	Federal Work-Study Program	AGA	56,784
84.033	Federal Work-Study Program	ASA	1,538,092
84.033	Federal Work-Study Program	NAA	747,531
84.033	Federal Work-Study Program	UAA	1,361,471
	84.033 Subtotal		3,703,878
84.038	Federal Perkins Loan Program—Federal Capital Contributions	NAA	181,341
84.038	Federal Perkins Loan Program—Federal Capital Contributions	UAA	51,741
	84.038 Subtotal		233,082
84.063	Federal Pell Grant Program	ASA	30,440,737
84.063	Federal Pell Grant Program	NAA	11,687,419
84.063	Federal Pell Grant Program	UAA	16,704,122
	84.063 Subtotal		58,832,278
84.375	Academic Competitiveness Grants	NAA	322,504
84.375	Academic Competitiveness Grants	UAA	322,463
	84.375 Subtotal		644,967
84.376	National Science and Mathematics Access to Retain Talent (SMART) Grants	NAA	657,463
84.376	National Science and Mathematics Access to Retain Talent (SMART) Grants	UAA	924,115
	84.376 Subtotal		1,581,578
<b><u>Department of Health and Human Services</u></b>			
93.342	Health Professions Student Loans, Including Primary Care Loans/Loans for Disadvantaged Students	UAA	93,507

State of Arizona  
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CFDA/Identifying Number	Federal Grantor/Program Title/ Pass-Through Grantor /Contract Number	Grantee (Appendix)	Expenditures
93.925	Scholarships for Health Professions Students from Disadvantaged Backgrounds	ASA	257,258
93.925	Scholarships for Health Professions Students from Disadvantaged Backgrounds	NAA	14,132
	93.925 Subtotal		271,390
	Total Student Financial Aid Cluster		\$ 69,113,045

**RESEARCH AND DEVELOPMENT CLUSTER**

**Department of Agriculture**

10.RD	Cooperative State Research, Education, and Extension Service	ASA	\$ 140,387
10.RD	Cooperative State Research, Education, and Extension Service	NAA	571,264
10.RD	Department of Agriculture	ASA	363,542
10.RD	Department of Agriculture	UAA	8,879,374
10.RD	Economic Research Service	UAA	3,529
10.RD	Forest Service	NAA	767,661
10.RD	Forest Service	UAA	442,199
10.RD	Natural Resources Conservation Service	UAA	19,590
10.RD	Santa Fe National Forest	UAA	45,575
10.RD	USDA-ARS	UAA	9,083
10.RD	United States Potato Board	ASA	37,011
10.RD	Arizona State Land Department, Contract #s SFA 2002, SFA 3005	NAA	66,492
10.RD	Auburn University, Contract # 20043520414689	ASA	171,122
10.RD	Boyce Thompson Research Institute for Plant Research, Contract # 0502	UAA	12,400
10.RD	Colorado State University, Contract # G14061	UAA	99,993
10.RD	Cornell University, Contract # 513798268	ASA	1,134
10.RD	Crowpointe Institute of Technology, Contract # CK045531	UAA	8,626
10.RD	INBIO International, Contract # CK52145	UAA	8,464
10.RD	Mississippi State University, Contract # 32094601050003	UAA	8,320
10.RD	North Carolina State University, Contract # 2004157802	UAA	190,662
10.RD	North Dakota State University, Contract # 11507	ASA	18,117
10.RD	New Mexico State University, Contract #s NMSUSUBI41Q01032, NMSUBI42Q01033, NMSUSUBI43Q01034, NMSUSUBJ59Q01101, SWC03N05, SWC04N07	UAA	79,892
10.RD	Oceanic Institute, Contract #s 20023880801345, 20043880802142	UAA	232,285
10.RD	Oregon State University, Contract # RD010A11	UAA	95,765
10.RD	Penn State University, Contract # 20053510116179	ASA	3,765
10.RD	Penn State University, Contract # 3044-NAU-USDA-6179	NAA	42,951
10.RD	Purdue University, Contract # 591055701	UAA	69,261
10.RD	Redi-Ripe LLC, Contract # 2006001003	UAA	7,902
10.RD	Texas A&M University, Contract #s 570118, 570334	UAA	38,097
10.RD	Universal Entech, LLC, Contract # 683A755174	ASA	53,095
10.RD	University of California, Davis, Contract #s 05017ETX, 05021ETX, 06010ETX, K00675401, K00779704, K009607AZ3	UAA	161,804
10.RD	University of Guam, Contract # 51R662150R53233	UAA	18,060
10.RD	University of Idaho, Contract # GRK107	UAA	21,272
10.RD	University of Missouri, Contract #s C000071111, C0001211511	ASA	260,897
10.RD	University of Utah, Contract # 041535056	UAA	3,173
10.RD	University of Washington, Contract #s 748581, 913638	UAA	11,364
10.RD	Utah State University, Contract #s 041535057, 051687005, C026020, C027004	UAA	18,835
10.RD	Washington State University, Contract #s 11838G001821, G001946, G002154, OGRD11838G002014	UAA	46,552
	Subtotal Department of Agriculture		13,029,515

**Department of Commerce**

11.RD	Department of Commerce	UAA	67,116
11.RD	National Institute for Standards and Technology	UAA	61,886
11.RD	National Oceanic and Atmospheric Administration	UAA	1,466,515
11.RD	Pacific Marine Environmental Lab	UAA	33,753
11.RD	National Storage Industry Consortium, Contract # 70NANB1H3056	UAA	44,320
11.RD	Science Applications International Corp., Contract # 4400130651	UAA	50,000
11.RD	Seagate, Contract # 70NANB1H3056	UAA	68,125
11.RD	University Corporation for Atmospheric Research, Contract # S0344674	UAA	3,667
11.RD	University of Georgia, Contract # RC7140467513357	UAA	4,444
	Subtotal Department of Commerce		1,799,826

**Department of Defense**

12.RD	Advanced Research Projects Agency	ASA	231,326
12.RD	Advanced Research Projects Agency	UAA	1,340,391
12.RD	Air Force Research Laboratory	UAA	305,646
12.RD	Department of the Air Force	ASA	22,984
12.RD	Department of the Air Force	NAA	4,744

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12.RD	Department of the Air Force	UAA	4,915,160
12.RD	Department of the Air Force—Air Force Office of Scientific Research	ASA	3,682,969
12.RD	Department of the Army	ASA	91,434
12.RD	Department of the Army	NAA	230,284
12.RD	Department of the Army	UAA	1,844,631
12.RD	Department of the Army—Army Aviation Applied Technology Directorate	ASA	71,712
12.RD	Department of the Army—Army Construction Engineering Research Laboratory	ASA	30,658
12.RD	Department of the Army—Army Medical Research Acquisition Activity	ASA	48,763
12.RD	Department of the Army—Army Research Institute for the Behavioral and Social Science	ASA	118,415
12.RD	Department of the Army—Army Research Laboratory	ASA	286,243
12.RD	Department of the Army—Army Research Office	ASA	8,860,445
12.RD	Department of Defense	ASA	35,096
12.RD	Department of Defense	UAA	176,268
12.RD	Department of the Navy	ASA	211,619
12.RD	Department of the Navy	NAA	12,864
12.RD	Department of the Navy	UAA	1,310,062
12.RD	Department of the Navy—Naval Research Laboratory	ASA	189,347
12.RD	Department of the Navy—Naval Research Laboratory	NAA	40,493
12.RD	Department of the Navy—Office of Naval Research	ASA	1,976,990
12.RD	Department of the Navy—Space and Naval Warfare Systems Center	ASA	129,687
12.RD	Marine Corps Systems Command	UAA	278,176
12.RD	National Geospatial-Intelligence Agency	ASA	101,745
12.RD	National Geospatial-Intelligence Agency	UAA	79,729
12.RD	National Security Agency	ASA	198,932
12.RD	U.S. Army Corps of Engineers	ASA	68,822
12.RD	U.S. Army Material Command	UAA	1,186,281
12.RD	U.S. Army Medical Command	ASA	377,829
12.RD	U.S. Army Research, Development and Engineering Command, Public Communications Office	UAA	231,511
12.RD	<i>Advanced Ceramics Research Incorporated, Contract # A0334</i>	UAA	937
12.RD	<i>AdveNSys, LLC, Contract # W911NF04C0071</i>	ASA	189,275
12.RD	<i>AirLaunch LLC, Contract # AL1100</i>	UAA	63,879
12.RD	<i>All Optronics, Contract # CK1262</i>	UAA	14,945
12.RD	<i>Aptima, Inc., Contract # W74V8H-06-C-0004</i>	ASA	75,689
12.RD	<i>Architecture Technology Corporation, Contract # W15P7T07CP005</i>	ASA	7,765
12.RD	<i>Arete Associates, Contract #s FA865006C1018, W15P7T06CP001</i>	ASA	152,136
12.RD	<i>Aries Design Automation, LLC, Contract # CK47760383</i>	UAA	4,690
12.RD	<i>Arizona State University, Contract # 07746</i>	UAA	40,006
12.RD	<i>ASR Corporation, Contract # 03160701068</i>	UAA	745
12.RD	<i>California Institute of Technology, Contract #s 38A1077196, 68A1058601</i>	UAA	108,037
12.RD	<i>California State University, Long Beach, Contract # DAAD19-02-1-0355</i>	ASA	57,700
12.RD	<i>Camp Dresser &amp; McKee, Inc., Contract # 6174001002CS</i>	ASA	27,115
12.RD	<i>Carnegie Mellon University, Contract # MARCO 2003-CT-888</i>	ASA	58,474
12.RD	<i>Cognitive Engineering Research Institute, Contract # FA8650-04-2-6442</i>	ASA	3,157
12.RD	<i>Crawdad Technologies, Contract # F49620-03-0082/USAF</i>	ASA	102,293
12.RD	<i>Desert Research Institute, Contract # DRI6437310</i>	UAA	10,328
12.RD	<i>Dow Corning Corporation, Contract #s DAAD190230001, N0001405C0324</i>	ASA	156,691
12.RD	<i>Duke University, Contract # W911NF0510248</i>	ASA	94,905
12.RD	<i>Electronic Bio Sciences, Contract # FA955006C0006</i>	ASA	342,085
12.RD	<i>General Technical Services, Contract # 061358</i>	ASA	50,684
12.RD	<i>Georgia Institute of Technology, Contract # E216WGG1</i>	UAA	159,438
12.RD	<i>Heat, Light, and Sound Research, Inc., Contract #s N0001407C0143, N0001405M0224</i>	ASA	71,702
12.RD	<i>High Performance Technologies, Inc., Contract # GS04T01BFC0061</i>	ASA	234,596
12.RD	<i>Honeywell, Contract # 05093616</i>	ASA	33,091
12.RD	<i>Ionatron, Inc., Contract # 104556</i>	UAA	40,000
12.RD	<i>Iowa State University, Contract # 4212553</i>	UAA	36,475
12.RD	<i>Johns Hopkins University, Contract #s 1263326, N0002403D6606</i>	ASA	17,803
12.RD	<i>Kansas State University, Contract # S06011</i>	UAA	68,147
12.RD	<i>L3 Communications Aerospace Electronics Division, Contract # W4674</i>	ASA	69,325
12.RD	<i>Lockheed Martin Aeronautics, Contract # FA8650-06-C-7605</i>	ASA	363,617
12.RD	<i>Luna Innovations, Inc., Contract # FA9550-04-C-0088</i>	ASA	1,665
12.RD	<i>Massachusetts Institute of Technology, Contract #s 3074290, 5710002102</i>	UAA	252,565
12.RD	<i>Microelectronics Research and Development Corporation, Contract #s FA945306C0227, HQ000606C7515</i>	ASA	122,559
12.RD	<i>Mission Research Corporation, Contract #s F2960100D0244, FA945304C0208, N0016402D6599</i>	ASA	129,706
12.RD	<i>Montana Alberta Tie Ltd., Contract # LTD DTD 051507</i>	UAA	17,608
12.RD	<i>New Jersey Institute of Technology, Contract # 99241P708332</i>	UAA	152,753
12.RD	<i>New Mexico Institute of Mining and Technology, Contract #s H9823006C0611, P0005345</i>	UAA	80,433
12.RD	<i>North Carolina State University, Contract # N00014-01-1-0716</i>	ASA	41,887

See accompanying notes to schedule.

State of Arizona  
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CFDA/Identifying Number	Federal Grantor/Program Title/ Pass-Through Grantor /Contract Number	Grantee (Appendix)	Expenditures
12.RD	Northrop Grumman Space Technology Sector, Contract # ACIMSSC04033	UAA	353,749
12.RD	Pennsylvania State University, Contract # W911NF0610265	ASA	9,944
12.RD	Peregrine Power, LLC, Contract # N0001407M0041	ASA	10,451
12.RD	Purdue University, Contract # 531089501	UAA	32,871
12.RD	QuantTera, Contract # FA955005C0122	ASA	2,107
12.RD	Raytheon Company, Contract # N0001404C0437	ASA	75,690
12.RD	Raytheon Company, Contract #s 2599, 4200020837	UAA	332,660
12.RD	Raytheon Company (Missile Systems), Contract # F4962002C0055	ASA	1,262
12.RD	RXOA Biosciences, LLC, Contract # 06106141	ASA	28,086
12.RD	Scientific Monitoring Inc., Contract # FA8650-05-C-3506	ASA	93,698
12.RD	Signal Solutions, Inc., Contract # W9128Z-04-R-0004	ASA	229
12.RD	Structured Materials Industries, Inc., Contract # HQ000607C7769	ASA	3,660
12.RD	Synkera Technologies, Contract # FA955006C0084	ASA	23,315
12.RD	Teledyne Brown Engineering, Contract # B7U538221	UAA	64,240
12.RD	Teravision Inc., Contract # POC0023	UAA	151,720
12.RD	Tissue Genesis Inc., Contract #s CK7397, CK7776	UAA	89,929
12.RD	University of Arizona, Contract #s F496200310377, NBCHC020001	ASA	64,834
12.RD	University of California, San Diego, Contract # B6U529295	ASA	68,681
12.RD	University of Central Florida, Contract # N000140610446	ASA	92,019
12.RD	University of Central Florida, Contract #104212	UAA	200,244
12.RD	University of Cincinnati, Contract # DAAD190210227	ASA	94,514
12.RD	University of Illinois at Urbana-Champaign, Contract # HR00110710002	ASA	23,363
12.RD	University of Illinois at Chicago, Contract #s DAAD190110462, FA9550-05-1-0443, N00173061G006	ASA	254,416
12.RD	University of Iowa, Contract #s 4000508757, 4000516859	UAA	69,924
12.RD	University of Michigan, Contract # N660010712006	ASA	99,593
12.RD	University of Michigan, Contract # F005004	UAA	17,115
12.RD	University of Minnesota, Contract # N000140410659	ASA	12,222
12.RD	University of Minnesota, Contract # R6636360302	UAA	19,886
12.RD	University of New Mexico, Contract # DTRA01-03-D-0009	ASA	140,899
12.RD	University of New Mexico, Contract #s 271129873W, 707195873W, 707588873W	UAA	252,580
12.RD	University of South Carolina, Contract # W911NF0610516	ASA	29,085
12.RD	University of Southern California, Contract #s 907959, N000140510630	ASA	369,208
12.RD	University of Southern California, Contract #s 080120, 114045	UAA	31,364
12.RD	University of Texas MD Anderson Cancer Center, Contract # DAMD179919505	UAA	45,486
12.RD	University of Virginia, Contract # F496020110352	ASA	11,756
12.RD	UOP LLC, Contract # 07037065	ASA	32,069
12.RD	Vanderbilt University, Contract #s FA95500510306, HR001104C0106	ASA	133,401
12.RD	Ventana Research Company, Contract # W31P4Q06C0417	UAA	21,971
12.RD	Washington State University, Contract # N000150410644	ASA	9,251
12.RD	Waveband Corporation, Contract # W911NF04C0051	UAA	32,150
12.RD	Wyle Laboratories, Contract # FA860104D0005	ASA	60,282
12.RD	Zona Technology, Inc., Contract # 0602463	ASA	3,885
	Subtotal Department of Defense		35,609,971
<b><u>Department of Housing and Urban Development</u></b>			
14.RD	Department of Housing and Urban Development	UAA	11,548
	Subtotal Department of Housing and Urban Development		11,548
<b><u>Department of the Interior</u></b>			
15.RD	Bureau of Land Management	ASA	51,945
15.RD	Bureau of Land Management	NAA	363,384
15.RD	Bureau of Land Management	UAA	20,124
15.RD	Bureau of Reclamation	ASA	638,736
15.RD	Bureau of Reclamation	NAA	226,411
15.RD	Bureau of Reclamation	UAA	360,964
15.RD	Department of the Interior	UAA	670
15.RD	Fish and Wildlife Service	ASA	2,659
15.RD	Fish and Wildlife Service	NAA	4,073
15.RD	Fish and Wildlife Service	UAA	118,401
15.RD	Geological Survey	ASA	108,377
15.RD	Geological Survey	NAA	788,230
15.RD	Geological Survey	UAA	2,648,046
15.RD	National Park Service	ASA	70,038
15.RD	National Park Service	NAA	936,253
15.RD	National Park Service	UAA	1,108,023
15.RD	Valles Caldera Trust	UAA	30,475
15.RD	Arizona Department of Agriculture, Contract # AZE66	UAA	75,684
15.RD	Arizona Department of Water Resources, Contract # 20072631IGA	UAA	9,311

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15.RD	Louisiana State University and Agricultural and Mechanical College, Contract # R138636	UAA	46,688
15.RD	National Fish and Wildlife Foundation, Contract #s 20040060000, 20050186000	UAA	20,562
15.RD	Partners in Parks	NAA	6,958
15.RD	Penn State University, Contract # 2840-NAU-GTU-1620	NAA	57,818
15.RD	State of Utah, Contract # 976475	NAA	2,179
15.RD	University of Arizona, Contract #s 01HQGR0113, 06HQGR0072	ASA	15,071
15.RD	University of Houston, Contract # R070077	UAA	45,160
	Subtotal Department of the Interior		7,756,240
<b><u>Department of Justice</u></b>			
16.RD	Department of Justice	ASA	1,122,274
16.RD	Federal Bureau of Investigation	NAA	256,017
16.RD	National Institute of Justice	UAA	411,899
16.RD	Eastern Kentucky University, Contract # 06210	UAA	24,573
16.RD	The Institute for Genomic Research, Contract # TIGR-04-017	NAA	194,427
16.RD	International Rescue Committee, Contract # 2003VTBK010	ASA	30,043
16.RD	University of Pittsburgh, Contract #s 2000MU0007, 2005JKFXK001	ASA	573,192
	Subtotal Department of Justice		2,612,425
<b><u>Department of Labor</u></b>			
17.RD	Department of Labor	ASA	129,005
17.RD	M.H. West and Co., Contract # DOLJ061A20310	ASA	126,723
	Subtotal Department of Labor		255,728
<b><u>Department of State</u></b>			
19.RD	National Council for Eurasian & East European Research, Contract # 8201	ASA	12,758
	Subtotal Department of State		12,758
<b><u>Department of Transportation</u></b>			
20.RD	Federal Aviation Administration	ASA	241,803
20.RD	Federal Highway Administration	UAA	53,790
20.RD	National Highway Traffic Safety Administration	ASA	57,008
20.RD	Arizona Department of Transportation, Contract #s JPA06007T, JPA07005T, KR040168TRN, KR040720TRN	ASA	30,238
20.RD	Arizona Department of Transportation, Contract #s JPA0281, JPA04001T, JPA05013T, JPA05015T, JPA07001TR060418P, JPA07011T, JPA07013T	UAA	196,360
20.RD	Cambridge Systems, Inc., Contract # 7661120	UAA	42,797
20.RD	Ohio State University Research Foundation, Contract #s 60003341RF01009706, 739155	UAA	143,591
20.RD	Siemens Intelligent Transportation Systems, Contract #s CK0051142941, S557070554E	UAA	12,046
20.RD	University of Texas at Austin, Contract #s UTA06677, UTA06678	UAA	26,185
	Subtotal Department of Transportation		803,818
<b><u>National Aeronautics and Space Administration</u></b>			
43.RD	Ames Research Center	ASA	400,472
43.RD	Ames Research Center	NAA	12,639
43.RD	Ames Research Center	UAA	1,002,286
43.RD	Glenn Research Center	ASA	132,939
43.RD	Goddard Space Flight Center	ASA	4,043,118
43.RD	Goddard Space Flight Center	NAA	228,284
43.RD	Goddard Space Flight Center	UAA	42,886,455
43.RD	Jet Propulsion Laboratory	NAA	43,649
43.RD	Johnson Space Center	ASA	342,512
43.RD	Kennedy Space Center	UAA	77,957
43.RD	Langley Research Center	UAA	57,014
43.RD	Lewis Research Center	UAA	41,245
43.RD	Marshall Space Flight Center	ASA	90,697
43.RD	National Aeronautics and Space Administration	UAA	1,845,989
43.RD	NASA Glenn Research Center	UAA	108,117
43.RD	Arizona State University, Contract # 07790	UAA	10,156
43.RD	Aura, Inc., Contract # C10556A	UAA	8,049
43.RD	California Institute of Technology, Contract #s 21062198, 65P1080063	UAA	328,875
43.RD	California Space Grant Foundation, Contract # PO CSGF 00201601R1	ASA	23,340
43.RD	Carnegie Institution of Washington, Contract # DTM325022 (Phase E)	ASA	17,145
43.RD	Carnegie Institution of Washington, Contract #s DTM325002, DTM325008 (PHASE E)	UAA	186,225
43.RD	Center for Cultural & Technical Interchange, Contract # HC11795	UAA	52,775
43.RD	Chandra Observatory, Contract # NAS803060	ASA	10,830
43.RD	Cornell University, Contract # JPL No. 1223696	ASA	390,886
43.RD	Desert Research Institute, Contract # 0765352901	UAA	4,071
43.RD	Georgia Institute of Technology, Contract # G35C14G3	UAA	25,367

See accompanying notes to schedule.



State of Arizona  
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CFDA/Identifying Number	Federal Grantor/Program Title/ Pass-Through Grantor /Contract Number	Grantee (Appendix)	Expenditures
43.RD	Harvard University, Contract #123362	UAA	35,242
43.RD	Harvey Mudd College, Contract # NNG05GA56G	UAA	53,685
43.RD	Institute of Global Environment and Society, Contract # 3113	UAA	3,473
43.RD	Jet Propulsion Laboratory (JPL), Contract #s 957624, 1216662, 1228404, 1230449, 1243052, 1243068, 1243072, 1249233, 1260617, 1264372, 1265428, 1268277, 1271412, 1273756, 1275804, 1275814, 1276419, 1277588, 1281116, 1281403, 1281759, 1283975, 1283980, 1286107, 1286691, 1288470, 1289875, 1292164, 1293102, 1293417, 1294044, 1294827, 1297585	ASA	5,822,282
43.RD	Jet Propulsion Laboratory (JPL), Contract #s 1207213, 1208566, 1216369, 1224768, 1224769, 1226582, 1228726, 1230836, 1235383, 1236412, 1243073, 1254354, 1254722, 1254724, 1254725, 1255094, 1255566, 1255596, 1256318, 1256424, 1261947, 1264726, 1268552, 1270067, 1272218, 1272250, 1272252, 1273630, 1274914, 1275618, 1275917, 1276541, 1278115, 1278361, 1278445, 1278446, 1278815, 1278821, 1278822, 1278848, 1279363, 1279650, 1279652, 1279653, 1279654, 1279655, 1281170, 1282224, 1282643, 1282867, 1286227, 1287326, 1289819, 1290775, 1290777, 1290778, 1290779, 1293152, 1293596, 1293975, 961160, 961163, 961166	UAA	17,860,003
43.RD	Johns Hopkins University, Contract # 782694	UAA	3,844
43.RD	Longhill Technologies, Inc., Contract # 012S1059324	ASA	37,228
43.RD	National Space Biomedical Research Institute, Contract # NCC958	ASA	215,151
43.RD	National Space Biomedical Research Institute, Contract # NCC958166HPF00403	UAA	14,870
43.RD	Northwestern University, Contract # 0720300J446	UAA	30,792
43.RD	Ohio Aerospace Institute, Contract # 021422	ASA	5,750
43.RD	Paragon Space Development Corporation, Contract # NNJ06JD56C	UAA	6,155
43.RD	Penn State University, Contract #s 2358UANASA2330, 3171UANASAN50G, 3318UANASQA64G	UAA	41,150
43.RD	Science Application International Corporation, Contract # NAS9-19180	ASA	1,683
43.RD	Seti Institute, Contract #s 132803002, NNG06GH12G06001	UAA	14,464
43.RD	SJT Micropower Inc., Contract # NNC06CB36C	ASA	6,309
43.RD	Smithsonian Astrophysics Observatory, Contract # NAS803060	ASA	80,351
43.RD	Southwest Research Institute, Contract #s 699051X, 699053X, 699083KC, 83818	UAA	242,930
43.RD	Space Telescope Science Institute, Contract #s HSTAR0995501A, HSTAR1068401A, HSTAR1097401A, HSTEO1053025A, HSTGO0906601A, HSTGO0909101A, HSTGO0912401A, HSTGO0979323A, HSTGO0986302A, HSTGO0989201A, HSTGO1018006A, HSTGO1019513A, HSTGO1052601A, HSTGO1053007A, HSTGO1053024A, HSTGO1053026A, HSTGO1061803A, HSTGO1084303A, HSTGO1091202A	ASA	361,866
43.RD	Space Telescope Science Institute, Contract #s HSRGO0974101A, HSTAR0952106A, HSTAR0991082A, HSTAR1031801, HSTAR1063901A, HSTAR1064701A, HSTAR1066501A, HSTAR1066601A, HSTAR1067507A, HSTAR1069101A, HSTAR1094601A, HSTAR1094901A, HSTAR1098701A, HSTGO0935501, HSTGO0972501A, HSTGO0974405A, HSTGO0974503A, HSTGO0976802A, HSTGO0978103A, HSTGO0980301A, HSTGO0982204A, HSTGO0983901A, HSTGO0984601A, HSTGO0988902A, HSTGO1012601A, HSTGO1014501A, HSTGO1014903A, HSTGO1016702A, HSTGO1016901A, HSTGO1017603A, HSTGO1017701A, HSTGO1019001A, HSTGO1019201A, HSTGO1023701, HSTGO1026803A, HSTGO1041701A, HSTGO1042302, HSTGO1049903A, HSTGO1051301A, HSTGO1052703A, HSTGO1053801A, HSTGO1055301, HSTGO1055703A, HSTGO1061902A, HSTGO1084905A, HSTGO1085201A, HSTGO1085601A, HSTGO1086901A, HSTHF0116001, HSTHF0118201A, HSTHF0119201A	UAA	1,171,315
43.RD	Spitzer Science Center, Contract #s 1277283, NM0710076	ASA	37,675
43.RD	Universities Space Research Association, Contract # NCC9142	ASA	19,095
43.RD	Universities Space Research Association, Contract #s 07605003056, 08020016	UAA	261,576
43.RD	University of Arizona, Contract #s NNG05GE72H, NNH04CC16C	ASA	138,146
43.RD	University of California, Berkeley, Contract # SA480610604	UAA	11,863
43.RD	University of California, Los Angeles, Contract #s 0995GHB526, 1000GGC071	UAA	77,896
43.RD	University of Colorado, Contract # 1534722	UAA	1,898
43.RD	University of Illinois at Urbana-Champaign, Contract # NNC05CB04C	ASA	24,861
43.RD	University of Maryland, Contract # NNG04GK29G	ASA	17,751
43.RD	University of Maryland, Contract # Z667706	UAA	47,979
43.RD	University of Missouri, Contract # C00094401	UAA	127,287
43.RD	University of New Mexico, Contract # 985003873W	UAA	259,118
43.RD	University of Texas, Contract # UTA03-066	NAA	25,335
43.RD	West Virginia High Technology Consortium Foundation, Inc., Contract # 06085824	ASA	58,145
	Subtotal National Aeronautics and Space Administration		<u>79,488,260</u>
<b>National Endowment for the Humanities</b>			
45.RD	National Endowment for the Humanities	ASA	38,156
45.RD	National Endowment for the Humanities	UAA	172,145
45.RD	Arizona Humanities Council, Contract #s GG0247042007, GG0544772006	ASA	3,078
45.RD	World Monuments Fund, Contract # PI-50007-04	ASA	33,955
	Subtotal National Endowment for the Humanities		<u>247,334</u>

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CFDA/Identifying Number	Federal Grantor/Program Title/ <i>Pass-Through Grantor</i> /Contract Number	Grantee (Appendix)	Expenditures
<u>National Science Foundation</u>			
47.RD	National Science Foundation	ASA	31,172,519
47.RD	National Science Foundation	NAA	3,185,630
47.RD	National Science Foundation	UAA	38,604,588
47.RD	<i>Algaen Corporation</i> , Contract # 06065363	ASA	29,024
47.RD	<i>Arizona State University</i> , Contract # 06-604	NAA	11,825
47.RD	<i>Arizona State University</i> , Contract #s 07719, KDM52761142F05UR019, KMD52761141V05UR004, KMD52761141V05UR008, KMD52761142F05U021, KMD52761142F05UR009, KMD52761142F05UR017, KMD52761142F05UR020, KMD52761142F05UR023, KMD52761143S06UR002, KMD52761143S06UR003, KMD52761143S06UR007, KMD52761143S06UR008, KMD52761143S06UR009, KMD52761143S06UR014, KMD52761143S06UR015, KMD52761143S06UR024, KMD52761144F05AN002, KMD52761144F05AN003, KMD52761144F05AN005, KMD52761144F05AN006, KMD52761144F05AN007, KMD52761145F06UR001, KMD52761145F06UR005, KMD52761145F06UR006, KMD52761145F06UR007, KMD52761145F06UR009, KMD52761145F06UR011, KMD52761145F06UR012, KMD52761145F06UR013, KMD52761145S05AN010, KMS00191146S07UR009, KMS00191146S07UR010, KMS00191146S07UR011, KMS00191146S07UR018, KMS00191146S07UR028	UAA	20,092
47.RD	<i>Aura, Inc.</i> , Contract #s C10509A, C10511A, C10517A, C10527A, C10537A, C10552A, C10554A, P47109A, P49473A	UAA	119,502
47.RD	<i>Bio Science Curriculum Studies</i>	NAA	253,626
47.RD	<i>Carnegie Institution of Washington</i> , Contract # GMTO070213A	UAA	108,905
47.RD	<i>Carnegie Mellon University</i> , Contract # DUE-0442618	ASA	53,474
47.RD	<i>Case Western Reserve University</i> , Contract # CCR-0329910	ASA	1,089
47.RD	<i>Cold Spring Harbor Lab</i> , Contract # 22140111	UAA	14,191
47.RD	<i>Florida International University</i> , Contract # SES-0433947	ASA	55,658
47.RD	<i>Florida State University</i> , Contract # R00636	UAA	26,873
47.RD	<i>Harvard University</i> , Contract #s ATM-0304213, REC-0532446	ASA	123,555
47.RD	<i>Iowa State University</i> , Contract #s ECS0428040, EEC0439175	ASA	40,825
47.RD	<i>Iowa State University</i> , Contract #s 4202133B, 4206131	UAA	319,663
47.RD	<i>Joint Oceanic Institution</i> , Contract # JSA507310A50	UAA	2,751
47.RD	<i>Kansas State University</i> , Contract # DEB-0218210	ASA	10,039
47.RD	<i>LG Synoptic Survey Telescope Corp.</i> , Contract #s C44007L, C44022L	UAA	258,178
47.RD	<i>Maricopa Community Colleges</i> , Contract # ES1-053469	ASA	64,177
47.RD	<i>Massachusetts Institute of Technology</i> , Contract # 5710002009	UAA	130,845
47.RD	<i>Mesa Community College</i> , Contract # 0603491	ASA	100,588
47.RD	<i>Michigan State University</i> , Contract # DMR-0304391	ASA	60,031
47.RD	<i>Michigan State University</i> , Contract #s 612554UA, 615292UA	UAA	136,892
47.RD	<i>Middle Tennessee State University</i> , Contract # EEC0438679	ASA	78,593
47.RD	<i>Montana State University</i> , Contract # G15107Z2484	UAA	10,570
47.RD	<i>National Optical Astronomy Observatories</i> , Contract # P15394A	UAA	5,874
47.RD	<i>New York University</i> , Contract #s F563601, F597901	UAA	110,424
47.RD	<i>Pennsylvania State University</i> , Contract #s 1921UANSF8052, 3233UANSF2516	UAA	21,908
47.RD	<i>Portland State University</i> , Contract #s EIA0085952, ESI0554379	ASA	16,958
47.RD	<i>Purdue University</i> , Contract # 501159701	UAA	384,911
47.RD	<i>Rockefeller University</i> , Contract # DMS0443803	UAA	42,354
47.RD	<i>Silicon Photonics Group</i> , Contract # IIP0638253	ASA	11,723
47.RD	<i>Social Science Research Council</i> , Contract # REC0355353	ASA	142,372
47.RD	<i>Southern California Earthquake Center</i> , Contract # 0106924	ASA	38,385
47.RD	<i>SRI International</i> , Contract # SBE-0354453	ASA	138,362
47.RD	<i>State University of New York at Albany</i> , Contract # BCS0240865	ASA	2,805
47.RD	<i>State University of New York at Buffalo</i> , Contract #s DMR0305242, R428774	ASA	51,669
47.RD	<i>State University of New York at Stony Brook</i> , Contract #s EAR-0135554, PHY0428662	ASA	179,016
47.RD	<i>Syracuse University</i>	NAA	2,831
47.RD	<i>Teravision Incorporated</i> , Contract # PO00001	UAA	12,405
47.RD	<i>Texas Technology University</i> , Contract # DMR-0304640	ASA	72,651
47.RD	<i>U.S. Civilian Research and Development Foundation (CRDF)</i> , Contract # INT9531011	ASA	2,181
47.RD	<i>U.S. Civilian Research and Development</i> , Contract # RR3730206236467	UAA	3,189
47.RD	<i>University of Arizona</i> , Contract #s CNS0540212, EAR9876800, EEC9523338	ASA	75,253
47.RD	<i>University of Arizona</i> , Contract # Y417724	NAA	23,419
47.RD	<i>University of California, Berkeley</i> , Contract # ESI-0334199	ASA	111,415
47.RD	<i>University of California, Davis</i> , Contract # K013269	UAA	41,822
47.RD	<i>University of California, Riverside</i> , Contract #s S00000216, S000210, S00050	UAA	42,050
47.RD	<i>University of Cincinnati</i> , Contract # CTS-0403897	ASA	34,040
47.RD	<i>University of Colorado at Boulder</i> , Contract # SES03455604	ASA	131,878
47.RD	<i>University of Delaware</i> , Contract # SES0550208	ASA	17,243
47.RD	<i>University of Florida</i> , Contract # UF03070	UAA	35,471
47.RD	<i>University of Georgia</i> , Contract # RR3730206236467	UAA	111,311

State of Arizona  
Schedule of Expenditures of Federal Awards  
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CFDA/Identifying Number	Federal Grantor/Program Title/ Pass-Through Grantor /Contract Number	Grantee (Appendix)	Expenditures
47.RD	University of Kentucky Research Foundation, Contract # UKRF46683904024	UAA	2,727
47.RD	University of Maryland, Contract # DBI0548366	ASA	182,597
47.RD	University of Massachusetts, Contract # 060105	ASA	20,152
47.RD	University of Massachusetts, Contract # 06-003721B00	NAA	22,948
47.RD	University of Michigan, Contract # CCR-0205227	ASA	74,688
47.RD	University of Minnesota, Contract #s X4056459301, 048769-8747	NAA	93,530
47.RD	University of Missouri, Contract # C000040794	UAA	447,182
47.RD	University of New Mexico, Contract # DBI-0225665	ASA	41,558
47.RD	University of North Carolina at Greensboro, Contract # IOB0615502	ASA	37,447
47.RD	University of Notre Dame, Contract # 46735	UAA	39,506
47.RD	University of Oregon, Contract # 204991A	UAA	2,934
47.RD	University of Texas at Austin, Contract # CTS-0352552	ASA	30,972
47.RD	University of Texas at Dallas, Contract # ANI0220001	ASA	50,216
47.RD	University of Utah, Contract # 2502032	UAA	1,122
47.RD	University of Vermont, Contract # DEB0450537	UAA	13,313
47.RD	University of Washington, Contract #s ECS-0300537, BCS-0508002	ASA	91,883
47.RD	University of Washington, Contract # 594594	UAA	640,810
47.RD	University of Wisconsin, Contract # 0514592	ASA	135,787
47.RD	University of Wisconsin, Contract # 648955	UAA	335,665
47.RD	University of Wyoming, Contract # 0304494	ASA	170,051
47.RD	Utah State University, Contract # ESI-0352570	ASA	537
47.RD	Ventana Research Company, Contract # DMI0450441	UAA	30,118
47.RD	Voltaix, Inc., Contract # OI0539750	ASA	49,322
47.RD	Washington State University, Contract # 107277G002186	UAA	7,979
47.RD	Washington University, Contract # WU-06-184	UAA	870,071
47.RD	Western Alliance to Expand Student, Contract #s KMD52761144V06UR004, KMD52761145F06UR008	UAA	1,512
	Subtotal National Science Foundation		80,252,250
<b><u>Smithsonian Institution</u></b>			
60.RD	Smithsonian Astrophysical Observatory	UAA	1,408,175
	Subtotal Smithsonian Institution		1,408,175
<b><u>Department of Veterans Affairs</u></b>			
64.RD	Carl T. Hayden Veteran's Administration Medical Center	ASA	51,244
64.RD	Veterans Administration	ASA	4,728
64.RD	Veterans Administration	UAA	512,367
64.RD	Harvard University, Contract # 04105913	UAA	859
	Subtotal Department of Veterans Affairs		569,198
<b><u>Environmental Protection Agency</u></b>			
66.RD	Environmental Protection Agency	ASA	1,860,115
66.RD	Environmental Protection Agency	UAA	878,150
66.RD	Battelle Memorial Institute, Contract #s 68C00185, EPC05057	ASA	33,624
66.RD	Battelle Memorial Institute—Pacific Northwest National Laboratory, Contract # 68C00185	ASA	151
66.RD	Metropolitan Water District of Southern California, Contract # CR3111040	ASA	42,604
66.RD	Michigan State University, Contract # 61-3383C	NAA	57,869
66.RD	Michigan State University, Contract # 613383D	UAA	243,772
66.RD	Naco Fire District, Contract #s BF969921901, BP989066010	ASA	28,145
66.RD	San Diego State University Foundation, Contract # 54475A7801	ASA	17,763
66.RD	University of Arizona, Contract # RD83302501	ASA	33,373
66.RD	University of Nevada at Reno, Contract #UNR0740	UAA	28,653
66.RD	University of New Mexico, Contract # RD-83159601	ASA	8,474
66.RD	University of New Mexico, Contract # 3422617810	UAA	22,798
66.RD	University of Texas at Austin, Contract # X3-83235101	ASA	4,980
66.RD	University of Utah, Contract # XA830994011	ASA	66,757
66.RD	University of Utah, Contract # 10000058	UAA	25,372
66.RD	Water Quality and Technology Solutions, Inc., Contract # EM96967901	ASA	14,115
	Subtotal Environmental Protection Agency		3,366,715
<b><u>Department of Energy</u></b>			
81.RD	Department of Energy	ASA	2,409,381
81.RD	Department of Energy	NAA	1,361,635
81.RD	Department of Energy	UAA	3,555,243
81.RD	National Nuclear Security Administration	UAA	7,826
81.RD	Argonne National Laboratory, Contract # W-31-109-ENG-38	ASA	228,810
81.RD	Argonne National Laboratory, Contract # 6F00866	UAA	189,805
81.RD	Awwa Research Foundation, Contract #s 3077,3079, DEFG0203ER63619	ASA	55,408
81.RD	Awwa Research Foundation, Contract # 3083	UAA	14,491

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CFDA/Identifying Number	Federal Grantor/Program Title/ Pass-Through Grantor /Contract Number	Grantee (Appendix)	Expenditures
81.RD	Battelle Memorial Institute, Contract #s 15523, 38318	UAA	349,669
81.RD	Battelle Memorial Institute—Pacific Northwest National Laboratory, Contract #s 18907, 401592A3E	UAA	237,963
81.RD	BP Exploration, (Alaska) Inc., Contract # 4748	UAA	49,572
81.RD	Brookhaven National Laboratory, Contract #s 101340, 74201	UAA	474,862
81.RD	Brookhaven Science Associates LLC, Contract #s 107946, 96923	UAA	42,675
81.RD	Carnegie Institution of Washington, Contract # DE-FC03-03NA00144	ASA	111,614
81.RD	Case Western Reserve University, Contract # DE-FC28-04RW12252	ASA	46,300
81.RD	Fermi National Accelerator Lab, Contract #s 550814, 557734	UAA	11,364
81.RD	Gas Technology Institute, Contract # DE FC2605NT42450	ASA	97,148
81.RD	Howard University, Contract # 633254-192523	NAA	74,823
81.RD	Lawrence Berkeley National Laboratory, Contract # DE-AC02-05CH11231	ASA	33,885
81.RD	Lawrence Livermore National Laboratory, Contract # W7405ENG48	ASA	54,044
81.RD	Lawrence Livermore National Laboratory, Contract #s B527959, B552874, B556909, B568392, B568553	UAA	792,489
81.RD	Los Alamos National Laboratory, Contract #s DEAC5206NA25396, W7405ENG36	ASA	407,816
81.RD	Los Alamos National Laboratory, Contract #s 2493700105, 4912400107, 5503000107F3, 84240001033V	UAA	168,852
81.RD	MetroLaser, Inc., Contract # DEFG0205ER84329	ASA	31,358
81.RD	Mississippi State University, Contract # 06080436296401	UAA	30,357
81.RD	National Renewable Energy Laboratory, Contract #s XAM-4-44835-01, XEE-6-66517-01	NAA	36,618
81.RD	National Renewable Energy Laboratory, Contract #s DEAC3699GO10337, PO 184588	ASA	242,386
81.RD	New Mexico Institute of Mining and Technology, Contract #s DEFC2603NT41983, DEFC2605NT42439, DEFC2605NT42591	ASA	31,162
81.RD	Oak Ridge National Laboratory, Contract #s 4000050618, 4000045451	UAA	388,410
81.RD	Pacific Northwest National Laboratory, Contract # DEAC0576RL01830	ASA	78,884
81.RD	Radiation Monitoring Devices, Inc., Contract #s C0519, C0711DEFG0206ER84433	UAA	19,605
81.RD	Rollins College, Environmental Studies Department, Contract # DEFC3604G014225	ASA	47,342
81.RD	Sandia National Laboratories, Contract #s PO 16230, PO 547791, DEAC04AL85000	ASA	47,349
81.RD	Sandia National Laboratories, Contract # 122248	NAA	3,125
81.RD	Sandia National Laboratories, Contract #s A033421294, A033430141, A0334444631, A0334532289, A0334628904, A0334642006, A0334642088, A0334651194, A0334677767, A0334188890, A0334238152, A0334256458, A0334386067, A0334513876, A0334531987, A0334540578, A0334579772, A0334662180	UAA	1,093,136
81.RD	State University of New York at Buffalo, Contract # DE-FG02-04ER46180	ASA	9,762
81.RD	Thomas Jefferson National Accelerator Facility, Contract # PO 05P1165	ASA	21,964
81.RD	University of Arizona, Contract # DE-FG03-02ER46013	ASA	29,206
81.RD	University of California, Berkeley, Contract # 6720500	UAA	13,402
81.RD	University of California, Davis, Contract # DE-FG52-06NA26213	ASA	52,886
81.RD	University of Chicago, Contract # B523820	UAA	109,803
81.RD	University of Cincinnati, Contract # DE-FG36-05GO15043	ASA	143,919
81.RD	University of Wyoming, Contract # NAZU48565UJAZ	UAA	1,675
81.RD	Vanderbilt University, Contract # 19067S5	UAA	92,233
	Subtotal Department of Energy		<u>13,300,257</u>
<b><u>Department of Education</u></b>			
84.RD	Department of Education	ASA	2,832,635
84.RD	Department of Education	UAA	168,883
84.RD	Arizona Department of Economic Security, Contract # DES0606641	ASA	199,634
84.RD	Arizona Department of Education, Contract # 0620ED	UAA	8,559
84.RD	Arizona State University, Contract # 05576	UAA	11,727
84.RD	Dine College, Contract # B299B050006	ASA	29,895
84.RD	National Security Technologies, LLC, Contract # 86643	NAA	28,266
84.RD	Salt River Pima-Maricopa Indian Community, Contract # C184566	ASA	183
84.RD	San Diego State University Foundation, Contract # R324E060073	ASA	232,406
84.RD	Southwest Human Development, Contract # S359B030989	ASA	80,233
84.RD	Thomas Jefferson University, Contract # H327X010003	ASA	158,368
84.RD	University of California, Berkeley, Contract # SA4881	UAA	19,915
84.RD	University of Texas at El Paso, Contract # 2615071661	ASA	19,226
84.RD	University of Wisconsin, Contract #s F131821, X260610	UAA	32,126
	Subtotal Department of Education		<u>3,822,056</u>
<b><u>National Archives and Records Administration</u></b>			
89.RD	National Archives	UAA	36,834
	Subtotal National Archives and Records Administration		<u>36,834</u>
<b><u>Department of Health and Human Services</u></b>			
93.RD	Administration for Children and Families	ASA	140,775
93.RD	Agency for Health Care Policy and Research	ASA	32,957
93.RD	Agency for Health Care Policy and Research	UAA	319,603

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CFDA/Identifying Number	Federal Grantor/Program Title/ Pass-Through Grantor /Contract Number	Grantee (Appendix)	Expenditures
93.RD	Centers for Disease Control	ASA	70,681
93.RD	Centers for Disease Control	UAA	1,800,799
93.RD	Department of Health and Human Services	UAA	346,303
93.RD	Fogarty International Center	UAA	91,533
93.RD	Food and Drug Administration	UAA	129,029
93.RD	Health Resources and Services Administration	ASA	5,887
93.RD	Health Resources and Services Administration	NAA	68,117
93.RD	National Cancer Institute	UAA	29,801,432
93.RD	National Center for Complementary & Alternative Medicine	UAA	1,797,001
93.RD	National Center for Research Resources	UAA	936,089
93.RD	National Center on Minority Health and Health Disparities	UAA	461,003
93.RD	National Eye Institute	UAA	3,376,045
93.RD	National Heart, Lung, & Blood Institute	UAA	7,875,694
93.RD	National Human Genome Research Institute	UAA	17,059
93.RD	National Institute of Allergy & Infectious Diseases	UAA	5,592,018
93.RD	National Institute of Arthritis and Musculoskeletal Skin Diseases	UAA	1,222,582
93.RD	National Institute of Biomedical Imaging and Bioengineering	UAA	3,604,110
93.RD	National Institute of Child Health and Human Development	UAA	1,502,519
93.RD	National Institute of Dental & Craniofacial Research	UAA	509,108
93.RD	National Institute of Diabetes and Digestive and Kidney Diseases	UAA	5,040,996
93.RD	National Institute of Environment Health Sciences	UAA	6,844,308
93.RD	National Institute of General Medical Services	UAA	8,114,772
93.RD	National Institutes of Health	ASA	28,403,454
93.RD	National Institutes of Health	NAA	1,709,464
93.RD	National Institutes of Health	UAA	4,421,292
93.RD	National Institute of Mental Health	UAA	2,308,279
93.RD	National Institute of Neurological Disorders and Stroke	UAA	3,526,774
93.RD	National Institute of Nursing Research	UAA	1,272,452
93.RD	National Institute of Occupational Safety and Health	UAA	58,956
93.RD	National Institute on Aging	UAA	2,171,650
93.RD	National Institute on Alcohol Abuse and Alcoholism	UAA	90,817
93.RD	National Institute on Deafness and Other Communication Disorders	UAA	2,089,626
93.RD	National Institute on Drug Abuse	UAA	4,885,694
93.RD	Public Health Service	ASA	224,991
93.RD	Public Health Service	UAA	5,171
93.RD	American College of Radiology, Contract # 4701	UAA	1,447
93.RD	Arizona Department of Health Services, Contract #s 152055, E6H11632, HG671126, HS561159, HS654095, HS654163	UAA	401,263
93.RD	Association of American Medical Colleges, Contract #s MM05790303, MM09530606	UAA	418,480
93.RD	Association of Schools of Public Health, Contract # S33502323	UAA	45,819
93.RD	Association of University Centers on Disability, Contract # 810	UAA	23,857
93.RD	Augustine Engineering, Contract # 1R41CA11489501	UAA	51,844
93.RD	Banner Health, Contract #s 05073248, 5R01MH057899	ASA	55,850
93.RD	Baylor University, Contract #s 4600580177, 4600601668, R01CA112679, U19CA86809	ASA	264,219
93.RD	Baylor University, Contract #s 4600580177, R01CA112679, U19CA86809	UAA	290,264
93.RD	Biopsy Sciences, Contract #s LTD DTD 01012007, R44CA97627	UAA	42,800
93.RD	Boston University, Contract # NS3671108	UAA	3,956
93.RD	Bowling Green State University, Contract # R03HD044700-01A1	ASA	22,886
93.RD	Brigham and Women's Hospital, Contract # 151381R01HL075426	UAA	42,073
93.RD	Canada York University, Contract # R34MH072615	UAA	24,619
93.RD	Cancervax, Contract #s MMAITIII, MMAITIV	UAA	18,366
93.RD	Carnegie Mellon University, Contract #s 1090143189596, 1308041090028	UAA	53,744
93.RD	Children's Hospital Los Angeles, Contract # 108RFG003643	UAA	5,908
93.RD	Columbia University, Contract #s 1U19AI06777301, 1U19AI06777302	ASA	901,979
93.RD	The Critical Path Institute, Contract # CP1038509	UAA	95,074
93.RD	CustomKYnetics, Inc., Contract #s 3006001, R44HD041820	ASA	31,111
93.RD	Delmarva Foundation for Medical Care, Inc., Contract # HHSM5002006MDC02C	ASA	215,798
93.RD	Duke Institute for Genome Sciences, Contract #s 5U54CA11295201, 5U54CA11295202	ASA	450,369
93.RD	Duke University, Contract # 122165	UAA	49,342
93.RD	Foundation for the Children's Oncology Group, Contract # 16380	UAA	7,638
93.RD	Fred Hutchinson Cancer Research Center, Contract # 0000615178	UAA	14,076
93.RD	George Washington University, Contract # 06S43	UAA	42,702
93.RD	Georgetown University Medical Center, Contract # R24HD05084502	ASA	1,394
93.RD	Good Samaritan Medical Center, Contract # R01MH57899	UAA	12,027
93.RD	Gynecologic Oncology Group Administrative, Contract # CA101165	UAA	256,005
93.RD	Health Research, Inc., Contract # AI042836-06	ASA	64,921
93.RD	Henry Ford Health Sciences Center, Contract # R01CA092143	UAA	159,826
93.RD	Indiana University, Contract # R01DA103555	ASA	98,650
93.RD	Indiana University, Contract #s 17093, R01NS42078	UAA	50,447

See accompanying notes to schedule.

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CFDA/Identifying Number	Federal Grantor/Program Title/ Pass-Through Grantor /Contract Number	Grantee (Appendix)	Expenditures
93.RD	Inter Tribal Council of Arizona, Incorporated, Contract # CK58713	UAA	121,207
93.RD	Iogenetics, LLC, Contract # CK1640	UAA	207,337
93.RD	Kaiser Foundation Research Institute, Contract #s 03NKAR05, 80620501, U01HL081624	UAA	45,730
93.RD	Klein Buendel, Inc., Contract # 249UA	UAA	12,495
93.RD	Lynntech, Inc., Contract # R44ESO1251702A1	ASA	11,644
93.RD	Massachusetts General Hospital, Contract # 1P20CA11300	UAA	19,735
93.RD	McGill University, Contract # 211978	UAA	8,702
93.RD	Medical Directions, Incorporated, Contract # R42DK62569	UAA	78,032
93.RD	Medical University of South Carolina, Contract # 5P30AG21677	ASA	12,663
93.RD	Medstar Research Institute, Contract # 1R01HL6703101A1	UAA	41,814
93.RD	National Cancer Institute, Contract # R25CA101938	NAA	2,568
93.RD	National Childhood Cancer Foundation, Contract # 15189U10CA98543	UAA	28,436
93.RD	Niadyne, Incorporated, Contract # R44CA090085	UAA	5,209
93.RD	Northern Arizona University, Contract # 5U54CA09632005	ASA	17,407
93.RD	Northwest Portland Area Indian Health Board, Contract # C0617	UAA	23,021
93.RD	NSABP Foundation, Incorporated, Contract # ARZ01P2	UAA	74,286
93.RD	Ohio State University, Contract # R01DC007997	ASA	88,092
93.RD	Ohio State University, Contract #s 60010354, 740196, GTR0000605960009289	UAA	486,320
93.RD	Oregon Health Science University, Contract #s 5R01CA10577403, 5R01DA011748	ASA	114,676
93.RD	Oregon State University, Contract # GNEUS0029AAZ1	UAA	1,204
93.RD	Pare Technologies, Contract # MEM0305	UAA	11,471
93.RD	Penn State University, Contract #s 3P50DA01007508S1, 5R01DA00562911	ASA	285,512
93.RD	Prevention Research Center, Contract # HHSN281200410012C	ASA	75,841
93.RD	Purdue University, Contract # 2R01EB002189-05	ASA	16,915
93.RD	Purdue University, Contract # 511177001	UAA	9,837
93.RD	Rand Corporation, Contract # 9920060010	UAA	14,717
93.RD	Research Technologies, Inc., Contract # 6312027658	UAA	7,865
93.RD	Rice University, Contract #s R21155, R21162	UAA	216,192
93.RD	RXOA Biosciences, LLC, Contract # 1R43GM076747	ASA	30,676
93.RD	SJT Micropower Inc., Contract # 07037108	ASA	404
93.RD	Southwest Oncology Group, Contract #s 5U10CA3210219, CA37429, CCOP05003, CK41610, F015709, S0509, S0515	UAA	246,821
93.RD	Spaulding Rehabilitation Hospital Network, Contract # R21NS045410	ASA	21,277
93.RD	Stanford University, Contract # PY226824289C	UAA	554,161
93.RD	Sun Health Research Institute, Contract #s 05U01AG16976, 1P30AG1961001, 2P30AG01961006, U01AG1697608	ASA	135,184
93.RD	Sun Health Research Institute, Contract #s P30AG019610, P30AG1961006, P30AG19610	UAA	241,525
93.RD	Surescripts, LLC, Contract # 0002	UAA	35,582
93.RD	Texas A&M University, Contract # HD39367	ASA	31,247
93.RD	Translational Genomics Research Institute, Contract # 00535001	ASA	30,977
93.RD	Translational Genomics Research Institute, Contract # 05-01	NAA	94,672
93.RD	Translational Genomics Research Institute, Contract #s VONHOFF0501, VONHOFF0503109552, VONHOFF0503P01CA109552	UAA	1,264,376
93.RD	Uniformed Services University of the Health Sciences, Contract # A1022014821	ASA	60,381
93.RD	University of Alabama, Contract # MEM0606	UAA	24,281
93.RD	University of Arizona, Contract #s 1R01AR04759501A1, 5H79SP1059603, 5UD1SP1062903, R01AI052463, R01CA093957, R01DK03335122A2, R24MD001688	ASA	167,096
93.RD	University of Arizona, Contract #s V400095, V412969	NAA	18,034
93.RD	University of California, Davis, Contract #s 5P01AG022500-02, 5P01AG022500-04	ASA	266,474
93.RD	University of California, Davis, Contract # SUB0600020	UAA	142,949
93.RD	University of California, Irvine, Contract #s 2005-1593, 2006-1757	NAA	333,100
93.RD	University of California, Irvine, Contract #s 20031181, 20051596, F99CA818864A20031319	UAA	358,218
93.RD	University of California, Los Angeles, Contract #s 1900GHC162, 1930GHB465	UAA	7,004
93.RD	University of California, San Diego, Contract #s 10154581, 10247146, 4500AX, 45VN	UAA	144,815
93.RD	University of California, San Francisco, Contract # 1U01AG024904	ASA	1,237
93.RD	University of California, San Francisco, Contract # 3100SC	UAA	543,338
93.RD	University of California, Santa Cruz, Contract # 1R01GM072003	ASA	19,557
93.RD	University of Colorado, Contract # FAA90YF0053/02	ASA	34,996
93.RD	University of Colorado, Contract #s 05141001, 2525836FY06024003, 2573455FY04001007, 2573808FY07001004, 2573901FY07001010	UAA	149,177
93.RD	University of Connecticut, Contract # 5434	UAA	11,495
93.RD	University of Connecticut Health Center, Contract # 5618505	UAA	42,109
93.RD	University of Florida, Contract #s R01EB002089, R01NS050582	ASA	24,332
93.RD	University of Florida, Contract #s UF04018, UF06066, UF5092	UAA	8,783
93.RD	University of Louisville, Contract # 07021901	UAA	42,261
93.RD	University of Medicine & Dentistry of New Jersey, Contract #s 99705, CK898746, R21DK63351	UAA	51,097
93.RD	University of Michigan, Contract # TW006489	ASA	462

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CFDA/Identifying Number	Federal Grantor/Program Title/ Pass-Through Grantor /Contract Number	Grantee (Appendix)	Expenditures
93.RD	University of Michigan, Contract #s Pre-Award Costs (FRS401420), CA3210227, F007271, F014327, F014993U10CA32102, F016541S0520, F017584U10CA32102, U10CA32102	UAA	145,949
93.RD	University of Minnesota, Contract #s B6636074301, B6636294201, H6636419102	UAA	132,785
93.RD	University of Missouri, Contract #s 1R01NS4158404S1, 5P50AA1199808	ASA	28,555
93.RD	University of Missouri, Contract # C0006984	UAA	42,152
93.RD	University of Nebraska, Contract #s 3453012037001, 3453012037002, 3453052005004, 3453052005005	UAA	158,523
93.RD	University of Nebraska, Lincoln, Contract # 24-056-0017-002	NAA	5,001
93.RD	University of New Mexico, Contract #s 1P01AI05629501A1, N266200500040C, N01AI50040	ASA	1,218,572
93.RD	University of New Mexico, Contract # PA5497	UAA	102,076
93.RD	University of North Carolina, Contract # 535033	UAA	41,036
93.RD	University of North Carolina at Chapel Hill, Contract #s 5R01NR00314909, K01CE00049601	ASA	119,288
93.RD	University of North Texas Health Science Center, Contract # 715122007001	UAA	97,303
93.RD	University of Oklahoma Health Science Center, Contract # 2746983	UAA	18,628
93.RD	University of Pennsylvania, Contract # 547062	UAA	5,387
93.RD	University of Pittsburgh, Contract #s 5R01DA01969702, N01NS22346, R01NS050256-01A2	ASA	393,995
93.RD	University of Rochester, Contract #s 5R01NR00507705, 5R01NR00845503, 5R01CA08410504	ASA	81,333
93.RD	University of Rochester, Contract # 413056G	UAA	4,027
93.RD	University of Southern California, Contract # H35328	UAA	238,644
93.RD	University of Texas, Contract # 116687	UAA	53,533
93.RD	University of Texas at Dallas, Contract # 1R01DC00625701A1	ASA	56,799
93.RD	University of Texas at El Paso, Contract # 26140715	UAA	29,743
93.RD	University of Texas at Galveston, Contract #s 5U54AI05715603, U54AI05715603, 5U54AI05715604, 5U54AI05715605	ASA	1,024,894
93.RD	University of Texas Health Science Center at Houston, Contract # 5P01HD04849702	ASA	112,511
93.RD	University of Texas Health Science Center at Houston, Contract # 0004359	UAA	268,612
93.RD	University of Texas Health Science Center at San Antonio, Contract # P20NR08378	ASA	3,749
93.RD	University of Texas MD Anderson Center, Contract #s 1524898015763225172000, 1524898015764225182000, 1524898015767225402000, 167302000, 1748202000, R01CA089608, R01CA098920	UAA	940,783
93.RD	University of Toronto, Contract # 450489	UAA	5,214
93.RD	University of Utah, Contract #s 2302004, 9809032O, 9809032OA	UAA	174,817
93.RD	University of Wisconsin, Contract #s 144LD45, J033375, J033375-03, J033375-04	UAA	390,909
93.RD	Vortant Technologies, Inc., Contract # 031414	ASA	10,655
93.RD	Wake Forest University, Contract #s 19747, 31194, NS34447, WFUHS13490	UAA	114,547
93.RD	Western States Chiropractic College at Portland Oregon, Contract # GU01AT001908	UAA	2,422
93.RD	Yale University, Contract #s A06113, A06379	UAA	17,516
	Subtotal Department of Health and Human Services		148,304,778
<b><u>Department of Homeland Security</u></b>			
97.RD	Kutta Consulting, Inc., Contract # 07108704	ASA	4,686
	Subtotal Department of Homeland Security		4,686
<b><u>Agency for International Development</u></b>			
98.RD	Agency for International Development	UAA	1,675,270
98.RD	American Council on Education, Contract # HNE-A-97-0059-00	NAA	17,537
98.RD	American Council on Education, Contract #s 523A00060000900, HNEA00970005900, HNEA0097005900	UAA	351,329
98.RD	Hebrew University, Contract # TAMOU2C22003	UAA	29,630
98.RD	Higher Education for Development (HED), Contract # REEA00060008500	ASA	105,690
98.RD	Virginia Polytechnic Institute, Contract #s, 19101425678, CR19101425655	UAA	14,926
98.RD	Volunteers In Overseas Cooperative Assistance, Contract # AFPA00040003400	UAA	52,475
	Subtotal Agency for International Development		2,246,857
<b><u>Miscellaneous Federal Agencies</u></b>			
99.RD	Miscellaneous Federal Government Agencies	ASA	380,348
99.RD	National Reconnaissance Office	UAA	470,605
99.RD	Office of Advanced Technology Programs	NAA	259,348
99.RD	U.S. Government	UAA	109,407
	Subtotal Miscellaneous Federal Agencies		1,219,708
	Total Research and Development Cluster		\$ 396,158,937
	Total Expenditures of Federal Awards		\$ 9,049,993,742

State of Arizona  
Notes to Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2007

Note 1 - Significant Accounting Policies

Basis of Presentation—The information in the schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

Reporting Entity—The schedule includes all federal awards activity administered by the State of Arizona and its component units.

Basis of Accounting—The federal awards reported in the schedule were presented in the State's governmental and proprietary funds and discretely presented component units on the basic financial statements of the State of Arizona for the year ended June 30, 2007, and were accounted for using the modified accrual and full accrual basis of accounting, as applicable, in conformity with generally accepted accounting principles.

Expenditures—Certain transactions relating to expenditures of federal awards may appear in the records of more than one state grantee agency. To avoid duplication and the overstatement of the aggregate level of federal awards expended by the State of Arizona, the following policies have been adopted:

1. When monies are received by one state grantee agency and distributed to another state grantee agency, the federal monies are reported in the accounts of the state grantee agency that expends the monies.
2. Purchases of services between state grantee agencies using federal monies are recorded as expenditures on the purchasing agency's records and as revenues for services rendered on the providing agency's records. Therefore, the receipt of federal awards is attributed to the purchasing agency, which is the primary receiving/expending state grantee agency.

Note 2 - Catalog of Federal Domestic Assistance (CFDA)/Identifying Number

The program titles and CFDA numbers were obtained from the federal or pass-through grantor or the *2007 Catalog of Federal Domestic Assistance*. When no CFDA number had been assigned to a program, the two-digit federal agency identifier, a period, and the federal contract number were used. When there was no federal contract number, the two-digit federal agency identifier, a period, and the word "Unknown" were used.

Note 3 - Research and Development Cluster

As provided by OMB Circular A-133, the research and development cluster of programs is summarized by federal agency subdivision or pass-through entity.



State of Arizona  
Notes to Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2007

Note 4 - Pass-through Grantor Contract Numbers

For federal awards received by the State from a pass-through grantor, the pass-through grantor contract number is included, if available, immediately following the pass-through grantor's name. Pass-through grantors are italicized.

Note 5 - Loan and Loan Guarantee Programs

Only administrative costs incurred for loan and loan guarantee programs are included in the schedule. However, OMB Circular A-133, Subpart B, §.205(b) requires that the current-year administrative costs and loan distributions, and the balances of the previous year's outstanding student loans and loan guarantees, also be included for these programs when determining federal awards expended for single audit purposes. Further, Subpart B, §.310(b)(6) requires that loans or loan guarantees outstanding at year-end be included in either the schedule or a note to the schedule. Loans and loan guarantees outstanding at June 30, 2007, are described below:

Student Loan Programs

The Universities administer the following four federal student loan programs. The current-year loan distributions and the balances of loans outstanding at year-end are shown below:

Loan Program	CFDA Number	Loans Distributed During the Year	Loan Balances Outstanding at June 30, 2007
Federal Perkins Loan Program—Federal Capital Contributions	84.038	\$7,444,216	\$29,505,733
Nurse Faculty Loan Program (NFLP)	93.264	132,000	287,000
Health Professions Student Loans, including Primary Care Loans/Loans for Disadvantaged Students	93.342	256,195	1,920,520
Nursing Student Loans	93.364	193,564	1,262,118

In addition, the Universities distribute loans from two federal loan programs that are administered by independent third parties. For the year ended June 30, 2007, the Universities distributed \$154,145,076 of Federal Family Education Loans (CFDA number 84.032), including \$28,455,300 for the FFEL—Lenders program, and \$243,667,762 of Federal Direct Student Loans (CFDA number 84.268).

State of Arizona  
Notes to Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2007

Loan Guarantee Programs

The Water Infrastructure Finance Authority (WIFA), a discretely presented component unit on the State's fiscal year 2007 basic financial statements, has entered into capitalization grant agreements with the U.S. Environmental Protection Agency. During fiscal year 2007, the WIFA received capitalization grant monies totaling \$6,688,771 from the Capitalization Grants for Clean Water State Revolving Funds (CFDA number 66.458) program and \$4,385,543 from the Capitalization Grants for Drinking Water State Revolving Funds (CFDA number 66.468) program for deposit into their revolving loan guarantee funds. The balances of the federal guarantee portion of the loans outstanding for these capitalization grants were \$165,885,353 and \$77,200,341, respectively, at June 30, 2007.

Housing Program

The Department of Housing administers the HOME Investment Partnerships Program (CFDA number 14.239), which provides loans to municipalities, nonprofit organizations, and individuals to purchase homes and rental properties. The Department distributed \$882,500 in loans during fiscal year 2007 and had \$8,103,828 in loan balances outstanding at June 30, 2007.

Note 6 - Food Commodities

Food commodities received by the State are disbursed through distributing agencies. Such commodities are included in the definition of federal awards when distributed and, accordingly, are included in the amounts presented on the schedule. The State's food commodity distributions totaled \$23,153,196, and the amounts, by CFDA number, are presented as follows:

CFDA Number	Program Title	Amount
10.555	National School Lunch Program	\$16,751,337
10.559	Summer Food Service Program for Children	68,110
10.565	Commodity Supplemental Food Program	2,559,033
10.569	Emergency Food Assistance Program (Food Commodities)	3,774,716

Note 7 - Donation of Federal Surplus Personal Property

The value of the Donation of Federal Surplus Personal Property (CFDA number 39.003) program reported on the schedule is based on a "market basket formula" developed by the U.S. General Services Administration. This market basket formula represents 23.3 percent of the original federal acquisition cost, totaling \$667,987 for the year ended June 30, 2007.

State of Arizona  
Notes to Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2007

Note 8 - Immunization and HIV Grants

The Immunization Grants (CFDA number 93.268) expenditures of \$57,275,074 include \$51,414,445 worth of vaccines. The HIV Care Formula Grants (CFDA number 93.917) expenditures of \$14,239,197 include \$9,127,863 worth of vaccines. Vaccines administered by the Department of Health Services are included in the definition of federal awards and, accordingly, are included in the amount presented on the schedule.

Note 9 - Unemployment Insurance (CFDA No. 17.225)

The unemployment compensation system is a unique federal-state partnership, founded upon federal law, but implemented through state law. As prescribed by the U.S. Department of Labor in consultation with the Office of Management and Budget, certain state monies, in addition to federal monies, were considered federal awards for determining Type A programs, and were included in the Schedule of Expenditures of Federal Awards.

The amount presented on the schedule consists of the following:

Regular unemployment compensation benefits	\$241,838,420
Unemployment compensation for federal employees	4,379,717
Unemployment compensation for ex-service members	1,893,663
Administrative costs	<u>26,805,692</u>
Total expenditures	<u>\$274,917,492</u>

State of Arizona  
 Schedule of Findings and Questioned Costs  
 Year Ended June 30, 2007

**Summary of Auditors' Results**

***Financial Statements***

Type of auditors' report issued:	Unqualified	
	<b>Yes</b>	<b>No</b>
Material weaknesses identified in internal control over financial reporting?	<u>  X  </u>	—
Significant Deficiencies identified not considered to be material weaknesses?	<u>  X  </u>	—
Noncompliance material to the financial statements noted?	—	<u>  X  </u>

***Federal Awards***

Material weaknesses identified in internal control over major programs?	<u>  X  </u>	—
Significant Deficiencies identified not considered to be material weaknesses?	<u>  X  </u>	—

Type of auditors' report issued on compliance for major programs:  
 Unqualified for all major programs except for the Food Stamp Cluster, Child Nutrition Cluster, Child and Adult Care Food Program, Emergency Food Assistance Cluster, Homeland Security Grant Program Cluster, WIA Cluster, Title I Grants to Local Educational Agencies, Migrant Education—State Grant Program, Special Education Cluster (IDEA), Rehabilitation Services—Vocational Rehabilitation Grants to States, Reading First State Grants, Improving Teacher Quality State Grants, Temporary Assistance for Needy Families, Foster Care—Title IV-E, and Urban Areas Security Initiative, which were qualified.

Any audit findings disclosed that are required to be reported in accordance with Circular A-133 (section .510[a])?	<u>  X  </u>	—
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Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
10.551/10.561	Food Stamp Cluster
10.553/10.555/10.556/10.559	Child Nutrition Cluster
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children
10.558	Child and Adult Care Food Program
10.568/10.569	Emergency Food Assistance Cluster
15.605/15.611	Fish and Wildlife Cluster
16.007/97.004/97.067	Homeland Security Grant Program Cluster

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<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
17.225	Unemployment Insurance
17.258/17.259/17.260	WIA Cluster
20.205	Highway Planning and Construction Cluster
84.010	Title I Grants to Local Educational Agencies
84.011	Migrant Education—State Grant Program
84.027/84.173	Special Education Cluster (IDEA)
84.032	FFEL—Lenders
84.126	Rehabilitation Services—Vocational Rehabilitation Grants to States
84.357	Reading First State Grants
84.367	Improving Teacher Quality State Grants
93.283	Centers for Disease Control and Prevention—Investigations and Technical Assistance
93.558	Temporary Assistance for Needy Families
93.563	Child Support Enforcement
93.658	Foster Care—Title IV-E
93.667	Social Services Block Grant
93.767	State Children’s Insurance Program
93.775/93.776/93.777/93.778	Medicaid Cluster
96.001	Disability Insurance/SSI Cluster
97.008	Urban Areas Security Initiative
RD	Research and Development Cluster

Dollar threshold used to distinguish between Type A and Type B programs: \$27,149,981

	Yes	No
Auditee qualified as low-risk auditee?	___	_X_

***Other Matters***

Auditee’s Summary Schedule of Prior Audit Findings required to be reported in accordance with Circular A-133 (section .315[b])?	_X_	___
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State of Arizona  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2007

## Financial Statement Findings

07-01

### **The Department of Administration should seek the authority to enforce rules over financial reporting**

The Director of the Department of Administration is responsible for establishing and maintaining the State's accounting systems and preparing accurate and timely financial reports, including the State's Comprehensive Annual Financial Report (CAFR). In accordance with Arizona Revised Statutes (A.R.S.) §41-703, the Director has the authority to promulgate rules, regulations, and procedures to carry out his responsibilities. Further, A.R.S. §35-131(l) requires state agencies and other organizations included in the State's reporting entity to submit all necessary financial information to the Department in accordance with its policies and procedures. However, those statutes do not include provisions to enforce compliance. Consequently, the Department did not always receive timely financial information from the agencies and was not able to issue the State's fiscal year 2007 CAFR by its scheduled December 31, 2007, deadline since state agencies did not comply with the established deadlines. For example, 18 state agencies had a November 26, 2007, deadline to submit their audited fiscal year 2007 financial statements. Only four agencies met this deadline and some did not submit their audited financial statements until several months later, one as late as April 14, 2008. As a result, the State did not issue its CAFR until June 2008. Such delays in financial reporting may result in the State's ratings for bonds and certificates of participation being lowered by the rating agencies. Also, the State's Single Audit Reporting Package will be issued late, which could result in a loss of federal funding.

This finding is considered a material weakness over financial reporting.

To help ensure that the Department receives financial information necessary for timely issuance of the State's CAFR, the Department should:

- Seek the authority to enforce rules, regulations, and procedures over financial reporting.
- Establish enforcement actions for agencies' failure to submit such information by the required deadlines.

07-02

### **The State should verify that servicing banks have effective internal controls**

Various state agencies have contracted with commercial banks to process the State's cash receipts. This includes using a servicing bank to collect and process taxes, fees, fines, and various other state agency cash receipts, as well as maintaining operating accounts used to deposit tuition and fees, federal monies, and other receipts. These receipts are in the form of cash payments, wire transfers, and credit card receipts. Therefore, as these banks collect, process, and transmit confidential and sensitive financial information, it is imperative that they have effective systems of internal controls for processing, recording, and reporting these receipts to the various state agencies. However, the State did not have procedures in place to monitor internal controls at the servicing banks to ensure that the banks' controls were operating

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effectively. Further, the contracts with the servicing banks did not always require the banks to obtain an assurance review performed by an independent third party to help ensure controls at the banks are sufficient to protect the integrity of the State's financial information. As a result, assurance reviews were not performed annually for all of the State's servicing banks.

To help ensure services provided by the State's servicing banks are in accordance with contract provisions and that the servicing banks have an effective system of internal control for processing financial transactions of the State and its agencies, the State should establish and follow the policies and procedures listed below:

- Ensure that servicing bank contracts include all services to be provided.
- Verify that the servicing banks have effective internal control systems to accurately process and record the State's financial transactions. To help determine whether controls have been placed in operation and are operating effectively, the State should establish contractual provisions requiring the State's servicing banks to have their internal control systems that process and record the State's financial transactions audited annually. In addition, assign a state agency to review these audit reports and require a corrective action plan if deficiencies are noted.
- Monitor all other contractual provisions for compliance.
- Ensure that state agencies have effective controls in place to validate the accuracy of transactions processed by the servicing banks.

A similar recommendation was provided to the State in the prior year.

07-03

**The Benefits Office should strengthen controls over claims payment processing for the State's self-insured health benefits program**

Beginning in fiscal year 2005, the State implemented a self-insured health benefits program for its employees and retirees, and their dependents. The Department of Administration's Benefits Office is responsible for administering this program. For healthcare claim payments, the Benefits Office contracted with seven vendors to process and pay all medical and prescription drug claims for the program. These vendors processed approximately \$621 million in medical and prescription drug claims during the fiscal year. Therefore, it is critical that the Benefits Office require these vendors to have an effective system of internal control in place to ensure that claim payments are accurate and appropriate. However, the Benefits Office did not fully accomplish this objective. Specifically, two vendors that were responsible for applying contractual discounts to medical claims (i.e., repricing) did not receive independent audits to ensure that this was done in accordance with their state contracts because the Benefits Office did not include the audit provision in the vendors' contracts. Further, the Benefits Office did not perform its own audit of the claims paid because these vendors did not provide the Benefits Office with their fee schedules used for payments to medical providers.

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To strengthen controls over the medical and prescription drug claims payment process, the Benefits Office should establish and follow the policies and procedures listed below:

- Establish contractual provisions requiring vendors that reprice medical claims to have an effective internal control system to accurately and appropriately reprice medical claims in accordance with the contracts.
- Obtain an independent annual audit of their repricing processing controls to determine whether controls have been placed in operation and are operating effectively or conduct their own audits of claims-payment data to ensure that claims are paid for allowable services to eligible plan members only, in accordance with vendor fee schedules and the proper application of copayments.

A similar recommendation was provided to the Department in the prior 2 years.

07-04

**The State needs to establish detailed policies to identify potential related party transactions**

Financial accounting standards require that financial statements include disclosures of material related party transactions. The State's procurement policies required that all state agencies have an internal policy statement concerning conflict of interest statements and related party transactions and closing package guidelines required that those agencies with related party transactions totaling over \$1 million report those transactions to the Department of Administration. Although the State's policy is consistent with A.R.S. §38-503 regarding conflicts of interest, the Department of Administration did not provide detailed procedures as to how the state agencies were to identify related party transactions. As a result, a number of agencies misinterpreted both the statute and the State's policy and did not submit the related party transaction information in their closing packages.

To help ensure related party transactions are properly reported in the financial statements, the Department should develop detailed procedures for agencies to identify and report related party transactions that include the following:

- Require all public officers and employees having purchasing, spending, or investing authority to file conflicts of interest statements annually.
- Require each agency's chief financial officer to review the conflict of interest statements and prepare a list of related parties with associated transaction totals.
- Submit the list to the Department of Administration if the grand total exceeds \$1 million for the fiscal year.



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07-05

**The State's financial statements should include an accrual for vested sick leave liability**

When the Department of Administration, General Accounting Office (GAO), prepared the State of Arizona's CAFR, only the portion of sick leave liability due to employees who have retired was accrued. Governmental Accounting Standards Board Statement No. 16, *Accounting for Compensated Absences*, requires the estimated sick leave liability to be based on the sick leave accumulated at year-end by those employees who are currently eligible to receive payments as well as other employees who are expected to become eligible for such payments in the future.

To help ensure the compensated absences liability in the State's financial statements is properly stated, the GAO should develop a method to calculate this liability based on past experience or arrange for an actuarial valuation of the liability. Otherwise, the GAO should provide evidence that this liability is immaterial to the State's financial statements.

A similar recommendation was provided to the Department in the prior year.

07-06

**The State's disaster recovery plan for the Arizona Financial Information System (AFIS) should be completed**

The Department of Administration operates the AFIS. Should the AFIS fail, the State would be unable to process critical transactions necessary to ensure its daily operations. Therefore, it is vital that the State maintains an AFIS disaster recovery plan so that state agencies can continue to process transactions in the event of a major computer hardware or software failure, or other interruption. However, the AFIS disaster recovery plan has not been completed.

To help ensure that critical jobs can be processed in the event of a major hardware or software failure, or other interruption, the Department should complete the AFIS disaster recovery plan as soon as possible. The plan needs to be revised or completed to include the following:

- An updated list of personnel assigned to disaster teams for all Department of Administration groups and each team member's emergency phone number.
- Detailed steps documenting how critical functions would be restored.
- Sections that are fully integrated and written in a consistent format.

Further, this plan should be stored off-site with the back-up files, and updated and tested on an annual basis.

A similar recommendation was provided to the Department in the prior year.

State of Arizona  
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Year Ended June 30, 2007

07-07

**The State needs to fully develop and test a disaster recovery plan for its HRIS system**

The State uses the Human Resources Information Solution (HRIS) system to maintain human resources records and prepare payroll. Therefore, it is vital for the State to ensure that it can continue to operate in the event of a system or equipment failure by developing, implementing, and testing a disaster recovery plan. A properly designed disaster recovery plan helps ensure that proper procedures are in place to provide for continuity of operations and that electronic data files are not lost in the event of a disaster. However, HRIS did not have a current and complete disaster recovery plan. In addition, disaster recovery tests with the contracted provider in July 2005 and January 2006 were unsatisfactory since the HRIS team was not able to adequately restore the HRIS system within a reasonable amount of time. The disaster recovery service contract was cancelled on June 1, 2006, because of unresolved problems with the services the contractor provided. As of the end of the fiscal year, there were no formal, off-site, alternative processing arrangements. Consequently, payroll might not be accurately processed if a disaster occurs.

To help ensure that the State can provide for its operations continuity in the event of a major system or equipment failure, the State should fully develop, document, maintain, and test a disaster recovery plan for the HRIS system. The plan should include the following:

- A list of personnel assigned to disaster teams and each team member's emergency phone number.
- Operating procedures.
- Arrangements for a designated physical facility.
- A risk analysis identifying the critical applications, exposures, and an assessment of the impact on the State.
- Arrangements with vendors to support the needed hardware and software requirements.
- Any necessary documents and forms.

Further, this plan should be stored off-site with the back-up files, and updated and tested on an annual basis.

A similar recommendation was provided to the Department in the prior year.

07-08

**The State should strengthen controls over HRIS account management**

Account management, which includes the request, approval, establishment, suspension, and termination of user accounts, is an integral part of system security. Therefore, it is vital that the State develop and implement policies and procedures for account management over its HRIS system. However, the State did not have comprehensive policies and procedures over account management for operating system

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accounts, application administrator accounts, or database management system accounts. In addition, existing policies and procedures were not always followed since some agency users were granted application access without completing all necessary on-line training sessions, and in one instance, an access request form was not retained to document a user's access approval. Further, some agency users were given access that did not allow for proper separation of responsibilities, and there were no written explanations of compensating controls from the users' agencies. Also, certain operating system accounts were shared among HRIS team members and the passwords for these accounts were not periodically changed; current HRIS policies did not address this issue. Finally, some operating system accounts were not terminated in a timely manner when employees quit or changed positions.

To strengthen controls over HRIS account management, the State should strengthen existing HRIS policies and procedures by performing the following:

- Grant agency users access only after they have completed the necessary training sessions.
- Retain all access request forms to document approval for user access.
- Require agencies to prepare and submit written documentation of compensating controls and reasons for the assignment when agency users have incompatible access rights, and retain such documentation in the HRIS records.
- Prohibit sharing user accounts, and require that users change passwords at least quarterly.
- Terminate operating system accounts promptly when employees quit or change positions.

A similar recommendation was provided to the Department in the prior year.

07-09

**The State should improve controls over HRIS system changes**

Changes to computer programs should be monitored and tested to ensure that a computer system is functioning properly. However, the State did not have adequate written policies and procedures for changes to its HRIS system, including operating system changes and application changes. In addition, documentation of these changes was not always retained. In addition, the system did not generate a log to help monitor such changes.

To help strengthen controls over changes to the HRIS system, the State should:

- Develop adequate written policies and procedures for all types of program changes, including operating system changes and application changes. Further, these policies and procedures should address design, testing, approval, documentation, and implementation of system changes.

State of Arizona  
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- Document all system changes, including identifying number assigned, program code modifications, test results, approvals, and implementation dates. This documentation would be a valuable resource for planning additional system changes or if a system failure occurred.
- Develop a system-generated log and periodically review it to ensure that all changes were authorized, tested, and properly implemented.

A similar recommendation was provided to the Department in the prior year.

07-10

**The Department of Administration should establish fraud prevention and detection programs**

The Director of the Department of Administration is responsible for establishing and maintaining adequate written policies and procedures to ensure overall operational efficiency and effectiveness and compliance with laws and regulations. To help accomplish these objectives, the Department should establish a state-wide antifraud program or other methods to promote ethical behavior. Although individual state agencies may have controls designed to mitigate specific risks of fraud, the Department has not established a state-wide program that addresses fraud risk.

To strengthen state-wide internal controls to allow management to anticipate and react to internal and external fraud risks, the Department should establish the following:

- A state-wide program designed to prevent, deter, and detect fraud and promote a culture of honesty and ethical behavior.
- A communication channel for citizens and employees to report suspected unethical behavior, fraud, or code of conduct violations.

07-11

**The Department of Economic Security should comply with its computer access policies and procedures**

System access controls help ensure that only authorized users have access to the Department's computer systems. These controls are critical in preventing or detecting unauthorized use, damage, loss, or modification of programs and equipment, and misuse of sensitive information. System access controls restrict not only physical access to the Department's systems, but also logical access to those systems. Access to the Department's computer systems should be limited to those individuals authorized to process transactions or maintain a particular system. While the Department has policies and procedures to control computer access, those policies and procedures were not always followed. For example, two users had inappropriate system access. In addition, the Department did not always retain the authorization forms that document approval of access granted. Further, the Department did not always change or terminate system access in a timely manner for employees who transferred positions within the Department or who no longer worked for the Department. Out of 34 such users tested, auditors identified 21 users who should have had their access changed. These users had inappropriate access to the Department's systems for 69 to 123 days.

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This finding is considered a material weakness over financial reporting.

To help prevent and detect unauthorized use, damage, loss, or modification of programs and data, and misuse of sensitive information, the Department should monitor compliance with its policies and procedures, including the following:

- Require supervisors to review and approve access granted to all users to help ensure that access is compatible with employees' job responsibilities.
- Retain supporting documentation of system access authorizations.
- Modify access immediately upon notification of an employee transfer from one position to another.
- Eliminate access to all computer systems promptly when an employee leaves the Department.

07-12

**The Department of Economic Security should investigate and resolve unreconciled differences in Unemployment Insurance benefit payments in a timely manner**

The Department of Economic Security's Employment Administration is responsible for processing Unemployment Insurance (UI) benefit payments to qualified recipients and disbursed more than \$209 million in benefits in fiscal year 2007. Therefore, the Administration should have effective internal controls to accurately account for and control cash disbursements. However, this was not always accomplished. Although the Administration prepared monthly reconciliations of benefit payments from its accounting records to the bank statements, it did not always investigate and correct unreconciled differences. As a result, there was an unreconciled difference of approximately \$680,000 at June 30, 2007. Auditors noted similar problems in prior years and the unreconciled difference has continued to increase since June 30, 2004.

To help ensure that the Administration has effective internal controls that account for and control all UI benefit payments, the Administration should identify all reconciling items, investigate them, and make necessary corrections to its accounting records.

07-13

**The Department of Economic Security should ensure the accuracy of its accounting records**

Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, requires proprietary funds to use the economic resources measurement focus and the accrual basis of accounting. However, the Department did not fully accomplish this objective because the Department did not adjust its accounting records to reflect all year-end accruals. This resulted in an understatement of receivables and revenues of approximately \$345,000 and payables and expenses of approximately \$984,000 for the Unemployment Insurance Fund. The Department adjusted its accounting records for all significant errors.

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To help ensure that financial statements are prepared accurately, the Department should develop a comprehensive plan and allocate resources to:

- Perform a thorough review of information obtained from various reports to determine adjustments required for year-end accruals.
- Adjust its accounting records to reflect year-end balances prior to preparing its financial statements. Require a supervisor to review and approve all year-end accruals.

07-14

**The Department of Economic Security's Division of Developmental Disabilities should establish effective internal control policies and procedures over its claims processing system**

The Department of Economic Security's Division of Development Disabilities (Division) is a contractor with the Arizona Health Care Cost Containment System (AHCCCS) to provide medical and long-term care services to eligible enrollees of the AHCCCS Long-Term Care System (ALTCS) program for the developmentally disabled. This program provides inpatient and outpatient medical and nursing services in addition to managed institutional and home- and community-based long-term care services to eligible enrollees of the program. During fiscal year 2007, the Division spent more than \$636 million for medical and long-term care services for program enrollees. Therefore, it is imperative that the Division maintain effective internal control policies and procedures over its claims process to help ensure claims are accurately paid, recorded, and reported. The claims processing system's adjudication process should be designed to efficiently and effectively evaluate claims for propriety and determine the amounts to be paid. However, the claims processing system did not meet this objective because it did not always identify duplicate claims, did not always apply proper pay rates, made some payments for uncovered services, and rejected some valid claims.

In February 2006, the Division implemented a new medical claims processing system to meet the Health Insurance Portability and Accountability Act (HIPAA) requirements for healthcare claims processors to accept provider claims that followed HIPAA electronic claim filing standards. The Division encountered system problems described above and, as a result, turned off edit checks and processed claims manually.

During fiscal year 2007, the Division continued working on the system to correct the problems. As of January 2007, the Division had reprocessed all 2006 and 2007 manually paid claims and reconciled the reprocessed claims to the manual payments. It also established estimated receivables from providers for overpayments. The Division is continuing to investigate and resolve differences with providers, and as these differences are resolved, the estimated receivable has been adjusted accordingly. However, the Division's records did not permit the auditors to apply auditing procedures sufficient to determine whether certain medical and long-term care service claims paid during fiscal year 2006 and 2007, totaling \$11.5 million, were accurate. Of the total \$11.5 million, \$5.5 million is reported as aid to individuals expenditures, \$2.7 million of these claims is reported as a reduction in beginning fund balance, and \$3.3 million is reported as due from providers.

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This finding is considered a material weakness over financial reporting.

To help strengthen controls over claims processing, the Division should correct all system deficiencies and perform test procedures to help ensure that the system is accurately processing, recording, paying, and reporting claims. In addition, the Division should continue efforts to account for and recover provider overpayments.

A similar recommendation was provided to the Division in the prior year.

07-15

**The Department of Economic Security's Division of Developmental Disabilities needs to ensure its financial statements are accurate**

The Department of Economic Security and the Division of Developmental Disabilities' management depend on accurate financial information to fulfill their oversight responsibility and report accurate information to the AHCCCS, the public, and other interested parties. To achieve this objective, the Division needs to improve internal control over its general ledger accounting to help ensure that its accounting records and financial reports are accurate and complete. The Division used spreadsheets to account for and accumulate various financial transactions for financial reporting. However, this process was time-consuming and prone to error. For example, auditors noted errors in the compilation process that materially misstated various amounts in the aid to individuals expenditures financial statement note by \$1 to \$3 million. The Division adjusted its financial statements for all significant errors.

This finding is considered a material weakness over financial reporting.

To help ensure that the Division's financial statements are accurate and complete, the Division should implement a system that can account for, accumulate, and accurately report all health plan financial transactions.

A similar recommendation was provided to the Division in the prior year.

07-16

**The Department of Economic Security's Division of Developmental Disabilities should strengthen computer access controls**

System access controls help ensure that only authorized users have access to the Division of Developmental Disabilities' computer systems and sensitive data. These controls are critical in preventing or detecting unauthorized use, damage, loss, or modification of programs and equipment, and misuse of sensitive information. System access controls restrict not only physical access to the Division's systems, but also logical access to those systems. Access to the Division's computer systems should be limited to those individuals authorized to process transactions or maintain a particular system.

The Division did not adequately limit logical access to its computer systems during fiscal year 2007 since it did not establish policies and procedures for computer access until January 2008. Specifically, in many instances, division employees had incompatible capabilities, including the ability to authorize member

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services, modify member information, and authorize payments to providers. Further, auditors noted several generic user accounts that were not assigned to a specific employee and could be used to make unauthorized changes to the systems. Several of these accounts included approval and update privileges. In addition, quality assurance and help desk employees had access to all user passwords.

This finding is considered a material weakness over financial reporting.

To help strengthen system access controls and to help prevent or detect unauthorized use, damage, loss, or modification of programs and equipment, and misuse of sensitive information, the Division should establish the following policies and procedures:

- Limit logical access to the Division's computer systems to authorized users.
- Ensure logical access is compatible with each employee's job responsibilities.
- Eliminate all generic user accounts, and assign each user account to only one individual employee.
- Eliminate access to user passwords for quality assurance and help desk employees.

A similar recommendation was provided to the Division in the prior year.

07-17

**The Department of Economic Security's Division of Developmental Disabilities should strengthen controls over computer program changes**

To help ensure that an information system functions as designed, it is essential that changes to the application software be properly authorized, tested, reviewed, and approved before changes are implemented. However, the Division of Developmental Disabilities did not have a documented and approved process to ensure computer program changes met these objectives until July 2007. Although the Division used an issue-tracking system to record and report the progress of computer program changes, the Division did not retain documentation to support that program changes had been authorized, tested, and reviewed.

This finding is considered a material weakness over financial reporting.

To help ensure that changes to its computer programs meet user needs and objectives, and are adequately developed, thoroughly tested, and properly applied, the Division should monitor and enforce written policies and procedures to ensure that management and users:

- Authorize, review, and approve all program changes to the information system prior to implementation.
- Review and approve the testing methods.



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- Document expected testing results and whether these results were achieved.
- Retain documentation to support that program changes were authorized, tested, and reviewed.

A similar recommendation was provided to the Division in the prior year.

07-18

**The Department of Economic Security's Division of Developmental Disabilities needs to implement previously reported recommendations**

The Division of Developmental Disabilities is responsible for preparing financial statements, maintaining strong internal controls, and complying with its Arizona Long-Term Care System (ALTCS) contract. An appropriately designed internal control system should include appropriate policies and procedures to assess the effects of reported deficiencies, design an appropriate corrective action plan, and ensure that the plan is followed and implemented. However, auditors have provided detailed recommendations to the Division to correct deficiencies in internal controls over financial reporting and instances of noncompliance with the ALTCS contract noted during the 2002 through 2006 audits, and the Division hasn't always assessed the effects of these reported deficiencies and decided to either correct them or concluded that they will not be corrected. Specifically, the Division has not implemented the recommendations for establishing effective internal control policies and procedures over its claims processing system, ensuring that its financial statements are accurate, strengthening computer access and program change controls, and following AHCCCS-approved methods to estimate its accrued long-term care costs as described in recommendations 07-14, 07-15, 07-16, 07-17, and 07-19, respectively.

This finding is considered a material weakness over financial reporting.

To help ensure that the Division fulfills its responsibility to establish and maintain adequate internal controls and comply with the ALTCS contract, the Division should perform risk assessments to determine the effects of reported deficiencies, design an appropriate corrective action plan, and ensure that the plan is followed and implemented.

07-19

**The Department of Economic Security's Division of Developmental Disabilities should follow AHCCCS-approved methods to estimate its accrued long-term care costs**

The Division of Developmental Disabilities' management is responsible for preparing accurate financial statements and complying with AHCCCS accounting and reporting requirements. As part of this objective, management should ensure that its accounting estimates for claims payable and aid to individuals expenditures reported in the financial statements and supplementary schedules are accurate and consistently follow the methods established by AHCCCS. However, the Division has not developed AHCCCS-approved methods to identify and report institutional care and home- and community-based services (HCBS), reported but unpaid claims (RBUC) payable, or estimate acute care incurred but not reported (IBNR) and RBUC claims payable. In addition, the Division should develop a lag schedule for ventilator services based on current patterns and actual payment information to estimate the ventilator

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dependent IBNR claims payable. Furthermore, the lag schedules did not agree to the financial statements and the acute care IBNR and RBUC schedule was not prepared in accordance with the Division's procedures. Finally, the Division did not calculate the RBUCs for the HCBS and institutional care expenditures, and therefore, could not calculate the RBUC days outstanding.

While auditors were able to determine the reasonableness of the estimates and the Division corrected all significant errors, the Division should ensure that amounts reported for claims payable in the Division's financial statements and supplementary schedules are reviewed for accuracy and follow the methods established by AHCCCS. In addition, the Division should develop and document logical estimation techniques for IBNR and RBUC claims payable and have the techniques approved by AHCCCS to ensure consistent application. Further, the Division should periodically evaluate those techniques to help ensure they are current and effective, and are producing accurate results.

A similar recommendation was provided to the Division in the prior year.

07-20

**The Industrial Commission needs to prepare timely financial statements**

The State of Arizona must issue timely financial statements to satisfy the audit requirements imposed by federal laws, state statutes and regulations, grant contracts, and long-term debt covenants. To help ensure that the State's financial statements are prepared and issued in a timely manner, the Department of Administration's General Accounting Office (GAO) has established timelines for the individual state agencies to submit required financial information to it for inclusion in the state-wide financial statements. The Commission's management is responsible for preparing complete and accurate financial statements for the Commission's Special Fund and submitting them to the GAO in a timely manner. However, the Commission did not meet the GAO reporting timelines. The Commission submitted preliminary financial statements to the GAO on October 19, 2007, 21 days late, and its final financial statements on April 14, 2008, approximately 6 months late. The delays resulted from the Commission's not preparing and reviewing supporting schedules and reconciliations in a timely manner, which resulted in delays in reviewing and posting transactions to the general ledger.

To help ensure that financial statements are prepared and issued in a timely manner, the Commission should implement the following procedures:

- Reconcile the financial records and review and post all adjustments to the general ledger within 2 weeks of month-end.
- Allocate the appropriate resources and monitor and enforce completion dates for compiling, preparing, and reviewing the financial statements and supporting schedules.
- Provide the GAO and auditors with complete and accurate financial statements, including notes and supporting schedules, by the established deadlines.

A similar recommendation was provided to the Commission in the prior 2 years.

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07-21

**The Industrial Commission should develop written policies and procedures for computer operations**

Written policies and procedures provide the basic framework needed for establishing employee accountability. They serve as a reference tool for employees seeking guidance on how to handle complex or infrequent transactions and situations. Additionally, they offer guidance for controlling daily operations. Reliance on appropriate written policies and procedures can enhance both accountability and consistency, and safeguard assets and data. However, the Commission had not established detailed written policies and procedures over its computer operations.

The Commission should develop and implement written policies and procedures that address the following:

- Computer operations—There should be procedures for daily operations and physical security of the PACE computer system to help ensure that operators use the correct data, computer programs, and other resources when processing daily activity. These would help safeguard computer equipment and data against theft or misuse.
- Program changes—There should be procedures that require proper documentation and approval of program change request forms and test results, and separating responsibilities to ensure that one employee does not make, test, and implement program changes.
- Access control—There should be procedures that address the request, approval, establishment, suspension, and termination of user accounts since this is necessary for system security.

A similar recommendation was provided to the Commission in the prior 2 years.

07-22

**The Industrial Commission should maintain a record of all changes to its computer system**

The Commission uses the PACE computer system to record detailed financial transactions and generate monthly and year-end summary reports to support amounts recorded on the general ledger. Therefore, it is essential that changes to the system and data be documented; however, this wasn't always done. When users made changes to system data, the changes were documented in the system; however, if the database administrator made changes to the system database, the changes would not be documented in the system. As a result, unauthorized changes could be made to the system or data without detection.

The Commission should maintain a record of all system changes on the PACE system to help monitor changes and ensure they have been properly authorized.

A similar recommendation was provided to the Commission in the prior year.

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07-23

**The Department of Revenue should accurately record and report taxpayer receivables**

The Department of Revenue is responsible for recording and collecting outstanding receivable balances from taxpayers as well as reporting those balances at June 30 for inclusion in the State's financial statements. Therefore, it is essential that the Department's accounting records for taxpayer receivables are complete and accurate. However, the Department did not fully accomplish this objective since these receivables were understated by approximately \$39.5 million at June 30, 2007. These receivable balances were misstated for several reasons. Specifically, for corporate income tax information manually converted from the old systems to the new system, the Department did not always convert tax returns and corresponding tax payments at the same time resulting in errors. In addition, the Department's system has numerous checks in place to identify transactions that required further review and evaluation. However, the Department did not investigate these transactions in a timely manner to make the appropriate corrections. Further, the system incorrectly reported some taxpayer transactions, which resulted in errors to the receivable balances that the Department did not detect. The State's financial statements were adjusted for all significant errors.

These deficiencies are considered a material weakness over financial reporting.

To help ensure that taxpayer receivables are accurately recorded and reported, the Department should establish the following controls:

- Implement procedures for ensuring that all information manually converted to the new tax system is complete, accurate, and timely.
- Examine and resolve transactions identified for review in a timely manner to prevent the misstatement of taxpayer accounts as well as the State's financial statements. In addition, because of the high volume of review items, the Department should evaluate the propriety of those transactions, investigate the reasons for the high volume of items, and make the necessary changes to the system to prevent an unmanageable backlog of review items on the system.
- Review detailed taxpayer accounts receivable reports, including protested audit, credit audit, and uncollectible detail reports, for accuracy. Ensure amounts presented on the receivable reports are supported by detailed taxpayer records and documentation. Any necessary adjustments should be recorded on the system in a timely manner.
- Identify system limitations and work with information technology personnel to resolve all issues.

A similar recommendation was provided to the Department in the prior year.

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07-24

**The Department of Revenue should establish effective controls over tobacco taxes**

The Department of Revenue is responsible for licensing tobacco distributors and collecting, distributing, and reporting tobacco tax revenues. The Department collected more than \$358 million in tobacco taxes during fiscal year 2007. Therefore, it is critical that the Department maintain effective internal controls over tobacco taxes to help ensure that all taxes due to the state are collected, properly distributed, and accurately reported. However, the Department did not have adequate procedures over tobacco taxes. For example, all tobacco tax records, including deposits, disbursements, and financial reports, were maintained electronically, but access to these records was not restricted to essential employees. In addition, receipts, distributions, and billings were processed and calculated manually; however, these calculations were not independently reviewed for accuracy and completeness. Further, while the Department had procedures in place during the year for recording and collecting tobacco and use taxes owed to the Department from tobacco internet sales, it needs to ensure that the monies collected are also distributed.

These deficiencies are considered a material weakness over financial reporting.

To help ensure that all tobacco taxes are collected, property distributed, and accurately reported, the Department should establish and implement the following procedures:

- Develop a secure process to completely and accurately record tobacco taxes and store taxpayer returns and payment information. This process should include reporting and reconciling functions. All information and functions should be restricted to essential employees.
- Require an independent employee to review and approve any manual calculations used to report or distribute tobacco taxes.
- Label tax returns sequentially upon receipt to control the population, identify missing returns, and ensure all transactions are reported.
- Reconcile all tobacco tax collections to the AFIS at least monthly. Investigate all reconciling items and make all necessary corrections.
- Improve existing procedures for recording, collecting, and distributing tobacco and use taxes from tobacco internet sales.

07-25

**The Department of Revenue's computer access controls should be strengthened**

System access controls help ensure that only authorized users have access to the Department of Revenue's computer systems. These controls are critical in protecting sensitive information, and preventing and detecting unauthorized use, damage, loss, or modification of programs and equipment. System access controls restrict not only physical access to the Department's systems, but also logical

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access to these systems. Logical access includes rights granted to end users who are responsible for processing transactions on a system, as well as database administrators who have unlimited access and are responsible for maintaining a particular system. The Department has policies and procedures to control both types of access, including the use of unique user identifications for their database administrators. However, the Department did not maintain a log and periodically monitor the activities performed by its database administrators. In addition, auditors noted instances of noncompliance with its guidelines to control access. For example, access rights were not modified when an employee transferred to a new position, nor were access rights always terminated when temporary employees left the Department. Further, access to the on-site computer room was not restricted to only essential employees.

The Department should develop and implement policies and procedures to record changes the database administrators make to its systems. Specifically, the Department should create and periodically review a log of those transactions added, updated, and deleted by the database administrators to help ensure its administrators' actions are in accordance with department policies and procedures. Additionally, the Department should ensure compliance with its existing policies and procedures over physical and logical system access to help prevent and detect unauthorized use, damage, loss, or modification of programs and equipment, and misuse of sensitive information. At a minimum, the Department should monitor compliance with the following policies and procedures:

- Modify user access rights immediately after employees transfer from one position to another. Eliminate access to all computer systems promptly when an employee leaves the Department and maintain proper documentation to ensure accounts are terminated in a timely manner.
- Require all employees to review policies and procedures over computer use, confidentiality, and software use on an annual basis. Obtain their signatures to document that they have read the policies and procedures and agreed to follow them. Retain copies of all applicable forms in the employees' personnel files.
- Restrict physical access to the computer room to only those employees who need access to perform their job responsibilities.

A similar recommendation was provided to the Department in the prior year.

07-26

**The Department of Revenue needs to ensure the completeness of electronic data transfers**

Individual income taxpayers have the option of filing their tax returns and payments electronically through a process known as e-file. Business taxpayers may submit returns and payments of sales taxes and income tax withholdings through the Department of Revenue's AZTaxes Web site. Corporate income taxpayers may also utilize the Department's Web site to remit payments. All electronic return and payment information is received, stored, and processed through a series of servers prior to being recorded onto the Department's tax system. However, the Department did not have adequate procedures to ensure the completeness of electronic transactions transferred to the Department's tax system. Failure to reconcile the total number of electronic transactions recorded on the Department's system could result in missing transactions and inaccurate taxpayer accounts.

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To help ensure that all electronic data transfers are complete, the Department should develop and implement policies and procedures to ensure that all transactions received and stored on a server are reconciled to the transactions recorded on the Department's tax system. The reconciliation should be reviewed and approved by a supervisor, and all differences should be investigated and resolved.

A similar recommendation was provided to the Department in prior year.

07-27

**The Department of Revenue should reconcile income tax receipts to income tax revenues recorded on the AFIS**

The Department's management and state officials depend on accurate financial information so they can fulfill their oversight responsibility, report accurate information to the public, and ensure that accurate information is reported in the State's financial statements. Reconciling tax receipts recorded on its tax system to the AFIS, the source of the State's financial statements, allows the Department to resolve any timing differences and detect errors in a timely manner. However, the Department did not prepare reconciliations for individual income tax revenues. Additionally, while the Department began to perform monthly reconciliations for withholding and corporate income receipts for the last 10 months of the fiscal year, the Department could not resolve all differences identified.

To help ensure that accurate and complete information is recorded in the AFIS and reported in the State's financial statements, the Department should reconcile income tax collections recorded on its system to amounts recorded on the AFIS at least monthly. The Department should promptly investigate all reconciling items and make all necessary corrections.

A similar recommendation was provided to the Department in prior year.

07-28

**The Department of Revenue should bill taxpayers in a timely manner for amounts due**

The Department of Revenue bills taxpayers for underpayments and notifies taxpayers of delinquent filings of required tax returns. To help maximize tax collections, it is essential for the Department to send out tax bills and notify taxpayers of delinquent filings in a timely manner. However, because of data conversion and processing errors encountered while implementing a new tax system in prior fiscal years, the Department delayed billings to prevent erroneous statements from being sent to taxpayers. This resulted in a substantial backlog of unbilled taxpayer accounts. Although the Department has reduced the backlog of unbilled accounts since the initial implementation, it had more than 8,000 sales, withholding, and corporate income tax accounts, totaling approximately \$31.3 million in receivables, that had not been billed as of June 30, 2007. Further, the Department did not have policies and procedures to produce system-generated notices to inform individual and corporate income taxpayers of delinquent returns throughout the fiscal year.

To help improve collection of tax revenues owed to the State, the Department should generate billing statements for all delinquent taxpayer accounts in a timely manner. In addition, the Department should develop and implement policies and procedures to notify individual and corporate income taxpayers of missing returns for taxpayers who have submitted payments but failed to file corresponding returns.

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A similar recommendation was provided to the Department in the prior year.

07-29

**The Department of Revenue should continue to establish effective controls over its contracted services**

The Department of Revenue contracted with vendors to perform certain tax processing services. These contracted services included printing and mailing tax refund checks and allowing taxpayers to make transaction privilege tax and other tax payments electronically. Therefore, it is critical that the Department requires these vendors to have an effective system of internal control in place to ensure that tax refund checks are properly issued and that taxes collected are recorded accurately and deposited. In addition, the Department used vendors to perform data entry services of taxpayer returns. Because tax returns contain confidential data, it is critical this information is securely maintained at all times. While the Department has taken steps to evaluate the controls over its contracted services by obtaining and reviewing the audit reports for one of its vendors, it did not ensure that each vendor had an effective system of internal control during the fiscal year. Further, the Department did not implement procedures to ensure the data entry vendors had the appropriate security measures in place to secure taxpayer information.

To help ensure contracted services are adequately monitored and that confidential taxpayer information is protected, the Department should continue to establish and follow these policies and procedures:

- Verify that vendors have effective internal control systems by annually reviewing the audit reports of each vendor's internal control system, or by performing procedures to determine internal controls are sufficient to properly issue tax refund checks on an annual basis.
- Establish policies and procedures to document the receipt and review of the audit reports of its vendors. These procedures should include an analysis of the opinion provided within the report and a request for a corrective action plan if deficiencies are noted. In addition, the Department should establish and follow the procedures listed for users in the audit reports and document compliance with those procedures.
- Establish and follow policies and procedures to ensure data entry vendors have effective internal controls in place to securely process and protect sensitive taxpayer data. In addition, the Department's information technology personnel should verify that data entry vendors have appropriate and effective security measures in place, are in compliance with the data protection contract provisions, and that all vendor security updates are kept current.

A similar recommendation was provided to the Department in the prior year.

07-30

**The Department of Revenue should improve controls over retention of tax returns and other documents**

Throughout the year, taxpayers submit tax returns and payments to the Department of Revenue for various taxes, including sales and income taxes. These returns are entered onto the Department's tax systems in batches as they are received. The original tax returns are filed, but are often used by department personnel for review and further processing when necessary. Because the original tax returns support the



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accuracy of tax amounts reported by taxpayers, it is vital that the Department retains such information. However, the Department could not always locate original taxpayer returns. In addition, as it did not have procedures to identify gaps within batch or document sequences, it could not easily determine if returns were missing or if the sequential item was voided and did not correspond to a tax return.

Similarly, as deposit documents are used to help ensure that all receipts are properly deposited and recorded, it is critical that all supporting deposit documents are also maintained. However, the Department could not locate supporting deposit documents for some nontaxpayer receipts.

To help ensure that supporting documentation is properly maintained, the Department should:

- Physically limit access to areas where original tax documents and supporting deposit documents are stored to a minimum number of employees who are responsible for the custody of such documents.
- Enforce policies and procedures that require employees to formally check out and check in all original tax documents. At least monthly, review all tax documents that are checked out and investigate any documents that have been checked out for an extended period of time.
- Implement policies and procedures to identify voided batch or document sequences.

A similar recommendation was provided to the Department in the prior year.

07-31

**The Department of Revenue needs better data security management and increased security awareness**

The Department of Revenue maintains large volumes of confidential and sensitive taxpayer data that, if not adequately protected, could potentially be subject to loss or improper disclosure. While the Department educates its employees and third-party contractors on its policies for handling confidential and sensitive information, it lacked a general comprehensive security program that addressed the overall management of data security and increased security awareness entity-wide, and did not provide security training to its employees and third-party contractors. As a result of this weakness, auditors noted several instances for which confidential and sensitive taxpayer information was not adequately protected. Because publicizing the details of these findings would further compromise the security of the information, auditors believed public disclosure was not in the State's best interest and have instead communicated this information to the Department's Director in a confidential letter.

To help ensure confidential and sensitive taxpayer data is adequately protected and to prevent subjecting confidential and sensitive information to potential loss or disclosure, the Department should establish an entity-wide comprehensive security program addressing the overall management of data security and security awareness. This program should address all aspects of security and include a framework that provides for a continuous cycle of assessing risk, developing and implementing effective security controls, and monitoring the effectiveness of those controls. In addition, the program should provide on-going education of security awareness and practices to the Department's employees and third-party contractors. Further, the Department's current security environment and access controls should be strengthened.

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07-32

**Northern Arizona University should improve access controls over its financial reporting computer system**

System access controls help ensure that only authorized users have access to read, create, or modify data in the Northern Arizona University's computer systems. These controls are critical in preventing or detecting unauthorized use, damage, loss, or modification of programs, and misuse of confidential or sensitive information. However, the University did not adequately limit access to its financial reporting system. Specifically, one individual in the comptroller's office has the ability to assign system user rights, including approval rights, and can process financial transactions such as purchase requisitions, purchase orders, journal entries, travel claims, and check disbursements. In addition, the individual's access to the system is not monitored or controlled. Further, approximately 140 office specialists have the ability to initiate a purchase, receive and enter the purchase into the system, and approve the purchase for payment for amounts under \$5,000. As a result, inappropriate or incorrectly classified purchases may not be detected.

To help strengthen controls over its financial reporting computer system, the University should develop and implement written policies and procedures for managing user access rights, including the following:

- Segregate the functions of assigning user access rights and processing daily financial transactions.
- Maintain appropriate system access rights for each employee that are compatible with the employee's job responsibilities.
- Segregate functions of initiating a purchase, receiving and entering the purchase into the system, and approving the purchase for payment.

07-33

**The University of Arizona should improve access controls over its main computer systems**

The University of Arizona processes and stores sensitive student, financial, and personnel data on its main computer systems, which include its student financial aid system (Matrix), the Student Information System (SIS), the Personnel Services Operating System (PSOS), and the Financial Records System (FRS). Therefore, the University should ensure that the access granted to users of these systems is appropriate and limit physical access to IT equipment and stored data. This would help prevent or detect unauthorized use, damage, loss, or modification of programs and equipment, and misuse of sensitive information. However, the University's controls were not always sufficient for preventing and detecting unauthorized access.

Specifically, the University had not established policies and procedures to periodically review whether access levels granted to users of its systems remained appropriate. Also, the University had not established policies and procedures to ensure that it periodically conducted comprehensive reviews of its standard access templates and roles that are used to assign access levels, such as whether a user can add, modify, or delete specific data. Finally, the University had not established standardized policies and procedures for employees to use when they review and approve user access requests and establish access. As a result, auditors found instances where the University inappropriately granted users access to modify and delete sensitive data in Matrix and SIS, and the University could not provide documentation demonstrating who requested and approved access for those two systems.

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The following table summarizes the deficiencies over user access controls by system:

Computer System	No university-wide policies and procedures to periodically conduct a comprehensive review of access	No standardized university-wide policies and procedures for employees who review and approve access requests	Inappropriate access granted to users	Insufficient access authorization documentation
Matrix	X	X	X	X
SIS	X	X	X	X
PSOS	X	X		
FRS	X	X		

In addition, the University had not established control procedures that limit and monitor physical access to its central computing Data Center. As a result, auditors noted that at least nine unauthorized employees, including four former employees, had access to the central computing Data Center.

The University should strengthen its policies and procedures over system access to help prevent or detect unauthorized use, damage, loss, or modification of programs and equipment and misuse of sensitive information. Only authorized users should have logical or physical access to the University's computer systems, and access should be limited to essential employees only. While the University currently has certain controls in place over electronic and physical access, implementing the following procedures will significantly strengthen controls:

- Develop university-wide policies and procedures to periodically review users who have access to critical data and to review the standard access templates and roles to help ensure that users' access is appropriate.
- Conduct a comprehensive review of existing users' access and the standard access templates and roles.
- Standardize university-wide policies and procedures that clearly define the responsibilities of employees who are responsible for reviewing, approving, and establishing access, and provide initial and ongoing training to help ensure that the access control procedures are followed.
- Develop access-request, modification, and deletion forms for Matrix. For system access and access change requests, the forms should provide information needed to determine the nature and extent of the user's access, including user's name, title, and department, and access approval from an authorized department employee.
- Improve procedures for removing or modifying access rights of users when they terminate employment or transfer departments.
- Establish policies and procedures to review and monitor physical access to the central computing Data Center.

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**University—Affiliated Component Unit Findings**

The other auditors who audited the Arizona State University Foundation; Arizona Capital Facilities Finance Corporation (ACFFC), including several subsidiaries [Energy Management Services (Main) LLC, McAllister Academic Village LLC, Nanotechnology Research LLC, and Sun Devil Energy Center LLC]; Northern Arizona University Foundation, Inc. (NAUF); and Campus Research Corporation, reported the following findings that were considered to be significant deficiencies or material weaknesses for the State of Arizona's aggregate discretely presented component units:

**Financial Statement Preparation**

Findings 07-34 through 07-38 for the State's university-affiliated component units regarding financial statement preparation were combined because they were similar in nature and, when combined, were considered a material weakness in internal control over financial reporting:

07-34

Arizona Capital Facilities Finance Corporation's subsidiaries:

Energy Management Services (Main) LLC

McAllister Academic Village LLC

Nanotechnology Research LLC

Sun Devil Energy Center LLC

**Financial statement preparation—operating effectiveness**

The Committee of Sponsoring Organizations (COSO) framework for effective internal control over financial reporting states that control activities should be selected and developed to mitigate risks to the achievement of financial reporting objectives, which would include appropriate disclosures required by generally accepted accounting principles (GAAP). Management, including the accounting staff, does not have sufficient knowledge of current GAAP in order to determine the completeness of financial statement information and disclosures. As a result of this operating deficiency, material disclosure and classification misstatements could not be prevented or detected prior to our audit.

*Management response:* The response of ACFFC to the auditors' findings and recommendations in conjunction with the audit of Arizona State University for the year ended June 30, 2007, is as follows: This response was prepared subsequent to the ACFFC audit and has been shared with the ACFFC auditors. This response is for the Auditor General's findings 07-34, 07-35, 07-41, and 07-42.

The Arizona Capital Facilities Finance Corporation (ACFFC) uses a contract accountant to perform certain accounting duties including monthly bookkeeping, preparation of year-end entries, and preparation of the annual financial statements for certain ACFFC subsidiaries. At the ACFFC's September 2007 board meeting, prior to the issuance of the Auditors' findings, a decision was made to consider options to improve the accounting for ACFFC.

At the ACFFC's December 2007 board meeting, a decision was made to appoint a new contract accountant who is a licensed Arizona CPA to take over the duties of the former contract accountant.

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Further, the current ACFFC Board President, who is an Arizona-licensed CPA and experienced in financial statement reporting, will assume increased oversight responsibilities for the ongoing accounting and financial reporting of ACFFC, and will work closely with the new contract accountant.

07-35

Arizona Capital Facilities Finance Corporation's subsidiary:  
McAllister Academic Village LLC

**Inadequate design and operation of accounting process**

Inadequate design and operation of internal controls over the entire accounting/bookkeeping process was identified. This inadequacy occurs not only when there is only one individual responsible for the entire accounting process of the entity, but when the necessary accounting for the entity is beyond the overall capabilities of the employee. This deficiency is also a result of lack of internal communication between the employee, internal management, and third party management. The overall result is a failure to provide complete, accurate, and timely accounting information for the entity.

*Management response:* The response of ACFFC to the auditors' findings and recommendations in conjunction with the audit of Arizona State University for the year ended June 30, 2007, is as follows: This response was prepared subsequent to the ACFFC audit and has been shared with the ACFFC auditors. This response is for the Auditor General's findings 07-34, 07-35, 07-41, and 07-42.

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At the ACFFC's December 2007 board meeting, a decision was made to appoint a new contract accountant who is a licensed Arizona CPA to take over the duties of the former contract accountant. Further, the current ACFFC Board President, who is an Arizona-licensed CPA and experienced in financial statement reporting, will assume increased oversight responsibilities for the ongoing accounting and financial reporting of ACFFC, and will work closely with the new contract accountant.

07-36

Northern Arizona University Foundation, Inc.

**Financial Expertise**

The Foundation does not have adequate expertise over certain non-profit requirements of Generally Accepted Accounting Principles. Compounding this issue, the board of directors (or designated committee) does not receive regular financial statements for the Foundation as a whole on a regular basis in order to provide adequate oversight of the financial reporting process. To address these issues, we recommend the Foundation accounting staff invest time in conferences and seminars to gain knowledge in accounting issues specific to the Foundation. Also, we recommend reviewing the regular financial reporting process to determine if changes should be made so that the board of directors (or designated committee) can provide proper oversight.

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*Foundation management response:* NAUF will follow the auditor's recommendation of additional training. The Council for Advancement and Support of Education Conference for Institutionally Related Foundations, April 2008, will be attended by the Foundation Director of Finance and Administration and the Foundation Controller. Research will be done to identify additional training opportunities for the NAUF staff, as well as subscriptions that may be obtained for pertinent and relevant periodicals that would allow NAUF staff to be knowledgeable regarding current events/issues. Additionally, NAUF staff will provide the NAUF Board of Directors with quarterly financial reports for review and comment.

07-37

Campus Research Corporation  
**Financial Statement Preparation**

Under recently issued U.S. auditing standards, a company is expected to perform all necessary accounting functions through and including preparation of their financial statements in accordance with U.S. generally accepted accounting principles. Management has determined that it is more effective from a cost/benefit standpoint to outsource the preparation of the financial statements and related footnotes to their auditor instead of internalizing these capabilities. Since the Organization has not internalized these functions, they are considered significant deficiencies in internal control.

*Management response:* none reported

07-38

Northern Arizona University Foundation, Inc.  
**Year-End Preparation of Financial Statements**

The Foundation maintains their books on a cash basis of accounting. Adjustments are then posted at the end of the fiscal year to bring the books to an accrual basis of accounting. However, there are not adequate controls in place to ensure that all required entries are made to properly present the financial statements. We recommend establishing policies and procedures for the year-end financial reporting process. Careful consideration should be given to the controls that should be implemented to ensure these year-end procedures are being performed accurately (e.g., reviews by individuals separate from the individuals preparing the adjustments, etc.).

*Foundation management response:* With the Controller position filled, NAUF will implement the auditors' suggestion of having a person independent of those making the accrual adjustment review the accrual for accuracy and appropriateness. In addition, NAUF will prepare a procedures document noting the standard adjusting entries to be made at year-end.

**Other University-Affiliated Component Unit Findings**

The following findings for the Arizona State University Foundation and Arizona Capital Facilities Finance Corporation were included since the financial activity of these university-affiliated component units was material to the State of Arizona. Finding 07-39 was considered a material weakness, and findings 07-40 through 07-42 were considered significant deficiencies in internal control over financial reporting.

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07-39

Arizona State University Foundation

**Restatement due to prior year errors in the classification of net assets**

As identified and corrected by Foundation management, the Foundation's 2006 financial statements required restatement because of errors in the classification of net assets. In accordance with Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*, a statement of activities shall report gains and losses recognized on investments and other assets (or liabilities) as increases or decreases in unrestricted net assets unless their use is temporarily or permanently restricted by explicit donor stipulations or law. In the years prior to June 30, 2007, investment gains and losses in excess of the amounts made available for temporarily restricted spending were improperly classified as permanently restricted net assets. These amounts should have been classified as temporarily restricted net assets in accordance with the donor intentions. The effect of the restatement was to increase temporarily restricted net assets and decrease permanently restricted net assets by approximately \$35,200,000. This restatement had no effect on the change in net assets for the year ended June 30, 2006.

We recommend that the Foundation review and revise, as necessary, its policies for classifying market gains and losses recognized on investments in order to prevent future misclassifications.

*Management response:* The material weakness mentioned above describes a prior period adjustment proposed by Foundation management to correct an error in the classification of net assets. Foundation management disagrees with the auditor's conclusion that this adjustment evidences a material weakness as of June 30, 2007.

The issue involves the decision of management during fiscal year 2007 to reclassify earnings on permanently restricted funds as temporarily restricted, rather than as permanently restricted. Prior to fiscal year 2007, the Foundation's endowment agreements described how to manage the payout from the fund to spending accounts and were silent about restrictions on the earnings. During the current fiscal year, new management revised this classification and determined that, since the agreements were silent on the subject, the earnings should be treated according to current statutory regulations and generally accepted accounting principles. During the current fiscal year, Foundation management revised the endowment agreements to specifically address the restriction class of the donations and earnings. Management prepared and proposed a prior period adjustment to rectify this situation, which was agreed to by the external auditors.

The Statement of Auditing Standards No. 112, *Communicating Internal Control Related Matters Identified in an Audit*, that was issued in May 2006 states that a control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. It further states that a strong indicator of material weakness in internal control is a restatement of previously issued financial statements to reflect the correction of a material misstatement. Our external audit firm's policy interprets this to mean that all prior period adjustments are material weaknesses in internal control.

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It is management's observation that, during 2007, new management reviewed and reinterpreted the language in the endowment agreements. Based on this review, management identified the situation that led to the adjustment, prepared a prior period adjustment, and proposed this adjustment to the external auditors. Based on these facts, management believes that sufficient controls existed during 2007, and that these controls allowed current management to detect this situation in a timely manner. Management also revised the language in the endowment agreements during 2007 to clarify the accounting treatment and prevent this situation in the future.

Management believes that, if a material weakness exists, management must have some way to remediate this deficiency. Given that, during 2007, current management detected the situation and revised the language in the endowment agreements to prevent this situation from occurring in the future, any control deficiency that existed in prior years was effectively remediated during 2007. Therefore, management respectfully disagrees with the assertion that a material weakness existed as of June 30, 2007.

07-40

Arizona State University Foundation  
**Year-end audit adjustments**

Based on the nature of the year-end adjustments, the Foundation's interim combined financial statements did not include all of the necessary adjustments to provide combined financial statements comparable to the audited combined financial statements distributed to outside users. Specifically, the interim combined financial statements did not recognize certain contributions in accordance with Statement of Financial Accounting Standards (SFAS) No. 116, *Accounting for Contributions Received and Contributions Made*. Additionally, the discount rate used by management to calculate the present value on long-term pledges receivable should be determined at the time the unconditional promise to give is initially recognized and should not be revised subsequently. The effect of these year-end audit adjustments was to increase contribution revenue by \$3,100,000, increase pledges receivable by \$10,200,000, increase the present value discount on long-term pledges receivables by \$7,700,000 and decrease accounts payable by \$600,000. In order for decision makers and other users of the combined financial statements to make informed decisions regarding the Foundation, its financial position and its changes in net assets, the Foundation's interim combined financial statements should be prepared on a consistent basis with the year-end audited combined financial statements.

We recommend that the Foundation review the content of the audit adjustments made to the year-end combined financial statements and develop appropriate policies and procedures to ensure that these items are appropriately considered in the monthly closing process.

*Management response:* The significant deficiency described by the auditors above relates to the recording of gifts and the calculation of the discount on future pledge payments. In a prior year, the Foundation received two pledges: a conditional pledge from a private foundation of \$20 million, due when the condition was met, and a pledge of \$10 million, due after the condition was met and at the death of the donor. During 2007, the private foundation removed the condition on the \$20 million pledge and provided a new payment schedule for the payment of these funds. While the \$20 million pledge was accurately recorded on the Foundation's books, the second pledge of \$10 million was not recorded properly at



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June 30, 2007. The \$10 million dollar pledge also became recordable when the condition was removed and has an expected payment date according to actuarial tables of more than 10 years from now. Recording this second pledge significantly altered the pledge discount value.

In addition to the above pledge recording, another item impacted the calculation of the pledge discount. The rates used in prior years to calculate the present value of the expected cash flow streams for pledges were estimated using rates that management at that time determined to be reasonable estimates of the risk-free rate at the time of the gift. During this year, management determined that the applicable federal rate (AFR) was a more easily documented estimate of the risk-free rate and management applied the AFR to pledges received in prior years as well as to new pledges received in the current year. The accounting standards state that the discount rate determined at the time of the initial pledge should not be revised in subsequent years. Although both rates are reasonable estimates of the risk-free rate, management concurs that the application of the AFR to prior years' calculations is not supported by generally accepted accounting principles. The revision of these rates and recalculation resulted in an additional adjustment to the discount value.

07-41

Arizona Capital Facilities Finance Corporation's subsidiary:  
Nanotechnology Research LLC

**Financial statement misstatement**

The following adjustment was not prevented or detected by internal controls:

Lease receivable and unearned revenue should have been adjusted to their actual amounts at June 30, 2007. The net investment in direct financing lease is stated at the sum of the minimum lease payments less unearned revenues. The minimum lease payments are based on a variable interest rate determined on a weekly basis. The lease receivable and unearned revenue should have been reevaluated at year-end based on the current rates of 3.73 percent for tax exempt bonds and 5.35 percent for the taxable bonds.

*Management response:* The response of ACFFC to the auditors' findings and recommendations in conjunction with the audit of Arizona State University for the year ended June 30, 2007 is as follows: This response was prepared subsequent to the ACFFC audit and has been shared with the ACFFC auditors. This response is for the Auditor General's findings 07-34, 07-35, 07-41, and 07-42.

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07-42

Arizona Capital Facilities Finance Corporation's subsidiary:  
Sun Devil Energy Center LLC

**Financial statement misstatement**

The following adjustment was not prevented or detected by internal controls:

Derivative instruments are valued at fair value. The entity posted an adjusting entry at year-end to reflect the swap instrument at fair value. The entity used a specialist, the PFM Group in Philadelphia, PA, to perform the year-end valuations of the swap agreements. The report provided by the specialist included a valuation for an ASU swap unrelated to the entity. The adjustment posted by the entity at year-end included the fair value of the ASU swap. The controls over financial reporting did not detect a misstatement caused by this error.

*Management response:* The response of ACFFC to the auditors' findings and recommendations in conjunction with the audit of Arizona State University for the year ended June 30, 2007, is as follows: This response was prepared subsequent to the ACFFC audit and has been shared with the ACFFC auditors. This response is for the Auditor General's findings 07-34, 07-35, 07-41, and 07-42.

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Federal Award Findings and Questioned Costs

07-101

**Child Nutrition Cluster:**

CFDA No.: 10.553 School Breakfast Program, # 7AZ300AZ3

10.555 National School Lunch Program, #7AZ300AZ3

10.556 Special Milk Program for Children, #7AZ300AZ3

10.559 Summer Food Service Program for Children, # 7AZ300AZ3

CFDA No.: 10.557 Special Supplemental Nutrition Program for Women, Infants, and Children, #s WICRB04, WICRB05, WICRB06, WICRB07, 2004IW100347, 2005IW100347, 2006IW100347, 2007IW100347, 2005IW500347, 2006IW500347, 2005IW101147, 2006IW101147, 2005IW100647, 2006IW100647, and 2007IW100647

10.558 Child and Adult Care Food Program, # 7AZ300AZ3

**U.S. Department of Agriculture**

Award Period: October 1, 2005 through September 30, 2006

October 1, 2006 through September 30, 2007

CFDA No.: 84.010 Title I Grants to Local Educational Agencies, #s S010A040003, S010A050003, and S010A060003

84.011 Migrant Education—State Grant Program, #s S011A040003, S011A050003, and S011A060003

**Special Education Cluster (IDEA):**

CFDA No.: 84.027 Special Education—Grants to States, #s H027A040007, H027A050007, and H027A060007

84.173 Special Education—Preschool Grants, #s H173A0400003, H173A0500003, and H173A0600003

CFDA No.: 84.357 Reading First State Grants, #s S357A040003, S357A050003, and S357A060003

CFDA No.: 84.367 Improving Teacher Quality State Grants, #s S367A040049, S367A050049, and S367A060049

**U.S. Department of Education**

Award Period: July 1, 2004 through September 30, 2006

July 1, 2005 through September 30, 2007

July 1, 2006 through September 30, 2008

CFDA No.: 93.283 Centers for Disease Control and Prevention—Investigations and Technical Assistance, #s U50/CCU522441-03, U50/CCU916807-04, U50/CCU919223-03, U50/CCU923306-01, U50/CCU923306-02, U50/CCU923306-03, U50/CCU923306-04, U50/CCU923658-01, U50/CCU923658-02, U50/CCU923658-03, U55/CCU921934-02, U55/CCU921934-03, U55/CCU921934-04, U55/CCU921934-05, U58/CCU922904-01, U58/CCU922904-02, U58/CCU922904-03, U58/CCU922904-04, U58/CCU923340-01, U58/CCU923340-02, U58/CCU923340-03, U58/CCU923340-04, U59/CCU623401, U90/CCU916987-04, U90/CCU916987-05, U90/CCU916987-06, U90/CCU916987-07, UR3/CCU920041-03, and UR3/CCU920041-04

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**U.S. Department of Health and Human Services**

Award Period: July 1, 2006 through September 30, 2008

CFDA No.: 97.008 **Urban Areas Security Initiative, #s 2003-EU-T3-0001 and 2004-TU-T4-0017**

**U.S. Department of Homeland Security**

Award Period: July 1, 2003 through December 31, 2006

December 1, 2003 through May 31, 2007

**Homeland Security Grant Program Cluster:**

CFDA No.: 16.007 **State Domestic Preparedness Equipment Support Program, #s 2003-TE-TX-0196 and 2003-MU-T3-0034**

**U.S. Department of Justice**

CFDA No.: 97.004 **State Domestic Preparedness Equipment Support Program, # 2004-GE-T4-0051**

97.067 **Homeland Security Grant Program, # 2005-GE-T5-0030**

**U.S. Department of Homeland Security**

Award Period: April 1, 2003 through July 31, 2006

May 1, 2003 through August 31, 2006

December 1, 2003 through May 31, 2007

October 1, 2004 through March 31, 2008

Allowable Costs/Cost Principles

Questioned Cost: \$411,081

The State of Arizona did not comply with the allowable costs/cost principles requirements with respect to noncontracted general agency counsel service costs provided by the Attorney General's Office that were charged to federal programs administered by various state agencies. A.R.S. §41-191.09 created the Attorney General Legal Services Cost Allocation Fund (Fund) for the purpose of reimbursing the Attorney General's Department of Law for general agency counsel services. Beginning on July 1, 2006, all state agency funds, except those specifically exempted by the statute, were required to reimburse the Fund for a pro rata share of costs for general agency counsel services. The statute required that the pro rata share be charged to each fund with payroll expenditures, including federal funds. These charges were not allowable according to OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, Appendix A, paragraphs C.1.b. and 3.a., because the costs were not chargeable to the funds based on the relative benefits received. During fiscal year 2007, these pro rata charges totaled \$411,081. It was not practical to extend our auditing procedures to determine the questioned cost for each federal program affected.

This finding is a significant deficiency in internal control over compliance and noncompliance with the allowable costs/cost principles requirements, and could potentially impact all federal programs administered by the affected state agencies that incurred payroll costs.

To comply with OMB Circular A-87, the State should ensure that general agency counsel services are not charged to federal programs unless treated as direct costs or allocated using an equitable allocation basis, such as each agency's direct hourly usage of counsel services. In addition, the Department of Administration should monitor bills being considered in the Arizona State Legislature to help ensure that unallowable costs to federal programs will not be incurred in the future if the bill is enacted into law.

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07-102

**Child Nutrition Cluster:**

CFDA No.: 10.553 **School Breakfast Program, # 7AZ300AZ3**

10.555 **National School Lunch Program, # 7AZ300AZ3**

10.556 **Special Milk Program for Children, # 7AZ300AZ3**

10.559 **Summer Food Service Program for Children, # 7AZ300AZ3**

**U.S. Department of Agriculture**

Award Period: October 1, 2005 through September 30, 2006

October 1, 2006 through September 30, 2007

Eligibility

Questioned Cost: Unknown

The Department of Education failed to retain the required eligibility documentation in the subrecipient case files to ensure compliance with eligibility requirements for the School Breakfast Program (SBP) and National School Lunch Program (NSLP). Auditors tested 30 subrecipient case files for the SBP and NSLP and noted four instances in which case files did not always have all necessary documents, such as the Civil Rights Pre-award Compliance, State of Arizona Substitute W-9, Certification Regarding Lobbying, and Certification Regarding Debarment forms.

It was not practical to extend our auditing procedures sufficiently to determine questioned costs, if any, that may have resulted from this finding. This finding is a significant deficiency in internal control over compliance and noncompliance with the Cluster's eligibility requirements. This finding is similar to a prior-year finding.

To comply with 7 Code of Federal Regulations (CFR) §210.20(b) and department policies, the Department should properly maintain its subrecipients' case files to ensure they contain the required eligibility documents.

07-103

**Child Nutrition Cluster:**

CFDA No.: 10.553 **School Breakfast Program, # 7AZ300AZ3**

10.555 **National School Lunch Program, # 7AZ300AZ3**

10.556 **Special Milk Program for Children, # 7AZ300AZ3**

10.559 **Summer Food Service Program for Children, # 7AZ300AZ3**

CFDA No.: 10.558 **Child and Adult Care Food Program, # 7AZ300AZ3**

**U.S. Department of Agriculture**

Award Period: October 1, 2005 through September 30, 2006

October 1, 2006 through September 30, 2007

Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Reporting

Questioned Cost: N/A

The Department of Education developed and implemented CNP Web, a Web-based application and claiming system for the Child Nutrition Programs, which are administered by the Department and include the School Breakfast Program, National School Lunch Program, and the Child and Adult Care Food

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Program. The Department's subrecipients, local education agencies (LEAs), submit program applications and counts of meals served through the Internet to the CNP Web system. After department employees approve the online applications, reimbursements to the LEAs are calculated by the system based on the meal count information submitted. Therefore, it is critical that the Department establishes adequate internal controls to ensure the integrity of information processed through the system. Auditors tested information processed by the system for compliance and noted no instances of noncompliance. However, auditors noted deficiencies in procedures over the following areas:

- Account management—Until fiscal year 2008, the Department had not developed policies and procedures to ensure that access and activity privileges granted to department employees were appropriate in relation to their job responsibilities.
- System documentation—The Department is in the process of updating the CNP Web system design documentation; however, this documentation was not complete. Specifically, the Department did not have a master description list that showed the access privileges for each user. Therefore, the Department could only determine the access and activity privileges granted to each system user by analyzing the system source programming. Additionally, while the Department was able to track changes made to the CNP Web system, the Department did not update comprehensive system documentation for program or business rule changes made since the system was placed in operation.
- Data changes—Until fiscal year 2008, the Department had not developed policies and procedures to control changes made by system programmers. As a result, system programmers were able to create, modify, and submit claims and applications and make changes to the database itself without using the system's application software. Furthermore, the Department did not maintain logs to determine department users' access and activities within the system. As such, information submitted by previous users, LEAs, or other department users was not retained and stored in a history file. However, auditors performed an analysis of claims processed through the CNP Web system and determined that claims modified by department employees were very immaterial.

These deficiencies cumulatively constitute a material weakness in internal control over compliance that affects activities allowed or unallowed, allowable costs/cost principles, and reporting requirements for the School Breakfast Program, National School Lunch Program, and the Child and Adult Care Food Program. This finding is similar to a prior-year finding.

The Department should continue to implement the following procedures to properly control information recorded on the CNP Web system:

- Develop written policies and procedures that define access privileges for system users.
- Define and control user access privileges to ensure users have access to only those system applications and functions necessary for them to perform their assigned responsibilities.
- Update system documentation to reflect all program and business rule changes that have been made since the system's implementation. Also, document all future program changes with identifying numbers, program code modifications, test results, and approval and implementation dates.

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- Continue to develop policies and procedures that define standards for system maintenance and processing.
- Notify LEAs of all changes made to data by department employees, subsequent to submission, and require that the LEAs review and approve the changes.
- Control changes made by system programmers to data submitted by LEAs through the application software. Prohibit system programmers from making changes to the LEAs' data without going through the application software.
- Modify the CNP Web application to record in a history file all data entered and changed in the system by department employees to serve as an audit trail.

07-104

CFDA No.: 84.010 Title I Grants to Local Educational Agencies, #s S010A040003, S010A050003, and S010A060003

CFDA No.: 84.011 Migrant Education—State Grant Program, #s S011A040003, S011A050003, and S011A060003

**Special Education Cluster (IDEA):**

CFDA No.: 84.027 Special Education—Grants to States, #s H027A040007, H027A050007, and H027A060007

84.173 Special Education—Preschool Grants, #s H173A040003, H173A050003, and H173A060003

CFDA No.: 84.367 Improving Teacher Quality State Grants, #s S367A040049, S367A050049, and S367A060049

**U.S. Department of Education**

Award Period: July 1, 2004 through September 30, 2006

July 1, 2005 through September 30, 2007

July 1, 2006 through September 30, 2008

Cash Management

Questioned Cost: Unknown

The Department of Education requires that subrecipients request monies for federal grants by submitting monthly cash management reports through its Grants Management Enterprise System. At the end of each award period, the Department requires subrecipients to submit completion reports, which are considered the projects' final cash management reports. Subrecipients that report any cash balances on the completion reports are required to amend the subsequent year's project budgets for any cash balances. However, the Department did not require subrecipients to submit amendments immediately or spend their cash balances in a timely manner. In addition, the Department did not have an edit check in its Grants Management Enterprise System to prohibit disbursing cash to subrecipients when they had cash on hand from a prior year's project. Further, the Department did not have procedures for ensuring that interest earned in excess of \$100 was remitted at least quarterly. As a result, auditors noted several instances in which subrecipients had cash on hand when they submitted their year-end completion reports and were able to draw cash for the fiscal year 2008 project before submitting amendments as follows:

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- For 4 of 42 subrecipients tested for the Title I Grants to Local Educational Agencies program, subrecipients had cash on hand ranging from \$292 to \$793,000.
- For 8 of 59 subrecipients tested for the Special Education Cluster (IDEA), subrecipients had cash on hand ranging from \$105 to \$140,000.
- For 9 of 33 subrecipients tested for the Improving Teacher Quality State Grants program, subrecipients had cash on hand ranging from \$85 to \$250,000.

Also, for 4 of 13 subrecipients tested for the Migrant Education—State Grant Program, subrecipients had cash on hand ranging from \$300 to \$42,000 from the fiscal year 2006 award that was not incorporated into the fiscal year 2007 project budget.

It was not practical to extend our auditing procedures sufficiently to determine questioned costs, if any, that may have resulted from this finding. This finding is a significant deficiency in internal control over compliance and noncompliance with the programs' and Cluster's cash management requirements and could potentially impact other programs that are administered by the Department through the Grants Management Enterprise System. This finding is similar to a prior-year finding.

To help ensure compliance with the U.S. Department of Education's *Uniform Administrative Requirements for Grants and Cooperative Agreements with State and Local Governments*, 34 CFR §80.21, the Department should require subrecipients to amend their subsequent year's budget for completion report cash balances immediately after the completion report has been approved and should place current year projects on hold until their budgets have been amended, or require subrecipients to remit unspent cash balances to the Department. In addition, the Department should ensure that any interest earned on unspent cash balances in excess of \$100 is returned at least quarterly.



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07-105

CFDA No.: 84.010 Title I Grants to Local Educational Agencies, #s S010A040003, S010A050003, and S010A060003

CFDA No.: 84.011 Migrant Education—State Grant Program, #s S011A040003, S011A050003, and S011A060003

CFDA No.: 84.367 Improving Teacher Quality State Grants, #s S367A040049, S367A050049, and S367A060049

**U.S. Department of Education**

Award Period: July 1, 2004 through September 30, 2006

July 1, 2005 through September 30, 2007

July 1, 2006 through September 30, 2008

Special Tests and Provisions

Questioned Cost: N/A

The Department of Education requires that LEAs consult with private schools within their boundaries to provide services to eligible private school children, their teachers, and their families. LEAs must submit a written affirmation signed by the officials of each participating private school consulted. If there are no eligible private schools within the LEA's boundaries, LEAs should also inform the Department of that fact. The Department should consider this information when approving the LEAs' project applications; however, for 5 of 35 LEAs tested, the Department did not obtain the affirmations and approved the LEAs' 2007 project applications anyway.

This finding is a significant deficiency in internal control over compliance and noncompliance with the programs' special tests and provisions requirement.

To help ensure compliance with Section 1120(b)(4) of Public Law 107-110 of the No Child Left Behind Act of 2001, the Department should implement procedures for ensuring that each LEA submits written affirmations for each participating private school consulted or affirms that no eligible private schools are within the LEA's boundaries before the Department approves subsequent year project applications.

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07-106

**Child Nutrition Cluster:**

CFDA No.: 10.553 School Breakfast Program, # 7AZ300AZ3

10.555 National School Lunch Program, # 7AZ300AZ3

10.556 Special Milk Program for Children, # 7AZ300AZ3

10.559 Summer Food Service Program for Children, # 7AZ300AZ3

CFDA No.: 10.558 Child and Adult Care Food Program, # 7AZ300AZ3

**U.S. Department of Agriculture**

Award Period: October 1, 2005 through September 30, 2006

October 1, 2006 through September 30, 2007

CFDA No.: 84.010 Title I Grants to Local Educational Agencies, #s S010A040003, S010A050003, and S010A060003

84.011 Migrant Education—State Grant Program, #s S011A040003, S011A050003, and S011A060003

**Special Education Cluster (IDEA):**

CFDA No.: 84.027 Special Education—Grants to States, #s H027A040007, H027A050007, and H027A060007

84.173 Special Education—Preschool Grants, #s H173A040003, H173A050003, and H173A060003

CFDA No.: 84.357 Reading First State Grants, #s S357A040003, S357A050003, and S357A060003

CFDA No.: 84.367 Improving Teacher Quality State Grants, #s S367A040049, S367A050049, and S367A060049

**U.S Department of Education**

Award Period: July 1, 2004 through September 30, 2005

July 1, 2004 through September 30, 2006

July 1, 2005 through September 30, 2006

July 1, 2005 through September 30, 2007

July 1, 2006 through September 30, 2007

July 1, 2006 through September 30, 2008

Subrecipient Monitoring

Questioned Cost: N/A

The Department of Education did not comply with the subrecipient monitoring requirements contained in 7 CFR §3052.400(d), 34 CFR §80.26, and OMB Circular A-133, §400(d)(4) and (5). In fiscal year 2008, the Department revised its policies and procedures to comply with these requirements; however, auditors noted the following for fiscal year 2007:

- The Department obtained single audit reports from subrecipients that expended at least \$500,000 in federal awards. However, for 10 of 37 subrecipients tested, the report was not issued within 9 months of the subrecipients' fiscal year-end and documentation was not retained to support that the Department tried to ensure audit requirements were met.
- For 4 out of 37 subrecipients tested, the Department did not follow its procedures to ensure that management decisions were issued within 6 months after receipt of subrecipient single audit reports.

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This finding is a material weakness in internal control over compliance and material noncompliance with the programs' and clusters' subrecipient monitoring requirements and could potentially impact other programs administered by the Department. This finding is similar to a prior-year finding.

To help ensure compliance with the subrecipient monitoring requirements outlined in 7 CFR §3052.400(d), 34 CFR §80.26, and OMB Circular A-133, §400(d)(4) and (5), the Department should follow its internal control policies and procedures to ensure that subrecipients that expended at least \$500,000 in federal awards have a single audit within 9 months of their fiscal year-end. In addition, the Department should ensure that it issues management decisions within 6 months after receipt of subrecipients' single audit reports.

07-107

**Special Education Cluster (IDEA):**

CFDA No.: 84.027 Special Education—Grants to States, #s H027A040007, H027A050007, and H027A060007

84.173 Special Education—Preschool Grants, #s H173A040003, H173A050003, and H173A060003

**U.S. Department of Education**

Award Period: July 1, 2004 through September 30, 2006

July 1, 2005 through September 30, 2007

July 1, 2006 through September 30, 2008

Subrecipient Monitoring

Questioned Cost: Unknown

The U.S. Department of Education's *Uniform Administrative Requirements for Grants and Cooperative Agreements with State and Local Governments*, 34 CFR §80.40(a), and OMB Circular A-133, §400(d)(3) requires grantees to monitor the activities of subrecipients to ensure that federal awards are used for authorized purposes in compliance with laws, regulations, and the provisions of contracts or grant agreements. However, the Department of Education did not review subrecipients' accounting records to determine whether federal awards were expended in accordance with program requirements. Instead, the Department relied on subrecipients' cash management reports and initial project budgets to evaluate compliance.

It was not practical to extend our auditing procedures sufficiently to determine questioned costs, if any, that may have resulted from this finding. This finding is a material weakness in internal control over compliance and material noncompliance with the Cluster's subrecipient monitoring requirements. This finding is similar to a prior-year finding.

To help ensure compliance with the U.S. Department of Education's *Uniform Administrative Requirements for Grants and Cooperative Agreements with State and Local Governments*, 34 CFR §80.40(a), and with OMB Circular A-133, §400(d)(3), the Department should continue to follow its recently developed internal control policies and procedures requiring that it reviews subrecipients' accounting records.

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07-108

**Special Education Cluster (IDEA):**

CFDA No.: 84.027 Special Education—Grants to States, #s H027A040007, H027A050007, and H027A060007

84.173 Special Education—Preschool Grants, #s H173A040003, H173A050003, and H173A060003

**U.S. Department of Education**

Award Period: July 1, 2004 through September 30, 2006

July 1, 2005 through September 30, 2007

July 1, 2006 through September 30, 2008

Reporting

Questioned Cost: Unknown

The Department of Education is required to report to the Secretary of the U.S. Department of Education an unduplicated count of children with disabilities who received special education and related services. Annually, the Department prepares census reports of children with disabilities aged 3-21 who received special education and related services within the State using data from its Student Accountability Information System (SAIS). LEAs are required by state statute to submit their student level data to SAIS at least once every 20 school days. In addition, the Department sent verification letters to LEAs requesting unduplicated student counts as of December 1 that were required to be signed, dated, and returned to the Department for comparison and validation of the SAIS data. However, differences between the SAIS data, used by the Department to prepare Part B of the final Report of Children with Disabilities Receiving Special Education, and the LEA verification letters were not investigated and resolved. As a result, the student census data reported by LEAs on their verification letters did not agree to the Department's census data from its SAIS data for 13 of 59 LEAs tested.

It was not practical to extend our auditing procedures sufficiently to determine questioned costs, if any, that may have resulted from this finding. This finding is a material weakness in internal control over compliance and material noncompliance with the Cluster's reporting requirements. This finding is similar to a prior-year finding.

To help ensure compliance with 34 CFR §300.640, the Department should require that LEAs update their student information and resolve differences between census data reported by LEAs on their verification letters and census information on SAIS to ensure that accurate information is used to prepare the Report of Children with Disabilities Receiving Special Education, Part B.

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07-109

**Special Education Cluster (IDEA):**

CFDA No.: 84.027 **Special Education—Grants to States, #s H027A040007, H027A050007, and H027A060007**

84.173 **Special Education—Preschool Grants, #s H173A040003, H173A050003, and H173A060003**

**U.S. Department of Education**

Award Period: July 1, 2004 through September 30, 2006

July 1, 2005 through September 30, 2007

July 1, 2006 through September 30, 2008

Maintenance of Effort

Questioned Cost: Unknown

The Department of Education is required by 34 CFR §300.231(c)(1) to determine that LEAs comply with maintenance of effort requirements before awarding grant monies for the Special Education Cluster of programs. To monitor LEAs' compliance with maintenance of effort requirements, the Department requires each LEA to submit to the Department an Annual Financial Report (AFR). However, the AFRs submitted by 14 of 59 LEAs tested were not sufficiently detailed for the Department to monitor their compliance with maintenance of effort requirements, since they were incomplete or contained accounting errors and inconsistent information. Further, LEAs did not provide adequate supporting documentation when they revised AFRs to show they have met the maintenance of effort requirements.

It was not practical to extend our auditing procedures sufficiently to determine questioned costs, if any, that may have resulted from this finding. This finding is a significant deficiency in internal control over compliance and noncompliance with the Cluster's maintenance of effort requirements.

To help ensure compliance with 34 CFR §300.231(c)(1), the Department should establish policies and procedures to ensure that subrecipients' AFRs are complete and accurate and contain financial information in sufficient detail to monitor compliance with maintenance of effort requirements before awarding grant monies. Additionally, the Department should require that the LEAs submit supporting documentation when making changes to their AFRs to demonstrate the LEAs met the maintenance of effort requirement.

07-110

CFDA No.: 84.011 **Migrant Education—State Grant Program, #s S011A040003, S011A050003, and S011A060003**

**U.S. Department of Education**

Award Period: July 1, 2004 through September 30, 2006

July 1, 2005 through September 30, 2007

July 1, 2006 through September 30, 2008

Reporting and Special Tests and Provisions

Questioned Cost: Unknown

The Department of Education is required to provide an unduplicated count of children of migrant workers who reside in the State to the U.S. Department of Education to assist them in allocating program monies.

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Additionally, the Department is responsible for having a quality control process in place that ensures the count's accuracy. Annually, in accordance with the Elementary and Secondary Education Act as amended by the No Child Left Behind Act of 2001, the Department prepares the Migrant Child Count Report for State Formula Grant Migrant Education Programs and the Consolidated State Performance Report. These reports are compiled using migrant child count data from the COEstar system maintained by a contracted service organization. The service organization and the Department have developed a quality control process to help ensure the accuracy of the COEstar system; however, the Department did not adequately monitor the service organization to ensure that the quality control process was operating effectively until October 2007. Therefore, the Department did not have procedures to validate that the child count data for fiscal year 2007 was accurate. Furthermore, while the service organization collected and maintained this data for the entire fiscal year, the Department did not have a signed contract with the service organization until December 2007.

It was not practical to extend our auditing procedures sufficiently to determine questioned costs, if any, that may have resulted from this finding. This finding is a material weakness in internal control over compliance and material noncompliance with the program's reporting and special tests and provisions requirements. This finding is similar to a prior-year finding.

To help ensure compliance with the program's reporting and special tests and provisions requirements, the Department should continue to monitor the service organization to ensure it is providing an accurate and unduplicated count of children of migrant workers. In addition, the Department should ensure that it has a signed contract outlining the data collection services to be provided and the service organization's responsibilities before the service organization begins work.

07-111

CFDA No.: 84.357 **Reading First State Grants, #s S357A040003, S357A050003, and S357A060003**

**U.S. Department of Education**

Award Period: July 1, 2004 through September 30, 2005

July 1, 2005 through September 30, 2006

July 1, 2006 through September 30, 2007

Subrecipient Monitoring

Questioned Cost: Unknown

The Department of Education has policies and procedures for providing technical assistance and monitoring programmatic and fiscal compliance with the terms and conditions of the award agreements with its subrecipients, the LEAs. The Department awarded over \$25 million of Reading First State Grants program monies to 52 LEAs during the fiscal year. The Department performed programmatic reviews as well as cash management monitoring of all LEAs during the year. In addition, the Department performed fiscal compliance reviews for seven of those LEAs which were identified as having potential programmatic and fiscal compliance problems. As a result of these reviews, the Department recovered over \$475,000 in disallowed costs. However, the selection process for the seven fiscal compliance reviews was based on information reported on the LEAs' completion reports at the end of the award period. As such, the fiscal compliance reviews of these LEAs' accounting records were performed after, rather than during, the award period. Although the Department has developed policies and procedures for performing and documenting fiscal compliance reviews during each award period, the Department has not fully

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implemented these procedures. Furthermore, for 4 of the 7 LEAs reviewed for fiscal compliance, the Department did not maintain documentation to support that the Department required the LEAs to correct the specific deficiencies that led to the disallowed expenditures.

It was not practical to extend our auditing procedures sufficiently to determine questioned costs, if any, that may have resulted from this finding. This finding is a significant deficiency in internal control over compliance and noncompliance with the program's subrecipient monitoring requirements.

To help ensure compliance with the U.S. Department of Education's *Uniform Administrative Requirements for Grants and Cooperative Agreements with State and Local Governments*, 34 CFR §80.40(a) and OMB Circular A-133, §400(d)(3), the Department should continue to perform fiscal compliance reviews of and impose sanctions on LEAs based on its review of the completion reports. In addition, the Department should implement policies and procedures to review LEAs' accounting records throughout the award period. Further, the Department should retain documentation supporting its recommendations made to LEAs, the LEAs' corrective action, and the LEAs' compliance status.

07-112

**Food Stamp Cluster:**

CFDA No.: 10.551 **Food Stamps**

10.561 **State Administrative Matching Grants for Food Stamp Program, # 7AZ420AZX**

**U.S. Department of Agriculture**

Award Period: July 1, 2006 through June 30, 2007

Special Tests and Provisions

CFDA No.: 93.558 **Temporary Assistance for Needy Families, #s G0601AZTANF and G0701AZTANF**

**U.S. Department of Health and Human Services**

Award Period: October 1, 2005 through September 30, 2006

October 1, 2006 through September 30, 2007

Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Eligibility

Questioned Cost: \$77,312

The Department of Economic Security, Division of Benefits and Medical Eligibility, Family Assistance Administrative (FAA) Offices, did not always follow the Division's internal control policies and procedures for activating and issuing electronic benefits transfer (EBT) cards for food stamps and cash assistance benefits to ensure that benefits were only issued to eligible recipients. Auditors performed observations at 10 of the 102 FAA Offices in August and September 2006 and noted that these offices did not always properly document the issuance of EBT cards in the computer system or on the issuance log. In addition, in 3 offices, the EBT processors did not log off the eligibility verification system when the computers were left unattended; in 4 offices, the same employee prepared, reviewed, and approved the Daily EBT Card Audit Reports; 2 offices did not destroy damaged EBT cards; and 2 offices did not always prepare accurate EBT reconciliations. Further, during the period July 1, 2006 through June 30, 2007, three employees manipulated the eligibility verification system to issue EBT cards for personal use and defrauded the Department out of \$2,127 in cash assistance and \$75,185 in food stamps benefits. The Department referred these matters to the Arizona Attorney General's Office for further investigation and prosecution.

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It was not practical to extend our auditing procedures sufficiently to determine whether any additional questioned costs resulted from this finding. This finding is a material weakness in internal control over compliance and material noncompliance with the Food Stamps Cluster's special tests and provisions requirement. It is also a material weakness in internal control over compliance and material noncompliance for the Temporary Assistance for Needy Families (TANF) program's activities allowed or unallowed, allowable costs/cost principles, and eligibility requirements. This finding is similar to a prior-year finding.

To comply with the Food Stamps Cluster's special tests and provisions requirements stipulated in 7 CFR §§274.7(b), 274.11(c), and 274.12(h)(3) and the TANF program's activities allowed or unallowed, allowable costs/cost principles, and eligibility requirements specified in 45 CFR §206.10, and help prevent unauthorized transactions, the Division should monitor adherence to and enforce its internal control policies and procedures over the process of authorizing and issuing EBT cards at its FAA Offices.

07-113  
**Food Stamp Cluster:**  
CFDA No.: 10.551 **Food Stamps**  
          10.561 **State Administrative Matching Grants for Food Stamp Program, # 7AZ420AZX**  
**U.S. Department of Agriculture**  
Award Period: July 1, 2006 through June 30, 2007  
Special Tests and Provisions

Questioned Cost: \$5,703

The Department of Economic Security, Division of Benefits and Medical Eligibility, did not adhere to its internal control policies and procedures to ensure that all documentation required to be included in the case files for food stamps recipients was received, prepared, or retained and to accurately record correct recipient information into its eligibility verification system. Specifically, for 2 of 44 food stamps recipients' case files tested, auditors noted that the Division did not record accurate income and expenditure information into the eligibility verification system, which resulted in benefit underpayments. In addition, for another four recipients, the Division did not retain documents to support their benefit authorizations totaling \$5,703.

It was not practical to extend our auditing procedures sufficiently to determine whether any additional questioned costs resulted from this finding. Based on auditors' evaluation of the cumulative effect of the internal control deficiencies documented in this finding combined with those noted in finding 07-112, this finding is a material weakness in internal control over compliance and material noncompliance with the Food Stamp Cluster's special tests and provisions requirement. This finding is similar to a prior-year finding.

To comply with 7 CFR §273.2(a)(2), (b), and (f), the Department should properly maintain its food stamps recipients' case files to support benefit authorizations. For each recipient, all required information should be documented in the eligibility verification system to ensure proper calculation of food stamps benefits.



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07-114

**Food Stamp Cluster:**

CFDA No.: 10.551 Food Stamps

10.561 State Administrative Matching Grants for Food Stamp Program, # 7AZ420AZX

**U.S. Department of Agriculture**

Award Period: July 1, 2006 through June 30, 2007

CFDA No.: 93.558 Temporary Assistance for Needy Families, #s G0601AZTANF and G0701AZTANF

CFDA No.: 93.658 Foster Care—Title IV-E, #s 0501AZ1401AD, 0601AZ1401AD, and 0701AZ1401AD

CFDA No.: 93.645 Child Welfare Services—State Grants, #s 010501AZ1400, 010601AZ1400, and 010701AZ1400

93.667 Social Services Block Grant, #s G0501AZSOSR, G0601AZSOSR, G0601AZSOS2, and G0701AZSOSR

**U.S. Department of Health and Human Services**

Award Period: October 1, 2004 through September 30, 2005

October 1, 2004 through September 30, 2006

October 1, 2005 through September 30, 2006

October 1, 2005 through September 30, 2007

October 1, 2006 through September 30, 2007

October 1, 2006 through September 30, 2008

Allowable Costs/Cost Principles

Questioned Cost: \$32,455

The Department of Economic Security, Division of Business and Finance, ARMS Allocation Unit, did not have adequate internal control procedures to accurately allocate direct costs in accordance with its Cost Allocation Plan. OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, allows a substitute system, such as random moment sampling, for salaries and wages. Consequently, the U.S. Department of Health and Human Services approved the Arizona random moment sample (ARMS) as part of the Department's Cost Allocation Plan. However, the Department misstated the number of interview sheets used in the ARMS calculation for allocating direct personal services to federal and state programs. As a result, the Food Stamps Cluster and Temporary Assistance for Needy Families program were overcharged \$15,288 and \$17,167, respectively, and the Foster Care, Child Welfare Services—State Grants, and Social Services Block Grant programs, as well as the allocation between several state programs under the Arizona Health Care Cost Containment System, were undercharged.

It was not practical to extend our auditing procedures sufficiently to determine whether any additional questioned costs resulted from this finding. This finding is a significant deficiency in internal control over compliance and noncompliance with the Cluster's and programs' allowable costs/cost principles.

To comply with OMB Circular A-87, section 8.h.(6)(a)(iii), the Department should assign a supervisor to review the accuracy of each monthly allocation and make sure that the sample is statistically valid. Further, the Department should correct any errors noted during the review process and make corresponding adjustments to the cost allocations before preparing the billings.

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07-115

CFDA No.: 93.563 **Child Support Enforcement, # G0704AZ4004**

**U.S. Department of Health and Human Services**

Award Period: October 1, 2006 through September 30, 2007

Subrecipient Monitoring

Questioned Cost: N/A

The Department of Economic Security, Division of Child Support Enforcement, did not follow its internal control procedures to ensure that subrecipients receiving more than \$500,000 in Federal awards submit their audit reports within 9 months after fiscal year-end as required by OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. The Division has policies and procedures to initiate sanctions if the Single Audit Reporting Package is not received within 4 months of the required due date. Specifically, the Division failed to sanction five counties that were between 2 to 38 months late in submitting their Single Audit Reporting Packages, two of which had not had audits since fiscal year 2003. Further, there was no correspondence or other evidence indicating that the Division was working with these subrecipients to develop a plan for completing the audits.

This finding is a significant deficiency in internal control over compliance and noncompliance with the program's subrecipient monitoring requirements.

To help ensure compliance with OMB Circular A-133, §§.225 and .400(d), the Division should enforce its policies and procedures. Specifically the Division should:

- Agree on a plan with the subrecipients for obtaining current audits.
- Regularly monitor the subrecipients' progress for meeting the plan.
- Enforce its policy to sanction subrecipients who do not submit the required audits by withholding future federal monies.

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07-116

**Emergency Food Assistance Cluster:**

CFDA No.: 10.568 Emergency Food Assistance Program (Administrative Costs), #s 06 FNS 71 and 07 FNS 71

10.569 Emergency Food Assistance Program (Food Commodities), #s 06 FNS 71 and 07 FNS 71

**U.S. Department of Agriculture**

Award Period: October 1, 2005 through September 30, 2006

October 1, 2006 through September 30, 2007

Subrecipient Monitoring

Questioned Cost: N/A

The Department of Economic Security, Office of Community Partnerships and Innovative Practices, did not follow its internal control policies and procedures to conduct on-site reviews of eligible recipient agencies (ERAs) and distribution sites operated by those ERAs. During fiscal year 2007, the Office did not conduct any on-site reviews of ERAs or distribution sites operated by ERAs.

This finding is a material weakness in internal control over compliance and material noncompliance with the Cluster's subrecipient monitoring requirement.

To help ensure compliance with 7 CFR §251.10(e), the Office should conduct on-site monitoring reviews for 25 percent of ERAs and the lesser of 10 percent or 20 of the distribution sites annually. The on-site monitoring reviews should encompass eligibility determinations, food ordering procedures, storage and warehousing practices, inventory controls, approval of distribution sites, reporting and recordkeeping requirements, and civil rights, as applicable. Further, the on-site reviews should enable the Office to observe commodity issuance and prepared meal service operations.

07-117

CFDA No.: 17.225 Unemployment Insurance, #s UI14421QD, UI15108TM, and UI15785XF

**U.S. Department of Labor**

Award Period: October 1, 2004 through December 31, 2007

October 1, 2005 through December 31, 2008

October 1, 2006 through December 31, 2009

Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Eligibility

Questioned Cost: Unknown

The Department of Economic Security, Division of Employment and Rehabilitation Services, did not have adequate internal control policies and procedures to ensure that unemployment insurance benefits were issued only to eligible claimants. The Division's General Unemployment Insurance Development Effort (GUIDE) benefits system was not programmed to check for Employment Service registration for initial claims that would be offset by prior claim overpayments. Auditors extended procedures and worked with the Division's programmers to determine the total effect of this error and determined that for fiscal year 2007, the Division paid \$367,143 to 103 claimants who were not registered with Employment Service, but were required to be registered after the initial claim period.

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It was not practical to extend our auditing procedures to determine questioned costs, if any, that may have resulted from this finding. This finding is a significant deficiency in internal control over compliance and noncompliance with the program's activities allowed or unallowed, allowable costs/cost principles, and eligibility requirements. This finding is similar to a prior-year finding.

To comply with the Unemployment Insurance program's activities allowed or unallowed, allowable costs/cost principles, and eligibility requirements specified in the 42 U.S. Code 503(a)(10), the Division should correct the programming deficiencies in the GUIDE benefits system that allow checks to be issued to claimants whose registration with Employment Services was not verified.

07-118

CFDA No.: 84.126 **Rehabilitation Services—Vocational Rehabilitation Grants to States,**  
**#s H126A5000205, H126A6000206, and H126A7000207**

**U.S. Department of Education**

Award Period: October 1, 2004 through September 30, 2006  
October 1, 2005 through September 30, 2007  
October 1, 2006 through September 30, 2008

Eligibility

Questioned Cost: N/A

The Department of Economic Security, Division of Employment and Rehabilitation Services, did not always follow internal control policies and procedures to ensure compliance with eligibility requirements. As a result, for 10 of 55 applicants tested, auditors noted that the Division did not determine the applicant's eligibility for vocational rehabilitation services within 60 days of the application submission date. Specifically, it took the Division between 62 and 135 days to determine if the applicants were eligible for the program. Further, the Division did not retain documentation indicating why the 60-day period was exceeded with either an extension letter filed and signed by both the Division and applicant or the Division's continued exploration of the applicant's abilities, capabilities, and capacity to perform in work situations.

This finding is a material weakness in internal control over compliance and material noncompliance with the program's eligibility requirements. This finding is similar to a prior-year finding.

To comply with 29 U.S. Code 722(a)(6), the Division should determine an applicant's eligibility within 60 days of the application submission date. If eligibility for an applicant cannot be determined within 60 days, the Division should maintain documentation indicating why it exceeded the 60-day period.

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07-119

CFDA No.: 84.126 **Rehabilitation Services—Vocational Rehabilitation Grants to States,**  
**#s H126A5000205, H126A6000206, and H126A7000207**

**U.S. Department of Education**

Award Period: October 1, 2004 through September 30, 2006

October 1, 2005 through September 30, 2007

October 1, 2006 through September 30, 2008

Reporting

Questioned Cost: N/A

The Department of Economic Security, Division of Employment and Rehabilitation Services, did not have adequate internal control policies and procedures to accurately complete the RSA-2 Program Cost Report for the year ended June 30, 2006. This report was submitted to the U.S. Department of Education in December 2006. Specifically, the Division was unable to provide supporting documentation for 11 separate fields that presented federal expenditures, types of services, or support years presented on Schedules I through III.

This finding did not result in a questioned cost as the RSA-2 Program Cost Report was not used to request reimbursement of federal expenditures. This finding is a significant deficiency in internal control over compliance and noncompliance with the program's reporting requirements. This finding is similar to a prior-year finding.

To comply with 29 U.S. Code 721(a)(10), the Division should review all reports for accuracy before the report is submitted to the U.S. Department of Education. In addition, the Division should maintain documentation for all financial and performance data included on the RSA-2 Program Cost Report.

07-120

CFDA No.: 93.658 **Foster Care—Title IV-E, #s 0501AZ1401AD, 0601AZ1401AD, and 0701AZ1401AD**

**U.S. Department of Health and Human Services**

Award Period: October 1, 2004 through September 30, 2005

October 1, 2005 through September 30, 2006

October 1, 2006 through September 30, 2007

Activities Allowed or Unallowed and Allowable Costs/Cost Principles

Questioned Cost: \$4,615,756

The Department of Economic Security, Division of Children, Youth, and Families (DCYF), claimed and received reimbursement for administrative expenditures for unlicensed child care placements from the Foster Care—Title IV-E program that were no longer allowable expenditures under the Deficit Reduction Act of 2005. Although changes to the Act became effective on March 1, 2006, the Division did not receive program instructions for the changes from U.S. Health and Human Services until August 23, 2006. For the period July 1, 2006 through September 30, 2006, the Division claimed and received reimbursements for administrative expenditures for unlicensed child care placements totaling \$4,615,756. The Division implemented appropriate program changes beginning on October 1, 2006.

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This finding is a material weakness in internal control over compliance and material noncompliance with the Foster Care—Title IV-E program's activities allowed or unallowed and allowable costs/cost principles requirements. This finding is similar to a prior-year finding.

To comply with 42 U.S. Code 672(i), the Division should not use Foster Care—Title IV-E monies to pay for administrative expenditures for unlicensed child care placements. Federal administrative expenditures should include only expenditures for child care placements in a licensed home or placements in a home expected to be licensed within 12 months.

07-121

CFDA No.: 93.558 **Temporary Assistance for Needy Families, #s G0601AZTANF and G0701AZTANF**  
93.658 **Foster Care—Title IV-E, #s 0501AZ1401AD, 0601AZ1401AD, and 0701AZ1401AD**  
93.667 **Social Services Block Grant, #s G0501AZSOSR, G0601AZSOSR, G0601AZSOS2, and G0701AZSOSR**

**U.S. Department of Health and Human Services**

Award Period: October 1, 2004 through September 30, 2005  
October 1, 2005 through September 30, 2006  
October 1, 2006 through September 30, 2007

Activities Allowed or Unallowed and Allowable Costs/Cost Principles

Questioned Cost: Unknown

The Department of Economic Security, DCYF, did not always follow its internal control policies and procedures to ensure that payroll expenditures for employees on educational leave were charged accurately to the Foster Care—Title IV-E program. Specifically, employees did not always record educational leave on their timesheets to the appropriate expenditure account codes and the employees' supervisors did not detect these errors when reviewing employee timesheets. Therefore, payroll expenditures for Foster Care—Title IV-E employees on educational leave were incorrectly allocated to the TANF and the Social Services Block Grant (SSBG) programs.

It was not practical to extend our auditing procedures sufficiently to determine the questioned costs, if any, that may have resulted from this finding. This finding is a significant deficiency in internal control over compliance and noncompliance with the programs' activities allowed or unallowed and allowable costs/cost principles requirements. This finding is similar to a prior-year finding.

To comply with the Foster Care—Title IV-E, TANF, and SSBG programs' activities allowed or unallowed and allowable costs/cost principles requirements as specified in OMB Circular A-87 Attachment A, §(C)(3)(a) and Attachment B, §(8)(d)(2), and the Department's own policies and procedures, the Division should require supervisors to carefully review and approve employee time sheets to help ensure that payroll expenditures for Foster Care employees on educational leave are charged to the Foster Care—Title IV-E program.

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07-122

CFDA No.: 96.001 **Social Security—Disability Insurance, #s 010604AZD100 and 010704AZD100**  
**Social Security Administration**

Award Period: October 1, 2005 through September 30, 2006  
October 1, 2006 through September 30, 2007

Reporting

Questioned Cost: N/A

The Department of Economic Security, Disability Determination Services Administration (DDSA), did not have adequate internal control policies and procedures to ensure the SSA-4513 Report of Obligations for Social Security Administration (SSA) Disability Programs and the SSA-4514 Time Report of Personnel Services for Disability Determination Services were accurately prepared. Specifically, DDSA did not always correctly record expenditures in its accounting records. Expenditures were charged to the incorrect activity code which resulted in incorrect classification and reporting on the SSA-4513 reports. Auditors noted 5 out of 60 expenditure transactions that were not charged to the appropriate activity. For the SSA-4514 report, the DDSA did not have a review process in place to detect errors when accumulating timesheet hours. As a result, for 4 out of 20 employee timesheets tested for the quarter ended March 31, 2007, hours reported were not accurately accumulated resulting in an overstatement of 440 hours on the report. In addition, DDSA did not use the appropriate percentage of non-SSA work that should be excluded from the reported hours resulting in an understatement of 363.69 duty hours and an overstatement of 1.83 leave hours. Further, DDSA did not include all leave hours that should be reported resulting in an understatement of approximately 5,788 hours.

This finding did not result in questioned cost since the SSA-4514 Time Report of Personnel Services was not used to request reimbursement of federal expenditures. This finding is a significant deficiency in internal control over compliance and noncompliance with the program's reporting requirement.

To comply with the Social Security Administration Policy Instructions and the Program Operations Manual System policy instructions, POMS §DI 39506.231, the Administration should:

- Charge expenditure transactions to the appropriate activity.
- Establish a process to detect errors when accumulating timesheet hours.
- Review all reports for accuracy before the reports are submitted to the Social Security Administration.

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07-123

**WIA Cluster:**

CFDA No.: 17.258 WIA Adult Program, #s AA-13785-04-50, AA-14662-05-55, and AA-15466-06-55

17.259 WIA Youth Activities, #s AA-13785-04-50, AA-14662-05-55, and AA-15466-06-55

17.260 WIA Dislocated Workers, #s AA-13785-04-50, AA-14662-05-55, and AA-15466-06-55

**U.S. Department of Labor**

Award Period: April 1, 2004 through June 30, 2007

April 1, 2005 through June 30, 2008

April 1, 2006 through June 30, 2009

Suspension and Debarment

Questioned Cost: Unknown

The Department of Economic Security, Division of Employment and Rehabilitation Services, did not follow its policies and procedures to obtain the required suspension and debarment certifications from subrecipients for award numbers AA-14662-05-55 and AA-15466-06-55. Specifically, for 2 of 15 subrecipients tested, the Division did not obtain the required suspension and debarment certifications from subrecipients awarded grants for providing services for the WIA Cluster. However, auditors verified that none of the subrecipients tested were suspended or debarred.

This finding is a material weakness in internal control over compliance and material noncompliance with the Cluster's suspension and debarment requirement.

To help ensure compliance with 29 CFR §97.35, the Division of Employment and Rehabilitation Services should ensure that its subrecipients complete the required suspension and debarment certifications before awarding grants to them.

07-124

**WIA Cluster:**

CFDA No.: 17.258 WIA Adult Program, #s AA-13785-04-50, AA-14662-05-55, and AA-15466-06-55

17.259 WIA Youth Activities, #s AA-13785-04-50, AA-14662-05-55, and AA-15466-06-55

17.260 WIA Dislocated Workers, #s AA-13785-04-50, AA-14662-05-55, and AA-15466-06-55

**U.S. Department of Labor**

Award Period: April 1, 2004 through June 30, 2007

April 1, 2005 through June 30, 2008

April 1, 2006 through June 30, 2009

Subrecipient Monitoring

Questioned Cost: Unknown

The Department of Economic Security, Division of Employment and Rehabilitation Services, did not adequately monitor its subrecipients to ensure compliance with subrecipient monitoring requirements. Specifically, the Division did not perform annual on-site monitoring reviews to determine compliance with the U.S. Department of Labor's (USDOL) administrative requirements for two subrecipients who received approximately \$148,000 during fiscal year 2007.



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It was not practical to extend our auditing procedures sufficiently to determine questioned costs, if any, that may have resulted from this finding. This finding is a significant deficiency in internal control over compliance and noncompliance with the Cluster's subrecipient monitoring requirement. This finding is similar to a prior-year finding.

To comply with 20 CFR §§667.410(b)(3) and 667.505(b) the Division should conduct annual on-site monitoring reviews to determine each subrecipient's compliance with USDOL uniform administrative requirements.

07-125

CFDA No.: 93.563 **Child Support Enforcement, # G0704AZ4004**

**U.S. Department of Health and Human Services**

Award Period: October 1, 2006 through September 30, 2007

Activities Allowed or Unallowed and Allowable Costs/Cost Principles

Questioned Cost: \$3,051

The Department of Economic Security, Division of Child Support Enforcement (DCSE), did not have adequate internal control policies and procedures to ensure compliance with the program's activities allowed or unallowed and allowable costs/cost principles requirements. Specifically, education and training programs reimbursed with federal monies should directly improve an individual's ability to perform his or her current job or another Title IV-D related job, and not provide a general education or be for the sole purpose of earning credit hours toward a degree or certificate. However, the auditors determined tuition reimbursements of \$3,051 for college courses did not meet these criteria.

It was not practical to extend our auditing procedures sufficiently to determine whether any additional questioned costs resulted from this finding. This finding is a significant deficiency in internal control over compliance and noncompliance with the program's activities allowed or unallowed and allowable costs/cost principles requirements.

To help ensure compliance with 45 CFR §304.23(d), the Division should include in its policies and procedures a requirement to document the direct benefit to Title IV-D programs for educational and training courses taken by its employees and reimbursed by Title IV-D program monies.

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07-126

CFDA No.: 97.008 **Urban Areas Security Initiative, #s 2003-EU-T3-0001 and 2004-TU-T4-0017**

**U.S. Department of Homeland Security**

Award Period: July 1, 2003 through December 31, 2006

December 1, 2003 through May 31, 2007

**Homeland Security Grant Program Cluster:**

CFDA No.: 16.007 **State Domestic Preparedness Equipment Support Program, #s 2003-TE-TX-0196 and 2003-MU-T3-0034**

**U.S. Department of Justice**

CFDA No.: 97.004 **State Domestic Preparedness Equipment Support Program, # 2004-GE-T4-0051**

97.067 **Homeland Security Grant Program, # 2005-GE-T5-0030**

**U.S. Department of Homeland Security**

Award Period: April 1, 2003 through July 31, 2006

May 1, 2003 through August 31, 2006

December 1, 2003 through May 31, 2007

October 1, 2004 through March 31, 2008

Subrecipient Monitoring

Questioned Cost: Unknown

The Department of Emergency and Military Affairs (DEMA), Division of Emergency Management (ADEM), did not have adequate internal control policies and procedures to ensure compliance with subrecipient monitoring requirements. Specifically, the Division did not ensure that subrecipients spending \$500,000 or more in federal awards met the audit requirements as required by OMB Circular A-133, §.400(d)(3) and (4). For the Homeland Security Grant Program Cluster, subrecipient expenditures were \$34,232,306, or 94 percent of the Cluster's total expenditures, and for the Urban Areas Security Initiative program, subrecipient expenditures were \$6,417,268, or 91 percent of the program's total expenditures.

It was not practical to extend our auditing procedures to determine questioned costs, if any, that may have resulted from this finding. This finding is a material weakness in internal control over compliance and material noncompliance with the program's and Cluster's subrecipient monitoring requirements. This finding was similar to a prior-year finding.

To help ensure compliance with the subrecipient monitoring requirements of OMB Circular A-133, §.400(d), the Division should require subrecipients spending \$500,000 or more of federal awards to obtain annual single audits and submit their audit reports to the Division within 9 months after the subrecipient's year end. In addition, the Division should review those reports and issue management decisions on findings that affect its programs within 6 months after receipt.

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07-127

CFDA No.: 97.008 **Urban Areas Security Initiative, #s 2003-EU-T3-0001 and 2004-TU-T4-0017**

**U.S. Department of Homeland Security**

Award Period: July 1, 2003 through December 31, 2006

December 1, 2003 through May 31, 2007

**Homeland Security Grant Program Cluster:**

CFDA No.: 16.007 **State Domestic Preparedness Equipment Support Program, #s 2003-TE-TX-0196 and 2003-MU-T3-0034**

**U.S. Department of Justice**

CFDA No.: 97.004 **State Domestic Preparedness Equipment Support Program, # 2004-GE-T4-0051**

97.067 **Homeland Security Grant Program, # 2005-GE-T5-0030**

**U.S. Department of Homeland Security**

Award Period: April 1, 2003 through July 31, 2006

May 1, 2003 through August 31, 2006

December 1, 2003 through May 31, 2007

October 1, 2004 through March 31, 2008

Cash Management

Questioned Cost: Unknown

The Department of Emergency and Military Affairs, Division of Emergency Management, receives federal funding on a reimbursement basis. When a program is funded on a reimbursement basis, the Division must pay eligible program costs before requesting reimbursement from the federal government. However, the Division did not have written policies and procedures to continuously monitor its cash balances to ensure that federal cash on hand was the minimum needed to meet immediate cash needs or that interest earned on excess monies was calculated and remitted back to the federal government. In certain instances, the Division requested reimbursement when they had excess federal monies on hand because of corrections and adjustments the Division made within the Homeland Security Grant Program Cluster. Specifically, auditors noted that for 1 of 9 drawdowns tested, the Division requested reimbursement for expenditures that were already reimbursed, totaling \$1,723,114, because of a transfer of expenditures between programs for corrections made within the Cluster. This excess reimbursement was later spent for other cluster expenditures.

It was not practical to extend our auditing procedures sufficiently to determine questioned costs, if any, that may have resulted from this finding. This finding is a material weakness in internal control over compliance and material noncompliance with the program's and Cluster's cash management requirements. This instance of noncompliance was similar to a prior-year finding.

To comply with the Cash Management Improvement Act Subpart B, 31 CFR §205 and 28 CFR §66.21, and the U.S. Department of Justice *Financial Guide*, the Division should establish cash management policies and procedures to ensure that federal cash on hand is the minimum needed to meet immediate cash needs, to request reimbursement only for actual expenditures, and to calculate interest earned on excess cash balances and remit it to the federal government.

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07-128

**Research and Development Cluster:**

**All Arizona State University Research and Development awards and contracts**

Award Period: Various

Allowable Costs/Cost Principles

Questioned Cost: Unknown

Arizona State University uses the after-the-fact reporting system as the basis for distributing employees' salaries and wages to sponsored research programs. The University's policies and procedures require that an effort report be prepared for each employee working on a sponsored research program that is used to estimate the distribution of payroll charges. Periodically, the University will prepare an effort certification to verify or adjust those payroll charges as necessary to reflect actual time worked on the various sponsored research programs. However, for 2 of 22 charges to sponsored research programs tested, auditors noted that the University did not retain the certified effort reports, as required by OMB Circular A-21 §(J)(10)(c)(2). This finding has the potential to affect other federal programs administered by the University for which after-the-fact reporting is used to distribute payroll charges.

It was not practical to extend our auditing procedures sufficiently to determine questioned costs, if any, that may have resulted from this finding. This finding is a significant deficiency in internal control over compliance and noncompliance with the Cluster's allowable costs/cost principles requirements.

To help ensure that employees' labor efforts charged to each program are allowable and properly supported in accordance with OMB Circular A-21 §(J)(10)(c)(2), the University should follow its internal control policies and procedures for maintaining reports supporting the after-the-fact percentage distribution of employees' labor efforts. The activity distribution reports should represent a reasonable estimate of the work performed by each employee during the period. The certified effort reports should be signed by the employee, employee's supervisor, or other responsible individual having first-hand knowledge of the work performed to certify the report's accuracy.

## Appendix

State of Arizona  
Appendix  
State of Arizona Agency Codes  
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<b>Agency Code</b>	<b>Agency</b>
ADA	Department of Administration
AEA	Radiation Regulatory Agency
AFA	Governor's Office of Equal Opportunity
AGA	Office of the Attorney General
AHA	Arizona Department of Agriculture
ASA	Arizona State University
ATA	Arizona Automobile Theft Authority
BNA	Arizona State Board of Nursing
CCA	Corporation Commission
DCA	Department of Corrections
DEA	Department of Economic Security
DJA	Department of Juvenile Corrections
DTA	Department of Transportation
EDA	Department of Education
EPA	Department of Commerce
EVA	Department of Environmental Quality
GFA	Arizona Game and Fish Department
GHA	Governor's Office of Highway Safety
GSA	Arizona Geological Survey
GVA	Office of the Governor
HCA	Arizona Health Care Cost Containment System
HDA	Arizona Department of Housing
HLA	Department of Homeland Security
HSA	Department of Health Services
HUA	Arizona Commission on the Arts
ICA	Industrial Commission of Arizona
JCA	Arizona Criminal Justice Commission
LAA	Arizona State Library, Archives and Public Records
LDA	State Land Department
LLA	Department of Liquor Licenses and Control
MAA	Department of Emergency and Military Affairs
MIA	State Mine Inspector
NAA	Northern Arizona University
PEA	Commission for Postsecondary Education
PMA	Pharmacy Board
PRA	Arizona State Parks Board
PSA	Department of Public Safety
SBA	Structural Pest Control Commission
SDA	Arizona State Schools for the Deaf and the Blind
SPA	Arizona Supreme Court
STA	Secretary of State's Office
TRA	State Treasurer
UAA	University of Arizona
VSA	Department of Veterans' Services
WCA	Department of Water Resources
WFA	Water Infrastructure Finance Authority

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## Corrective Action Plan



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## Financial Statement Findings

07-01

**The Department of Administration should seek the authority to enforce rules over financial reporting**

Agency: Department of Administration

Contact Person: Clark Partridge, State Comptroller, (602) 542-5405

Anticipated Completion Date: June 2010

Agency Response: Concur

Agency Corrective Action Plan: Timeliness is one of the fundamental thresholds of financial reporting and the timely issuance of the CAFR is vital to other reporting requirements and deadlines. A.R.S. §35-131 clearly requires state agencies and other organizations that are part of the State's reporting entity to submit all necessary financial statements and other information in accordance with the policies and procedures of the Arizona Department of Administration, General Accounting Office. This includes adherence to established time frames and deadlines. However, there are no specific provisions in the law for actions that may be taken to enforce such compliance. We will explore potential options for enforcement actions and continue to work with state agencies to effectively resolve the issue of timely submission of financial information.

07-02

**The State should verify that servicing banks have effective internal controls**

Agency: Department of Administration

Contact Person: Clark Partridge, State Comptroller, (602) 542-5405

Anticipated Completion Date: July 2012

Agency Response: Concur

Agency Corrective Action Plan: The State understands the importance of internal controls on processing cash receipts and related data, and has established controls to address the related risk. We will continue to coordinate our activities to ensure that state information is processed in an appropriate environment.

07-03

**The Benefits Office should strengthen controls over claims payment processing for the State's self-insured health benefits program**

Agency: Department of Administration

Contact Person: Philip Hamilton, Assistant Director Benefit Services Division, (602) 542-4501

Anticipated Completion Date: October 2009

Agency Response: Concur

Agency Corrective Action Plan: The Auditor General is correct with its assessment as of June 30, 2007. However, the Benefit Services Division (BSD) has done much since that date to increase the internal controls over the payment of claims. Among the processes initiated since June 30, 2007, are the review of

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Year Ended June 30, 2007

claims pricing by contractors and oversight of the procedures conducted by contractors' internal audit units. BSD appreciates the comments by the Auditor General and will continue working with its limited resources to provide reasonable levels of assurance that claims are paid correctly.

07-04

**The State needs to establish detailed policies to identify potential related party transactions**

Agency: Department of Administration

Contact Person: Clark Partridge, State Comptroller, (602) 542-5405

Anticipated Completion Date: October 2008

Agency Response: Concur

Agency Corrective Action Plan: We will provide appropriate detailed procedures to facilitate the statutory compliance and reporting by agencies. This will be considered, prioritized and addressed within resource limitations.

07-05

**The State's financial statements should include an accrual for vested sick leave liability**

Agency: Department of Administration

Contact Person: Clark Partridge, State Comptroller, (602) 542-5405

Anticipated Completion Date: June 2009

Agency Response: Concur

Agency Corrective Action Plan: We understand the issue associated with the accrual of the sick leave liability for retiring employees. However, the General Accounting Office believes the amount of the liability is not material to the State's financial statements. Although we believe the benefit achieved in presenting this information in the State's financial statements would be outweighed by the cost of conducting an actuarial study or developing a methodology to calculate the liability, we will review options for reporting this liability.

07-06

**The State's disaster recovery plan for AFIS should be completed**

Agency: Department of Administration

Contact Persons: Marty Rhoades, AFIS Technical Manager, (602) 542-1698

Angela Dillard, AFIS Manager, (602) 542-2122

Anticipated Completion Date: June 2009

Agency Response: Concur

Agency Corrective Action Plan: We have already updated the disaster recovery call list and will address the other recommendations as we move forward. We continue to make strides in addressing the AFIS disaster recovery risks. Specifically:

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- We have conducted AFIS Disaster Recovery testing approximately once per year since September 2003.
- Detailed technical test plans and schedules are developed and refined each year. A series of tests were performed to address Business Continuity and Disaster Recovery functions. The initial goal was to run a successful batch run in the AFIS and produce warrants from an off-site location.
- We continue to refine and improve the AFIS Disaster Recovery process each year with increasing success. A successful batch run was performed in January of 2007. Warrant images were also produced (actual warrants were not printed) to demonstrate that printing could be accomplished at an off-site location. For future tests involving a batch run and the printing of warrants, we will need to draft a plan to transfer a signature disk for the warrants. This piece should be completed in the next set of tests.
- The last Disaster Recovery test was completed in May of 2008. For this test, our goal was to validate the additional option of restoring from a system backup, removing the need to rerun the last batch. In support of this goal, we concentrated on new procedures for validating AFIS database content, versus running an AFIS batch. The test was successful.
- We also continue to work with the state agencies on AFIS Disaster Recovery procedures.

We will continue to incorporate relevant practices in future AFIS Disaster Recovery testing and planning given available resources and competing priorities.

07-07

**The State needs to fully develop and test a disaster recovery plan for its HRIS system**

Agency: Department of Administration

Contact Person: Jody Piper, HRIS Manager, (602) 542-7464

Anticipated Completion Date: March 2009

Agency Response: Concur

Agency Corrective Action Plan: During fiscal year 2008, HRIS has made significant progress in this area. HRIS now has an off-site disaster recovery arrangement in place in Tucson, Arizona. In December 2007, a dedicated HRIS disaster recovery server was shipped to the Tucson disaster recovery facility. The server is on-line and extensive payroll testing has been successfully executed. HRIS is currently in the process of implementing replication of the production database to the disaster recovery server via redirected restore to mitigate the need for data recovery via tape back-up. We will continue efforts to strengthen all aspects of the HRIS disaster recovery plan given available resources and competing priorities.

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07-08

**The State should strengthen controls over HRIS account management**

Agency: Department of Administration

Contact Person: Jody Piper, HRIS Manager, (602) 542-7464

Anticipated Completion Date: December 2008

Agency Response: Concur

Agency Corrective Action Plan: HRIS has strengthened its controls over HRIS account management. Agency users are granted access only after completing the necessary training sessions. HRIS maintains a record of all access request forms. For agencies where proper segregation of duties is not possible (e.g., very small agencies), HRIS maintains a record of the documented explanation of compensating controls provided by the agencies. HRIS staff run daily reports to monitor changes to user's employment status which facilitates the process of terminating operating system accounts more promptly. HRIS has instituted password change procedures for all AIX-level user identifications. In addition, HRIS is in the process of upgrading the Lawson technology to version 9, which adds Tivoli Directory Services (TDS) as a component in the security architecture. TDS will facilitate automated password aging and more robust audit capabilities to HRIS.

07-09

**The State should improve controls over HRIS system changes**

Agency: Department of Administration

Contact Person: Jody Piper, HRIS Manager, (602) 542-7464

Anticipated Completion Date: March 2009

Agency Response: Concur

Agency Corrective Action Plan: While the procedures were not always fully documented in the past, we now have established written procedures. HRIS application changes continue to go through a rigorous approval and testing process, including review by the HRIS Change Control Board, strict check-in/check-out procedures for code modules, unit testing with peer-review, and user acceptance testing. In addition, any substantive changes to the underlying AIX operating system or ancillary programs continue to be documented and approved via an HRIS Change Control Form. ISD Security has installed the latest version of Tripwire on the HRIS servers, which provides detailed daily reports on any changes to HRIS. HRIS reviews these reports daily to ensure all changes were authorized, tested and properly implemented. HRIS is in the process of implementing IBM Rational ClearQuest for facilitating the procedures related to issue and change control tracking.

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07-10

**The Department of Administration should establish fraud prevention and detection programs**

Agency: Department of Administration

Contact Person: Clark Partridge, State Comptroller, (602) 542-5405

Anticipated Completion Date: October 2008

Agency Response: Concur

Agency Corrective Action Plan: We will work to reinforce the policy regarding this subject to include detailed procedures. This will be considered, prioritized, and addressed within resource limitations.

07-11

**The Department of Economic Security should comply with its computer access policies and procedures**

Agency: Department of Economic Security

Contact Person: Kristy Westphal, DTS Information Security Administrator, (602) 254-2779

Anticipated Completion Date: June 2008

Agency Response: Concur

Agency Corrective Action Plan: The finding of the Auditor General is agreed to and the audit recommendation will be implemented in the following manner.

The Department has a policy in place that requires supervisor review and approval of all access requests via the *J-125* security access request form. DES will enforce the requirement to have proper supervisor approvals via additional training for the Security staff and adding measurement of compliance as part of their personnel evaluations. Furthermore, to add additional training of responsibilities on these topics, the Department is developing a computer-based training class specifically for supervisors that will cover the requirements to have access requests processed, as well as other security requirements. This class will be a required class for all DES supervisors. The Department anticipates this class will be available by June 2008. Until the training is available, supervisors will be e-mailed reminders of their responsibilities in this area.

The Department is updating Account Management policy with specific procedures identifying what documentation to maintain for all access requests. This update will be completed by June 2008. These policy changes have already been communicated to Security staff. Once the policy has been finalized, the Information Security Administration will train all Security staff.

The Department will strengthen the existing language in the Department's Account Management policy in regards to immediate modification of access on transferred employees. Emphasis on the importance of accompanying documentation will also be included in the new supervisor class.

The Department has processes in place to eliminate access to all computer systems when an employee leaves. In order to ensure that Department personnel properly follow these processes, the Information Security Administration will more closely monitor follow up on the termination list and 60-day account delete report. This process has already been implemented and monitoring continues.

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07-12

**The Department of Economic Security should investigate and resolve unreconciled differences in Unemployment Insurance benefit payments in a timely manner**

Agency: Department of Economic Security

Contact Person: Mark Darmer, DERS Chief Financial Officer, (602) 542-6333

Anticipated Completion Date: August 2008

Agency Response: Concur

Agency Corrective Action Plan: The Division of Employment and Rehabilitation Services will ensure that internal controls are in place to accurately account for Unemployment Insurance (UI) benefit payment disbursements and will ensure that all unreconciled items are investigated, identified and corrected before the monthly reconciliation is complete. To address these issues, UI Accounting Unit employees are assisting the Accountant II. The Division has submitted paperwork to fill the vacant Accountant I position. The Division anticipates having the unreconciled differences identified with corrections made to the accounting records by August 2008.

07-13

**The Department of Economic Security should ensure the accuracy of its accounting records**

Agency: Department of Economic Security

Contact Person: Andy Baldwin, Unemployment Insurance Director, (520) 770-3769

Anticipated Completion Date: June 2008

Agency Response: Concur

Agency Corrective Action Plan: To ensure compliance with Governmental Accounting Standards Board Statement No. 34 and to ensure the accuracy of Department of Economic Security accounting records, the agency has incorporated changes to the Benefit Processing Control Unit (BPC). These changes will adjust accounting records to reflect all year-end accruals.

Current BPC Unit procedures track Interstate Receivables by means of spreadsheet reports. BPC staff review the reports bi-monthly to ensure that payments are received within the 45 days mandated by the Employment Training Administration manual. When payment has not been received within this time frame, BPC staff send a second request to the Transferring State. In the event payment is still not forthcoming, the issue is referred to Arizona's Interstate Program Coordinator (IPC) for resolution.

In response to this audit finding, it has been determined that the BPC Unit's bi-monthly reviews of Interstate Payables are not sufficient to guarantee accuracy of year-end accruals. As of May 1, 2008, the Combined Wage Supervisor and BPC Manager began reviewing and approving the final tally of year-end accruals. The BPC Manager then works with the Employment Administration Budget and Planning Unit to adjust accounting records to reflect accurate year-end balances for accurate financial statements. By June 30, 2008, BPC Unit Management will begin using the DES Einstein data warehouse to ensure identification of all adjustments required for year-end accruals.

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07-14

**The Department of Economic Security's Division of Developmental Disabilities should establish effective internal control policies and procedures over its claims processing system**

Agency: Department of Economic Security

Contact Person: Debra H. Peterson, DDD Business Operations Administrator, (602) 542-6893

Anticipated Completion Date: January 2007

Agency Response: Concur

Agency Corrective Action Plan: The Department of Economic Security's Division of Developmental Disabilities (Division) is committed to ensuring that all division operations have effective internal control policies and procedures over claims processing systems and that they are implemented and monitored accordingly. The Department concurs with the finding and will continue to implement the audit recommendations.

The new automated system, FOCUS, includes approximately 150 system edits used to determine if a claim is accurate and recorded against the proper funding stream. This is significantly more than the 20 edits in the previous ASSISTS system. However, when FOCUS was initially implemented, not all of the 150 edits were executing properly. As the Division identified system deficiencies, corrective actions were initiated and completed and have been working properly since January 2007.

As reported in the finding, as of January 2007, the Division had reprocessed and reconciled all 2006 and 2007 claims that were initially paid outside the FOCUS system edits. The Division also established estimated receivables from providers for any incorrect billings and is continuing to investigate and resolve differences with providers. As these differences are resolved, the estimated receivables are being adjusted accordingly.

The Division holds itself accountable for the responsible use of public dollars and is committed to the reconciliation and recovery process.

07-15

**The Department of Economic Security's Division of Developmental Disabilities needs to ensure its financial statements are accurate**

Agency: Department of Economic Security

Contact Person: Debra H. Peterson, DDD Business Operations Administrator, (602) 542-6893

Anticipated Completion Date: December 2008

Agency Response: Concur

Agency Corrective Action Plan: The Department concurs with the finding and will continue to explore options for a viable solution to implement the audit recommendations.

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Based on the Auditor General's May 2007 recommendation, the Department purchased the Quick Books ledger accounting software program anticipating that the program could be used to accumulate and accurately report all long-term care financial transactions including noncash adjustments. This has not resolved the issues raised by the auditors.

The Department acknowledges that the reconciliation process between FOCUS (the Division's claim payment system) and FMCS (the Department accounting system of record) is a complex and yet an integral part of the financial statement preparation. The reconciliation process will be reviewed and revised to ensure that it is accurate, well documented, and complete. In addition, Financial Services Administration and Division staff will work to improve the financial statement preparation and process by adding layers of review to help ensure that errors are minimized and that financial statements are completed in a more accurate and timely manner.

07-16

**The Department of Economic Security's Division of Developmental Disabilities should strengthen computer access controls**

Agency: Department of Economic Security

Contact Person: Debra H. Peterson, DDD Business Operations Administrator, (602) 542-6893

Anticipated Completion Date: July 1, 2008

Agency Response: Concur

Agency Corrective Action Plan: The Department concurs with the finding and is completing implementation of the audit recommendations.

The Division's Information Technology Application Office has reviewed job roles and responsibilities and their corresponding access to FOCUS production data to prevent unauthorized use, damage, loss, or modifications of programs and equipment. Based on this review, a corrective action plan has been developed and is being implemented. These changes ensure that all access is compatible with an employee's job responsibilities and will prevent improper access to, or misuse of sensitive information (login IDs). These changes will also ensure that only authorized users have logical access to the FOCUS system. In addition, policies and procedures will be changed and strengthened. Changes already implemented or planned include:

- Use of all generic user accounts has been eliminated, effective April 24, 2008.
- Access to FOCUS production passwords (except for their own password) by Quality Assurance Personnel has been eliminated, effective March 2007.
- Procedures for migrating databases from production to the quality assurance environment have been implemented that require the Data Base Administrators to run a script to change all passwords except for the Quality Assurance Personnel, effective December 1, 2006.
- Implementation of Windows Authentication which will eliminate the need for Production Support staff to have access to internal user password files is planned to be completed by July 1, 2008.



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07-17

**The Department of Economic Security's Division of Developmental Disabilities should strengthen controls over computer program changes**

Agency: Department of Economic Security

Contact Person: Debra H. Peterson, DDD Business Operations Administrator, (602) 542-6893

Anticipated Completion Date: July 2007

Agency Response: Concur

Agency Corrective Action Plan: The Department concurs with the finding, and has completed the recommended changes via policy methodology, and has been working on implementation of the recommendation for the past 10 months.

Effective July 2007, the Division mandated that all computer program changes be accomplished in conformance with the DES Standard Development Methodology (1-38-0056). This methodology requires for all program changes development of documented user requirements, approved testing plans containing expected results, and user and/or management approval before production implementation. This process ensures that, during implementation, system changes and enhancements are executing accurately and efficiently.

07-18

**The Department of Economic Security's Division of Developmental Disabilities needs to implement previously reported recommendations**

Agency: Department of Economic Security

Contact Person: Debra H. Peterson, DDD Business Operations Administrator, (602) 542-6893

Anticipated Completion Date: August 2008

Agency Response: Concur

Agency Corrective Action Plan: The Department concurs with the finding and is continuing to implement the recommendations.

As previously discussed under each recommendation, the Division has been working toward implementation of each audit recommendation. Specifically,

- 07-14—the Division identified system deficiencies, corrective actions were initiated and completed and have been working properly since January 2007.
- 07-15—In response to last year's finding, the Department purchased and tested a ledger accounting software program, but during testing it was determined that it did not support the ALTCS financial requirements.

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In order to address this finding, the Financial Services Administration and Division staff will work to improve the financial statement preparation and process by adding layers of review to help ensure that errors are minimized and that financial statements are completed in a more accurate and timely manner.

- 07-16—This recommendation required an enhancement to the FOCUS security module and was fairly complex to completely implement. However, initial implementation of this recommendation began in March 2007. As various solutions to the recommendation were identified, they were implemented. The complete implementation is scheduled for July 2008.
- 07-17—Effective July 2007, the Division mandated that all computer program changes be accomplished in conformance with the DES Standard Development Methodology (1-38-0056).
- 07-19—Currently, these methods are being reviewed within the Division and will be submitted to AHCCCS for their review and approval by August 2008.

07-19

**The Department of Economic Security's Division of Developmental Disabilities should follow AHCCCS-approved methods to estimate its accrued long-term care costs**

Agency: Department of Economic Security

Contact Person: Debra H. Peterson, DDD Business Operations Administrator, (602) 542-6893

Anticipated Completion Date: August 2008

Agency Response: Concur

Agency Corrective Action Plan: The Department concurs with the finding and will implement the audit recommendation.

The Division acknowledges its responsibility for preparing financial statements that include accounting estimates for home and community based services (HCBS) and institutional activities and medical service claim liabilities. The quarterly lag schedules for HCBS, institutional activities and medical services have been completed and will be part of the fiscal year 2008 quarterly and annual financial statements.

Currently, these schedules and methodologies are being reviewed to ensure that estimate methodologies and lag schedules for all services are effective and producing accurate results. Once this process is complete, the Division will provide AHCCCS with these revised methodologies to obtain their approval by August 2008.

07-20

**The Industrial Commission needs to prepare timely financial statements**

Agency: Industrial Commission

Contact Person: Gary Norem, Chief Financial Officer, (602) 542-4653

Anticipated Completion Date: See below

State of Arizona  
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Year Ended June 30, 2007

Agency Response: Concur

Agency Corrective Action Plan: The current Special Fund general ledger system has some limitations for posting monthly entries for the new State Fiscal Year (SFY) while holding the previous SFY open during the period the Auditor General completes the audit. This results in a catch up period every year in which several months of general ledger entries need to be done within a very short period of time. In order to handle this workload issue, the Commission did employ temporary accountants during the last year and now has a permanent position to replace the temporary staffing. It is estimated that it will take until July 1, 2011, to make the required system changes.

In order to improve the continuity of the staffing for the Special Fund general ledger and financial statement preparation work, the Commission established a new higher level accounting position in March 2008 to specifically handle the aforementioned responsibilities. The permanent position is a better alternative, rather than using temporary staff members that only stay with the Commission for a limited time. A permanent staff member was hired on May 5, 2008.

The Chief Financial Officer (CFO) will put together a time schedule for completion of the various tasks related to the financial statement preparation process. The CFO will monitor on a regular basis the work progress on the financial statements to be sure that the timelines are met. It is estimated that draft financial statements for fiscal year 2008 will be completed by October 15, 2008, and the final statements completed by November 5, 2008.

07-21

**The Industrial Commission should develop written policies and procedures for computer operations**

Agency: Industrial Commission

Contact Person: Gary Norem, Chief Financial Officer, (602) 542-4653

Anticipated Completion Date: July 2008

Agency Response: Concur

Agency Corrective Action Plan:

- Daily operations and physical security procedures for the PACE programs have been written and are currently under review by the agency Chief Information Officer.
- An Application Change Procedure was implemented in fiscal year 2007 and is being utilized for all agency IT program change requests, including requests that directly affect the PACE system.
- Procedures regarding adding, editing, suspending, and terminating user accounts as related to all operating system platforms and agency IT programs, including the PACE system are in place.

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07-22

**The Industrial Commission should maintain a record of all changes to its computer system**

Agency: Industrial Commission

Contact Person: Gary Norem, Chief Financial Officer, (602) 542-4653

Anticipated Completion Date: Complete

Agency Response: Concur

Agency Corrective Action Plan: An Application Change Procedure was implemented in October 2007 and is being utilized for all agency IT program change requests including changes related to the PACE system.

07-23

**The Department of Revenue should accurately record and report taxpayer receivables**

Agency: Department of Revenue

Contact Person: Joanne Prakash, Chief Internal Auditor, (602) 716-6265

Anticipated Completion Date: Various, for anticipated completion dates see corrective action plan below.

Agency Response: Concur

Agency Corrective Action Plan:

Data conversion—

In September 2006, the Department transitioned corporate income tax processing from its old legacy computer system to the new computer system, known as the Business Reengineering Integrated Tax System (BRITS). To minimize the risk of this complex conversion only select data residing in the legacy system was automatically converted. The rest of the data is being manually converted on an as needed basis. The Department established procedures for the manual conversion process but, in some circumstances, failed to convert both payments and liabilities within the same financial period. As a result, a limited number of corporate taxpayer accounts were temporarily misstated.

The Department implemented a revised procedure in April 2008 to prevent such errors and to ensure that taxpayer returns and payments are processed within the same financial period.

Review items—

As noted in the Department's 2006 Single Audit response dated June 18, 2007, the new BRITS implementation allowed the Department to establish a series of automated evaluation criteria to help ensure taxpayer billings and refunds are reviewed and accurate prior to mailing. For example, if a taxpayer refund or return met one of the system review criteria, the transaction would become a Process Review Item (PRI), which is then manually reviewed for accuracy before the billing or refund is mailed.

Some BRITS criteria, however, were too stringent and resulted in a high number of review items, which caused a backlog. Further impacting the backlog were some system and procedural issues, as well as complicated review items that required a significant amount of time to resolve.

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Beginning in July 2007 through October 2007 the Department hired five temporary employees to review and clear the PRIs for mailing. At the end of October the employees had completed all PRIs older than 30 days and by the end of February 2008, less than 6 percent of the remaining PRIs were greater than 30 days old.

Accounts receivable reports—

As noted in its 2006 Single Audit response, the Department understands the need to generate and review a detailed accounts receivable report. Unfortunately, because of problems encountered during the BRITS implementation, the Department was unable to consistently produce an accounts receivable report until June 2007. Subsequent to the report's production, staff conducts a review to ensure that accounts are accurately represented and any necessary adjustments are made on a timely basis.

System limitations—

Processing Administration staff has corrected the impacted accounts and continues to investigate and address potentially problematic transactions and system issues. In addition, the necessary system change requests have been created to fix the issue.

Conclusion—

The Department takes the Auditor General's findings and the correction of those findings very seriously. As such, the Department has significant concern with the Auditor General's statement, ". . . a similar recommendation was provided to the Department in the prior year." It leaves readers with the inaccurate perception that the Department has taken no action to address the Auditor General's concerns. Further, because the finding is so broad in nature and because an acceptable margin of error has not been defined, the Department is concerned that there is no way to ever fully correct the finding.

See Auditors' Comment to the Department of Revenue's Corrective Action Plan on page 131.

07-24

**The Department of Revenue should establish effective controls over tobacco taxes**

Agency: Department of Revenue

Contact Person: Joanne Prakapas, Chief Internal Auditor, (602) 716-6265

Anticipated Completion Date: Various, for anticipated completion dates see corrective action plan below.

Agency Response: Concur

Agency Corrective Action Plan:

Secure tobacco tax recording process—

To provide stronger controls over the existing tobacco tax process, in April 2008, the Department increased access restrictions over its tax accounting files to only those staff designated to make changes and/or updates. Other Luxury Tax staff was provided "read only" access as necessary for their jobs.

Independent Review—

Luxury Tax management reviews and validates the accuracy of all manual tobacco tax distribution calculations to ensure the accuracy and completeness of reporting and distribution.

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Label tax returns—

Beginning in July 2008, Luxury Tax will assign to each luxury tax document a unique and sequential number to provide stronger document tracking controls.

AFIS reconciliations—

The obstacle impeding the Department's ability to reconcile tobacco tax distributions to AFIS has long been the inability to access the AFIS accounting entries of those agencies receiving distributions. In May 2008 the Department gained access to the necessary information and will begin reconciliations beginning in fiscal year 2009.

Internet sales—

Improvements over tobacco tax accounting, review and reconciliation controls highlighted above will also be applied to tobacco internet sales. Further, in April 2008 Luxury Tax enhanced their current distribution process to ensure that all tobacco and use taxes recorded and collected are properly distributed.

07-25

**The Department of Revenue's computer access controls should be strengthened**

Agency: Department of Revenue

Contact Person: Joanne Prakapas, Chief Internal Auditor, (602) 716-6265

Anticipated Completion Date: Various, for anticipated completion dates see corrective action plan below.

Agency Response: Concur

Agency Corrective Action Plan:

Database administrator monitoring—

Prior to a recent Oracle database software upgrade, the Department was unable to log and monitor database administrators' activities. The recent software upgrade now provides the necessary tracking tools, but it is unclear how system performance will be impacted once that functionality is activated. Assuming system performance is adequate, the Department anticipates having logging and tracking functionality by August 2008.

User access controls—

In February 2008 Information Security began reviewing the Vacancy Tracking Report (VTR) on a weekly basis to acquire necessary employee hire, transfer and termination notifications. For example, if an employee transfers, the VTR initiates an IT standard email to the current and future managers requesting that they complete and submit the User Change Access form. Further, if a vacancy is noted but a Delete User form has not been received, IT will immediately disable the user's network account and will conduct a manual search to find and delete all accesses. The process also provides a tracking method to verify the user's removal date.

In addition, to ensure that users have appropriate access based upon job requirements, assistant directors are required to annually review and approve user system access lists.

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Because temporary employees do not show up on the VTR, Information Security is working with the divisions to create a better temporary employee access management process, estimated to be completed by September 2008.

Staff will be trained on all new processes and procedures.

Employee annual review—

As of December 2007 all current employees' signatures were obtained on the Computer Use and Confidentiality Acknowledgement form. Further, the new hire process now ensures that new employees, including temporaries, receive the Computer Use and Confidentiality Policy and sign the acknowledgement form. In addition, to increase the ease and ability with which the Department can monitor compliance, all acknowledgement forms are now electronically tracked in the State's STARS tracking system.

Physical access—

As indicated in the 2006 Single Audit response dated June 18, 2007, the Department has had in place for over 3 years a process to restrict physical computer access and to ensure controls enforcement. The previous process involved reviewing on a quarterly basis its employees' access authority. Effective April 2008, however, the Department began reviewing on a bi-weekly basis and now requires a second review level that includes both the physical area's management and the Information Security unit.

Conclusion—

The Department takes the Auditor General's findings and the correction of those findings very seriously. As such, the Department has significant concern with the Auditor General's statement, ". . . a similar recommendation was provided to the Department in the prior year." It leaves readers with the inaccurate perception that the Department has taken no action to address the Auditor General's concerns. Further, because the finding is so broad in nature and because an acceptable margin of error has not been defined, the Department is concerned that there is no way to ever fully correct the finding.

See Auditors' Comment to the Department of Revenue's Corrective Action Plan on page 131.

07-26

**The Department needs to ensure the completeness of electronic data transfers**

Agency: Department of Revenue

Contact Person: Joanne Prakapas, Chief Internal Auditor, (602) 716-6265

Anticipated Completion Date: FY2009

Agency Response: Concur

Agency Corrective Action Plan: As indicated in its response to the Auditor General's FY2006 Management Letter dated September 18, 2007, the Department implemented a mainframe file reconciliation procedure to reconcile the total number of server records to those extracted to the mainframe. Unfortunately, as noted by the finding, the Department did not consistently complete the mainframe reconciliation procedure. In addition, with the recent transition to BRITS, needed system changes to automate the reconciliation procedure were overlooked. The Department anticipates having the needed system changes implemented in FY2009.

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Until the automated reconciliation is implemented, however, management will develop and implement by September 2008 an intermediary manual reconciliation procedure. Once implemented, the Department anticipates reconciliation by the end of the year of all 2008 electronic filings. In addition, training will be provided to all the employees responsible for implementing the intermediate reconciliation procedure.

07-27

**The Department of Revenue should reconcile income tax receipts to income tax revenues recorded on the AFIS**

Agency: Department of Revenue

Contact Person: Joanne Prakapas, Chief Internal Auditor, (602) 716-6265

Anticipated Completion Date: Various, for anticipated completion dates see corrective action plan below.

Agency Response: Concur

Agency Corrective Action Plan: As indicated in the Department's response to the to the Auditor General's FY2006 Management Letter dated September 18, 2007, the Department has been reconciling corporate and withholding tax revenues since it acquired the system capability provided in September 2006 by the BRITS corporate income tax release. The system functionality necessary to complete individual income tax revenue monthly reconciliations against AFIS was dependent upon the BRITS individual income tax release, which did not go into production until December 3, 2007. Beginning in January 2008, the Department began conducting monthly reconciliations of individual income tax revenues with AFIS.

Additionally, the Department has documented and requested system change requests to facilitate the reconciliation of all differences discovered in the process. These system changes are currently scheduled for July 2008.

07-28

**The Department of Revenue should bill taxpayers in a timely manner for amounts due**

Agency: Department of Revenue

Contact Person: Joanne Prakapas, Chief Internal Auditor, (602) 716-6265

Anticipated Completion Date: Various, for anticipated completion dates see corrective action plan below.

Agency Response: Concur

Agency Corrective Action Plan:

*Billing statement generation—*

As indicated in the response to the Auditor General's 2006 Single Audit dated June 18, 2007, the implementation of its new computer system, BRITS, resulted in a billing backlog. As of April 2008, the backlogs were resolved.



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Missing return notification—

Based on certain criteria, some individual and corporate income taxpayers are required to make estimated tax payments throughout the tax year. The Department processes those payments and matches them to the taxpayer returns when filed at the end of the tax period. In some cases, taxpayers send in payments but then do not send in the associated return. Currently, the Department's tax accounting system, BRITS, does not have the functionality to send those taxpayers reminder notices to file their returns.

The Department had already identified this issue and has requested the necessary system changes. Unfortunately, due to information technology resource limitations, the Department does not anticipate having this new functionality in place until sometime in FY2009.

Conclusion—

The Department takes the Auditor General's findings and the correction of those findings very seriously. As such, the Department has significant concern with the Auditor General's statement, ". . . a similar recommendation was provided to the Department in the prior year." It leaves readers with the inaccurate perception that the Department has taken no action to address the Auditor General's concerns. Further, because the finding is so broad in nature and because an acceptable margin of error has not been defined, the Department is concerned that there is no way to ever fully correct the finding.

See Auditors' Comment to the Department of Revenue's Corrective Action Plan on page 131.

07-29

**The Department of Revenue should continue to establish effective controls over its contracted services**

Agency: Department of Revenue

Contact Person: Joanne Prakash, Chief Internal Auditor, (602) 716-6265

Anticipated Completion Date: Various, for anticipated completion dates see corrective action plan below.

Agency Response: Concur

Agency Corrective Action Plan: As stated in the response to the Auditor General's 2006 Single Audit dated June 18, 2007, the Department understands that strong internal controls must extend to those vendors that perform tax processing services, such as printing refunds and processing cash payments. The Department faces certain limitations, however, that impact its ability to fully implement these recommendations and obtain annual assurances of vendor internal control systems.

There are two primary methods to verify a vendor's internal controls. One method is to contractually require the vendor to provide an independent report on the effectiveness and sufficiency of its controls, such as a SAS 70 report. While this report provides the necessary verification of internal controls, the costs associated with the independent audit are significant, making even the largest vendors reluctant to provide the report annually.

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A second method is for the Department to go to the vendor's site and conduct an audit. While A.R.S. §35-214 requires that all state contracts have the right to audit "books, accounts, reports, files and other records relating to the contract," and this language is included in all SPO's contracts under the Arizona's Uniform Terms and Conditions, rights to audit specific areas such as information technology are not provided. In addition, the costs associated with conducting these audits would also be quite high and the Department does not have adequate funding. As such, the Department's ability to appropriately assess and gain assurance over its vendor controls may be impaired.

The Department currently has relationships with four vendors that provide data entry, printing and mailing, and electronic payment processing services. Two data entry vendor relationships were established by a single statewide contract administered by the Department of Administration's State Procurement Office (SPO). The Department is one of multiple state agencies that utilizes this contract.

Subsequent to the Auditor General's finding, the Department contacted SPO and requested that the contract be modified, but because the contract impacts multiple agencies and would have significant vendor pricing implications, SPO was unwilling to execute an amendment.

The remaining two vendors were contracted directly by the Department. To address the Auditor General's findings in the 2006 Single Audit, the Department incorporated language into the Request for Proposal that requires vendors to provide SAS 70 audit reports, however, not on an annual basis.

The issue of ensuring data security is a complex one and, in the interest of the state and the vendors, needs to be dealt with on a statewide basis, including statutory changes and adequate funding. The Department firmly believes and is committed to the protection of confidential taxpayer data, as noted by its numerous security initiatives over the last few years. However, to ensure the level of data security as recommended in this audit would require significant efforts well beyond the Department's authority.

Vendor internal control systems—

The Department will continue to request and review SAS 70 reports when available or will conduct onsite audits as contractually permitted and when resources are available.

For example, the Department recently awarded the printing and mailing services contract requiring the vendor to provide a SAS 70 report. The first report was received January 2008 for the period April 2007 through September 2007. The Department reviewed the report and no significant internal control deficiencies were noted. The report specific to the Phoenix vendor location, however, will only be issued every sixth year.

Policies and procedures—

The Department is currently including internal control assurance requirements in all new contracts it issues. In addition, the Department is developing a process that would provide four essential assurance elements to 1) track when reports or reviews are needed; 2) ensure appropriate review and documentation of results; 3) document and take correction if necessary; and 4) follow up as needed. To implement the new process, however, the Department will evaluate whether these annual assurances can be conducted given current resources or whether additional funding will be needed.

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Data entry vendor controls—

In February 2007 the Department conducted an onsite review of one data entry vendor and in January 2008 it conducted an onsite review of another data entry vendor. Again, no deficiencies were noted for the items reviewed.

Conclusion—

The Department takes the Auditor General's findings and the correction of those findings very seriously. As such, the Department has significant concern with the Auditor General's statement, ". . . a similar recommendation was provided to the Department in the prior year." It leaves readers with the inaccurate perception that the Department has taken no action to address the Auditor General's concerns.

See Auditors' Comment to the Department of Revenue's Corrective Action Plan on page 131.

07-30

**The Department of Revenue should improve controls over retention of tax returns and documents**

Agency: Department of Revenue

Contact Person: Joanne Prakapas, Chief Internal Auditor, (602) 716-6265

Anticipated Completion Date: Various, for anticipated completion dates see corrective action plan below.

Agency Response: Concur

Agency Corrective Action Plan:

Limit physical access—

In the Auditor General's FY2006 Management Letter dated September 18, 2007, the Department stated that it would explore options to limit physical access, including completing tenant facility improvements. Unfortunately, due to the \$2.4 million budget reduction experienced in FY2008, the Department has been unable to complete the improvements.

To address the finding, however, staff access to the tax documents has been limited to only Document Control staff and any requests for documents must go through that unit.

Check out procedure enforcement—

In FY2007, the Department of Revenue received and processed 5.2 million documents, or approximately 65,000 batches. At the time of this finding, 9 batches could not be located. As stated in its FY2006 Management Letter response, the Department implemented a procedure that requires employees to check in and out on tracking cards all tax documents taken. The cards are then reviewed by Document Control staff to provide monthly oversight, and particular attention is paid to those documents that have been checked out for an extended period of time. If necessary, staff follows up to retrieve or, at a minimum, identify the checked out documents' location. Despite these enforcement efforts, however, 100% compliance with the manual check out process is not always possible.

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To further improve batch controls, internal customers, such as collections or audit staff who request tax documents, now only receive copies while the original documentation remains secured in the Document Control's file room.

Identifying voided returns—

In January 2008, the Department implemented a physical batch tracker module made available through BRITS, which allows Process Administration staff to identify any voided batches and to further increase batch controls.

Conclusion—

The Department takes the Auditor General's findings and the correction of those findings very seriously. As such, the Department has significant concern with the Auditor General's statement, ". . . a similar recommendation was provided to the Department in the prior year." The Department services over 3.1 million taxpayers and processes over 9.4 million documents and payments. Because the OAG finding statements are so general in nature and because of the high volumes of work the Department completes each year, it is inevitable that mistakes will be made that will qualify under a prior year's finding. Under these circumstances the "similar recommendation" statement will always be applicable and leave readers with the inaccurate perception that the Department has taken no action to address the Auditor General's concerns.

See Auditors' Comment to the Department of Revenue's Corrective Action Plan on page 131.

07-31

**The Department of Revenue needs better data security management and increased security awareness**

Agency: Department of Revenue

Contact Person: Joanne Prakash, Chief Internal Auditor, (602) 716-6265

Anticipated Completion Date: Various, for anticipated completion dates see corrective action plan below.

Agency Response: Concur

Agency Corrective Action Plan: As a trustee of taxpayer confidential data, the Department continually strives to improve information security. That commitment is clear when considering the Department's actions over the last few years and the validation received from information security audits conducted by the Internal Revenue Service (IRS) and security assessments conducted by private vendors.

Recognizing the security implications of a new integrated tax system and the need for a centralized data security role, in October 2004 the Department established a full-time security officer position. Since that time, the Department's security posture has continued to evolve and, as of March 2006, it had formed the current Information Security (IS) unit comprised of 5 dedicated full-time staff.

The Department also contracts with private vendors to conduct periodic internal and external security assessments to evaluate the Department's vulnerability to information system breaches by individuals both within and outside the organization.

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In addition, ad hoc floor inspections are conducted to identify any potential security issues and any issues noted are immediately escalated to the division's assistant director. The Department's confidentiality awareness program includes an IRS-mandated requirement that all employees and vendors read an Annual Confidentiality Awareness Memo and sign an annual certification form to ensure compliance with confidentiality and security regulations.

Further, the IRS completes rigorous and regular evaluations of the Department's information security with the most recent assessment completed in 2007. Had the Department not had adequate information security measures in place, the IRS would have denied access to essential federal taxpayer information.

The Department's efforts to improve information security, however, are ongoing. The Department's IS unit has already made significant strides in establishing policies, standards and procedures and continues to work diligently to fully establish a more dynamic information security environment. Listed below are the primary elements of the security program and actions the Department is taking.

Data Security—

Data security improvements will address risk assessment, security controls and monitoring the effectiveness of those controls. For example, the Department:

- conducts risk assessments and has established an assessment calendar
- continually establishes and/or strengthens access standards and procedures over system and application security

Security Awareness—

The Department's security program also includes ongoing education of security awareness and practices. For example, the Department is:

- improving annual awareness training for new employees, temporary staff and vendors, targeted for January 2009
- creating a vendor-specific related employee awareness program
- creating a more technical information technology staff training program
- conducting a security marketing awareness campaign to highlight different pertinent agency issues, communicating to all employees through various venues, such as the Department newsletter

Strengthened security environment—

While the Department has already made many improvements, it is constantly working towards a more robust security environment. Some new initiatives include:

- centralizing access control management within the unit, providing an event management process to review and track items that may have security impacts

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- improving the “change” and “delete” process for employees, expected to be complete by August 2008
- strengthening shared drive access controls

**Auditors’ Comment**

The Department of Revenue’s officials responded that they had concerns regarding the statement that some recommendations were previously provided in the prior year. This was in response to findings 07-23, 07-25, 07-28, 07-29, and 07-30. The Department’s responses point out efforts made to take corrective action as a result of the audit for the year ended June 30, 2006; however, the corrective action was, nonetheless, implemented either late during fiscal year 2007 or after year-end. Therefore, the auditors’ reference to similar findings in prior audits is factual and part of the standard reporting process. Below is a table highlighting the Department’s prior-year findings.

**Table of Prior Years’ Similar Recommendations**

<u>June 30, 2007</u> <u>Recommendations</u>	<u>Previously Reported for the Fiscal Year Ended</u>		
	<u>June 30, 2006</u>	<u>June 30, 2005</u>	<u>June 30, 2004</u>
07-23	X	X	
07-25	X	X	X
07-26	X		
07-27	X	X	X
07-28	X	X	X
07-29	X		
07-30	X		

One of the auditors’ responsibilities is to report what are considered to be significant deficiencies identified during the audit. Recommendations were made in accordance with reporting requirements prescribed by generally accepted auditing standards and, therefore, took into account qualitative and quantitative factors when considering the likelihood and magnitude of possible misstatements occurring in the State’s fiscal year 2007 financial statements.

The Department’s responses provide the opportunity to explain their efforts, whether planned or implemented, to correct the findings, and agency responses have not been audited. The acceptable level of error that auditors use when evaluating whether the State’s financial statements are fairly stated, in all material respects, may not be consistent with operational effectiveness expected by a department’s leadership or stakeholders. As a result, it would not be appropriate for the auditors to dictate such benchmarks. While the findings were characterized as “broad” by the Department, the auditors have communicated our concerns in greater detail throughout the audit to the appropriate personnel and they have acknowledged an understanding of the deficiencies. The Department’s responses also include detailed actions taken to address the deficiencies, which further makes the Department’s position unclear that the deficiencies are too broad in nature to correct.

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In addition, the Department of Revenue's response to finding 07-30 implies that only 9 of approximately 65,000 batches could not be located. However, this statement is misleading because we did not test 100 percent of the 65,000 batches. The recommendation addresses the need for the Department to improve internal controls over maintaining documentation and batches of records to help ensure that revenues are properly reported and to help prevent and detect potential misstatements to the State's financial statements.

07-32

**Northern Arizona University should improve access controls over its financial reporting computer system**

Northern Arizona University

Contact Person: Robert Norton, Associate Vice President of Administration and Finance / Comptroller, (928) 523-6054

Anticipated Completion Date: Complete

Agency Response: Concur

Agency Corrective Action Plan: The Advantage Security Administrator's access has been restricted to security functions only. User access rights for employees who have been promoted, demoted, transferred or terminated are reviewed on a monthly basis using the "Terms and Transfers Query" that is generated and distributed by Payroll. Employee access has been updated to be compatible with the employee's job functions. Duties for the initiation and approval of a purchase and the subsequent receipt of goods via the departmental purchase orders have been segregated to no longer allow the self approval of the departmental purchase order.

07-33

**The University of Arizona should improve access controls over its main computer systems**

University of Arizona

Contact Person: Mark McGurk, Comptroller, (520) 626-1677

Anticipated Completion Date: See below

Agency Response: Concur

Agency Corrective Action Plan: The University will:

- Ensure that the access granted to users of the student financial aid system (Matrix), the Student Information System (SIS), the Personnel Services Operating System (PSOS), and the Financial Records System (FRS) is appropriate.
- Limit physical access to critical IT equipment and stored data for the student financial aid system (Matrix), the Student Information System (SIS), the Personnel Services Operating System (PSOS), and the Financial Records System (FRS).

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By:

1. Developing University-wide policies and procedures to periodically review users who have access to critical data and to review the standard access templates and roles to help ensure that users' access is appropriate.
2. Conducting a comprehensive review of existing users' access and the standard access templates and roles.
3. Standardizing University-wide policies and procedures that clearly define the responsibilities of staff who are responsible for reviewing, approving, and establishing access and provide initial and ongoing training to help ensure that the access control procedures are followed.
4. Developing access request, modification, and deletion forms for Matrix. The forms will require requestors to provide information needed to determine access including name, title, department, supervisor's name, and authorized approver.
5. Improving procedures for removing or modifying access rights of users when they terminate employment or transfer departments.
6. Establishing policies and procedures to review and monitor physical access to the central computing Data Center.

Through:

- The establishment of 2 task forces, charged and scoped by the CIO as follows:

1. Enterprise Business Systems Physical Access Task Force

Charge

- Review current and best practices and implement a new process in a way that will accomplish item 6 above under centralized oversight

Scope

- Consider only central computing Data Center(s) specifically focused on the 4 primary business enterprise systems—Matrix, SIS, FRS and PSOS at this time

Deliverables

- Written Policies
- Written Procedures
- Identified authority, resources, responsibility and accountability
- Implementation of full process

Timeline

- Task Force will be created, with Chair named by November 1, 2007
- Recommendations for policies, best practices and resourcing to the CIO by March 1, 2008
- Policies will be finalized by March 30, 2008



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- Implementation will be complete by end of the June 30, 2008

2. Enterprise Business Systems Logical Access Task Force

Charge

- Review best practices and implement in a way that will accomplish items 1-5 above under centralized oversight

Scope

- Student financial aid system (Matrix)
- Student Information System (SIS)
- Personnel Services Operating System (PSOS)
- Financial Records System (FRS)

Deliverables

- Written Policies
- Written Procedures
- Identified authority, resources, responsibility and accountability
- Implementation of full process

Timeline

- Task Force will be created, with Chair named by November 1, 2007
- Recommendations for policies, best practices and resourcing to the CIO by March 1, 2008
- Policies will be finalized by March 30, 2008
- Implementation will be complete by end of the June 30, 2008

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Federal Award Findings and Questioned Costs

07-101

**Child Nutrition Cluster:**

CFDA No.: 10.553 School Breakfast Program, # 7AZ300AZ3

10.555 National School Lunch Program, # 7AZ300AZ3

10.556 Special Milk Program for Children, # 7AZ300AZ3

10.559 Summer Food Service Program for Children, # 7AZ300AZ3

CFDA No.: 10.557 Special Supplemental Nutrition Program for Women, Infants, and Children, #s WICRB04, WICRB05, WICRB06, WICRB07, 2004IW100347, 2005IW100347, 2006IW100347, 2007IW100347, 2005IW500347, 2006IW500347, 2005IW101147, 2006IW101147, 2005IW100647, 2006IW100647, and 2007IW100647

10.558 Child and Adult Care Food Program, # 7AZ300AZ3

CFDA No.: 84.010 Title I Grants to Local Educational Agencies, #s S010A040003, S010A050003, and S010A60003

84.011 Migrant Education—State Grant Program, #s S011A040003, S011A050003, and S011A060003

**Special Education Cluster:**

CFDA No.: 84.027 Special Education—Grants to States, #s H027A040007, H027A050007, and H027A060007

84.173 Special Education—Preschool Grants, #s H173A040003, H173A050003, and H173A060003

CFDA No.: 84.357 Reading First—State Grants, #s S357A040003, S357A050003, and S357A060003

CFDA No.: 84.367 Improving Teacher Quality State Grants, #s S367A040049, S367A050049, and S367A060049

CFDA No.: 93.283 Centers for Disease Control and Prevention—Investigations and Technical Assistance, #s U50/CCU522441-03, U50/CCU916807-04, U50/CCU919223-03, U50/CCU923306-01, U50/CCU923306-02, U50/CCU923306-03, U50/CCU923306-04, U50/CCU923658-01, U50/CCU923658-02, U50/CCU923658-03, U55/CCU921934-02, U55/CCU921934-03, U55/CCU921934-04, U55/CCU921934-05, U58/CCU922904-01, U58/CCU922904-02, U58/CCU922904-03, U58/CCU922904-04, U58/CCU923340-01, U58/CCU923340-02, U58/CCU923340-03, U58/CCU923340-04, U59/CCU623401, U90/CCU916987-04, U90/CCU916987-05, U90/CCU916987-06, U90/CCU916987-07, UR3/CCU920041-03, and UR3/CCU920041-04

CFDA No.: 97.008 Urban Areas Security Initiative, #s 2003-EU-T3-0001 and 2004-TU-T4-0017

**Homeland Security Grant Program Cluster:**

CFDA No.: 16.007 State Domestic Preparedness Equipment Support Program, #s 2003-TE-TX-0196 and 2003-MU-T3-0034

CFDA No.: 97.004 State Domestic Preparedness Equipment Support Program, # 2004-GE-T4-0051

97.067 Homeland Security Grant Program, # 2005-GE-T5-0030

Agency: Department of Administration

Contact Person: Clark Partridge, State Comptroller, (602) 542-5405

Anticipated Completion Date: Unknown

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Agency Response: Concur

Agency Corrective Action Plan: We have an established process in place for monitoring legislation. In fact, this concept was raised for over two years prior to actually becoming law. On multiple occasions during that period we advised that this was, in our opinion, not consistent with established Federal cost principles and almost certainly would be disallowed. This item is controlled by statute and cannot be resolved without a legislative change. Until the methodology is acceptably modified, there will likely continue to be disallowed costs which will require repayment with applicable interest. We will continue efforts to develop a solution to this issue.

07-102

**Child Nutrition Cluster:**

CFDA No.: 10.553 **School Breakfast Program, # 7AZ300AZ3**

10.555 **National School Lunch Program, # 7AZ300AZ3**

10.556 **Special Milk Program for Children, # 7AZ300AZ3**

10.559 **Summer Food Service Program for Children, # 7AZ300AZ3**

Agency: Department of Education

Contact Person: Gary R. Holland, Audit Manager, (602) 364-3518

Anticipated Completion Date: July 31, 2008

Agency Response: Concur

Agency Corrective Action Plan: This finding was first identified in the 2005 Audit and again in subsequent audits. As a result of the 2005 finding, School Health and Nutrition Programs created a formal application process, new policy and procedures, as well as created a sponsor application checklist to ensure full compliance. All new sponsors, since the 2005 finding, have been required to submit all necessary paperwork to be approved for the National School Lunch Program/School Breakfast Program. As per the Policy and Procedures subsequently put in place, the NSLP Administrative Assistant ensures all required documentation is filed in the appropriate sponsor file for quarterly reviews.

To address the 2006 finding, the sponsors that were approved and in place prior to the 2005 finding were reviewed. Those sponsors were notified in writing to re-submit all required paperwork that was found to be missing from their file. Health and Nutrition completed this full file review by October 31, 2007, with follow-up file reviews continuing to be scheduled quarterly. Additionally, Health and Nutrition Services completed the following, with respect to this finding:

- a) The NSLP Program Project Specialist and Administrative Assistant have contacted 100% of the sponsors missing documentation in their sponsor file including, but not limited to, the Eligibility/Suspension and Debarment documentation based on this finding.
- b) Sponsors are in the process of sending the requested documentation to the Health and Nutrition office. Sponsor's federal reimbursements will be placed on hold if they do not respond to the request in a timely manner.
- c) All files have been reviewed and sponsors were notified by the October 31, 2007 deadline of the sanctions that would be imposed if the requested information is not provided in a timely manner.

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To ensure NSLP sponsor files continue to be in full compliance, the current Policy and Procedures guideline has been updated to instruct the NSLP Program Project Specialist and NSLP Administrative Assistant to continue conducting a quarterly sponsor file review, by randomly sampling 25% of the files. Any file found to be out of compliance will be brought to the attention of the sponsor and missing documents will be requested. Quarterly file reviews were conducted by Program Project Specialists and an Administrative Assistant in December 2007 and May 2008. As of June 2008, Program Project Specialists and an Administrative Assistant continue to conduct quarterly file reviews.

All new sponsor files have a checklist for all required documentation. Twenty five percent of the files are randomly selected, which includes approximately 114 sponsor files. For all files that are missing documentation, letters are mailed requesting the missing documentation and follow up phone calls are also made. Sponsors that do not respond to the request for information are placed on fiscal hold until documentation is received by Health and Nutrition. The next quarterly review of files is scheduled for July 2008.

07-103

**Child Nutrition Cluster:**

CFDA No.: 10.553 **School Breakfast Program, # 7AZ300AZ3**

10.555 **National School Lunch Program, # 7AZ300AZ3**

10.556 **Special Milk Program for Children, # 7AZ300AZ3**

10.559 **Summer Food Service Program for Children, # 7AZ300AZ3**

CFDA No.: 10.558 **Child and Adult Food Care Program, # 7AZ300AZ3**

Agency: Department of Education

Contact Person: Gary R. Holland, Audit Manager, (602) 364-3518

Anticipated Completion Date: October 31, 2008

Agency Response: Concur

Agency Correction Action Plan: The Office of the Auditor General issued the Arizona Department of Education-Information Management report (August 2006, Report No. 06-07) that identified security deficiencies at the Department, which included areas such as software security patch management, password management, network vulnerability, basic security awareness, user access and privileges, and intrusion detection. These deficiencies put the Department's systems and information at risk of potential theft, manipulation, or misuse. The audit recommended developing and implementing an ongoing process for addressing security vulnerabilities and control weaknesses. Specifically, the process should ensure that known security concerns are evaluated and prioritized in order of risk. The Arizona Department of Education (ADE) should then develop specific plans to address them and assign responsibilities to implement the plans. In response, ADE is implementing the following corrective action plan:

- ADE IT completed rollout of its initial one-time security changes for all critical applications, including the CNP Web system. ADE has also implemented new security standards for all aspects of application development and deployment. The resulting procedures, processes, and practices are mandatory elements of all services provided by ADE's IT group, including CNP Web. These standards will be continually revised to stay current with emerging security needs.

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- In order to ensure that the Arizona Department of Education, Health and Nutrition Services Unit eliminates the material control weakness found in its account management procedures, a policy and procedure was implemented by October 31, 2007, that outlines the following:
  - Job positions and corresponding CNP Web user class;
  - Access and Activity privileges provided to specific job position; and
  - Procedures for granting access and activity privileges to department employees.

Additionally, policy and procedure HN-GE-21 was updated to address the CNP Web internal and external user access rights. The corrective action required for this finding was completed on October 23, 2007.

- In order to ensure that the CNP Web system design documentation is detailed, comprehensive, and current, the Health and Nutrition development team will be conducting an update to the current system design documentation to be completed by October 31, 2008. The Systems Documentation for CNP Web is currently being reviewed and updated by a contracted Business Analyst and is currently on schedule to meet the October 31, 2008 timeline. The update will ensure that the CNP Web system documentation clearly details workflow within the system, the business rules that regulate workflow and high-level system software information that relates the general structure of the code to the functions it performs.

In addition to making system documentation current, Health and Nutrition developed detailed policies and procedures for conducting system maintenance and processing. These policies and procedures (HN-GE-28) include guidelines to ensure that system documentation remains up-to-date, and was implemented on October 31, 2007.

Finally, the master description list of access privileges was completed on October 23, 2007, and is on file. This master list ensures proper system documentation, and created a master description list of access privileges that defines:

- Each class of user;
  - How each class of user is determined in the system;
  - The business functions performed by each class of user; and
  - Special permissions that control functions not allocated by default to pre-defined user classes.
- The Health and Nutrition Services administrative and technical staff have researched various possible enhancements to the auditing capabilities of the CNP Web system and determined the following would be implemented to address requirements for improved data change tracking and control. Health and Nutrition implemented a policy and procedure to control changes made by system programmers in August 2007. Health and Nutrition made changes to the application on June 14, 2007. On July 3, 2007, changes were made to the claim to create a history file.

Changes to the system software and configuration ensured that all external user submissions are "read only" to internal users. Department employees have no ability to modify any data submitted by Child Nutrition Program sponsors. This eliminates the possibility of any undocumented changes to end user data.

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A system software and configuration change was also made to provide "special permissions claims" that can only be created, modified, and submitted by internal users. The "special permissions claims" is clearly identifiable in the database to ensure auditability. The availability of these "special permission claims" is a necessity, based on business functions required by federal guidelines, and their proper utilization is clearly defined in updated policies and procedures.

- In addition to the above mentioned system changes, the Health and Nutrition Unit previously implemented policy and procedure HN-GE-21, which clearly defines the guidelines with regard to control changes made by system programmers. The policy dictates that administrative staff and technology staff will use application software to make data changes whenever possible. The policy also dictates specific documentation procedures required in instances when application software is not available for data changes. Policy and procedures HN-GE-21 ensures that all database changes are auditable. Therefore, the corrective action for this finding has been completed.

07-104

CFDA No.: 84.010 **Title I Grants to Local Educational Agencies, #s S010A040003, S010A050003, and S010A060003**

CFDA No.: 84.011 **Migrant Education—State Grant Program, #s S011A040003, S011A050003, and S011A060003**

**Special Education Cluster:**

CFDA No.: 84.027 **Special Education—Grants to States, #s H027A040007, H027A050007, and H027A060007**

84.173 **Special Education—Preschool Grants, #s H173A040003, H173A050003, and H173A060003**

CFDA No.: 84.367 **Improving Teacher Quality State Grants, #s S367A040049, S367A050049, and S367A060049**

Agency: Department of Education

Contact Person: Gary R. Holland, Audit Manager, (602) 364-3518

Anticipated Completion Date: February 28, 2009

Agency Response: Concur

Agency Corrective Action Plan: The existing Grants Management Enterprise system offers all program areas the ability to view a LEA's individual cash management report through the Intranet under Grants Management Reports. The program areas can select the fiscal year, their specific grant or specific entity when viewing their projects' cash management status online. All projects are linked to the LEA's individual cash management report receipt status. These online reports were created to assist the program areas in the monitoring of their subrecipients. On the 19<sup>th</sup> of each month the program area can place a programmatic hold on funds if necessary.

The Grants Management Office continuously offers a Monthly Cash Management Summary Report to provide the program areas a quick glance of their subrecipients' cash management status on the 19<sup>th</sup> of each month. This report outlines such information as whether a subrecipient is compliant, the extent of any existing holds or the amount of cash on hand or the amount of requested disbursement. The program

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area utilizes this report to assess their subrecipients' compliance status on the 19<sup>th</sup> of each month and take appropriate corrective action if needed. Any abnormal cash on hand is dealt with by the program areas via placing a programmatic hold or contacting the LEAs at that time.

The existing Grants Management Enterprise system will be modified to ensure that subrecipients amend their subsequent year's budget for completion report cash balances immediately after the completion report has been approved. Once a completion report is approved and LEAs are directed to amend prior-year monies, the carryover must be amended into the current-year project within 60 days. If LEAs fail to amend the carryover within 60 days after the completion report approval date, the Grants Management Enterprise system will place an amendment hold and no payment will be made for the current year project. The submission of an amendment will release this system hold.

07-105

CFDA No.: 84.010 **Title I Grants to Local Educational Agencies, #s S010A040003, S010A050003, and S010A060003**

CFDA No.: 84.011 **Migrant Education—State Grant Program, #s S011A040003, S011A050003, and S011A060003**

CFDA No.: 84.367 **Improving Teacher Quality State Grants, #s S367A040049, S367A050049, and S367A060049**

Agency: Department of Education

Contact Person: Gary R. Holland, Audit Manager, (602) 364-3518

Anticipated Completion Date: December 31, 2008

Agency Response: Concur

Agency Corrective Action Plan: The ADE agrees with the finding and understands that applications for funding for Title I, Title II, and Title I Part C programs should not be approved until completed Affirmation of Consultation forms have been submitted. The ADE has put procedures in place for the education specialists who review applications to verify the submission of the Affirmation forms, which are filed and logged by the Private School Services Coordinator. A review checklist is available for the specialist to record the process that includes verifying whether the LEA has submitted the forms and whether services to private schools have been requested and need to appear in the application budget.

The ADE will make the following changes to further ensure compliance with Section 1120(b)(4): 1) the request for approval to the Deputy Associate Superintendent of all applications for Title I funds will include a verification by the specialist that the Affirmation forms have been submitted, and 2) all applications for FY09 funds must be substantially approvable prior to September 2, 2008, where one of the criteria will be the submission of the Affirmations of Consultation. Additionally, the ADE is developing a web-based system for LEAs to submit various forms of documentation of compliance with the No Child Left Behind Act. This system will allow the LEAs to convert the signed forms into an electronic format and file them with the ADE, eliminating the need to transfer paper forms and creating more easily accessible evidence of compliance with this requirement.

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07-106

**Child Nutrition Cluster:**

CFDA No.: 10.553 School Breakfast Program, # 7AZ300AZ3

10.555 National School Lunch Program, # 7AZ300AZ3

10.556 Special Milk Program for Children, # 7AZ300AZ3

10.559 Summer Food Service Program for Children, # 7AZ300AZ3

CFDA No.: 10.558 Child and Adult Care Food Program, # 7AZ300AZ3

CFDA No.: 84.010 Title I Grants to Local Educational Agencies, #s S010A040003, S010A050003, and S010A060003

CFDA No.: 84.011 Migrant Education—State Grant Program, #s S011A040003, S011A050003, and S011A060003

**Special Education Cluster:**

CFDA No.: 84.027 Special Education—Grants to States, #s H027A040007, H027A050007, and H027A060007

84.173 Special Education—Preschool Grants, #s H173A040003, H173A050003, and H173A060003

CFDA No.: 84.357 Reading First State Grants, #s S357A040003, S357A050003, and S357A06003

CFDA No.: 84.367 Improving Teacher Quality State Grants, #s S367A040049, S367A050049, and S367A060049

Agency: Department of Education

Contact Person: Gary R. Holland, Audit Manager, (602) 364-3518

Anticipated Completion Date: June 30, 2008

Agency Response: Concur

Agency Corrective Action Plan: ADE has developed a policy and business rule providing a process for the ADE Audit Unit and Program Areas to address subrecipient non-compliance with OMB Circular A-133 reporting requirements. This policy and business rule requires notification of non-compliance letters to be sent to LEAs that have not met their Single Audit reporting requirements. The policy and business rule also includes potential sanctions against non-complying LEAs. The sanctions will include the potential for ADE to withhold current and/or future federal funding until compliance with reporting requirements is achieved. This policy #GE-24 was implemented on December 31, 2007.

ADE has developed a means of managing all Single Audits going forward. The Single Audit Tracking System (SATS) is designed to document and monitor all ADE subrecipients who are required to have a Single Audit conducted. This system is used by all program areas, Grants Management and the Audit Unit. The SATS tracks all subrecipients' audit findings, due dates, and status. The system has the ability to produce status reports on demand. A bi-weekly Single Audit Report is developed from data retrieved from the tracking system. This report lists each of the program areas which have outstanding audit findings. This report is a great tool to continuously remind program areas that findings still exist and they need to continue working with the subrecipients until the challenge has been resolved. The system provides legal and technical guidance, with links to the federal A-133 documents, as well as ADE policies and guidelines.



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Additionally, ADE has developed a Single Audit Handbook which details specific instructions on how to use the Tracking System. ADE has also drafted a detailed Single Audit Guideline. This guideline provides a complete overview of the Single Audit process, roles and responsibilities, preventing and detecting fraud, corrective action steps and follow-up, preparing and performing an audit, preparing the audit reporting package, audit costs, due dates, sanctions, samples of Single Audit report and forms, monitoring, and conducting a risk assessment. This system was originally implemented February 2007; however, ADE continues to make enhancements as necessary.

07-107

**Special Education Cluster:**

CFDA No.: 84.027 **Special Education—Grants to States, #s H027A040007, H027A050007, and H027A060007**

84.173 **Special Education—Preschool Grants, #s H173A040003, H173A050003, and H173A060003**

Agency: Department of Education

Contact Person: Gary R. Holland, Audit Manager, (602) 364-3518

Anticipated Completion Date: September 30, 2008

Agency Response: Concur

Agency Corrective Action Plan: ADE developed an internal grants management system that requires monthly financial reporting (cash management reports) in order to receive the next scheduled grant or contract payment. The reports are reviewed for compliance with laws, regulations, and the provisions of the contract or grant agreement. If discrepancies are noted, the district or charter school is contacted for additional documentation and information. The cash management system was designed to act in place of an on-site visit given our resource limitations.

ADE has a full-time auditor to perform fiscal monitoring. This auditor will be responsible for performing on-site monitoring of financial records at various LEAs that receive and expend Federal financial assistance associated with CFDA Nos. 84.027 and 84.173. Initially, approximately 30 LEA subrecipients expending the largest amount of Federal grant dollars associated with the two above-mentioned grants will be monitored. After these 30 LEA subrecipients have been monitored, all LEA subrecipients will be placed on a multi-year cycle. The auditor will monitor them per this schedule.

The auditor will examine original source documentation supporting expenditures to determine if these expenditures were proper in relation to the two above-mentioned Federal grant requirements. The auditor will trace these Federal grant expenditure dollars through the LEA subrecipients' financial accounting systems; i.e., through their general ledgers, to the expenditures that the LEAs upload to ADE's Grants Management Enterprise System (GMES). In relation to ADE's subrecipients, the GMES is ADE's on-line computerized system that records dollars associated with Federal financial assistance passed through by the ADE to LEA subrecipients as well as expenditures incurred by the LEA subrecipients from such Federal financial assistance.

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Due to an extended staffing vacancy, the previous goal of visiting 30 LEAs by June 30, 2008, was not achieved by that date. However, we were able to complete 6 LEA monitoring visits and reports during the past year. In addition, we hired a new auditor on May 24, 2008, who has already contacted 20 LEA District Business Offices to schedule visits within the next 13 weeks. Monitoring visits and their corresponding audit reports for these 20 Districts will be completed by September 30, 2008.

Additionally, we have established a more streamlined system for gathering all necessary fiscal and fixed asset documentation from the LEAs prior to our on-site visits, which will allow us to complete audits of approximately 36 LEAs through June 30, 2009. We are formulating a multi-year cycle to establish a regular schedule of audit visits to the LEAs who expend these funds.

07-108

**Special Education Cluster:**

CFDA No.: 84.027 **Special Education—Grants to States, #s H027A040007, H027A050007, and H027A060007**

84.173 **Special Education—Preschool Grants, #s H173A040003, H173A050003, and H173A060003**

Agency: Department of Education

Contact Person: Gary R. Holland, Audit Manager, (602) 364-3518

Anticipated Completion Date: December 31, 2008

Agency Response: Concur

Agency Corrective Action Plan: ADE, Exceptional Student Services (ESS), will revise its policies and procedures to address the federal child count verification process in the following manner:

ESS will require LEAs to verify their federal child count on October 1, effective FY 2009. This is a change from the current federal child count date of December 1. A memo regarding this change has been sent to the special education directors via the listserv on June 9, 2008. It is anticipated that by moving the child count date earlier in the year, LEAs will have more time to submit and clean up their child count data in the Student Accountability Information System (SAIS) well in advance of the federal child count due date thus giving ADE/ESS more accurate data to submit to the Office of Special Education Programs.

ADE has not yet initiated statutory changes to reduce the SAIS adjustment window. ESS will continue to pursue discussions within ADE relative to initiating and completing this statutory change. Currently, ARS §15-915 allows school districts and charter schools to submit changes to their financial information and their student count to SAIS for a maximum of three years from the initial submission date. As a result, this allows LEAs to change financial and student count information after its submission of federal child count verification reports. This could result in submitted federal child count data not matching more current SAIS student count information.

ESS will continue to provide LEAs with a bi-monthly confirmation status report that alerts the LEAs to SAIS conflicts so the conflicts can be resolved in a timely manner.

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ESS will continue to include accuracy of LEA SAIS data in the Individuals with Disabilities Act (IDEA) determinations in accordance with 34 CFR 300.640.

ESS will continue to send alerts on an annual basis via the listserv to LEAs. The purpose of this alert is to advise LEAs of the use of the System Training and Response (STaR) Team to resolve SAIS discrepancies prior to the October 1, 2008, federal child count verification/reconciliation deadline of December 12, 2008.

ESS will require LEA October 1 Federal child count verification numbers match SAIS student count numbers by December 12, 2008. LEAs must reconcile their child count numbers with SAIS data before ESS will accept the LEA federal child count. On December 12, 2008, SAIS student count numbers will be retained to provide documentation showing the LEA counts matched SAIS counts at that time. In addition, if the SAIS student count is higher than the LEA verification count, then the LEA may be subject to an ADM audit.

07-109

**Special Education Cluster:**

CFDA No.: 84.027 **Special Education—Grants to States, #s H027A040007, H027A050007, and H027A060007**

84.173 **Special Education—Preschool Grants, #s H173A040003, H173A050003, and H173A060003**

Agency: Department of Education

Contact Person: Gary R. Holland, Audit Manager, (602) 364-3518

Anticipated Completion Date: December 31, 2008

Agency Response: Concur

Agency Corrective Action Plan: To help ensure compliance with 34 CFR §300.231 (c)(1), the ADE ESS Finance division will ensure that a maintenance of effort (MOE) test is performed during the months of August and September for each subrecipient prior to awarding funding under CFDA 84.027 and 84.173. The division will prepare a three year comparison reports using the new fiscal year data. The report will provide annual financial report (AFR) data for the most recently submitted fiscal year, the prior fiscal year LEA budget and the new fiscal year budget submitted July 15. A comparison of the two budgets and most recent AFR will be made. If the new fiscal year budget is less than the prior year budget, we will contact the LEA to provide technical assistance and advise them to review all State and Local special education expenditures prior to submitting their AFR which is due October 15.

The division will notify the subrecipient of the potential MOE finding. The information provided by the subrecipient will be verified using the ADE School Finance portals for budgets and AFRs. If corrections are required to the School Finance portals, the ESS will wait until the corrections can be verified before approving grant applications submitted for the FY08-09 school year. The division will ensure that the information submitted and tested contains financial information in sufficient detail to monitor compliance with maintenance-of-effort requirements.

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In addition, a request will be made to the School Finance division asking them to modify their budget and AFR instructions used by the LEA so that it is clear to each entity that they must budget for their special education program using their state and local funding generated for their special education population. A request will also be made so that the two areas of the budget related to special education match using a validation of the information. If the LEA does not budget for the special education programs, they will be considered ineligible for IDEA funding.

Copies of all correspondence that ESS processes for verification will be kept on file for audit purposes.

During the months of October and November, the division will prepare a new three year comparison report to reflect data submitted on the October AFRs. A review of all LEAs will occur to ensure that expenditures were incurred. If no expenditures are noted, and the LEA received an approval of their funding application based on the budget figure, the LEA will be notified by letter or e-mail requesting corrections to the AFR for the year in question. During this time a programmatic hold will be placed on the IDEA grant using the ADE Grants Management system hold system.

07-110

CFDA No: 84.011 **Migrant Education State Grant Program, #s S011A040003, S011A050003, and S011A060003**

Agency: Department of Education

Contact Person: Gary R. Holland, Audit Manager, (602) 364-3518

Anticipated Completion Date: December 31, 2008

Agency Response: Concur

Agency Corrective Action Plan: The Arizona Department of Education, Migrant Education Program (MEP), will implement the following procedures to help ensure compliance with the program's reporting and special tests and provisions requirements:

- Develop written policies and procedures for annually documenting and reviewing eligible student count information, and the process for resolving any significant differences.
- Develop written policies and procedures to annually test the validity of the COEstar internal controls, including the option of performing a SAS 70 audit.
- Develop written policies and procedures to review subrecipient files to determine if the service provider completed site visits in accordance with its quality control procedures.

ADE's MEP has developed procedures for reviewing and assessing the reasonableness of the data that regional offices, school districts or other operating agencies submit to ADE. Recently, the ADE MEP has developed procedures to validate migrant student counts furnished by COEstar, which include comparing counts by district and/or student names prior to finalizing the counts to ensure that there are student names associated with the final student count. Differences between the COEstar data and the district lists were resolved between Statewide Services and the ADE Migrant Program Office.

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The guideline has been adopted into final form and used to validate the counts submitted between December 2007 and January 2008, through the Consolidated State Performance Report (CSPR) Parts I and II. This guideline is utilized to interpret the data that is used to complete various reports, such as the CSPR.

The ADE MEP contracts with Statewide Services for the data collection of the MEP. In the fall of 2007, an on-site monitoring protocol was developed and utilized by the MEP Office to monitor Statewide Services' collection of school site data, beginning in late October and early November of 2007. This protocol has provided a clearer avenue for auditing the written procedures for Statewide Services' on-site activities. It was during the first monitoring that the MEP Office found Statewide Services to be in partial compliance. They were instructed to submit a corrective action plan in April 2008, and subsequently, submitted draft procedures for approval prior to the deadline. These procedures were reviewed and returned to Statewide Services with the suggestion of putting the procedures into one single format for all documents. The formatted procedures were submitted in final form to our office the week of May 16, 2008. As a followup to the initial monitoring, the MEP Offices conducted a follow up monitoring of Statewide Services during the week of April 28, 2008. The MEP Office will continue to utilize this protocol to monitor Statewide Services on an annual basis.

As part of our NCLB Monitoring, MEPs are visited onsite by the MEP Office a minimum of once every six years. During the monitoring, the Program Specialist will utilize the Title I-C Migrant Protocol. Included in the Migrant Monitoring Protocol is an item for discussion about how the LEA ensures accuracy of the certificate of eligibility (COE). A random review of one percent (or a minimum of ten) COEs is completed by the MEP Project Specialist.

Statewide Services has also implemented file management training, primarily focused on new MEP clerks, but available to any MEP staff member. The file management allows Statewide Services to work directly with the MEP staff on what information must be contained in each child's on-site folder. Combined, these efforts ensure the information in the student file matches the information in the ADE data base used to compile the CSPR Parts I and II.

The MEP Office has also taken several steps to review, verify, and validate the data that is received from COEstar. This process allows for MEP Program Specialists to test the reasonableness of the data going into the COEstar system and the data coming out of the COEstar system, as well as the continual review of data until all numbers are in synch. During the testing of the reasonableness of the data for the CSPR for the fiscal year 2006, the MEP Office and Statewide Services worked directly with TROMIK, the developer of the COEstar software, on revising filters that were in place, to increase the accuracy of the information disaggregated from the COEstar system. TROMIK maintains all ADE MEP Office records, including a 'snapshot in time' of the database as it exists at the point when numbers are generated for both CSPR, Parts I and II. This is done through maintaining a static copy of the database at the point in time the programmatic numbers are generated for the CSPR and other various reports.

Finally, Heinfeld, Meech and Co, P.C. an independent audit firm, was hired to conduct an Accountability Audit of TROMIK and COEstar, which should be completed by June 30, 2008.

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07-111

CFDA No: 84.357 Reading First State Grants Program, #s S357A040003, S357A050003, and S357A060003

Agency: Department of Education

Contact Person: Gary R. Holland, Audit Manager, (602) 364-3518

Anticipated Completion Date: December 31, 2008

Agency Response: Concur

Agency Corrective Action Plan: The Auditor General's report affirms that the ADE, Reading First (RF) Program Office, has comprehensive procedures in place, described in the *Reading First Program Compliance Monitoring Standard Operating Procedures (SOP)*, to ensure that Reading First Subgrant funds are used for authorized purposes in compliance with the laws, regulations and the provisions of their approved Reading First Applications.

The ADE RF Program Office acknowledges and concurs with the Auditor General's statement that "...the Department has developed policies and procedures (*RF Program Compliance Monitoring SOP*) to ensure the rest of the LEAs are subject to being periodically selected and monitored during each award period, (*but*) the Department has not fully implemented these procedures."

The RF Program Compliance Monitoring standard operating procedures are intended to provide general guidance on how to proceed with a specific required activity. In order to provide flexibility, and given their very nature, SOPs are generic. SOPs provide practical detail and offer guidance where official doctrine is lacking, or extremely broad.

Pursuant to the U.S. Department of Education's Uniform Requirements for Grants and Cooperative agreements with State and Local Governments, 34 Code of Federal Regulations (CFR) §80.40(a) and OMB Circular A-133 §400(d)(3), the ADE RF Program Office aggressively monitors the activities of subrecipient LEAs to ensure that Reading First Subgrant funds are used for authorized purposes in compliance with the laws, regulations and the provisions of their approved Reading First Applications.

In response to discussions with Office of the Auditor General, the ADE RF Program Office has implemented a *corrective action plan* to update the SOP in May 2008 to more clearly articulate the Compliance Monitoring procedural guidelines as follows:

1. Continuous programmatic and fiscal reviews of RF Program implementation progress using the ADE's Grants Management data system and internally accessible documents and reports.
2. Monthly scheduled on-site Targeted Assistance and Monitoring at high needs RF schools conducted by highly trained experts from the Az READS/Reading First Program Unit.
3. Regularly scheduled regional on-site Technical Assistance, Professional Development and Monitoring at RF schools conducted by highly trained State Reading Specialists, who have responsibility for each school within their assigned geographic region.

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4. Periodic targeted formal, intensive on-site Compliance Monitoring at RF schools with known potential programmatic and/or fiscal compliance concerns conducted by Education Program Directors and Specialists of the Az READS/Reading First Program team.
5. Comprehensive contracted independent formal, intensive On-site Compliance Monitoring of each RF school during the three-year period of the Subgrant Awards conducted by an experienced team of External Evaluators.

Additional updates to the SOP to ensure that documentation evidencing that the Department has in fact required the LEAs to correct the identified deficiencies, affirming these findings were corrected, and notifying the LEA of their change in compliance status are addressed below.

The Auditor General's report affirms that the ADE RF Program Office performed on-site monitoring for 7 LEAs which, through an extensive network of communication and oversight, were identified as having potential programmatic and fiscal compliance concerns; and that as a result of the comprehensiveness of the audit, detail of the findings and recommendations, and persistent followup by the ADE Compliance Monitoring Team, the Department recovered a total of \$475,193 in disallowed costs. However, the Auditor General's report then expresses concern about the selection process and the timing of the reviews being "...performed after, rather than during, the award period."

These comprehensive Completion Report Fiscal Monitoring reviews of the 7 LEAs occurred in direct follow-up to a letter to all LEAs dated February 15, 2006, from the ADE Associate Superintendent for the School Effectiveness Division and the ADE Reading First Program Director and as a consequence of the 7 LEAs' failure to adhere to the Cycle I, Year 3 close-out directives in that letter. This letter states, in part:

One of the challenges for Reading First LEAs will be to sustain the fidelity of RF Program implementation, as well as the integrity of RF Subgrant expenditures (through the end of the Cycle I grant period, June 30, 2006). In this regard, we expect that:

- LEAs will continue to expend remaining fund balances with discretion and employ appropriate district oversight to avoid last minute acquisitions.
- All Project Payment Budget requests to the ADE will be reasonable and consistent with each LEA's remaining RF Program needs, to ensure appropriate uses of RF funds.

The Reading First Fiscal Management Team will be closely monitoring this process and is available to assist the LEA if questions arise. *Please be advised, however, that any extraordinary payment requests, or unapproved or non-Reading First expenditures will immediately result in a Project Hold, and could jeopardize the LEA's future Reading First funding. (Italics included in original letter to LEAs.)*

Moreover, as communicated to the Auditor General's Office, 6 of these 7 LEAs also received on-site Compliance Monitoring Reviews and written reports *during the award period*.

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Additionally, the ADE RF Program Office performed continuous compliance monitoring of all subrecipient LEAs and performed multiple site visits to subrecipient LEAs throughout the school year. These continuous compliance monitoring efforts included:

- Monthly programmatic and fiscal technical assistance and compliance monitoring visits to each of sixteen “at risk” (of programmatic and/or fiscal compliance failure) LEAs by the Az READS/Reading First Program team. Over the nine-month school year, more than 144 on-site compliance visits were made.
- A least once monthly, on-site Technical Assistance, Professional Development and Monitoring visits to all 85 Cycle II RF schools conducted by highly trained State Reading Specialists. Over the nine-month school year, more than 765 on-site compliance visits were made.

The Auditor General tested four Completion Report Audits and found that the ADE RF Program Office did not issue a final close-out/change of status letter to these LEAs stating that the specific findings identified in the reviews were corrected and that procedures were in place to facilitate systematic correction of the deficiencies. In all four instances, the ADE did require the LEAs to implement the recommendations and correct the deficiencies. This is evidenced, as previously noted, in the reversion and/or refund of funds totaling nearly \$500,000, and the ADE RF Monitoring Team’s cooperative and collaborative work with senior LEA administrators, the ADE Audit Unit, and outside auditors from private Certified Public Accounting firms to obtain corroborating information and supporting documentation that the LEAs had implemented the recommendations and corrected the deficiencies.

Reading First LEAs receive notice of the change of status through several mechanisms that may include a letter stating that there has been a revision of disallowed costs based on the LEA’s response, direct emails from the RF Program Office and the ADE Grants Management system that their completion report has been approved, the Programmatic Hold has been removed, and direct telephone confirmation and consultation. Subsequent approval of a pending beginning-year budget submission or amendment also provides reasonable and timely notice of the change of status.

Nevertheless, the ADE RF Program Office acknowledges and concurs with the Auditor General’s finding that final written change of status document or letter of closure to the LEAs was not issued by the ADE verifying that the specific findings identified in the reviews were corrected and that procedures were in place to facilitate systematic correction of the deficiencies.

The ADE RF Program Office has taken affirmative action to implement a **corrective action plan** to ensure that final written documentation is prepared and retained. As part of this effort, the following changes have been made to the *Reading First Program Compliance Monitoring Standard Operating Procedures (SOP)*:

- LEAs shall provide to the ADE RF Program Office within 30 days from the date of issuance of the Compliance Monitoring Report a written response to the corrective action plan for all partial- and non-compliance findings, and supporting documentation the corrective action has been taken or initiated.
- Specifically, LEAs must provide the following:



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1. A written explanation that addresses each partial- and non-compliance finding.
  2. The administrator responsible for resolving these findings, and direct contact information.
  3. The corrective action that will be/has been taken and the status.
  4. The anticipated completion date(s) for the corrective action taken.
  5. Supporting documentation.
  6. A copy of written procedures to ensure compliance with Federal guidelines, with the goal of preventing like findings from occurring during subsequent fiscal years. Procedures must be/have been approved by persons with the authority to implement and to delegate the procedures.
- Upon review and affirmation of performance, the ADE RF Program Office will send to the LEA by certified mail a final written confirmation close-out letter, similar to the one the ADE currently issues for resolution of single audit findings, notifying the LEA of their change in compliance status.
  - These changes are now in effect and apply to all Compliance Monitoring Reports issued by the ADE RF Program Office after April 2008.

Whereas the ADE RF Program Office may not have fully implemented the procedural guidelines in the *Compliance Monitoring SOP*, the ADE RF Program Office has continuously and aggressively implemented with the highest degree of integrity and in good faith the Program's subrecipient monitoring requirements pursuant to 34 CFR §80.40(a), and OMB Circular A-133, §400(d)(3). ADE RF Program Office has executed our Program subrecipient monitoring responsibilities fully and, debatably, above and beyond the requirements of the law. ADE RF Program Office has done so in deliberate and open collaboration with AZ Office of the Attorney General, and the ADE Audit Unit. Moreover, the ADE RF Program Office compliance monitoring process has become a model for systematic improvement of other program areas' subrecipient monitoring within the ADE.

07-112

**Food Stamp Cluster:**

CFDA No.: 10.551 **Food Stamps**

10.561 **State Administrative Matching Grants for Food Stamp Program, # 7AZ420AZX**

CFDA No.: 93.558 **Temporary Assistance for Needy Families, #s G0601AZTANF and G0701AZTANF**

Agency: Department of Economic Security

Contact Person: Leona Hodges, DBME Deputy Assistant Director, (602) 542-3596

Anticipated Completion Date: November 2, 2007

Agency Response: Concur

Agency Corrective Action Plan: The Department of Economic Security, Division of Benefits and Medical Eligibility, agrees with this finding. On November 2, 2007, the Division began issuing cards in local offices only for cases that meet the Food Stamps' expedite criteria. This was necessary to ensure that these cases have access to their benefits within seven days from the date of application as required by Federal regulation. The system has been programmed to prevent the issuance of EBT cards in the local offices except for expedite or emergency cases. The vendor mails out all other EBT cards. Posters have also been placed in the lobbies of the local offices informing clients of the following:

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- DO NOT give your unwanted, damaged, or unusable EBT card to any DES employee.
- DES employees are not allowed to accept, handle, or receive EBT cards from participants for any reason.
- You must destroy the unwanted EBT card yourself. Shred or cut the card in pieces before discarding.
- Remember! Never give your personal identification number (PIN) to anyone for any reason.

In addition, there were numerous changes made to the AZTECS system to restrict the issuance of supplemental payments and prevent the occurrence of EBT fraud.

07-113

**Food Stamp Cluster:**

CFDA No.: 10.551 **Food Stamps**

10.561 **State Administrative Matching Grants for Food Stamp Program, # 7AZ420AZX**

Agency: Department of Economic Security

Contact Person: Leona Hodges, DBME Deputy Assistant Director, (602) 542-3596

Anticipated Completion Date: June 30, 2008

Agency Response: Concur

Agency Corrective Action Plan: The Department of Economic Security, Division of Benefits and Medical Eligibility (DBME), agrees with this finding. The Division will continue to perform extensive reviews throughout the eligibility determination process to detect and correct errors such as the ones noted in this finding. This includes case reads by supervisors, quality control reviews, management evaluation reviews and secondary case reads by quality control staff. DBME also developed an Accuracy Improvement Plan to improve the quality of services and eligibility determinations. This plan is closely monitored internally and by Food and Nutrition Services to ensure compliance. The anticipated completion date for the Accuracy Improvement Plan is June 30, 2008. The error rate based on case reads through June 2007 was 5.18 percent; as compared to 8.26 percent last federal fiscal year. DBME expects to receive bonus funding due to this improvement.

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07-114

**Food Stamp Cluster:**

CFDA No.: 10.551 **Food Stamps**

10.561 **State Administrative Matching Grants for Food Stamp Program, # 7AZ420AZX**

CFDA No.: 93.558 **Temporary Assistance for Needy Families, #s G0601AZTANF and G0701AZTANF**

93.658 **Foster Care—Title IV-E, #s 0501AZ1401AD, 0601AZ1401AD, and 0701AZ1401AD**

93.645 **Child Welfare Services—State Grants, #s 010501AZ1400, 010601AZ1400, and 010701AZ1400**

93.667 **Social Services Block Grant, #s G0501AZSOSR, G0601AZSOSR, G0601AZSOSR2, and G0701AZSOSR**

Agency: Department of Economic Security

Contact Person: Tim Newton, DES Accounting Administrator, (602) 271-0084

Anticipated Completion Date: January 2008

Agency Response: Concur

Agency Corrective Action Plan: It is critical to the Department of Economic Security that Arizona Random Moment Sample (ARMS) calls are accurately recorded, tabulated and used to allocate expenditures correctly. The Department's policy and procedures require that each ARMS interviewer at a minimum, ensure their Random Moment Sample sheets match the information recorded in the system weekly. In addition, the Department requires the ARMS Unit Supervisor to perform a monthly review of each of the three program summary sheets before the sheets are forwarded to the Cost Allocation Unit for allocation. As of January 2008, the Department has achieved staffing stability in the ARMS Unit by hiring and effectively training a new unit supervisor and replacing the temporary staff with permanent fulltime employees. Both of these staffing changes have resulted in an increased level of accuracy. Also in September 2007, the Department protected portions of the spreadsheet used in the aggregation process. Changes cannot be made to the formulas in the spreadsheets thus reducing clerical error.

07-115

CFDA No.: 93.563 **Child Support Enforcement, # G0704AZ4004**

Agency: Department of Economic Security

Contact Person: Roger Welch, DCSE Finance Administration Administrator, (602) 771-8326

Anticipated Completion Date: June 2008

Agency Response: Concur

Agency Corrective Action Plan: In June 2008, the Division of Child Support Enforcement (DCSE) began implementing procedures to monitor the receipt of the required Single Audit reports. The Contracts Unit began sending notices to all applicable counties with delinquent Single Audit reports to remind them of the single audit requirements. The Contracts Unit will work with delinquent counties to develop plans for completing missing single audits. The Contracts Unit will monitor the plans for progress and compliance. DCSE will use all available avenues and sanctions, if necessary, to ensure compliance. The withholding of federal monies will be used as a last resort sanction.

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07-116

**Emergency Food Assistance Cluster:**

CFDA No.: 10.568 **Emergency Food Assistance Program (Administrative Costs), #s 06 FNS 71 and 07 FNS 71**

10.569 **Emergency Food Assistance Program (Food Commodities), #s 06 FNS 71 and 07 FNS 71**

Agency: Department of Economic Security

Contact Persons: Linda Hamman, Hunger Program Manager, (602) 542-6616

Cam Kowal, Contracts Management Manager, (602) 542-6634

Anticipated Completion Date: September 30, 2008

Agency Response: Concur

Agency Corrective Action Plan: Contracts Management staff will annually complete on-site administrative, fiscal and programmatic contract compliance monitoring for 25 percent of all Eligible Recipient Agencies (ERA). The monitoring will include all service areas provided by the organization. ERAs will be selected for review on a rotation basis to ensure that each ERA is reviewed no less frequently than once every four years.

Hunger Program staff will annually complete monitoring of one-tenth or 20 (whichever is less) food distribution sites. On-site monitoring reviews will include the observation of commodity issuance and prepared meal service operations as appropriate. Distribution sites will be located within the service area of the ERA selected for monitoring that federal fiscal year.

Monitoring began October 1, 2007, and will be completed annually by September 30 of each year.

07-117

CFDA No.: 17.225 **Unemployment Insurance, #s UI14421QD, UI15108TM, and UI15785XF**

Agency: Department of Economic Security

Contact Person: Andy Baldwin, UI Director, (520) 770-3769

Anticipated Completion Date: June 30, 2008

Agency Response: Concur

Agency Corrective Action Plan: The Division of Employment and Rehabilitation Services agrees the General Unemployment Insurance Development Effort (GUIDE) benefits system was not programmed to check for all Employment Service registration initial claims that would be offset by prior claim overpayments.

Of the 103 claims that failed the Job Service Registration audit, the majority were due to the failure of AIRSNet to properly update 100 percent offset first pays from GUIDE. The incomplete update failed to trigger the GUIDE system's number 48 issue flag. Only two claims failed the audit after the implementation of auto registration on March 15, 2007. These were 100 percent offset first pays. In February 2008, an ad hoc report identified all 100 percent offset first pays since July 1, 2007. The Policy and Training Unit developed and began working a weekly report to identify these pay types. They continue to work the report each week.

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Programmers identified the cause of AIRSNet failure to properly update all first pays and have scheduled a correction. Seven of the claims failed due to an anomaly in the interface that updates the Virtual One Stop registration to AIRSNet. This failure appears to have occurred in July of 2007 and only affected these claims. No further occurrences were identified after that date. The Department believes that this finding will be fully corrected by June 30, 2008.

07-118

CFDA No.: **84.126 Rehabilitation Services—Vocational Rehabilitation Grants to States, #s H126A5000205, H126A6000206, and H126A7000207**

Agency: Department of Economic Security

Contact Person: Katharine Levandowsky, RSA Program Administrator, (602) 542-6295

Anticipated Completion Date: February 2009

Agency Response: Concur

Agency Corrective Action Plan: The Rehabilitation Services Administration (RSA) agrees with this finding. RSA has trained staff to track client activity by using the Client Action Alert List (CAAL). Staff should review the list on a monthly basis. Additionally, at 45 days from the date of the signed application, RSA staff will send letters to clients informing the client that an extension for eligibility determination is needed, and their case will be closed should they fail to respond.

In February 2009, RSA will implement an automated system that will alert counselors, supervisors and management staff 15 days prior to the end of the 60-day eligibility determination period to complete the eligibility or obtain an extension.

07-119

CFDA No.: **84.126 Rehabilitation Services—Vocational Rehabilitation Grants to States, #s H126A5000205, H126A6000206, and H126A7000207**

Agency: Department of Economic Security

Contact Person: Katharine Levandowsky, RSA Program Administrator, (602) 542-6295

Anticipated Completion Date: December 31, 2008

Agency Response: Concur

Agency Corrective Action Plan: The Rehabilitation Services Administration agrees with this finding. RSA did not have adequate internal control procedures in place for the RSA-2 Program Cost Report for the Federal Fiscal Year 2006. In addition to the general instructions provided by the U.S. Department of Education; RSA-PD-06-08, the Administration identified that specific procedures needed to be developed to accurately complete the RSA-2 Program Cost Report. A draft of the RSA-2 procedures is available and is currently undergoing revisions based on technical assistance being provided by the Office of Special Education and Rehabilitation Services (OSERS) as a result of the federal review held in May 2008. A completed RSA-2 Procedures Manual will be submitted to the DES Financial Services Administration for final review in October 2008. Technical assistance from OSERS will continue as needed throughout the year.

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07-120

CFDA No.: 93.658 **Foster Care—Title IV-E, #s 0501AZ1401AD, 0601AZ1401AD, and 0701AZ1401AD**

Agency: Department of Economic Security

Contact Person: David Longo, DCYF Finance and Business Operations Administrator, (602) 542-5099

Anticipated Completion Date: January 31, 2008

Agency Response: Concur

Agency Corrective Action Plan: It was in the best interest of the State to ensure that guidance from the federal government was clear before prematurely reducing the IV-E claim. Upon receipt of the August 23, 2006 program instructions issued by the U.S. Department of Health and Human Services, the Division of Children, Youth and Families adjusted the allocation of administrative expenses to exclude unlicensed childcare placements effective October 2006. This allocation of federal administrative expenses includes only child placements in a licensed home or child placements in a home expected to be licensed within 12 months. On January 31, 2008, the Division submitted the adjustment reflecting the revised allocation to U.S. Department of Health and Human Services for the time period 3/1/2006 through 9/30/2006 within the timeframes negotiated with the regional office.

07-121

CFDA No.: 93.558 **Temporary Assistance for Needy Families, #s G0601AZTANF and G0701AZTANF**

93.658 **Foster Care—Title IV-E, #s 0501AZ1401AD, 0601AZ1401AD and 0701AZ1401AD**

93.667 **Social Services Block Grant, #s G0501AZSOSR, G0601AZSOSR, G0601AZSOS2, and G0701AZSOSR**

Agency: Department of Economic Security

Contact Person: David Longo, DCYF Finance and Business Operations Administrator, (602) 542-5099

Anticipated Completion Date: May 31, 2008

Agency Response: Concur

Agency Corrective Action Plan: The Division of Children, Youth and Families agrees with the finding. To help ensure that payroll expenditures for Foster Care employees on educational leave are accurately charged to the Foster Care Title IV-E program, the Division will continue to require both the employee and supervisor to review the Educational Leave Procedures and sign the Education Leave Procedures form. Additionally, the Division will review payroll expenditures of those employees on a quarterly basis to ensure that the expenditures are allocated to the appropriate reporting categories. All corrections for state fiscal year 2007 have been completed.

07-122

CFDA No.: 96.001 **Social Security—Disability Insurance, #s 010604AZD100 and 010704AZD100**

Agency: Department of Economic Security

Contact Person: Nancy West, DDSA Program Administrator, (602) 264-2644

Anticipated Completion Date: December 31, 2008

Agency Response: Concur

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Agency Corrective Action Plan: The Department of Economic Security, Division of Benefits and Medical Eligibility, agrees with this finding. The Disability Determination Service Administration is working with the data warehouse unit to determine if the time and reporting information that is keyed into the timesheets can be used to populate these federal reports. This would ensure that the timesheet information is accurately reflected on the federal reports without the need for a time-consuming reconciliation process and reentering of all the timesheet information.

07-123

**WIA Cluster:**

CFDA No.: 17.258 WIA Adult Program, #s AA-13785-04-50, AA-14662-05-55, and AA-15466-06-55

17.259 WIA Youth Activities, #s AA-13785-04-50, AA-14662-05-55, and AA-15466-06-55

17.260 WIA Dislocated Workers, #s AA-13785-04-50, AA-14662-05-55, and AA-15466-06-55

Agency: Department of Economic Security

Contact Person: Mark Darmer, DERS Budget Manager, (602) 542-6333

Anticipated Completion Date: June 30, 2008

Agency Response: Concur

Agency Corrective Action Plan: The Division of Employment and Rehabilitation agrees that the required certifications for two subrecipients were not documented in the contract files. The Division has contacted those entities to obtain the required certifications. The revised IGA/ISA document now used by the Division contains the required certification forms. All new IGA/ISAs will contain the required certification statements.

07-124

**WIA Cluster:**

CFDA No.: 17.258 WIA Adult Program, #s AA-13785-04-50, AA-14662-05-55, and AA-15466-06-55

17.259 WIA Youth Activities, #s AA-13785-04-50, AA-14662-05-55, and AA-15466-06-55

17.260 WIA Dislocated Workers, #s AA-13785-04-50, AA-14662-05-55, and AA-15466-06-55

Agency: Department of Economic Security

Contact Person: Mark Darmer, DERS Budget Manager, (602) 542-6333

Anticipated Completion Date: June 30, 2008

Agency Response: Concur

Agency Corrective Action Plan: The Division of Employment and Rehabilitation agrees that during Program Year 2006 (SFY 2007) two tribal entities, who are members of the Nineteen Tribal Nations Local Workforce Investment Area (LWIA), were not provided a programmatic technical review. The WIA Section implemented internal control procedures to ensure all subrecipients, including all tribal entities, were provided a programmatic technical review in Program Year 2007 (SFY 2008).

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07-125

CFDA No.: 93.563 **Child Support Enforcement, # G0704AZ4004**

Agency: Department of Economic Security

Contact Person: Roger Welch, DCSE Finance Administration Administrator, (602) 771-8326

Anticipated Completion Date: June 16, 2008

Agency Response: Concur

Agency Corrective Action Plan: The Division of Child Support Enforcement (DCSE) has followed the DES Tuition Reimbursement Policy. Although the DES policy scope is broader than the information in the September 11, 1981, Office of Child Support Action Transmittal (OCSE-AT-81-18), the Division believed Transmittal OCSE-AT-81-18 was intended as guidance on this topic. The DES Tuition Reimbursement Policy does not limit the time of training or education nor do they prohibit reimbursement for classes that may eventually lead to a degree. Instead, DCSE feels that both the DES policies and federal guidance intend to build a knowledgeable workforce to foster excellence in human service delivery and to strengthen the workforce. With the possible exception of two classes, all of the classes listed are relevant for the employees' DCSE IV-D job assignments. In addition, any degrees earned as a result of tuition assistance were merely ancillary benefits for the individuals and the Division. DCSE will continue to follow the DES Tuition Reimbursement Policy, will require all tuition reimbursements requests to document how they will improve job performance and knowledge, and if necessary will use State funds not eligible for reimbursement for federal financial participation. These policies were implemented June 16, 2008.

07-126

CFDA No: 97.008 **Urban Areas Security Initiative, #s 2003-EU-T3-0001 and 2004-TU-T4-0017**

**Homeland Security Grant Program Cluster:**

16.007 **State Domestic Preparedness Equipment Support Program, #s 2003-TE-TX-0196 and 2003-MU-T3-0034**

97.004 **State Domestic Preparedness Equipment Support Program, # 2004-GE-T4-0051**

97.067 **Homeland Security Grant Program, # 2005-GE-T5-0030**

Agency: Department of Emergency and Military Affairs

Contact Persons: Mark Howard, Grants Administrator, (602) 231-6345

Andrew Allen, Chief Auditor, (602) 267-2322

Anticipated Completion Date: December 1, 2008

Agency Response: Concur

Agency Corrective Action Plan: Monitoring policies and procedures were developed but they did not include internal control policies and procedures to ensure compliance with subrecipient monitoring requirements. The ADEM will develop policies and procedures to ensure that subrecipients spending \$500,000 or more in federal awards meet the audit requirements as required by OMB Circular A-133, §.400(d)(3) and (4) by August 1, 2008. For grant year 2006 and all future grants, the responsibility of the Homeland Security Grant Program Cluster was transferred to the Arizona Department of Homeland Security as the new State Administrative Agency.



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07-127

CFDA No: 97.008 Urban Areas Security Initiative, #s 2003-EU-T3-0001 and 2004-TU-T4-0017

**Homeland Security Grant Program Cluster:**

16.007 State Domestic Preparedness Equipment Support Program, #s 2003-TE-TX-0196 and 2003-MU-T3-0034

97.004 State Domestic Preparedness Equipment Support Program, # 2004-GE-T4-0051

97.067 Homeland Security Grant Program, # 2005-GE-T5-0030

Agency: Department of Emergency and Military Affairs

Contact Persons: Christa Lewis, Comptroller, (602) 267-2992

Andrew Allen, Chief Auditor, (602) 267-2322

Anticipated Completion Date: December 31, 2008

Agency Response: Concur

Agency Corrective Action Plan: The Department of Emergency and Military Affairs (DEMA) has cash management directives for funding received by the Military Affairs Program. DEMA will review and update the directives to include receiving all federal funding. The directives will include policies and procedures to continuously monitor its cash balances to ensure that federal cash on hand will be the minimum needed to meet immediate cash needs and interest earned on excess monies will be calculated and submitted back to the federal government. For grant years 2006 and all future grants, the responsibility of the Homeland Security Grant Program Cluster was transferred to the Arizona Department of Homeland Security as the new State Administrative Agency.

07-128

**Research and Development Cluster**

**All Arizona State University Research and Development awards and contracts**

Agency: Arizona State University

Contact Person: Beth Israel, Associate Vice President Research Administration, (480) 965-8751

Anticipated Completion Date: June 30, 2008

Agency Response: Concur

Agency Corrective Action Plan: We concur that the University's legacy effort reporting system, Activity Distribution Report System (ADR), did not prepare after the fact employee certification reports in accordance with University Policy and as required by OMB Circular A-21 for two of the employees tested. Upon review of the paper-intensive legacy system, it was determined improper coding of employee profiles and mid-cycle profile modifications to the Human Resources application could cause failure of ADRs to be prepared in accordance with University Policy.

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Effective July 1, 2007, Arizona State University started replacement of its legacy human resource application with PeopleSoft Human Capital Management (HCM). As part of the human resource implementation, the legacy ADR system is being replaced with an on-line Effort Reporting Solution designed by CedarCrestone. The CedarCrestone Effort Reporting Solution is a nationally implemented effort reporting solution designed to comply with OMB Circular A-21(J)(10)(c)(2) requirements. The implementation team specifically tested the new system's effort reporting production with HCM employee profiles and modifications to HCM employee profiles.

This Effort Reporting Solution system is scheduled to be on-line effective June 30, 2008, and will generate effort reports for all "qualified employees." The application will ensure the generation of Effort Reports even when an employee's profile changes.

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Status of Federal Award Findings and Questioned Costs

02-102

CFDA No.: 84.010 Title I Grants to Local Educational Agencies

Agency: Department of Education

Status: Fully corrected

Contact Person: Gary R. Holland, Audit Manager, (602) 364-3518

03-101

CFDA No.: 10.551 Food Stamps

93.558 Temporary Assistance for Needy Families

Agency: Department of Economic Security

Status: Not warranting further action

Contact Person: Leona Hodges, DBME Deputy Assistant Director, (602) 542-3596

This finding does not warrant further action. The U.S. Department of Health and Human Services in a letter dated December 2, 2005, determined this audit finding resolved and closed and the U.S. Department of Agriculture in a letter dated April 6, 2006, also determined this audit finding closed.

03-105

CFDA No.: 96.001 Social Security—Disability Insurance

Agency: Department of Economic Security

Status: Not warranting further action

Contact Person: Nancy West, DDSA Program Administrator, (602) 771-7110

The finding does not warrant further action as the Social Security Administration in a letter dated May 12, 2005, determined this audit finding closed.

03-112

CFDA No.: 84.010 Title I Grants to Local Educational Agencies

Agency: Department of Education

Status: Fully corrected

Contact Person: Gary R. Holland, Audit Manager, (602) 364-3518

04-105

CFDA No.: 10.551 Food Stamps

10.561 State Administrative Matching Grants for Food Stamp Program

93.558 Temporary Assistance for Needy Families

Agency: Department of Economic Security

Status: Not warranting further action

Contact Person: Leona Hodges, DBME Deputy Assistant Director, (602) 542-3596

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The finding is not warranting further action, as the U.S. Department of Agriculture determined this audit finding closed effective October 21, 2005, and the U.S. Department of Health and Human Services in a letter dated December 2, 2005, has determined this audit finding resolved and closed.

04-106

CFDA No.: 93.558 Temporary Assistance for Needy Families

Agency: Department of Economic Security

Status: Not warranting further action

Contact Persons: Leona Hodges, DBME Deputy Assistant Director, (602) 542-3596  
Peggy Feenan, ESA Deputy Program Administrator, (520) 628-6810

The finding does not warrant further action as the U.S. Department of Health and Human Services in a letter dated December 2, 2005, determined this audit finding resolved and closed.

04-107

CFDA No.: 10.551 Food Stamps

10.561 State Administrative Matching Grants for Food Stamp Program

Agency: Department of Economic Security

Status: Not warranting further action

Contact Person: Leona Hodges, DBME Deputy Assistant Director, (602) 542-3596

The finding does not warrant further action as the U.S. Department of Agriculture determined this audit finding closed effective October 21, 2005.

04-112

CFDA No.: 84.126 Rehabilitation Services—Vocational Rehabilitation Grants to States

Agency: Department of Economic Security

Status: Fully corrected

Contact Person: Katharine Levandowsky, RSA Program Administrator, (602) 542-6295

04-113

CFDA No.: 17.225 Unemployment Insurance

Agency: Department of Economic Security

Status: Not warranting further action

Contact Person: Denise Blackman, Policy and Training Manager, (602) 771-1324

The finding does not warrant further action as the U.S. Department of Labor in a letter dated May 11, 2006, determined this audit finding corrected and closed.

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04-114

CFDA No.: 93.558 Temporary Assistance for Needy Families  
93.658 Foster Care—Title IV-E  
93.667 Social Services Block Grant

Agency: Department of Economic Security

Status: Not warranting further action

Contact Person: David Longo, DCYF Finance and Business Operations Administrator, (602) 542-5099

The finding does not warrant further action as the U.S. Department of Health and Human Services in a letter dated December 2, 2005, determined this audit finding resolved and closed.

04-116

CFDA No.: 84.010 Title I Grants to Local Educational Agencies

Agency: Department of Education

Status: Fully corrected

Contact Person: Gary R. Holland, Audit Manager, (602) 364-3518

05-101

CFDA No.: 10.553 School Breakfast Program  
10.555 National School Lunch Program  
10.556 Special Milk Program for Children  
10.558 Child and Adult Care Food Program  
10.559 Summer Food Service Program for Children  
84.010 Title I Grants to Local Educational Agencies  
84.027 Special Education—Grants to States  
84.173 Special Education—Preschool Grants  
84.213 Even Start—State Educational Agencies

Agency: Department of Education

Status: Partially corrected

Contact Person: Gary R. Holland, Audit Manager, (602) 364-3518

The Arizona Department of Education (ADE) has developed a policy and business rule providing a process for the ADE Audit Unit and Program Areas to address subrecipient noncompliance with OMB Circular A-133 reporting requirements. This policy and business rule requires notification of non-compliance letters to be sent to Local Education Agencies (LEAs) that have not met their Single Audit reporting requirements. The policy and business rule also includes potential sanctions against non-complying LEAs. The sanctions will include the potential for ADE to withhold current and/or future federal funding until compliance with reporting requirements is achieved. This policy #GE-24 was implemented on December 31, 2007.

ADE has developed a means of managing all Single Audits going forward. The Single Audit Tracking System (SATS) is designed to document and monitor all ADE subrecipients who are required to have a Single Audit conducted. This system is used by all program areas, Grants Management and the Audit Unit. The SATS tracks all subrecipients' audit findings, due dates, and status. The system has the ability to

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produce status reports on demand. A bi-weekly Single Audit Report is developed from data retrieved from the tracking system. This report lists each of the program areas which have outstanding audit findings. This report is a great tool to continuously remind program areas that findings still exist and they need to continue working with the subrecipients until the challenge has been resolved. The system provides legal and technical guidance, with links to the federal A-133 documents, as well as ADE policies and guidelines.

Additionally, ADE has developed a Single Audit Handbook which details specific instructions on how to use the Tracking System. ADE has also drafted a detailed Single Audit Guideline. This guideline provides a complete overview of the Single Audit process, roles and responsibilities, preventing and detecting fraud, corrective action steps and follow-up, preparing and performing an audit, preparing the audit reporting package, audit costs, due dates, sanctions, samples of Single Audit report and forms, monitoring, and conducting a risk assessment. This system was originally implemented February 2007; however, ADE continues to make enhancements as necessary.

05-104

CFDA No.: 84.010 Title I Grants to Local Educational Agencies

Agency: Department of Education

Status: Fully corrected

Contact Person: Gary R. Holland, Audit Manager, (602) 364-3518

05-108

CFDA No.: 10.553 School Breakfast Program

10.555 National School Lunch Program

10.556 Special Milk Program for Children

10.558 Child and Adult Care Food Program

10.559 Summer Food Service Program for Children

Agency: U.S. Department of Education

Status: Partially corrected

Contact Person: Gary R. Holland, Audit Manager, (602) 364-3518

The Office of the Auditor General issued the Arizona Department of Education-Information Management report (August 2006, Report No. 06-07) that identified security deficiencies at the Department, which included areas such as software security patch management, password management, network vulnerability, basic security awareness, user access and privileges, and intrusion detection. These deficiencies put the Department's systems and information at risk of potential theft, manipulation, or misuse. The audit recommended developing and implementing an ongoing process for addressing security vulnerabilities and control weaknesses. Specifically, the process should ensure that known security concerns are evaluated and prioritized in order of risk. ADE should then develop specific plans to address them and assign responsibilities to implement the plans. In response, ADE is implementing the following corrective action plan:

- ADE IT completed rollout of its initial one-time security changes for all critical applications, including the CNP Web system. ADE has also implemented new security standards for all aspects of application development and deployment. The resulting procedures, processes, and practices are mandatory elements of all services provided by ADE's IT group, including CNP Web. These standards will be continually revised to stay current with emerging security needs.

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- In order to ensure that the Arizona Department of Education, Health and Nutrition Services Unit eliminates the material control weakness found in its account management procedures, a policy and procedure was implemented by October 31, 2007, that outlines the following:
  - Job positions and corresponding CNP Web user class;
  - Access and Activity privileges provided to specific job position; and
  - Procedures for granting access and activity privileges to department employees.

Additionally, policy and procedure, HN-GE-21, was updated to address the CNP Web internal and external user access rights. The corrective action required for this finding was completed on October 23, 2007.

- In order to ensure that the CNP Web system design documentation is detailed, comprehensive, and current, the Health and Nutrition development team will be conducting an update to the current system design documentation to be completed by October 31, 2008. The Systems Documentation for CNP Web is currently being reviewed and updated by a contracted Business Analyst and is currently on schedule to meet the October 31, 2008 timeline. The update will ensure that the CNP Web system documentation clearly details workflow within the system, the business rules that regulate workflow and high-level system software information that relates the general structure of the code to the functions it performs.

In addition to making system documentation current, Health and Nutrition also developed detailed policies and procedures for conducting system maintenance and processing. These policies and procedures (HN-GE-28) include guidelines to ensure that system documentation remains up-to-date, and was implemented on October 31, 2007.

Finally, the master description list of access privileges was completed on October 23, 2007, and is on file. This master list ensures proper system documentation, and created a master description list of access privileges that defines:

- Each class of user;
  - How each class of user is determined in the system;
  - The business functions performed by each class of user; and
  - Special permissions that control functions not allocated by default to pre-defined user classes.
- The Health and Nutrition Services administrative and technical staff have researched various possible enhancements to the auditing capabilities of the CNP Web system and determined the following would be implemented, to address requirements for improved data change tracking and control. Health and Nutrition implemented a policy and procedure to control changes made by system programmers in August 2007. Health and Nutrition made changes to the application on June 14, 2007. On July 3, 2007, changes were made to the claim to create a history file.

Changes to the system software and configuration ensured that all external user submissions are "read only" to internal users. Department employees have no ability to modify any data submitted by Child Nutrition Program sponsors. This eliminates the possibility of any undocumented changes to end user data.



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A system software and configuration change was also made to provide "special permissions claims" that can only be created, modified, and submitted by internal users. The "special permissions claims" is clearly identifiable in the database to ensure auditability. The availability of these "special permission claims" is a necessity, based on business functions required by federal guidelines, and their proper utilization is clearly defined in updated policies and procedures.

- In addition to the above mentioned system changes, the Health and Nutrition Unit previously implemented policy and procedure HN-GE-21, which clearly defines the guidelines with regard to control changes made by system programmers. The policy dictates that administrative staff and technology staff will use application software to make data changes whenever possible. The policy also dictates specific documentation procedures required in instances when application software is not available for data changes. Policy and procedures HN-GE-21 ensures that all database changes are auditable. Therefore, the corrective action for this finding has been completed.

05-109

CFDA No.: 10.551 Food Stamps

10.561 State Administrative Matching Grants for Food Stamp Program

93.558 Temporary Assistance for Needy Families

Agency: Department of Economic Security

Status: Partially corrected

Contact Person: Leona Hodges, DBME Deputy Assistant Director, (602) 542-3596

On November 2, 2007, the Division began issuing cards in local offices only for cases that meet the Food Stamps' expedite criteria. This was necessary to ensure that these cases have access to their benefits within seven days from the date of application as required by Federal regulation. The system has been programmed to prevent the issuance of EBT cards in the local offices except for expedite or emergency cases. The vendor mails out all other EBT cards. Posters have also been placed in the lobbies of the local offices informing clients of the following:

- DO NOT give your unwanted, damaged, or unusable EBT card to any DES employee.
- DES employees are NOT ALLOWED to accept, handle, or receive EBT cards from participants for any reason.
- You must destroy the unwanted EBT card yourself. Shred or cut the card in pieces before discarding.
- Remember! Never give your personal identification number (PIN) to anyone for any reason.

In addition, there were numerous changes made to the AZTECS system to restrict the issuance of supplemental payments and prevent the occurrence of EBT fraud.

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05-110

CFDA No.: 93.558 Temporary Assistance for Needy Families

Agency: Department of Economic Security

Status: Fully corrected

Contact Persons: Leona Hodges, DBME Deputy Assistant Director, (602) 542-3596  
Peggy Feenan, ESA Deputy Program Administrator, (520) 628-6810

05-111

CFDA No.: 10.551 Food Stamps

10.561 State Administrative Matching Grants for Food Stamp Program

Agency: Department of Economic Security

Status: Partially corrected

Contact Person: Leona Hodges, DBME Deputy Assistant Director, (602) 542-3596

The Division of Benefits and Medical Eligibility (DBME) will continue to perform extensive reviews throughout the eligibility determination process to detect and correct errors such as the ones noted in this finding. This includes case reads by supervisors, quality control reviews, management evaluation reviews and secondary case reads by quality control staff. DBME also developed an Accuracy Improvement Plan to improve the quality of services and eligibility determinations. This plan is closely monitored internally and by Food and Nutrition Services to ensure compliance. The error rate based on case reads through June 2007 was 5.18%; as compared to 8.26% the last federal fiscal year and we expect to receive bonus funding due to this improvement.

05-113

CFDA No.: 84.126 Rehabilitation Services—Vocational Rehabilitation Grants to States

Agency: Department of Economic Security

Status: Fully corrected

Contact Person: Katharine Levandowsky, RSA Program Administrator, (602) 542-6295

05-114

CFDA No.: 84.126 Rehabilitation Services—Vocational Rehabilitation Grants to States

Agency: Department of Economic Security

Status: Partially corrected

Contact Person: Katharine Levandowsky, RSA Program Administrator, (602) 542-6295.

To address this finding and FFY2003 and 2004 U.S. Department of Education Annual Review findings, the Rehabilitation Services Administration (RSA) developed a case review process conducted by Unit Supervisors and a Case Review Team. The Case Review Team provides feedback to staff and produces a formal written report of their findings. They submit copies of their findings to Supervisors, District Program Managers, the Deputy Administrator and Administrator. District Program Managers (DPM) review cases listed on the Eligibility Determination Waiver report to ensure a copy of the signed waiver explaining the need for extended eligibility determination time is in the case file. In addition, DPMs review Management Information System reports on a monthly basis and ensure that cases marked as having waivers have a copy of a signed waiver. RSA implemented this process in August 2006. As of June 2007, an expectation of proper documentation was added to employee performance evaluations.

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To address the issues further, RSA is currently monitoring client activity by using the Client Action Alert List as a tool in aiding the counselors to take appropriate steps to ensure compliance of the cited regulation. Additionally, RSA is in the process of developing an automated client management system that is targeted for implementation in February 2009. The system will automatically alert the counselor, supervisor and management staff when a client's case requires action to ensure compliance of a cited regulation.

05-115

CFDA No.: 17.225 Unemployment Insurance

Agency: Department of Economic Security

Status: Partially corrected

Contact Person: Andy Baldwin, UI Director, (520) 770-3769

As of March 15, 2007, the Unemployment Insurance (UI) program automatically registers claimants for Employment Service via UI Auto Registration. The General Unemployment Insurance Development Effort (GUIDE) system transmits the necessary data elements to the Virtual One Stop (VOS) system to create Employment Service registrations. Although there are certain classes of claimants who are exempt from the registration requirement, Auto Registration registers all claimants regardless of any exemption. This eliminated the need to send a notice to those claimants who move from exempt to non-exempt status during the course of claim filing, and eliminate the possibility of missing any of those claimants.

There is a message on the web application that informs claimants of the automatic Employment Service registration. The same information is included in the agent script at the call center for telephone claims.

The Department has verified that the process is working. The main issue is with name mismatches between the VOS and GUIDE (UI) systems. An employee in the Policy & Training Unit works the daily discrepancy report. Registration errors are corrected and a letter is sent to those who cannot be corrected to report in person to an Employment Service office to resolve the discrepancy. If the individual does not report within a specified period, they are ineligible for UI benefits until they report and register.

05-117

CFDA No.: 17.225 Unemployment Insurance

Agency: Department of Economic Security

Status: Fully corrected

Contact Person: John Norris, Chief of Tax, (602) 771-3724

05-120

CFDA No.: 93.667 Social Services Block Grant

Agency: Department of Economic Security

Status: Fully corrected

Contact Persons: Stephanie Barry, Chief Auditor, (602) 255-0098

Kathy Waite, Policy & Planning Administrator, (602) 542-3882

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05-121

CFDA No.: 84.126 Rehabilitation Services—Vocational Rehabilitation Grants to States  
93.667 Social Services Block Grant

Agency: Department of Economic Security

Status: Fully corrected

Contact Person: Katherine Babonis, Chief Procurement Administrator, (602) 364-0194

05-122

CFDA No.: 10.553 School Breakfast Program  
10.555 National School Lunch Program  
10.556 Special Milk Program for Children  
10.558 Child and Adult Care Food Program  
10.559 Summer Food Service Program for Children

Agency: Department of Education

Status: Partially corrected

Contact Person: Gary R. Holland, Audit Manager, (602) 364-3518

This finding was first identified in the 2005 Audit and again in subsequent audits. As a result of the 2005 finding, School Health and Nutrition Programs created a formal application process, new policy and procedures, as well as created a sponsor application checklist to ensure full compliance. All new sponsors, since the 2005 finding, have been required to submit all necessary paperwork to be approved for the National School Lunch Program/School Breakfast Program. As per the Policy and Procedures subsequently put in place, the NSLP Administrative Assistant ensures all required documentation is filed in the appropriate sponsor file for quarterly reviews.

To address the 2006 finding, the sponsors that were approved and in place prior to the 2005 finding were reviewed. Those sponsors were notified in writing to re-submit all required paperwork that was found to be missing from their file. Health and Nutrition completed this full file review by October 31, 2007, with follow-up file reviews continuing to be scheduled quarterly. Additionally, Health and Nutrition Services completed the following, with respect to this finding:

- a) The NSLP Program Project Specialist and Administrative Assistant have contacted 100 percent of the sponsors missing documentation in their sponsor file including, but not limited to, the Eligibility/Suspension and Debarment documentation based on this finding.
- b) Sponsors are in the process of sending the requested documentation to the Health and Nutrition office. Sponsor's federal reimbursements will be placed on hold if they do not respond to the request in a timely manner.
- c) All files have been reviewed and sponsors were notified by the October 31, 2007, deadline of the sanctions that would be imposed if the requested information is not provided in a timely manner.

To ensure NSLP sponsor files continue to be in full compliance, the current Policy and Procedures guideline has been updated to instruct the NSLP Program Project Specialist and NSLP Administrative Assistant to continue conducting a quarterly sponsor file review, by randomly sampling 25 percent of the files. Any file found to be out of compliance will be brought to the attention of the sponsor and missing

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documents will be requested. Quarterly file reviews were conducted by Program Project Specialists and an Administrative Assistant in December 2007 and May 2008. As of June 2008, Program Project Specialists and an Administrative Assistant continue to conduct quarterly file reviews.

All new sponsor files have a checklist for all required documentation. Twenty five percent of the files are randomly selected, which includes approximately 114 sponsor files. For all files that are missing documentation, letters are mailed requesting the missing documentation and follow up phone calls are also made. Sponsors that do not respond to the request for information are placed on fiscal hold until documentation is received by Health and Nutrition. The next quarterly review of files is scheduled for July 2008.

05-123

CFDA No.: 84.027 Special Education—Grants to States

84.173 Special Education—Preschool Grants

Agency: Department of Education

Status: Partially corrected

Contact Person: Gary R. Holland, Audit Manager, (602) 364-3518

ADE developed an internal grants management system that requires monthly financial reporting (cash management reports) in order to receive the next scheduled grant or contract payment. The reports are reviewed for compliance with laws, regulations, and the provisions of the contract or grant agreement. If discrepancies are noted, the district or charter school is contacted for additional documentation and information. The cash management system was designed to act in place of an on-site visit given our resource limitations.

ADE has a full-time auditor to perform fiscal monitoring. This auditor will be responsible for performing on-site monitoring of financial records at various LEAs that receive and expend Federal financial assistance associated with CFDA Nos. 84.027 and 84.173. Initially, approximately 30 LEA subrecipients expending the largest amount of Federal grant dollars associated with the two above-mentioned grants will be monitored. After these 30 LEA subrecipients have been monitored, all LEA subrecipients will be placed on a multi-year cycle. The auditor will monitor them per this schedule.

The auditor will examine original source documentation supporting expenditures to determine if these expenditures were proper in relation to the two above-mentioned Federal grant requirements. The auditor will trace these Federal grant expenditure dollars through the LEA subrecipients' financial accounting systems; i.e., through their general ledgers, to the expenditures that the LEAs upload to ADE's Grants Management Enterprise System (GMES). In relation to ADE's subrecipients, the GMES is ADE's on-line computerized system that records dollars associated with Federal financial assistance passed through by the ADE to LEA subrecipients as well as expenditures incurred by the LEA subrecipients from such Federal financial assistance.

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Due to an extended staffing vacancy, the previous goal of visiting 30 LEAs by June 30, 2008, was not achieved by that date. However, we were able to complete 6 LEA monitoring visits and reports during the past year. In addition, we hired a new auditor on May 24, 2008, who has already contacted 20 LEA District Business Offices to schedule visits within the next 13 weeks. Monitoring visits and their corresponding audit reports for these 20 Districts will be completed by September 30, 2008.

Additionally, we have established a more streamlined system for gathering all necessary fiscal and fixed asset documentation from the LEAs prior to our on-site visits, which will allow us to complete audits of approximately 36 LEAs through June 30, 2009. We are formulating a multi-year cycle to establish a regular schedule of audit visits to the LEAs who expend these funds.

05-124

CFDA No.: 84.027 Special Education—Grants to States

84.173 Special Education—Preschool Grants

Agency: Department of Education

Status: Not corrected

Contact Person: Gary R. Holland, Audit Manager, (602) 364-3518

The Arizona Department of Education (ADE), Exceptional Student Services (ESS), will revise its policies and procedures to address the federal child count verification process in the following manner:

ESS will require LEAs to verify their federal child count on October 1, effective FY 2009. This is a change from the current federal child count date of December 1. A memo regarding this change has been sent to the special education directors via the listserv on June 9, 2008. It is anticipated that by moving the child count date earlier in the year, LEAs will have more time to submit and clean up their child count data in SAIS well in advance of the federal child count due date thus giving ADE/ESS more accurate data to submit to the Office of Special Education Programs.

ADE has not yet initiated statutory changes to reduce the Student Accountability Information System (SAIS) adjustment window. ESS will continue to pursue discussions within ADE relative to initiating and completing this statutory change. Currently, ARS §15-915 allows school districts and charter schools to submit changes to their financial information and their student count to SAIS for a maximum of three years from the initial submission date. As a result, this allows LEAs to change financial and student count information after its submission of federal child count verification reports. This could result in submitted Federal child count data not matching more current SAIS student count information.

ESS will continue to provide LEAs with a bi-monthly confirmation status report that alerts the LEAs to SAIS conflicts so the conflicts can be resolved in a timely manner.

ESS will continue to include accuracy of LEA SAIS data in the Individuals with Disabilities Act (IDEA) determinations in accordance with 34 CFR §300.640.

ESS will continue to send alerts on an annual basis via the listserv to LEAs. The purpose of this alert is to advise LEAs of the use of the System Training and Response (STaR) Team to resolve SAIS discrepancies prior to the October 1, 2008, federal child count verification/reconciliation deadline of December 12, 2008.

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ESS will require LEA October 1 federal child count verification numbers to match SAIS student count numbers by December 12, 2008. LEAs must reconcile their child count numbers with SAIS data before ESS will accept the LEA federal child count. On December 12, 2008, SAIS student count numbers will be retained to provide documentation showing the LEA counts matched SAIS counts at that time. In addition, if the SAIS student count is higher than the LEA verification count, then the LEA may be subject to an Average Daily Membership audit.

05-125

CFDA No.: 16.007 State Domestic Preparedness Equipment Support Program  
97.004 State Domestic Preparedness Equipment Support Program  
97.042 Emergency Management Performance Grants  
97.053 Citizen Corps  
97.067 Homeland Security Grant Program

Agency: Department of Emergency and Military Affairs

Status: Partially corrected

Contact Persons: Andrew Allen, Chief Auditor, (602) 267-2322

The Division of Emergency Management implemented the internal control policies and procedures in accordance with OMB A-133 §400(d) in October 2006. Subrecipients are being informed of the accurate Catalog of Federal Domestic Assistance (CFDA) title and number as required by the Arizona Department of Homeland Security, the current State Administrative Agency. The Division developed a site and desk monitoring policy to monitor the programmatic, fiscal, and equipment activities of subrecipients. It is being coordinated through site visits, desk monitorings, review of reports and any other means necessary to ensure compliance with OMB Circular A-133. DEMA will review and update the DEMA Directives to ensure that guidance for reviewing subrecipients expending \$500,000 or more in federal awards meet the required OMB A-133, §400(d)(4) audit requirements. DEMA will send out letters to all subrecipients, review and monitor their Single Audits, and document the findings. For grant years 2006 and all future grants, the responsibility of the Homeland Security Grant Program Cluster was transferred to the Arizona Department of Homeland Security.

05-126

CFDA No.: 16.007 State Domestic Preparedness Equipment Support Program  
97.004 State Domestic Preparedness Equipment Support Program  
97.042 Emergency Management Performance Grants  
97.053 Citizen Corps  
97.067 Homeland Security Grant Program

Agency: Department of Homeland Security

Status: Fully corrected

Contact Person: Terence Riordan, Assistant Director-Finance and Administration, (602) 542-7056

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05-127

CFDA No.: 16.007 State Domestic Preparedness Equipment Support Program  
97.004 State Domestic Preparedness Equipment Support Program  
97.042 Emergency Management Performance Grants  
97.053 Citizen Corps  
97.067 Homeland Security Grant Program

Agency: Department of Emergency and Military Affairs

Status: Partially corrected

Contact Persons: Andrew Allen, Chief Auditor, (602) 267-2322  
Christa Lewis, Comptroller, (602) 267-2992

DEMA is reviewing and updating DEMA Directive policies and procedures to comply with 31 CFR Part 205 and 28 CFR Part 66 regarding cash management. Once this is completed, the new procedures will be tested, reviewed. If required, changes will be made in the Directives. For grant years 2006 and all future grants, the responsibility of the Homeland Security Grant Program Cluster was transferred to the Arizona Department of Homeland Security as the new State Administrative Agency.

06-101

CFDA No.: 16.007 State Domestic Preparedness Equipment Support Program  
97.004 State Domestic Preparedness Equipment Support Program  
97.008 Urban Areas Security Initiative  
97.053 Citizen Corps  
97.067 Homeland Security Grant Program

Agency: Department of Emergency and Military Affairs

Status: Partially corrected

Contact Persons: Andrew Allen, Chief Auditor, (602) 267-2322

The Division implemented the internal control policies and procedures in accordance with OMB A-133 §400(d) in October 2006. Subrecipients are being informed of the accurate Catalog of Federal Domestic Assistance (CFDA) title and number as required by the Arizona Department of Homeland Security, the current State Administrative Agency (SAA). The Division developed a site and desk monitoring policy to monitor the programmatic, fiscal, and equipment activities of subrecipients. It is being coordinated through site visits, desk monitoring, review of reports and any other means necessary to ensure compliance with OMB Circular A-133. DEMA will review and update the DEMA Directives to ensure that guidance for reviewing subrecipients expending \$500,000 or more in federal awards meet the required OMB A-133, §400(d)(4) audit requirements. DEMA will send out letters to all subrecipients, review and monitor their Single Audits, and document the findings.

For grant years 2006 and all future grants, the responsibility of the Homeland Security Grant Program Cluster was transferred to the Arizona Department of Homeland Security.



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06-102

CFDA No.: 84.010 Title I Grants to Local Educational Agencies  
84.011 Migrant Education—State Grant Program

Agency: Department of Education

Status: Fully corrected

Contact Person: Gary R. Holland, Audit Manager, (602) 364-3518

06-103

CFDA No.: 10.553 School Breakfast Program  
10.555 National School Lunch Program  
10.556 Special Milk Program for Children  
10.559 Summer Food Service Program for Children

Agency: Department of Education

Status: Partially corrected

Contact Person: Gary R. Holland, Audit Manager, (602) 364-3518

This finding was first identified in the 2005 Audit and again in subsequent audits. As a result of the 2005 finding, School Health and Nutrition Programs created a formal application process, new policy and procedures, as well as created a sponsor application checklist to ensure full compliance. All new sponsors, since the 2005 finding, have been required to submit all necessary paperwork to be approved for the National School Lunch Program/School Breakfast Program. As per the Policy and Procedures subsequently put in place, the NSLP Administrative Assistant ensures all required documentation is filed in the appropriate sponsor file for quarterly reviews.

To address the 2006 finding, the sponsors that were approved and in place prior to the 2005 finding were reviewed. Those sponsors were notified in writing to re-submit all required paperwork that was found to be missing from their file. Health and Nutrition completed this full file review by October 31, 2007, with follow-up file reviews continuing to be scheduled quarterly. Additionally, Health and Nutrition Services completed the following, with respect to this finding:

- a) The NSLP Program Project Specialist and Administrative Assistant have contacted 100 percent of the sponsors missing documentation in their sponsor file including, but not limited to, the Eligibility/Suspension and Debarment documentation based on this finding.
- b) Sponsors are in the process of sending the requested documentation to the Health & Nutrition office. Sponsor's federal reimbursements will be placed on hold if they do not respond to the request in a timely manner.
- c) All files have been reviewed and sponsors were notified by the October 31, 2007, deadline of the sanctions that would be imposed if the requested information is not provided in a timely manner.

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To ensure NSLP sponsor files continue to be in full compliance, the current Policy and Procedures guideline has been updated to instruct the NSLP Program Project Specialist and NSLP Administrative Assistant to continue conducting a quarterly sponsor file review, by randomly sampling 25 percent of the files. Any file found to be out of compliance will be brought to the attention of the sponsor and missing documents will be requested. Quarterly file reviews were conducted by Program Project Specialists and an Administrative Assistant in December 2007 and May 2008. As of June 2008, Program Project Specialists and an Administrative Assistant continue to conduct quarterly file reviews.

All new sponsor files have a checklist for all required documentation. Twenty five percent of the files are randomly selected, which includes approximately 114 sponsor files. For all files that are missing documentation, letters are mailed requesting the missing documentation and follow up phone calls are also made. Sponsors that do not respond to the request for information are placed on fiscal hold until documentation is received by Health and Nutrition. The next quarterly review of files is scheduled for July 2008.

06-104

CFDA No.: 84.027 Special Education—Grants to States  
84.173 Special Education—Preschool Grants

Agency: Department of Education

Status: Not corrected

Contact Person: Gary R. Holland, Audit Manager, (602) 364-3518

The Arizona Department of Education (ADE), Exceptional Student Services (ESS), will revise its policies and procedures to address the federal child count verification process in the following manner:

ESS will require LEAs to verify their federal child count on October 1, effective FY 2009. This is a change from the current federal child count date of December 1. A memo regarding this change has been sent to the special education directors via the listserv on June 9, 2008. It is anticipated that by moving the child count date earlier in the year, LEAs will have more time to submit and clean up their child count data in SAIS well in advance of the federal child count due date thus giving ADE/ESS more accurate data to submit to the Office of Special Education Programs.

ADE has not yet initiated statutory changes to reduce the Student Accountability Information System (SAIS) adjustment window. ESS will continue to pursue discussions within ADE relative to initiating and completing this statutory change. Currently, ARS §15-915 allows school districts and charter schools to submit changes to their financial information and their student count to SAIS for a maximum of three years from the initial submission date. As a result, this allows LEAs to change financial and student count information after its submission of federal child count verification reports. This could result in submitted Federal child count data not matching more current SAIS student count information.

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ESS will continue to provide LEAs with a bi-monthly confirmation status report that alerts the LEAs to SAIS conflicts so the conflicts can be resolved in a timely manner.

ESS will continue to include accuracy of LEA SAIS data in the Individuals with Disabilities Act (IDEA) determinations in accordance with 34 CFR §300.640.

ESS will continue to send alerts on an annual basis via the listserv to LEAs. The purpose of this alert is to advise LEAs of the use of the System Training and Response (STaR) Team to resolve SAIS discrepancies prior to the October 1, 2008, federal child count verification/reconciliation deadline of December 12, 2008.

ESS will require LEA October 1 federal child count verification numbers to match SAIS student count numbers by December 12, 2008. LEAs must reconcile their child count numbers with SAIS data before ESS will accept the LEA federal child count. On December 12, 2008, SAIS student count numbers will be retained to provide documentation showing the LEA counts matched SAIS counts at that time. In addition, if the SAIS student count is higher than the LEA verification count, then the LEA may be subject to an Average Daily Membership audit.

06-105

CFDA No.: 84.027 Special Education—Grants to States  
84.173 Special Education—Preschool Grants

Agency: Department of Education

Status: Partially corrected

Contact Person: Gary R. Holland, Audit Manager, (602) 364-3518

ADE developed an internal grants management system that requires monthly financial reporting (cash management reports) in order to receive the next scheduled grant or contract payment. The reports are reviewed for compliance with laws, regulations, and the provisions of the contract or grant agreement. If discrepancies are noted, the district or charter school is contacted for additional documentation and information. The cash management system was designed to act in place of an on-site visit given our resource limitations.

ADE has a full-time auditor to perform fiscal monitoring. This auditor will be responsible for performing on-site monitoring of financial records at various LEAs that receive and expend Federal financial assistance associated with CFDA Nos. 84.027 and 84.173. Initially, approximately 30 LEA subrecipients expending the largest amount of Federal grant dollars associated with the two above-mentioned grants will be monitored. After these 30 LEA subrecipients have been monitored, all LEA subrecipients will be placed on a multi-year cycle. The auditor will monitor them per this schedule.

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The auditor will examine original source documentation supporting expenditures to determine if these expenditures were proper in relation to the two above-mentioned Federal grant requirements. The auditor will trace these Federal grant expenditure dollars through the LEA subrecipients' financial accounting systems; i.e., through their general ledgers, to the expenditures that the LEAs upload to ADE's Grants Management Enterprise System (GMES). In relation to ADE's subrecipients, the GMES is ADE's on-line computerized system that records dollars associated with Federal financial assistance passed through by the ADE to LEA subrecipients as well as expenditures incurred by the LEA subrecipients from such Federal financial assistance.

Due to an extended staffing vacancy, the previous goal of visiting 30 LEAs by June 30, 2008, was not achieved by that date. However, we were able to complete 6 LEA monitoring visits and reports during the past year. In addition, we hired a new auditor on May 24, 2008, who has already contacted 20 LEA District Business Offices to schedule visits within the next 13 weeks. Monitoring visits and their corresponding audit reports for these 20 Districts will be completed by September 30, 2008.

Additionally, we have established a more streamlined system for gathering all necessary fiscal and fixed asset documentation from the LEAs prior to our on-site visits, which will allow us to complete audits of approximately 36 LEAs through June 30, 2009. We are formulating a multi-year cycle to establish a regular schedule of audit visits to the LEAs who expend these funds.

06-106

CFDA No.: 10.553 School Breakfast Program  
10.555 National School Lunch Program  
10.556 Special Milk Program for Children  
10.558 Child and Adult Care Food Program  
10.559 Summer Food Service Program for Children  
84.010 Title I Grants to Local Educational Agencies  
84.011 Migrant Education—State Grant Program  
84.027 Special Education—Grants to States  
84.173 Special Education—Preschool Grants  
84.213 Even Start—State Educational Agencies

Agency: Department of Education

Status: Partially Corrected

Contact Person: Gary R. Holland, Audit Manager, (602) 364-3518

ADE has developed a policy and business rule providing a process for the ADE Audit Unit and Program Areas to address subrecipient non-compliance with OMB Circular A-133 reporting requirements. This policy and business rule requires notification of non-compliance letters to be sent to LEAs that have not met their Single Audit reporting requirements. The policy and business rule also includes potential sanctions against non-complying LEAs. The sanctions will include the potential for ADE to withhold current and/or future federal funding until compliance with reporting requirements is achieved. This policy #GE-24 was implemented on December 31, 2007.

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ADE has developed a means of managing all Single Audits going forward. The Single Audit Tracking System (SATS) is designed to document and monitor all ADE subrecipients who are required to have a Single Audit conducted. This system is used by all program areas, Grants Management and the Audit Unit. The SATS tracks all subrecipient audit findings, due dates, and status. The system has the ability to produce status reports on demand. A bi-weekly Single Audit Report is developed from data retrieved from the tracking system. This report lists each of the program areas which have outstanding audit findings. This report is a great tool to continuously remind program areas that findings still exist and they need to continue working with the subrecipients until the challenge has been resolved. The system provides legal and technical guidance, with links to the federal A-133 documents, as well as ADE policies and guidelines.

Additionally, ADE has developed a Single Audit Handbook that details specific instructions on how to use the Tracking System. ADE has also drafted a detailed Single Audit Guideline. This guideline provides a complete overview of the Single Audit process, roles and responsibilities, preventing and detecting fraud, corrective action steps and follow-up, preparing and performing an audit, preparing the audit reporting package, audit costs, due dates, sanctions, samples of Single Audit report and forms, monitoring, and conducting a risk assessment. This system was originally implemented in February 2007; however, ADE continues to make enhancements as necessary.

06-107

CFDA No.: 84.010 Title I Grants to Local Educational Agencies

Agency: Department of Education

Status: Not corrected

Contact Person: Gary R. Holland, Audit Manager, (602) 364-3518

The existing Grants Management Enterprise system offers all program areas the ability to view a LEA's individual cash management report through the Intranet under Grants Management Reports. The program areas can select the fiscal year, their specific grant or specific entity when viewing their projects' cash management status online. All projects are linked to the LEA's individual cash management report receipt status. These online reports were created to assist the program areas in the monitoring of their subrecipients. On the 19<sup>th</sup> of each month the program area can place a programmatic hold on funds if necessary.

The Grants Management Office continuously offers a Monthly Cash Management Summary Report to provide the program areas a quick glance of their subrecipients' cash management status on the 19<sup>th</sup> of each month. This report outlines such information as whether a subrecipient is compliant, the extent of any existing holds or the amount of cash on hand or the amount of requested disbursement. The program areas utilize this report to assess their subrecipients' compliance status on the 19<sup>th</sup> of each month and take appropriate corrective action if needed. Any abnormal cash on hand is dealt with by the program areas via placing a programmatic hold or contacting the LEAs at that time.

The existing Grants Management Enterprise system will be modified to ensure that subrecipients amend their subsequent year's budget for completion report cash balances immediately after the completion report has been approved. Once a completion report is approved and LEAs are directed to amend prior-year monies, the carryover must be amended into the current-year project within 60 days. If LEAs fail to

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amend the carryover within 60 days after the completion report approval date, the Grants Management Enterprise system will place an amendment hold and no payment will be made for the current year project. The submission of an amendment will release this system hold.

06-108

CFDA No.: 84.011 Migrant Education—State Grant Program

Agency: Department of Education

Status: Not corrected

Contact Person: Gary R. Holland, Audit Manager, (602) 364-3518

The Arizona Department of Education (ADE), Migrant Education Program (MEP), will implement the following procedures to help ensure compliance with the program's reporting and special tests and provisions requirements:

- Develop written policies and procedures for annually documenting and reviewing eligible student count information, and the process for resolving any significant differences.
- Develop written policies and procedures to annually test the validity of the COEstar internal controls, including the option of performing a SAS 70 audit.
- Develop written policies and procedures to review subrecipient files to determine if the service provider completed site visits in accordance with its quality control procedures.

ADE's MEP has developed procedures for reviewing and assessing the reasonableness of the data that regional offices, school districts or other operating agencies submit to ADE. Recently, the ADE MEP has developed draft procedures to validate migrant student counts furnished by COEstar, which include comparing counts by district and/or student names prior to finalizing the counts to ensure that there are student names associated with the final student count. Differences between the COEstar data and the district lists were resolved between Statewide Services and the ADE Migrant Program Office.

The guideline has been adopted into final form and used to validate the counts submitted between December 2007 and January 2008, through the Consolidated State Performance Report (CSPR) Parts I and II. This guideline is utilized to interpret the data that is used to complete various reports, such as the CSPR.

The ADE MEP contracts with Statewide Services for the data collection of the MEP. In the fall of 2007, an on-site monitoring protocol was developed and utilized by the MEP Office to monitor Statewide Services' collection of school site data, beginning in late October and early November of 2007. This protocol has provided a clearer avenue for auditing the written procedures for Statewide Services' on-site activities. It was during the first monitoring that the MEP Office found Statewide Services to be in partial compliance.

They were instructed to submit a corrective action plan in April 2008, and subsequently, submitted procedures for approval prior to the deadline. These procedures were reviewed and returned to Statewide Services with the suggestion of putting the procedures into one single format for all documents. The

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formatted procedures were submitted in final form to our office the week of May 16, 2008. As a followup to the initial monitoring, the MEP Offices conducted a follow up monitoring of Statewide Services during the week of April 28, 2008. The MEP Office will continue to utilize this protocol to monitor Statewide Services on an annual basis.

As part of our NCLB Monitoring, MEPs are visited onsite by the MEP Office a minimum of once every six years. During the monitoring, the Program Specialist will utilize the Title I-C Migrant Protocol. Included in the Migrant Monitoring Protocol is an item for discussion about how the LEA ensures accuracy of the certificate of eligibility (COE). A random review of one percent (or a minimum of ten) COEs is completed by the MEP Project Specialist.

Statewide Services has also implemented file management training, primarily focused on new MEP clerks, but available to any MEP staff member. The file management allows Statewide Services to work directly with the MEP staff on what information must be contained in each child's on-site folder. Combined, these efforts ensure the information in the student file matches the information in the ADE data base used to compile the CSPR Parts I and II.

The MEP Office has also taken several steps to review, verify, and validate the data that is received from COEstar. This process allows for MEP Program Specialists to test the reasonableness of the data going into the COEstar system and the data coming out of the COEstar system, as well as the continual review of data until all numbers are in synch. During the testing of the reasonableness of the data for the CSPR for the fiscal year 2006, the MEP Office and Statewide Services worked directly with TROMIK, the developer of the COEstar software, on revising filters that were in place, to increase the accuracy of the information disaggregated from the COEstar system. TROMIK maintains all ADE MEP Office records, including a 'snapshot in time' of the database as it exists at the point when numbers are generated for both CSPR, Parts I and II. This is done through maintaining a static copy of the database at the point in time the programmatic numbers are generated for the CSPR and other various reports.

Finally, Heinfeld, Meech and Co, P.C. an independent audit firm was hired to conduct an Accountability Audit of TROMIK and COEstar, which was completed by June 30, 2008.

06-109

CFDA No.: 10.553 School Breakfast Program

10.555 National School Lunch Program

10.556 Special Milk Program for Children

10.558 Child and Adult Care Food Program

10.559 Summer Food Service Program for Children

Agency: Department of Education

Status: Partially corrected

Contact Person: Gary R. Holland, Audit Manager, (602) 364-3518

The Office of the Auditor General issued the Arizona Department of Education-Information Management report (August 2006, Report No. 06-07) that identified security deficiencies at the Department, which included areas such as software security patch management, password management, network

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vulnerability, basic security awareness, user access and privileges, and intrusion detection. These deficiencies put the Department's systems and information at risk of potential theft, manipulation, or misuse. The audit recommended developing and implementing an ongoing process for addressing security vulnerabilities and control weaknesses. Specifically, the process should ensure that known security concerns are evaluated and prioritized in order of risk. ADE should then develop specific plans to address them and assign responsibilities to implement the plans. In response, ADE is implementing the following corrective action plan:

- ADE IT completed rollout of its initial one-time security changes for all critical applications, including the CNP Web system. ADE has also implemented new security standards for all aspects of application development and deployment. The resulting procedures, processes, and practices are mandatory elements of all services provided by ADE's IT group, including CNP Web. These standards will be continually revised to stay current with emerging security needs.
- In order to ensure that the Arizona Department of Education, Health and Nutrition Services Unit eliminates the material control weakness found in its account management procedures, a policy and procedure was implemented by October 31, 2007, that outlines the following:
  - Job positions and corresponding CNP Web user class;
  - Access and Activity privileges provided to specific job position; and
  - Procedures for granting access and activity privileges to department employees.

Additionally, policy and procedure HN-GE-21 was updated to address the CNP Web internal and external user access rights. The corrective action required for this finding was completed on October 23, 2007.

- In order to ensure that the CNP Web system design documentation is detailed, comprehensive, and current, the Health and Nutrition development team will be conducting an update to the current system design documentation to be completed by October 31, 2008. The Systems Documentation for CNP Web is currently being reviewed and updated by a contracted Business Analyst and is currently on schedule to meet the October 31, 2008, timeline. The update will ensure that the CNP Web system documentation clearly details workflow within the system, the business rules that regulate workflow and high-level system software information that relates the general structure of the code to the functions it performs.

In addition to making system documentation current, Health and Nutrition also developed detailed policies and procedures for conducting system maintenance and processing. These policies and procedures (HN-GE-28) include guidelines to ensure that system documentation remains up-to-date, and was implemented on October 31, 2007.

Finally, the master description list of access privileges was completed on October 23, 2007, and is on file. This master list ensures proper system documentation, and created a master description list of access privileges that defines:

- Each class of user;



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- How each class of user is determined in the system;
  - The business functions performed by each class of user; and
  - Special permissions that control functions not allocated by default to pre-defined user classes.
- The Health and Nutrition Services administrative and technical staff have researched various possible enhancements to the auditing capabilities of the CNP Web system and determined the following would be implemented to address requirements for improved data change tracking and control. Health and Nutrition implemented a policy and procedure to control changes made by system programmers in August 2007. Health and Nutrition made changes to the application on June 14, 2007. On July 3, 2007, changes were made to the claim to create a history file.

Changes to the system software and configuration ensured that all external user submissions are "read only" to internal users. Department employees have no ability to modify any data submitted by Child Nutrition Program sponsors. This eliminates the possibility of any undocumented changes to end user data.

A system software and configuration change was also made to provide "special permissions claims" that can only be created, modified, and submitted by internal users. The "special permissions claims" is clearly identifiable in the database to ensure auditability. The availability of these "special permission claims" is a necessity, based on business functions required by federal guidelines, and their proper utilization is clearly defined in updated policies and procedures.

- In addition to the above mentioned system changes, the Health and Nutrition Unit previously implemented policy and procedure HN-GE-21, which clearly defines the guidelines with regard to control changes made by system programmers. The policy dictates that administrative staff and technology staff will use application software to make data changes whenever possible. The policy also dictates specific documentation procedures required in instances when application software is not available for data changes. Policy and procedures HN-GE-21 ensures that all database changes are auditable. Therefore, the corrective action for this finding has been completed.

06-110

CFDA No.: 10.551 Food Stamps

10.561 State Administrative Matching Grants for Food Stamp Program

93.558 Temporary Assistance for Needy Families

Agency: Department of Economic Security

Status: Partially corrected

Contact Person: Leona Hodges, DBME Deputy Assistant Director, (602) 542-3596

On November 2, 2007, the Division began issuing cards in local offices only for cases that meet the Food Stamps' expedite criteria. This was necessary to ensure that these cases have access to their benefits within seven days from the date of application as required by Federal regulation. The system has been programmed to prevent the issuance of EBT cards in the local offices except for expedite or emergency cases. The vendor mails out all other EBT cards. Posters have also been placed in the lobbies of the local offices informing clients of the following:

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- DO NOT give your unwanted, damaged, or unusable EBT card to any DES employee.
- DES employees are NOT ALLOWED to accept, handle, or receive EBT cards from participants for any reason.
- You must destroy the unwanted EBT card yourself. Shred or cut the card in pieces before discarding.
- Remember! Never give your personal identification number (PIN) to anyone for any reason.

In addition, there were numerous changes made to the AZTECS system to restrict the issuance of supplemental payments and prevent the occurrence of EBT fraud.

06-111

CFDA No.: 93.558 Temporary Assistance for Needy Families

Agency: Department of Economic Security

Status: Fully corrected

Contact Person: Peggy Feenan, Deputy Program Administrator, (520) 628-6810

06-112

CFDA No.: 10.551 Food Stamps

10.561 State Administrative Matching Grants for Food Stamp Program

Agency: Department of Economic Security

Status: Partially corrected

Contact Person: Leona Hodges, DBME Deputy Assistant Director, (602) 542-3596

The DBME will continue to perform extensive reviews throughout the eligibility determination process to detect and correct errors such as the ones noted in this finding. This includes case reads by supervisors, quality control reviews, management evaluation reviews and secondary case reads by quality control staff. DBME also developed an Accuracy Improvement Plan to improve the quality of services and eligibility determinations. This plan is closely monitored internally and by the Food and Nutrition Services to ensure compliance. The error rate based on case reads through June 2007 was 5.18 percent; as compared to 8.26 percent last federal fiscal year and we expect to receive bonus funding due to this improvement.

06-113

CFDA No.: 84.126 Rehabilitation Services—Vocational Rehabilitation Grants to States

Agency: Department of Economic Security

Status: Partially corrected

Contact Person: Katharine Levandowsky, RSA Program Administrator, (602) 542-6295

To address this finding and FFY2003 and 2004 US Department of Education Annual Review findings, the Rehabilitation Services Administration (RSA) developed a case review process conducted by Unit Supervisors and a Case Review Team. The Case Review Team provides feedback to staff and produces a formal written report of their findings. They submit copies of their findings to Supervisors, District Program

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Managers, the Deputy Administrator and Administrator. District Program Managers (DPM) review cases listed on the Eligibility Determination Waiver report to ensure a copy of the signed waiver explaining the need for extended eligibility determination time is in the case file. In addition, DPMs review Management Information System reports on a monthly basis and ensure that cases marked as having waivers have a copy of a signed waiver. RSA implemented this process in August 2006. As of June 2007, an expectation of proper documentation was added to employee performance evaluations.

To address the issues further, RSA is currently monitoring client activity by using the Client Action Alert List as a tool in aiding the counselors to take appropriate steps to ensure compliance of the cited regulation. Additionally, RSA is in the process of developing an automated client management system that is targeted for implementation in February 2009. The system will automatically alert the counselor, supervisor and management staff when a client's case requires action to ensure compliance of a cited regulation.

06-114

CFDA No.: 84.126 Rehabilitation Services—Vocational Rehabilitation Grants to States  
Agency: Department of Economic Security  
Status: Fully corrected  
Contact Person: Katharine Levandowsky, RSA Program Administrator, (602) 542-6295

06-115

CFDA No.: 84.126 Rehabilitation Services—Vocational Rehabilitation Grants to States  
Agency: Department of Economic Security  
Status: Partially corrected  
Contact Person: Katharine Levandowsky, RSA Program Administrator, (602) 542-6295

The Rehabilitation Services Administration (RSA) developed procedures that were implemented on December 1, 2007. The RSA-2 Program Cost Report internal procedures were drafted based on the most current RSA-2 Program Cost Report general instructions (RSA-PD-06-08) provided by the U.S. Department of Education. Subsequently, RSA staff conferred with programmers to ensure the correct service codes, vendor criteria, and other data was garnered as required for accurate reporting.

During the Federal Review in May 2008, RSA received feedback and technical assistance from the Federal RSA, which helped to enhance the procedures and assure compliance with Federal regulations. This is a working document that will be continuously updated.

06-116

CFDA No.: 96.001 Social Security—Disability Insurance  
Agency: Department of Economic Security  
Status: Not warranting further action  
Contact Person: Nancy West, DDSA Program Administrator, (602) 771-7110

The finding does not warrant further action as the Social Security Administration in a letter dated April 25, 2008, determined this audit finding closed.

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06-117

CFDA No.: 96.001 Social Security—Disability Insurance

Agency: Department of Economic Security

Status: Not warranting further action

Contact Person: Nancy West, DDSA Program Administrator, (602) 771-7110

The finding does not warrant further action as the Social Security Administration in a letter dated April 25, 2008, determined this audit finding closed.

06-118

CFDA No.: 93.667 Social Services Block Grant

Agency: Department of Economic Security

Status: Fully corrected

Contact Person: Kathy Waite, Policy & Planning Administrator, (602) 542-3882

06-119

CFDA No.: 93.667 Social Services Block Grant

Agency: Department of Economic Security

Status: Fully corrected

Contact Person: Katherine Babonis, Chief Procurement Administrator, (602) 364-0194

06-120

CFDA No.: 93.667 Social Services Block Grant

Agency: Department of Economic Security

Status: Fully corrected

Contact Person: David Longo, DCYF Finance & Business Operations Administrator, (602) 542-5099

06-121

CFDA No.: 93.563 Child Support Enforcement

Agency: Department of Economic Security

Status: Fully corrected

Contact Person: Annmarie Mena, DCSE Deputy Assistant Director, (602) 771-8188

06-122

CFDA No.: 93.563 Child Support Enforcement

Agency: Department of Economic Security

Status: Fully corrected

Contact Persons: Annmarie Mena, DCSE Deputy Assistant Director, (602) 771-8188  
Roger Welch, DCSE Financial Services Administrator, (602) 771-8326

06-123

CFDA No.: 17.225 Unemployment Insurance

Agency: Department of Economic Security

Status: Partially corrected

Contact Person: Andy Baldwin, UI Director, (520) 770-3769

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As of March 15, 2007, the Unemployment Insurance (UI) program automatically registers claimants for Employment Service via UI Auto Registration. The General Unemployment Insurance Development Effort (GUIDE) system transmits the necessary data elements to the Virtual One Stop (VOS) system to create Employment Service registrations. Although there are certain classes of claimants who are exempt from the registration requirement, Auto Registration registers all claimants regardless of any exemption. This eliminated the need to send a notice to those claimants who move from exempt to non-exempt status during the course of claim filing, and eliminate the possibility of missing any of those claimants.

There is a message on the web application that informs claimants of the automatic Employment Service registration. The same information is included in the agent script at the call center for telephone claims.

The Department has verified that the process is working. The main issue is with name mismatches between the VOS and GUIDE (UI) systems. An employee in the Policy & Training Unit works the daily discrepancy report. Registration errors are corrected and a letter is sent to those who cannot be corrected to report in person to an Employment Service office to resolve the discrepancy. If the individual does not report within a specified period, they are ineligible for UI benefits until they report and register.

06-124

CFDA No.: 17.225 Unemployment Insurance

Agency: Department of Economic Security

Status: Fully corrected

Contact Person: John Norris, Chief of Tax, (602) 771-3724

06-125

CFDA No.: 93.658 Foster Care—Title IV-E

Agency: Department of Economic Security

Status: Partially corrected

Contact Person: David Longo, DCYF Finance & Business Operations Administrator, (602) 542-5099

As of January 31, 2008, the Division of Children Youth and Families (DCYF) completed the corrective action plan. DCYF identified the SFY 2006 Title IV-E expenditures for non-licensed placements and negotiated a timeframe for repayment of administrative expenditures with the ACF Region IX Office. They also identified the corrected population factor for the claim adjustments for quarters ending March 2006 and June 2006 and submitted the population factors to the Financial Services Administration (FSA) for adjustments and submission to the Region IX Office. DCYF identified the new population factor for the claim adjustments for SFY 2007 and submitted the population factor to FSA for adjustments and submission to Region IX Office. DCYF processed the expenditure corrections for quarters ending March 2006, June 2006 and September 2006 and recorded these expenditure corrections on the Federal reports due on January 31, 2008.

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06-126

CFDA No.: 93.558 Temporary Assistance for Needy Families

93.658 Foster Care—Title IV-E

93.667 Social Services Block Grant

Agency: Department of Economic Security

Status: Partially corrected

Contact Person: David Longo, DCYF Finance & Business Operations Administrator, (602) 542-5099

DCYF identified the SFY2006 and SFY2007 educational leave expenditures that were incorrectly allocated to TANF and SSBG rather than Foster Care—Title IV-E. These expenditure corrections were submitted to the DES FSA to correct those payroll charges and submit the revised IV-E claim(s) to ACF Region IX for appropriate FFY quarter(s). FSA processed the SFY 2007 expenditure corrections and the federal reports reflect those changes.

DCYF planned to explore the feasibility of establishing a separate cost center for those positions that are in the educational leave program. The plan was to move the educational leave positions to a new cost center and implement a centralized data entry point for educational leave timesheets (i.e., one person enters timesheets).

It was not feasible to establish a new cost center and centralize the processing of the timesheets. Instead, DCYF has established a quarterly process to review the processing of the timesheets of the educational leave students to verify they were processed to the proper accounting codes. Any entries found to be out of compliance will be corrected within 90 days.

06-127

CFDA No.: 17.258 WIA Adult Program

17.259 WIA Youth Activities

17.260 WIA Dislocated Workers

Agency: Department of Economic Security

Status: Partially corrected

Contact Person: Mark Darmer, DERS Budget Manager, (602) 542-6333

The Division of Employment and Rehabilitation Services (DERS) conducted monitoring reviews of the two subrecipients subsequent to the audit. In addition, DERS now maintains a schedule of monitoring visits to be conducted which includes all program subrecipients. During SFY 2008, the Division has conducted all required fiscal and programmatic monitoring visits.

DERS revised subrecipient monitoring policies and adheres to a schedule for issuance of the fiscal report, response time from the subrecipient, and closure of any findings and the report. The DERS WIA fiscal compliance section developed a monitoring schedule that incorporates tracking of required information (scheduled monitoring date, report issue date, Corrective Action Plan due date and the Corrective Action Plan status). In addition, the Intergovernmental Agreements for the Local Areas now contain all relevant federal regulation citations for administration and management of the program. The Division did not have a repeat finding as part of the SFY 2007 Single Audit related to these issues.

State of Arizona  
Summary Schedule of Prior Audit Findings  
Year Ended June 30, 2007

06-128

CFDA No.: 17.258 WIA Adult Program  
17.259 WIA Youth Activities  
17.260 WIA Dislocated Workers

Agency: Department of Economic Security

Status: Fully corrected

Contact Person: Mark Darmer, DERS Budget Manager, (602) 542-6333

06-129

CFDA No.: 16.007 State Domestic Preparedness Equipment Support Program  
97.004 State Domestic Preparedness Equipment Support Program  
97.008 Urban Areas Security Initiative  
97.053 Citizen Corps  
97.067 Homeland Security Grant Program

Agency: Department of Emergency and Military Affairs

Status: Partially corrected

Contact Persons: Christa Lewis, Comptroller, (602) 267-2992  
Andrew Allen, Chief Auditor, (602) 267-2322

DEMA is reviewing and updating DEMA Directive policies and procedures to comply with 31 CFR Part 205 and 28 CFR Part 66 regarding cash management. Once this is completed, the new procedures will be tested and reviewed. If required, changes will be made in the Directives. For grant years 2006 and all future grants, the responsibility of the Homeland Security Grant Program Cluster was transferred to the Arizona Department of Homeland Security as the new State Administrative Agency.

06-130

CFDA No.: 16.007 State Domestic Preparedness Equipment Support Program  
97.004 State Domestic Preparedness Equipment Support Program  
97.053 Citizen Corps  
97.067 Homeland Security Grant Program

Agency: Department of Homeland Security

Status: Fully corrected

Contact Person: Terence Riordan, Assistant Director-Finance and Administration, (602) 542-7056

06-131

CFDA No.: 16.007 State Domestic Preparedness Equipment Support Program  
97.004 State Domestic Preparedness Equipment Support Program  
97.053 Citizen Corps  
97.067 Homeland Security Grant Program

Agency: Department of Homeland Security

Status: Fully corrected

Contact Person: Terence Riordan, Assistant Director-Finance and Administration, (602) 542-7056

State of Arizona  
Summary Schedule of Prior Audit Findings  
Year Ended June 30, 2007

06-132

CFDA No.: 20.600 State and Community Highway Safety

20.601 Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants

20.603 Federal Highway Safety Data Improvements Incentive Grants

20.604 Safety Incentive Grants for Use of Seatbelts

20.605 Safety Incentives to Prevent Operation of Motor Vehicles by Intoxicated Persons

Agency: Governor's Office of Highway Safety

Status: Fully corrected

Contact Person: La Retta Lehan, Program Director, (602) 255-3216