



A REPORT
TO THE
ARIZONA LEGISLATURE

Financial Audit Division

Single Audit

State of Arizona

Year Ended June 30, 2008



Debra K. Davenport
Auditor General

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State of Arizona
Single Audit Reporting Package
Year Ended June 30, 2008

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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 Janice K. Brewer, Governor
State of Arizona

The Honorable Bob Burns, President
Arizona State Senate

The Honorable Kirk Adams, 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, 2008, which collectively comprise the State's basic financial statements, and have issued our report thereon dated May 26, 2009. 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, for a change in reporting entity, and as to consistency because of the implementation of Governmental Accounting Standards Board Statement Nos. 45, 48, and 50. 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 components units (except for the Greater Arizona Development Authority and 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 for 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 08-01 through 08-36 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 08-01, 08-22, 08-23, 08-26, 08-29, 08-30, 08-31, 08-32, 08-33, and 08-35 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 Public Safety Personnel Retirement System, Corrections Officer Retirement Plan, and Elected Officials' Retirement Plan also noted certain matters that they reported to management in separate letters dated December 10, 2008, December 12, 2008, and December 12, 2008, 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 123 through 153. The responses for findings noted by the other auditors are included in the body of the findings (see findings 08-35 and 08-36). We did not audit the State's responses or the responses for findings noted by the other auditors, 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

May 26, 2009



**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 Janice K. Brewer, Governor
State of Arizona

The Honorable Bob Burns, President
Arizona State Senate

The Honorable Kirk Adams, 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, 2008, except for that portion of the federal programs administered by the Arizona Health Care Cost Containment System, the Arizona Department of Transportation, and the Water Infrastructure Finance Authority. Those entities were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the compliance of those entities 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 the 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	08-102, 08-103
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	08-117
Cooperative Forestry Assistance (10.664)	Subrecipient Monitoring	08-125
WIA Cluster: WIA Adult Program (17.258) WIA Youth Activities (17.259) WIA Dislocated Workers (17.260)	Reporting, Subrecipient Monitoring	08-104, 08-105
Education and Human Resources (47.076)	Activities Allowed or Unallowed, Allowable Costs/Cost Principles	08-128, 08-129, 08-132
Migrant Education—State Grant Program (84.011)	Reporting, Special Tests and Provisions	08-120
Rehabilitation Services—Vocational Rehabilitation Grants to States (84.126)	Eligibility	08-107
Temporary Assistance for Needy Families (93.558)	Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Eligibility, Special Tests and Provisions	08-102, 08-109
Child Support Enforcement (93.563)	Special Tests and Provisions	08-111

Homeland Security Cluster: Subrecipient Monitoring 08-124

State Domestic Preparedness Equipment
Support Program (97.004)
Homeland Security Grant Program
(97.067)

Research and Development Cluster Activities Allowed or Unallowed, 08-128, 08-129,
Allowable Costs/Cost Principles 08-132

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, 2008. The results of our auditing procedures and the reports of the other auditors 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 08-101, 08-106, 08-108, 08-110, 08-112, 08-113, 08-114, 08-116, 08-118, 08-119, 08-122, 08-123, 08-126, 08-127, 08-130, 08-131, and 08-133.

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 the 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 and the reports of the other auditors 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 08-102 through 08-132 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 08-102, 08-103, 08-104, 08-105, 08-107, 08-109, 08-111, 08-114, 08-115, 08-117, 08-120, 08-121, 08-124, 08-125, 08-128, 08-129, and 08-132 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, 2008, and have issued our report thereon dated May 26, 2009. 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, for a change in reporting entity, and as to consistency because of the implementation of Governmental Accounting Standards Board Statement Nos. 45, 48, and 50. Our audit was performed for the purpose of forming our 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 154 through 180. The response for a finding noted by other auditors is included in the body of the finding (see finding 08-133). We did not audit the State's responses or the response for the finding noted by other auditors, 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 26, 2009, except for the
Schedule of Expenditures of Federal
Awards, for which the date is May 26, 2009

State of Arizona
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2008

CFDA/Identifying Number	Federal Grantor/Program Title/Pass-Through Grantor/Contract Number	Grantee (Appendix)	Expenditures
WHITE HOUSE OFFICE OF NATIONAL DRUG CONTROL POLICY			
07.HT17-07-1110, HT18-08-1110, HT15-05-1510, HT16-06-1510, HT17-07-1510, HT18-08-1510, HT17-07-2410, HT18-08-2410	High Intensity Drug Trafficking Areas, Arizona Alliance Planning Committee	AGA	\$ 679,381
07.I6PSAP501Z	High Intensity Drug Trafficking Areas, Arizona Alliance Planning Committee	JCA	6,190,828
07.I3PSAP549, I4PSAP549, I5PSAP549, HT16-06-1810, HT16-06-0511, HT16-06-0910, HT16-06-0210, HT16-06-1111, HT16-06-0511, HT17-07-1810, HT17-07-0910, HT17-07-0210, HT17-07-0511, 0111C1362161004, 22005EXECMTG, HT16-06-2312, 051707 LETTER, DPS 2007 271, HT16-06-0212	High Intensity Drug Trafficking Areas, Arizona Alliance Planning Committee	PSA	1,564,189
Total White House Office of National Drug Control Policy			<u>\$ 8,434,398</u>
PEACE CORPS			
08.PC-06-8-103, PC-07-8-090	Peace Corps	ASA	\$ 16,412
08.PC-07-8-070, 66000898	Peace Corps Coordinator	NAA	16,018
Total Peace Corps			<u>\$ 32,430</u>
DEPARTMENT OF AGRICULTURE			
Food Stamp Cluster			
10.551	Food Stamps	DEA	\$ 732,100,084
10.561	State Administrative Matching Grants for Food Stamp Program	ASA	2,954
10.561	State Administrative Matching Grants for Food Stamp Program	DEA	37,096,189
10.561	State Administrative Matching Grants for Food Stamp Program	HSA	9,163,674
10.561	State Administrative Matching Grants for Food Stamp Program	UAA	1,251,183
10.561 Subtotal			<u>47,514,000</u>
Food Stamp Cluster Subtotal			<u>779,614,084</u>
Child Nutrition Cluster			
10.553	School Breakfast Program	DCA	65,473
10.553	School Breakfast Program	DJA	447,390
10.553	School Breakfast Program	EDA	47,810,565
10.553 Subtotal			<u>48,323,428</u>
10.555	National School Lunch Program	DCA	68,054
10.555	National School Lunch Program	DJA	603,190
10.555	National School Lunch Program	EDA	208,729,358
10.555	National School Lunch Program	SDA	200,881
10.555 Subtotal			<u>209,601,483</u>
10.556	Special Milk Program for Children	EDA	69,202
10.559	Summer Food Service Program for Children	EDA	2,580,280
Child Nutrition Cluster Subtotal			<u>260,574,393</u>
Emergency Food Assistance Cluster			
10.568	Emergency Food Assistance Program (Administrative Costs)	DEA	1,206,326
10.569	Emergency Food Assistance Program (Food Commodities)	DEA	4,717,714
Emergency Food Assistance Cluster Subtotal			<u>5,924,040</u>
Schools and Roads Cluster			
10.665	Schools and Roads—Grants to States	TRA	7,596,881
Schools and Roads Cluster Subtotal			<u>7,596,881</u>
Other Department of Agriculture Programs			
10.025	Plant and Animal Disease, Pest Control, and Animal Care	AHA	2,444,426

See accompanying notes to schedule.

State of Arizona
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2008

CFDA/Identifying Number	Federal Grantor/Program Title/Pass-Through Grantor/Contract Number	Grantee (Appendix)	Expenditures
10.025	Plant and Animal Disease, Pest Control, and Animal Care	GFA	110,910
	10.025 Subtotal		2,555,336
10.169	Specialty Crop Block Grant Program	AHA	57,841
10.200	Grants for Agricultural Research, Special Research Grants	UAA	4,315
10.206	Grants for Agricultural Research—Competitive Research Grants	UAA	27,876
10.210	Food and Agricultural Sciences National Needs Graduate Fellowship Grants	ASA	63,926
10.210	Food and Agricultural Sciences National Needs Graduate Fellowship Grants	UAA	92,095
	10.210 Subtotal		156,021
10.217	Higher Education Challenge Grants	UAA	88,509
10.220	Higher Education Multicultural Scholars Program	NAA	11,478
10.303	Integrated Programs	UAA	630,504
10.303	Integrated Programs, <i>University of California-Davis</i> , Contract #s 07001492UA2, K009607AZ2	UAA	49,465
	10.303 Subtotal		679,969
10.304	Homeland Security—Agricultural, <i>University of California-Davis</i> , Contract # K007797-18	AHA	9,492
10.435	State Mediation Grants	ASA	157,068
10.446	Rural Community Development Initiative	EPA	30,839
10.455	Community Outreach and Assistance Partnership Program	UAA	119,741
10.457	Commodity Partnerships for Risk Management Education	UAA	107,491
10.475	Cooperative Agreements with States for Intrastate Meat and Poultry Inspection	AHA	158,395
10.479	Food Safety Cooperative Agreements	HSA	326,130
10.500	Cooperative Extension Service	UAA	3,924,265
10.500	Cooperative Extension Service, <i>Kansas State University</i> , Contract #s S04067, S07041, S08024, S08102	UAA	75,010
10.500	Cooperative Extension Service, <i>Louisiana State University</i> , Contract # 25702	UAA	1,953
10.500	Cooperative Extension Service, <i>National 4-H Club Foundation</i> , Contract # EYSC2A20024520101528	UAA	6,054
10.500	Cooperative Extension Service, <i>National 4-H Council</i> , Contract #s 20054520103332, 200545201033321	UAA	38,700
10.500	Cooperative Extension Service, <i>University of Wyoming</i> , Contract #s UTSTUNV46454AZUTSTUNV, UTSTUNV46460AZ, UTSTUNV46462AZ, UTSTUNV61306128STATE	UAA	18,179
10.500	Cooperative Extension Service, <i>Utah State University</i> , Contract #s 061554014, 080018004	UAA	27,627
10.500	Cooperative Extension Service, <i>Washington State University</i> , Contract #s G001820, UTSTUNV46453	UAA	20,706
	10.500 Subtotal		4,112,494
10.550	Food Distribution	EDA	128,376
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	HSA	157,858,013
10.558	Child and Adult Care Food Program	EDA	46,329,015
10.560	State Administrative Expenses for Child Nutrition	EDA	3,267,847
10.565	Commodity Supplemental Food Program	HSA	4,310,460
10.572	WIC Farmers' Market Nutrition Program (FMNP)	HSA	186,855
10.580	Food Stamp Program Outreach/Participation Program	GVA	79,290
10.582	Fresh Fruit and Vegetable Program	EDA	129,896
10.652	Forestry Research	GFA	9,930
10.652	Forestry Research	NAA	1,006,308
	10.652 Subtotal		1,016,238
10.664	Cooperative Forestry Assistance	FOA	3,460,388
10.664	Cooperative Forestry Assistance	UAA	169,885
10.664	Cooperative Forestry Assistance, <i>Navajo County Board of Supervisors</i> , Contract # SFA1005	UAA	64,875
	10.664 Subtotal		3,695,148
10.670	National Forest—Dependent Rural Communities	FOA	77,823
10.762	Solid Waste Management Grants	NAA	184,342
10.766	Community Facilities Loans and Grants	NAA	65,463

See accompanying notes to schedule.

State of Arizona
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2008

CFDA/Identifying Number	Federal Grantor/Program Title/Pass-Through Grantor/Contract Number	Grantee (Appendix)	Expenditures
10.771	Rural Cooperative Development Grants	ASA	18,101
10.773	Rural Business Opportunity Grants	UAA	14,652
10.904	Watershed Protection and Flood Prevention	NAA	3,375
10.912	Environmental Quality Incentives Program	AHA	165,379
10.912	Environmental Quality Incentives Program	GFA	29,099
10.912	Environmental Quality Incentives Program	UAA	58,179
10.912	Environmental Quality Incentives Program	WCA	114,282
	10.912 Subtotal		366,939
10.914	Wildlife Habitat Incentive Program	GFA	249,347
10.921	Conservation Security Program	UAA	72,694
10.03PA11030517013	Symposium for the Endangered Mount Graham Red Squirrel May 19-23, 2003 in Phoenix	UAA	1,000
10.06CR11030511022	National Fire Plan's Firewise Program	UAA	11,292
10.06CS011031200036	AZ Bald Eagle Management Program	GFA	19,389
10.07-CR-11031600-147, AG-3187-C-07-0033, 05-CR-11031600-079	Forest Service	NAA	525,917
10.07CS11132422195	Wildcat5 Hydrograph Program	UAA	7,955
10.07DG11030121004	Sitgreaves NF and Associated Communities' Parcel Assessment and Data Management	UAA	22,655
10.07 DG 11031600 138	Consolidated Grant	FOA	246,890
10.07 DG 11031600 150	Forest Legacy Program—Cedar Springs Legacy Project	FOA	851,193
10.0794190073CA	Classical Swine Fever Surveillance	UAA	2,229
10.20054640103316	Managing Rangelands Before, During and After Drought, <i>University of Tennessee</i> , Contract # AES00792300102100381	UAA	13,042
10.7294574A001	Sonoita Creek Fencing	PRA	135,000
10.Unknown	Program Coordinator Salary, <i>Coconino County</i> , Contract # 70989	UAA	16,353
10.Unknown	Salary, ERE & Expenses for Art Mathias: Manager for 2007 State Fire Assistant Grant, <i>Coconino County</i> , Contract # 071542	UAA	23,925
10.Unknown	Wildfire Risk Reduction for Yavapai County Homeowners, <i>Yavapai County</i> , Contract # CK40229118	UAA	27,282
	Total Department of Agriculture		\$ 1,282,270,389

DEPARTMENT OF COMMERCE

Public Works and Economic Development Cluster

11.307	Economic Adjustment Assistance	EPA	\$ 54,665
11.307	Economic Adjustment Assistance	NAA	3,022
11.307	Economic Adjustment Assistance	UAA	203,743
	Public Works and Economic Development Cluster Subtotal		261,430

Other Department of Commerce Programs

11.302	Economic Development—Support for Planning Organizations	EPA	26,536
11.303	Economic Development—Technical Assistance	NAA	117,822
11.431	Climate and Atmospheric Research	UAA	9,248
11.467	Meteorologic and Hydrologic Modernization Development, <i>University Corp. for Atmospheric Research</i> , Contract # S0766807	UAA	7,903
11.550	Public Telecommunications Facilities Planning and Construction	UAA	37,930
	Total Department of Commerce		\$ 460,869

DEPARTMENT OF DEFENSE

12.110	Planning Assistance to States	GFA	\$ 372,374
12.300	Basic and Applied Scientific Research	ASA	28,485
12.300	Basic and Applied Scientific Research	GFA	54,817
	12.300 Subtotal		83,302
12.400	Military Construction, National Guard	MAA	15,732,886
12.401	National Guard Military Operations and Maintenance (O&M) Projects	MAA	36,903,083
12.404	National Guard Civilian Youth Opportunities	MAA	2,272,948
12.420	Military Medical Research and Development	UAA	31,028
12.431	Basic Scientific Research	ASA	223,727

See accompanying notes to schedule.

State of Arizona
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2008

CFDA/Identifying Number	Federal Grantor/Program Title/Pass-Through Grantor/Contract Number	Grantee (Appendix)	Expenditures
12.431	Basic Scientific Research, <i>Academy of Applied Science</i> , Contract # W911NF0410001 12.431 Subtotal	ASA	8,869 <hr/> 232,596
12.610	Community Economic Adjustment Planning Assistance for Joint Land Use Studies	EPA	18,555
12.630	Basic, Applied, and Advanced Research in Science and Engineering	NAA	4,877
12.800	Air Force Defense Research Sciences Program	ASA	553,075
12.800	Air Force Defense Research Sciences Program	GFA	93,544
	12.800 Subtotal		<hr/> 646,619
12.901	Mathematical Sciences Grants Program	ASA	102,498
12.910	Research and Technology Development	ASA	100,444
12.05114041	Education of How to Maximize Efficiency Within US Army MEDCOM, <i>Wingler & Sharp Architects & Planners, Inc.</i> , Contract # 05114041	ASA	932
12.DACA8705H0018TA6	Peer Reviewed Journal Article on Desert Bighorn Sheep Response to Water Removal	UAA	8,000
12.DAHA2 00 2 3003, DAHA2 98 3003	Camp Navajo	MAA	10,333,587
12.H9823006C0483	Technical Consultation Services for ADIR Project Oversight	ASA	925,100
12.MEM0308	IPA for Ronald Pace (Working for Tricaremanagement Activity/Office of the Chief, Information Officer=TMA/OCIO)	UAA	54,788
12.W9124A-05-D-0002	Business Enterprise Program/FT Huachuca	DEA	4,046,141
12.W9137B070064	CLI+ : Islamic Rim Language and Culture Training for ROTC Cadets, <i>Institute of International Education</i> , Contract # U634003	ASA	60,890
12.Unknown	Uniform Commutation Fund 5010-2986-01	UAA	19,091
	Total Department of Defense		<hr/> <hr/> \$ 71,949,739

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Section 8 Project-Based Cluster

14.195	Section 8 Housing Assistance Payments Program—Special Allocations	HDA	\$ 38,697,877
	Section 8 Project-Based Cluster Subtotal		<hr/> 38,697,877

CDBG—Entitlement and (HUD-Administered) Small Cities Cluster

14.218	Community Development Block Grants/Entitlement Grants, <i>City of Tucson</i> , Contract #s 000407, 000508	UAA	25,015
	CDBG—Entitlement and (HUD-Administered) Small Cities Cluster Subtotal		<hr/> 25,015

Other Department of Housing and Urban Development Programs

14.228	Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	HDA	7,984,170
14.231	Emergency Shelter Grants Program	DEA	887,405
14.235	Supportive Housing Program	HDA	1,943,103
14.238	Shelter Plus Care	HDA	6,672,287
14.239	HOME Investment Partnerships Program	HDA	9,577,832
14.241	Housing Opportunities for Persons with AIDS	HDA	178,955
14.401	Fair Housing Assistance Program—State and Local	AGA	533,946
14.511	Community Outreach Partnership Center Program	UAA	128,028
14.866	Demolition and Revitalization of Severely Distressed Public Housing, <i>City of Tucson</i> , Contract #s 032906, 033306	UAA	56,585
14.871	Section 8 Housing Choice Vouchers	HDA	466,935
14. Unknown	Reducing Disparities by Increasing Access to Health Care, Oral Health and Advocacy, <i>Pima County, Arizona</i> , Contract # 0170A1405880707	UAA	55,275
14. Unknown	Social Justice Education Project—08 Summer Leadership Camp, <i>Pima County, Arizona</i> , Contract # 0710A1406550108	UAA	4,410
	Total Department of Housing and Urban Development		<hr/> <hr/> \$ 67,211,823

DEPARTMENT OF THE INTERIOR

Fish and Wildlife Cluster

15.605	Sport Fish Restoration Program	GFA	\$ 7,157,441
15.611	Wildlife Restoration	GFA	5,752,229
	Fish and Wildlife Cluster Subtotal		<hr/> 12,909,670

Other Department of the Interior Programs

15.059	Indian Graduate Student Scholarships	ASA	198,909
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See accompanying notes to schedule.

State of Arizona
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2008

CFDA/Identifying Number	Federal Grantor/Program Title/Pass-Through Grantor/Contract Number	Grantee (Appendix)	Expenditures
15.130	Indian Education—Assistance to Schools	EDA	429,174
15.224	Cultural Resource Management	UAA	58,364
15.225	Recreation Resource Management	ASA	114,995
15.227	Distribution of Receipts to State and Local Governments	DTA	57,458
15.228	National Fire Plan—Wildland Urban Interface Community Fire Assistance	FOA	214,327
15.231	Fish, Wildlife and Plant Conservation Resource Management	GFA	103,194
15.608	Fish and Wildlife Management Assistance	GFA	2,991
15.615	Cooperative Endangered Species Conservation Fund	AHA	110,251
15.615	Cooperative Endangered Species Conservation Fund	GFA	1,550,181
	15.615 Subtotal		1,660,432
15.616	Clean Vessel Act	GFA	12,709
15.617	Wildlife Conservation and Appreciation	UAA	13,163
15.622	Sportfishing and Boating Safety Act	GFA	3,000
15.623	North American Wetlands Conservation Fund	GFA	72,500
15.626	Hunter Education and Safety Program	GFA	205,287
15.633	Landowner Incentive Program	GFA	514,217
15.634	State Wildlife Grants	GFA	1,148,224
15.637	Migratory Bird Joint Ventures	GFA	5,000
15.637	Migratory Bird Joint Ventures	UAA	3,961
	15.637 Subtotal		8,961
15.642	Challenge Cost Share	GFA	4,630
15.647	Migratory Bird Conservation	GFA	24,889
15.649	Service Training and Technical Assistance (Generic Training)	GFA	1,730
15.808	U.S. Geological Survey—Research and Data Collection	GFA	470,245
15.808	U.S. Geological Survey—Research and Data Collection	GSA	5,321
15.808	U.S. Geological Survey—Research and Data Collection	LDA	850
15.808	U.S. Geological Survey—Research and Data Collection	UAA	38,825
	15.808 Subtotal		515,241
15.809	National Spatial Data Infrastructure Cooperative Agreements Program	NAA	10,263
15.810	National Cooperative Geologic Mapping Program	GSA	200,007
15.904	Historic Preservation Fund Grants-In-Aid	ASA	21,492
15.904	Historic Preservation Fund Grants-In-Aid	PRA	32,672
	15.904 Subtotal		54,164
15.916	Outdoor Recreation—Acquisition, Development and Planning	PRA	1,531,191
15.923	National Center for Preservation Technology and Training	ASA	4,950
15.04FC320310	Native Fishes Hatchery Development	GFA	37,570
15.04FG320200	Hubbell Trading Post Irrigation Demonstration Farm	UAA	5,715
15.04FG320270	Projects to Enhance Arizona's Environment: Their Functions, Water Requirements and Public Benefits	UAA	15,693
15.04FG340014	O&M Quigley Wildlife Area	GFA	6,460
15.05FC320390, 99FC320140, 2006 25950090	Bureau of Reclamation	WCA	64,750
15.05FC340006	Design and Installation of Water Measurement Structures for the Yuma Mesa Irrigation District	UAA	24,516
15.05FC340007	Bilingual Outreach for Efficient Irrigation on the Yuma Mesa Irrigation District	UAA	7,565
15.05FG320590	Water Conservation Alliance of Southern Arizona	UAA	38,211
15.05PG303295	A Weather Network to Provide Reference Evapotranspiration Data for the Bureau of Reclamation's Lower Colorado River ACCT System	UAA	42,000
15.06FG300027	Water-Wise Communities' Education and Development Program with Mohave County, AZ	UAA	16,914
15.06FG300040	Razorback Sucker Production & Bubbling Ponds Hatchery	GFA	116,285
15.06FG320640	Arizona Site Steward Program	PRA	5,000
15.07FC300011	MSCP Bat Project	GFA	80,194
15.07FG320790	Bald Eagle Surveys	GFA	38,973
15.07FG320800	Arizona Project Wet Water Festival Teams Workshop	UAA	3,362
15.07PG321016	Bureau of Reclamation	NAA	406
15.08FC340008	Flat Tailed Horn Lizard Study	GFA	38,237

See accompanying notes to schedule.

State of Arizona
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2008

CFDA/Identifying Number	Federal Grantor/Program Title/Pass-Through Grantor/Contract Number	Grantee (Appendix)	Expenditures
15.08FG300030	Razorback Growth Studies	GFA	117,388
15.1 07 34 CO165	Mumme Farm	GFA	2,265
15.142598FG3200540	Roosevelt Lake Goose Mitigation Project	GFA	79,298
15.20050004064	Central Arizona Weed Management Operations, <i>National Fish and Wildlife Foundation</i> , Contract # 20050004064	UAA	3,133
15.50730W0330	Bureau of Reclamation Restricted Endowment	ASA	5,999,802
15.98FC320050	Willow Flycatcher Study	GFA	191,554
15.AAA000011AAF040042	Living with Wildfire in Arizona	UAA	12,406
15.AAA000011AAF050041	ADR Conflict Resolution Prevention Program	UAA	15,098
15.AAA000019AAF050039	Sonoita Valley Planning Partnership Organization	ASA	1,937
15.AAA050001	Water Catchment Reconstruction Projects	GFA	33,249
15.AAA050003AAF060003	Living With Fire—Phase III	UAA	30,001
15.AAA050003AAF060010	Rangeland Resources Monitoring Technician	UAA	41,567
15.AAA060013	Ranchland Cleanup	GFA	10,209
15.AAA070004	Jaguar Habitat Monitoring Arizona-New Mexico Border	GFA	12,000
15.AAA070005	Heritage Data Management System Use	GFA	5,801
15.AAA070006	Coordinated Bird Monitoring Implementation	GFA	6,000
15.AAA070009	Cooperative Planning Liaison Position	GFA	4,989
15.AAA070011	Vulture Mountains Water Catchment	GFA	30,000
15.AAA070012	Mount Trumbull Ponderosa Pine Restoration	GFA	4,211
15.AAA070015	Beaver Habitat Assessment on Las Cienegas National Conservation Area	GFA	2,863
15.AAA070025	Mud Mountains Water Catchments	GFA	19,946
15.AAA070026	Lands Ready Reserve Fire Program	FOA	22,871
15.AAA070032	Arizona Strip Rangeland Monitoring	UAA	14,288
15.AAA070035	BLM Fuels Reduction Projects	GFA	42,482
15.AAA080019	Sonoran Pronghorn Semi Captive Breeding, Ajo	GFA	7,620
15.AAA990008	South Rim T & E Fish Transplant	GFA	4,247
15.CA124800002J124203060	Mission Parks Initiative Project Administration	UAA	2,151
15.CA235000010H822705402	Living with Wildfire in Arizona—Educational Materials	UAA	14,488
15.H1200040002	National Park Service	NAA	28,959
15.H1200040002J1330050051	Preparation Lodge Historic District and Housing Historic District Cultural Landscape Reports—Bryce Canyon National Park	UAA	39,719
15.H1200040002J719005011	Architectural Documentation and Preservation Planning Earl Head Homestead (UAZ16)	UAA	580
15.H1200040002J8100060213	Increase Digital Photo Database for Tonto National Monument (UAZCP54)	UAA	1,852
15.H1200040002J8100070114	Provide Registrar Assistance at the Western Archaeological and Conservation Center	UAA	27,002
15.H1200040002J8100070136	Providing Library Assistance to the Intermountain Region Museum Services Program	UAA	17,935
15.H1200040002J7481G019	Cultural Resource Management Technical Assistance—Intermountain Regional Parks	UAA	9,920
15.H1200040002J8100070195	Maintain WACC Library and Respond to Research Requests (UAZCP95)	UAA	5,353
15.H1200040002J8100070196	Migrate Electronic Data and Maintain Computer Hardware (UAZCP93)	UAA	1,144
15.H1200040002J8100070228	Provide Technical Assistance—Guadalupe Mountains National Park (UAZCP113)	UAA	3,442
15.H1200040002J8100080070	Provide Exhibit Assistance for Tumacacori National Historical Park & Tuzigoot National Monument (UAZCP121)	UAA	9,291
15.H1200040002J819070414	Preparation of Historic Structure Report Hermit's Rest—Grand Canyon National Park	UAA	43,026
15.H1200040002J8219060993	Preparation of a Historic Structures Report for Four Buildings Village Historic District (UAZCP21)	UAA	38,978
15.H1200040002J8219070419	Preparation of Historic Structure Report First Administration Building—Grand Canyon National Park	UAA	29,495
15.H1200050003J1242060027	Warriors Project Publication—Ft. Davis National Historical Site, Chiricahua National Monument, Guadalupe Mountains National Park and Ft. Union National Monument (UAZDS199)	UAA	6,903
15.H1200050003J1242060042	Architectural Documentation for Dos Lomitas and Gachado Line Camp—Organ Pipe Cactus National Park (UAZCP21)	UAA	6,874
15.H1200050003J1242070001	Production of PBS KUAT-TV Program: The San Andreas Fault—Joshua Tree National Park (UAZDS215)	UAA	3,591
15.H1200050003J1242070003	Speaker Series Graduate Planning Seminar 564—Desert Southwest CESU (UAZDS219)	UAA	1,565
15.H1200050003J1242070004	Preliminary Workshop on Heritage Tourism—Desert Southwest CESU (UAZDS218)	UAA	2,781
15.H1200050003J12420700057	Missions Initiative Project Administration—Tumacacori National Park, Pecos National Monument, Salinas Pueblo Missions National Monument, San Antonio Missions National Park (UAZDS257)	UAA	1,538
15.H1200050003J12420700060	Riparian Thresholds: Using Dendrochronological Metric Evaluation Change	UAA	666
15.H1200050003J12420700062	Missions Initiative Project Administration—Tumacacori National Park, Pecos National Monument, Salinas Pueblo Missions National Monument, San Antonio Missions National Park (UAZDS259)	UAA	2,466
15.H1200050003J124707003	Foundation Planning—Chamizal National Memorial (UAZDS-236)	UAA	22,423
15.H1200050003J865006001	Exhibit Production at Various Southern Arizona National Park Service Sites	UAA	41,318

See accompanying notes to schedule.

State of Arizona
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2008

CFDA/Identifying Number	Federal Grantor/Program Title/Pass-Through Grantor/Contract Number	Grantee (Appendix)	Expenditures
15.H2380040002	National Park Service	NAA	75,699
15.J8601050141- Project ASU-16,21	Assistance with Collections Management Plans at MOCA, TUZI, MOWE, SAGU, CAGR, and TUMA. Project No. ASU- 16 and 21	ASA	11,245
15.Unknown	Indian Children's Program, <i>Utah State University</i> , Contract # 070042001	NAA	180,429
15.Unknown	National Natural Landmark Program	GFA	40,942
15.Unknown	Project Wet Education	UAA	1,000
Total Department of the Interior			\$ 28,004,491
DEPARTMENT OF JUSTICE			
16.005	Public Education on Drug Abuse-Information	GVA	\$ 19,994
16.202	Prisoner Reentry Initiative Demonstration (Offender Reentry)	DCA	255,561
16.523	Juvenile Accountability Block Grants	DJA	10,960
16.523	Juvenile Accountability Block Grants	GVA	682,858
	16.523 Subtotal		693,818
16.527	Supervised Visitation, Safe Havens for Children	GVA	9,518
16.527	Supervised Visitation, Safe Havens for Children	NAA	2,083
	16.527 Subtotal		11,601
16.540	Juvenile Justice and Delinquency Prevention—Allocation to States	GVA	1,418,676
16.540	Juvenile Justice and Delinquency Prevention—Allocation to States	NAA	8,330
	16.540 Subtotal		1,427,006
16.547	Victims of Child Abuse, <i>National CASA</i> , Contract # AZ10765-08-0708-S	SPA	47,115
16.548	Title V—Delinquency Prevention Program	GVA	161,571
16.550	State Justice Statistics Program for Statistical Analysis Centers	JCA	30,473
16.554	National Criminal History Improvement Program (NCHIP)	JCA	81,082
16.554	National Criminal History Improvement Program (NCHIP)	PSA	123,586
16.554	National Criminal History Improvement Program (NCHIP)	SPA	10,000
	16.554 Subtotal		214,668
16.560	National Institute of Justice Research, Evaluation, and Development Project Grants	JCA	675,336
16.560	National Institute of Justice Research, Evaluation, and Development Project Grants	PSA	746,450
	16.560 Subtotal		1,421,786
16.575	Crime Victim Assistance	AGA	130,512
16.575	Crime Victim Assistance	DCA	51,747
16.575	Crime Victim Assistance	DJA	69,457
16.575	Crime Victim Assistance	PSA	8,318,214
	16.575 Subtotal		8,569,930
16.576	Crime Victim Compensation	JCA	1,150,572
16.579	Edward Byrne Memorial Formula Grant Program	AGA	1,626,897
16.579	Edward Byrne Memorial Formula Grant Program	JCA	21,130
16.579	Edward Byrne Memorial Formula Grant Program	PSA	68,064
16.579	Edward Byrne Memorial Formula Grant Program, <i>City of Tucson</i> , Contract # 027705	UAA	74,279
	16.579 Subtotal		1,790,370
16.580	Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	PSA	28,477
16.580	Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	SPA	122,268
16.580	Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	UAA	400,029
	16.580 Subtotal		550,774
16.582	Crime Victim Assistance/Discretionary Grants	DCA	46,335
16.588	Violence Against Women Formula Grants	GVA	1,989,885
16.588	Violence Against Women Formula Grants	NAA	5,829
	16.588 Subtotal		1,995,714

See accompanying notes to schedule.

State of Arizona
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2008

CFDA/Identifying Number	Federal Grantor/Program Title/Pass-Through Grantor/Contract Number	Grantee (Appendix)	Expenditures
16.589	Rural Domestic Violence, Dating Violence, Sexual Assault, and Stalking Assistance Program	GVA	401,242
16.589	Rural Domestic Violence, Dating Violence, Sexual Assault, and Stalking Assistance Program	UAA	41,822
	16.589 Subtotal		443,064
16.593	Residential Substance Abuse Treatment for State Prisoners	DCA	42,127
16.593	Residential Substance Abuse Treatment for State Prisoners	DJA	31,828
16.593	Residential Substance Abuse Treatment for State Prisoners	JCA	64,610
	16.593 Subtotal		138,565
16.595	Community Capacity Development Office, <i>City of Phoenix Neighborhood Services Division</i> , Contract # 122937	ASA	10,640
16.597	Motor Vehicle Theft Protection Act Program	ATA	197
16.606	State Criminal Alien Assistance Program	DCA	27,825,179
16.607	Bulletproof Vest Partnership Program	ADA	16,051
16.609	Community Prosecution and Project Safe Neighborhoods	JCA	379,956
16.609	Community Prosecution and Project Safe Neighborhoods	PSA	20,284
	16.609 Subtotal		400,240
16.610	Regional Information Sharing Systems	PSA	5,803,867
16.710	Public Safety Partnership and Community Policing Grants	ASA	5,678
16.710	Public Safety Partnership and Community Policing Grants	PSA	254,496
	16.710 Subtotal		260,174
16.727	Enforcing Underage Drinking Laws Program	GHA	397,621
16.727	Enforcing Underage Drinking Laws Program	GVA	5,000
16.727	Enforcing Underage Drinking Laws Program	PSA	6,030
16.727	Enforcing Underage Drinking Laws Program	UAA	2,558
	16.727 Subtotal		411,209
16.738	Edward Byrne Memorial Justice Assistance Grant Program	JCA	3,808,536
16.738	Edward Byrne Memorial Justice Assistance Grant Program	PSA	439,061
16.738	Edward Byrne Memorial Justice Assistance Grant Program	SPA	1,254
	16.738 Subtotal		4,248,851
16.741	Forensic DNA Capacity Enhancement Program	PSA	145,900
16.742	Paul Coverdell Forensic Sciences Improvement Grant Program	JCA	138,881
16.742	Paul Coverdell Forensic Sciences Improvement Grant Program	PSA	142,261
	16.742 Subtotal		281,142
16.744	Anti-Gang Initiative	DJA	20,001
16.2004UMWX005A	Community Oriented Policing Services (COPS) Universal Hiring Program	UAA	771
16.2006WSQ50159	Neighborhood Leadership Development: Westside Coalition Weed & Seed, <i>City of Tucson</i> , Contract # 061407	UAA	8,562
16.66FPXA54566SLMOU	FBI Joint Terrorism Task Force	PSA	40,868
16.98133	FBI Forensics IGA	PSA	29,103
16.99326	FBI Violent Street Gang Task Force	PSA	23,746
16.DOJADEA200805	Drug Enforcement Administration Financial Investigations Team	PSA	571
16.DOJAG200705	Drug Enforcement Administration Financial Investigations Team	PSA	78,571
16.DPS2006009	Drug Enforcement Administration Financial Investigations Team	PSA	19,326
16.KL070013	Drug Enforcement Administration OCDETF	PSA	304
16.MN060018	Drug Enforcement Administration OCDETF	PSA	27,348
16.MN060129	Drug Enforcement Administration OCDETF	PSA	30,386
16.SWAZ432MN070134	Drug Enforcement Administration OCDETF	PSA	1,494
16.SWAZT204	Drug Enforcement Administration OCDETF	PSA	2,344
16.TSKFRCE4FY06SOC1142	Drug Enforcement Administration OCDETF	PSA	13,493
16.Unknown	Federal Asset Sharing	AGA	1,028
16.Unknown	Multi-Agency Surveillance Team: Arizona High Intensity Drug Trafficking Area	UAA	117,396
16.Unknown	Neighborhood Leadership Development, <i>City of Tucson</i> , Contract # 0114-07	UAA	1,080

See accompanying notes to schedule.

State of Arizona
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2008

CFDA/Identifying Number	Federal Grantor/Program Title/Pass-Through Grantor/Contract Number	Grantee (Appendix)	Expenditures
16.Unknown	Southwest Border Prosecution Initiative (SWBPI)	AGA	84,596
	Total Department of Justice		<u>\$ 58,873,355</u>
<u>DEPARTMENT OF LABOR</u>			
<u>Employment Services Cluster</u>			
17.207	Employment Service/Wagner-Peyser Funded Activities	AFA	\$ 69,358
17.207	Employment Service/Wagner-Peyser Funded Activities	DEA	11,722,947
17.207	Employment Service/Wagner-Peyser Funded Activities	GVA	1,211,782
	17.207 Subtotal		<u>13,004,087</u>
17.801	Disabled Veterans' Outreach Program (DVOP)	DEA	1,620,326
17.804	Local Veterans' Employment Representative Program	DEA	1,226,273
	Employment Services Cluster Subtotal		<u>15,850,686</u>
<u>WIA Cluster</u>			
17.258	WIA Adult Program	DEA	14,517,977
17.258	WIA Adult Program	EDA	216,246
	17.258 Subtotal		<u>14,734,223</u>
17.259	WIA Youth Activities	DEA	13,840,031
17.259	WIA Youth Activities	EPA	495,910
17.259	WIA Youth Activities	GVA	265,074
17.259	WIA Youth Activities	NAA	15,091
	17.259 Subtotal		<u>14,616,106</u>
17.260	WIA Dislocated Workers	DEA	11,062,475
17.260	WIA Dislocated Workers	GVA	327,300
	17.260 Subtotal		<u>11,389,775</u>
	WIA Cluster Subtotal		<u>40,740,104</u>
<u>Other Department of Labor Programs</u>			
17.002	Labor Force Statistics	DEA	1,071,497
17.005	Compensation and Working Conditions	ICA	84,784
17.225	Unemployment Insurance	DEA	386,311,906
17.235	Senior Community Service Employment Program, <i>National Council on Aging</i> , Contract # AD-10840-00-55-02	DEA	1,184,376
17.245	Trade Adjustment Assistance	DEA	1,295,603
17.245	Trade Adjustment Assistance	EDA	953,535
	17.245 Subtotal		<u>2,249,138</u>
17.261	WIA Pilots, Demonstrations, and Research Projects	EPA	667,509
17.261	WIA Pilots, Demonstrations, and Research Projects	GVA	87,806
	17.261 Subtotal		<u>755,315</u>
17.266	Work Incentive Grants	DEA	528,226
17.267	Incentive Grants—WIA Section 503	DEA	324,796
17.267	Incentive Grants—WIA Section 503	EDA	528,534
	17.267 Subtotal		<u>853,330</u>
17.268	H-1B Job Training Grants	EPA	22,134
17.268	H-1B Job Training Grants, <i>Pima County Community Services</i> , Contract # P.L. 105-277, title IV	ASA	49,779
	17.268 Subtotal		<u>71,913</u>
17.273	Temporary Labor Certification for Foreign Workers	DEA	323,363
17.503	Occupational Safety and Health—State Program	ICA	1,848,763
17.504	Consultation Agreements	ICA	640,892
17.Unknown	Workforce Innovation in Regional Economic Development (WIRED) Program, <i>Pima County, Arizona</i> , Contract # 0169A1404080707	UAA	24,950
	Total Department of Labor		<u>\$ 452,539,243</u>

See accompanying notes to schedule.

State of Arizona
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2008

CFDA/Identifying Number	Federal Grantor/Program Title/Pass-Through Grantor/Contract Number	Grantee (Appendix)	Expenditures
DEPARTMENT OF STATE			
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 AGR71907, LTR41805, LTR5112006	ASA	\$ 55,062
19.300	Program for Study of Eastern Europe and the Independent States of the Former Soviet Union, <i>Social Science Research Council</i> , Contract # LTR32207	ASA	12,316
	19.300 Subtotal		67,378
19.424	Educational Partnerships Program	ASA	2,149
19.430	International Education Training and Research	ASA	68,632
19.SECAAE05GR121	A Plan to Revitalize the North American Higher Education Community Through Conahec's Portal	UAA	19,562
19.SECAAE07CA064	"New Technologies & Contemporary Issues" for Iraqi Young Leaders Exchange Program, <i>World Learning</i> , Contract # 005	UAA	4,197
19.SECAAE08CA031DT	Western Hemisphere Institute, <i>Institute for Training and Development</i> , Contract # SECAAE08CA031DT	UAA	199,109
19.SECAPE07GR218(JY)	Faith Communities and Civil Society: A Dialogue Linking Bosnian, Kosovar, and American Clergy, Laypeople, and Scholars	ASA	139,039
19.SECAP06GR127CS	Improving Health Care in the Balkans Using Telemedicine, <i>Kosova Foundation for Medical Development</i> , Contract # PO1	UAA	44,983
19.SLMAQM08GR538	Kids Voting in Kosovo: Advancing Democracy and Human Rights in Southeastern Europe	ASA	49,805
19.SMX53007GR199	U.S.-Mexico Academic Border Tour	UAA	31,663
19.Unknown	IE's Fulbright Pre-Academic Program, <i>Institute of International Education</i> , Contract # LTR DTD 071007	UAA	110,210
19.Unknown	IE's Indonesia Language Study Program (IELSP), <i>Institute of International Education</i> , Contract # LTR DTD 010308	UAA	77,807
	Total Department of State		\$ 814,534
DEPARTMENT OF TRANSPORTATION			
<u>Highway Planning and Construction Cluster</u>			
20.205	Highway Planning and Construction	ADA	\$ 137,678
20.205	Highway Planning and Construction	ASA	15,985
20.205	Highway Planning and Construction	DTA	551,638,210
20.205	Highway Planning and Construction	GFA	362,580
	Highway Planning and Construction Cluster Subtotal		552,154,453
<u>Transit Services Programs Cluster</u>			
20.513	Capital Assistance Program for Elderly Persons and Persons with Disabilities	DTA	3,323,154
	Transit Services Program Cluster Subtotal		3,323,154
<u>Highway Safety Cluster</u>			
20.600	State and Community Highway Safety	DTA	105,998
20.600	State and Community Highway Safety	GHA	3,292,830
20.600	State and Community Highway Safety	PSA	452,277
	20.600 Subtotal		3,851,105
20.601	Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants	ASA	25,422
20.601	Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants	GHA	3,216,467
20.601	Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants	LLA	153,530
20.601	Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants	PSA	130,189
	20.601 Subtotal		3,525,608
20.604	Safety Incentive Grants for Use of Seatbelts	GHA	338,022
20.604	Safety Incentive Grants for Use of Seatbelts	PSA	28,080
	20.604 Subtotal		366,102
20.605	Safety Incentives to Prevent Operation of Motor Vehicles by Intoxicated Persons	GHA	307,680
20.612	Incentive Grant Program to Increase Motorcyclist Safety	GHA	110,768
	Highway Safety Cluster Subtotal		8,161,263
<u>Other Department of Transportation Programs</u>			
20.106	Airport Improvement Program	DTA	714,506

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
20.215	Highway Training and Education	DTA	649,711
20.218	National Motor Carrier Safety	DTA	2,641,578
20.218	National Motor Carrier Safety	PSA	6,158,959
	20.218 Subtotal		<u>8,800,537</u>
20.219	Recreational Trails Program	DTA	2,994,558
20.219	Recreational Trails Program	PRA	1,713,774
	20.219 Subtotal		<u>4,708,332</u>
20.233	Border Enforcement Grants	PSA	1,208,921
20.505	Federal Transit—Metropolitan Planning Grants	DTA	2,372,295
20.509	Formula Grants for Other Than Urbanized Areas	DTA	9,834,429
20.700	Pipeline Safety	CCA	292,505
20.703	Interagency Hazardous Materials Public Sector Training and Planning Grants	MAA	144,411
20.DTFH6107P00168	2007 Traffic Modelers Workshop	UAA	2,798
	Total Department of Transportation		<u>\$ 592,367,315</u>
<u>DEPARTMENT OF THE TREASURY</u>			
21.000	National Foreclosure Mitigation Counseling (NFMC), <i>Neighborhood Reinvestment Corporation</i> , Contract # PL110-161:95X1350	HDA	\$ 8,747
	Total Department of the Treasury		<u>\$ 8,747</u>
<u>OFFICE OF PERSONNEL MANAGEMENT</u>			
27.011	Intergovernmental Personnel Act (IPA) Mobility Program	ASA	\$ 425,137
	Total Office of Personnel Management		<u>\$ 425,137</u>
<u>EQUAL EMPLOYMENT OPPORTUNITY COMMISSION</u>			
30.001	Employment Discrimination—Title VII of the Civil Rights Act of 1964	AGA	\$ 231,720
	Total Equal Employment Opportunity Commission		<u>\$ 231,720</u>
<u>FEDERAL COMMUNICATIONS COMMISSION</u>			
32.LTR DTD 082007	Chief Economist at the Federal Communications Commission (IPA)	UAA	\$ 187,337
	Total Federal Communications Commission		<u>\$ 187,337</u>
<u>GENERAL SERVICES ADMINISTRATION</u>			
39.003	Donation of Federal Surplus Personal Property	ADA	\$ 464,343
	Total General Services Administration		<u>\$ 464,343</u>
<u>LIBRARY OF CONGRESS</u>			
42.GA08C0011	Persistent Digital Archives and Library Systems	LAA	\$ 20,141
	Total Library of Congress		<u>\$ 20,141</u>
<u>NATIONAL AERONAUTICS AND SPACE ADMINISTRATION</u>			
43.001	Aerospace Education Services Program	ASA	\$ 50,963
43.001	Aerospace Education Services Program, <i>Jet Propulsion Laboratory (JPL)</i> , Contract # NM0710819	ASA	9,962
	43.001 Subtotal		<u>60,925</u>
43.NAG26074	A Series of "Astrobiology Online" Courses for Teachers	UAA	2,134
43.NAS526555	Exploring Light and Planetary Atmospheres Through the Eyes of the Hubble Space Telescope, <i>Space Telescope Science Institute</i> , Contract # HSTEO1086912A	UAA	15,083
43.NAS526555	Tools for Teaching Cosmology and Galaxy Evolution, <i>Space Telescope Science Institute</i> , Contract # HSTEO0974428A	UAA	27,044
43.NAS71407	Curriculum and Training Support for Navigators Extra-Solar Planet Research, <i>Jet Propulsion Laboratory</i> , Contract # 1251186	UAA	50,903
43.NNX07AF90G	Support for the 70th Annual Meeting of the Meteoritical Society, Tucson, Arizona	UAA	25,000

See accompanying notes to schedule.

State of Arizona
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2008

CFDA/Identifying Number	Federal Grantor/Program Title/Pass-Through Grantor/Contract Number	Grantee (Appendix)	Expenditures
43.Unknown	IJMATE Conference, <i>Westat, Inc</i> , Contract # 27003600278530722	UAA	15,909
43.Unknown	Internet-Based Workshops to Support the 2003/4 SIRTFF EPO Effort, <i>Jet Propulsion Laboratory</i> , Contract # 1260022	UAA	146,771
43.Unknown	Phoenix Mars Scout Mission	NAA	30,446
43.Unknown	Space Grant Program	NAA	111,253
	Total National Aeronautics and Space Administration		<u>\$ 485,468</u>
<u>NATIONAL FOUNDATION FOR THE ARTS</u>			
45.024	Promotion of the Arts—Grants to Organizations and Individuals	ASA	\$ 61,765
45.024	Promotion of the Arts—Grants to Organizations and Individuals	UAA	190,998
45.024	Promotion of the Arts—Grants to Organizations and Individuals, <i>New England Foundation for the Arts (NEFA)</i> , Contract # LTR 8906	ASA	1,834
45.024	Promotion of the Arts—Grants to Organizations and Individuals, <i>New England Foundation for the Arts</i> , Contract # 11776	UAA	5,500
	45.024 Subtotal		<u>260,097</u>
45.025	Promotion of the Arts—Partnership Agreements	HUA	800,484
45.025	Promotion of the Arts—Partnership Agreements	UAA	1,000
45.025	Promotion of the Arts—Partnership Agreements, <i>Western States Arts Federation (WESTAF)</i> , Contract # TWP070145	ASA	1,875
45.025	Promotion of the Arts—Partnership Agreements, <i>New England Foundation for the Arts</i> , Contract # 11756	UAA	1,500
	45.025 Subtotal		<u>804,859</u>
	Total National Foundation for the Arts		<u>\$ 1,064,956</u>
<u>NATIONAL ENDOWMENT FOR THE HUMANITIES</u>			
45.129	Promotion of the Humanities—Federal/State Partnership, <i>Arizona Humanities Council</i> , Contract #s GG07-4706-2007, GG08-4707-2007	ASA	\$ 8,215
45.129	Promotion of the Humanities—Federal/State Partnership, <i>Arizona Humanities Council</i> , Contract #s GG2150092008, GG2350112008, GG4048312007, GG6749342007	UAA	14,372
	45.129 Subtotal		<u>22,587</u>
45.149	Promotion of the Humanities—Division of Preservation and Access	UAA	135,125
45.149	Promotion of the Humanities—Division of Preservation and Access, <i>Cornell University</i> , Contract # 485038230	UAA	92,671
	45.149 Subtotal		<u>227,796</u>
45.160	Promotion of the Humanities—Fellowships and Stipends	ASA	39,545
45.162	Promotion of the Humanities—Teaching and Learning Resources and Curriculum Development	NAA	8,584
45.163	Promotion of the Humanities—Professional Development	ASA	57,522
45.164	Promotion of the Humanities—Public Programs	ASA	155,831
45.164	Promotion of the Humanities—Public Programs	NAA	102,093
	45.164 Subtotal		<u>257,924</u>
45.168	Promotion of the Humanities—We the People, <i>Arizona Humanities Council</i> , Contract # GG2547162007	UAA	3,000
45.Unknown	Creative Photo Term Endowment	UAA	47,204
45.Unknown	NEA Challenge Permanent Endowment	UAA	70,489
45.Unknown	NEH/ASM Education Endowment	UAA	404,172
	Total National Endowment for the Humanities		<u>\$ 1,138,823</u>
<u>INSTITUTE OF MUSEUM AND LIBRARY SERVICES</u>			
45.301	Museums for America	UAA	\$ 76,099
45.310	Grants to States	LAA	3,184,268
45.310	Grants to States	UAA	77,776
	45.310 Subtotal		<u>3,262,044</u>
45.313	Laura Bush 21st Century Librarian Program	UAA	1,127,702

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
45.Unknown	2007 Arizona Library Institute	UAA	463
45.Unknown	Arizona Sonora Desert Museum Digital Library, <i>Arizona Sonora Desert Museum</i> , Contract # CK1034423	UAA	7,979
45.Unknown	Sonoran Desert Knowledge Exchange Collaborative Program	UAA	27,639
45.Unknown	Tohono O'Odham Collection, 1970-1980	UAA	908
45.Unknown	Visiting Poets and Writers Reading Series	UAA	479
Total Institute of Museum and Library Services			\$ 4,503,313

NATIONAL SCIENCE FOUNDATION

47.041	Engineering Grants	ASA	\$ 88,605
47.047	Scientific Research Project Support	UAA	15,000
47.049	Mathematical and Physical Sciences	ASA	114,478
47.049	Mathematical and Physical Sciences	UAA	846,612
47.049	Mathematical and Physical Sciences, <i>American Physical Society</i> , Contract # CK096771	UAA	7,648
	47.049 Subtotal		968,738
47.050	Geosciences	ASA	148,653
47.050	Geosciences	NAA	22,744
47.050	Geosciences	UAA	137,165
	47.050 Subtotal		308,562
47.070	Computer and Information Science and Engineering	ASA	30,064
47.070	Computer and Information Science and Engineering	UAA	163,454
	47.070 Subtotal		193,518
47.074	Biological Sciences	ASA	427,650
47.074	Biological Sciences	UAA	8,000
	47.074 Subtotal		435,650
47.075	Social, Behavioral, and Economic Sciences	ASA	379,974
47.075	Social, Behavioral, and Economic Sciences	NAA	20,115
47.075	Social, Behavioral, and Economic Sciences	UAA	9,586
	47.075 Subtotal		409,675
47.076	Education and Human Resources	ASA	4,717,830
47.076	Education and Human Resources	NAA	781,727
47.076	Education and Human Resources	UAA	4,045,526
47.076	Education and Human Resources, <i>Boston College</i> , Contract # ESI-0628143	UAA	33,325
47.076	Education and Human Resources, <i>University of California-San Diego</i> , Contract # PO10251211-001	UAA	34,521
47.076	Education and Human Resources, <i>University of Montana</i> , Contract # PG086598002	UAA	25,533
47.076	Education and Human Resources, <i>University of Nebraska</i> , Contract # 2505360004002	UAA	20,692
47.076	Education and Human Resources, <i>University of Puerto Rico</i> , Contract # 995256	UAA	7,490
	47.076 Subtotal		9,666,644
47.080	Office of Cyberinfrastructure, <i>University of Texas at Austin</i> , Contract # OCI0622780	ASA	78,950
47.GE00631389	An Online Earth System Science Teacher Education Program at the University of Arizona, <i>Institute of Global Environmental Strategies</i> , Contract # 071028	UAA	13,556
47.PHY0108787	Physics Teacher Education Coalition (PhysTEC), <i>American Physical Society</i> , Contract # CK096771	UAA	4,113
Total National Science Foundation			\$ 12,183,011

ENVIRONMENTAL PROTECTION AGENCY

66.001	Air Pollution Control Program Support	EVA	\$ 3,222,866
66.032	State Indoor Radon Grants	AEA	57,708
66.034	Surveys, Studies, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act	ASA	3,740
66.034	Surveys, Studies, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act	EVA	729,397

See accompanying notes to schedule.

State of Arizona
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2008

CFDA/Identifying Number	Federal Grantor/Program Title/Pass-Through Grantor/Contract Number	Grantee (Appendix)	Expenditures
66.034	Surveys, Studies, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act 66.034 Subtotal	NAA	284,510 <hr/> 1,017,647
66.036	Clean School Bus USA	EVA	201,063
66.419	Water Pollution Control State, Interstate, and Tribal Program Support	EVA	167,046
66.454	Water Quality Management Planning	EVA	87,482
66.458	Capitalization Grants for Clean Water State Revolving Funds	WFA	7,287,649
66.460	Nonpoint Source Implementation Grants	EVA	2,989,784
66.463	Water Quality Cooperative Agreements	EVA	61,703
66.463	Water Quality Cooperative Agreements 66.463 Subtotal	NAA	467 <hr/> 62,170
66.468	Capitalization Grants for Drinking Water State Revolving Funds	EVA	1,834,193
66.468	Capitalization Grants for Drinking Water State Revolving Funds 66.468 Subtotal	WFA	41,088,682 <hr/> 42,922,875
66.471	State Grants to Reimburse Operators of Small Water Systems for Training and Certification Costs	EVA	343,420
66.474	Water Protection Grants to the States	EVA	73,101
66.512	Regional Environmental Monitoring and Assessment Program (REMAP) Research Projects	EVA	136,012
66.513	Greater Research Opportunities (GRO) Fellowships for Undergraduate/Graduate Environmental Study	NAA	4,143
66.514	Science To Achieve Results (STAR) Fellowship Program	ASA	25,110
66.605	Performance Partnership Grants	EVA	4,881,688
66.606	Surveys, Studies, Investigations and Special Purpose Grants	EVA	18,497
66.607	Training and Fellowships for the Environmental Protection Agency	AGA	200,572
66.607	Training and Fellowships for the Environmental Protection Agency 66.607 Subtotal	NAA	13,889 <hr/> 214,461
66.608	Environmental Information Exchange Network Grant Program and Related Assistance	EVA	513,146
66.608	Environmental Information Exchange Network Grant Program and Related Assistance, Walker River Paiute Tribe, Contract # WR-106-2006 66.608 Subtotal	NAA	31,074 <hr/> 544,220
66.700	Consolidated Pesticide Enforcement Cooperative Agreements	AHA	391,333
66.700	Consolidated Pesticide Enforcement Cooperative Agreements 66.700 Subtotal	SBA	78,206 <hr/> 469,539
66.708	Pollution Prevention Grants Program	EVA	65,040
66.709	Multi-Media Capacity Building Grants for States and Tribes	NAA	138,932
66.801	Hazardous Waste Management State Program Support	EVA	2,004,434
66.802	Superfund State, Political Subdivision, and Indian Tribe Site—Specific Cooperative Agreements	EVA	800,187
66.804	State and Tribal Underground Storage Tanks Program	EVA	767,354
66.805	Leaking Underground Storage Tank Trust Fund Program	EVA	1,055,798
66.817	State and Tribal Response Program Grants	EVA	1,079,921
66.931	International Financial Assistance Projects Sponsored by the Office of International Affairs	AGA	9,712
66.931	International Financial Assistance Projects Sponsored by the Office of International Affairs	AHA	6,295
66.931	International Financial Assistance Projects Sponsored by the Office of International Affairs	EVA	125,536
66.931	International Financial Assistance Projects Sponsored by the Office of International Affairs 66.931 Subtotal	HSA	4,483 <hr/> 146,026
66.940	Environmental Policy and State Innovation Grants	EVA	105,282
66.951	Environmental Education Grants	UAA	4,287
66.4D6437-NAEX, NC-164-06-07E, T83243801, EP05D000917	Environmental Protection Programs	NAA	1,473,774
66.Unknown	Indoor Air Quality "Tools for Schools" Program	UAA	62,266

See accompanying notes to schedule.

State of Arizona
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2008

CFDA/Identifying Number	Federal Grantor/Program Title/Pass-Through Grantor/Contract Number	Grantee (Appendix)	Expenditures
66.Unknown	Preparing Emission Inventories, <i>Portage Environmental, Inc.</i> , Contract # PEI-2155S01	NAA	11,076
66.Unknown	River Quality	GFA	24,536
	Total Environmental Protection Agency		<u>\$ 72,465,394</u>
<u>DEPARTMENT OF ENERGY</u>			
81.041	State Energy Program	EPA	\$ 693,921
81.042	Weatherization Assistance for Low-Income Persons	EPA	1,141,903
81.087	Renewable Energy Research and Development	NAA	42,282
81.106	Transport of Transuranic Wastes to the Waste Isolation Pilot Plant: States and Tribal Concerns, Proposed Solutions	AEA	68,628
81.117	Energy Efficiency and Renewable Energy Information Dissemination, Outreach, Training and Technical Analysis/Assistance	EPA	43,240
81.117	Energy Efficiency and Renewable Energy Information Dissemination, Outreach, Training and Technical Analysis/Assistance	NAA	24,686
	81.117 Subtotal		<u>67,926</u>
81.119	State Energy Program Special Projects	EPA	202,484
81.DEAC5206NA25396	Los Alamos National Laboratories-Sers, Sensit, Bioalgae, <i>Los Alamos National Laboratory</i> , Contract # 59621001FY3N	UAA	19,500
81.U215X060247	Teaching American History Grant, <i>Tucson Unified School District</i> , Contract # TUSD10000130547	UAA	72,417
81.Unknown	Industrial Affiliates Membership, <i>Lawrence Livermore Laboratory</i> , Contract # MEM0503	UAA	14,990
81.Unknown	Petroleum Escrow Funds	EPA	684,994
	Total Department of Energy		<u>\$ 3,009,045</u>
<u>DEPARTMENT OF EDUCATION</u>			
<u>Special Education Cluster (IDEA)</u>			
84.027	Special Education—Grants to States	ASA	\$ 106,030
84.027	Special Education—Grants to States	DCA	122,867
84.027	Special Education—Grants to States	DJA	207,725
84.027	Special Education—Grants to States	EDA	166,818,747
84.027	Special Education—Grants to States	HSA	2,295
84.027	Special Education—Grants to States	NAA	298,889
84.027	Special Education—Grants to States	SDA	595,492
84.027	Special Education—Grants to States	SPA	188,680
84.027	Special Education—Grants to States	UAA	555,393
	84.027 Subtotal		<u>168,896,118</u>
84.173	Special Education—Preschool Grants	EDA	5,400,770
84.173	Special Education—Preschool Grants	SDA	120,494
	84.173 Subtotal		<u>5,521,264</u>
	Special Education Cluster (IDEA) Subtotal		<u>174,417,382</u>
<u>TRIO Cluster</u>			
84.042	TRIO—Student Support Services	ASA	559,067
84.042	TRIO—Student Support Services	NAA	294,868
84.042	TRIO—Student Support Services	UAA	258,007
	84.042 Subtotal		<u>1,111,942</u>
84.044	TRIO—Talent Search	NAA	379,143
84.047	TRIO—Upward Bound	ASA	566,351
84.047	TRIO—Upward Bound	NAA	736,262
	84.047 Subtotal		<u>1,302,613</u>
84.066	TRIO—Educational Opportunity Centers	NAA	419,421
84.217	TRIO—McNair Post-Baccalaureate Achievement	UAA	212,406
	TRIO Cluster Subtotal		<u>3,425,525</u>
<u>Other Department of Education Programs</u>			
84.002	Adult Education—State Grant Program	EDA	9,037,807

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
84.004	Civil Rights Training and Advisory Services	UAA	824,965
84.010	Title I Grants to Local Educational Agencies	ASA	2,084,675
84.010	Title I Grants to Local Educational Agencies	EDA	260,586,161
	84.010 Subtotal		<u>262,670,836</u>
84.011	Migrant Education—State Grant Program	ASA	150,833
84.011	Migrant Education—State Grant Program	EDA	7,272,494
	84.011 Subtotal		<u>7,423,327</u>
84.013	Title I Program for Neglected and Delinquent Children	DCA	317,500
84.013	Title I Program for Neglected and Delinquent Children	DJA	446,775
84.013	Title I Program for Neglected and Delinquent Children	EDA	16,791
84.013	Title I Program for Neglected and Delinquent Children	SPA	729,854
	84.013 Subtotal		<u>1,510,920</u>
84.015	National Resource Centers and Fellowships Program for Language and Area or Language and International Studies	UAA	497,142
84.016	Undergraduate International Studies and Foreign Language Programs	ASA	64,928
84.016	Undergraduate International Studies and Foreign Language Programs	UAA	29,498
	84.016 Subtotal		<u>94,426</u>
84.017	International Research and Studies	UAA	166,412
84.021	Overseas—Group Projects Abroad	UAA	50,654
84.031	Higher Education—Institutional Aid, <i>Central Arizona College</i> , Contract # P031S050056	ASA	130,373
84.031	Higher Education—Institutional Aid, <i>Cochise College</i> , Contract # P031S030013	UAA	284,043
	84.031 Subtotal		<u>414,416</u>
84.048	Career and Technical Education—Basic Grants to States	ASA	937,160
84.048	Career and Technical Education—Basic Grants to States	DJA	183,507
84.048	Career and Technical Education—Basic Grants to States	EDA	22,599,532
84.048	Career and Technical Education—Basic Grants to States	NAA	68,152
84.048	Career and Technical Education—Basic Grants to States	UAA	182,432
	84.048 Subtotal		<u>23,970,783</u>
84.069	Leveraging Educational Assistance Partnership	NAA	55,257
84.069	Leveraging Educational Assistance Partnership	PEA	1,193,704
	84.069 Subtotal		<u>1,248,961</u>
84.116	Fund for the Improvement of Postsecondary Education	ASA	2,436
84.116	Fund for the Improvement of Postsecondary Education	UAA	438,099
84.116	Fund for the Improvement of Postsecondary Education, <i>University of Cincinnati</i> , Contract # P000030N8700269	UAA	8,174
	84.116 Subtotal		<u>448,709</u>
84.126	Rehabilitation Services—Vocational Rehabilitation Grants to States	ASA	400,409
84.126	Rehabilitation Services—Vocational Rehabilitation Grants to States	DEA	63,832,958
84.126	Rehabilitation Services—Vocational Rehabilitation Grants to States	DJA	41,657
84.126	Rehabilitation Services—Vocational Rehabilitation Grants to States	HSA	39,539
84.126	Rehabilitation Services—Vocational Rehabilitation Grants to States	SDA	1,064,359
84.126	Rehabilitation Services—Vocational Rehabilitation Grants to States	UAA	127,715
	84.126 Subtotal		<u>65,506,637</u>
84.129	Rehabilitation Long-Term Training	UAA	403,872
84.133	National Institute on Disability and Rehabilitation Research	UAA	120,397
84.169	Independent Living—State Grants	DEA	487,757
84.170	Javits Fellowships	UAA	10,106
84.177	Rehabilitation Services—Independent Living Services for Older Individuals Who are Blind	DEA	629,297
84.181	Special Education—Grants for Infants and Families with Disabilities	DEA	10,156,819
84.181	Special Education—Grants for Infants and Families with Disabilities	HSA	57,090
84.181	Special Education—Grants for Infants and Families with Disabilities	SDA	465,859
	84.181 Subtotal		<u>10,679,768</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
84.184	Safe and Drug-Free Schools and Communities—National Programs	ASA	144,575
84.184	Safe and Drug-Free Schools and Communities—National Programs	EDA	446,414
84.184	Safe and Drug-Free Schools and Communities—National Programs	UAA	29,931
84.184	Safe and Drug-Free Schools and Communities—National Programs, <i>Washington Elementary School District (WESD)</i> , Contract #s 07011427, AGR 120303	ASA	937
84.184	Safe and Drug-Free Schools and Communities—National Programs, <i>Yuma Elementary School District</i> , Contract # ISA041605	ASA	73,851
84.184	Safe and Drug-Free Schools and Communities—National Programs, <i>Vail Unified School District</i> , Contract #s MEM0106, Q184L050306	UAA	305,568
	84.184 Subtotal		1,001,276
84.185	Byrd Honors Scholarships	EDA	836,938
84.185	Byrd Honors Scholarships	UAA	346,125
	84.185 Subtotal		1,183,063
84.186	Safe and Drug-Free Schools and Communities—State Grants	AGA	54,206
84.186	Safe and Drug-Free Schools and Communities—State Grants	EDA	5,443,863
84.186	Safe and Drug-Free Schools and Communities—State Grants	GVA	1,412,654
84.186	Safe and Drug-Free Schools and Communities—State Grants	NAA	22,272
84.186	Safe and Drug-Free Schools and Communities—State Grants	SPA	1,142
84.186	Safe and Drug-Free Schools and Communities—State Grants	UAA	11,972
84.186	Safe and Drug-Free Schools and Communities—State Grants, <i>Washington Elementary School District (WESD)</i> , Contract # AGR022908	ASA	6,134
84.186	Safe and Drug-Free Schools and Communities—State Grants, <i>Tucson Unified School District</i> , Contract # TUSD1-0000142992	UAA	18,360
	84.186 Subtotal		6,970,603
84.187	Supported Employment Services for Individuals with Severe Disabilities	DEA	233,879
84.195	Bilingual Education—Professional Development	ASA	128,369
84.195	Bilingual Education—Professional Development	NAA	426,773
84.195	Bilingual Education—Professional Development	UAA	141,449
	84.195 Subtotal		696,591
84.196	Education for Homeless Children and Youth	EDA	1,107,662
84.213	Even Start—State Educational Agencies	EDA	1,516,563
84.214	Even Start—Migrant Education	EDA	194,840
84.215	Fund for the Improvement of Education	EDA	15,000
84.215	Fund for the Improvement of Education, <i>Deer Valley Unified School District</i> , Contract # 06085789	ASA	133,721
85.215	Fund for the Improvement of Education, <i>Young Men's Christian Association</i> , Contract # Q215R040754	UAA	86,057
	84.215 Subtotal		234,778
84.224	Assistive Technology	NAA	602,221
84.229	Language Resource Centers	UAA	277,660
84.243	Tech-Prep Education	EDA	2,156,169
84.243	Tech-Prep Education, <i>Valley Academy for Career and Technology Education</i> , Contract # 04FCTDTP47004501A	ASA	3,380
	84.243 Subtotal		2,159,549
84.264	Rehabilitation Training—Continuing Education, <i>San Diego State University Foundation</i> , Contract #s 54383AP26997802212JLS, 54383BP26997802212JLS	UAA	74,979
84.265	Rehabilitation Training—State Vocational Rehabilitation Unit In-Service Training	DEA	57,684
84.282	Charter Schools	ASA	140,740
84.282	Charter Schools	CSA	1,311
	84.282 Subtotal		142,051
84.286	Ready to Teach, <i>Public Broadcasting Service (PBS)</i> , Contract # R286A050005	ASA	88,442
84.287	Twenty-First Century Community Learning Centers	EDA	17,685,743
84.298	State Grants for Innovative Programs	DCA	1,016
84.298	State Grants for Innovative Programs	DJA	123

See accompanying notes to schedule.

State of Arizona
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2008

CFDA/Identifying Number	Federal Grantor/Program Title/Pass-Through Grantor/Contract Number	Grantee (Appendix)	Expenditures
84.298	State Grants for Innovative Programs	EDA	2,374,271
84.298	State Grants for Innovative Programs	SPA	2,336
	84.298 Subtotal		2,377,746
84.299	Indian Education—Special Programs	ASA	282,359
84.299	Indian Education—Special Programs	NAA	107,677
84.299	Indian Education—Special Programs, <i>Little Singer Community School</i> , Contract # E299B040019	NAA	1,513
	84.299 Subtotal		391,549
84.310	Parental Assistance Centers, <i>Chandler Education Foundation</i> , Contract # AGR050707	ASA	9,841
84.315	Capacity Building for Traditionally Underserved Populations	NAA	244,996
84.318	Education Technology State Grants	EDA	5,215,924
84.323	Special Education—State Personnel Development	ASA	54,348
84.323	Special Education—State Personnel Development	EDA	926,416
84.323	Special Education—State Personnel Development	NAA	13,560
84.323	Special Education—State Personnel Development	UAA	42,983
	84.323 Subtotal		1,037,307
84.324	Research in Special Education	ASA	2,931
84.325	Special Education—Personnel Development to Improve Services and Results for Children with Disabilities	ASA	270,860
84.325	Special Education—Personnel Development to Improve Services and Results for Children with Disabilities	NAA	602,480
84.325	Special Education—Personnel Development to Improve Services and Results for Children with Disabilities	UAA	1,443,018
84.325	Special Education—Personnel Development to Improve Services and Results for Children with Disabilities, <i>Michigan State University</i> , Contract # 611669A	UAA	8,562
84.325	Special Education—Personnel Development to Improve Services and Results for Children with Disabilities, <i>Pennsylvania College of Optometry</i> , Contract # 57201	UAA	84,792
	84.325 Subtotal		2,409,712
84.326	Special Education—Technical Assistance and Dissemination to Improve Services and Results for Children with Disabilities	EDA	154,483
84.326	Special Education—Technical Assistance and Dissemination to Improve Services and Results for Children with Disabilities	SDA	195,878
	84.326 Subtotal		350,361
84.327	Special Education—Technology and Media Services for Individuals with Disabilities	SDA	3,655
84.329	Special Education—Studies and Evaluations	NAA	68,413
84.330	Advanced Placement Program	EDA	541,012
84.331	Grants to States for Incarcerated Youth Offenders	DCA	1,322,982
84.332	Comprehensive School Reform Demonstration	EDA	557,364
84.334	Gaining Early Awareness and Readiness for Undergraduate Programs	NAA	2,818,592
84.334	Gaining Early Awareness and Readiness for Undergraduate Programs	UAA	2,093,195
	84.334 Subtotal		4,911,787
84.335	Child Care Access Means Parents in School	ASA	227,333
84.336	Teacher Quality Enhancement Grants	ASA	2,185,139
84.336	Teacher Quality Enhancement Grants	EDA	1,103,928
84.336	Teacher Quality Enhancement Grants	GVA	890,873
84.336	Teacher Quality Enhancement Grants	NAA	426,624
	84.336 Subtotal		4,606,564
84.337	International Education—Technological Innovation and Cooperation for Foreign Information Access, <i>Northern Illinois University</i> , Contract # PO76139	ASA	5,709
84.350	Transition to Teaching	ASA	103,341
84.350	Transition to Teaching	EDA	501,224
	84.350 Subtotal		604,565
84.351	Arts in Education, <i>Childsplay, Inc</i> , Contract # 07057476	ASA	80,412

See accompanying notes to schedule.

State of Arizona
 Schedule of Expenditures of Federal Awards
 Year Ended June 30, 2008

CFDA/Identifying Number	Federal Grantor/Program Title/Pass-Through Grantor/Contract Number	Grantee (Appendix)	Expenditures
84.351	Arts in Education, <i>Phoenix Union High School District</i> , Contract #s IGA061107, IGA11106	ASA	9,328
84.351	Arts in Education, <i>The Kennedy Center</i> , Contract # LTR082307	ASA	10,375
	84.351 Subtotal		100,115
84.357	Reading First State Grants	ASA	545,136
84.357	Reading First State Grants	EDA	26,478,422
	84.357 Subtotal		27,023,558
84.358	Rural Education	EDA	994,837
84.359	Early Reading First, <i>Gadsden Elementary School District</i> , Contract # S359B031050	ASA	6,581
84.360	Dropout Prevention Program	EDA	504,006
84.365	English Language Acquisition Grants	EDA	19,628,974
84.366	Mathematics and Science Partnerships	EDA	5,430,757
84.366	Mathematics and Science Partnerships, <i>Pendergast Elementary School District</i> , Contract #s S0356B070003, S366B040003, S366B070003	ASA	6,517
84.366	Mathematics and Science Partnerships, <i>Coconino County Education Service Agency</i> , Contract #s 07FSDMNSP-770669-07A, 07FSDMSP-770669-08A	NAA	188,193
84.366	Mathematics and Science Partnerships, <i>Navajo County Education Service Agency</i>	NAA	79,990
84.366	Mathematics and Science Partnerships, <i>Pima County Schools</i>	NAA	33,568
84.366	Mathematics and Science Partnerships, <i>Yavapai County Education Service Agency</i>	NAA	130,628
84.366	Mathematics and Science Partnerships, <i>Pima County, Arizona</i> , Contract # CK33547977	UAA	6,415
	84.366 Subtotal		5,876,068
84.367	Improving Teacher Quality State Grants	ASA	286,987
84.367	Improving Teacher Quality State Grants	BRA	208,407
84.367	Improving Teacher Quality State Grants	DCA	20,728
84.367	Improving Teacher Quality State Grants	DJA	362,248
84.367	Improving Teacher Quality State Grants	EDA	47,297,715
84.367	Improving Teacher Quality State Grants	NAA	493,527
84.367	Improving Teacher Quality State Grants	SPA	161,451
84.367	Improving Teacher Quality State Grants	UAA	94,291
84.367	Improving Teacher Quality State Grants, <i>Tucson Unified School District</i> , Contract #s 0000140646, TUSD1-0000140648	UAA	17,848
	84.367 Subtotal		48,943,202
84.369	Grants for State Assessments and Related Activities	EDA	4,130,139
84.372	Statewide Data Systems	EDA	656,820
84.377	School Improvement Grants	EDA	516,861
84.815	Troops to Teachers	EDA	48,917
84.928	National Writing Project 2008, <i>National Writing Project Corporation</i> , Contract # 92-AZ02	NAA	36,776
84.567A 8735 S1591	Pacific DBTAC	ADA	22,811
84.Unknown	Application for National Writing Project Matching Funds, <i>National Writing Project</i> , Contract # 92AZ03	UAA	243,390
84.Unknown	Math Science Partnership Grant: Timex2, <i>Tucson Unified School District</i> , Contract # 0000133540	UAA	78,496
84.Unknown	NCES—National Center for Educational Statistics	EDA	149,017
84.Unknown	Promoting Inquiry in Science Education (PRISE), <i>Pinon Unified School District</i> , Contract # 72409	UAA	86,494
84.Unknown	Second Certification Project, <i>Catalina Foothills School District</i> , Contract # 234284	UAA	22,500
84.Unknown	Teacher Improvement Through Math Education, <i>Tucson Unified School District</i> , Contract # TUSD10000121997	UAA	11,923
	Total Department of Education		\$ 732,238,919
<u>SCHOLARSHIP AND FELLOWSHIP FOUNDATIONS</u>			
85.400	Morris K. Udall Scholarship Program	UAA	\$ 18,430
85.E4018802	Morris K. Udall Workplan FY 2008	UAA	186,749
85.MKUF-WP2007	Morris K. Udall Workplan FY 2007	UAA	180,727
85.NNI001	Native Nations Institute for Leadership, Management, and Policy	UAA	727,017
	Total Scholarship and Fellowship Foundations		\$ 1,112,923

See accompanying notes to schedule.

State of Arizona
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2008

CFDA/Identifying Number	Federal Grantor/Program Title/Pass-Through Grantor/Contract Number	Grantee (Appendix)	Expenditures
<u>NATIONAL ARCHIVES AND RECORDS ADMINISTRATION</u>			
89.003	National Historical Publications and Records Grants	LAA	\$ 16,779
	Total National Archives and Records Administration		<u>\$ 16,779</u>
<u>ELECTION ASSISTANCE COMMISSION</u>			
90.401	Help America Vote Act Requirements Payments	STA	\$ 2,523,504
	Total Election Assistance Commission		<u>\$ 2,523,504</u>
<u>DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>			
<u>Aging Cluster</u>			
93.044	Special Programs for the Aging—Title III, Part B—Grants for Supportive Services and Senior Centers	DEA	\$ 9,174,874
93.045	Special Programs for the Aging—Title III, Part C—Nutrition Services	DEA	9,792,682
93.053	Nutrition Services Incentive Program	DEA	1,812,629
	Aging Cluster Subtotal		<u>20,780,185</u>
<u>CCDF Cluster</u>			
93.575	Child Care and Development Block Grant	DEA	55,604,771
93.575	Child Care and Development Block Grant	GVA	590,632
93.575	Child Care and Development Block Grant	HSA	826,840
93.575	Child Care and Development Block Grant	NAA	1,404
93.575	Child Care and Development Block Grant	UAA	222,971
	93.575 Subtotal		<u>57,246,618</u>
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund	DEA	59,393,584
	CCDF Cluster Subtotal		<u>116,640,202</u>
<u>Medicaid Cluster</u>			
93.775	State Medicaid Fraud Control Units	AGA	727,769
93.777	State Survey and Certification of Health Care Providers and Suppliers	BNA	430,984
93.777	State Survey and Certification of Health Care Providers and Suppliers	HSA	4,815,771
	93.777 Subtotal		<u>5,246,755</u>
93.778	Medical Assistance Program	DEA	52,341,461
93.778	Medical Assistance Program	HCA	5,081,118,000
93.778	Medical Assistance Program	HSA	870,037
93.778	Medical Assistance Program	SDA	810,713
	93.778 Subtotal		<u>5,135,140,211</u>
	Medicaid Cluster Subtotal		<u>5,141,114,735</u>
<u>Other Department of Health and Human Services Programs</u>			
93.003	Public Health and Social Services Emergency Fund	AEA	65,144
93.006	State and Territorial and Technical Assistance Capacity Development Minority HIV/AIDS Demonstration Program	HSA	145,995
93.006	State and Territorial and Technical Assistance Capacity Development Minority HIV/AIDS Demonstration Program	UAA	6,279
	93.006 Subtotal		<u>152,274</u>
93.009	Compassion Capital Fund	GVA	22,097
93.018	Strengthening Public Health Services at the Outreach Offices of the U.S.-Mexico Border Health Commission	HSA	152,404
93.018	Strengthening Public Health Services at the Outreach Offices of the U.S.-Mexico Border Health Commission	UAA	73,480
	93.018 Subtotal		<u>225,884</u>
93.041	Special Programs for the Aging—Title VII, Chapter 3—Programs for Prevention of Elder Abuse, Neglect, and Exploitation	DEA	99,689
93.042	Special Programs for the Aging—Title VII, Chapter 2—Long Term Care Ombudsman Services for Older Individuals	DEA	274,828

See accompanying notes to schedule.

State of Arizona
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2008

CFDA/Identifying Number	Federal Grantor/Program Title/Pass-Through Grantor/Contract Number	Grantee (Appendix)	Expenditures
93.043	Special Programs for the Aging—Title III, Part D—Disease Prevention and Health Promotion Services	DEA	402,179
93.048	Special Programs for the Aging—Title IV—and Title II—Discretionary Projects	DEA	589,843
93.048	Special Programs for the Aging—Title IV—and Title II—Discretionary Projects	HSA	119,659
93.048	Special Programs for the Aging—Title IV—and Title II—Discretionary Projects	UAA	19,254
	93.048 Subtotal		728,756
93.052	National Family Caregiver Support, Title III, Part E	DEA	3,126,469
93.069	Public Health Emergency Preparedness	HSA	81,107
93.069	Public Health Emergency Preparedness, <i>Oklahoma State Department of Health</i> , Contract # MEM0408	UAA	65,596
	93.069 Subtotal		146,703
93.087	Enhance the Safety of Children Affected by Parental Methamphetamine or Other Substance Abuse	DEA	272,886
93.107	Model State-Supported Area Health Education Centers	UAA	453,789
93.110	Maternal and Child Health Federal Consolidated Programs	CDA	75,935
93.110	Maternal and Child Health Federal Consolidated Programs	GVA	29,543
93.110	Maternal and Child Health Federal Consolidated Programs	HCA	60,000
93.110	Maternal and Child Health Federal Consolidated Programs	HSA	405,006
93.110	Maternal and Child Health Federal Consolidated Programs	UAA	805,797
93.110	Maternal and Child Health Federal Consolidated Programs, <i>University of Alaska Anchorage</i> , Contract # PO324590	NAA	696
93.110	Maternal and Child Health Federal Consolidated Programs, <i>Texas Health Institute</i> , Contract # MEM0408	UAA	959
93.110	Maternal and Child Health Federal Consolidated Programs, <i>University of Alaska Anchorage</i> , Contract #s PO324591A, PO324593A	UAA	12,277
93.110	Maternal and Child Health Federal Consolidated Programs, <i>University of Colorado</i> , Contract # FY08003006H30MC00008	UAA	66,781
	93.110 Subtotal		1,456,994
93.111	Adolescent Family Life Research Grants	UAA	7,885
93.116	Project Grants and Cooperative Agreements for Tuberculosis Control Programs	HSA	1,232,291
93.127	Emergency Medical Services for Children	HSA	117,053
93.130	Cooperative Agreements to States/Territories for the Coordination and Development of Primary Care Offices	HSA	290,386
93.136	Injury Prevention and Control Research and State and Community Based Programs	ASA	146,831
93.136	Injury Prevention and Control Research and State and Community Based Programs	HSA	874,932
93.136	Injury Prevention and Control Research and State and Community Based Programs	UAA	45,929
93.136	Injury Prevention and Control Research and State and Community Based Programs, <i>Pennsylvania Coalition Against Domestic Violence</i> , Contract # CK057466	UAA	46,804
	93.136 Subtotal		1,114,496
93.142	NIEHS Hazardous Waste Worker Health and Safety Training, <i>University of California-Los Angeles</i> , Contract # 2U45ES06173	ASA	173,035
93.145	AIDS Education and Training Centers, <i>University of California-San Francisco</i> , Contract # 2943SC	UAA	179,586
93.150	Projects for Assistance in Transition from Homelessness (PATH)	HSA	970,472
93.155	Rural Health Research Centers, <i>University of Washington</i> , Contract #s 439175, 441334	UAA	5,041
93.157	Centers of Excellence	UAA	4,107
93.165	Grants to States for Loan Repayment Program	HSA	91,854
93.172	Human Genome Research	ASA	9,450
93.197	Childhood Lead Poisoning Prevention Projects—State and Local Childhood Lead Poisoning Prevention and Surveillance of Blood Lead Levels in Children	HSA	106,454
93.210	Tribal Self-Governance Program: Planning and Negotiation Cooperative Agreements and IHS Compacts/Funding Agreements	ASA	240,999
93.217	Family Planning—Services, <i>Arizona Family Planning Council</i> , Contract #s AGR010108, AGR010407	ASA	277,925
93.226	Research on Healthcare Costs, Quality and Outcomes	ASA	38,947
93.230	Consolidated Knowledge Development and Application (KD&A) Program, <i>University of California-Los Angeles</i> , Contract # 5UD1T113594	ASA	75,291
93.231	Epidemiology Cooperative Agreements, <i>Inter Tribal Council of Arizona, Incorporated</i> , Contract #s U26IHA300007, U26IHS300007	UAA	188,539

See accompanying notes to schedule.

State of Arizona
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2008

CFDA/Identifying Number	Federal Grantor/Program Title/Pass-Through Grantor/Contract Number	Grantee (Appendix)	Expenditures
93.234	Traumatic Brain Injury State Demonstration Grant Program	DEA	155,509
93.235	Abstinence Education Program	HSA	874,308
93.235	Abstinence Education Program	UAA	112,152
	93.235 Subtotal		986,460
93.236	Grants for Dental Public Health Residency Training	HSA	123,371
93.240	State Capacity Building	HSA	251,222
93.241	State Rural Hospital Flexibility Program	UAA	553,260
93.243	Substance Abuse and Mental Health Services—Projects of Regional and National Significance	ASA	1,062,369
93.243	Substance Abuse and Mental Health Services—Projects of Regional and National Significance	DCA	263,459
93.243	Substance Abuse and Mental Health Services—Projects of Regional and National Significance	DJA	82,155
93.243	Substance Abuse and Mental Health Services—Projects of Regional and National Significance	GVA	2,674,440
93.243	Substance Abuse and Mental Health Services—Projects of Regional and National Significance	HSA	1,996,082
93.243	Substance Abuse and Mental Health Services—Projects of Regional and National Significance	NAA	14,470
93.243	Substance Abuse and Mental Health Services—Projects of Regional and National Significance	UAA	2,545,607
93.243	Substance Abuse and Mental Health Services—Projects of Regional and National Significance, <i>Community Bridges</i> , Contract # 1H79TI018924-01	ASA	29,327
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	27,125
93.243	Substance Abuse and Mental Health Services—Projects of Regional and National Significance, <i>University of California-Los Angeles</i> , Contract # 2000GJG913	ASA	79,220
93.243	Substance Abuse and Mental Health Services—Projects of Regional and National Significance, <i>Pima County Juvenile Courts</i> , Contract # B504013	UAA	96,296
	93.243 Subtotal		8,870,550
93.247	Advanced Education Nursing Grant Program	ASA	710,936
93.247	Advanced Education Nursing Grant Program	UAA	710,819
	93.247 Subtotal		1,421,755
93.251	Universal Newborn Hearing Screening	HSA	158,843
93.251	Universal Newborn Hearing Screening	SDA	7,930
	93.251 Subtotal		166,773
93.253	Poison Control Stabilization and Enhancement Grants	UAA	104,668
93.256	State Planning Grants Health Care Access for the Uninsured	HCA	10,000
93.259	Rural Access to Emergency Devices Grant	HSA	103,831
93.264	Nurse Faculty Loan Program (NFLP)	UAA	240,407
93.265	Comprehensive Geriatric Education Program (CGEP)	ASA	179,032
93.268	Immunization Grants	HSA	77,445,918
93.275	Substance Abuse and Mental Health Services—Access to Recovery	GVA	29,947
93.275	Substance Abuse and Mental Health Services—Access to Recovery	SPA	27,805
	93.275 Subtotal		57,752
93.283	Centers for Disease Control and Prevention—Investigations and Technical Assistance	HSA	25,506,871
93.283	Centers for Disease Control and Prevention—Investigations and Technical Assistance	SDA	2,761
93.283	Centers for Disease Control and Prevention—Investigations and Technical Assistance	UAA	1,786,645
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	60,117
93.283	Centers for Disease Control and Prevention—Investigations and Technical Assistance, <i>Association of Teachers of Preventive Medicine</i> , Contract # TS1360	UAA	13,896
93.283	Centers for Disease Control and Prevention—Investigations and Technical Assistance, <i>Hispanics Serving Health Professions Schools</i> , Contract # 325128UAAHCOE	UAA	8,247
93.283	Centers for Disease Control and Prevention—Investigations and Technical Assistance, <i>Oklahoma State Department of Health</i> , Contract # MEM0507	UAA	64,002
93.283	Centers for Disease Control and Prevention—Investigations and Technical Assistance, <i>University of Colorado</i> , Contract # FY07003006U01DD000198	UAA	31,343

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
93.283	Centers for Disease Control and Prevention—Investigations and Technical Assistance, <i>University of Colorado at Denver Health Sciences Center, Contract #</i> 2574044FY08001008	UAA	73,946
	93.283 Subtotal		27,547,828
93.286	Discovery and Applied Research for Technological Innovations to Improve Human Health	UAA	39,344
93.301	Small Rural Hospital Improvement Grant Program	UAA	147,193
93.307	Minority Health and Health Disparities Research	UAA	742,355
93.358	Advanced Education Nursing Traineeships	NAA	21,157
93.358	Advanced Education Nursing Traineeships	UAA	51,824
	93.358 Subtotal		72,981
93.359	Nurse Education, Practice and Retention Grants	ASA	547,238
93.389	National Center for Research Resources	UAA	281,263
93.389	National Center for Research Resources, <i>Translational Genomics Research Institute,</i> Contract # TRENT0601	UAA	33,245
93.389	National Center for Research Resources, <i>University of Medicine & Dentistry of New Jersey,</i> Contract # R25RR018490	UAA	30,537
	93.389 Subtotal		345,045
93.395	Cancer Treatment Research, <i>Gynecologic Oncology Group Administration, Contract #</i> CA101165	UAA	128,615
93.398	Cancer Research Manpower	NAA	29,882
93.398	Cancer Research Manpower	UAA	120,499
	93.398 Subtotal		150,381
93.448	Food Safety and Security Monitoring Project	HSA	467,497
93.556	Promoting Safe and Stable Families	DEA	7,115,157
93.556	Promoting Safe and Stable Families, <i>Navajo Nation—Division of Social Services,</i> Contract # C03137	ASA	124,800
	93.556 Subtotal		7,239,957
93.558	Temporary Assistance for Needy Families	DEA	231,753,439
93.558	Temporary Assistance for Needy Families	GVA	75,623
93.558	Temporary Assistance for Needy Families	NAA	3,124
	93.558 Subtotal		231,832,186
93.563	Child Support Enforcement	DEA	54,125,832
93.564	Child Support Enforcement Research	DEA	3,542
93.566	Refugee and Entrant Assistance—State-Administered Programs	DEA	7,457,416
93.568	Low-Income Home Energy Assistance	DEA	9,364,382
93.568	Low-Income Home Energy Assistance	EPA	1,874,496
	93.568 Subtotal		11,238,878
93.569	Community Services Block Grant	DEA	5,537,228
93.576	Refugee and Entrant Assistance—Discretionary Grants	DEA	875,630
93.576	Refugee and Entrant Assistance—Discretionary Grants	EDA	442,494
	93.576 Subtotal		1,318,124
93.584	Refugee and Entrant Assistance—Targeted Assistance Grants	DEA	1,195,241
93.586	State Court Improvement Program	SPA	607,692
93.590	Community-Based Child Abuse Prevention Grants	DEA	461,450
93.597	Grants to States for Access and Visitation Programs	DEA	93,497
93.599	Chafee Education and Training Vouchers Program (ETV)	DEA	1,087,927
93.600	Head Start	GVA	128,652
93.603	Adoption Incentive Payments	DEA	2,100,000
93.617	Voting Access for Individuals with Disabilities—Grants to States	STA	143,033
93.623	Basic Center Grant	GVA	233,721

See accompanying notes to schedule.

State of Arizona
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2008

CFDA/Identifying Number	Federal Grantor/Program Title/Pass-Through Grantor/Contract Number	Grantee (Appendix)	Expenditures
93.623	Basic Center Grant	NAA	39,338
	93.623 Subtotal		273,059
93.630	Developmental Disabilities Basic Support and Advocacy Grants	ASA	29,849
93.630	Developmental Disabilities Basic Support and Advocacy Grants	DEA	1,251,804
	93.630 Subtotal		1,281,653
93.632	University Centers for Excellence in Developmental Disabilities Education, Research, and Service	NAA	468,186
93.632	University Centers for Excellence in Developmental Disabilities Education, Research, and Service	UAA	502,116
	93.632 Subtotal		970,302
93.643	Children's Justice Grants to States	GVA	236,438
93.643	Children's Justice Grants to States	NAA	2,393
	93.643 Subtotal		238,831
93.645	Child Welfare Services—State Grants	DEA	5,854,556
93.647	Social Services Research and Demonstration	HCA	61,000
93.648	Child Welfare Services Training Grants	ASA	692,396
93.648	Child Welfare Services Training Grants	NAA	12,000
	93.648 Subtotal		704,396
93.658	Foster Care—Title IV-E	ASA	1,943,660
93.658	Foster Care—Title IV-E	DEA	80,152,856
	93.658 Subtotal		82,096,516
93.659	Adoption Assistance	DEA	53,921,417
93.667	Social Services Block Grant	ADA	161,050
93.667	Social Services Block Grant	DEA	63,823,752
	93.667 Subtotal		63,984,802
93.669	Child Abuse and Neglect State Grants	DEA	121,077
93.669	Child Abuse and Neglect State Grants	UAA	26,548
	93.669 Subtotal		147,625
93.671	Family Violence Prevention and Services/Grants for Battered Women's Shelters—Grants to States and Indian Tribes	HSA	1,698,508
93.674	Chafee Foster Care Independence Program	DEA	2,357,874
93.767	State Children's Insurance Program	HCA	121,367,000
93.768	Medicaid Infrastructure Grants to Support the Competitive Employment of People with Disabilities	HCA	570,000
93.779	Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	NAA	101,841
93.779	Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	UAA	60,153
	93.779 Subtotal		161,994
93.793	Medicaid Transformation Grants	HCA	6,486,000
93.837	Cardiovascular Diseases Research	ASA	11,803
93.837	Cardiovascular Diseases Research	UAA	9,510
	93.837 Subtotal		21,313
93.853	Extramural Research Programs in the Neurosciences and Neurological Disorders	ASA	40,846
93.855	Allergy, Immunology and Transplantation Research	ASA	12,821
93.855	Allergy, Immunology and Transplantation Research	UAA	7,700
	93.855 Subtotal		20,521
93.859	Biomedical Research and Research Training	ASA	350,668
93.884	Grants for Training in Primary Care Medicine and Dentistry	UAA	130,595
93.888	Specially Selected Health Projects	UAA	60,589

See accompanying notes to schedule.

State of Arizona
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2008

CFDA/Identifying Number	Federal Grantor/Program Title/Pass-Through Grantor/Contract Number	Grantee (Appendix)	Expenditures
93.889	National Bioterrorism Hospital Preparedness Program	HSA	12,905,809
93.889	National Bioterrorism Hospital Preparedness Program, <i>Oklahoma State Department of Health</i> , Contract # MEM0408	UAA	5,453
	93.889 Subtotal		12,911,262
93.912	Rural Health Care Services Outreach and Rural Health Network Development Program, <i>Hardrock Council on Substance Abuse, Inc.</i> , Contract # CK2115	UAA	53,422
93.913	Grants to States for Operation of Offices of Rural Health	UAA	159,778
93.914	HIV Emergency Relief Project Grants	DCA	61,829
93.917	HIV Care Formula Grants	HSA	14,817,673
93.918	Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease	UAA	216,761
93.919	Cooperative Agreements for State-Based Comprehensive Breast and Cervical Cancer Early Detection Programs	HSA	2,303,105
93.919	Cooperative Agreements for State-Based Comprehensive Breast and Cervical Cancer Early Detection Programs	UAA	3,266
	93.919 Subtotal		2,306,371
93.938	Cooperative Agreements to Support Comprehensive School Health Programs to Prevent the Spread of HIV and Other Important Health Problems	EDA	269,359
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</i> , Contract # U58DP000456	UAA	138,877
	93.938 Subtotal		408,236
93.940	HIV Prevention Activities—Health Department Based	HSA	3,164,752
93.944	Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance	HSA	786,148
93.945	Assistance Programs for Chronic Disease Prevention and Control, <i>Migrant Health Promotion</i> , Contract # CK12293	UAA	30,835
93.958	Block Grants for Community Mental Health Services	HSA	8,363,266
93.959	Block Grants for Prevention and Treatment of Substance Abuse	HSA	31,233,550
93.959	Block Grants for Prevention and Treatment of Substance Abuse, <i>Community Partnership of Southern Arizona</i> , Contract # P0615	UAA	86,670
	93.959 Subtotal		31,320,220
93.969	Geriatric Education Centers	UAA	235,324
93.970	Health Professions Recruitment Program for Indians	UAA	303,787
93.970	Health Professions Recruitment Program for Indians, <i>Phoenix Area Indian Health Service</i> , Contract # 6TGANR0008	ASA	5,989
	93.970 Subtotal		309,776
93.977	Preventive Health Services—Sexually Transmitted Diseases Control Grants	HSA	1,538,006
93.988	Cooperative Agreements for State-Based Diabetes Control Programs and Evaluation of Surveillance Systems	HSA	208,370
93.988	Cooperative Agreements for State-Based Diabetes Control Programs and Evaluation of Surveillance Systems	UAA	1,406
	93.988 Subtotal		209,776
93.991	Preventive Health and Health Services Block Grant	HSA	1,211,338
93.991	Preventive Health and Health Services Block Grant	UAA	21,523
	93.991 Subtotal		1,232,861
93.994	Maternal and Child Health Services Block Grant to the States	GVA	24,333
93.994	Maternal and Child Health Services Block Grant to the States	HSA	7,588,116
	93.994 Subtotal		7,612,449
93.995	Adolescent Family Life—Demonstration Projects	HSA	506,384
93.996	Bioterrorism Training and Curriculum Development Program, <i>University of New Mexico</i> , Contract # 3R88538854	UAA	483,772
93.0600-98-32781, 0600-03-60032	Enumeration at Birth	HSA	208,225
93.200-2000-07202	Vital Statistics Cooperative Program	HSA	298,160

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
93.233030107	National Centers of Excellence in Women's Health	UAA	4,671
93.3 312 0211557	Health Information Security & Privacy Collaboration	GTA	72,281
93.467MZ401583	Support for Knowledge River Library School Internships	UAA	551
93.5H79T11586303	Eon Capacity Enhancement to Improve and Integrate Culturally Relevant Substance Abuse and HIV/AIDS Services, <i>Pima County Health Dept.</i> , Contract # 1801A1375480905	UAA	114,004
93.6H79SP12923011	South Tucson Drug Free Communities, <i>City of South Tucson</i> , Contract # H79SP12923	UAA	61,940
93.90IC0058	Self-Assessment and Quality Improvement Trainings, <i>United Way</i> , Contract # 90IC0058	UAA	4,777
93.90IC0059	Communities Empowering Youth Program—Youth Mapping Project, <i>United Way</i> , Contract # 90IC058	UAA	7,000
93.HHSH230200432004C	U.S.-Mexico Border Center of Excellence Consortium, <i>University of Texas Health Science Center-San Antonio</i> , Contract # 12221312209	UAA	57,926
93.N01LM63507	National Network of Libraries of Medicine NN.LM Region 7, Arizona Outreach to AM, <i>University of California-Los Angeles</i> , Contract # 5415SJB234	UAA	43,319
93.N02CO51111	Cancer Information Service of Region 12 Rocky Mountain, <i>Penrose St. Francis Health Services</i> , Contract # N02CO51111AZ2	UAA	23,260
93.R13HL086285	Update and Modification of Task Force Criteria for Arrhythmogenic Right Ventricular Dysplasia/Cardiomyopathy	UAA	4,762
93.U45ES06173	Worker Health and Safety Training Cooperatives FY07, <i>University of California-Los Angeles</i> , Contract # 2105 G GB415 01	ASA	1,706
93.Unknown	2007 Trejo Foster Foundation Institute, <i>Center for Public Service Communications, LLC</i> , Contract # LTR DTD 02192007	UAA	3,710
93.Unknown	AHCCCS Intern Program Funding	UAA	21,736
93.Unknown	Drug Abuse Warning Network (DAWN), <i>Westat, Inc.</i> , Contract # 030064A	UAA	9,382
93.Unknown	Hopi Regional Health Care Network Technical Assistance Contract, <i>Hopi Regional Health Care Network</i> , Contract # Preaward Costs	UAA	1,979
93.Unknown	Indian Children's Program, <i>Utah State University</i> , Contract # 070042001	NAA	58,342
93.Unknown	The Office of Native Medicine: A Case Study, <i>Center for Public Service Communications, LLC</i> , Contract # MEM0907	UAA	25,629
93.Unknown	State Offices of Rural Health: Translating Data Into Policy, <i>National State Offices of Rural Health</i> , Contract # MEM0907	UAA	16,908
93.Unknown	Steps to a Healthier Cochise County, <i>Cochise County, Arizona</i> , Contract # 0755HEA03	UAA	22,578
93.Unknown	Strengthening Communities, <i>Codac Behavioral Health Services of Pima County</i> , Contract # 325	UAA	2,115
93.Unknown	Support for Knowledge River Library School Internships, <i>Center for Public Service Communications, LLC</i> , Contract # CK2312	UAA	33,700
Total Department of Health and Human Services			\$ 6,167,143,892
<u>CORPORATION FOR NATIONAL AND COMMUNITY SERVICE</u>			
<u>Foster Grandparent/Senior Companion Cluster</u>			
94.011	Foster Grandparent Program	DEA	\$ 252,351
94.011	Foster Grandparent Program	NAA	284,006
94.011 Subtotal			536,357
94.016	Senior Companion Program	NAA	204,338
Foster Grandparent/Senior Companion Cluster Subtotal			740,695
<u>Other Corporation for National and Community Service Programs</u>			
94.002	Retired and Senior Volunteer Program	NAA	100,666
94.003	State Commissions	GVA	257,656
94.003	State Commissions	NAA	7,911
94.003 Subtotal			265,567
94.004	Learn and Serve America—School and Community Based Programs	EDA	242,862
94.005	Learn and Serve America—Higher Education, <i>Community Campus Partnerships for Healthcare</i> , Contract # HDLCAZ07	UAA	21,969
94.005	Learn and Serve America—Higher Education, <i>Morehouse School of Medicine</i> , Contract # 06LHHGA001	UAA	2,164
94.005 Subtotal			24,133
94.006	AmeriCorps	GVA	1,289,241
94.006	AmeriCorps	NAA	253,931
94.006	AmeriCorps	UAA	110,974

See accompanying notes to schedule.

State of Arizona
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Year Ended June 30, 2008

CFDA/Identifying Number	Federal Grantor/Program Title/Pass-Through Grantor/Contract Number	Grantee (Appendix)	Expenditures
94.006	AmeriCorps, <i>Public Allies</i> , Contract #s 140100, 06NDHWI0010004, OP0079400607PAAZ	ASA	312,388
	94.006 Subtotal		1,966,534
94.007	Planning and Program Development Grants	GVA	79,882
94.009	Training and Technical Assistance	GVA	125,690
94.009	Training and Technical Assistance	NAA	56,513
94.009	Training and Technical Assistance	UAA	100,486
	94.009 Subtotal		282,689
	Total Corporation for National and Community Service		\$ 3,703,028
<u>SOCIAL SECURITY ADMINISTRATION</u>			
<u>Disability Insurance/SSI Cluster</u>			
96.001	Social Security—Disability Insurance	DEA	\$ 29,724,556
	Disability Insurance/SSI Cluster Subtotal		29,724,556
	Total Social Security Administration		\$ 29,724,556
<u>DEPARTMENT OF HOMELAND SECURITY</u>			
<u>Homeland Security Cluster</u>			
97.004	State Domestic Preparedness Equipment Support Program	MAA	\$ 498,875
97.067	Homeland Security Grant Program	AHA	3,805
97.067	Homeland Security Grant Program	ASA	50,002
97.067	Homeland Security Grant Program	EVA	6,789
97.067	Homeland Security Grant Program	GVA	32,103
97.067	Homeland Security Grant Program	HLA	15,526,305
97.067	Homeland Security Grant Program	MAA	12,236,245
97.067	Homeland Security Grant Program	PSA	421,795
	97.067 Subtotal		28,277,044
	Homeland Security Cluster Subtotal		28,775,919
<u>Other Department of Homeland Security Programs</u>			
97.008	Urban Areas Security Initiative	AHA	275,432
97.008	Urban Areas Security Initiative	HLA	1,821
97.008	Urban Areas Security Initiative	MAA	863,322
	97.008 Subtotal		1,140,575
97.012	Boating Safety Financial Assistance	GFA	1,410,128
97.017	Pre-Disaster Mitigation (PDM) Competitive Grants	MAA	325,700
97.023	Community Assistance Program State Support Services Element (CAP-SSSE)	WCA	151,413
97.029	Flood Mitigation Assistance	MAA	2,071
97.036	Disaster Grants—Public Assistance (Presidentially Declared Disasters)	MAA	3,060,281
97.039	Hazard Mitigation Grant	GSA	21,988
97.039	Hazard Mitigation Grant	MAA	291,108
	97.039 Subtotal		313,096
97.041	National Dam Safety Program	WCA	45,813
97.042	Emergency Management Performance Grants	MAA	3,875,856
97.053	Citizens Corps	NAA	1,352
97.070	Map Modernization Management Support	WCA	124,624
	Total Department of Homeland Security		\$ 39,226,828
<u>UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT</u>			
98.001	USAID Foreign Assistance for Programs Overseas	ASA	\$ 71,750
98.002	Cooperative Development Program (CDP), <i>Association Liaison Office for University Cooperation in Dev</i> , Contract # HNEA00970005900	ASA	5,029
98.012	USAID Development Partnerships for University Cooperation and Development, <i>Higher Education for Development (HED)</i> , Contract # AEGA00050000700	ASA	35,706

See accompanying notes to schedule.

State of Arizona
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2008

CFDA/Identifying Number	Federal Grantor/Program Title/Pass-Through Grantor/Contract Number	Grantee (Appendix)	Expenditures
98.306A00060052400	Afghan Digital Libraries Alliance, <i>Washington State University</i> , Contract # G002117	UAA	49,745
98.EDHA00030000400	Cooperative Association of States for Scholarships (CASS) Program, <i>Georgetown University</i> , Contract # UARRX205085206CAM	UAA	149,019
98.EDHA00030000400	Project Cass, <i>Georgetown University</i> , Contract # UARRX205085207K1	UAA	172,019
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	68,407
Total United States Agency for International Development			\$ 551,675
<u>MISCELLANEOUS FEDERAL AGENCIES</u>			
99.DPS2005307	US Postal Inspection Service Identity Crimes	PSA	\$ 22,811
99.SJI07N010	Integrated Family Court in Rural Arizona	SPA	29,581
99.Unknown	CPB FY07—Radio Community Service Grant, <i>Corporation for Public Broadcasting</i> , Contract # 1281	UAA	253,743
99.Unknown	CPB FY07—Television Community Service Grant, <i>Corporation for Public Broadcasting</i> , Contract # 1707	UAA	945,369
99.Unknown	CPB FY07—Television Interconnection Grant, <i>Corporation for Public Broadcasting</i> , Contract # 1707	UAA	19,496
99.Unknown	KUAT/Tucson Community Leadership Summit, <i>National Center for Outreach</i> , Contract # CK083031	UAA	2,000
99.Unknown	Ready to Lead in Literacy—KUAT, <i>Corporation for Public Broadcasting</i> , Contract # 10735	UAA	17,160
Total Miscellaneous Federal Agencies			\$ 1,290,160
<u>FEDERAL STUDENT AID CLUSTER STUDENT FINANCIAL ASSISTANCE PROGRAMS</u>			
<u>Department of Education</u>			
84.007	Federal Supplemental Educational Opportunity Grants	ASA	\$ 2,752,166
84.007	Federal Supplemental Educational Opportunity Grants	NAA	513,512
84.007	Federal Supplemental Educational Opportunity Grants	UAA	1,114,129
84.007 Subtotal			4,379,807
84.033	Federal Work-Study Program	ASA	1,787,785
84.033	Federal Work-Study Program	NAA	760,567
84.033	Federal Work-Study Program	UAA	1,486,031
84.033 Subtotal			4,034,383
84.038	Federal Perkins Loan Program—Federal Capital Contributions	UAA	50,568
84.063	Federal Pell Grant Program	ASA	32,277,952
84.063	Federal Pell Grant Program	NAA	13,428,497
84.063	Federal Pell Grant Program	UAA	19,479,708
84.063 Subtotal			65,186,157
84.375	Academic Competitiveness Grants	ASA	904,465
84.375	Academic Competitiveness Grants	NAA	382,218
84.375	Academic Competitiveness Grants	UAA	1,014,204
84.375 Subtotal			2,300,887
84.376	National Science and Mathematics Access to Retain Talent (SMART) Grants	ASA	91,041
84.376	National Science and Mathematics Access to Retain Talent (SMART) Grants	NAA	698,935
84.376	National Science and Mathematics Access to Retain Talent (SMART) Grants	UAA	930,617
84.376 Subtotal			1,720,593
<u>Department of Health and Human Services</u>			
93.925	Scholarships for Health Professions Students from Disadvantaged Backgrounds	ASA	222,819
93.925	Scholarships for Health Professions Students from Disadvantaged Backgrounds	NAA	41,765
93.925 Subtotal			264,584
Total Student Financial Aid Cluster			\$ 77,936,979

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State of Arizona
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2008

CFDA/Identifying Number	Federal Grantor/Program Title/Pass-Through Grantor/Contract Number	Grantee (Appendix)	Expenditures
RESEARCH AND DEVELOPMENT CLUSTER			
<u>Department of Agriculture</u>			
10.RD	Agricultural Research Service	ASA	\$ 113,651
10.RD	Cooperative State Research, Education, and Extension Service	ASA	336,425
10.RD	Cooperative State Research, Education, and Extension Service	NAA	418,614
10.RD	Department of Agriculture	ASA	149,748
10.RD	Department of Agriculture	UAA	9,460,438
10.RD	Economic Research Office	UAA	14,724
10.RD	Economic Research Service	ASA	27,775
10.RD	Forest Service	NAA	701,916
10.RD	Forest Service	UAA	640,341
10.RD	Natural Resources Conservation Service	UAA	51,801
10.RD	Arizona Department of Agriculture, Contract # OOD1007	ASA	25,999
10.RD	Arizona State Land Department, Contract # SFA 6004	NAA	80,801
10.RD	Auburn University, Contract # 2004-35204-14689	ASA	37,610
10.RD	Baylor College of Medicine, Contract # SC100480017	UAA	59,672
10.RD	Diné College, Contract # CK09778	UAA	7,434
10.RD	Interregional Research Project No. 4, Contract # 07009ETX	UAA	23,202
10.RD	Las Comunidades, Contract # 06-DG-11030200-013	NAA	5,614
10.RD	Mushroom Council, Contract # 07119025	ASA	3,782
10.RD	North Carolina State University, Contract #s 2004157802, 2007037639	UAA	227,398
10.RD	North Dakota State University, Contract # 2006-35201-16667	ASA	23,498
10.RD	Oceanic Institute, Contract # 20043880802142, Preaward Costs	UAA	7,877
10.RD	Oregon State University, Contract # RD010A11	UAA	225,202
10.RD	Penn State University, Contract # 2005-35101-16179	ASA	2,042
10.RD	Penn State University, Contract # 3044-NAU-USDA-6179	NAA	46,017
10.RD	Portland State University, Contract # 207JOH051	UAA	8,720
10.RD	Redi-Ripe, LLC, Contract # 2006001003	UAA	2,888
10.RD	The Research Corp. of the University of Hawaii, Contract # Z833534	UAA	23,395
10.RD	RXOA Biosciences, LLC, Contract # 2007-33610-18013	ASA	5,147
10.RD	Texas Technology University, Contract # 2007-35100-18382	ASA	222
10.RD	United States Potato Board, Contract # AGR 12/01/06	ASA	8,399
10.RD	Universal Entech, LLC, Contract # 68-3A75-5-174	ASA	32,316
10.RD	University of California-Davis, Contract #s 05017ETX, 05021ETX, 06010ETX, 07001492UA4, 0700198805, 0700255801, K00779704, K009607AZ3, K009607AZ4	UAA	64,667
10.RD	University of Cincinnati, Contract # 0049061005015	UAA	107,652
10.RD	University of Delaware, Contract # 15713	UAA	20,572
10.RD	University of Guam, Contract # 51R662150R53233	UAA	13,747
10.RD	University of Missouri, Food & Ag Policy Research, Contract # 20006 34318 16897	ASA	114,129
10.RD	University of Rhode Island, Contract # 2007-51130-03873	ASA	7,278
10.RD	University of Tennessee, Contract # AES00792300105100717	UAA	12,758
10.RD	University of Texas A&M, Texas AgriLife Research, Contract # LTR DTD 041208	UAA	10,685
10.RD	University of Washington, Contract #s 748581, 913638	UAA	2,015
10.RD	Utah State University, Contract #s 041535056, 041535057, 051687005	UAA	78,735
10.RD	Washington State University, Contract #s G001946, G002154, OGRD11838G002014	UAA	43,106
	Subtotal Department of Agriculture		13,248,012
<u>Department of Commerce</u>			
11.RD	Department of Commerce	UAA	58,811
11.RD	National Institute for Standards and Technology	UAA	86,963
11.RD	National Oceanic and Atmospheric Administration	ASA	13,450
11.RD	National Oceanic and Atmospheric Administration	UAA	1,498,274
11.RD	General Electric Company, Contract # 70NANB3H3030	ASA	17,067
11.RD	University of Colorado at Boulder, Contract # 1543655	UAA	18,342
11.RD	University of New Hampshire, Contract # PZ06138	UAA	8,658
	Subtotal Department of Commerce		1,701,565
<u>Department of Defense</u>			
12.RD	Air Force Research	NAA	2,254
12.RD	Air Force Research Laboratory	UAA	155,827
12.RD	Army Medical Command	UAA	692,106
12.RD	Army, Research, Development and Engineering Command Public Communications Office	UAA	265,796

See accompanying notes to schedule.

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CFDA/Identifying Number	Federal Grantor/Program Title/Pass-Through Grantor/Contract Number	Grantee (Appendix)	Expenditures
12.RD	Counterintelligence Field Activity	UAA	263,913
12.RD	Defense Advanced Research Projects Agency	ASA	141,711
12.RD	Defense Advanced Research Projects Agency	UAA	679,447
12.RD	Department of the Air Force	ASA	3,536,340
12.RD	Department of the Air Force	UAA	5,463,516
12.RD	Department of the Army	NAA	13,394
12.RD	Department of the Army	UAA	1,420,049
12.RD	Department of Defense	ASA	1,532,653
12.RD	Department of Defense	NAA	78,468
12.RD	Department of Defense	UAA	375,617
12.RD	Department of Homeland Security	NAA	1,041,033
12.RD	Department of the Navy	ASA	1,817,534
12.RD	Department of the Navy	UAA	1,073,362
12.RD	National Geospatial-Intelligence Agency	UAA	107,042
12.RD	National Security Agency	ASA	29,768
12.RD	National Security Agency	UAA	27,352
12.RD	Naval Facilities Engineer Command Southwest	NAA	1,131
12.RD	Office of the Secretary	ASA	168,600
12.RD	Tank Automotive Command	UAA	49,994
12.RD	U.S. Army Material Command	ASA	10,631,373
12.RD	U.S. Army Material Command	UAA	118,780
12.RD	U.S. Army Medical Command	ASA	1,914,859
12.RD	AdveNSys, LLC, Contract # W911NF-04-C-0071	ASA	31,275
12.RD	All Optronics, Contract # CK1262	UAA	20,055
12.RD	Aptima, Inc, Contract # W74V8H-06-C-0004	ASA	35,671
12.RD	Arete Associates, Contract #s FA8650-06-C-1018, W15P7T-06-C-P001	ASA	106,585
12.RD	ASR Corporation, Contract #s 03160701068, 06140701061, 06140702068	UAA	48,572
12.RD	Ball Aerospace Systems Division, Contract #s 07RDK00458, 07RDK00460	UAA	176,740
12.RD	Battelle, Contract # W911NF-07-D-0001	ASA	10,236
12.RD	Boeing Company, Contract # HDTRA1-05-D-0001.DO-0002	ASA	100,348
12.RD	California Institute of Technology, Contract # 38A1077196	UAA	265,081
12.RD	Camp Dresser & McKee, Inc., Contract # 6174-001-002-CS	ASA	32,343
12.RD	Carnegie Mellon University, Contract # MARCO 2003-CT-888	ASA	73,126
12.RD	Colorado State University, Contract # G23341	UAA	27,070
12.RD	Dow Corning Corporation, Contract #s DAAD190230001, N0001405C0324, N0001407C0918	ASA	246,168
12.RD	Duke University, Contract # W911NF0510248	ASA	162,676
12.RD	Electronic Bio Sciences, Contract # FA955006C0006	ASA	30,533
12.RD	EWA Government Systems, Incorporated, Contract # EWAGSI07LS0002	UAA	227,912
12.RD	Georgia Institute of Technology, Contract # E216WGG1	UAA	177,074
12.RD	Goodrich Corporation, Contract # 204832	UAA	8,451
12.RD	GLIde Consortium (Carnegie Mellon Univ.), Contract # F33615-01-C-2186	ASA	154
12.RD	Heat, Light, and Sound Research, Inc., Contract # N00014-07-C-0143	ASA	107,005
12.RD	High Performance Technologies, Inc., Contract # GS04T01BFC0061	ASA	302,806
12.RD	Indiana University, Contract # N00014-07-1-1049	ASA	73,167
12.RD	Institute for the Study of Learning and Expertise (ISLE), Contract # FA87500520283	ASA	198,439
12.RD	Institute of International Education, Contract # HQ003407C1010	ASA	51,060
12.RD	Intelligent Automation, Inc. (IAI), Contract # HQ000607C7377	ASA	45,535
12.RD	Ionatron, Inc., Contract # 202200	UAA	48,304
12.RD	Iowa State University, Contract # 4212553	UAA	82,300
12.RD	Johns Hopkins University, Contract # N00024-03-D-6606	ASA	30,410
12.RD	Johns Hopkins University Applied Physics Laboratory, Contract # JPL 1277793	ASA	70,630
12.RD	L3 Communications Aerospace Electronics Division, Contract # W4674	ASA	6,989
12.RD	Lockheed Martin Aeronautics, Contract # FA8650-06-C-7605	ASA	241,576
12.RD	Massachusetts Institute of Technology, Contract # 5710002102	UAA	430,252
12.RD	Microelectronics Research and Development Corporation, Contract #s FA9453-06-C-0227, HQ0006-07-C-7655, W9113M-07-C-0065	ASA	252,498
12.RD	Minnesota Wire & Cable Co., Minnesota Defense, Contract # A07047RESS	ASA	11,009
12.RD	Montana Alberta Tie Ltd., Contract # LTR DTD 051507	UAA	29,572
12.RD	Motorola Labs, Contract # NMA4010292002	ASA	265,726
12.RD	NanoRTD LLC, Contract # W911NF07C0082	ASA	50,119
12.RD	New Jersey Institute of Technology, Contract # 99241P708332	UAA	51,487
12.RD	New Mexico Institute of Mining and Technology, Contract #s H9823006C0611, P0005345	UAA	132,189

See accompanying notes to schedule.

State of Arizona
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2008

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	417,732
12.RD	Penn State University, Contract # W911NF-06-1-0265	ASA	72,317
12.RD	Prewitt & Associates, Inc., Contract # 207042	UAA	106,548
12.RD	Purdue University, Contract # 531089501	UAA	81,560
12.RD	Raytheon Company, Contract #s 2599, 4200020837, 4200103482	UAA	73,356
12.RD	Raytheon Missile Systems, Contract # N00019-05G-008-2002	ASA	10,646
12.RD	Sandia Research Corporation, Contract # N00014-07-M-0352	ASA	34,968
12.RD	Scientific Systems Company Incorporated, Contract # LTR DTD 120307	UAA	29,998
12.RD	SET Corporation, Contract # FA955008C0041	ASA	20,139
12.RD	Silicon Photonics Group, Contract # A2-2369	ASA	24,184
12.RD	SJT Micropower Inc., Contract # 07098532	ASA	23,379
12.RD	Stevens Institute of Technology, Contract # N0017307C6001	ASA	40,267
12.RD	Structured Materials Industries, Inc., Contract # HQ0006-07-C-7769	ASA	17,933
12.RD	SUNY-Albany, Contract # FA87500720043	ASA	25,615
12.RD	Synkera Technologies, Contract # FA955006C0084	ASA	6,813
12.RD	Teledyne Brown Engineering, Contract # B7U538221	UAA	414,239
12.RD	Teravision Inc., Contract # POC0023	UAA	291,040
12.RD	Translational Genomics Research Institute, Contract # W81XWH-06-1-090	ASA	26,884
12.RD	University of Alaska Fairbanks, Contract # UAF080079	UAA	5,916
12.RD	University of Arizona, Contract #s F496200310377, NBCHC020001	ASA	80,132
12.RD	University of California-Berkeley, Contract # W911NF-07-1-0314	ASA	87,308
12.RD	University of California-Los Angeles, Contract # W911NF-07-1-0533	ASA	26,429
12.RD	University of California-San Diego, Contract #s B6U529295, N00014-07-1-0739	ASA	46,554
12.RD	University of Central Florida, Contract # N000140610446	ASA	242,312
12.RD	University of Central Florida, Contract #104212	UAA	228,794
12.RD	University of Cincinnati, Contract # DAAD190210227	ASA	37,558
12.RD	University of Illinois at Chicago, Contract #s FA9550-05-1-0443, N00173061G006	ASA	186,148
12.RD	University of Illinois at Urbana-Champaign, Contract # HR00110710002	ASA	144,137
12.RD	University of Iowa, Contract #s 1000610251, 4000508757, 4000516859	UAA	134,347
12.RD	University of Michigan, Contract # N66001-07-1-2006	ASA	84,767
12.RD	University of Minnesota, Contract # R6636360302	UAA	10,846
12.RD	University of Minnesota College of Veterinary Medicine, Contract # N00014-04-1-0659	ASA	96,821
12.RD	University of New Mexico, Contract # DTRA01-03-D-0009	ASA	172,856
12.RD	University of New Mexico, Contract #s 271129873W, 707195873W, 707588873W	UAA	128,872
12.RD	University of South Carolina, Contract # W911NF0610516	ASA	15,955
12.RD	University of Southern California, Contract #s N00014-05-1-0630, 907959	ASA	58,098
12.RD	University of Texas at Dallas, Contract # W911NF-07-2-0059	ASA	22,784
12.RD	University of Texas Health Science Center at Houston, Contract # W81XWH-08-2-2005	ASA	444
12.RD	University of Virginia, Contract # N00014-07-1-0723	ASA	136,319
12.RD	UOP, LLC, Contract # DARPA Project	ASA	500,745
12.RD	Vanderbilt University, Contract # FA9550-05-1-0306	ASA	30,220
12.RD	Vanderbilt University, Contract # 18796S4	UAA	56,992
12.RD	Virginia Commonwealth University, Contract # N00014-07-1-0474	ASA	34,072
12.RD	VW International, Inc., Contract # W912DY-04-D-0022	ASA	30,972
12.RD	West Virginia High Technology Consortium Foundation, Inc., Contract # N00014-07-C-0227	ASA	58,081
12.RD	Wyle Laboratories, Contract # FA860104D0005	ASA	14,627
12.RD	Zona Technology, Inc., Contract #s FA955008C0004, W31P4Q04R045	ASA	63,223
	Subtotal Department of Defense		40,317,009
Department of the Interior			
15.RD	Bureau of Land Management	ASA	10,567
15.RD	Bureau of Land Management	NAA	145,602
15.RD	Bureau of Land Management	UAA	26,436
15.RD	Bureau of Reclamation	NAA	161,819
15.RD	Bureau of Reclamation	UAA	423,018
15.RD	Department of the Interior	ASA	574,857
15.RD	Fish and Wildlife Service	ASA	312,847
15.RD	Fish and Wildlife Service	NAA	1,873
15.RD	Geological Survey	ASA	70,748
15.RD	Geological Survey	NAA	963,585
15.RD	National Park Service	NAA	1,276,664
15.RD	National Park Service	UAA	1,194,648
15.RD	US Fish and Wildlife Service	UAA	38,269

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
15.RD	US Geological Survey	UAA	2,814,090
15.RD	Valles Caldera Trust	UAA	79,374
15.RD	American Fisheries Society, Contract # CK0295	UAA	3,564
15.RD	Arizona Department of Agriculture, Contract # AZE66	UAA	72,993
15.RD	Arizona Department of Water Resources, Contract # 20072631IGA	UAA	2,806
15.RD	IBIS Biosciences, Inc.	NAA	342,408
15.RD	National Fish and Wildlife Foundation, Contract #s 20050186000, 20060099002	UAA	46,690
15.RD	Southern California Earthquake Center, Contract # 07HQAG0008	ASA	5,511
15.RD	University of Arizona-Water Research Resources Center, Contract # 06HQGR0072	ASA	7,936
15.RD	University of Houston, Contract # R070077	UAA	159,246
	Subtotal Department of the Interior		8,735,551
	<u>Department of Justice</u>		
16.RD	Federal Bureau of Investigation	NAA	89,649
16.RD	National Institute of Justice	ASA	75,199
16.RD	National Institute of Justice	UAA	193,073
16.RD	The Institute for Genomic Research, Contract # TIGR-04-017	NAA	90,243
16.RD	International Rescue Committee, Contract # 2003VTBXK010	ASA	106
16.RD	Pima County, Arizona, Contract # 0702A1406430208	UAA	6,259
16.RD	SUNY-Albany, Contract # 2007-IJ-CX-0024	ASA	29,219
16.RD	University of Pittsburgh, Contract #s 2000-MU-0007, 2005-JK-FX-K001, 2007-MU-FX-0002	ASA	470,349
16.RD	Urban Institute, Contract # 2007MUFX0001	ASA	7,513
	Subtotal Department of Justice		961,610
	<u>Department of Labor</u>		
17.RD	Employment & Training Administration	ASA	1,152
	Subtotal Department of Labor		1,152
	<u>Department of State</u>		
19.RD	National Council for Eurasian & East Europe, Contract # 82307	UAA	9,925
19.RD	Social Science Research Council, Contract # LTR DTD 010107	UAA	18,543
	Subtotal Department of State		28,468
	<u>Department of Transportation</u>		
20.RD	Department of Transportation	ASA	6,652
20.RD	Federal Aviation Administration	ASA	252,151
20.RD	Federal Highway Administration	UAA	150,690
20.RD	ADOT Research Center, Contract #s 07014, 08005T, 08010T, 088004, JPA07005T, KR060225TRN	ASA	156,332
20.RD	Arizona Department of Transportation, Contract #s 040720TRN, 06007T	ASA	5,230
20.RD	Arizona Department of Transportation, Contract #s JPA0281, JPA07001TR060418P, JPA07011T, JPA07013T, JAP08009T	UAA	284,194
20.RD	Cambridge Systems, Inc., Contract # 7661120	UAA	62,902
20.RD	Iteris, Inc., Contract # 18J06183201	UAA	6,580
20.RD	Ohio State University Research Foundation, Contract #s 60003341RF01009706, 60011901	UAA	102,288
20.RD	Oregon State University, Contract # 07-01	ASA	145
20.RD	Portland State University, Contract # DTRT06-G-0017	ASA	31,349
20.RD	University of Texas at Austin, Contract #s UTA06677, UTA06678	UAA	7,647
	Subtotal Department of Transportation		1,066,160
	<u>National Aeronautics and Space Administration</u>		
43.RD	Ames Research Center	ASA	789,587
43.RD	Ames Research Center	UAA	1,033,594
43.RD	Glenn Research Center	ASA	234,550
43.RD	Goddard Space Flight Center	ASA	7,323,416
43.RD	Goddard Space Flight Center	NAA	140,470
43.RD	Goddard Space Flight Center	UAA	51,504,669
43.RD	Jet Propulsion Laboratory	NAA	57,189
43.RD	Kennedy Space Center	UAA	92,603
43.RD	Langley Research Center	ASA	38,058
43.RD	Langley Research Center	UAA	246,742
43.RD	Marshall Space Flight Center	UAA	11,893
43.RD	National Aeronautics and Space Administration	UAA	3,606,906

See accompanying notes to schedule.

State of Arizona
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2008

CFDA/Identifying Number	Federal Grantor/Program Title/Pass-Through Grantor/Contract Number	Grantee (Appendix)	Expenditures
43.RD	NASA George C. Marshall Space Flight Center	ASA	58,138
43.RD	NASA Lyndon B. Johnson Space Center	ASA	784,781
43.RD	NASA Shared Service Center	NAA	4,469
43.RD	Arizona State University, Contract # 07790	UAA	144,768
43.RD	Aura, Inc., Contract #s 44286, C10556A	UAA	101,479
43.RD	California Institute of Technology, Contract #s 21062198, 21083117, 65P1080063	UAA	333,649
43.RD	Carnegie Institution of Washington, Contract # NASW-00002	ASA	227,369
43.RD	Carnegie Institution of Washington, Contract #s DTM325002, DTM325008 (PHASE E)	UAA	260,585
43.RD	Center for Cultural & Technical Interchange, Contract # HC11795	UAA	41,719
43.RD	Cornell University, Contract # JPL No. 1223696	ASA	501,111
43.RD	Desert Research Institute, Contract # 0765352901	UAA	14,441
43.RD	EIC Laboratories, Inc., Contract # LTR DTD 040408	UAA	12,754
43.RD	George Mason University, Contract # E2012162	UAA	90,011
43.RD	Harvard University, Contract #123362	UAA	19,076
43.RD	Harvey Mudd College, Contract # NNG05GA56G	UAA	9,005
43.RD	Institute of Global Environment and Society, Contract # 3113	UAA	22,833
43.RD	Jet Propulsion Laboratory (JPL), Contract #s 1275804, 1275814, 1277588, 1292164, 1293417, 1313375, 1313916, 1316565, NAS7-03001, NAS7-1407, NMO710076, NMO710079, NMO710764, NMO710782, NMO710805, NMO710819, NMO710824, NMO710829, NMO710830, NMO710837, NMO710846, N0710947, NMO710991	ASA	4,697,506
43.RD	Jet Propulsion Laboratory (JPL), Contract #s 1207213, 1216369, 1224768, 1224769, 1226582, 1228726, 1243073, 1255094, 1255566, 1255596, 1256318, 1256424, 1261947, 1268552, 1270067, 1272218, 1272250, 275618, 1278115, 1278361, 1278445, 1278446, 1278821, 1279363, 1279652, 1279653, 1279654, 1279655, 1282224, 1282643, 1282867, 1286227, 1287326, 1289819, 1290775, 1290777, 1290778, 1293596, 1306547, 1310926, 1319248, 1322190, 1332204, 1342544, 960785	UAA	14,316,409
43.RD	Johns Hopkins University, Contract #s 782694, 935140, NNX07AC51GTSA	UAA	153,305
43.RD	National Space Biomedical Research Institute, Contract # NCC958	ASA	8,812
43.RD	National Space Biomedical Research Institute, Contract # NCC958166HPF00403	UAA	35,367
43.RD	Penn State University, Contract #s 3171UANASAN50G, 3318UANASQA64G	UAA	35,653
43.RD	Planetary Science Institute, Contract # 492	UAA	4,491
43.RD	Science Application International Corporation, Contract # NNJ06JE86C	ASA	88,877
43.RD	Seti Institute, Contract # NNX07AQ05G	ASA	6,839
43.RD	Seti Institute, Contract # NNG06GH12G06001	UAA	18,040
43.RD	SJT Micropower Inc., Contract # 08091267	ASA	13,302
43.RD	Smithsonian Astrophysics Observatory, Contract # NAS803060	ASA	120,404
43.RD	Southwest Research Institute, Contract #s 699051X, 699053X, 699083KC, 83818	UAA	264,911
43.RD	Space Telescope Science Institute, Contract #s HSTAR1029802A, HSTGO0979323A, HSTGO1018006A, NAS5-26555	ASA	455,181
43.RD	Space Telescope Science Institute, Contract #s HSTAR1031801, HSTAR1063901A, HSTAR1064701A, HSTAR1066104A, HSTAR1066501A, HSTAR1066601A, HSTAR1067507A, HSTAR1069101A, HSTAR1094601A, HSTAR1094901A, HSTAR1097102A, HSTAR1098701A, HSTAR1125901A, HSTAR1127901, HSTAR1130301A, HSTGO0980301A, HSTGO1012601A, HSTGO1014501A, HSTGO1017603A, HSTGO1017701A, HSTGO1017805A, HSTGO1019001A, HSTGO1019201A, HSTGO1041701A, HSTGO1049903A, HSTGO1051301A, HSTGO1052703A, HSTGO1053801A, HSTGO1055301, HSTGO1061902A, HSTGO1083905A, HSTGO1084705A, HSTGO1084905A, HSTGO1085201A, HSTGO1085601A, HSTGO1086404A, HSTGO1086901A, HSTGO1112009A, HSTGO1114901A, HSTGO1115702A, HSTGO1117805A, HSTHF0116001, HSTHF0118201A, HSTHF0119201A	UAA	894,408
43.RD	Spitzer Science Center, Contract #s NMO710076, NMO810076	ASA	72,101
43.RD	United Negro College Fund Special Program, Contract # CK013008	UAA	4,250
43.RD	Universities Space Research Association, Contract #s NCC9-142, NNJ06HG25A	ASA	9,251
43.RD	Universities Space Research Association, Contract # 07605003056	UAA	24,037
43.RD	University of Arizona, Contract #s NGT540082, NNG05GE72H	ASA	162,240
43.RD	University of California-Berkeley, Contract # SA480610604	UAA	11,768
43.RD	University of California-Los Angeles, Contract #s 0995GHB526, 1000GGC071	UAA	19,417
43.RD	University of Hawaii, Contract # NNG04GL88G	UAA	82,547
43.RD	University of Illinois at Urbana-Champaign, Contract # NNC05CB04C	ASA	4,337
43.RD	University of Maryland, Contract # NNG04GK29G	ASA	27,805
43.RD	University of Missouri, Contract # C000094401	UAA	104,450
43.RD	University of New Mexico, Contract # 985003873W	UAA	252,706
43.RD	West Virginia High Technology Consortium Foundation, Inc., Contract # WVHTCFPPA061342	ASA	10,442

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	Wyle Laboratories, Contract # T71182	UAA	97,328
43.RD	Xinetics Incorporated, Contract # 5044S001	UAA	2,424,038
43.RD	Zona Technology, Inc., Contract #s NNX08CC57P, NNX08CD34P	ASA	36,812
	Subtotal National Aeronautics and Space Administration		92,162,899
<u>National Endowment for the Arts</u>			
45.RD	Arizona Commission on the Arts, Contract # 080549	ASA	3,400
	Subtotal National Endowment for the Arts		3,400
<u>National Endowment for the Humanities</u>			
45.RD	Institute of Museum and Library Services	UAA	91,454
45.RD	National Endowment for the Humanities	ASA	5,556
45.RD	National Endowment for the Humanities	UAA	96,969
	Subtotal National Endowment for the Humanities		193,979
<u>National Science Foundation</u>			
47.RD	National Science Foundation	ASA	30,687,229
47.RD	National Science Foundation	NAA	3,768,228
47.RD	National Science Foundation	UAA	37,560,577
47.RD	Arizona State University, Contract #s 07719, KDM52761145F06UR001, KMD52761145F06UR005, KMD52761145F06UR006, KMD52761145F06UR011, KMD52761145F06UR012, KMS001910148SUBF07UR010, KMS00191146S07AN002, KMS00191146S07UR009, KMS00191146S07UR010, KMS00191146S07UR011, KMS00191146S07UR012, KMS00191146S07UR014, KMS00191146S07UR015, KMS00191146S07UR018, KMS00191146S07UR025, KMS00191147SUBV07UR006, KMS00191147SUBV07UR007, KMS00191147SUBV07UR011, KMS00191148SUBF07UR002, KMS00191148SUBF07UR003, KMS00191148SUBF07UR004, KMS00191149SUBS08UR004, KMS00191149SUBS08UR005, KMS00191149SUBS08UR006, KMS00191149SUBV08UR011, KMS00191150SUBN08UR012	UAA	15,868
47.RD	Aura, Inc., Contract #s C10509A, C10517A, C10527A, C10537N, C10552A, C10554A, C10563N, C10566A, C10589A, C10602A	UAA	135,612
47.RD	Bio Science Curriculum Studies, Contract # ESI-0455846	NAA	187,807
47.RD	Carnegie Institution of Washington, Contract # GMT0070213A	UAA	931,460
47.RD	Carnegie Mellon University, Contract # DUE-0442618	ASA	68,035
47.RD	Cash Donation-Miscellaneous, Contract # CK1043	UAA	2,724
47.RD	Cold Spring Harbor Lab, Contract # 22140111	UAA	54,313
47.RD	Columbia University, Contract # 1SES0637151	UAA	33,023
47.RD	Creighton University, Contract # ATM0809214	ASA	29,729
47.RD	Florida International University, Contract # SES-0433947	ASA	953
47.RD	Florida State University, Contract # R00636	UAA	68,355
47.RD	Harvard University, Contract #s ATM0304213, REC0532446, SES0621004	ASA	174,441
47.RD	Inter-American Institute for Global Change Research, Contract # SGPHE005	UAA	34,941
47.RD	Iowa State University, Contract # ECS-0428040	ASA	71,685
47.RD	Iowa State University, Contract #s 4202133B, 4206131	UAA	302,921
47.RD	Joint Oceanic Institution, Contract # JSA50T310A50	UAA	30,406
47.RD	Kansas State University, Contract # DEB-0218210	ASA	19,035
47.RD	LG Synoptic Survey Telescope Corp., Contract #s C44007L, C44022L	UAA	190,555
47.RD	Maricopa Community Colleges, Contract # ES1-053469	ASA	133,641
47.RD	Massachusetts Institute of Technology, Contract # 5710002009	UAA	25,195
47.RD	Medipacs, LLC, Contract # LTR DTD 012808	UAA	43,179
47.RD	Mesa Community College, Contract # 0603491	ASA	45,339
47.RD	Michigan State University, Contract # DMR-0304391	ASA	31,073
47.RD	Michigan State University, Contract #s 612554UA, 615292UA	UAA	316,714
47.RD	Middle Tennessee State University, Contract # EEC0438679	ASA	18,427
47.RD	Montana State University, Contract # G15107Z2484	UAA	18,753
47.RD	National Optical Astronomy Observatory, Contract # AST0132798	ASA	57,281
47.RD	New York University, Contract #s F563601, F597901, F607501	UAA	55,460
47.RD	Portland State University, Contract # ESI-0554379	ASA	21,477
47.RD	Princeton University, Contract # 1090	UAA	26,380
47.RD	Purdue University, Contract # 501159701	UAA	209,339
47.RD	Rockefeller University, Contract # DMS0443803	UAA	109,610
47.RD	Silicon Photonics Group, Contract # IIP0638253	ASA	46,993
47.RD	Social Science Research Council, Contract # REC0355353	ASA	21,119
47.RD	SRI International, Contract # SBE-0354453	ASA	231,060

See accompanying notes to schedule.

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47.RD	SUNY-Buffalo, Contract #s DMR0305242, DUE0603421	ASA	42,028
47.RD	SUNY-Stony Brook, Contract # PHY0428662	ASA	36,292
47.RD	Syracuse University	NAA	5,483
47.RD	Texas Technology University, Contract # DMR-0304640	ASA	499
47.RD	UNAVCO, UCAR, Contract # 0350028	ASA	122,417
47.RD	University of Arizona, Contract #s CNS0540212, EAR9876800, EEC9523338	ASA	29,899
47.RD	University of Arizona, Contract # Y417724	NAA	3,011
47.RD	University of California-Berkeley, Contract # DRL-0334199	ASA	186,107
47.RD	University of California-Davis, Contract # 002865	ASA	46,735
47.RD	University of California-Los Angeles, Contract # 2090GJC459	UAA	6,205
47.RD	University of California-Riverside, Contract #s S00000216, S000210	UAA	131,028
47.RD	University of Cincinnati, Contract # CTS-0403897	ASA	44,107
47.RD	University of Colorado at Boulder, Contract # SES03455604	ASA	167,718
47.RD	University of Colorado at Boulder, Contract # 1543387	UAA	24,070
47.RD	University of Florida, Contract # UF03070	UAA	30,886
47.RD	University of Georgia, Contract # RR3730206236467	UAA	26,355
47.RD	University of Kansas, Contract # HRD0624720	ASA	17,370
47.RD	University of Kansas Center for Research, Inc., Contract # FY2006007	UAA	5,758
47.RD	University of Maine, Contract # UMS672	UAA	27,326
47.RD	University of Maryland, Contract # DBI0548366	ASA	137,623
47.RD	University of Massachusetts, Contract # 06-003721B00	NAA	7,207
47.RD	University of Michigan, Contract # CCR-0205227	ASA	117,474
47.RD	University of Minnesota, Contract #s X4056459301, 048769-8747	NAA	37,427
47.RD	University of Minnesota Twin Cities Campus, Contract # DMS-0439734	ASA	20,868
47.RD	University of Missouri, Contract # C000040794	UAA	454,554
47.RD	University of New Mexico, Contract # DBI-0225665	ASA	41,928
47.RD	University of North Carolina at Greensboro, Contract # IOB0615502	ASA	70,584
47.RD	University of Notre Dame, Contract #s 200689, 46735	UAA	130,951
47.RD	University of Southern California, Contract # 119519	UAA	46,571
47.RD	University of Tennessee, Contract # OR640800101	UAA	10,840
47.RD	University of Texas at Austin, Contract # CTS-0352552	ASA	10,290
47.RD	University of Texas at Dallas, Contract # ANI0220001	ASA	2,619
47.RD	University of Utah, Contract # 2502032	UAA	24,455
47.RD	University of Vermont, Contract # 20394UNIVAZ	UAA	72,085
47.RD	University of Washington, Contract #s ECS-0300537, BCS-0508002	ASA	106,225
47.RD	University of Washington, Contract # 594594	UAA	499,362
47.RD	University of Wisconsin, Contract # 0514592	ASA	47,836
47.RD	University of Wisconsin, Contract # P648955	UAA	232,985
47.RD	U.S. Civilian Research and Development Foundation (CRDF), Contract # INT9531011	ASA	7,799
47.RD	U.S. Civilian Research and Development Foundation (CRDF), Contract # RUP12847NO06	UAA	7,067
47.RD	Ventana Research Company, Contract # DMI0450441	UAA	27,230
47.RD	Voltaix, Inc., Contract # OII0539750	ASA	10,678
47.RD	Washington State University, Contract # 107277G002186	UAA	8,079
47.RD	Washington University, Contract # WU-06-184	UAA	1,256,420
	Subtotal National Science Foundation		<u>80,121,388</u>
	<u>Smithsonian Institution</u>		
60.RD	Smithsonian Astrophysical Observatory	UAA	1,379,214
60.RD	Smithsonian Institution	UAA	27,518
	Subtotal Smithsonian Institution		<u>1,406,732</u>
	<u>Department of Veterans Affairs</u>		
64.RD	Veterans Administration	ASA	82,087
64.RD	Veterans Administration	UAA	619,928
64.RD	Harvard University, Contract # 04105913	UAA	8,964
	Subtotal Department of Veterans Affairs		<u>710,979</u>
	<u>Environmental Protection Agency</u>		
66.RD	Environmental Protection Agency	ASA	1,485,453
66.RD	Environmental Protection Agency	NAA	18,463
66.RD	Environmental Protection Agency	UAA	1,221,659
66.RD	Battelle Memorial Institute, Contract #s 68C00185, EPC05057	ASA	20,406
66.RD	Health Effects Institute, Contract # 4761RFPA064072	UAA	70,463

See accompanying notes to schedule.

State of Arizona
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2008

CFDA/Identifying Number	Federal Grantor/Program Title/Pass-Through Grantor/Contract Number	Grantee (Appendix)	Expenditures
66.RD	Metropolitan Water District of Southern California, Contract # CR3111040	ASA	20,728
66.RD	Michigan State University, Contract # 61-3383C	NAA	92,101
66.RD	Michigan State University, Contract # 613383D	UAA	205,023
66.RD	Naco Fire District, Contract # BF96921901	ASA	33,688
66.RD	San Diego State University Foundation, Contract # 54475A7801	ASA	30,718
66.RD	University of Arizona, Contract #s CD969762010, RD83302501	ASA	35,636
66.RD	University of Nevada at Reno, Contract # UNR0740	UAA	36,116
66.RD	University of New Mexico, Contract # 3422617810	UAA	31,690
66.RD	University of Texas at Austin, Contract # X3-83235101	ASA	20,256
66.RD	University of Washington, Contract # RD83183701	ASA	40,333
66.RD	Water Quality and Technology Solutions, Inc., Contract # EM96967901	ASA	54,912
	Subtotal Environmental Protection Agency		3,417,645
	<u>Nuclear Regulatory Commission</u>		
77.RD	Nuclear Regulatory Commission	ASA	29,160
	Subtotal Nuclear Regulatory Commission		29,160
	<u>Department of Energy</u>		
81.RD	Department of Energy	ASA	2,759,501
81.RD	Department of Energy	NAA	2,271,672
81.RD	Department of Energy	UAA	3,686,855
81.RD	Pacific Northwest National Laboratory	UAA	10,098
81.RD	Argonne National Laboratory, Contract # W-31-109-ENG-38	ASA	227,258
81.RD	Argonne National Laboratory, Contract # 6F00866	UAA	158,123
81.RD	Awwa Research Foundation, Contract #s 3077,3079, DEFG0203ER63619	ASA	77,159
81.RD	Battelle Memorial Institute, Contract #s 38318, 59802, TCN07115	UAA	216,735
81.RD	BP Exploration, (Alaska) Inc., Contract # 4748	UAA	97,897
81.RD	BP Solar International, Inc., Contract #s 301B-ASU Proposal 08081058, DEFC36007GO17049	ASA	72,708
81.RD	Brookhaven National Laboratory, Contract #s 101340, 74201	UAA	461,729
81.RD	Brookhaven Science Associates LLC, Contract # 107946	UAA	18,686
81.RD	Carnegie Institution of Washington, Contract # DE-FC03-03NA00144	ASA	53,594
81.RD	Case Western Reserve University, Contract # DE-FC28-04RW12252	ASA	71,437
81.RD	Fermi National Accelerator Lab, Contract #s 557734, 576868	UAA	107,665
81.RD	Gas Technology Institute, Contract #s DEFC2605NT42450, DE-FG36-07GO17001	ASA	64,700
81.RD	Howard University, Contract # 633254-192523	NAA	10,369
81.RD	Lawrence Berkeley National Laboratory, Contract # DE-AC02-05CH11231	ASA	71,485
81.RD	Lawrence Livermore National Laboratory, Contract # W-7405-ENG-48	ASA	32,951
81.RD	Lawrence Livermore National Laboratory, Contract # PO B571052	NAA	11,039
81.RD	Lawrence Livermore National Laboratory, Contract #s B552874, B556909, B560879, B568392, B568553, B573255	UAA	419,991
81.RD	Lawrence Livermore National Security, LLC, Contract # B573253	UAA	68,330
81.RD	Los Alamos National Laboratory, Contract #s DEAC5206NA25396, W7405ENG36	ASA	397,505
81.RD	Los Alamos National Laboratory, Contract #s 2493700105, 4912400107, 5503000107F3	UAA	405,989
81.RD	MetroLaser, Inc., Contract # DEFG0205ER84329	ASA	66,869
81.RD	Mississippi State University, Contract # 06080436296401	UAA	83,043
81.RD	National Renewable Energy Laboratory, Contract # DEAC3699GO1033	ASA	152,517
81.RD	National Renewable Energy Laboratory, Contract #s XAM-4-44835-01, XXL-7-77283-01	NAA	241,079
81.RD	Navajo Tribal Utility Authority, Contract # DE-FG38-05GO15180	NAA	28,631
81.RD	New Mexico Institute of Mining and Technology, Contract #s DEFC2605NT42439, DEFC2605NT42591	ASA	27,200
81.RD	Northern Arizona University, Contract #s MPC35TB, MPC35UX01	UAA	26,562
81.RD	Oak Ridge National Laboratory (ORNL), Contract # DEAC0500OR22725	ASA	124,992
81.RD	Oak Ridge National Laboratory (ORNL), Contract #s 4000045451, 4000050618	UAA	295,311
81.RD	Pacific Northwest National Laboratory (PNNL), Contract # DEAC0576RL01830	ASA	6,116
81.RD	Penn State University, Contract # 3594UAUSDOE4157	UAA	1,859
81.RD	PowerMark Corporation, Contract # DE-FC36-07GO17034	ASA	31,128
81.RD	Radiation Monitoring Devices, Inc., Contract # C0826	UAA	48,984
81.RD	Sandia National Laboratories, Contract #s A0349, DE-AC04-94-AL85000	ASA	142,801
81.RD	Sandia National Laboratories, Contract #s A033421294, A0334444631, A0334628904, A0334642006, A0334642088, A0334651194, A0334677767, A0334759356, A0334752278, AGRMNT DATED 07/07/2006, A0334256458, A0334540578, A0334579772, A0334662180, A0334759008, A0334776623, A0334787520, A0334814885, LTR DTD 072103	UAA	817,433
81.RD	Thomas Jefferson National Accelerator Facility, Contract # PO 05P1165	ASA	19,954

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
81.RD	University of California-Berkeley, Contract # 6720500	UAA	11,707
81.RD	University of California-Davis, Contract # DE-FG52-06NA26213	ASA	46,038
81.RD	University of Chicago, Contract # B523820	UAA	30,991
81.RD	University of Cincinnati, Contract # DE-FG36-05GO15043	ASA	195,859
81.RD	University of New Mexico, Contract # 433234873W	UAA	50,316
81.RD	University of Southern California, Contract # 35399	ASA	41,172
81.RD	University of Wyoming, Contract # DEFG0205ER46235	ASA	47,815
81.RD	University of Wyoming, Contract # NAZU48565UAZ	UAA	23,845
81.RD	Vanderbilt University, Contract # 19067S5	UAA	123,483
81.RD	Washington State University, Contract # 20320-G002285	NAA	31,811
	Subtotal Department of Energy		14,490,992
<u>Department of Education</u>			
84.RD	Department of Education	ASA	3,393,269
84.RD	Department of Education	UAA	285,911
84.RD	Arizona Department of Economic Security, Contract # DES0606641	ASA	227,600
84.RD	Arizona Department of Education, Contract # 0809ED	ASA	2,482
84.RD	Diné College, Contract #s B299B050006, S299B0700017	ASA	6,193
84.RD	Maricopa Community Colleges, Contract # S366B070003	ASA	29,477
84.RD	National Security Technologies, LLC, Contract # 86643	NAA	42,180
84.RD	Salt River Pima-Maricopa Indian Community, Contract # Q215F070078	ASA	30,610
84.RD	San Diego State University Foundation, Contract # R324E060073	ASA	230,821
84.RD	Southwest Institute for Families & Children with Disabilities, Contract # S359B070029	ASA	89,257
84.RD	Thomas Jefferson University, Contract #s H327X010003, H327X070003-07	ASA	114,794
84.RD	University of California-Berkeley, Contract # SA4881	UAA	15,208
84.RD	University of California-Los Angeles, Contract # 1230GJB001	ASA	61,976
84.RD	University of Hawaii	NAA	11,135
84.RD	University of Texas at El Paso, Contract # 2615071661	ASA	25,579
84.RD	University of Wisconsin, Contract # X260610	UAA	73,827
	Subtotal Department of Education		4,640,319
<u>National Archives and Records Administration</u>			
89.RD	National Historical Publications and Records Commission	UAA	43,092
	Subtotal National Archives and Records Administration		43,092
<u>Department of Health and Human Services</u>			
93.RD	Centers for Disease Control and Prevention	ASA	192,717
93.RD	Centers for Disease Control and Prevention	UAA	1,724,919
93.RD	Department of Health and Human Services	ASA	1,223,042
93.RD	Department of Health and Human Services	UAA	310,889
93.RD	Fogarty International Center	UAA	124,237
93.RD	Food and Drug Administration	UAA	443,766
93.RD	National Cancer Institute	UAA	32,798,235
93.RD	National Center for Complementary & Alternative Medicine	UAA	2,343,896
93.RD	National Center for Research Resources	UAA	1,633,830
93.RD	National Center on Minority Health and Health Disparities	UAA	831,423
93.RD	National Eye Institute	UAA	2,570,483
93.RD	National Heart, Lung, & Blood Institute	UAA	8,576,438
93.RD	National Institute of Allergy & Infectious Diseases	UAA	4,622,783
93.RD	National Institute of Arthritis and Musculoskeletal Skin Diseases	UAA	827,722
93.RD	National Institute of Biomedical Imaging and Bioengineering	UAA	3,163,649
93.RD	National Institute of Child Health and Human Development	UAA	2,077,628
93.RD	National Institute of Dental & Craniofacial Research	UAA	529,522
93.RD	National Institute of Diabetes and Digestive and Kidney Diseases	UAA	3,846,143
93.RD	National Institute of Environment Health Sciences	UAA	6,772,945
93.RD	National Institute of General Medical Services	UAA	8,398,022
93.RD	National Institutes of Health	ASA	33,379,988
93.RD	National Institutes of Health	NAA	1,682,359
93.RD	National Institutes of Health	UAA	5,802,729
93.RD	National Institute of Mental Health	UAA	1,863,514
93.RD	National Institute of Neurological Disorders and Stroke	UAA	3,825,699
93.RD	National Institute of Nursing Research	UAA	555,650
93.RD	National Institute of Occupational Safety and Health	UAA	2,066
93.RD	National Institute on Aging	UAA	2,192,843

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.RD	National Institute on Alcohol Abuse and Alcoholism	UAA	110,800
93.RD	National Institute on Deafness and Other Communication	UAA	2,841,787
93.RD	National Institute on Deafness/Communication	UAA	316,271
93.RD	National Institute on Drug Abuse	UAA	3,196,124
93.RD	National Library of Medicine	UAA	223,905
93.RD	American College of Radiology, Contract # CA 80098	ASA	3,943
93.RD	American College of Radiology, Contract #s 4701, U10CA21661	UAA	10,227
93.RD	AZ Alzheimer's Disease Care Center (ADCC), Contract # 5P30AG019610-07	ASA	7,902
93.RD	Arizona Department of Health Services, Contract #s HG671126, HS561159, HS654163	UAA	83,614
93.RD	Arizona State University, Contract # 08882	UAA	2,686
93.RD	Association of American Medical Colleges, Contract # MM09530606	UAA	393,073
93.RD	Association of Schools of Public Health, Contract # S33502323	UAA	2,792
93.RD	Banner Health, Contract #s 05073248, 5R01MH05789908	ASA	3,590
93.RD	Baylor University, Contract #s 4600580177, R01CA112679	UAA	127,458
93.RD	Beckman Research Institute of the City of Hope, Contract # 6692913190	UAA	11,448
93.RD	BioFortis, Inc., Contract # 4R42CA105217-02	ASA	23,778
93.RD	Biopsy Sciences, Contract # LTR DTD 01012007	UAA	3,942
93.RD	Brentwood Biomedical Research Institute, Contract # AGR 07/13/07	ASA	129,984
93.RD	Brigham and Women's Hospital, Contract # 151381R01HL075426, Preaward Costs	UAA	19,980
93.RD	Canada York University, Contract # R34MH072615	UAA	15,859
93.RD	Carnegie Mellon University, Contract # 1090143189596	UAA	160,239
93.RD	Children's Hospital Los Angeles, Contract # 108RFG003643	UAA	9,280
93.RD	Colorado School of Mines, Contract # 44265112740	UAA	14,235
93.RD	Colorado State University, Contract # G44522	UAA	87,248
93.RD	Columbia University, Contract #s 1U19AI06777302, 5U19AI066673-03	ASA	1,180,206
93.RD	The Critical Path Institute, Contract #s CP1038509, CP1700101	UAA	413,516
93.RD	CustomKynetics, Inc., Contract #s R43HD050006, R44HD041820	ASA	84,115
93.RD	Delmarva Foundation for Medical Care, Inc., Contract # HHSM5002006MDC02C	ASA	177,831
93.RD	Duke Institute for Genome Sciences, Contract #5U54CA112952	ASA	66,110
93.RD	Duke University, Contract #s 122165, AZ84065990512R1ER	UAA	46,863
93.RD	Emory University, Contract #s 541860G1, 541865G1	UAA	6,592
93.RD	Fond Du Lac Reservation	NAA	14,510
93.RD	Fred Hutchinson Cancer Research Center, Contract #s 0000615178, 0000634591	UAA	84,792
93.RD	George Washington University, Contract # 06S43	UAA	21,059
93.RD	Georgetown University Medical Center, Contract #s R01EB007195, R24HD050845-02	ASA	65,782
93.RD	Good Samaritan Medical Center, Contract # R01MH57899	UAA	5,801
93.RD	Gynecologic Oncology Group Administrative, Contract # CA101165	UAA	205,402
93.RD	Harvard University, Contract # 1482512101	UAA	266,853
93.RD	Health Research, Inc., Contract # AI042836-06	ASA	39,366
93.RD	Henry Ford Health Sciences Center, Contract # R01CA092143	UAA	112,206
93.RD	Image Quality LLC, Contract # SUB 1R43CA126009-01A1	UAA	33,372
93.RD	Indiana University, Contract # R01DA103555	ASA	58,623
93.RD	Indiana University, Contract # 17093	UAA	43,861
93.RD	Inter Tribal Council of Arizona, Incorporated, Contract # CK58713	UAA	138,941
93.RD	logenetics, LLC, Contract # R44AI056944	UAA	196,589
93.RD	Jackson State University, Contract # 9N01HC95170	UAA	1,291
93.RD	Johns Hopkins University, Contract # U01CA094986	UAA	15,725
93.RD	Kaiser Foundation Research Institute, Contract #s 03NKAR05, 80620501, U01HL081624	UAA	51,938
93.RD	Klein Buendel, Inc., Contract # 249UA	UAA	37,604
93.RD	Lynntech, Inc., Contract # R44ESO1251702A1	ASA	35,721
93.RD	Massachusetts General Hospital, Contract # U56CA113004	UAA	9,874
93.RD	Mayo Foundation, Contract # 5UL1RR02415-20	ASA	5,000
93.RD	McGill University, Contract # 211978	UAA	127,501
93.RD	Medical Directions, Incorporated, Contract # R42DK62569	UAA	66,251
93.RD	Medical University of South Carolina, Contract # 5P30AG21677	ASA	1,993
93.RD	Mount Sinai Hospital, Contract # 025454144609	UAA	10,225
93.RD	National Cancer Institute, Contract # R25CA101938	NAA	1,192
93.RD	National Childhood Cancer Foundation, Contract #s 15189U10CA98543, 16174U10CA98543, 16563U10CA98543	UAA	39,206
93.RD	North Carolina State University, Contract # 2007120003	UAA	2,827
93.RD	Northern Arizona University, Contract # IHD31Z51	UAA	81,004
93.RD	Ohio State University, Contract # R01DC007997	ASA	75,216
93.RD	Ohio State University, Contract #s 60010354, RF01109238	UAA	98,696
93.RD	Ohio State University Research Foundation, Contract # 60013316, Pre-Award Costs	UAA	258,967

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State of Arizona
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CFDA/Identifying Number	Federal Grantor/Program Title/Pass-Through Grantor/Contract Number	Grantee (Appendix)	Expenditures
93.RD	Oregon Health Science University, Contract #s 5R01CA10577403	ASA	15,683
93.RD	Oregon Health Science University, Contract # ACSWR00201000241	UAA	1,247
93.RD	Penn State University, Contract #s 1 R21 DA024266-01, 3 P50 DA010075-08S1, 5R01CA095949, 15R01DA005629-11	ASA	258,570
93.RD	Penn State University, Contract # 5U10HL064313	UAA	15,841
93.RD	Purdue University, Contract # 2R01EB002189-05	ASA	289
93.RD	Purdue University, Contract # 511177001	UAA	57,820
93.RD	Research Technologies, Inc., Contract # 6312027658	UAA	54,332
93.RD	Research Triangle Institute, Contract # R01CA126858-01A1	ASA	170,869
93.RD	Rice University, Contract #s R21155, R21162, R21473	UAA	135,205
93.RD	Scripps Research Institute, Contract # 522912	UAA	232,590
93.RD	Sibtech, Inc., Contract # CK1992	UAA	20,275
93.RD	SJT Micropower Inc., Contract # 07037108	ASA	28,855
93.RD	Southwest Oncology Group, Contract #s 5U10CA3210219, CA32102/CA37429, CA37429, F015709, F017579U10CA32102, S0509	UAA	94,490
93.RD	Spaulding Rehabilitation Hospital Network, Contract # R21NS045410	ASA	57,561
93.RD	Stanford University, Contract # PY226824289C	UAA	294,346
93.RD	Sun Health Research Institute, Contract #s 2P30AG019610-06, 5P30AG019610-07, U01AG16976-08	ASA	159,891
93.RD	Sun Health Research Institute, Contract #s P30AG019610AHERN, P30AG019610ALEXANDER, P30AG019610BARNES, P30AG019610BILGIN, P30AG019610KASZNAK, P30AG019610RAPSCAK	UAA	335,347
93.RD	Texas A&M University, Contract #s 2R01HD39367-06A1, R01HD039367	ASA	19,289
93.RD	The Translational Genomics Research Institute, Contract #s 00535001, 5P01CA109552-	ASA	17,586
93.RD	The Translational Genomics Research Institute, Contract # 05-01	NAA	256,480
93.RD	The Translational Genomics Research Institute, Contract #s VONHOFF0501, VONHOFF0503, VONHOFF0702	UAA	803,617
93.RD	UMDNJ-Robert Wood Johnson Medical School, Contract # 1R01LM009239-01A1	ASA	10,034
93.RD	Uniformed Services University of the Health Sciences, Contract # A1022014821	ASA	53,601
93.RD	University of Alabama, Contract # R01AI05871504005	UAA	25,021
93.RD	University of Arizona, Contract #s 1D31HP0883801-00, 1R01AR047595-01A1, 1R01CA116467-01A1, 5H79SP10596-03, 5UD1SP10629-03, 7R21NR009267, R01AI052463, R01DK033351-22A2, R24MD001688	ASA	202,627
93.RD	University of Arizona, Contract # V400095	NAA	32,243
93.RD	University of California-Davis, Contract # 5P01AG022500-04	ASA	136,400
93.RD	University of California-Davis, Contract # SUB0600020	UAA	140,351
93.RD	University of California-Irvine, Contract #s 2007-1864, 2006-1757	NAA	188,516
93.RD	University of California-Irvine, Contract #s 20031181, 20051596, F99CA818864A20031319	UAA	218,886
93.RD	University of California-Los Angeles, Contract #s 1900GHC162, 1930GHB465	UAA	52,941
93.RD	University of California-Riverside, Contract #s 1U01ES016026-01, R01HD050637	ASA	149,232
93.RD	University of California-San Diego, Contract #s 10154581, 10247146, 45VN	UAA	133,789
93.RD	University of California-San Francisco, Contract #s 3100SC, 4884SC	UAA	135,516
93.RD	University of California-Santa Cruz, Contract # 1R01GM072003	ASA	13,539
93.RD	University of Colorado, Contract #s 05141001, 2573808FY07001004, 2573901FY07001010	UAA	125,902
93.RD	University of Colorado at Boulder, Contract # 5R01DC006257-05	ASA	101,023
93.RD	University of Colorado at Denver and Health Sciences Center, Contract # FAA90YF0053/02	ASA	127,934
93.RD	University of Connecticut, Contract #s 5434, 5872R01DK069557	UAA	18,505
93.RD	University of Connecticut Health Center, Contract # 5872R01DK069557	UAA	14,589
93.RD	University of Florida, Contract # R01EB002089	ASA	799
93.RD	University of Florida, Contract #s UF06066, UF07073	UAA	9,381
93.RD	University of Illinois at Urbana Champaign, Contract # 2 PN2 EY016570-02	ASA	36,446
93.RD	University of Iowa, Contract #s 1000628747, W000086042	UAA	4,798
93.RD	University of Louisville, Contract # 07021901	UAA	62,177
93.RD	University of Michigan, Contract # 1R01NR009691	ASA	103,082
93.RD	University of Michigan, Contract #s F016541S0520, F017584U10CA32102LIVINGSTON, F017584U10CA32102MILLER, F017584U10CA32102RIMSZA, F018082, F020113, PREAWARD COSTS (UA ACCT 404950), S0509, U10CA32102	UAA	333,924
93.RD	University of Minnesota, Contract #s B6636074301, B6636294201, H6636419102	UAA	67,613
93.RD	University of Missouri, Contract # C0006984	UAA	141,027
93.RD	University of Nebraska, Contract #s 3451602022006, 3453012037002, 3453012037003, 3453052005005, Preaward Costs	UAA	152,991

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CFDA/Identifying Number	Federal Grantor/Program Title/Pass-Through Grantor/Contract Number	Grantee (Appendix)	Expenditures
93.RD	University of New Mexico, Contract #s 1 P01 A1056295-01A1, N266200500040C;N01AI50040	ASA	1,307,860
93.RD	University of North Carolina, Contract # 535033	UAA	63,035
93.RD	University of North Carolina at Chapel Hill, Contract #s 5R01NR003149-09, K01-CE000496-01	ASA	37,785
93.RD	University of North Texas Health Science Center, Contract # 1R01DA023957-01	ASA	56,551
93.RD	University of North Texas Health Science Center, Contract # 715122007002	UAA	54,298
93.RD	University of Oklahoma Health Science Center, Contract # 2746983	UAA	9,020
93.RD	University of Pennsylvania, Contract # 547062	UAA	4,652
93.RD	University of Pittsburgh, Contract #s 5R01DA019697-03, 5R01NS050256	ASA	534,937
93.RD	University of Rochester, Contract # 413056G	UAA	10,326
93.RD	University of Southern California, Contract # H35328	UAA	171,613
93.RD	University of Texas, Contract # 116687	UAA	75,631
93.RD	University of Texas at Dallas, Contract # 1R01DC006257-01A1	ASA	1,074
93.RD	University of Texas at Galveston, Contract # 5U54AI057156	ASA	390,944
93.RD	University of Texas Health Science Center at Houston, Contract # 5P01HD048497-02	ASA	247,365
93.RD	University of Texas Health Science Center at Houston, Contract # 0004359	UAA	328,670
93.RD	University of Texas Health Science Center at San Antonio, Contract # P20 NR 08378	ASA	449
93.RD	University of Texas MD Anderson Center, Contract #s 1524898015763225172000, 1524898015764225182000, 1524898015765225192000, 1524898015766225392000, 1524898015767225402000, 167302000, 1748202000, 2069098012715, 2135198018020, R01CA089608, R01CA098920	UAA	587,584
93.RD	University of Texas Medical Branch, Contract # 3U54AZ057156-05S1	ASA	17,994
93.RD	University of Utah, Contract # 2302004	UAA	59,982
93.RD	University of Wisconsin, Contract #s 144LD45, J033375, J033375-04	UAA	428,342
93.RD	University of Wisconsin-Madison, Contract # 2 R01 MH59785-06A2	ASA	69,312
93.RD	University of Wyoming, Contract # 5R01EB000490-05	ASA	101,607
93.RD	Wake Forest University, Contract #s 19747, 31194, WFUHS13490, WFUHS19748	UAA	89,408
93.RD	Wayne State University, Contract # WSU08001	UAA	22,409
93.RD	Western States Chiropractic College at Portland Oregon, Contract # GU01AT001908	UAA	11,273
93.RD	Yale University, Contract #s A06379, A06760M08285, A06961M08135	UAA	59,074
	Subtotal Department of Health and Human Services		154,864,188
	Department of Homeland Security		
97.RD	Kutta Consulting, Inc., Contract # NBC070060	ASA	10,573
97.RD	University of Minnesota-College of Veterinary Medicine, Contract # 2007-ST-061-000003	ASA	65,916
97.RD	University of Southern California, Contract # 2007-ST-061-000001	ASA	6,725
	Subtotal Department of Homeland Security		83,214
	Agency for International Development		
98.RD	Agency for International Development	UAA	849,901
98.RD	American Council on Education, Contract #s 523A00060000900, AEGA00050000700, HNEA0097005900	UAA	146,873
98.RD	Ben-Gurion University, Contract # 88975	UAA	2,006
98.RD	Higher Education for Development (HED), Contract # REEA00060008500	ASA	172,701
98.RD	International Rice Research Institute, Contract # DPPC2006139	UAA	30,495
98.RD	Oregon State University, Contract # RD011GA	UAA	70,523
98.RD	Virginia Polytechnic Institute, Contract # 19101425678	UAA	10,834
98.RD	Volunteers In Overseas Cooperative Assistance, Contract # AFPA00040003400	UAA	62,759
	Subtotal Agency for International Development		1,346,092
	Miscellaneous Federal Agencies		
99.RD	Miscellaneous Federal Government Agencies	ASA	92,367
99.RD	National Reconnaissance Office	UAA	574,631
99.RD	Office of Advanced Technology Programs	NAA	238,722
99.RD	U.S. Government	UAA	9,968
	Subtotal Miscellaneous Federal Agencies		915,688
	Total Research and Development Cluster		\$ 420,489,294
	Total Expenditures of Federal Awards		\$ 10,135,104,558

See accompanying notes to schedule.

State of Arizona
Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2008

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, 2008, 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 2008 *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. For programs within the Research and Development Cluster, the two-digit federal agency identifier, a period, and the letters "RD" 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, 2008

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 Programs

Only administrative costs incurred for loan 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, also be included for these programs when determining federal awards expended for single audit purposes. Further, Subpart B, §.310(b)(6), requires that loans outstanding at year-end be included in either the schedule or a note to the schedule. Loans outstanding at June 30, 2008, are described below:

Student Loan Programs

The Universities administer the following five 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, 2008
Education and Human Resources, Robert Noyce Loan Fund	47.076	\$ 112,500	\$ 165,000
Federal Perkins Loan Program— Federal Capital Contributions	84.038	4,264,350	29,408,301
Nurse Faculty Loan Program (NFLP)	93.264	267,119	553,393
Health Professions Student Loans, Including Primary Care Loans/Loans for Disadvantaged Students	93.342	244,780	1,920,996
Nursing Student Loans	93.364	241,643	1,267,829

In addition, the Universities distribute loans from two federal loan programs that are administered by independent third parties. For the year ended June 30, 2008, the Universities distributed \$154,634,426 of Federal Family Education Loans (CFDA number 84.032), including \$27,827,924 for the FFEL—Lender Program, and \$269,423,889 of Federal Direct Student Loans (CFDA number 84.268).

State of Arizona
Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2008

Housing Program

The Department of Housing administers the HOME Investment Partnerships Program (CFDA number 14.239), which provides loans to municipalities, non-profit organizations, and individuals to purchase homes and rental properties. The Department distributed \$2,130,752 in loans during fiscal year 2008 and had \$12,932,042 in loan balances outstanding at June 30, 2008.

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 during fiscal year 2008 totaled \$33,504,749, and the amounts, by CFDA number, are presented as follows:

CFDA Number	Program Title	Amount
10.555	National School Lunch Program	\$25,361,953
10.559	Summer Food Service Program for Children	9,827
10.565	Commodity Supplemental Food Program	3,415,255
10.569	Emergency Food Assistance Program (Food Commodities)	4,717,714

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 \$464,343 for the year ended June 30, 2008.

Note 8 - Immunization and HIV Grants

The Immunization Grants (CFDA number 93.268) expenditures of \$77,445,918 include \$70,021,672 worth of vaccines. The HIV Care Formula Grants (CFDA number 93.917) expenditures of \$14,817,673 include \$11,223,408 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.

State of Arizona
Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2008

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	\$350,780,947
Unemployment compensation for federal employees	3,654,675
Unemployment compensation for ex-service members	1,897,884
Administrative costs	<u>29,978,400</u>
Total expenditures	<u>\$386,311,906</u>

Note 10 - Capitalization Grants (CFDA Nos. 66.458 and 66.468)

The Water Infrastructure Finance Authority (WIFA), a discretely presented component unit on the State's fiscal year 2008 basic financial statements, has entered into capitalization grant agreements with the U.S. Environmental Protection Agency. During fiscal year 2008, the WIFA received capitalization grant monies totaling \$7,287,649 from the Capitalization Grants for Clean Water State Revolving Funds (CFDA number 66.458) program and \$41,088,682 from the Capitalization Grants for Drinking Water State Revolving Funds (CFDA number 66.468) program for deposit into its revolving loan guarantee funds. These amounts are included on the schedule. The total capitalization grants received since the inception of the program were \$173,173,002 and \$118,289,023, respectively, at June 30, 2008.

State of Arizona
 Schedule of Findings and Questioned Costs
 Year Ended June 30, 2008

Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unqualified	
	Yes	No
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, Cooperative Forestry Assistance, WIA Cluster, Education and Human Resources, Migrant Education—State Grant Program, Rehabilitation Services—Vocational Rehabilitation Grants to States, Temporary Assistance for Needy Families, Child Support Enforcement, Homeland Security Cluster, and the Research and Development Cluster, which were qualified.

Any audit findings disclosed that are required to be reported in accordance with Circular A-133 (section .510[a])? X ___

Identification of major programs:

<u>CFDA Number</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
10.558	Child and Adult Care Food Program
10.664	Cooperative Forestry Assistance
17.225	Unemployment Insurance
17.258/17.259/17.260	WIA Cluster
20.205	Highway Planning and Construction Cluster
47.076	Education and Human Resources
66.458	Capitalization Grants for Clean Water State Revolving Funds
66.468	Capitalization Grants for Drinking Water State Revolving Funds
84.002	Adult Education—State Grant Program

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84.007/84.032/84.033/84.038	Federal Student Aid Cluster Student Financial Assistance Programs
84.063/84.268/84.375/84.376	
93.342/93.364/93.925	
84.010	Title I Grants to Local Educational Agencies
84.011	Migrant Education—State Grant Program
84.027/84.173	Special Education Cluster (IDEA)
84.126	Rehabilitation Services—Vocational Rehabilitation Grants to States
84.367	Improving Teacher Quality State Grants
93.268	Immunization Grants
93.558	Temporary Assistance for Needy Families
93.563	Child Support Enforcement
93.575/93.596	CCDF Cluster
93.658	Foster Care—Title IV-E
93.659	Adoption Assistance
93.667	Social Services Block Grant
93.767	State Children’s Insurance Program
93.775/93.777/93.778	Medicaid Cluster
96.001	Disability Insurance/SSI Cluster
97.004/97.067	Homeland Security Cluster
R&D	Research and Development Cluster

Dollar threshold used to distinguish between Type A and Type B programs: \$30,000,000

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 _____

State of Arizona
Schedule of Findings and Questioned Costs
Year Ended June 30, 2008

Financial Statement Findings

08-01

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(I) 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 2008 CAFR by its scheduled December 31, 2008, deadline since state agencies did not comply with the established deadlines. For example, 17 state agencies had a December 1, 2008, deadline to submit their audited fiscal year 2008 financial statements. Only seven agencies met this deadline, and some did not submit their audited financial statements until several months later, one as late as March 9, 2009. As a result, the State did not issue its CAFR until May 2009. 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.

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

08-02

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. Individual state agencies may have controls designed to mitigate specific risks of fraud. However, the Department has not established a state-wide program that addresses fraud risk due to inadequate resources.

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:

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- 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.

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

08-03

The Department of Administration's 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 \$682 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, one vendor that was responsible for applying contractual discounts to medical claims (i.e., repricing) that processed approximately \$17.3 million in claims during the fiscal year, did not receive an independent audit to ensure that this was done in accordance with its state contract because the Benefits Office did not include the audit provision in the vendor's contract. Further, the Benefits Office did not perform its own audit of the claims paid because this vendor did not provide the Benefits Office with its fee schedules used for payments to medical providers.

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 the vendor's repricing processing controls to determine whether controls have been placed in operation and are operating effectively or conduct its own audit 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 year.

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08-04

The Department of Administration should strengthen controls over the Human Resource Information Solution (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 Department develop and implement policies and procedures for account management over its HRIS system. However, due to a lack of resources, the Department did not develop comprehensive policies and procedures over account management for operating system accounts, application administrator accounts, or database management system accounts. In addition, certain operating system and database management system accounts were shared among HRIS team members, the passwords for these accounts were not periodically changed, and current HRIS policies did not address how often passwords should be changed. Also, although activity logs did track user access and changes made to hours worked and salaries, these logs were not monitored regularly. Finally, there were no controls to prevent HRIS administrative users from changing these logs.

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

- Develop comprehensive policies and procedures for operating system accounts, application administrator accounts, and database management accounts.
- Require that HRIS administrators' user access is appropriately changed when they're assigned to different positions or responsibilities to help ensure that no individual has access to various types of administrator accounts.
- Prohibit sharing HRIS administrator user accounts, and require that users change passwords at least quarterly.
- Ensure that adequate controls are in place to prevent unauthorized changes to activity logs and that the logs are monitored on a regular basis.

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

08-05

The Department of Administration should improve controls over HRIS system changes

Changes to computer programs must be monitored and tested to ensure that a computer system is functioning properly. However, due to a lack of resources, the Department did not develop adequate written policies and procedures for changes to its HRIS system, including procedures for operating system changes and the testing of application changes. In addition, adequate documentation of operating system changes was not always prepared and retained. Also, the system did not generate a log to help monitor operating system and table changes, and the log for application changes was not reviewed on a regular basis. Finally, controls were not in place to detect changes made directly to the system's database.

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Year Ended June 30, 2008

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

- Develop adequate written policies and procedures for all types of program changes, including operating system changes and the testing of application changes. Further, these policies and procedures should include procedures for the design, testing, approval, documentation, and implementation of system changes.
- Document all system changes, including identifying number, program code modifications, test results, approvals, and implementation dates. This documentation would be a valuable resource when planning additional system changes or if a system failure occurred.
- Develop a system-generated change log to track all changes, 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.

08-06

The Department of Administration's State Procurement Office (SPO) should ensure the SPIRIT System Administrator and Procurement Systems Manager do not have access to data

The Department of Administration's State Procurement Office uses an automated procurement system, SPIRIT, which was developed to increase the efficiency of procuring goods and services and to improve customer service. SPIRIT's Web interface replaces the previous paper-based procurement process. An adequate method should be maintained to monitor all changes to the system. Currently, the SPIRIT System Administrator and Procurement Systems Manager have access to data on the SPIRIT system in order to revise vendor bids at the vendor's request. To document such changes, the Office maintained only a manual log. As a result, vendor bids could be changed with no written documentation from the vendors.

To help ensure proper oversight and documentation of revised vendor bid submissions, the SPO should do one or more of the following:

- Request that the Information Systems Division prevent the System Administrator and Procurement Systems Manager from having the ability to change system data.
- Enable the logging function in the database to track administrator user changes through an automated log, journal, time stamp, or other applicable method that would document the change.
- Have the vendor resubmit the bid or simply add an amendment to the original document.
- Require vendors to submit signed, prenumbered forms that list the changes made and the reasons for them.

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08-07

The Department of Administration's State Procurement Office needs to ensure more than one person is capable of maintaining the SPIRIT Web application

The Department of Administration's State Procurement Office should minimize overdependence on key individuals through documentation, knowledge sharing, succession planning and staff backup. The development, updating, and maintenance of the SPIRIT Web application is solely dependent on one person employed by a third-party contractor who possesses all of the critical knowledge necessary to effectively perform these functions. In the event that the individual leaves the contracted consulting organization, neither the contractor nor the SPO would have employees with the knowledge to effectively update and maintain the SPIRIT system.

To help ensure the continued maintenance of the SPIRIT system, the SPO should develop a contingency or replacement plan. This could entail requiring the contracted organization to employ other persons with the knowledge necessary to maintain the system, requiring the developer to maintain detailed documentation regarding the development and operation of the application so that others could take on that role, training in-house employees to maintain the SPIRIT system, or planning for replacement of the system using more current technology.

08-08

The Department of Administration's Information Systems Division (ISD) should strengthen access controls over its SPIRIT system

System access controls help ensure that only authorized users have access to the SPIRIT system. 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 system, but also logical access to the system. Logical access includes access granted to users who are responsible for processing transactions on the system, as well as access granted to database administrators who have unlimited access and are responsible for maintaining the system. The ISD has policies and procedures to control both types of access; however, administrative access control lists were not reviewed after changes were made to the system or on a regular basis. Further, the application developer has access to SPIRIT production design templates. As a result, the application developer or other users could modify a production design template file before database administrators use the template to update the design of a production database.

To help prevent and detect unauthorized use, damage, loss, or modification of programs and data, the ISD should restrict the application developer's access to production design templates. Further, an ISD employee should review access control lists on a monthly basis.

08-09

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,

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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 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 and safeguard confidential and sensitive financial information. 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.

08-10

The Industrial Commission of Arizona needs to strengthen controls over financial reporting

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 information to the GAO on January 14, 2009, approximately 3 months late, and its final financial information on March 27, 2009, approximately 5 months late. The delays resulted from the Commission

State of Arizona
Schedule of Findings and Questioned Costs
Year Ended June 30, 2008

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. Further, the Commission is dependent on a single employee who possesses all of the critical knowledge necessary to effectively make all adjusting entries and compile the financial statements. In the event that the employee leaves the Commission or is unable to perform his responsibilities, other employees would not possess the knowledge to accurately or efficiently compile the financial statements.

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

- Train other employees in financial reporting responsibilities.
- Develop and implement written policies and procedures that describe the necessary steps to compile the Special Fund's financial statements.
- 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 year.

08-11

The Industrial Commission of Arizona should develop written policies and procedures for its 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 due to a lack of resources.

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.

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- 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 year.

08-12

The Industrial Commission of Arizona 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 due to a lack of resources. 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.

08-13

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

Access controls restrict physical and logical access to the Department's computer systems. These controls help ensure that only authorized users have access to the Department's computer systems and are critical in protecting computer systems and data from unauthorized use, damage, loss, modification, or disclosure. While the Department has established policies and procedures to control computer access, it did not always follow its policies and procedures to adequately protect its systems and data. Specifically, the Department did not maintain audit logs to periodically monitor the activities of its database administrators and other individuals with elevated system access. These individuals had unlimited access to data stored on the Department's tax system. In addition, system access rights were not always appropriately modified or terminated when a department employee, agent, or contractor was either transferred to another position or was no longer working for the Department, nor were system access rights always appropriate for users' assigned job responsibilities. Further, physical access to the Department's computer room was not restricted to only essential employees. Finally, the Department had policies to ensure that its temporary employees, agents, and contractors were aware of federal and state guidelines governing confidentiality of taxpayer information; however, procedures were not implemented to enforce these policies.

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The Department should strengthen its policies and procedures over access to its computer systems and data to help prevent or detect unauthorized use, damage, loss, modification, or disclosure. Only authorized users should have logical or physical access to the Department's computer systems, and access should be limited to essential employees only. While the Department currently has certain controls in place over logical and physical access, it should continue its efforts to strengthen controls by:

- Periodically monitoring the activities of database administrators and other individuals with elevated system access.
- Maintaining proper system access rights for each department employee, agent, and contractor. This includes modifying or terminating system access rights immediately after an individual is either transferred to another position or no longer working for the Department, retaining access change authorizations, and ensuring access rights are appropriate for each individual's job duties and responsibilities.
- Restricting physical access to the computer room to only those employees who need access to perform their job duties and responsibilities. Further, the Department should conduct periodic reviews of those who have access and remove or modify access rights as necessary.
- Training temporary employees, agents, and contractors on the federal and state guidelines governing confidentiality of taxpayer information on an annual basis in accordance with department policy.

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

08-14

The Department of Revenue should continue to improve controls over computer system changes

To help ensure that a computer system functions properly and provides safeguards over confidential and sensitive information, it is essential that changes made to the system are properly authorized, developed, tested, reviewed, and approved. It is also important to have testing, rollback, and communication plans for all significant system changes. These plans are intended to ensure changes have the expected effect on the system, allow the Department to reverse any changes that may adversely affect the system, and advise the appropriate personnel of pending changes and their potential impact. However, the Department did not ensure that program changes to its Business Reengineering Integrated Tax System (BRITS) were properly authorized, tested, reviewed, and approved by system users prior to implementation. For example, the Department did not always document the approval of program changes by the appropriate division managers or users. Additionally, it did not document testing, rollback, and user communication plans for significant changes to its tax system. Further, the Department needs to limit the number of individuals who have authority to move program changes into production. Specifically, there were 55 department employees and contractors who were authorized to move program changes into production. Many of these individuals had additional privileges and conflicting responsibilities, making it difficult for the Department to adequately monitor and review the activities of this critical function. Finally, there were insufficient controls for changes to other systems.

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While the Department currently has certain controls in place over computer system changes, it should continue to improve controls to help:

- Ensure that users and management authorize, test, review, and approve all program changes to department systems prior to implementation and ensure documentation of all program changes is retained.
- Ensure testing, rollback, and communication plans for all significant program changes are developed and followed.
- Restrict the authorization for executing changes into production systems to only essential individuals. Also, ensure all program changes are reviewed, approved, and tested by an independent person.

08-15

The Department of Revenue should accurately report taxes receivable balances

The Department of Revenue is responsible for accurately accounting for and reporting its taxes receivable balances in the State's financial statements. While the Department has made substantial improvements for reporting these balances, the year-end taxes receivable balances the Department reported for inclusion in the State's financial statements were overstated by more than \$2.7 million. Specifically, the Department incorrectly calculated an adjustment to the amount accrued for sales tax receivables, resulting in a \$4.7 million overstatement. In addition, the Department miscalculated a second adjustment to correct an inaccurately recorded taxes receivable balance, which resulted in a \$2 million understatement. The State's financial statements were adjusted for all significant errors.

To help ensure that taxes receivable balances at June 30 are properly reported, the Department should develop and implement controls to ensure that adjustments to the taxes receivable balances are reviewed for accuracy by an independent employee.

08-16

The Department of Revenue needs to continue improving data security management and security awareness

The Department of Revenue maintains confidential and sensitive taxpayer data that, if not adequately protected, could potentially be subject to loss or improper disclosure. The Department provides training to its employees, agents, and contractors on its policies for handling confidential taxpayer information and the penalties associated with the improper disclosure of such information. However, it lacked a comprehensive security program for the overall management of data security, including training for its employees, agents, and contractors on operating procedures for data security and increased security awareness. As a result of this weakness, auditors noted several instances in which confidential and sensitive taxpayer information was not adequately protected. Because of the sensitive nature of this finding, no further details will be reported here; however, this information has been communicated to the Department's director in a confidential letter. In August 2008, the Department began developing and implementing procedures to help mitigate the risk of loss or improper disclosure of confidential and sensitive information.

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To help ensure confidential and sensitive taxpayer data is adequately protected from potential loss or improper disclosure, the Department should establish an entity-wide comprehensive security program addressing the overall management and education 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, agents, and contractors. Further, the Department's current security environment and access controls should be strengthened to help achieve effective data security management.

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

08-17

The Department of Revenue should reconcile income tax receipts to income tax revenues recorded on the Arizona Financial Information System (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 the Department's tax systems to the AFIS, the source of the State's financial statements, allows the Department to resolve any timing and other differences in a timely manner. Accordingly, starting in December 2007, the Department prepared monthly reconciliations of individual income tax revenues; however, the Department did not reconcile individual income tax revenues recorded on its legacy system for the first 5 months of the year. Auditors noted differences between the legacy system and the AFIS that the Department was unable to resolve.

To help ensure that accurate and complete information is recorded on the AFIS and reported in the State's financial statements, the Department should continue to reconcile all income tax revenues recorded on its systems to the amounts recorded on the AFIS at least monthly. In addition, the Department should promptly investigate all differences noted and make all necessary corrections.

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

08-18

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 use 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 on 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 the prior year.

08-19

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 controls 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 that this information is securely maintained at all times. While the Department reviewed the audit report for one of its two primary vendors, it did not ensure that the other vendor had an effective system of internal control. Further, the Department did not ensure that data entry vendors had the appropriate security measures in place to secure taxpayer information. During the year, a vendor oversight committee was established to oversee the monitoring efforts of the Department's contracted services. However, the committee was not able to make significant progress to mitigate the associated risks.

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

- 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 the sufficiency of vendor controls.
- Establish policies and procedures to document the receipt and review of the audit reports of its vendors, including 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 implement internal control procedures for users described in those audit reports.
- Establish and follow policies and procedures to ensure data entry vendors have effective internal controls for securely processing and protecting taxpayer information. In addition, the Department should verify that data entry vendors have appropriate and effective security measures in place, that vendors 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.

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08-20

The Department of Revenue should continue to develop and implement effective controls over tobacco taxes

The Department of Revenue is responsible for licensing tobacco distributors and collecting, distributing, and reporting tobacco tax receipts. The Department collected approximately \$408 million in tobacco taxes during fiscal year 2008. 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. While the Department began implementing controls in April 2008, it needs to develop and implement procedures to ensure the completeness of tobacco tax returns received. Further, the Department did not prepare monthly reconciliations of cigarette stamp sales to tax receipts received.

To help ensure that all tobacco taxes are collected, properly distributed, and accurately reported, the Department should:

- Continue to strengthen controls to help ensure the completeness and accuracy of taxpayer returns and payment information. These procedures should include reporting and reconciling cigarette stamp sales to receipts. In addition, tobacco tax return and payment information should be restricted to essential employees. Also, manual calculations should be reviewed by an independent employee for accuracy.
- Sequentially control tobacco tax returns upon receipt to ensure all returns are recorded and accounted for.
- Reconcile all tobacco tax collections to the AFIS at least monthly. Investigate all reconciling items and make all necessary corrections.
- Improve existing procedures for collecting, distributing, and recording tobacco and use taxes from tobacco internet sales.

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

08-21

The Department of Revenue needs to test its disaster recovery plan for its BRITS system

The Department uses its BRITS to record sales and income tax transactions. Accordingly, it is critical that the Department have an up-to-date disaster recovery plan in place to ensure that BRITS can continue to operate in the event of a software or hardware failure or other system interruption. A properly designed disaster recovery plan helps ensure that proper procedures are in place to provide for continuity of operations and that electronic data is not lost in the event of a disaster. While the Department had a disaster recovery plan, the plan was last tested during fiscal year 2007. That test identified some network connectivity problems that the Department did not fully resolve. In addition, the plan was not tested during fiscal year 2008 because of difficulties encountered with scheduling the test and the Department's plans to relocate offsite data facilities for BRITS.

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To help ensure continuity of operations in the event of a major system or equipment failure, the Department should test its BRITS disaster recovery plan annually. The test results, including actions the Department takes to resolve any problems identified, should be documented.

08-22

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 Development Disabilities' management depend on accurate financial information to fulfill their oversight responsibility and report accurate information to the Arizona Health Care Cost Containment System (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 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 prone to error. For example, auditors noted errors in the compilation process that materially misstated due from other state funds and due to other state funds financial statement line items, and various amounts in the aid to individuals expenditures financial statement note by \$50,000 to \$6 million. The Division adjusted its financial statements and notes 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. To accomplish this, the Division should verify that amounts are transferred to the financial statements accurately and that financial statement amounts reconcile to the underlying accounting information.

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

08-23

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 Development 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 reported in its 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. Furthermore, the Division did not follow its established methods for developing HCBS and institutional care IBNR amounts and did not obtain approval for the method used. In addition, the Division did not develop a lag schedule for ventilator services based on current patterns and actual payment information to estimate the ventilator dependent IBNR claims payable. Although the auditors determined the reasonableness of the institutional care, acute care, ventilator dependent, and other medical IBNR, the auditors could not

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determine the reasonableness of the Division's HCBS IBNR estimate. The Division revised its estimate and used another unapproved method. The auditors determined that the revised HCBS IBNR estimate was reasonable. Finally, the Division did not calculate the RBUCs for the HCBS and institutional care expenditures and therefore could not calculate the RBUC days outstanding.

This finding is considered a material weakness over financial reporting.

While auditors were able to determine the reasonableness of the estimates, the Division should ensure that amounts reported for claims payable in the Division's financial statements and supplementary schedules are calculated accurately and follow the methods established by AHCCCS. To accomplish this, the Division should develop and document logical estimation techniques for IBNR and RBUC claims payable 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.

08-24

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 Development 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 employees authorized to process transactions or maintain a particular system.

The Division did not adequately limit logical access to its FOCUS and QMACS claims payment systems during fiscal year 2008 since it did not establish policies and procedures for computer access until January 2008. Specifically, auditors noted the Division did not always retain documentation to support that users' access was approved and did not terminate or suspend system access when there was no activity for certain users. Auditors also noted 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, there was no audit log used to track the database administrator's activity in either system. Further, system users had incompatible responsibilities or capabilities that weren't necessary to fulfill their job responsibilities. Specifically, FOCUS users had the ability to change service rates, third-party liability waiver information, and payment addresses, and QMACS system users had the ability to issue payments and change access security privileges and eligibility. In addition, until July 2008, the help desk employees had access to all FOCUS user passwords.

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

- Limit logical access to the Division's computer systems to authorized users.

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- Retain access request forms with the supervisor's approval.
- Change an employee's system access immediately when an employee transfers from one position to another.
- Eliminate access to all computer systems promptly when an employee leaves the Division.
- Eliminate all generic user accounts and assign each user account to an individual employee.
- Document all changes to financial information made by users with significant access.
- Limit access to as few employees as possible and make sure access is compatible with each employee's job responsibilities.
- Eliminate access to all user passwords for the help desk employees.

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

08-25

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 Development Disabilities did not always follow its policies and procedures for QMACS system program changes. For example, of the eight program changes made during fiscal year 2008, division users did not approve six of them. In addition, for one change, documentation was not retained showing the change was tested, and that the responsibilities of developing, testing, and implementing the change were appropriately separated among employees.

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 systems prior to implementation.
- Retain documentation to support that program changes were authorized, tested, and approved.

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08-26

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

The Division of Development Disabilities is responsible for preparing the 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 similar deficiencies in internal controls over financial reporting and instances of noncompliance with the ALTCS contract noted during the 2002 through 2007 audits, and the Division hasn't always assessed the effects of these reported deficiencies and decided to either correct them or conclude that they will not be corrected. Specifically, the Division has not implemented the recommendations for ensuring that its financial statements are accurate, following AHCCCS-approved methods to estimate its accrued long-term care costs, and strengthening computer access controls, as described in recommendations 08-22, 08-23, and 08-24, 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.

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

08-27

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 \$356 million in benefits in fiscal year 2008. 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 \$362,000 at June 30, 2008.

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.

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

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08-28

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

The Department of Economic Security is responsible for the preparation of its financial statement information for inclusion in the State's Comprehensive Annual Financial Report. To achieve this objective, the Department should ensure that it accurately records financial transactions in its accounting records. However, this was not always accomplished since the Department incorrectly accrued \$608,000 of fiscal year 2009 grant revenues in the general fund at June 30, 2008. This resulted in an overstatement of receivables and revenues. The Department adjusted its accounting records for all significant errors.

To help ensure that the Department has effective internal controls to properly account for and report financial information, the Department should require a supervisor to review and approve all year-end accruals.

08-29

Arizona State University needs better controls over payroll expenses and its new human resources and payroll computer system

In July 2007, Arizona State University replaced its human resources and payroll system with a new system. This new system was responsible for processing over \$861 million in payroll costs during the year, which represented approximately 60 percent of the University's total fiscal year 2008 expenses. Accordingly, when a new system is being implemented, it is imperative for the University to take the necessary steps during the planning phase to design comprehensive internal control policies and procedures and fully train employees on the use of the new system. However, the University did not fully accomplish these objectives, and as a result, the University did not always pay its employees the correct amounts. Specifically, some employees received no paychecks and some received incorrect paychecks resulting in at least \$2.4 million in overpayments during the fiscal year. These problems may have been minimized if the University had established comprehensive policies and procedures for monitoring and verifying payroll, performed more thorough testing of the system before implementation, and ensured that employees were adequately trained. Below are some examples of the more significant problems that the University encountered because of these deficiencies.

- For a period of time after implementation, the system was unable to generate reports that departments needed to monitor and verify the accuracy of payroll expenses.
- The system's electronic time clock feature to track and account for employee hours worked did not operate as planned. As a result, many employees were not being paid or were paid incorrect amounts. The University replaced the time clock feature with timesheets that required departmental approval; however, departments did not always approve employees' timesheets in time for paychecks to be processed. Consequently, the University approved timesheets centrally but could not verify actual hours worked. In addition, employees could change hours on their timesheets after they were approved. In June 2008, the University reinstated departmental approval of timesheets, which included approval of changes made to timesheets.

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- The University did not have adequate safeguards in place to ensure that additional pay was paid accurately. Additional pay primarily resulted when duties were performed beyond employees' regular assignments or contract terms. However, the duration of time for the additional pay was not always entered into the system by the departments. Further, additional pay was not monitored centrally. Therefore, additional pay was paid to some employees beyond the authorized period, resulting in overpayments. The lack of safeguards also allowed departments to misuse the additional pay feature of the system for making payroll corrections and salary and other adjustments to employees' pay.
- The University did not ensure the system's contract pay component was designed to calculate contract employees' pay accurately when they earned additional pay. Although the majority of contract employees did not earn additional pay, the University ultimately discontinued use of the contract pay component by fiscal year-end due to these complications.
- During system implementation, the University converted all employees from a semi-monthly to a bi-weekly pay cycle. However, in some instances, semi-monthly rates were incorrectly entered into the system instead of bi-weekly rates, resulting in overpayments. In addition, for a period of time, some departments increased employees' pay because they were not aware that the pay cycle had changed and that bi-weekly pay amounts would be less than semi-monthly pay amounts given the same annual salary.
- The University did not always monitor and review salary increases and other changes to ensure they were proper and complied with university-established policies. The Office of Human Resources performed this function until December 2007 when it was delegated to departments; however, the University did not provide written policies and procedures for the departments to follow.
- Certain system-automated checks were not set up to prevent seemingly unreasonable payroll transactions from being entered and processed without review and approval. As a result, an unreasonably large payroll transaction was processed by the system and not detected by the applicable department or the Office of Human Resources during payroll processing. However, this transaction was detected by a manual review performed by the finance department just before the payment was to be made. Better automated checks would help ensure that these types of errors never reach this stage.
- Terminated employees were not always removed from the system in a timely manner and continued to be paid. The University relied on the departments to report when an employee was terminated; however, auditors noted that some overpayments were caused by delays in departments reporting terminations.
- Employee personnel records were not centrally maintained in accordance with university-established policy.

While the University developed policies and procedures for identifying, reporting, and recovering overpayments to employees, it did not implement them until the end of the fiscal year. Further, these policies and procedures did not include detailed instructions for departments to follow to ensure payroll

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expenses were accurate and all overpayments were identified. Even though the University has successfully recovered most of the identified overpayments, it has referred several overpayments to former employees to collection agencies. In addition, while several departments reported to the Office of Human Resources that some overpayments to employees may have been forgiven, the Office of Human Resources did not follow up timely to ensure that amounts potentially forgiven were collected. If there were any forgiven overpayments, this may constitute a gift of public monies in violation of Arizona Constitution, Article 9, Section 7. Furthermore, the University was unable to identify or track the forgiveness of overpayments because all departments may not have notified the Office of Human Resources of such overpayments.

This finding is considered a material weakness over financial reporting.

When implementing the new computer system, the University should have taken the steps and time necessary for ensuring the system and its components functioned as intended and a comprehensive set of internal control policies and procedures was in place. In addition, the University should have ensured that its employees were fully trained on the system's use and understood the steps necessary to process payroll, such as entering hours worked, reviewing and approving time recorded, and making salary adjustments. Furthermore, the University needed better procedures to support that existing data from the old system was properly entered into the new system. Finally, the University should have ensured that the system was able to generate the reports needed by departments for monitoring and verifying payroll expenses. To help ensure payroll transactions are accurately recorded, processed, paid, and reported in its financial statements, the University should:

- Establish a comprehensive set of policies and procedures for monitoring and verifying payroll expenses. These policies should include detailed procedures for identifying, reporting, and recovering overpayments to employees.
- Continue efforts to investigate and recover overpayments, including those forgiven by departments and those referred to collection agencies.
- Ensure that departments are aware of and follow guidelines for verifying and approving time recorded by employees in accordance with established schedules for processing payroll.
- Improve controls over processing contract pay, additional pay, payroll corrections, and other adjustments to employees' pay to ensure their propriety.
- Provide written policies and procedures to departments for performing independent reviews of salary and other changes to ensure that they are proper and comply with university-established policies.
- Install system-automated checks to prevent unreasonable payroll transactions from being entered and processed without review and approval.
- Remove terminated employees from the system in a timely manner to ensure that they are not paid inappropriately.

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- Adhere to university-established policies by centrally maintaining employee personnel records.

08-30

Arizona State University should strengthen controls over security, access, and change management for its new computer systems

Arizona State University implemented two systems, a student information system in April 2007 and, as discussed in item 08-29, a human resources and payroll system in July 2007. The systems initiate, record, process, and report financial data related to human resources, payroll, and student enrollment and financial assistance. These systems also contain sensitive and confidential information, such as employees' and students' social security numbers. Therefore, it is critical that these systems and the information they contain are secured and protected from unauthorized access, use, and modification. However, the University did not have adequate internal controls over system security, logical access, and change management.

Security

Information technology security practices are important to protect the University's computer systems and the sensitive and confidential information which is stored on them, including information associated with over 64,300 students and nearly 25,000 faculty and staff. The University entered into an agreement with an out-of-state service organization to host its systems, thereby utilizing the service organization's facilities and hardware to run its applications. Services provided by this organization were done with the assumption that certain internal controls would be implemented by the University. However, the University did not fully implement all of the controls that were necessary to complement the service organization's controls. In particular, the University did not have a formal business continuity strategy and written policies and procedures for assessing, identifying, and mitigating security risk for its systems and had not performed a security risk assessment of these systems.

Logical Access

Logical access controls, such as those associated with identification, authentication, and authorization, are critical for protecting sensitive information and preventing and detecting unauthorized use of and modification to systems and the data they contain. Proper logical access controls help ensure that only authorized users have the ability to read, create, or modify data in a system, and that no one individual has the ability to make changes to critical data without an independent review. The University required users to have unique identifications and passwords to gain access to its human resources and payroll and student information systems. However, the University did not install the automated lock-out features on these systems, leaving them vulnerable to unauthorized access through deliberate and persistent attempts to gain access. Further, the University did not have adequate procedures for removing users' system access after users terminated employment or transferred jobs within the University. Finally, the University did not have procedures for defining, assigning, and approving user access roles and responsibilities in the system to ensure proper separation of responsibilities. For example, auditors noted two employees who were involved in the system's development and implementation who also were able to make changes in the human resources and payroll system, such as adding employees or increasing salaries, and process payroll.

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Change Management

To help ensure that an information system functions as designed, it is essential that program changes to the system be properly documented, authorized, tested, and approved before modifications are made. Although program changes are necessary to ensure systems continue to function as intended, particularly when implementing new systems, the University did not have adequate written policies and procedures for making and implementing changes to its human resources and payroll and student information systems. While program changes are made by the University's out-of-state service organization, it is the responsibility of the University to manage and test any system modifications prior to being put into use. Auditors noted several instances for which the University did not have documentation or other evidence to support that it approved the changes. In addition, the University did not test program changes and, as a result, it did not document testing procedures and test results. Further, the University did not require system changes, including those initiated by the service organization, to be independently reviewed to verify that changes were consistently documented, authorized, tested, and approved before being put into use.

This finding is considered a material weakness over financial reporting.

To help strengthen controls over security, access, and change management for its new computer systems, the University should:

Security

- Establish a formal business continuity strategy.
- Develop and implement written policies and procedures for assessing, identifying, and mitigating security risks for the systems.
- Perform a security risk assessment of the systems, including the Web-based applications used to grant access to these systems, as mentioned in finding 08-31.

Logical Access

- Implement automated features within the systems to lock-out users' access accounts after a certain number of failed access attempts in order to reduce the likelihood of unauthorized access by potential attackers.
- Remove users' system access immediately after users terminate employment or are transferred to other jobs within the University.
- Develop procedures to ensure proper separation of responsibilities by defining, assigning, and approving user access roles and responsibilities in the systems.

Change Management

- Develop and implement written policies and procedures for making program changes to the systems. These procedures should require that program changes are documented, authorized, tested, and approved prior to implementation.

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- Perform an independent review of all system changes, including those initiated by the service organization, to ensure that those changes are consistently documented, authorized, tested, and approved before being put into use.

08-31

Arizona State University needs to improve controls over its Web-based application used to grant access to its computer systems

The human resources and payroll and student information systems contain financial information that is reported in Arizona State University's financial statements. They also contain personal sensitive information, such as student, faculty, and staff social security numbers. One particular Web-based application is used to provide system users with access to these systems. As reported in the Auditor General's performance audit report, *Arizona's Universities—Information Technology Security*, this Web-based application was vulnerable because a combination of weaknesses could allow unauthorized access to the University's computer systems and the sensitive financial and personal information they contain. In addition, the University had not performed a security risk assessment of the Web-based portions of the payroll and student information systems as mentioned in finding 08-30.

This finding is considered a material weakness over financial reporting.

While the University has taken corrective action to address the specific Web-based vulnerabilities identified in our performance audit report, these security weaknesses existed for most of the fiscal year. The University should continue its efforts for ensuring its systems and financial and sensitive information they contain are protected from unauthorized access and use. Additionally, these efforts should specifically include performing security assessments of the Web-based portions of the human resources and payroll and student information systems. The University should also develop procedures to ensure security reviews are conducted on a regular basis, to assess whether security controls are functioning effectively, and to ensure problems found are resolved.

08-32

Arizona State University should strengthen controls over access, program changes, and disaster recovery for its financial accounting system

Arizona State University's financial accounting system is central to its daily operations. Faculty and staff use the financial accounting system to order goods and services, bill departments for goods and services provided, fiscally manage sponsored program research accounts, summarize transactions recorded on the University's other systems, and prepare its financial statements for the public and stakeholders. However, the University did not have adequate internal controls over logical access, program changes, and disaster recovery to protect this system against data loss; to prevent unauthorized access to, use of, and changes to the system; and to ensure that operations continue and information is recovered in the event of a disaster.

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Logical Access

Logical access controls are critical for preventing or detecting unauthorized use of and modification to systems and the data they contain. Proper logical access controls help ensure that only authorized users have the ability to read, create, or modify data in a system, and that no one individual has the ability to make changes to critical data without an independent review. Thus, the activities of users, particularly those individuals having high levels of system access, should be monitored. However, the University did not monitor the activities of two employees having high levels of system access, including the ability to change data directly within the database. Further, database changes were not documented, monitored, or properly authorized. In addition, the University did not deactivate an employee's administrative access privileges after placing the employee on administrative leave and relieving the employee of his or her duties; however, the University removed this individual's access upon notification by the auditors. Finally, the University did not maintain a complete and accurate listing or history of users with access to the financial accounting system. Auditors noted that there were employees with access that were not on the University's authorized user list.

Program Changes

Effective change management controls should ensure that program changes and changes to financial data are valid, meet user needs, and are subject to review and independent approval. Additionally, it is important to maintain a separation of responsibilities between the individual programmers who develop and test the program changes and the employees who implement the changes. However, this was not done. Also, computer program change requests were not initiated in writing or otherwise documented. In addition, testing procedures, test results, and final approvals to put changes into use were not always documented. Finally, there were no independent reviews of program changes.

Disaster Recovery

Effective disaster recovery ensures that critical systems can continue if hardware or software fails or other interruptions occur. It is critical for the University to have an up-to-date disaster recovery plan in place to provide continued operations and business continuity in the event of a major system failure or disaster. However, the University's disaster recovery plan for its financial accounting system has not been updated and tested since April 2006.

This finding is considered a material weakness over financial reporting.

To help protect its financial accounting system against data loss, help prevent unauthorized access and changes to the system, and to help ensure operations continue and information is recovered in the event of a disaster, the University should:

Logical Access

- Monitor the activities of those employees having high levels of system access, including the ability to change data directly within the database. Further, changes to critical fields in the database should be documented and monitored to ensure all changes are properly authorized. Access to this documentation should be restricted so that employees with the ability to make database changes cannot change the documentation.
- Revoke all access privileges for employees who are placed on administrative leave immediately.

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- Ensure that existing procedures for controlling and granting access to the financial accounting system provide the University with the ability to accurately identify all users having system access at a given point in time.

Program Changes

- Document, authorize, test, review, and approve program changes to the system before they are put into use.
- Ensure that an adequate separation of responsibilities exists between those who authorize, design, and develop program changes and those who put the changes into use.

Disaster Recovery

- Review, update, and test the disaster recovery plan for the financial accounting system at least annually.

08-33

Northern Arizona University should improve controls over its computer systems

Northern Arizona University processes and stores sensitive student, financial, and personnel data on its computer systems. Therefore, the University should ensure that its Advantage accounting system functions as designed by properly authorizing, testing, reviewing, and approving modifications to the application software before implementation. Further, it is essential that physical access to the University's central computing Data Center be properly authorized. The University used a Service Order System (SOS) to track application software changes to the Advantage accounting system; however, not all changes were made through the SOS since changes could be made by multiple users without an SOS request. Further, there was no log or generated report to document all application software changes requested and made. Consequently, the University was unable to ensure that all application software changes were authorized, tested, reviewed, and approved. Additionally, the University was unable to support the listing of employees given access to its central computing Data Center.

This finding is considered a material weakness over financial reporting.

To help ensure that the Advantage accounting system reports complete and accurate information and that physical access over the Data Center is granted only to appropriate personnel, the University should establish, implement, and enforce formal written policies and procedures to ensure that management and users:

- Authorize, test, review, and approve all application software changes prior to implementation. In the event of an emergency, ensure the nature of the emergency and that any changes made are subsequently documented, reviewed, and approved.
- Monitor all application software change requests with a log or report tracking system to ensure that all requests have been authorized, assigned resources, tested, reviewed, and approved.

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- Maintain documentation to support that application software changes were authorized, tested, reviewed, and approved.
- Maintain support for the listing of those employees who have authorized access to the University's central computing Data Center and periodically review that listing to help ensure access is restricted to only essential personnel.

08-34

The University of Arizona should improve its internal controls over purchasing

The University of Arizona purchases over \$200 million each year from thousands of different vendors. To help ensure that the University receives quality goods and services at the best possible price, it needs to strictly follow its purchasing policies and procedures and comply with laws and regulations. The University is responsible for complying with the State's procurement laws as well as Arizona Board of Regents procurement policies and procedures. Also, the University has developed internal policies and procedures to help ensure that it complies with these requirements. However, we found that the University did not always follow its policies or had not developed adequate policies and procedures concerning competitive bidding, purchasing cards, and conflicts of interest.

Competitive Bidding

The Arizona Board of Regents' University Procurement Code requires competitive sealed bidding for purchases exceeding \$50,000. Additionally, the University's policies and procedures require written quotations for purchases between \$25,000 and \$50,000. However, the University's procedures were not always followed. For example, auditors found that the University improperly renewed an expired maintenance contract exceeding \$50,000 without obtaining the required competitive sealed bids. In addition, for a purchase that was between \$25,000 and \$50,000, the University obtained the required three written quotations. However, the University did not purchase from the vendor who provided the lowest quotation and did not maintain any documentation justifying why it was beneficial to buy the more expensive items.

Purchasing Cards

The University uses purchasing cards extensively and has detailed policies and procedures to help ensure that purchasing cards are used appropriately. The policies include transaction spending limits for cardholders and prohibitions on splitting purchases to avoid exceeding a cardholder's approved transaction limit. However, the University's controls were not always sufficient to detect whether expenditures were split when cardholders made purchases. For example, auditors noted one instance in which the cardholder made a purchase above the designated transaction spending limit because the vendor split the single purchase into two separate charges, each below the limit.

Conflicts-of-Interest

State law requires that the University's employees make it known when they have substantial interests, such as ownership, in vendors from which the University might purchase goods and services. In addition, university policies and procedures require employees to report any substantial interest with potential vendors by filing conflict-of-interest statements with the University's Procurement and Contracting Services

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Department. Those employees must then refrain from participating in or approving any purchases from those vendors. However, the University did not have adequate procedures to ensure that employees with substantial interests were not involved in approving or making purchases from those vendors. For example, auditors noted one employee who was allowed to make a purchase directly from a business of which he was part owner.

The University should strengthen its internal controls over purchasing. Specifically, the University should ensure that it implements and practices the following procedures.

Competitive Bidding

- Communicate existing university procurement policies and procedures by providing training to employees involved in the procurement process. Training should emphasize that competitive sealed bids are required for purchases over \$50,000, and written price quotations are required for purchases between \$25,000 and \$50,000. Also, vendors providing the lowest quotation should be selected unless appropriate documentation is maintained supporting why another vendor was selected.

Purchasing Cards

- Reinforce existing university policies prohibiting the splitting of purchasing card purchases to avoid exceeding the purchasing card's transaction limit.
- Develop policies and procedures to monitor purchasing card activity to detect when splitting of purchasing card transactions occurs.
- Take corrective action, such as canceling or suspending the cardholder's purchasing card privileges, when the cardholder splits purchases to circumvent the spending limit.

Conflicts-of-Interest

- Require all current employees, at least annually, to review the conflict-of-interest statement form to determine if their current circumstances require them to revise their prior disclosure or disclose a substantial interest for the first time.
- Create a comprehensive and easily accessible list of employees who have disclosed a substantial interest in a potential vendor.
- Communicate to employees with substantial interests in potential vendors that they are required to remove themselves from any purchasing decisions or approvals with those vendors.
- Develop policies and procedures to monitor that employees were appropriately involved in the purchasing process.

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The other auditors who audited the Department of Transportation reported the following material weakness:

08-35

Department of Transportation

Liabilities not accrued

Criteria: The design and operation of the components of internal control over financial reporting should reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material to the financial statements may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Condition: Certain liabilities relating to the reporting year were not accrued. Management has a process wherein expenditures incurred during the fiscal year that are not paid until after year-end are reviewed based upon purchase orders in the accounts payable system. However, management did not have a control designed to capture and accrue for certain expenditures that did not have purchase orders in the accounts payable system, which also included contingent liabilities for contract litigation cases that are not covered by the State of Arizona's self-insurance program. This resulted in a material amount of liabilities not being accrued as of June 30, 2008.

Context: This finding was identified as a result of audit tests, including (1) sampling disbursements made subsequent to June 30, 2008, and determining whether those disbursements related to the year ended June 30, 2008, and (2) obtaining documentation from the State of Arizona Attorney General's office regarding the nature and status of litigation relating to the Department.

Effect: Other accrued liabilities and expenditures were inadvertently understated by \$21.8 million. This resulted in management recording adjusting entries to correct this error in the June 30, 2008, financial statements.

Cause: Management did not have procedures in place to identify and accrue liabilities that did not have purchase orders.

Recommendation: We recommended that management strengthen its policies and procedures over identifying and recording potential liabilities that do not require purchase orders.

Views of Responsible Officials and Planned Corrective Actions: The issue related to accrued expenditures relates to a misinterpretation of when an expenditure was incurred. In two situations, it was erroneously believed that certain expenditures did not come due until the fiscal year in which they were paid. A better understanding of what constitutes an accrued expenditure has been provided and will help in the process. Also, Right-Of-Way staff has been directed to develop a comprehensive listing of all potential accrued expenditures and provide those to Financial Management Services for review. Ancillary to this process, a substantial number of payments that were previously made without purchase orders will now have a purchase order issued. As a further control, those purchase orders will be created with a unique prefix identifier so that they are more visible to management.

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The matter relating to the status of contingent liabilities for contract litigation cases that are not covered by that State of Arizona's self-insurance program will be handled in the following manner. Financial Management Services will require that State Engineer's Office to prepare a quarterly list of all contract litigation cases. This list will be reviewed and updated with the current status of each case. At June 30, a determination will be made regarding the potential liability for each claim, and appropriate entries will be made at that time.

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University—Affiliated Component Unit Findings

The other auditors who audited the Arizona State University Foundation reported the following significant deficiency. The Arizona State University Foundation is reported in the State's financial statements as a discretely presented component unit. This finding was included since the activity of this university-affiliated component unit was material to the State of Arizona.

08-36

Arizona State University Foundation

Audit Adjustment

In conformity with APB Opinion No. 21, *Interest on Receivables and Payables*, the discount rate that is determined at the time the pledges receivable are initially recognized should not be revised subsequently. During 2008, the discount rates used to calculate the present value for fiscal year 2008 on pledges receivables recognized in prior years were not consistent with the discount rates previously used to calculate the present value on those same pledges receivable in prior years. Accordingly, an audit adjustment was proposed to correct this error. The effect of this adjustment was to increase the discount on pledges receivable and decrease contribution support by approximately \$4,100,000. We recommend that management implement a control procedure that would provide for the review of the calculation of the present value discount on long-term pledges receivable by a member of the accounting staff who is at an appropriate level to detect such errors.

Management response: Foundation management agrees with the findings described above. The discount rates used to calculate the present value of the pledges receivable were inadvertently taken from an earlier version of the discount calculation, which had been used to analyze an alternative method for quantifying pledges receivable. The incorrect rates were not identified during review of the final calculation. The accounting staff has been educated, and an additional review process has been implemented to ensure that correct rates are used in the future. Additionally, this calculation will be performed and reviewed periodically throughout the fiscal year in order to identify problems and to allow staff to calculate this more frequently, enabling better understanding and review.

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Federal Award Findings and Questioned Costs

08-101

Food Stamp Cluster:

CFDA No.: 10.551 **Food Stamps**

10.561 **State Administrative Matching Grants for Food Stamp Program, # 7AZ400AZ4**

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**

CFDA No.: 10.664 **Cooperative Forestry Assistance, #s 04DG11031600-034, 05DG11031600-036, 04DG11031600-063, 05DG11031600-077, 05DG11111169-076, 06DG11031600-119, 06DG11031600-112, 07DG11031600-138, and 08DG11031600-143**

U.S. Department of Agriculture

Award Period: October 1, 2003 through September 30, 2008

June 25, 2004 through December 31, 2007

October 1, 2004 through December 31, 2009

May 16, 2005 through December 31, 2007

July 31, 2005 through September 30, 2008

October 1, 2005 through September 30, 2009

October 1, 2005 through December 31, 2009

October 1, 2006 through September 30, 2007

October 1, 2006 through September 30, 2009

October 1, 2007 through September 30, 2008

October 1, 2007 through September 30, 2011

Highway Planning and Construction Cluster:

CFDA No.: 20.205 **Highway Planning and Construction, Various**

U.S. Department of Transportation

Award Period: Various

CFDA No.: 66.458 **Capitalization Grants for Clean Water State Revolving Funds, #s CS04000106 and CS04000107**

CFDA No.: 66.468 **Capitalization Grants for Drinking Water State Revolving Funds, #s FS99990203, FS99990206, and FS99990207**

U.S. Environmental Protection Agency

Award Period: October 1, 2003 through June 30, 2010

June 15, 2006 through June 30, 2016

July 1, 2006 through June 30, 2014

July 16, 2007 through June 30, 2013

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CFDA No.: 84.002 Adult Education—State Grant Program, #s V002A050003, V002A060003, and V002A070003

CFDA No.: 84.010 Title I Grants to Local Educational Agencies, #s S010A050003, S010A060003, and S010A070003

CFDA No.: 84.011 Migrant Education—State Grant Program, #s S011A050003, S011A060003, and S011A070003

Special Education Cluster (IDEA):

CFDA No.: 84.027 Special Education—Grants to States, #s H027A050007, H027A060007, and H027A070007

84.173 Special Education—Preschool Grants, #s H173A050003, H173A060003, and H173A070003

CFDA No.: 84.126 Rehabilitation Services—Vocational Rehabilitation Grants to States, #s H126A060002, H126A070002, and H126A080002

CFDA No.: 84.367 Improving Teacher Quality State Grants, #s S367A050049, S367A060049, and S367A070049

U.S. Department of Education

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

October 1, 2005 through September 30, 2007

July 1, 2006 through September 30, 2007

October 1, 2006 through September 30, 2008

July 1, 2007 through September 30, 2008

October 1, 2007 through September 30, 2009

CFDA No.: 93.268 Immunization Grants, #s 5H23/IP922545-05 and H23/CCH922545-04

CCDF Cluster:

CFDA No.: 93.575 Child Care and Development Block Grant, #s G0601AZCCDF, G0701AZCCDF, and G0801AZCCDF

93.596 Child Care Mandatory and Matching Funds of the Child Care and Development Fund, #s G0601AZCCDF, G0701AZCCDF, and G0801AZCCDF

CFDA No.: 93.667 Social Services Block Grant, #s G0701AZSOSR and G0801AZSOSR

CFDA No.: 93.767 State Children's Insurance Program

Medicaid Cluster:

CFDA No.: 93.775 State Medicaid Fraud Control Units

CFDA No.: 93.777 State Survey and Certification of Health Care Providers and Suppliers

CFDA No.: 93.778 Medical Assistance Program

U.S. Department of Health and Human Services

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

October 1, 2007 through September 30, 2008

Homeland Security Cluster:

CFDA No.: 97.004 State Domestic Preparedness Equipment Support Program, #s 2003-MU-T3-0034 and 2004-GE-T4-0051

97.067 Homeland Security Grant Program, #s 2005-GE-T5-0030 and 2007-GE-T7-0006

U.S. Department of Homeland Security

Award Period: May 1, 2003 through August 31, 2006

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December 1, 2003 through May 31, 2007
October 1, 2004 through March 31, 2008
July 7, 2007 through June 30, 2010

Allowable Costs/Cost Principles

Questioned Cost: \$500,995

The State of Arizona did not comply with the allowable costs/cost principles requirements with respect to general agency counsel service costs provided by the Office of the Attorney General 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 the costs of general agency counsel services. Reimbursements were obtained by charging 0.675 percent of each applicable agency's total payroll expenditures, including those paid with federal monies, each pay period. These charges were not allowable according to OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, Attachment A, paragraphs C.1.b and 3.a., because the costs were not charged to the agencies based on the relative benefits received. During fiscal year 2008, these charges totaled \$500,995, including \$121,554 for the major programs listed above and \$379,441 for all other federal programs.

This finding is 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. However, this finding was not considered to be caused by the federal programs' administration since the noncompliance resulted from a statutory requirement that these programs be charged for general agency counsel service costs. This finding is similar to a prior year finding.

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 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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08-102

Food Stamp Cluster:

CFDA No.: 10.551 **Food Stamps**

10.561 **State Administrative Matching Grants for Food Stamp Program, # 7AZ400AZ4**

U.S. Department of Agriculture

Award Period: October 1, 2007 through September 30, 2008

Special Tests and Provisions

CFDA No.: 93.558 **Temporary Assistance for Needy Families, #s G0702AZTANF and G0802AZTANF**

U.S. Department of Health and Human Services

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

October 1, 2007 through September 30, 2008

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

Questioned Cost: \$10,275

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 Temporary Assistance for Needy Families (TANF) cash assistance benefits to ensure that benefits were only issued to eligible recipients. Auditors performed observations at 10 of the 102 FAA offices in February and March 2008 and noted that these offices did not always document the issuance of EBT cards in the computer system or on the issuance log. In addition, in 6 offices, the EBT processors, eligibility interviewers, or front desk intake workers did not log off the eligibility verification system when the computers were left unattended. Further, in 1 office, the customer service representative discussed the issuance of an EBT card with the recipient's spouse who was not the primary beneficiary or an authorized representative. In another office, the EBT card issuance log was not signed by 2 recipients who received EBT cards, and in 2 offices, EBT cards were not safeguarded. Further, during the period July 1, 2007 through June 30, 2008, three employees manipulated the eligibility computer system for personal use and defrauded the Division out of \$10,010 in TANF support service payments and \$265 in food stamps benefits. The Department referred matters to the Office of the Attorney General for further investigation and prosecution.

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 Stamp Cluster's special tests and provisions requirements. 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 Stamp 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 to 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.

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08-103

Food Stamp Cluster:

CFDA No.: 10.551 **Food Stamps**

10.561 **State Administrative Matching Grants for Food Stamp Program, # 7AZ400AZ4**

U.S. Department of Agriculture

Award Period: October 1, 2007 through September 30, 2008

Special Tests and Provisions

Questioned Cost: \$18,731

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 1 of 64 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 a \$99 benefit overpayment. In addition, for another 5 recipients, the Division did not retain documents to support their benefit authorizations totaling \$18,632.

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 08-102, this finding is a material weakness in internal control over compliance and material noncompliance with the 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 Division 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.

08-104

WIA Cluster:

CFDA No.: 17.258 **WIA Adult Program, #s AA-14662-05-55, AA-15466-06-55, and AA-16015-07-55-A-4**

17.259 **WIA Youth Activities, #s AA-14662-05-55, AA-15466-06-55, and AA-16015-07-55-A-4**

17.260 **WIA Dislocated Workers, #s AA-14662-05-55, AA-15466-06-55, and AA-16015-07-55-A-4**

U.S. Department of Labor

Award Period: April 1, 2005 through June 30, 2008

April 1, 2006 through June 30, 2009

April 1, 2007 through June 30, 2010

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 ensure the quarterly ETA-9130 financial reports for the Workforce Investment Act (WIA) Cluster were accurately prepared and submitted by the deadline.

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Specifically, for 9 of 20 quarterly ETA-9130 financial reports tested, the Division could not provide supporting documentation for amounts presented on the local ETA-9130 quarterly financial reports. Therefore, auditors were unable to determine if the reports were accurate. Further, auditors noted that 7 of the 20 quarterly ETA-9130 financial reports tested were submitted 5 to 14 days after the 45-day deadline.

This finding did not result in questioned costs since the ETA-9130 financial reports were not used to request reimbursement of federal expenditures. This finding is a material weakness in internal control over compliance and material noncompliance with the cluster's reporting requirements.

To comply with the 20 CFR §667.300 and the ETA-9130 reporting instructions, the Division should:

- Develop detailed written procedures for preparing ETA-9130 reports that include retaining documentation that supports the amounts reported.
- Develop a written timeline for report preparation that allows enough time to ensure that reports are submitted to the U.S. Department of Labor by the required deadline.

08-105

WIA Cluster:

CFDA No.: 17.258 WIA Adult Program, #s AA-14662-05-55, AA-15466-06-55, and AA-16015-07-55-A-4

17.259 WIA Youth Activities, #s AA-14662-05-55, AA-15466-06-55, and AA-16015-07-55-A-4

17.260 WIA Dislocated Workers, #s AA-14662-05-55, AA-15466-06-55, and AA-16015-07-55-A-4

U.S. Department of Labor

Award Period: April 1, 2005 through June 30, 2008

April 1, 2006 through June 30, 2009

April 1, 2007 through June 30, 2010

Subrecipient Monitoring

Questioned Cost: Unknown

The Department of Economic Security, Division of Employment and Rehabilitation Services, did not always follow its internal control policies and procedures to ensure compliance with subrecipient monitoring requirements for the WIA Cluster. Specifically, for 2 of 19 subrecipients tested, the Division did not retain evidence of its communication with subrecipients regarding corrective action plans for WIA single audit findings. Additionally, the Division is obligated to require prompt corrective action from its subrecipients when it identifies instances of noncompliance during its on-site monitoring reviews. However, for 4 of 19 subrecipients tested, the Division did not retain evidence to support it followed up with unresponsive subrecipients or that its subrecipients had taken corrective action.

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.

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To comply with 20 CFR §§667.200(b) and 667.410(b), the Division should enforce its policies and procedures to ensure it retains evidence of communication with its subrecipients regarding single audit findings and noncompliance identified during on-site monitoring reviews.

08-106 CFDA No.: 17.225 Unemployment Insurance, #s UI-14421-05-55, UI-15108-06-55, UI-15785-07-55, and UI-16733-08-55 U.S. Department of Labor Award Period: October 1, 2004 through September 30, 2007 October 1, 2005 through September 30, 2008 October 1, 2006 through September 30, 2009 October 1, 2007 through September 30, 2010 Reporting	Questioned Cost: N/A
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The Department of Economic Security, Division of Employment and Rehabilitation Services, did not always follow its policies and procedures to ensure that reports were submitted in a timely manner or that information reported was supported by the Division's records. Specifically, seven ETA 2112–UI Financial Transaction Summary reports were submitted between 14 to 56 days late, one ETA 581–Contribution Operations report was submitted 9 days late, and one ETA 227–Overpayment Detection and Recovery Activities report was submitted 4 days late. Additionally, the Division was unable to provide supporting documentation for various financial and nonfinancial data reported in two ETA 581–Contribution Operations reports, two ETA 227–Overpayment Detection and Recovery Activities reports, and two ETA 2208A–Quarterly UI Contingency Reports.

This finding did not result in questioned costs since these reports were 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.

To comply with 29 CFR §97.20(b)(6) and the U.S. Department of Labor's ET Handbook No. 336, *Unemployment Insurance State Quality Service Plans Handbook*, and ET Handbook No. 401, *Unemployment Insurance Reports Handbook*, the Division should ensure that the reports are submitted by the required deadline and that documentation is maintained for all financial and nonfinancial data included on the reports.

State of Arizona
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08-107

CFDA No.: 84.126 **Rehabilitation Services—Vocational Rehabilitation Grants to States, #s H126A060002, H126A070002, and H126A080002**

U.S. Department of Education

Award Period: October 1, 2005 through September 30, 2007
October 1, 2006 through September 30, 2008
October 1, 2007 through September 30, 2009

Eligibility

Questioned Cost: N/A

The Department of Economic Security, Division of Employment and Rehabilitation Services, did not always follow its internal control policies and procedures to ensure compliance with eligibility requirements. As a result, for 6 of 55 applicants tested, auditors noted that the Division did not determine the applicants' eligibility for vocational rehabilitation services within 60 days of the application submission dates. Specifically, it took the Division between 63 and 83 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 signed by both the Division and applicant or evidence of 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.

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 an applicant's eligibility cannot be determined within 60 days, the Division should maintain documentation indicating why it exceeded the 60-day period.

08-108

CFDA No.: 84.126 **Rehabilitation Services—Vocational Rehabilitation Grants to States, #s H126A060002, H126A070002, and H126A080002**

U.S. Department of Education

Award Period: October 1, 2005 through September 30, 2007
October 1, 2006 through September 30, 2008
October 1, 2007 through September 30, 2009

Reporting

Questioned Cost: N/A

The Department of Economic Security, Division of Employment and Rehabilitation Services and the Financial Services Administration, did not always follow its internal control policies and procedures to accurately complete the RSA-2 Program Cost Report and the SF-269 Financial Status Report submitted during the year ended June 30, 2008. Specifically, the Division overstated the total Section 110 monies expended on services by \$4,793,528 on the December 2007 RSA-2 Program Cost Report. In addition, the Administration understated the cumulative innovation and expansion activities by \$1,724,839 on the March 31, 2008, SF-269 Financial Status Report.

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This finding did not result in a questioned cost because the RSA-2 Program Cost Report and the SF-269 Financial Status Report were 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.

To help comply with 29 U.S. Code 721(a)(10) and 34 CFR §361.40, the Division should review all reports for accuracy before they are submitted to the U.S. Department of Education.

08-109

CFDA No.: 93.558 **Temporary Assistance for Needy Families, #s G0702AZTANF and G0802AZTANF**
U.S. Department of Health and Human Services

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

Special Tests and Provisions

Questioned Cost: N/A

The Department of Economic Security, Division of Benefits and Medical Eligibility, is required to request income and benefit information through automated data exchanges with other federally assisted programs and federal agencies and to use this information for identifying ineligible recipients, thereby preventing incorrect payments. However, the Division did not always follow its internal control policies and procedures to ensure that the required data was received, used, and maintained in accordance with federal regulations. Although the Division retained documents in the recipients' case files supporting its eligibility and benefit determinations in 7 of 65 case files tested, the Division did not retain documents supporting its verification of wage and unemployment compensation through the data exchange. In addition, the Division did not document the effects of its verification and comparison of applicants' and recipients' unearned income records with federal tax return information on eligibility and benefit determinations.

This finding is a material weakness in internal control over compliance and material noncompliance with the program's special tests and provisions requirements.

To comply with 45 CFR §§205.55(a) and 205.60(a), and 42 U.S. Code 1320b-7, the Division should inform its employees of its policies and procedures for using and documenting the data exchange process and monitor adherence with those procedures.

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08-110

CFDA No.: 93.558 Temporary Assistance for Needy Families, #s G0702AZTANF and G0802AZTANF
93.645 Child Welfare Services—State Grants, # G0801AZ1400
93.658 Foster Care—Title IV-E, #s 0701AZ1401 and 0801AZ1401
93.667 Social Services Block Grant, #s G0701AZSOSR and G0801AZSOSR

U.S. Department of Health and Human Services

Award Period: October 1, 2006 through September 30, 2007
January 1, 2007 through December 31, 2007
October 1, 2007 through September 30, 2008
October 1, 2007 through September 30, 2009

Activities Allowed or Unallowed and Allowable Costs/Cost Principles

Questioned Cost: \$14,732

The Department of Economic Security, Division of Children, Youth, and Families, did not always follow its internal control procedures to ensure that only allowable costs for employees on educational leave were allocated to its federal programs or that the expenditures for leave were charged accurately to federal programs. Although expenditures for employees on educational leave are allowed by the Foster Care—Title IV-E program, the Division has a more restrictive educational policy specifying that employees on educational leave receive 80 percent of their salary and should not receive other additional compensation, such as overtime or per diem. However, the policy is unclear as to whether supplementary pay, such as stipends and performance pay, is allowable. Auditors determined that employees on educational leave received payments for stipends and overtime as well as receiving more than the 80 percent limitation of regular salary. As a result of the Division's lack of controls, \$14,732 in unallowable personal services and employer-related expenditures were incorrectly allocated to other federal and nonfederal programs. Auditors were unable to determine the federal portion of the questioned costs incorrectly allocated to various programs during the year. Further, employees did not always record educational leave on their time sheets to the appropriate expenditure account codes, and the employees' supervisors did not detect these errors when reviewing employee time sheets. Therefore, payroll expenditures for Foster Care—Title IV-E employees on educational leave were incorrectly allocated to the TANF, Child Welfare Services—State Grants (CWS), and Social Services Block Grant (SSBG) programs. Subsequent to the 2008 fiscal year-end, the Division made corrections for both allowable and unallowable charges; however, the corrections were inaccurate.

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 for the Division and the Foster Care—IV-E program and not a control deficiency in internal control over compliance for the TANF, CWS, and SSBG federal programs; however, this finding does result in 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 2 CFR 225, Appendix B, §8.a.(1), 8.d.(2), Appendix A, §C.3.a., 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 accurately to the Foster Care—Title IV-E program.

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08-111

CFDA No.: 93.563 **Child Support Enforcement, #s G0704AZ4004 and G0804AZ4004**

U.S. Department of Health and Human Services

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

October 1, 2007 through September 30, 2008

Special Tests and Provisions

Questioned Cost: N/A

The Department of Economic Security, Division of Child Support Enforcement, did not always follow its internal control policies and procedures to ensure compliance with special tests and provisions requirements for establishing support obligations, enforcing medical support obligations and interstate services, and establishing new cases. Auditors selected 75 child support cases and tested 1 to 14 specific special tests and provisions requirements that were applicable to each case. Auditors noted inconsistent application of the Division's internal control procedures and noncompliance with special tests and provisions requirements for 7 of those 75 child support cases. Specifically, for 2 cases, the Division did not refer the noncustodial parent to the Office of the Attorney General or pursue other actions to establish a child support order within 90 calendar days after it located the noncustodial parent. In addition, for 2 cases, the Division did not issue a National Medical Support Notice to the noncustodial parent's employer to enforce medical support obligations required by the child support order. Further, for 1 case, the Division did not refer an interstate IV-D case to the applicable state's interstate central registry for action within 20 days after it determined the noncustodial parent was in a different state. Finally, for 2 cases, the Division failed to establish new cases within 20 days after receiving a case referral or an application. Specifically, the Division took 32 and 49 days to complete this process.

This finding is a material weakness in internal control over compliance and material noncompliance with the program's special tests and provisions requirements.

To help ensure compliance with 45 CFR §§303.2(b), 303.4(d), 303.7(b)(2), 303.31(b)(7), and 303.32(a), the Division should enforce its policies and procedures. Specifically, the Division should regularly monitor all child support cases to ensure proper action is taken to meet the deadlines for establishing support obligations, enforcing medical support obligations and interstate services, and establishing new cases.

08-112

CFDA No.: 93.563 **Child Support Enforcement, #s G0704AZ4004 and G0804AZ4004**

U.S. Department of Health and Human Services

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

October 1, 2007 through September 30, 2008

Activities Allowed or Unallowed and Allowable Costs/Cost Principles

Questioned Cost: \$4,610

The Department of Economic Security, Division of Child Support Enforcement, 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 \$4,610 for college courses did not meet these criteria.

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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 significant deficiency in internal control over compliance and noncompliance with the program's activities allowed or unallowed and allowable costs/cost principles requirements. This finding is similar to a prior year finding.

To comply 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.

08-113

Disability Insurance/SSI Cluster:

CFDA No.: 96.001 **Social Security—Disability Insurance, #s 040704AZDI00 and 040804AZDI00**

Social Security Administration

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

October 1, 2007 through September 30, 2008

Reporting

Questioned Cost: N/A

The Department of Economic Security, Disability Determination Services Administration, did not have adequate internal control policies and procedures to ensure its SSA-4514 Time Report of Personnel Services for Disability Determination Services was accurately prepared. Specifically, auditors noted the activity hours reported on the SSA-4514 report for the quarter ended September 30, 2007, did not agree to the timesheets for 7 of 20 employees tested. These errors resulted in an overstatement of 46.5 supporting hours worked and an understatement of 32 leave hours taken. Further, the Administration had an error in the formula used to calculate its full-time personnel administrative hours resulting in an overstatement of 319 hours for the fiscal year.

This finding did not result in a questioned cost since the SSA-4514 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 cluster's reporting requirements. This finding is similar to a prior year finding.

To comply with the Social Security Administration's Program Operations Manual System policy instructions §DI 39506.231, the Administration should:

- Establish a review process to ensure supporting data is accurately accumulated.
- Correct the formula error used to report personnel administrative hours.
- Assign a supervisor to review all reports for accuracy before the reports are submitted to the Social Security Administration.

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08-114

Disability Insurance/SSI Cluster:

CFDA No.: 96.001 Social Security—Disability Insurance, #s 040704AZDI00 and 040804AZDI00

Social Security Administration

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

October 1, 2007 through September 30, 2008

Allowable Costs/Cost Principles and Reporting

Questioned Cost: \$407

The Department of Economic Security, Disability Determination Services Administration, did not always follow its internal control policies and procedures to ensure that all program costs were charged to the correct fiscal year and reported accurately on the SSA-4513 State Agency Report of Obligations for SSA Disability Programs Report. Although the SSA-4513 report was not used to request reimbursement of federal expenditures, auditors noted that for 2 of 60 expenditures tested, \$3,880 was charged to and reported as expenditures for the incorrect award period. Specifically, \$92 of grant year 2007 expenditures, \$1,577 of grant year 2006 expenditures, \$1,830 of grant year 2005 expenditures, and \$381 of grant year 2004 expenditures were charged to and reported as fiscal year 2008 expenditures. Since the 2004 grant award had been previously closed and there were no remaining grant monies, this resulted in a questioned cost. Further, for 5 of 60 expenditures tested, the Administration paid the wrong amount. Auditors noted that the Administration paid \$34 less than it should have for 3 expenditures and paid \$26 more than it should have for 2 expenditures.

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 noncompliance with the program's allowable costs/cost principles and reporting requirements.

To comply with the Social Security Administration's Program Operations Manual System policy instructions, §§DI 39506.200 and 39506.202, the Administration should monitor compliance with its policies and procedures to help ensure all expenditures are charged to the appropriate grant year and are accurately reported. In addition, the Administration should establish a review process to detect errors between the supporting documentation and the amount paid, and ensure that the proper fee schedule rate is used.

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08-115

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, 2006 through September 30, 2007

October 1, 2007 through September 30, 2008

CFDA No.: 84.002 Adult Education—State Grant Program, #s V002A050003, V002A060003, and V002A070003

CFDA No.: 84.010 Title I Grants to Local Educational Agencies, #s S010A050003, S010A060003, and S010A070003

CFDA No.: 84.011 Migrant Education—State Grant Program, #s S011A050003, S011A060003, and S011A070003

Special Education Cluster (IDEA):

CFDA No.: 84.027 Special Education—Grants to States, #s H027A050007, H027A060007, and H027A070007

84.173 Special Education—Preschool Grants, #s H173A050003, H173A060003, and H173A070003

CFDA No.: 84.367 Improving Teacher Quality State Grants, #s S367A050049, S367A060049, and S367A070049

U.S. Department of Education

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

July 1, 2006 through September 30, 2007

July 1, 2007 through September 30, 2008

Questioned Cost: Unknown

The Department of Education's Child Nutrition Program (CNP) Web application, Grants Management Enterprise System application, and the School Finance budget application are used by internal and external users to apply for, approve, and disburse federal grant awards; record federal award expenditures and budget information; and report and monitor compliance with federal requirements. The Department grants logical access for these systems and applications to its users through a centralized gateway. Therefore, it is important that the Department has adequate internal control policies and procedures for granting access through this gateway to help protect these systems and applications and the data they contain from unauthorized access and modification, and to help ensure compliance with federal requirements. However, the Department did not have adequate policies and procedures for granting user access to its systems and applications through this centralized gateway. Specifically, the Department did not require users to periodically change passwords and did not always maintain a history of user access. Further, some internal users had access rights that were incompatible with their job responsibilities or that enabled them to change data without supervisory approval.

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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 material weakness in internal control over compliance with the programs' and clusters' activities allowed or unallowed, allowable costs/cost principles, cash management, reporting, and subrecipient monitoring requirements. In addition, this finding could potentially impact other federal programs the Department administers.

To strengthen access controls over its systems and applications, and to help ensure compliance with federal requirements, the Department should ensure that access granted to internal users is documented and authorized. The approval of access granted to internal users should ensure that responsibilities are adequately separated and that access is appropriate for the users' job responsibilities. In addition, the Department should ensure that access granted to external users for submitting, creating, and changing information on the Department's systems and applications is properly documented and authorized and is periodically evaluated and updated.

08-116

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, 2006 through September 30, 2007

October 1, 2007 through September 30, 2008

CFDA No.: 84.002 **Adult Education—State Grant Program, #s V002A050003, V002A060003, and V002A070003**

CFDA No.: 84.010 **Title I Grants to Local Educational Agencies, #s S010A050003, S010A060003, and S010A070003**

CFDA No.: 84.011 **Migrant Education—State Grant Program, #s S011A050003, S011A060003, and S011A070003**

Special Education Cluster (IDEA):

CFDA No.: 84.027 **Special Education—Grants to States, #s H027A050007, H027A060007, and H027A070007**

84.173 **Special Education—Preschool Grants, #s H173A050003, H173A060003, and H173A070003**

CFDA No.: 84.367 **Improving Teacher Quality State Grants, #s S367A050049, S367A060049, and S367A070049**

U.S. Department of Education

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

July 1, 2006 through September 30, 2007

July 1, 2007 through September 30, 2008

Subrecipient Monitoring

Questioned Cost: N/A

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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). During the year, the Department revised its policies and procedures to comply with these requirements; however, auditors noted the following deficiencies:

- The Department obtained single audit reports from subrecipients that expended at least \$500,000 in federal awards. However, for 1 of 37 subrecipients tested, the report was not issued within 9 months of the subrecipient's fiscal year-end and documentation was not retained to support that the Department tried to ensure audit requirements were met.
- For 2 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.

This finding is a significant deficiency in internal control over compliance and noncompliance with the programs' and clusters' subrecipient monitoring requirements and could potentially impact other federal programs the Department administers. 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.

08-117

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, 2006 through September 30, 2007

October 1, 2007 through September 30, 2008

Subrecipient Monitoring

Questioned Cost: N/A

The Department of Education is required to perform administrative reviews of subrecipients at least once during each 5-year cycle, provided each subrecipient is reviewed at least once every 6 years, in accordance with 7 CFR §§210.18(c)(1), 210.19(a)(4), and 215.11. Although the Department performed reviews every 6 years, it did not perform the required administrative reviews for 109 subrecipients during the current 5-year review cycle. The Department has changed its procedures to help ensure compliance with this requirement in fiscal year 2009.

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

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To help ensure compliance with the cluster's subrecipient monitoring requirements set forth in 7 CFR §§210.18(c)(1), 210.19(a)(4), and 215.11, the Department should implement procedures to include all subrecipients in its 5-year review plan to ensure that it performs the required administrative reviews of subrecipients within each 5-year review cycle.

08-118
CFDA No.: 84.002 Adult Education—State Grant Program #s V002A050003, V002A060003, and V002A070003
CFDA No.: 84.010 Title I Grants to Local Educational Agencies, #s S010A050003, S010A060003, and S010A070003
CFDA No.: 84.011 Migrant Education—State Grant Program, #s S011A050003, S011A060003, and S011A070003
Special Education Cluster (IDEA):
CFDA No.: 84.027 Special Education—Grants to States, #s H027A050007, H027A060007, and H027A070007
84.173 Special Education—Preschool Grants, #s H173A050003, H173A060003, and H173A070003
CFDA No.: 84.367 Improving Teacher Quality State Grants, #s S367A050049, S367A060049, and S367A070049
U.S. Department of Education
Award Period: July 1, 2005 through September 30, 2006 July 1, 2006 through September 30, 2007 July 1, 2007 through September 30, 2008
Cash Management and Subrecipient Monitoring
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 automated 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 2009 project before submitting amendments as follows:

- For 8 of 43 subrecipients tested for the Improving Teacher Quality State Grants program, the subrecipients had cash on hand ranging from \$36 to \$155,790.
- For 6 of 41 subrecipients tested for the Title I Grants to Local Educational Agencies program, the subrecipients had cash on hand ranging from \$156 to \$612,645.

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- For 2 of 48 subrecipients tested for the Migrant Education—State Grant Program, the subrecipients had cash on hand of \$5,059 and \$61,060.
- For 2 of 61 subrecipients tested for the Special Education Cluster (IDEA), the subrecipients had cash on hand of \$997 and \$11,325.

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 and subrecipient monitoring requirements and could potentially impact other programs the Department administers 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.

08-119 CFDA No.: 84.010 Title I Grants to Local Educational Agencies, #s S010A050003, S010A060003, and S010A070003 CFDA No.: 84.011 Migrant Education—State Grant Program, #s S011A050003, S011A060003, and S011A070003 CFDA No.: 84.367 Improving Teacher Quality State Grants, #s S367A050049, S367A060049, and S367A070049 U.S. Department of Education Award Period: July 1, 2005 through September 30, 2006 July 1, 2006 through September 30, 2007 July 1, 2007 through September 30, 2008 Subrecipient Monitoring and Special Tests and Provisions	Questioned Cost: N/A
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The Department of Education is responsible for ensuring that local education agencies (LEAs) consult with private schools within their boundaries to provide services to eligible private school children, their teachers, and their families in accordance with Section 1120(b)(4) of the Elementary and Secondary Education Act (ESEA) as amended by Public Law 107-110, the No Child Left Behind Act of 2001, and Section 9501 of the Uniform Provisions of the ESEA. The Department requires the LEA 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, the LEA should also inform the Department of that fact. The Department considered this information to determine whether the LEA met the respective programs' special tests and provisions requirements when approving the LEA's project applications. However, for 2 of 38 LEAs tested, the Department approved the LEA's 2008 project applications without obtaining the affirmations.

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This finding is a significant deficiency in internal control over compliance and noncompliance with the programs' subrecipient monitoring and special tests and provisions requirements. This finding is similar to a prior year finding.

To help ensure compliance with the programs' subrecipient monitoring and special tests and provisions requirements, the Department should verify that each LEA has submitted written affirmations for each participating private school consulted or affirmed that no eligible private schools were within the LEA's boundaries, in accordance with its policies, before the Department approves subsequent year project applications.

08-120
CFDA No.: 84.011 **Migrant Education—State Grant Program, #s S011A050003, S011A060003, and S011A070003**
U.S. Department of Education
Award Period: July 1, 2005 through September 30, 2006
 July 1, 2006 through September 30, 2007
 July 1, 2007 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. Additionally, the Department is responsible for having a quality control process in place that ensures the count's accuracy. Annually, in accordance with Section 9303 of the ESEA as amended by the No Child Left Behind Act of 2001, the Department prepares the Consolidated State Performance Report. This report is 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 data recorded on the COEstar system. Accordingly, the Department began monitoring the operating effectiveness of these controls at the service organization during fiscal year 2008, conducting reviews in October 2007 and April 2008. However, the migrant child count data reported during fiscal year 2008 was based on fiscal year 2007 data, which was not subject to these monitoring reviews. Further, the Department's quality control process did not include the review, verification, and tracking of noneligibility-related data until fiscal year 2009.

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.

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08-121

Special Education Cluster (IDEA):

CFDA No.: 84.027 Special Education—Grants to States, #s H027A050007, H027A060007, and H027A070007

84.173 Special Education—Preschool Grants, #s H173A050003, H173A060003, and H173A070003

U.S. Department of Education

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

July 1, 2006 through September 30, 2007

July 1, 2007 through September 30, 2008

Questioned Cost: N/A

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 to 21 who received special education and related services within the State using data from its Student Accountability Information System (SAIS). State statute requires the LEAs to submit their student level data to SAIS at least once every 20 school days. To validate the SAIS data's accuracy, the Department required the LEAs to sign verification letters indicating unduplicated student counts as of December 1. However, the Department did not have documentation to support that it reconciled the verification letters to the SAIS data to validate the accuracy of the Report of Children with Disabilities Receiving Special Education, Part B.

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

To help ensure compliance with 34 CFR §300.640, the Department should implement procedures for validating the accuracy of census data reported by the LEAs on the SAIS and used to prepare the Report of Children with Disabilities Receiving Special Education, Part B. In addition, the Department should retain documentation to support that this reconciliation is performed.

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08-122

Special Education Cluster (IDEA):

CFDA No.: 84.027 Special Education—Grants to States, #s H027A050007, H027A060007, and H027A070007

84.173 Special Education—Preschool Grants, #s H173A050003, H173A060003, and H173A070003

U.S. Department of Education

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

July 1, 2006 through September 30, 2007

July 1, 2007 through September 30, 2008

Maintenance of Effort

Questioned Cost: Unknown

The Department of Education is responsible for determining that LEAs comply with the cluster's maintenance of effort requirements before awarding them monies as set forth in 34 CFR §300.203(b)(1). 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 16 of 61 LEAs tested were not sufficiently detailed for the Department to determine whether maintenance of effort requirements were met since the AFRs were incomplete or contained accounting errors and inconsistent information. In addition, the Department did not perform follow-up procedures for the 1 LEA that did not meet the required level of fiscal effort.

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. This finding is similar to a prior year finding.

To help ensure compliance with 34 CFR §300.203(b)(1), the Department should establish policies and procedures to ensure that LEAs' AFRs are complete, accurate, and contain financial information in sufficient detail to monitor compliance with maintenance of effort requirements before awarding program monies.

08-123

CFDA No.: 84.367 Improving Teacher Quality State Grants, #s S367A050049, S367A060049, and S367A070049

U.S. Department of Education

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

July 1, 2006 through September 30, 2007

July 1, 2007 through September 30, 2008

Eligibility

Questioned Cost: N/A

The Department of Education is responsible for determining eligibility and allocating program monies to LEAs, in accordance with Section 2121(a) of the ESEA. The allocation to each LEA consists of an amount equal to the LEA's fiscal year 2001 allocation plus a calculated share of remaining program monies based

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on the LEA's population and relative number of certain-aged children below the poverty line. However, the Department used incorrect population data for the LEAs located in Maricopa County when determining the 2008 project year allocations, resulting in misallocations of program monies to the majority of LEAs state-wide for the 2008 project year. As such, Maricopa County schools received more program monies than they should have been allocated and all other schools received too little.

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

To help ensure compliance with the program's eligibility requirements and that program monies are allocated to the LEAs correctly, the Department should require an independent review of the LEA eligibility determination and funding allocation before awarding and disbursing program monies to the LEAs.

08-124

Homeland Security Cluster:

CFDA No.: 97.004 **State Domestic Preparedness Equipment Support Program, #s 2003-MU-T3-0034 and 2004-GE-T4-0051**

97.067 **Homeland Security Grant Program, #s 2005-GE-T5-0030, 2006-GE-T6-4007, 2007-SG-N6-004, and 2007-GE-T7-0006**

U.S. Department of Homeland Security

Award Period: May 1, 2003 through November 30, 2007
December 1, 2003 through August 31, 2007
October 1, 2004 through March 31, 2008
November 1, 2006 through October 31, 2008
July 1, 2007 through June 30, 2010

Subrecipient Monitoring

Questioned Cost: Unknown

The Department of Emergency and Military Affairs, Division of Emergency Management (ADEM), did not have adequate internal control policies and procedures to ensure compliance with subrecipient monitoring requirements. Specifically, the ADEM 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)(4), and did not adequately monitor the activities of subrecipients as required by OMB Circular A-133, §.400(d)(3). The ADEM awarded \$10,938,303, or 38 percent, of the cluster's total expenditures to subrecipients.

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

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Year Ended June 30, 2008

08-125

CFDA No.: 10.664 Cooperative Forestry Assistance, #s 04DG11031600-034, 05DG11031600-036, 04DG11031600-063, 05DG11031600-077, 05DG1111169-076, 06DG11031600-119, 06DG11031600-112, 07DG11031600-138, and 08DG11031600-143

U.S. Department of Agriculture

Award Period: October 1, 2003 through September 30, 2008
June 25, 2004 through December 31, 2007
October 1, 2004 through December 31, 2009
May 16, 2005 through December 31, 2007
July 31, 2005 through September 30, 2008
October 1, 2005 through September 30, 2009
October 1, 2005 through December 31, 2009
October 1, 2006 through September 30, 2009
October 1, 2007 through September 30, 2011

Subrecipient Monitoring

Questioned Cost: Unknown

The State Forestry Division did not have policies and procedures to ensure it complied with subrecipient monitoring requirements. Specifically, the Division did not comply with the following requirements:

- Auditors determined that 5 of 14 subrecipients tested did not submit quarterly performance reports to the Division on a regular basis or at all during the grant period as required by their grant agreement.
- The Division did not require subrecipients to obtain and submit single audits, as required by 7 CFR §3052.400(d)(4).

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 subrecipient monitoring requirement.

The Division should develop policies and procedures for subrecipient monitoring, including procedures to follow up with subrecipients when quarterly reports are not submitted timely. Additionally, to comply with 7 CFR §3052.400(d)(4), the Division should ensure that its subrecipients have the required audits performed, issue a management decision on audit findings within 6 months after receipt of the subrecipient audit reports, and ensure that its subrecipients take timely and appropriate corrective action on all audit findings.

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08-126

CFDA No.: 10.664 Cooperative Forestry Assistance, #s 04DG11031600-034, 05DG11031600-036, 04DG11031600-063, 05DG11031600-077, 05DG1111169-076, 06DG11031600-119, 06DG11031600-112, 07DG11031600-138, and 08DG11031600-143

U.S. Department of Agriculture

Award Period: October 1, 2003 through September 30, 2008
June 25, 2004 through December 31, 2007
October 1, 2004 through December 31, 2009
May 16, 2005 through December 31, 2007
July 31, 2005 through September 30, 2008
October 1, 2005 through September 30, 2009
October 1, 2005 through December 31, 2009
October 1, 2006 through September 30, 2009
October 1, 2007 through September 30, 2011

Suspension and Debarment

Questioned Cost: Unknown

The State Forestry Division is required by 7 CFR §3016.35 to ensure that it does not make an award or contract with any party that is suspended or debarred or otherwise excluded from participation in federal assistance programs. However, because the Division was unaware of this requirement, it failed to ensure that vendors it contracted with were not suspended or debarred. Specifically, the Division did not verify that these vendors were not suspended or debarred or include a clause in their contracts or otherwise require certification from vendors regarding suspension or debarment.

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 suspension and debarment requirement.

To help ensure compliance with 7 CFR §3016.35, the Division should document its determination that vendors or subrecipients have not been suspended or debarred from doing business with governmental entities. The Division may verify this by checking the Excluded Parties List that the U.S. General Services Administration maintains, obtaining a certification from the vendor or subrecipient, or adding a clause or condition to the contract with that entity.

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08-127

CFDA No.: 10.664 **Cooperative Forestry Assistance, #s 04DG11031600-034, 05DG11031600-036, 04DG11031600-063, 05DG11031600-077, 05DG1111169-076, 06DG11031600-119, 06DG11031600-112, 07DG11031600-138, and 08DG11031600-143**

U.S. Department of Agriculture

Award Period: October 1, 2003 through September 30, 2008
June 25, 2004 through December 31, 2007
October 1, 2004 through December 31, 2009
May 16, 2005 through December 31, 2007
July 31, 2005 through September 30, 2008
October 1, 2005 through September 30, 2009
October 1, 2005 through December 31, 2009
October 1, 2006 through September 30, 2009
October 1, 2007 through September 30, 2011

Reporting

Questioned Cost: N/A

The State Forestry Division is required by 7 CFR §3016.41(b)(4) to submit their quarterly Financial Status Report (FSR) to the U.S. Department of Agriculture, Forest Service, within 30 days after the end of the reporting period. However, the Division did not always submit their reports when due. Auditors noted that 12 of 13 FSRs tested were submitted between 7 and 72 days late.

This finding is a significant deficiency in internal control over compliance and noncompliance with the program's reporting requirement.

To help ensure compliance with 7 CFR §3016.41(b)(4), the Division should have procedures in place to help ensure that its quarterly FSRs are prepared, reviewed, and approved in a timely manner and filed with the U.S. Department of Agriculture, Forest Service, within 30 days after the end of the reporting period.

08-128

Research and Development Cluster:

All Arizona State University Research and Development awards and contracts

Award Period: Various

CFDA No.: 47.076 **Education and Human Resources, #s CCF-0631334; DGE-0086465, 0238742, 0504248, 0802261; DRL-0135526, 0335699, 0438482; DUE-0123146, 0231440, 0324212, 0422447, 0603478, 0630458, 0631189; and HRD-0114712, 0450137, 0602425, 0631754**

National Science Foundation

Award Period: July 1, 2007 through June 30, 2008

Activities Allowed or Unallowed and Allowable Costs/Cost Principles

Questioned Cost: \$55,723

Salaries and wages comprise a significant portion of Arizona State University's Research and Development Cluster's and Education and Human Resources program's expenditures. During fiscal year 2008, these expenditures totaled \$58 million and \$586 thousand, respectively, and constituted 14 percent and 6 percent of the cluster's and program's total federal expenditures, respectively, as reported

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on the State's Schedule of Expenditures of Federal Awards. As discussed in financial statement finding 08-29, the University did not have adequate internal controls over payroll processing because of various problems encountered when implementing its new human resources and payroll computer system, which resulted in employees not always being paid the correct salaries and wages. Specifically, some employees received incorrect paychecks resulting in at least \$2.4 million in overpayments during the fiscal year charged to both federal and nonfederal programs. Consequently, the University had to make numerous adjustments to federal program expenditures during the year to correct salaries and wages and recover overpayments to employees. However, the University has not yet collected all overpayments, nor has the University been able to track all of the overpayments because some of the University's departments may not have been able to identify all overpayments.

In addition to the deficiencies described above, auditors noted the following errors when testing payroll expenditures charged to the Research and Development Cluster during the fiscal year:

- For 3 of 77 employees tested for the Research and Development Cluster, the employees were overcompensated. The University detected two of the three overpayments; however, one of the overpayments was not reported to the University's Office of Human Resources and, therefore, had not yet been recovered by the University. As a result, auditors noted questioned costs in the amount of \$9,678 for the cluster. Of this amount, the University recovered and adjusted federal expenditures of \$3,011 in the subsequent year. In addition, the University is currently in the process of recovering the remainder of these overpayments.

Further, the University did not always have documentation to ensure that employees' compensation charged to federal programs was allowable and properly supported. The following errors were noted by the auditors when testing payroll expenditures charged to the Research and Development Cluster and Education and Human Resources program:

- For 8 of 77 employees tested for the Research and Development Cluster and for 2 of 7 employees tested for the Education and Human Resources program, the University did not have documentation supporting that the employee's compensation was an allowable charge to the cluster or program. Specifically, the University did not always maintain employment contracts or adequate evidence of approvals of pay rate increases and authorizations by the principal investigator or the Office for Research and Sponsored Projects Administration to charge or redistribute charges to federal programs. As a result, auditors noted questioned costs in the amounts of \$38,997 and \$7,048 for the cluster and program, respectively.

It was not practical to extend our auditing procedures sufficiently to determine additional questioned costs 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 and program's activities allowed or unallowed and allowable costs/cost principles requirements. This finding could also potentially impact the cluster's and program's matching requirements for matching expenditures that are composed of employees' salaries and wages because they may not be adequately supported. In addition, this finding could potentially affect other federal programs the University administered.

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To help ensure compliance with OMB Circular A-110, *Uniform Administrative Requirements for Grants and Agreements With Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations*, Subpart C, §.21(b)(7), and OMB Circular A-21, *Cost Principles for Educational Institutions*, §J.10(d), the University should ensure its financial management systems and records adequately support charges made to federal awards and implement the recommendations described in financial statement finding 08-29. In addition, the University should ensure that all overpayments charged to federally sponsored programs are credited back to the applicable federal programs.

08-129

Research and Development Cluster:

All Arizona State University Research and Development awards and contracts

Award Period: Various

CFDA No.: 47.076 Education and Human Resources, #s CCF-0631334; DGE-0086465, 0238742, 0504248, 0802261; DRL-0135526, 0335699, 0438482; DUE-0123146, 0231440, 0324212, 0422447, 0603478, 0630458, 0631189; and HRD-0114712, 0450137, 0602425, 0631754

National Science Foundation

Award Period: July 1, 2007 through June 30, 2008

Allowable Costs/Cost Principles

Questioned Cost: N/A

Arizona State University uses an after-the-fact reporting system for certifying the distribution of employee compensation charged to sponsored research programs. For fiscal year 2008, the University implemented a new effort reporting system; however, because of problems with the implementation of its new payroll and human resources system during the year, the implementation of a new effort reporting system was delayed until the end of the fiscal year. As a result, certifications for employee charges to the Research and Development Cluster and Education and Human Resources program were only performed once for the entire fiscal year. The certifications were performed and completed after year-end during the period of July 1, 2008 through October 15, 2008, with some certifications completed as late as December 2008.

This finding is a material weakness in internal control over compliance and material noncompliance with the cluster's and program's allowable costs/cost principles requirements. This finding could also potentially affect other federal programs the University administered.

To help ensure that employee compensation charged to federal programs is allowable and properly supported, the University should implement internal control policies and procedures for certifying an after-the-fact distribution of employee compensation in accordance with OMB Circular A-21, §J.10. OMB Circular A-21, §J.10, requires the University to prepare and certify after-the-fact distribution reports for professors and professional staff at least every 6 months and at least monthly for all other employees. Further, the activity distribution reports should reflect the work performed by each employee and should be certified by the employee, principal investigator, or responsible individual having first-hand knowledge or suitable means to verify the work performed and to certify the report's accuracy.

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Year Ended June 30, 2008

08-130

Research and Development Cluster:

CFDA No.: 47.RD A Longitudinal Study of the Development of Rational Number Knowledge in the Middle Grades, # DRL-0337795

National Science Foundation

Award Period: July 1, 2004 through June 30, 2008

CFDA No.: 84.336 Teacher Quality Enhancement Grants, # P336B990064

U.S. Department of Education

Award Period: October 1, 1999 through September 30, 2005

Activities Allowed or Unallowed and Allowable Costs/Cost Principles

Questioned Cost: \$28,650

Arizona State University discovered inappropriate purchases in the College of Education that were made with purchase cards and charged to federal programs during fiscal years 2002 through 2008. While the University has established policies and procedures for ensuring that these types of purchases are appropriate and allowable charges, the College of Education did not always follow these policies and procedures. The University identified and alerted auditors to questioned costs of \$16,135 and \$12,515 for the Research and Development Cluster and Teacher Quality Enhancement Grants, respectively. These purchases are currently under investigation by state and local authorities and the applicable federal awarding agencies.

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

To help ensure that charges to federal programs made with purchase cards are proper and allowable, the University should ensure that its existing internal control policies and procedures are enforced. In particular, the College of Education should monitor its purchase cards to ensure federal program charges are allowable, properly supported, and approved.

State of Arizona
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08-131

CFDA No.: 47.076 Education and Human Resources, #s CCF-0631334; DGE-0086465, 0238742, 0504248, 0802261; DRL-0135526, 0335699, 0438482; DUE-0123146, 0231440, 0324212, 0422447, 0603478, 0630458, 0631189; and HRD-0114712, 0450137, 0602425, 0631754

National Science Foundation

Award Period: July 1, 2007 through June 30, 2008

Questioned Cost: None

Arizona State University may incur pre-award costs 90 days prior to award and, if approved by the federal awarding agency, more than 90 days prior to award as provided by OMB Circular A-110, Subpart C, §.25(e)(1), and award provisions. The federal awarding agency is under no obligation to reimburse the University for pre-award costs if the award is not granted or if the award is not sufficient to cover the costs. The University has established policies to help ensure that pre-award costs are either approved by the federal awarding agency or are assumed by the University. However, for one of seven program awards tested, the University incurred and reported costs of \$30,000 that were more than 90 days prior to the award without obtaining approval from the federal awarding agency. Auditors determined that the costs incurred were otherwise allowable expenses for the program. Subsequent to the auditors notifying the University about this deficiency, the University obtained approval to incur the pre-award costs from the awarding federal agency.

This finding is a significant deficiency in internal control over compliance and noncompliance with OMB Circular A-110, Subpart C, §25(e)(1), and could potentially impact compliance with the program's requirements for allowable costs/cost principles and reporting.

To help ensure compliance with OMB Circular A-110, Subpart C, §.25(e)(1), and that pre-award costs are allowable charges to the federal awarding agency, the University should obtain the federal awarding agency's approval to incur costs that are more than 90 days prior to the award.

State of Arizona
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Year Ended June 30, 2008

08-132

Research and Development Cluster:

All University of Arizona Research and Development awards and contracts

Award Period: Various

CFDA No.: 47.076 Education and Human Resources, #s DGE-0338247, DGE-0638744, DRL-0424983, EHR-0634532, 0525009, 0532059, 0633379, 0715517, and 0736844

National Science Foundation

Award Period: January 1, 2004 through December 31, 2008

August 1, 2004 through July 31, 2010

July 1, 2005 through June 30, 2009

October 1, 2005 through September 30, 2009

September 1, 2006 through August 31, 2011

January 1, 2007 through December 31, 2008

March 1, 2007 through February 28, 2010

September 15, 2007 through August 31, 2010

January 1, 2008 through December 31, 2010

National Science Foundation, passed through Boston College, # ESI-0628143

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

National Science Foundation, passed through the University of California-San Diego, # PO10251211-001

Award Period: May 15, 2005 through April 30, 2009

National Science Foundation, passed through the University of Montana, # PG086598002

Award Period: September 1, 2007 through October 31, 2008

National Science Foundation, passed through the University of Nebraska, # 2505360004002

Award Period: July 1, 2004 through May 31, 2009

National Science Foundation, passed through the University of Puerto Rico, # 995256

Award Period: July 1, 2005 through June 30, 2008

Allowable Costs/Cost Principles

Questioned Cost: N/A

The National Science Foundation's (NSF) Office of Inspector General audited the University of Arizona's fiscal year 2007 policies and procedures to ensure that salaries and wages charged to NSF federal programs were supported by appropriate documentation as required by OMB Circular A-21, *Cost Principles for Educational Institutions*. The NSF issued audit report no. 09-1006 on March 25, 2009, which disclosed that the University's policies and procedures were not in compliance. The University's policies and procedures required responsible departmental administrative officials to sign employee time roster reports to verify the accuracy of employees' time charged to federal programs. However, the NSF's auditors determined that the departmental administrative officials were not always in a position to know and did not have suitable means to verify that the employees actually worked the time charged to the federal programs. The NSF's auditors also reported that the University's policies did not define the supporting documentation responsible officials should maintain to verify the employees' time spent working on federal programs. The University implemented new policies and procedures as of January 1, 2008, that adequately addressed the deficiencies that the NSF's auditors noted and complied with OMB Circular A-21 §J.10. However, for the first 6 months of fiscal year 2008, the University operated under its old policies and procedures.

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The NSF's auditors interviewed several university employees to determine whether salaries and wages charged to NSF programs were incurred and benefited the programs and did not question any costs as a result of those interviews. This finding is a material weakness in internal control over compliance and material noncompliance with the cluster's and program's allowable costs/cost principles requirements. This finding could also potentially affect other programs the University administered.

To help ensure that employees' salaries and wages charged to federal programs are allowable and properly supported in accordance with OMB Circular A-21 §J.10, the University should continue to follow its newly developed internal control policies and procedures for preparing and certifying reports that support the after-the-fact distributions of employees' time charged to federal programs. The activity distribution reports should reflect the work each employee performed during the period, and the certified effort report should be signed by the employee, principal investigator, or responsible individual having first-hand knowledge or suitable means to verify the work performed and to certify the report's accuracy.

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The other auditors who audited the Water Infrastructure Finance Authority (WIFA) reported the following noncompliance:

08-133

CFDA No.: 66.458 **Capitalization Grants for Clean Water State Revolving Funds, #s CS04000106 and CS04000107**

66.468 **Capitalization Grants for Drinking Water State Revolving Funds, #s FS99990203, FS99990206, and FS99990207**

U.S. Environmental Protection Agency

Award Period: October 1 2003 through June 30, 2010

June 15, 2006 through June 30, 2016

July 1, 2006 through June 30, 2014

July 16, 2007 through June 30, 2013

Reporting

Questioned Cost: N/A

Condition: WIFA was not compliant with the reporting requirements of the EPA contracts.

Criteria: The Financial Status Reports (SF-269) are required to be filed for annual periods ending June 30 for each contract. The reports are to be filed no later than September 30 following the reporting period.

Effect: Lack of compliance could result in the disallowance of draw downs of contract funds.

Cause: A misunderstanding of the written requirements based on prior submissions.

Recommendation: A process should be implemented to ensure all reporting requirements are met.

Management's Response: The process has been implemented, and all reporting is current.

Contact Person: Donald States, Controller, (602) 364-1324

Appendix

State of Arizona
Appendix
State of Arizona Agency Codes
Year Ended June 30, 2008

Agency Code	Agency
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
BRA	Arizona Board of Regents
CCA	Corporation Commission
CDA	Arizona Early Childhood Development and Health Board
CSA	Arizona State Board for Charter Schools
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
FOA	State Forestry Division
GFA	Arizona Game and Fish Department
GHA	Governor's Office of Highway Safety
GSA	Arizona Geological Survey
GTA	Arizona Government Information Technology Agency
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
NAA	Northern Arizona University
PEA	Commission for Postsecondary Education
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	Office of the Arizona State Treasurer
UAA	University of Arizona
WCA	Department of Water Resources
WFA	Water Infrastructure Finance Authority

Corrective Action Plan

State of Arizona
Corrective Action Plan
Year Ended June 30, 2008

Financial Statement Findings

08-01

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.

08-02

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: Completed

Agency Response: Concur

Agency Corrective Action Plan: Policy was issued on June 12, 2009. A summary of the policy follows:

State financial policy does not tolerate any type of fraud or theft and all instances must be reported to either GAO, the Auditor General or the Attorney General. The GAO has established the e-mail address reportfraud@azdoa.gov to facilitate this reporting. It is management's responsibility to control waste and abuse. The GAO is available for consultation regarding internal controls and opportunities to reduce waste and abuse. The State's policy is to promote consistent, legal, and ethical organizational behavior by:

- Assigning responsibility for reporting fraud, theft, waste or abuse;
- Providing guidelines to conduct investigations of suspected fraudulent behavior; and
- Requiring each employee to attend bi-annual fraud awareness training.

State of Arizona
Corrective Action Plan
Year Ended June 30, 2008

08-03

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

Agency: Department of Administration

Contact person: Phillip Hamilton, Assistant Director Benefit Services Division, (602) 542-4501

Anticipated completion date: October 2009

Agency Response: Concur

Agency Corrective Action Plan: Issues regarding repricing of claims were generally resolved with the mutually agreed upon termination of contract with Schaller Anderson effective September 30, 2008. Schaller Anderson was the only contractor in such an arrangement due to their proprietary fee schedule and their reluctance to submit said fee schedule to the Third Party Administrator (TPA).

To strengthen controls over the medical and prescription drug claims payment process, BSD (Benefit Services Division) has taken the following actions:

- Requests for Proposal (RFP) and the subsequent contracts for the plan year beginning October 1, 2009 require vendors that process medical and/or prescription drug claims to have an effective internal control system and the vendor must conduct a type II SAS70 audit at least annually at no cost to the State.
- RFP and the subsequent contracts for the plan year beginning October 1, 2009 require vendors to provide unrestricted operational and financial audit rights to ADOA or an ADOA approved independent auditor to conduct such audits at any time during the contract term. The vendor must not limit the time period of claims to be audited and the vendor must be responsible for payment of an auditor.

The vendors are also required to put fees at risk for performance guarantees regarding the accuracy and timeliness of claim processing.

08-04

The Department of Administration should strengthen controls over Human Resource Information Solution (HRIS) account management

Agency: Department of Administration

Contact person: Jody Piper, HRIS Manager, (602) 542-4282

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

Agency Response: Concur

Agency Corrective Action Plan: Since this finding, HRIS has implemented sudo access to its administrator accounts (LAWSON, HRISMSTR). Passwords for administrative accounts get changed on a monthly basis by the system administrator and shared with the HRIS Manager. A script is being developed that will automatically change the administrator accounts passwords, eliminating the need for anyone to know those passwords since sudo is in place. The estimate on script implementation is May 2009.

State of Arizona
Corrective Action Plan
Year Ended June 30, 2008

We now have a Lawson system administrator. Prior, the database administrator (DBA) performed many of these responsibilities that required he have access to root. This is no longer the case and DBA are granted only the root level access necessary to perform their job duties.

Sharing of HRIS administrator user accounts/passwords no longer occurs due to the implementation of sudo access to these accounts. Password aging for all HRIS users (Power, MSS and Y.E.S.) will be rolled out in June 2009 as a result of the new security features of the LSF9 environment upgrade.

Database logs are used by DB2 to keep the database consistent if a restore was necessary from back-up due to a database crash. DB2 logs are transaction logs and should not be updated by anyone (DBA or otherwise). If a DB2 log were to be tampered with, the database would disassociate itself from the log(s) and return errors.

When HRIS upgrades to application version 9.0 (estimate 12/31/09), more auditing features will be introduced into the overall design of the application. User ID, date and time stamps have been added to numerous "control" tables in Lawson.

08-05

The Department of Administration should improve controls over HRIS system changes

Agency: Department of Administration

Contact person: Jody Piper, HRIS Manager, (602) 542-4282

Anticipated completion date: Complete

Agency Response: Concur

Agency Corrective Action Plan: Written policies and procedures have been created.

All system changes are tracked through Project Office. Included as attachments are test results, approvals, and dates that changes were implemented into production. Also, all changes are verified and promoted using the Tripwire utility. The Tripwire report shows the date/time system changes were introduced into Production HRIS. Another spreadsheet lists all modifications to the Lawson application system. This spreadsheet is updated by the Quality Assurance Manager when new customizations are introduced into the HRIS system. The HRIS management team uses this document when analyzing upgrades and patches from the vendor to determine if the modifications are still needed. If it is determined the modifications are still needed, the spreadsheet allows management to determine the level of effort needed from the team to retro-fit code, test and deploy the customization.

Tripwire has been installed on the HRIS systems. This utility generates reports for operating system (OS) level, application and database level changes. The Tripwire report is reviewed daily by HRIS management and system administrators for OS, application and database changes to ensure all changes were authorized by either a CCF (Change Control Form) or Change Request from the Change Control Board. The Tripwire report is also reviewed by the HRIS security team to ensure that all OS User accounts created by the system administrators came from requests generated by the New User security procedures.

State of Arizona
Corrective Action Plan
Year Ended June 30, 2008

08-06

The Department of Administration's State Procurement Office (SPO) should ensure the SPIRIT System Administrator and Procurement Systems Manager do not have access to data

Agency: Department of Administration

Contact person: Jean Clark, State Procurement Administrator, (602) 542-9136

Anticipated completion date: September 1, 2009

Agency Response: Concur

Agency Corrective Action Plan: The new eProcurement system will prevent SPO staff from accessing the data except through the use of the application, which has the appropriate tracking mechanism and security controls in place.

08-07

The Department of Administration's State Procurement Office needs to ensure more than one person is capable of maintaining the SPIRIT Web application

Agency: Department of Administration

Contact person: Jean Clark, State Procurement Administrator, (602) 542-9136

Anticipated completion date: September 1, 2009

Agency Response: Concur

Agency Corrective Action Plan: The new eProcurement contractor has a current development staff of six and a support staff of six, which are capable of making configuration and customization modifications as well as troubleshooting the application.

08-08

The Department of Administration's Information Systems Division (ISD) should strengthen access controls over its SPIRIT system

Agency: Department of Administration

Contact person: Jean Clark, State Procurement Administrator, (602) 542-9136

Anticipated completion date: September 1, 2009

Agency Response: Concur

Agency Corrective Action Plan: Having access to the production template does not allow access to the production data; however, the DRM SPIRIT application migration procedures have been modified to add a new step to remove the developer's access to the production template after a SPIRIT application migration has occurred. The current SPIRIT production database templates have been modified as well to reduce the developer's access level to "reader". The revised SPIRIT Application Migration Checklist includes the additional step.

ACL modification is restricted to two DRM staff members. All modifications made to an ACL have generated and will continue to generate an e-mail to the primary SPIRIT DBA, which notifies her of the change and the e-mail messages are archived within GroupWise. We have added a new activity to perform a monthly review of production ACLs, which will be performed by the DBA and will occur during the first week of every month.

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08-09

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.

08-10

The Industrial Commission of Arizona needs to strengthen controls over financial reporting

Agency: Industrial Commission of Arizona

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

Anticipated completion date: Various, for anticipated completion dates see corrective action plan below

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. There currently are no plans to make changes to the general ledger system until at least 2015.

The staffing situation was improved by establishing a new higher level accounting position in March of 2008 to specifically handle the Special Fund general ledger and financial statement preparation work. A permanent staff member was hired May 5, 2008, which should improve the situation in future years. In addition, more cross-training of other accounting staff members during the 2010 fiscal year will develop back-up staff that can fill in when a staffing emergency occurs.

The Chief Financial Officer (CFO) has 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 time lines are met.

It is estimated that draft financial statements for fiscal year 2009 will be completed by October 15, 2009 and the final statements completed by November 5, 2009.

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08-11

The Industrial Commission of Arizona should develop written policies and procedures for its computer operations

Agency: Industrial Commission of Arizona

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

Anticipated completion date: Complete

Agency Response: Concur

Agency Corrective Action Plan:

- Daily operations and physical security procedures for the PACE programs have been created and are in use.
- 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.

08-12

The Industrial Commission of Arizona 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:

In fiscal year 2009, the ICA implemented a program change form in the event a PACE program change is required. However, based on the fact that PACE is an unsupported Legacy application and the previous developer/administrator retired in 2008, it is not anticipated any program changes will be attempted in the future.

As a result, the ICA is currently developing software to replace the PACE system.

08-13

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

Agency: Department of Revenue

Contact person: Cristy Schaan, Information Security Officer, (602) 716-6758

Anticipated completion date: Various, for anticipated completion dates see corrective action plan below

Agency Response: Partially Concur

Agency Corrective Action Plan: The Department takes the Auditor General's findings and the correction of those findings very seriously. As such, the Department has significant concerns with the Auditor General's statement, " . . . a similar recommendation was provided to the Department in the prior year." This statement could leave the reader with the inaccurate perception that the Department has taken no action

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to address the Auditor General's findings. Further, because the findings are 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 satisfy the finding.

Database Administrator Monitoring

As stated in its response to the Auditor General's 2007 Single Audit, the Department acquired the ability to log its database administrator activity. Since August 2008 Information Security (IS) has continuously captured database administrator activity to help ensure the integrity of the information and delivers the logs to a secured server accessible only by IS personnel. Subsequently, the Department purchased a Security Event and Incident Management tool named TriGeo, which will better facilitate the analysis and monitoring of those logs and, therefore, database administrator activities. The Department anticipates having the TriGeo tool in operation by the end of fiscal year 2009.

User Access Controls

As stated in the response to the Auditor General's 2007 Single Audit report, in February 2008 IS began reviewing the Vacancy Tracking Report (VTR) on a weekly basis to acquire necessary employee hire, transfer, and termination notifications in order to update user access controls. To further solidify the process, the Department will be shifting the oversight and coordination responsibility for this process to the Human Resources Unit, with secondary responsibility for the actual modification of access rights residing with the IS Unit. The Department anticipates with the reorganization of this process that user access modifications will be completed in no longer than two weeks.

Regarding access to vendors and contract staff, in fiscal year 2008 the Department began placing an expiration date on network accounts that will disable their accounts three months from the date of activation. To reactivate the account, the manager must submit a request to IS to extend the expiration date. In addition, IS monitors network accounts and disables accounts for which there has been no log-in activity for 60 days. If IS has not received within the next 60 days a request/justification to activate the account, the network account and all corresponding system accounts, e.g., BRITS, are deleted.

Furthermore, the Department will continue to improve the access control process by performing a complete one-time recertification of all IS managed systems access beginning in fiscal year 2010.

Physical Access

The Department has been continuously working to improve access to the second floor computer rooms. Managing access to the rooms is complicated by the fact that the Department does not completely own this process; the Department of Administration (DOA) owns the room and owns the badging system and management of that system. To better facilitate improvements for access management, the Department will more clearly document all personnel with approved room access and will document Department personnel that can approve access to those rooms. The Department will provide this documentation to DOA and IS will continue a bi-monthly review of DOA badge access reports.

Confidentiality Agreement

In order to obtain federal tax information from the Internal Revenue Service, the Department must have a confidentiality awareness program. The Department's awareness program requires each vendor with access to confidential information to sign a certificate to confirm receipt of information concerning federal and state confidentiality requirements.

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To ensure that the certificates are always completed, all department sections utilizing vendor services will be required to complete a vendor worksheet identifying the vendor's name and location, work to be performed, time period of provided services, as well as a list of the vendor's employees or subcontractors who will also have physical and/or computer access to confidential taxpayer information. A copy of this form will be sent to the Department's Disclosure Officer, who will use it to verify that the appropriate confidentiality certification is obtained.

See Auditors' Comment to the Department of Revenue's Corrective Action Plan on page 136.

08-14

The Department of Revenue should continue to improve controls over computer system changes

Agency: Department of Revenue

Contact person: Susan Silberisen, Chief Information Officer, (602) 716-6955

Anticipated completion date: Various, for anticipated completion dates see corrective action plan below

Agency Response: Concur

Agency Corrective Action Plan: The Department recognizes the need for vigorous controls over computer program (production system) changes and has made major improvements towards this goal. In previous years the Business Reengineering/Integrated Tax System (BRITS) system changes were tracked exclusively in the BRITS Program Change Portal and Information Technology (IT) used a manual process to track other non-BRITS changes, such as software patches, updates, new server additions or network changes.

As part of an on-going improvement initiative, in mid-fiscal year 2008 and continuing into fiscal year 2009, IT developed a more robust formal change management policy, standards, procedures and utilizes a new tracking tool; IT no longer utilizes the BRITS Portal as a change management tool. Although IT keeps configuration management records in the Portal, the approval, testing plan, rollback plan and communications are stored in IT's Change Management Request (CMR) system. This new tool helps ensure appropriate risk ratings based on system criticality and also provides control by appropriate approval and division of duties of IT employees.

In addition, a Change Advisory Board (CAB) has been created comprised of the Chief Information Officer and all IT administrators, with additional business users to be added in early fiscal year 2010. Per the revised Change Management Policy, anyone requesting a system change must complete an online Change Request form, which is submitted to the Board for approval. The Board evaluates any risks associated with the change before granting its approval. Further, policy dictates that "any change that has the potential to impact the production environments must be recorded, reported to the CAB, scheduled and approved by the appropriate Change Manager" before the change can be put into the production environment. The CAB also reviews the implementation for success and, if necessary, provides rollback of the change.

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Year Ended June 30, 2008

08-15

The Department of Revenue should accurately report taxes receivable balances

Agency: Department of Revenue

Contact person: Tom MacConnel, Comptroller, (602) 716-6593

Anticipated completion date: July 2009

Agency Response: Concur

Agency Corrective Action Plan: As stated in its response to the Auditor General's 2007 Single Audit, the Department has faced many challenges transitioning to the new tax administration system, BRITS. When the conversion was completed and the Accounts Receivable Summary Report became available in June 2007, the Department made great strides to improve its procedures to help ensure that accounts receivable information is accurately recorded and reported.

In fiscal year 2008, the Department deposited over \$14 billion in tax revenues and as of June 30 2008, gross accounts receivable consisted of 1.2 million transactions totaling over \$392 million. To ensure accuracy, Revenue Accounting conducts regular reviews of transactions that could significantly impact accounts receivable balances. Staff determines any manual adjustments needed to ensure that the accounts receivable balances are accurate and in accordance with the State's accounting policies. While an independent review of adjustments is a standard practice in the Department, unfortunately a review did not take place in this instance.

08-16

The Department of Revenue needs to continue improving data security management and security awareness

Agency: Department of Revenue

Contact person: Cristy Schaan, Information Security Officer, (602) 716-6758

Anticipated completion date: Various, for anticipated completion dates see corrective action plan below

Agency Response: Partially Concur

Agency Corrective Action Plan: The Department takes the Auditor General's findings and the correction of those findings very seriously. As such, the Department has significant concerns with the Auditor General's statement, " . . . a similar recommendation was provided to the Department in the prior year." This statement could leave the reader with the inaccurate perception that the Department has taken no action to address the Auditor General's findings. Further, because the findings are 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 satisfy the finding.

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As stated in its response to the Auditor General's 2007 Single Audit, the Department continually strives to improve information security and has made vast improvements to its control environment. In October 2004 the Department initiated an Information Security (IS) program that reported within the Information Technology (IT) Division. As of 2006, that division now includes an IS Officer, an IS Engineer, an Analyst and two Specialists. The program was designed to manage four functional areas: 1) policy and compliance, 2) security events and incidents, 3) employee awareness and training and 4) access management.

Since its inception, IS has drafted a policy manual to provide standardized policy and compliance revisions to better organize security policies and operational and technical safeguards. In addition, standards and procedures have been established. For example, standards for network devices, servers and password management have been put in place and procedures for the review of security devices and servers and risk assessments and mitigations. The security program also includes an incident response program to capture, work, report and manage security incidents and events. Finally, should an incident be discovered, IS partners with the recently established Internal Audit unit (February 2007) and with Administrative Services to conduct internal investigations.

Furthermore, User Access Lifecycle Management has been centralized and access request and removal processes and documentation improvements have been made. Also, the process to map access for all user roles has begun.

In 2007 the Department formed an Information Security Steering Committee to provide oversight and recommendations over information security activities and concerns. The committee includes Department staff from various divisions that have governance roles related to the security and privacy of taxpayer data, information assets and physical security.

Information Security has worked with other governance staff to help establish an Employee Awareness and Training program. Information Security rewrote the Computer Use and Confidentiality Policy manual, tested user knowledge of Computer Use and Confidentiality Policy manual, created an agency newsletter "Security Spotlight" and plans to establish a new hire orientation security segment.

Despite staffing resources, IS continues to strengthen its current Employee Awareness and Training program, planning other education opportunities, such as working sessions and brown-bag type forums to disseminate security information and better educate the end user community about department security policies and procedures. The first training session planned for June 2009 will be directed towards IT staff and all staff taking training events will be documented.

See Auditors' Comment to the Department of Revenue's Corrective Action Plan on page 136.

08-17

The Department of Revenue should reconcile income tax receipts to income tax revenues recorded on the Arizona Financial Information System (AFIS)

Agency: Department of Revenue

Contact person: Tom MacConnel, Comptroller, (602) 716-6593

Anticipated completion date: January 2008

Agency Response: Concur

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Corrective Action Plan
Year Ended June 30, 2008

Agency Corrective Action Plan: As stated in its response to the Auditor General's 2007 Single Audit, the Department's legacy system did not have the necessary functionality to complete monthly reconciliations to compare the system's individual income tax revenue information against AFIS. Since the functionality became available on December 3, 2007 with the new BRITS individual income tax release, Revenue Accounting has been conducting monthly reconciliations.

08-18

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

Agency: Department of Revenue

Contact person: Tom MacConnel, Comptroller, (602) 716-6593

Anticipated completion date: July 2009

Agency Response: Concur

Agency Corrective Action Plan: The Department of Revenue's www.AZTaxes.gov Web site provides taxpayers with the ability to electronically file their transaction privilege tax (TPT) and withholding returns. In addition, individual income tax returns are electronically filed with the state through tax practitioners, self-tax software and other venues.

As stated in its response to the Auditor General's 2007 Single Audit, the Department planned to implement an automated reconciliation process to ensure that all electronically filed returns are extracted to its tax administration system (BRITS). Due to limited information technology resources, the automated process cannot be implemented until July 2009.

Until the automated process is complete, the Department has and continues to conduct a manual reconciliation process for individual income tax returns. Due to the labor intensive effort of reconciling TPT and withholding tax returns, and because the automated method should be available in July, the Department has delayed completing manual reconciliations for these two tax types. If the automated reconciliation software release is significantly delayed, a manual reconciliation process will be developed and employed. In any case, the Department will conduct the fiscal year 2009 and current monthly reconciliations systematically once the automated system becomes available.

08-19

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

Agency: Department of Revenue

Contact person: Tom MacConnel, Comptroller, (602) 716-6593

Anticipated completion date: June 2009

Agency Response: Concur

Agency Corrective Action Plan: The Department understands that strong internal controls must extend to those vendors that perform tax processing services. Yet, funding restrictions impact the Department's ability to fully implement as robust a vendor oversight program as it would desire. The Department has taken significant steps towards this goal, however, to obtain annual assurances of the adequacy of vendor internal control systems.

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Policies and Procedures

In 2008 the Department established an internal Vendor Oversight Audit Committee (VOAC). The committee expects to have completed by June 2009 a standard agency-wide process for the vendors who can provide a SAS70 internal controls report and for those who cannot. As stated in last year's response, the processes will 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 corrective action if necessary and 4) follow up as needed.

For those vendors who provide an annual SAS70 report, VOAC will employ a standard internal security checklist and procedure to evaluate the findings. The process will include vendor remediation steps for unacceptable findings, final action steps for unacceptable remediation and documentation of the review outcome and actions taken. For those vendors that do not provide a SAS70 report or do not have a report for the current fiscal year, the Department will supply the vendor with a standard physical and logical internal controls survey by which the vendor will self-report on its internal controls. Any unacceptable findings will be pursued in the same manner as SAS70 report findings.

In addition, if the budget supports it, VOAC will conduct annual on-site vendor visits to evaluate physical and logical controls over confidential information.

Vendor Internal Control Systems

While the Department received in fiscal year 2009 a satisfactory SAS70 report from its electronic payment processing vendor for the annual period ending September 30, 2008, it did not receive one for its printing and mailing vendor. The Department plans to review this vendor by June 2009 when new vendor oversight procedures are finalized.

Data Entry Vendor Controls

The new vendor oversight process will include steps to ensure data entry vendors are securely processing and protecting taxpayer information. The Department anticipates all vendor oversight components to be in place by June 2009. Also, in January 2008 the Department conducted a physical inspection of the local data entry vendor but, due to budget constraints, a physical inspection for the out-of-state vendor did not occur in fiscal year 2008.

08-20

The Department of Revenue should continue to develop and implement effective controls over tobacco taxes

Agency: Department of Revenue

Contact person: Steve Doyle, Special Taxes Administrator, (602) 716-6285

Anticipated completion date: Various, for anticipated completion dates see corrective action plan below

Agency Response: Concur

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Agency Corrective Action Plan:

Strengthening Controls

In 2008, the Department made several improvements over its tobacco tax processes to strengthen controls over tobacco tax collection, distribution and reporting. Specifically, the Department has enhanced controls by further restricting access to tobacco records, establishing independent reviews and further separating cash handling duties from deposit and distribution functions.

Ultimately, the Department's goal is to automate the current manual process by incorporating luxury tax processing (tobacco and alcohol), into the Business Reengineering/Integrated Tax System (BRITS), thus providing a more secure and effective accounting, reconciliation and revenue distribution process. To that end, the Department is currently modifying its cashier system to facilitate the initial steps involved in luxury tax processing. Once implemented, the tax return processing and cash handling duties currently performed in the Luxury Tax Unit will be shifted to the Process Administration Division and treated like other tax types.

It should be noted, however, that due to resource constraints, the Department cannot project when the complete automation of luxury tax processing will be complete.

Sequential Returns

In September 2008, in response to the Auditor General's 2007 audit recommendation, the Luxury Tax Unit began assigning sequential document locator numbers to all luxury tax returns. The 811 tax forms that document tobacco stamp transactions are also sequentially numbered by the License and Registration Unit to provide additional tracking controls. When the Department begins recording luxury tax payments in the cashier system, however, the system will automatically assign each return with a unique payment locator number, just as it does for the other major tax types.

AFIS Reconciliations

The Luxury Tax Unit has always reconciled tobacco tax revenue collections to AFIS for the Department's accounts. In order to reconcile tobacco tax collections to all AFIS distributions, the Department needed access to a particular AFIS report for agencies receiving tobacco revenue distributions whose access had to be granted by those agencies. In May 2008 the Department's Revenue Accounting gained access to the report and beginning with the July 2008 accounting period, the staff now conducts monthly tobacco tax collection reconciliations to AFIS for all agencies receiving distributions. When Revenue Accounting identifies a variance between AFIS and the accounting records, the Department coordinates with the agencies to ensure that the necessary corrections are made in AFIS.

Internet Sales

As soon as the Department received the Auditor General's 2007 audit recommendation regarding internet tobacco sales, Luxury Tax Unit and Revenue Accounting worked together and created a distribution procedure for funds collected from internet tobacco purchases. Luxury Tax initiated the transfer to distribute all tobacco and use tax revenues for internet sales collected between July 1, 2007 and March 31, 2008. Then beginning with the April 2008 accounting period, Luxury Tax distributed revenues on a monthly rather than annual basis. Luxury Tax and Revenue Accounting will annually review the current procedures for process improvement opportunities.

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08-21

The Department of Revenue needs to test its disaster recovery plan for its BRITS system

Agency: Department of Revenue

Contact person: Susan Silberisen, Chief Information Officer, (602) 716-6955

Anticipated completion date: Fiscal Year 2009

Agency Response: Concur

Agency Corrective Action Plan: In fiscal year 2008, the Department's Information Technology (IT) Division resources were focused on implementing the third and final tax type, individual income. The Disaster Recovery Plan was updated with new steps to include the corporate and individual income business processes and new Business Reengineering/Integrated Tax System (BRITS) code. The test was not completed because previous network issues experienced in 2007 between the disaster recovery site and the Department's main Phoenix facility had not been resolved. Information Technology decided to forego disaster recovery plan testing in fiscal year 2008 based on four primary factors:

- 1) The last tax type was not implemented into BRITS until the end of January 2008. A second critical release of BRITS was scheduled for May 2008, which left only one month to complete testing within the fiscal year. To conduct the test within such a short time period would require the use of subject matter experts across all business lines, including the Process Administration Division who was in the midst of its peak individual income tax processing period.
- 2) The Department was soon moving its systems to a new off-site data center service. This move constituted an extremely large IT project effort. There were not enough IT resources to work on the data center move plan and to also complete a disaster recovery test in the same time frame.
- 3) Disaster recovery testing was only available for a limited window of time based on the existing disaster site contract and the network issue delay. The window "closed" two months in advance of the new data center move in September 2008. Therefore, utilizing resources to test a disaster recovery plan two months before moving to the new data center, which would then require different disaster recovery plan requirements, did not make good business sense.
- 4) In addition, IT performed a complete disaster recovery test in November 2008 during the data center move with 100% success; results were fully documented and used to update the current Disaster Recovery Plan.

Auditors' Comment

The Department of Revenue's officials responded that they partially concurred with findings 08-13 and 08-16 because they had concerns regarding the statement that some recommendations were previously provided in the prior year. The Department's responses point out efforts made to take corrective action as a result of the audit for the year ended June 30, 2007; however, the corrective action was implemented either late during fiscal year 2008 or after year-end. Therefore, the auditors' reference to similar findings in prior audits is factual and part of the standard reporting process.

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The Department's responses provide the opportunity to explain its efforts, whether planned or implemented, to correct the findings, and agency responses have not been audited. The acceptable margin 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.

08-22

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, Business Operations Administrator, (602) 542-6893

Anticipated completion date: June 2009

Agency Response: Concur

Agency Corrective Action Plan: The Department acknowledges that the reconciliation process between FOCUS (the Division's claim payment system) and FMCS (the Department accounting system of record) is complex and yet an integral part of the financial statement preparation. The reconciliation process will continue to be reviewed and revised to ensure that it is accurate, well documented, and complete.

Over the past year, Financial Services Administration and Division staff have worked to improve the financial statement preparation and process. These improvements have included a strengthened internal review process. Additionally, the Department has begun an initiative to automate the financial statement process and is currently developing an in-house Arizona Health Care Cost Containment System (AHCCCS) financial statement reporting application.

It is anticipated that the reporting application will be designed, developed, tested and implemented by the fourth quarter of fiscal year 2009. The application will increase the accuracy and completeness of the financial statements by reducing reliance on manual data input.

08-23

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, Business Operations Administrator, (602) 542-6893

Anticipated completion date: March 2009

Agency Response: Concur

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Agency Corrective Action Plan: The incurred but not reported (IBNR) amounts for home and community based services (HCBS) and institutional care required additional analysis that deviated from the AHCCCS-approved methods in fiscal year 2008. This reflected the stabilization of the FOCUS claims payment system and service providers' improved claim submittals, which reduced payment lags. Schedules and methodologies are being reviewed to ensure that methodologies that generate lag schedules for IBNR amounts 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 the reporting deadline for the third quarter of fiscal year 2009.

Due to changes to Arizona Long-Term Care System (ALTCS) financial reporting guidelines that are effective in January 2009, the Division will no longer be required to report claims payable for reported but unpaid claims (RBU) days outstanding for all services and incurred but not reported (IBNR) claims payable for ventilator dependent services.

08-24

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, Business Operations Manager, (602) 542-6893

Anticipated completion date: Various, for anticipated completion dates see corrective action plan below

Agency Response: Concur

Agency Corrective Action Plan: The Division's Information Technology Application Office conducted initial reviews, in the second quarter of fiscal year 2008, of job roles and responsibilities and appropriate access to FOCUS production data. As a result of this review, policies and procedures have been changed and strengthened. These changes will help to ensure that all access is compatible with an employees' job responsibilities and prevent improper access to, or misuse of, sensitive information. In addition, these changes will ensure that only authorized users have logical access to the FOCUS system and will prevent unauthorized use, damage, loss, or modifications of programs and equipment. Specifically, the following actions have been taken to:

- Limit logical access to the Division's computer systems to authorized users.
 - In January 2008, the Division implemented policies and procedures to ensure that only authorized users have logical access, such logical access is limited to essential employees, and that access is compatible with each employee's job responsibilities.
- Retain access request forms with the supervisor's approval.
 - For both FOCUS and QMACS systems, access is granted only through the use of the J-125 process, which includes retention (hard copy or electronic) of the supervisory approval document.
- Change an employee's system access immediately when an employee transfers from one position to another.

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- For both FOCUS and QMACS systems, access is granted only through the use of the J-125 process. That access is modified upon notification of an employee transfer from one position to another within the Division or Department.
- Eliminate access to all computer systems promptly when an employee leaves the Division.
 - For both FOCUS and QMACS systems, access is granted only through the use of the J-125 process. That access is terminated upon notification of an employee leaving the Division or Department.
- Eliminate all generic user accounts and assign each user account to an individual employee.
 - Use of all FOCUS generic user accounts was eliminated, effective April 24, 2008.
 - Certain “generic” accounts are necessary in the QMACS system for Windows authentication, which is required for stored procedures and other Microsoft processes. These accounts will be evaluated to determine if alternatives exist.
- Document all changes to financial information made by users with significant access.
 - Changes made to the QMACS database, through the user interface, are logged in the database. This logging identifies the user making the change. When automated processes update QMACS tables, SQL stored procedures are utilized; the SQL account is used for database logging.
 - Changes made to the FOCUS database follow Database Administrator’s (DBA) policies and procedures that require all production releases to be recorded in a log. The procedures include use and retention of all release approval documentation.
- Limit access to as few employees as possible and make sure access is compatible with each employee’s job responsibilities.
 - For both FOCUS and QMACS systems, the additional process of terminating user accounts that have not been accessed in the previous 90 days was implemented in October 2008. This ensures that user access follows required roles.
- Eliminate access to all user passwords for the help desk employees.
 - FOCUS help desk support staff access to FOCUS production passwords (except for their own password) was eliminated, following implementation of Windows Authentication in July 2008. Due to technical limitations in the system, these employees continue to have access to user passwords for a small number of external users; however, these external users have read-only access.
 - Implementation of Windows Authentication has eliminated the need for users to enter FOCUS passwords. Thus there is no longer a need to force the users to change their passwords after initial entry.
 - The QMACS help desk sets the initial user password and cannot view the password established by the user. The QMACS help desk will reset user passwords when requested to do so by the user.

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08-25

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, Business Operations Administrator, (602) 542-6893

Anticipated completion date: October 2009

Agency Response: Concur

Agency Corrective Action Plan: The Department will ensure that QMACS system changes are executed in conformance with DES Standard Development Methodology (1-38-0056). This methodology requires all program changes to document user requirements, approve testing plans which contain expected results, and requires user and/or management approval before production implementation.

Production changes to the QMACS system are executed with a request from the user. However, because of the interface with the AHCCCS reference file, it has been difficult for the user to review and approve the results prior to production implementation. The Department will develop and implement a process that reviews program changes prior to updating the AHCCCS reference file. All supporting documentation for production changes including authorization, testing, and approval will be retained.

08-26

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, Business Operations Administrator, (602) 542-6893

Anticipated completion date: Various, for anticipated completion dates see corrective action plan below

Agency Response: Concur

Agency Corrective Action Plan: The Department is continuing to implement the recommendations. As previously discussed under each recommendation, the Department has been working toward implementation of each audit recommendation. Specifically:

- 08-22 – In response to last year's similar finding, Division and Financial Services Administration staff have strengthened the internal processes for the preparation of the financial statement preparation and process. Additionally, effort has begun to automate the financial statement process, which will improve the accuracy, completeness, and timeliness of the financial statements. It is anticipated that testing will be complete for implementation for use with the fiscal year 2009, fourth quarter ALTCS financial statements.
- 08-23 – Schedules and methodologies for accounting for incurred but not reported (IBNR) amounts are currently under internal review and will be submitted to AHCCCS for approval by the reporting deadline for the third quarter of fiscal year 2009.

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- 08-24 – Over the past 6 months the Department has implemented the following:
 - Policies and procedures were implemented in January 2008.
 - Generic user accounts were eliminated in April 2008.
 - Production passwords were eliminated with the implementation of Windows Authentication in July 2008.

08-27

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: May 31, 2009

Agency Response: Concur

Agency Corrective Action Plan: The Department of Economic Security Division of Employment and Rehabilitation Services (DERS) identified the issues that led to the prior year unreconciled differences. The issues were related to errors in the treatment of certain reconciliation items, and those errors have been corrected. DERS now reconciles the bank statements and accounts on a monthly basis and maintains supporting spreadsheets and documentation to detail any discrepancies. DERS believes the identified issues have been corrected. Unemployment Insurance benefit payments have been reconciled as of June 2008 forward. DERS believes it is not cost beneficial to reconcile to the initial point of the unreconciled balance. DERS believes the documentation of how the unreconciled difference was arrived at and how it has been corrected from June 2008 going forward is sufficient to show that there is no unreconciled balance.

08-28

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

Agency: Department of Economic Security

Contact person: Scott Carson, Financial Manager, (602) 364-2545

Anticipated completion date: April 20, 2009

Agency Response: Concur

Agency Corrective Action Plan: The Department of Economic Security, Financial Services Administration, performed a draw of federal funds (document DFC12584) on the Community Services Block Grant in accordance with federal cash management procedures, without taking into account the year in which the expenditures occurred. In the future, all draws will be posted in the fiscal year in which the expenditures occurred and subsequently transferred, as necessary, to other fiscal years.

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08-29

Arizona State University needs better controls over payroll expenses and its new human resources and payroll computer system

Agency: Arizona State University

Contact person: Matthew McElrath, Chief Human Resources Officer, (480) 965-9650

Anticipated completion date: Various, for anticipated completion dates see corrective action plan below

Agency Response: Concur

Agency Corrective Action Plan: In regard to the deficiencies noted by the auditors in finding 08-29, ASU's response and current status are as follows:

- It was noted that for a period of time after implementation, the system was unable to generate reports that departments needed to monitor and verify the accuracy of payroll expenses. This noted deficiency in not having the needed reports was rectified in the second half of fiscal year 2008. An HR expenditure report listing specific payroll expenses in relation to department budget was developed. Additionally, the following tools to assist the departments in monitoring and reviewing their payroll expenses were put into place throughout fiscal year 2009:
 - Policy FIN 203 – Org Manager Responsibilities – describes the accountability for departments to ensure their payroll expenses are accurate in accordance with their respective budgets.
 - Business Process Guide – to assist in reconciling Payroll Expenses.
 - Policy SPP 405-02 – Overpayment – addresses the process to follow in the event an overpayment has been determined.
- It was noted that there was initially centralized approval of timesheets for certain employees and not departmental approval. This noted deficiency of not having departmental approvals for all employees was rectified in the second half of fiscal year 2008. The ability for employees to change reporting of hours worked after departmental approval was removed, along with the centralized approvals of all timecards, by the end of June 2008. During the timeframe where centralized approvals were processed, an extremely low percentage, only 1.7%, of total employee hours, was paid prior to departmental approval. This was done to ensure timely payment of wages to employees during the initial system implementation. Currently, approval of an employee's time worked must be completed at the departmental level. If the department does not approve the time within the required payroll processing deadline, the un-approved time will not be brought forward for payment in the payroll system until the department submits a payroll correction to pay the employee for the subsequently approved time worked.
- It was noted that there were not adequate safeguards in place to ensure that employees with earnings in addition to their regular salaries and wages had these additional earnings processed correctly. This noted deficiency was rectified in the third quarter of fiscal year 2009. The University developed an on-line Payroll Correction Form. This form enables departments to submit pay corrections, along with salary and other adjustments to employees' pay, while providing controls to minimize any potential departmental misuse of the additional pay feature. The University is centrally monitoring additional pay through the Payroll Online Correction Form approval routing.

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- It was noted that there were problems with the contract pay component of the new system. As noted by the auditors, this deficiency was rectified by discontinuing the contract pay component during the second half of fiscal year 2008. The human resources and payroll system contract pay module did not function as anticipated when the system was configured initially. While the vast majority of faculty were paid correctly, the contract pay module did not perform adequately when a faculty member received any additional pay during the contract period (e.g. for teaching an additional class). Consequently, all faculty were converted to the standard bi-weekly payroll schedule.
- It was noted that there was some incorrect conversions to the new system of semi-monthly pay rates. This noted deficiency was rectified during the first half of fiscal year 2008. At the time of the new human resources and payroll system initial implementation, the University transitioned from a semi-monthly to a bi-weekly pay frequency. Nationally this is the most common pay frequency and also is the pay frequency used by the other two Arizona universities. Coupled with this change, the University also moved to a schedule where pay dates are one week after last time worked. This change resulted in an initial three-week lag to transition between pay dates. The University made the decision to phase in the new pay frequency change over three pay periods, utilizing a method where a portion of the employee's pay was based on actual hours with the remaining pay based on estimated hours. This was done to lessen the financial burden on employees in making this pay frequency change. This phasing in of the change in pay cycles significantly complicated the pay frequency conversion, but only lasted for six weeks. Unfortunately as a result of the pay frequency change, some departments inadvertently increased employees' initial pay. This situation was corrected shortly thereafter.
- It was noted that there was lack of monitoring by the Office of Human Resources of salary increases and other changes to the employee database. This noted deficiency was rectified during the third quarter of fiscal year 2009. Prior to implementation of the new human resources and payroll system, the previous, legacy system allowed for department-based approval and data entry of salary increases and other changes. Upon implementation of the new human resources and payroll system, the University has changed its business processes to provide for the central review and approval of salary adjustments and changes. Under development are more systematic audit triggers to prompt review and approval of adjustments and changes that exceed established thresholds, before the changes are implemented. This further enhancement has an anticipated implementation of first half fiscal year 2010. In addition, departments are continuously being educated on the required documentation and authorization for all human resources and payroll transactions, which must be maintained on file.
- It was noted that automated edit checks were not installed in the initial system implementation to prevent or detect obviously incorrect payroll transactions. This noted deficiency was rectified during the first half of fiscal year 2008, shortly after this oversight was noted by the auditors. The payroll management team now runs a regular query of the checks currently in process to review gross amounts to be received. This list is then reviewed by the appropriate payroll representative and signed off by the payroll supervisor. Adjustments for any errors identified are made prior to payroll confirmation. Payroll edits are in place via university reporting tools to identify any high dollar amounts. In December 2008, the query was further broken out into each pay group to set different dollar limits (e.g., students have a lower threshold than faculty). The query automatically sends an email to appropriate Office of Human Resources payroll staff.

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- It was noted that terminated employees were not always removed from the system in a timely manner. This noted deficiency was rectified the first half of fiscal year 2009. With the implementation of the new human resources and payroll system, the ability to control when an employee terminates is processed at the department level. Departments have the ability to audit and verify their payroll expenses for employees who will be paid with each upcoming payroll, the Wednesday before the actual pay date. They can utilize reports available through university report tools. In addition, the Office of Human Resources has implemented an auto termination process, which automatically terminates an employee record if there has not been activity for more than four months. This four-month timeframe allows for employees not being paid over the summer to remain an active employee as long as they return in August, with automatic termination if they do not return.
- It was noted that employee personnel records were not centrally maintained in accordance with university-established policy. This noted deficiency is scheduled to be rectified during the first half of fiscal year 2010. ASU will be requesting that departments provide the documentation of employee personnel files to the Office of Human Resources, and also will communicate the importance of centrally housing the personnel files, in compliance with current policy SPP 1101 – Personnel Records. Even though this action has a target completion date of the first half of fiscal year 2010, the long-term objective is to be able to electronically store employee personnel data, which will better address the noted deficiency and sufficiently reduce the decentralization of personnel records.

The auditors made several recommendations in conjunction with finding 08-29. ASU's response and current status of each finding are as follows:

- Establish a comprehensive set of policies and procedures for monitoring and verifying payroll expenses. The following four tools to assist departments in monitoring and reviewing their payroll expenses have been put into place throughout fiscal year 2009:
 - Policy FIN 203 – Org Manager Responsibilities: Describes the accountability for departments to ensure their payroll expenses are accurate in accordance with their respective budgets.
 - MyReports – HR Expenditures: Reporting of departmental payroll expenses in relation to their budget.
 - Business Process Guide: Assists in reconciling Payroll Expenses.
 - Policy SPP 405-02 – Overpayment: Addresses the process to follow in the event an overpayment has been determined.
- Investigate and recover payroll overpayments. This recommendation is substantially completed. Out of the total \$2.4 million in overpayments identified, the vast majority has been collected (all but \$65,000 or 2.7% of the total overpayments). The identified \$2.4 million in overpayments represents only .003% (3/10 of 1%) of ASU's total annual payroll. The Office of Human Resources is currently and continuously working on the remaining recovery of overpayments from current and former employees. Even though some departments wanted to forgive certain overpayments, all overpayments known by Human Resources have now either been collected or are in active collection status. The process for recovery of overpayments is as follows:

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- Current Employees – Overpayments, once identified, are recovered through payroll deductions, or the employee may submit a personal check for the repayment of the overpayment if the check is expediently received.
- Former Employees – The Payroll Department sends a sequence of three request for repayment letters. If there is no response from the former employee, the case is then referred to ASU's internal collections department. The internal collection department then attempts to make contact with the former employee once again. If there is no response within 30 days, the case is then referred to an outside collection agency and reported to credit bureaus.

The responsibility for departments to identify all overpayments and the process for collecting on overpayments were clarified to departments through the issuance of a policy on this subject in July 2008.

- Ensure that departments verify and approve all time recorded by employees. This recommendation was implemented during the second half of fiscal year 2008. In June 2008, the University reinstated departmental approvals of timesheets University-wide, including a review of any changes made to timesheets after the initial approval. Due to the department-based data entry for hours worked, this approval requires continuous monitoring and is constantly being addressed to ensure that all time records get approved in the timeframe determined by the payroll department in order to pay the employee in a timely manner.
- Improve controls over processing contract pay, additional pay, payroll corrections, and salary and other adjustments to employees' pay to ensure their propriety. ASU implemented an online pay correction form during the third quarter of fiscal year 2009. This form enables departments to submit pay corrections, additions, adjustments or indications of overpayment situations directly on the form. This form eliminates the erroneous entry of earnings codes and controls the entry a department has the ability to complete. This form is then routed through the appropriate approvals in order to be processed within the payroll system.
- Provide written policies and procedures to departments for performing independent reviews of salary and other changes to ensure that they are proper and comply with university-established policies. This noted deficiency was rectified during the third quarter of fiscal year 2009. Prior to implementation of the new human resources and payroll system, the previous, legacy system allowed for department-based approval and data entry of salary increases and other changes. Since implementation of the new human resources and payroll system, the University has improved business processes for the review and approval of salary adjustments and changes. The University currently has policies in place that address rates of pay (SPP 403-02) and also salary adjustments (SPP 403-08), with the later policy having been recently revised and updated. Another tool which departments can use for determining salary changes is the Compensation and Salary Administration – Guideline for Managers document located on the Compensation page of the Human Resources web site. The compensation section of Human Resources periodically performs a variety of internal audits of salary administration practices to provide analysis to management regarding adherence with established policies.

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- Install automated edit checks in the system to prevent large or incorrectly entered payroll transactions from processing without review or approval. This recommendation was implemented during the first half of fiscal year 2008, shortly after this oversight was noted by the auditors.
- Remove terminated employees from the system in a timely manner. As previously mentioned, this recommendation was implemented during the first half of fiscal year 2009.
- Adhere to university policy by centrally maintaining employee records. As previously mentioned, this recommendation is scheduled to be completed during the first quarter of fiscal year 2010.

08-30

Arizona State University should strengthen controls over security, access, and change management for its new computer systems

Agency: Arizona State University

Contact person: Tina Thorstenson, Senior Director, Technology & Process, (480) 290-1551

Anticipated completion date: June 30, 2009

Agency Response: Concur

Agency Corrective Action Plan: In regard to the deficiencies noted by the auditors in Finding 08-30, ASU's responses and current status are as follows:

- Security – The University had not fully implemented all of the required complementary user organization controls. The noted deficiency regarding Complementary Controls was rectified during the third quarter of fiscal year 2009. ASU has completed the Complementary Controls portion of the Cedar/Crestone hosting service agreement, which includes completing its formal business continuity strategy. ASU will complete a security risk assessment during the fourth quarter of fiscal year 2009 and is developing a schedule and plan for future assessments.
- Logical access – The University did not install automated lock-out features on its systems, leaving the systems vulnerable, and did not have adequate procedures for removing access after users terminated employment or transferred to other jobs within ASU. The rectification of noted deficiencies is well underway, with planned completion during the fourth quarter of fiscal year 2009.

For the past 20 years, ASU's ASURite login system has allowed repeated attempts without a lockout feature. In that time, there is no evidence that this vulnerability was ever successfully exploited. Nevertheless, ASU accepts as a best practice that its login system should mitigate risk of deliberate and persistent attempts to gain unauthorized access to ASU systems through the implementation of Captcha technology. This project, to implement Captcha comprehensively into all ASURite logins, is underway and will be completed in the second half of fiscal year 2009.

Prior to the second half of fiscal year 2008, the procedure for removing a terminated employee's system access was driven by departmental request. ASU accepts as a best practice that automated termination processing is a preferred solution. This noted deficiency was rectified during the second half of fiscal year 2008.

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With respect to employee transfers, ASU is documenting the process for review of appropriate authorizations to realign system access for transferred employees where appropriate. Through this process, this deficiency will be rectified during the second half of fiscal year 2009.

At the conclusion of the human resources and payroll system implementation in the second half of fiscal year 2008, ASU instituted full separation of duties between those responsible for system development and implementation, and those with the ability to make changes in the human resources and payroll system, such as adding employees or increasing salaries, and processing payroll.

- Change management – The University did not have adequate written policies and procedures for making program changes. This noted deficiency was rectified during the third quarter of fiscal year 2009.

Until the first half of fiscal year 2009, ASU's written policies and procedures for implementing changes to its human resources / payroll and student information systems were decentralized. ASU has since completed a project that centralized all documentation for development of its human resources / payroll and student information systems.

During the implementation of ASU's new human resources and payroll and student information systems, ASU performed comprehensive system and functional level testing in accordance with industry best practices. Proof of successful functional testing was required prior to production migration. ASU documented these approvals but accepts that it did not retain documentation of the test results that supported these approvals.

To address this deficiency, ASU has implemented documented electronic test plans associated with each project. The University continues to require that all changes be logged, authorized, tested and approved prior to implementation. To document this long-standing requirement, ASU has improved the business process which tracks these activities.

To better document the independent review of all system changes, ASU has implemented a tracking procedure. All system changes require documentation of technical review. Hosting service changes are applied during scheduled maintenance cycles. Each item goes through a review cycle between ASU and its hosting provider. Once the implementation is complete, ASU documents the results of the Initial Verification Test (IVT) followed by a post-implementation review.

The audit report contains several specific recommendations in conjunction with Finding 08-30.

Security

- Establish a formal business continuity strategy. This recommendation was implemented during the third quarter of fiscal year 2009.
- Develop and implement written policies and procedures in regard to security risks for the systems. This recommendation was implemented during the third quarter of fiscal year 2009.

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- Perform a security risk assessment of the systems, including those Web-based applications used to grant access to these systems, as mentioned in finding 08-31. This recommendation will be implemented during the fourth quarter of fiscal year 2009.

Logical Access

- Install automated features within the systems that lock-out users' access accounts after a certain number of failed login attempts, to reduce the vulnerability to unauthorized access. This recommendation will be implemented during the fourth quarter of fiscal year 2009.
- Remove users' system access immediately after users terminate employment or are transferred to other jobs within the University. The recommendation relative to terminated employees was implemented in the second half of fiscal year 2008. With respect to employee transfers, ASU is documenting the process for review of appropriate authorizations, to realign system access for transferred employees where appropriate.

Through this process, this recommendation relative to transferred employees will be implemented during the fourth quarter of fiscal year 2009.

- Develop procedures to ensure proper segregation of responsibilities by defining, assigning and approving user access roles and responsibilities in the system. This recommendation was substantially implemented at the conclusion of the human resources and payroll system implementation in the second half of fiscal year 2008.

Change Management

- Develop and implement written policies and procedures for making program changes to the systems. This recommendation was implemented during the third quarter of fiscal year 2009.
- Review and monitor all program changes made by the contracted service organization to ensure that those changes are logged, authorized, tested and approved before implementation. This recommendation was implemented during the third quarter of fiscal year 2009.

08-31

Arizona State University needs to improve controls over its Web-based application used to grant access to its computer systems

Agency: Arizona State University

Contact person: Tina Thorstenson, Senior Director, Technology & Process, (480) 290-1551

Anticipated completion date: Completed

Agency Response: Concur

Agency Corrective Action Plan: In regard to the deficiencies noted by the auditors in Finding 08-31, ASU's responses and current status are as follows:

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Until the second half of fiscal year 2008, for a period of more than 10 years, the Web-based application that provides ASURite login had a vulnerability based on a combination of weaknesses that could allow unauthorized access. In that time, there is no evidence that this vulnerability was ever successfully exploited. ASU fixed this vulnerability within hours of becoming aware of its existence.

ASU continues its efforts to ensure its systems and sensitive information they contain are protected from unauthorized access and use. Additionally, ASU performs semi-annual security assessments of the Web-based portions of the human resources and payroll and student information systems.

08-32

Arizona State University should strengthen controls over access, program changes, and disaster recovery for its financial accounting system

Agency: Arizona State University

Contact person: Tina Thorstenson, Senior Director, Technology & Process, (480) 290-1551

Anticipated completion date: March 31, 2009

Agency Response: Concur

Agency Corrective Action Plan: In regard to the deficiencies noted by the auditors in Finding 08-32, ASU's responses and current status are as follows:

- Logical Access – The University did not have adequate access controls for its financial accounting system. This noted deficiency was rectified during the first half of fiscal year 2009.

ASU has been using the same financial system with the same financial controls for the past twenty years. For most of the life of that system, two individuals have maintained and supported it. During that time, there have been no audit findings relative to controls.

ASU accepts as a best practice that changes to the database should be logged, monitored and properly authorized. The individuals referenced by the auditor were trusted members of the ASU team that were uniquely qualified to support this system. Even when one of those individuals was placed on administrative leave because of planned retirement, it was with the understanding that he was on-call for production support of the financial accounting system, due to the highly specialized nature of his skill. His access was removed in August, 2008 with the employee retiring shortly thereafter.

ASU maintains that this individual's access to the financial accounting system was appropriate until the time of his retirement. ASU accepts, however, the appearance of impropriety that could arise in this situation. ASU now rescinds access to the financial accounting system for any individuals on administrative leave.

ASU does maintain a complete and accurate listing of users with access to the financial accounting system. ASU regrets that the information first provided during the research phase of the audit was inaccurate, but contends that it is not a reflection of the accountability or accuracy of the record of users provided access to the financial accounting system. A complete and accurate list of current users with access to the financial accounting system is being provided to the auditors.

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- Program changes – The University did not have adequate change management controls, including review and independent approval. This noted deficiency was rectified during the first half of fiscal year 2009.

ASU has been using the same financial system with the same change management controls for the past twenty years. During that time, there have been no audit findings relative to controls. ASU has, however, implemented a full set of improved procedures incorporating checks and balances for applying changes to the financial accounting system, so that there will not be any future problems in this area.

- Disaster recovery – The University's disaster recovery plan for its financial accounting system had not been updated annually. This noted deficiency was rectified during the third quarter of fiscal year 2009.

ASU has been using the same financial system with the same disaster recovery procedure for the past twenty years. During that time, including several disasters, there has never been an occasion where data was unrecoverable. In the third quarter of fiscal year 2009, ASU exercised its twenty-year old disaster recovery procedures successfully. The financial accounting system was fully restored and testing confirmed its complete success.

The auditors made several recommendations in conjunction with Finding 08-32. ASU's response and current status of each finding are as follows:

Logical Access

- Monitor the activities of those individuals having a high level of system access, including the ability to change data directly within the database. This recommendation was implemented during the first half of fiscal year 2009.
- Immediately revoke all access privileges for individuals who are placed on administrative leave and relieved of duties. This recommendation was implemented during the first half of fiscal year 2009.
- Ensure that existing procedures for controlling and granting access to the financial accounting system provide the University the ability to accurately identify all users having system access at a given point of time. This recommendation was implemented during the first half of fiscal year 2009.

Program Changes

- Log, authorize, test, review, and approve modifications to the system prior to implementation. This recommendation was implemented during the first half of fiscal year 2009.
- Ensure that an adequate separation of duties exists between the authorization, design, and development of the program change on one hand, and the approval to move the change into production on the other. This recommendation was implemented during the first half of fiscal year 2009.

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Disaster Recovery

Update and test its disaster recovery plan for its financial accounting system annually. This recommendation was implemented during the third quarter of fiscal year 2009.

08-33

Northern Arizona University should improve controls over its computer systems

Agency: Northern Arizona University

Contact person: Robert Norton, Associate Vice President for Financial Services / Comptroller, (928) 523-6054

Anticipated completion date: June 30, 2009

Agency Response: Concur

Agency Corrective Action Plan: The Financial Systems Change Management Committee (FIN CMC), which oversees modifications to the Advantage system, prioritizes and approves all planned production changes. Approval for such changes is subject to proper testing by the Advantage functional user group.

Although procedures for tracking the migration of production changes have been developed using the ITS SOS system, we agree that additional controls are needed to help prevent the circumvention of these procedures. In addition, approval documentation within the SOS system can be improved to better identify planned production changes versus emergency production changes.

Within ITS, efforts are already under way to improve segregation of duties and logging of production change activity. These changes will be completed no later than 6/30/09. In addition, effective immediately, the Comptroller's Office will begin referencing FIN CMC approval actions within the SOS system for all planned production changes. Furthermore, the Comptroller's office will periodically report back to the FIN CMC on the nature of all emergency production changes.

ITS will upgrade its door access control system no later than 6/30/09. This upgrade will establish the needed control procedures that limit and monitor physical access to the central computer Data Center.

As a part of the upgrade a recertification of all physical access granted to personnel will be conducted and procedures will be put in place for maintaining support for all physical access granted.

08-34

The University of Arizona should improve its internal controls over purchasing

Agency: University of Arizona

Contact person: Kirk Ketcham, Procurement and Contracting Services Director, (520) 621-9513

Anticipated completion date: December 2008 for Competitive Bidding and Purchasing Cards, March 2009 for Conflicts-of-Interest

Agency Response: Concur

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Agency Corrective Action Plan:

Competitive Bidding

We concur with the audit recommendation and will take appropriate action to ensure compliance with all State and ABOR procurement laws and regulations. Procurement and Contracting Services (PACS) has policies and procedures in place for all purchase order awards that require a competitive solicitation. PACS administrators will reiterate existing University procurement policies and procedures to all employees involved in the procurement process. During our monthly buyer meetings, PACS administrators will emphasize the importance of retaining proper written documentation to support vendor selection when choosing to purchase items from higher priced entities. PACS administrators will also highlight the policy on formal written competitive sealed bids which are required for purchases greater than \$50,000, unless a sole source or emergency exists. An emphasis will be placed on documentation requirements for informal price quotes (via phone, fax or email) for purchases between \$25,000 and \$50,000.

Purchasing Cards

We concur with the audit recommendation and will actively use the "Declines Report" data to flag possible misuse. This report checks for spending patterns to detect if cardholders are attempting to make purchases over \$5,000 and/or attempting to make unauthorized purchases. This should assist PACS in determining whether any splitting, fragmenting, and/or pyramiding have occurred. When a transaction is flagged through this process PACS requires that a "Possible Non-Compliance" form be sent to the department liaison requesting justification and documentation for the transactions in question. The form must also be reviewed and signed by the director or department head.

Once all documentation is compiled it is reviewed by a PCard administrator and Assistant Director of Procurement and Contracting Services in order to determine if an actual violation has taken place. If it is determined that a violation has occurred the card will be suspended for 90 days. Notification of card suspension is sent to the department liaison and the dean, director or department head.

Conflicts-of-Interest

We concur with the audit recommendations and will take appropriate action to address these issues. On an annual basis, PACS will send an email to all current University employees to inform them of their responsibility to review the Purchasing Policy on Conflict-of-Interest (Policy 1.4). This policy requires that employees file a disclosure of substantial interest and/or update any existing disclosures.

The Disclosure of Conflict-of-Interest form has been revised. The signed statement is an attestation requiring that the employee not be involved in any purchasing decisions and/or approvals related to the listed vendor. Once the form has gone through a formal review process, the employee is notified whether or not a conflict-of-interest exists.

PACS has also implemented procedures to ensure that a comprehensive conflict-of-interest listing is maintained and kept current. The listing will be disclosed on the Procurement and Contracting Services Web site.

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PACS internal procedures have been revised to include conflict of interest flags within the FRS vendor file (either substantial or remote). When processing requisitions, buyers are responsible for securing a vendor number from the Vendor File. At that point in time, the Buyer will identify whether the vendor has a conflict of interest designation. Should purchasing from a particular vendor be a conflict of interest, the buyer will notify the department to ensure that the employee is not involved in the purchasing decision.

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Federal Award Findings and Questioned Costs

08-101

Food Stamp Cluster:

CFDA No.: 10.551 Food Stamps

10.561 State Administrative Matching Grants for Food Stamp Program, #7AZ400AZ4

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

CFDA No.: 10.664 Cooperative Forestry Assistance, #s 04DG11031600-034, 05DG11031600-036, 04DG11031600-063, 05DG11031600-077, 05DG11111169-076, 06DG11031600-119, 06DG11031600-112, 07DG11031600-138, 08DG11031600-143

Highway Planning and Construction Cluster:

CFDA No.: 20.205 Highway Planning and Construction, Various

CFDA No.: 66.458 Capitalization Grants for Clean Water State Revolving Funds, #s CS04000106 and CS04000107

CFDA No.: 66.468 Capitalization Grants for Drinking Water State Revolving Funds, #s FS99990203, FS99990206, and FS99990207

CFDA No.: 84.002 Adult Education—Basic Grants to States, #s V002A050003, V002A060003, and V002A070003

CFDA No.: 84.010 Title I Grants to Local Educational Agencies, #s S010A050003, S010A060003, and S010A070003

CFDA No.: 84.011 Migrant Education—State Grant Program, #s S011A050003, S011A060003, and S011A070003

Special Education Cluster (IDEA):

CFDA No.: 84.027 Special Education—Grants to States, #s H027A050007, H027A060007, and H027A070007

84.173 Special Education—Preschool Grants, #s H173A050003, H173A060003, and H173A070003

CFDA No.: 84.126 Rehabilitation Services—Vocational Rehabilitation Grants to States, Rehabilitation Services—Vocational Rehabilitation Grants to States, #s H126A060002, H126A070002, and H126A080002

CFDA No.: 84.367 Improving Teacher Quality State Grants, #s S367A050049, S367A060049, and S367A070049

CFDA No.: 93.268 Immunization Grants, #s 5H23/IP922545-05 and H23/CCH922545-04

CCDF Cluster:

CFDA No.: 93.575 Child Care and Development Block Grant, #s G0601AZCCDF, G0701AZCCDF, and G0801AZCCDF

93.596 Child Care Mandatory and Matching Funds of the Child Care and Development Fund, #s G0601AZCCDF, G0701AZCCDF, and G0801AZCCDF

CFDA No.: 93.667 Social Services Block Grant, #s G0701AZSOSR and G0801AZSOSR

CFDA No.: 93.767 State Children's Insurance Program

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Medicaid Cluster:

CFDA No.: 93.775 **State Medicaid Fraud Control Units**

CFDA No.: 93.777 **State Survey and Certification of Health Care Providers and Suppliers**

CFDA No.: 93.778 **Medical Assistance Program**

Homeland Security Grant Program Cluster:

CFDA No.: 97.004 **State Domestic Preparedness Equipment Support Program, #s 2003-MU-T3-0034 and 2004-GE-T4-0051**

97.067 **Homeland Security Grant Program, #s 2005-GE-T5-0030 and 2007-GE-T7-0006**

Agency: Department of Administration

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

Anticipated completion date: Unknown

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.

08-102

Food Stamp Cluster:

CFDA No.: 10.551 **Food Stamps**

10.561 **State Administrative Matching Grants for Food Stamp Program, # 7AZ400AZ4**

CFDA No.: 93.558 **Temporary Assistance for Needy Families, #s G0702AZTANF and G0802AZTANF**

Agency: Department of Economic Security

Contact person: Leona Hodges, Deputy Assistant Director, (602) 542-7596

Anticipated completion date: May 2009

Agency Response: Concur

Agency Corrective Action Plan: On November 2, 2007, the Department of Economic Security (DES), Division of Benefits and Medical Eligibility (DBME), began issuing cards in local offices only for cases that meet the Food Stamp expedite criteria. This was necessary to ensure that these recipients have access to their benefits within seven days from the date of application as required by Federal regulation. DBME programmed the AZTECS eligibility system to prevent issuance of EBT cards in the local offices except for expedite or emergency cases. The vendor mails out all other EBT cards. Local Office Managers will continue to monitor EBT cards issued from their local office. In addition, local offices placed posters in their lobbies 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.

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- 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, DBME made numerous changes to the AZTECS eligibility system to restrict the issuance of supplemental payments and prevent the occurrence of EBT fraud.

DBME addressed all issues noted in the finding with the appropriate staff and will issue a reminder to all staff to log off the system when unattended.

08-103

Food Stamp Cluster:

CFDA No.: 10.551 **Food Stamps**

10.561 **State Administrative Matching Grants for Food Stamp Program, # 7AZ400AZ4**

Agency: Department of Economic Security

Contact person: Leona Hodges, Deputy Assistant Director, (602) 542-7596

Anticipated completion date: June 30, 2008

Agency Response: Concur

Agency Corrective Action Plan: The Department of Economic Security, Division of Benefits and Medical Eligibility, 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 was closely monitored internally and by the Food and Nutrition Services (FNS) to ensure compliance. The completion date for the Accuracy Improvement Plan was June 30, 2008. The error rate based on case reads through June 2008 was 4.66% compared to 6.07% in June 2007 and 8.26% in federal fiscal year 2006. The Division received bonus funding in 2008 due to the accuracy rate improvement.

08-104

WIA Cluster:

CFDA No.: 17.258 **WIA Adult Program, #s AA-14662-05-55, AA-15466-06-55, and AA-16015-07-55-A-4**

17.259 **WIA Youth Activities, #s AA-14662-05-55, AA-15466-06-55 and AA-16015-07-55-A-4**

17.260 **WIA Dislocated Workers, #s AA-14662-05-55, AA-15466-06-55, and AA-16015-07-55-A-4**

Agency: Department of Economic Security

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

Anticipated completion date: June 30, 2009

Agency Response: Concur

Agency Corrective Action Plan: The Department of Economic Security, Division of Employment and Rehabilitation Services (DERS), now maintains detailed spreadsheets and a database to record all cash draw and expenditure data for the Workforce Investment Act program. DERS utilizes the database

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and spreadsheets to prepare the quarterly ETA-9130 reports. DERS has detailed reporting requirements in the Intergovernmental Agreements with the Local Workforce Investment Areas (LWIA) that require they report their expenditure data 30 days after the end of the month. This allows approximately two weeks after receipt of the LWIA expenditure data to prepare the ETA-9130 reports. Late submission of reports occurred because the U.S. Department of Labor (DOL) electronic reporting system data was inaccurate. DERS had to wait for DOL to correct the data before they could enter report information.

08-105

WIA Cluster:

CFDA No.: 17.258 **WIA Adult Program, #s AA-14662-05-55, AA-15466-06-55, and AA-16015-07-55-A-4**
17.259 **WIA Youth Activities, #s AA-14662-05-55, AA-15466-06-55 and AA-16015-07-55-A-4**
17.260 **WIA Dislocated Workers, #s AA-14662-05-55, AA-15466-06-55, and AA-16015-07-55-A-4**

Agency: Department of Economic Security

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

Anticipated completion date: June 30, 2009

Agency Response: Concur

Agency Corrective Action Plan: The Department of Economic Security, Division of Employment and Rehabilitation Services, has modified its processes and procedures related to Single Audit follow-up. DERS modified the pre-on-site monitoring tool to include a requirement for the fiscal monitor to review the most recent completed single audit report and submitted corrective action plan. This should ensure that the LWIA is up to date on completion of their plan or that DERS has an updated copy of the corrective action plan (CAP) indicating the status of the CAP. In addition, DERS assigned a staff member the responsibility for performing regular follow-up with the LWIAs on single audit findings and tracking of the CAP.

08-106

CFDA No.: **17.225 Unemployment Insurance, #s UI-14421-05-55, UI-15108-06-55, UI-15785-07-55, and UI-16733-08-55**

Agency: Department of Economic Security

Contact persons: Andrew Baldwin, UI Director, (520) 770-3769

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

Anticipated completion date: June 30, 2009

Agency Response: Concur

Agency Corrective Action Plan: The Department of Economic Security, Division of Employment and Rehabilitation Services, was not able to meet all required report deadlines due to substantial workload increases associated with the downturn in the economy and the number of weekly unemployment claims filed during the audit period. DERS will improve reporting timeliness by June 30, 2009. In addition, DERS will examine and improve the process for maintaining supporting documentation so that documentation can be readily located in the future.

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08-107

CFDA No.: **84.126 Rehabilitation Services—Vocational Rehabilitation Grants to States, #s H126A060002, H126A070002, and H126A080002**

Agency: Department of Economic Security

Contact person: Katharine Levandowsky, RSA Program Administrator, (602) 542-6295

Anticipated completion date: June 2009

Agency Response: Concur

Agency Corrective Action Plan: To ensure compliance with eligibility requirements, the Department of Economic Security, Rehabilitation Services Administration (RSA), staff send letters to clients 45 days from the date of the signed application. The letters inform the client that an eligibility determination extension is needed.

In June 2009, RSA will implement an automated system. This automated system 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.

08-108

CFDA No.: **84.126 Rehabilitation Services—Vocational Rehabilitation Grants to States, #s H126A060002, H126A070002, and H126A080002**

Agency: Department of Economic Security

Contact persons: Katharine Levandowsky, RSA Program Administrator, (602) 542-6295

Monika Luksikova-Hickcox, FSA Principal Financial Analyst, (602) 542-6060

Anticipated completion date: January 2009

Agency Response: Concur

Agency Corrective Action Plan: To ensure reports submitted to the U.S. Department of Education are accurate, the Department of Economic Security, Rehabilitation Services Administration, developed a RSA-2 Procedures Manual, which will be updated on a regular basis to meet Federal regulations. The identified calculation errors were corrected and forwarded to the U.S. Department of Education. To ensure verification of data results, the RSA and the Financial Services Administration (FSA) collaborated in preparing the federal fiscal year 2008 RSA-2 Program Cost Report.

The FSA established three levels of review and approval before the Section 110 grant; SF-269 Financial Report can be submitted to the U.S. Department of Education. All reviewers have been trained on the correct completion of the SF-269 report to a degree that they themselves could complete the report. In order to confirm the accuracy of the information provided to the U.S. Department of Education, review personnel trace data entry to supporting documentation, check for general reasonableness, and are able to properly retrieve and isolate supporting data utilized in the report.

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08-109

CFDA No.: 93.558 **Temporary Assistance for Needy Families, #s G0702AZTANF and G0802AZTANF**

Agency: Department of Economic Security

Contact person: Leona Hodges, Deputy Assistant Director, (602) 542-7596

Anticipated completion date: September 2009

Agency Response: Concur

Agency Corrective Action Plan: The Department of Economic Security, Division of Benefits and Medical Eligibility, is in the process of reviewing the FAA Policy Manual to improve the process. The revised policy or procedures will address this issue. In the meantime, 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.

08-110

CFDA No.: 93.558 **Temporary Assistance for Needy Families, #s G0702AZTANF and G0802AZTANF**

93.645 **Child Welfare Services—State Grants, # G0801AZ1400**

93.658 **Foster Care—Title IV-E, #s 0701AZ1401 and 0801AZ1401**

93.667 **Social Services Block Grant, #s G0701AZSOSR and G0801AZSOSR**

Agency: Department of Economic Security

Contact person: David Longo, DCYF Finance and Business Operations Administrator, (602) 542-5099

Anticipated completion date: June 30, 2009

Agency Response: Concur

Agency Corrective Action Plan: The Department of Economic Security, Division of Children, Youth and Families (DCYF), agrees with the audit finding based upon the Division's contracts with the Title IV—E educational leave employees. To correct this deficiency, DCYF will revise these contracts to permit compensation above 80% of base salaries on an exception basis. Exceptions will take into consideration eligibility for Pay for Performance and/or other non-base salary compensation.

DCYF agrees employees did not always record educational leave on their timesheets in the appropriate expenditure codes and the supervisors did not detect these errors when reviewing employee timesheets. In 2008 to correct this deficiency, DCYF implemented a centralized process at the DCYF Central Office to review copies of these employee timesheets. If inaccuracies are found, expenditure corrections are processed. DCYF will provide additional instruction to staff responsible for this process and emphasize the reviews and corrections must be accurate.

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08-111

CFDA No.: 93.563 **Child Support Enforcement, #s G0704AZ4004 and G0804AZ4004**

Agency: Department of Economic Security

Contact person: Sherry Seaman, Legal Services Administrator, (602) 771-8147

Anticipated completion date: April 6, 2009

Agency Response: Concur

Agency Corrective Action Plan: The Department of Economic Security, Division of Child Support Enforcement (DCSE), is dedicated to timely establishment of child support orders, enforcement of medical support obligations, coordinating with other states to take case actions and the timely establishment of new child support cases. Following receipt of the audit information, the Division reviewed each identified case to determine the actions to be taken by staff.

The Division has implemented processes to ensure that cases are established and worked within required periods. In February 2006, the Division implemented processes to identify, prioritize and monitor worklist items on establishment cases that indicate verified noncustodial parent locate data is available from New Hire reporting. In May 2007, the Division implemented similar processes to identify worklist items indicating establishment actions can begin. Additional worklist items were incorporated into the monthly tracking mechanism, in addition to caseload data housed on the DCSE Geographic Environment and Analytical Report Utility Portal (GEARUP). This allows office managers and supervisors the ability to review all cases within a specific function for case status and action. The Division continues to monitor cases for timely action to improve compliance.

The Division has automated most of the medical support enforcement process, but there are a few circumstances where manual intervention is required. In an effort to achieve improved compliance, DCSE monitors the E7018 codes to ensure that they are completed timely for issuance of the Medical Support Notice as well as the Income Withholding Order. This monitoring became effective on December 19, 2008.

To address the Interstate case that was not referred within the required timeline, discussions were held at quarterly meetings to emphasize the importance of meeting required timelines and determining when cases should be processed as local or as two-state actions.

Intake should be completed within 20 days of receipt of IV-D applications. All applications for IV-D services are now logged and monitored to help ensure compliance with this requirement. The Division has centralized a portion of the IV-D applications received (i.e., DCSE only) in order to streamline and enhance the timeline monitoring of these requests. The Division centralized the IV-D applications on April 6, 2009.

08-112

CFDA No.: 93.563 **Child Support Enforcement, #s G0704AZ4004 and G0804AZ4004**

Agency: Department of Economic Security

Contact person: Roger C. Welch, Finance Administrator, (602) 771-8326

Anticipated completion date: June 16, 2008

Agency Response: Concur

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Agency Corrective Action Plan: The Department of Economic Security, Division of Child Support Enforcement, will continue to follow the DES Tuition Reimbursement Policy and will require all tuition reimbursement requests to include justification of how courses will directly improve job performance and knowledge.

08-113

Disability Insurance/SSI Cluster:

CFDA No.: 96.001 **Social Security—Disability Insurance, #s 040704AZDI00 and 040804AZDI00**

Agency: Department of Economic Security

Contact person: Nancy West, Program Administrator, (602) 771-7110

Anticipated completion date: September 2008

Agency Response: Concur

Agency Corrective Action Plan: The Department of Economic Security, Disability Determination Services Administration (DDSA), implemented a new process to complete the Time Report of Personnel Services for Disability Determination Services (SSA-4514). DDSA completes the SSA-4514 report by downloading the required data (employee hours) from the Division of Business and Finance data warehouse directly into the report. In the past, DDSA manually entered the timesheet information into the report. The downloading process ensures that the SSA-4514 report accurately reflects the employee hours entered on the timesheets and the process is less time-consuming. DDSA implemented the new process in September 2008.

08-114

Disability Insurance/SSI Cluster:

CFDA No.: 96.001 **Social Security—Disability Insurance, #s 040704AZDI00 and 040804AZDI00**

Agency: Department of Economic Security

Contact person: Nancy West, Program Administrator, (602) 771-7110

Anticipated completion date: February 2009

Agency Response: Concur

Agency Corrective Action Plan: The Department of Economic Security, Disability Determination Services Administration, completed expenditure corrections for all expenditures incorrectly charged to and reported as fiscal year 2008 grant expenditures. In addition, DDSA advised all Fiscal staff of correct procedures for paying bills from different fiscal years. Further, vendors will be reminded to submit bills within contractual time frames so that all bills can be paid prior to the grants being closed.

For the transactions that were underpaid or overpaid (amounts ranged from \$3 to \$20 due to manual input errors or unreadable fax transmissions), all corrections have been made or paid. The system's database had not been updated with current fee schedule information and this resulted in the transactions not being paid in accordance with the State's fee schedule. DDSA returned to the practice of updating the system annually when the changes are received.

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08-115

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.: 84.002 Adult Education—State Grant Program, #s V002A050003, V002A060003, and V002A070003

CFDA No.: 84.010 Title I Grants to Local Educational Agencies, #s S010A050003, S010A060003, and S010A070003

CFDA No.: 84.011 Migrant Education—State Grant Program, #s S011A050003, S011A060003, and S011A070003

Special Education Cluster (IDEA):

CFDA No.: 84.027 Special Education—Grants to States, #s H027A050007, H027A060007, and H027A070007

84.173 Special Education—Preschool Grants, #s H173A050003, H173A060003, and H173A070003

CFDA No.: 84.367 Improving Teacher Quality State Grants, #s S367A050049, S367A060049, and S367A070049

Agency: Department of Education

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

Anticipated completion date: June 30, 2010

Agency Response: Concur

Agency Corrective Action Plan: The Arizona Department of Education (ADE) is currently implementing an enterprise-wide Identity Management System (IDMS). The IDMS will enable ADE to centrally manage access to all ADE applications and resources. The IDMS will be used to manage individual account holder attributes, including access privileges. Access control related benefits of the IDMS will include:

- Improved ability for administrators to promptly and accurately maintain user accounts, both when adding/removing access and when modifying privileges.
- Improved central audit trail for all account management activities. This information will include at least:
 - When an access privilege is changed/added
 - Who authorized the change/addition
 - Why the change/addition was requested
- Addition of automated workflows for account management activities. Workflows will be used to allow individual business units the ability to manage access privileges to their applications. Workflows will also ensure that all required information is provided and proper approvals are documented before any changes/additions are applied.

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- Improved password self-service capabilities to allow users to easily change their passwords periodically.
- Enhanced access reports for authorized account administrators. This will better enable ADE to ensure that access is periodically evaluated. For example, the system could provide an authorized representative at a school district with a list of active accounts. The representative would be required to certify the accuracy of the list and request any necessary changes.

In addition to the IDMS, ADE is also enhancing two additional systems:

CNPWeb Application:

Health and Nutrition Services (HNS) is establishing a new permission group that will only be accessed by HNS Financial personnel to ensure proper separation of duties and that Child Nutrition Program Web (CNPWeb) access is appropriate for specific job assignments. This new permission group will ensure that financial functions within CNPWeb (e.g., creating exception claims, modifying reimbursement rates, administering advance payments) will be limited to HNS Financial personnel. This permission group will be created and implemented by June 30, 2009.

HNS continues to utilize the current policy and procedures to ensure that CNPWeb access permissions are assigned, monitored, and updated appropriately. In order to ensure compliance and address the 4 of 20 subrecipients whose access privileges were incorrect, HNS is developing additional application tools to simplify the process. Specifically, an Access database is being created to monitor the accuracy of the access permissions provided to subrecipients.

Grants Management Enterprise System:

The Grants Management Enterprise System (GME) was updated on February 23, 2009. With the update, the system is able to recognize users and their job positions. After the system update, all internal users except Accounting and IT groups needed to be listed on Electronic Signature User Forms in order to have Grants Management User Access. The Grants Management office provided Electronic Signature User Forms to each program area and internal user access was updated accordingly. The Grants Management Office is also actively monitoring internal user access through a quarterly verification process. Units will receive a quarterly Internal User Access Report from the Grants Management Office in order to verify GME access for each user. Accounting and IT Group's user permissions will be verified through a quarterly verification process.

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08-116

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.: 84.002 Adult Education—State Grant Program, #s V002A050003, V002A060003, and V002A070003

CFDA No.: 84.010 Title I Grants to Local Educational Agencies, #s S010A050003, S010A060003, and S010A070003

CFDA No.: 84.011 Migrant Education—State Grant Program, #s S011A050003, S011A060003, and S011A070003

Special Education Cluster (IDEA):

CFDA No.: 84.027 Special Education—Grants to States, #s H027A050007, H027A060007, and H027A070007

84.173 Special Education—Preschool Grants, #s H173A050003, H173A060003, and H173A070003

CFDA No.: 84.367 Improving Teacher Quality State Grants, #s S367A050049, S367A060049, and S367A070049

Agency: Department of Education

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

Anticipated completion date: June 30, 2009

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 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.

To date 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. Additionally, ADE has developed a Single Audit Technical Manual which details specific instructions on how to use the tracking system. The SATS was originally implemented in February 2007; however, ADE continues to make enhancements as necessary.

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08-117

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: June 30, 2009

Agency Response: Concur

Agency Corrective Action Plan: The Health and Nutrition Services (HNS) National School Lunch Program (NSLP) Director identified this issue in November 2008. According to 7 CFR §210.18(c)(1), at a minimum, State agencies shall conduct administrative reviews of all school food authorities (SFA) at least once during each 5-year review cycle; provided that each SFA is reviewed at least once every 6 years. While the NSLP program was in compliance with 7 CFR §210.18(c)(1), by reviewing each SFA at least once every 6 years, HNS did not perform the required reviews for all SFAs during the 2003-2008, 5-year review cycle. Immediately upon identifying this issue, HNS implemented a formal 5-year review schedule that ensures full compliance. Additionally, HNS revised Policy and Procedure HN-NSLP-12 to dictate that the NSLP Administrative Review Coordinator and NSLP Nutrition Director will ensure SFAs who were approved and operating during the 2009-2013, 5-year review cycle (and all subsequent review cycles) will be reviewed within that 5-year cycle and at least once every 6 years.

HNS continues to adhere to HN-NSLP-12 to ensure that all SFAs who were approved and operating during the 2009-2013, 5-year review cycle will be reviewed within that 5-year cycle and reviewed at least once every 6 years. Specific procedures to ensure compliance include:

- Scheduling all SFA's administrative reviews using the 5-year review schedule to ensure compliance.
- Ensuring all SFAs who are new within the 5-year review schedule are placed on the current 5-year schedule to be reviewed.
- Monitoring, evaluating and updating the 5-year review schedule to ensure that SFAs who were scheduled and had completed reviews during the annual review cycle are included.

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08-118

CFDA No.: 84.002 **Adult Education—State Grant Program, #s V002A050003, V002A060003, and V002A070003**

CFDA No.: 84.010 **Title I Grants to Local Educational Agencies, #s S010A050003, S010A060003, and S010A070003**

CFDA No.: 84.011 **Migrant Education—State Grant Program, #s S011A050003, S011A060003, and S011A070003**

Special Education Cluster (IDEA):

CFDA No.: 84.027 **Special Education—Grants to States, #s H027A050007, H027A060007, and H027A070007**

84.173 **Special Education—Preschool Grants, #s H173A050003, H173A060003, and H173A070003**

CFDA No.: 84.367 **Improving Teacher Quality State Grants, #s S367A050049, S367A060049, and S367A070049**

Agency: Department of Education

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

Anticipated completion date: June 30, 2011

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 project's 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 19th 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 19th 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 area utilizes this report to assess their subrecipients' compliance status on the 19th 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.

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ADE is currently in the process of revising its Business Rules, which has been reviewed by the Auditor General's Office and is currently in the final review stages. Due to budget constraints, the system change has been delayed until additional resources become available to finish the phased project. Any interest collected is reported in the completion report at the end of the grant year; however, ADE Grants Management Office is currently researching other agencies' processes and procedures and programming requirements necessary to capture and report any interest earned on a quarterly basis rather than on an annual basis.

08-119

CFDA No.: 84.010 Title I Grants to Local Educational Agencies, #s S010A050003, S010A060003, and S010A070003

CFDA No.: 84.011 Migrant Education—State Grant Program, #s S011A050003, S011A060003, and S011A070003

CFDA No.: 84.367 Improving Teacher Quality State Grants, #s S367A050049, S367A060049, and S367A070049

Agency: Department of Education

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

Anticipated completion date: June 30, 2009

Agency Response: Concur

Agency Corrective Action Plan: The Arizona Department of Education has reviewed its procedures that were put in place to ensure that the education specialists who review applications verify the submission of the Affirmation forms prior to approval of the Title I, Migrant Education, and Improving Teacher Quality State Grants. The checklist that contains the verification by the specialist that the forms have been received will be filed in the common access file, available for periodic review by the related federal program areas.

The ADE will make the following changes to further ensure compliance with Section 1120(b)(4) and Section 9501 of the Uniform Provisions of the ESEA: 1) in reviewing the education specialists' requests for approval of applications for funds, the Program Area Approver, currently the Director of Central Processing Unit of the Academic Achievement Division, will verify that the required forms are submitted by an entry into the Comment Section of the on-line version of the Title I, Migrant Education, and Improving Teacher Quality State Grants; 2) the approval to the Deputy Associate Superintendent will be contingent upon review of the comment log to ensure that the check for the forms has been made by the specialist and the Program Area Approver, and 3) all applications for FY2010 funds will receive substantial approval only after the submission of the Affirmations of Consultation. Evidence of compliance with this requirement for fiscal year 2010 will be shifted to an electronic submission within the monitoring section of the Arizona LEA Tracker (ALEAT).

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08-120

CFDA No: 84.011 **Migrant Education—State Grant Program, #s S011A050003, S011A060003, and S011A070003**

Agency: Department of Education

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

Anticipated completion date: June 30, 2009

Agency Response: Concur

Agency Corrective Action Plan: The Arizona Department of Education, Migrant Education Program (MEP), has implemented the following procedures to help ensure compliance with the program's reporting and special tests and provisions requirements:

- Developed written policies and procedures for annually documenting and reviewing eligible student count information, and the process for resolving any significant differences.
- Developed written policies and procedures to annually test the validity of the COEstar internal controls, including the options of performing a SAS 70 audit.
- Developed written policies and procedures to review subrecipient files to determine if the service provider completed site visits in accordance with its quality control procedures.

The delay in the implementation of these items prior to July 1, 2008, was a result of working with the Office of Migrant Education (OME) to approve all programmatic procedures. As of January 2009, all procedures listed below were approved by OME and are currently in place.

- 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.
- The guideline has been adopted into final form and used to validate the counts submitted beginning with the period 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

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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 follow up 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 No Child Left Behind 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 Monitoring 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.

Additionally, Heinfeld, Meech and Co, P.C., an independent audit firm hired to conduct an Accountability Audit of TROMIK and COEstar, completed their review on June 5, 2008. The ADE MEP requested their services to determine if Statewide Services' policies and procedures were being followed, and to determine if Migrant student counts were valid, accurate and unduplicated. The firm performed a limited review of certain aspects of the internal controls for the Migrant Statewide Services from September 1, 2006 through August 31, 2007, which is the reporting period for the CSPR due in fiscal year 2008. The results of their tests disclosed no instances of noncompliance.

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Year Ended June 30, 2008

08-121

Special Education Cluster (IDEA):

CFDA No.: 84.027 Special Education—Grants to States, #s H027A050007, H027A060007, and H027A070007

84.173 Special Education—Preschool Grants, #s H173A050003, H173A060003, and H173A070003

Agency: Department of Education

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

Anticipated completion date: June 30, 2010

Agency Response: Concur

Agency Corrective Action Plan: The Arizona Department of Education, Exceptional Student Services (ESS), has revised its policies and procedures to address the federal child count verification process in the following manner:

ESS now requires LEAs to verify their federal child count on October 1st, effective fiscal year 2009. This was a change from the previous federal child count date of December 1st. A memo regarding this change was sent to the Special Education Directors, via the list-serv, on June 9, 2008 and again on August 21, 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 Student Accountability Information System (SAIS) well in advance of the federal child count due date, thus giving ADE-ESS accurate data to submit to Office of Special Education Programs (OSEP).

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.

ESS will continue to include accuracy of LEA SAIS data in the Individuals with Disabilities Act (IDEA) determinations in accordance with 34 CFR § 300.600.

ESS will continue to send an alert on an annual basis via the list-serv 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 January 29, 2009. For the fiscal year 2009, October 1, 2008 child count, if a LEA's count did not reconcile, ESS Data Management will follow up to secure supporting documentation specifying the reason for non-reconciliation.

The ADE-ESS Census Verification application for fiscal year 2010 (October 1, 2009 child count) is expected to be made available to all LEAs on October 2, 2009. LEAs will have until November 13, 2009, to submit their signed verification letters. ESS will require LEA October 1 federal child count verification numbers to match SAIS student count numbers by December 2009. On December 2009, SAIS student count numbers will be retained to provide documentation showing how the LEA counts matched SAIS counts at that time. If the LEA's count does not reconcile, it will be the LEA's responsibility (overseen by

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ADE-ESS Data Management) to provide supporting documentation as to why the counts were not reconciled. In addition, if the SAIS student count is higher than the LEA verification count, then the LEA may be subject to an ADM audit.

08-122

Special Education Cluster (IDEA):

CFDA No.: 84.027 Special Education—Grants to States, #s H027A050007, H027A060007, and H027A070007

84.173 Special Education—Preschool Grants, #s H173A050003, H173A060003, and H173A070003

Agency: Department of Education

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

Anticipated completion date: June 30, 2010

Agency Response: Concur

Agency Corrective Action Plan: To ensure compliance with 34 CFR §300.203(b), the Arizona Department of Education, Exceptional Student Services Finance Division, will ensure that a maintenance of effort test is performed during the months of August and September for each subrecipient, prior to awarding IDEA funding under CFDA Nos. 84.027 and 84.173. The ESS Division will prepare a three year comparison report, utilizing the new fiscal year data. The report will provide 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, ESS will contact the LEA to provide technical assistance and advise them to review all State and Local Special Education (SPED) expenditures prior to submitting their AFR, which is due October 15.

The Division will notify the subrecipient of the potential Maintenance of Effort (MOE) finding. The information provided by the subrecipient will be verified utilizing the ADE School Finance portals for budgets and AFRs. If corrections to the School Finance portals are required, the ESS Division will wait until the corrections can be verified prior to approving grant applications submitted for the fiscal year 2009-10 school year. The Division will ensure that the information submitted and tested contains financial information with sufficient enough detail to monitor compliance with maintenance of effort requirements.

In addition, a request has been made to the School Finance Division, asking them to modify their budget and AFR instructions used by the LEA, thus clarifying for each entity that they must budget for their special education program utilizing their state and local funding generated for their special education population. A request has also been 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.

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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 that they will need to make corrections to the AFR, for the year in question. During this time, a programmatic hold will be placed on the IDEA grant, utilizing the ADE Grants Management Enterprise System hold process.

08-123

CFDA No.: 84.367 **Improving Teacher Quality State Grants, #s S367A050049, S367A060049, and S367A070049**

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: In completing our allocations for the fiscal year ending June 30, 2008, a clerical error occurred and the poverty data copied to the worksheet used to determine the allocations was from the prior fiscal year. The resulting error was less than 1/2 of one-percent and was not noticed during our normal review process. Only when the allocations were recalculated by the auditor, did the error come to light. In order to prevent similar occurrences in the future we have implemented a review process to ensure that the numbers used to determine the allocations are accurate.

08-124

Homeland Security Cluster:

CFDA No.: 97.004 **State Domestic Preparedness Equipment Support Program, #s 2003-MU-T3-0034, 2004-GE-T4-0051, and 2005-GE-T5-0030**

97.067 Homeland Security Grant Program, # 2005-GE-T5-0030, 2006-T6-4007, 2007-SG-N6-004, and 2007-GE-T7-0006

Agency: Department of Emergency and Military Affairs

Contact Persons: Mark Howard, Grants Administrator, (602) 231-6345

Walter Owens, Chief Auditor, (602) 267-2322

Anticipated Completion Date: December 2009

Agency Response: Concur

Agency Corrective Action Plan: The Division will determine the status of audits and review the most recent audits for all sub-recipients. Audits will be requested from those jurisdictions not having a recent audit on file. After the review of audits, the Division will issue management decisions on any findings that affect its programs. The Division will complete its review by December 2009.

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Corrective Action Plan
Year Ended June 30, 2008

08-125

CFDA No.: 10.664 Cooperative Forestry Assistance, #s 04DG11031600-034, 05DG11031600-036, 04DG11031600-063, 05DG11031600-077, 05DG1111169-076, 06DG11031600-119, 06DG11031600-112, 07DG11031600-138, and 08DG11031600-143

Agency: State Forestry Division

Contact Person: Cam Hunter, Deputy Forester, (602) 771-1416

Anticipated Completion Date: January 2009

Agency Response: Concur

Agency Corrective Action Plan: The Arizona State Forestry Division developed a monitoring methodology in which a percentage of programs will be checked, and programs in which there may be questions or concerns will also come under review.

Effective in January 2009, the grant coordinator has developed a log to monitor quarterly reports received. If follow-up reports are not received, subrecipients are being contacted by phone or letter to follow-up. Subrecipients are being instructed to send written notification even if there's no activity in the current quarter. The program manager for the Arizona Urban and Community Forestry Program already had a monitoring system in place for those programs.

The program manager for the Arizona Urban and Community Forestry Program monitors the quarterly reports by keeping a log. An email is sent out at the end of each quarter to remind grantees that the reporting period is completed and they have 30 days to submit their report. If the report isn't received, then a call to the grant coordinator is placed.

Effective in January 2009, the program manager for the Arizona Urban and Community Forestry Program sent out reminder letters to the subrecipients about providing the agency with a copy of their single audit reports. In response to the letter, 6 audit reports were received. Therefore, all who were required to receive audits had them and submitted results to State Forestry Division. The other subrecipients were not required to have an audit conducted.

Again in July, the grant coordinator will prepare a letter reminding subrecipients about providing the agency with a copy of their single audit report.

Subrecipients are required to have their audits submitted by March 31 to the Federal Audit Clearinghouse.

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Year Ended June 30, 2008

08-126

CFDA No.: 10.664 Cooperative Forestry Assistance, #s 04DG11031600-034, 05DG11031600-036, 04DG11031600-063, 05DG11031600-077, 05DG1111169-076, 06DG11031600-119, 06DG11031600-112, 07DG11031600-138, and 08DG11031600-143

Agency: State Forestry Division

Contact Person(s): Cam Hunter, Deputy Forester, (602) 771-1416

Anticipated Completion Date: July 15, 2009

Agency Response: Concur

Agency Corrective Action Plan: The agency internal fiscal business practice is being modified. The purchase order form used in the agency has been modified instructing employees to check for suspended or debarred contractors. A Web site has also been provided to assist staff in checking for suspended or debarred vendors. The agency Procurement Officer can also assist staff with this requirement.

Additionally, contracts with vendors will now include a clause certification that they are not suspended or debarred.

08-127

CFDA No.: 10.664 Cooperative Forestry Assistance, #s 04DG11031600-034, 05DG11031600-036, 04DG11031600-063, 05DG11031600-077, 05DG1111169-076, 06DG11031600-119, 06DG11031600-112, 07DG11031600-138, and 08DG11031600-143

Agency: State Forestry Division

Contact Person: Cam Hunter, Deputy Forester, (602) 771-1416

Anticipated Completion Date: Complete

Agency Response: Concur

Agency Corrective Action Plan: The Grants Unit Supervisor has developed a new business practice requiring grant recipients and program managers to submit reports and information in advance of the deadline. All parties are notified by e-mail six weeks in advance that Quarterly Financial Status Reports will be due to the Office of the State Forester in one month.

Part of the new process states that if we are unable to submit the report in a timely manner; a written notification will be issued.

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Year Ended June 30, 2008

08-128

Research and Development Cluster:

All Arizona State University Research and Development awards and contracts

CFDA No.: 47.076 Education and Human Resources, #s CCF-0631334; DGE-0086465, 0238742, 0504248, 0802261; DRL-0135526, 0335699, 0438482; DUE-0123146, 0231440, 0324212, 0422447, 0603478, 0630458, 0631189; HRD-0114712, 0450137, 0602425, 0631754

Agency: Arizona State University

Contact person: Mathew McElrath, Chief Human Resources Officer, (480) 965-7932

Anticipated completion date: Various, for anticipated completion dates see corrective action plan below

Agency Response: Concur

Agency Corrective Action Plan: The following actions are being taken by the university to address the findings of the auditors.

- Investigate and recover payroll overpayments. This recommendation is substantially completed. Out of the total \$2.4 million in overpayments identified, the vast majority has been collected. The identified \$2.4 million in overpayments represents only .003% (3/10 of 1%) of ASU's total annual payroll. The Office of Human Resources is currently and continuously working on the remaining recovery of overpayments from current and former employees. Even though some departments wanted to forgive certain overpayments, all overpayments known by Human Resources have now either been collected or are in active collection status. The process for recovery of overpayments is as follows:
 - Current Employees – Overpayments, once identified, are recovered through payroll deductions, or the employee may submit a personal check for the repayment of the overpayment if the check is expediently received.
 - Former Employees - The Payroll Department sends a sequence of three requests for repayment letters. If there is no response from the former employee, the case is then referred to ASU's internal collections department. The internal collection department then attempts to make contact with the former employee once again. If there is no response within 30 days, the case is then referred to an outside collection agency and reported to credit bureaus.
 - When overpayments are identified, University policy and procedures specify that the federal grant or contract is to be expediently reimbursed for the overpayments, irrespective as to when recovery from the employee occurs.
 - The responsibility for departments to identify all overpayments and the process for collecting on overpayments were clarified to departments through the issuance of a policy on this subject in July 2008. The overpayments identified by the auditors (totaling \$6,667) are currently under active collection efforts.
- Improve controls over processing pay, additional pay, payroll corrections, and salary and other adjustments to employees' pay to ensure they are properly paid and allocated to the appropriate grant with appropriate approval. The following actions are being taken:

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1. ASU implemented an online pay correction form during the third quarter of fiscal year 2009. This form enables departments to submit pay corrections, additions, adjustments or indications of overpayment situations directly on the form. This form eliminates the erroneous entry of earnings codes and controls the entry a department has the ability to complete. This form is then routed through the appropriate approvals in order to be processed within the payroll system.
2. ASU will be requesting that departments provide the documentation of employee personnel files to the Office of Human Resources, and also will communicate the importance of centrally housing the personnel files, in compliance with current policy SPP 1101 – Personnel Records. Even though this action has a target completion date of the first half of fiscal year 2010, the long-term objective is to be able to electronically store employee personnel data, which will better address the noted deficiency and sufficiently reduce the decentralization of personnel records.
3. We will be establishing a comprehensive set of policies and procedures for monitoring and verifying payroll expenses. The following four tools have been put in place in fiscal year 2009 to assist departments in monitoring and reviewing their payroll expenses.
 - o Policy FIN 203 – Org Manager Responsibilities: Describes the accountability for departments to ensure their payroll expenses are accurate in accordance with their respective budgets.
 - o MyReports – HR Expenditures: Reporting of departmental payroll expenses in relation to their budget.
 - o Business Process Guide: Assists in reconciling Payroll Expenses.
 - o Policy SPP 405-02 – Overpayment: Addresses the process to follow in the event an overpayment has been determined.

Additional business processes will be put in place in FY2010 to insure appropriate management approval is documented for all payroll expenses.

08-129

Research and Development Cluster:

All Arizona State University Research and Development awards and contracts

CFDA No.: 47.076 Education and Human Resources, #s CCF-0631334; DGE-0086465, 0238742, 0504248, 0802261; DRL-0135526, 0335699, 0438482; DUE-0123146, 0231440, 0324212, 0422447, 0603478, 0630458, 0631189; HRD-0114712, 0450137, 0602425, 0631754

Agency: Arizona State University

Contact person: Beth Israel, Associate Vice President for Research Administration, (480) 965-8751

Anticipated completion date: September 2008

Agency Response: Concur

State of Arizona
Corrective Action Plan
Year Ended June 30, 2008

Agency Corrective Action Plan: The University understands the importance of compliance with the Research and Development Cluster's and the Education and Human Resources program's allowable costs/cost principles requirements, to include timely completion of employee effort certifications. The implementation delay responsible for the technical noncompliance during FY2008 was a unique and nonrecurring phenomenon, and ASU has returned to compliance with A-21 effort reporting timing requirements.

Initialization of the effort reporting system developed for certification of employee effort was dependent on the operational status of the PeopleSoft payroll system. Hence, the initial effort certification for FY2008 was delayed due to implementation issues associated with the PeopleSoft payroll system. For this reason, ASU was not prepared to release the effort reports until the end of FY08. ASU analyzed the situation at that time, and based on the requirements of A-21, ASU would have had, at that time, to submit 13 reports for every wage employee (one for every four week period) and 3 reports for every salaried employee. The number of effort reports the university community had to review would have numbered approximately 34,880. By combining the reports into one comprehensive report which encompassed the year, the effort reports numbered only 5,580.

To expedite certification and minimize the anomalies inherent in implementation of any new system, it was determined that accuracy and timeliness of certifications would be enhanced by issuing one effort report for certification of the entire fiscal year reporting period. This decision enabled us to focus on, and adhere to, the underlying principles and accuracy of the certification, rather than an undue emphasis on mechanics and iterations of process to separate concurrent physical certifications of discrete effort periods. ASU firmly maintains that this reduction of reporting heightened the ability of research administrators and employees to carefully analyze the effort reports, thus ensuring a thorough review and correct recording of effort, resulting in allowable charges to sponsored projects.

Corrective action is already in place for this finding, and ASU has already returned to timing compliance with A-21 reporting requirements. Since FY08, all salaried employees, including professors, professional staff and graduate assistants/associates, have certified their effort at least two times a year, per A-21. This meets the requirement for reporting at least every 6 months. In September 2008, ASU implemented a change to its timecard reporting so that accounting information is presented and verified for wage employees each pay period (every two weeks), thus falling within the monthly requirement.

State of Arizona
Corrective Action Plan
Year Ended June 30, 2008

08-130

Research and Development Cluster:

CFDA No.: 47.RD A Longitudinal Study of the Development of Rational Number Knowledge in the Middle Grades, # DRL-0337795

CFDA No.: 84.336 Teacher Quality Enhancement Grants, # P336B990064

Agency: Arizona State University

Contact person: Gerald Snyder, Senior Associate Vice President for Finance and Deputy Treasurer, (480) 965-7228

Anticipated completion date: Various, for anticipated completion dates see corrective action plan below

Agency Response: Concur

Agency Corrective Action Plan: This situation of inappropriate purchases on Purchasing cards resulted from the failure of the department and college employing the P-card holder to follow established university Policies and Procedures, which are adequate to prevent inappropriate P-card purchases from occurring. This situation is under investigation and the University is pursuing reimbursement of the questioned cost from this former employee.

A key element in this situation was the lack of an independent review of monthly P-card statements within the former employee's department. Independent departmental personnel should be knowledgeable about what an employee is purchasing with the P-card. ASU procedures and training for the P-card emphasize the importance of these independent reviews. However, based on the police charges, this situation was complicated by the apparent intentional falsification of receipts, making detection significantly more difficult.

A new dean assumed responsibility for the College in summer 2008. Additionally, the College has a new chief business administrator. During the last several months, the College has made significant organizational and procedural changes, including:

- All documentation for P-cards now is housed in the Dean's office
- The business operations of the College now are centralized in the Dean's office, increasing internal control over expenditures
- Management of external funds, including grants and contracts, also has been centralized in the Dean's office
- A verification process has been instituted to ensure that both the cardholder and, most importantly, an independent knowledgeable person, are reviewing all P-card purchases.

Finally, the two employees that had supervisory responsibility in the College for this former employee have received coaching and guidance on the situation, along with certain directives in regard to training assignments, to ensure appropriate supervision for staff under their responsibility.

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08-131

CFDA No.: 47.076 Education and Human Resources, #s CCF-0631334; DGE-0086465, 0238742, 0504248, 0802261; DRL-0135526, 0335699, 0438482; DUE-0123146, 0231440, 0324212, 0422447, 0603478, 0630458, 0631189; HRD-0114712, 0450137, 0602425, 0631754

Agency: Arizona State University

Contact person: Beth Israel, Associate Vice President for Research Administration, (480) 965-8751

Anticipated completion date: Fiscal year 2009

Agency Response: Concur

Agency Corrective Action Plan: The University understands the importance of compliance with OMB Circular A-110, Subpart C, §25(e)(1) governing incurrence of pre-award costs 90 calendar days prior to award or more than 90 calendar days with the prior approval of the Federal awarding agency. Information published in the Federal program solicitation and actions taken by the Federal agency with respect to obtaining student commitments for summer/fall work indicated that this award would be forthcoming in time for the summer semester. In order to comply with program requirements for support of fellows under the Federally funded Graduate Research Fellowship Program, the University initiated payment of student stipends for July 2007 support effective May 15, 2007 which turned out to be prior to the 90 day pre-award period due to administrative inattention. This action was predicated on sponsor intent to issue the notice of award and initiate support of fellows to coincide with the University fiscal year. Consequent Federal delays resulted in the original pre-award period falling outside the allowable 90 day pre-award cost limit.

During FY2009 a new process for initial set-up and subsequent modification of sponsored award accounts was implemented. This process reorganization included a segregation of duties and assignment of tasks exclusive to award set-up and modification to a specialty team with responsibility for ensuring that sponsored account parameters accurately reflect sponsor requirements and notice of award data elements. This account set-up and modification process includes confirmation of award start and end dates.

To prevent future occurrences of the noted deficiency, all account start and end dates will continue to be confirmed, particularly when accounts are changed from pre-award status to active status upon receipt of notice of award. If the start date recorded in the Advantage financial system exceeds the approved 90 day pre-award period, the University will initiate a request for sponsor approval of the extended pre-award period. If approved, documentation of sponsor approval will be kept on file to support the start date reflected in the Advantage financial system. If denied, costs recorded outside the sponsor approved award period will be immediately removed from the sponsored account and transferred to an alternate source of funding.

This focused responsibility for accurate account set-up and modification should serve to enhance internal controls and resultant compliance with OMB Circular A-110, Subpart C, §25(e)(1).

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Corrective Action Plan
Year Ended June 30, 2008

08-132

Research and Development Cluster:

All University of Arizona Research and Development awards and contracts

CFDA No.: 47.076 Education and Human Resources, #s DGE-0338247, DGE-0638744, DRL-0424983, EHR-0634532, 0525009, 0532059, 0633379, 0715517, and 0736844

National Science Foundation, passed through Boston College, # ESI-0628143

National Science Foundation, passed through the University of California-San Diego, # PO10251211-001

National Science Foundation, passed through the University of Montana, # PG086598002

National Science Foundation, passed through the University of Nebraska, # 2505360004002

National Science Foundation, passed through the University of Puerto Rico, # 995256

Agency: University of Arizona

Contact Person: Sherry Esham, Director, (520) 626-6000

Anticipated Completion Date: January 1, 2008

Agency Response: Concur

Agency Corrective Action Plan: The University of Arizona (the University) has implemented a paper-based Interim Effort Reporting System. The first mandatory reporting period was from December 31, 2007 to June 30, 2008. The University's Sponsored Projects Services (SPS) is responsible for monitoring the effort report certification process. To fulfill this responsibility, SPS has established the Interim Effort Reporting Policy and Procedure and hired a financial compliance coordinator to oversee the effort reporting process.

The Interim Effort Reporting Policy and Procedure requires that effort reports be certified by individuals who have the first hand knowledge of the work performed. Business officials who certify the effort reports are required to obtain suitable means of verification. The Interim Effort Reporting Policy and Procedure requires the business officials to consult with SPS when using suitable means of verification, and provides specific examples of suitable means of verification.

The financial compliance coordinator works with the departments to ensure that the reports are certified properly and returned within the time period prescribed. In addition, the financial compliance coordinator provides on-going training in effort reporting. To ensure that all personnel involved in effort reporting are trained, the University is developing an on-line training tool and a new policy that requires mandatory training in effort reporting. The training tool and the policy are expected to be implemented before September 30, 2009.

The University will implement an electronic Effort Reporting System in calendar year 2010. The electronic system will allow effort reports to be routed automatically and certified electronically. The efficiency and effectiveness of the monitoring process will be significantly improved.

Summary Schedule of Prior Audit Findings

State of Arizona
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2008

Status of Federal Award Findings and Questioned Costs

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

To date, Arizona Department of Education (ADE) has developed a means of managing all single audits going forward, the Single Audit Tracking System (SATS). This system was implemented in January 2007, and 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. 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 Audit Manager utilizes the bi-weekly Single Audit Report to follow up with the various federal grant program managers to check on the status of outstanding findings resolution, completion of management decision letters and the actions taken by the applicable education entity to resolve the said finding(s).

ADE has also developed a Single Audit Handbook which details specific instructions on how to use the tracking system. Additionally, the Department ensures that program area staff are continuously educated about federal guidelines for single audit findings and their resolution, through both written communication and internal trainings that occur on a regular basis. Through these communications, the Audit Manager and program area managers have been able to discuss actions that should occur if an entity with unresolved findings is unresponsive or does not resolve the finding within a reasonable amount of time, not to exceed six months. These actions include placing a hold on their current fiscal year budget funds, disallowance of applications or amendments or additional audits to ensure compliance with resolving the findings.

State of Arizona
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2008

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: Department of Education

Status: Fully corrected

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

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 Department of Economic Security (DES), Division of Benefits and Medical Eligibility (DBME), began issuing cards in local offices only for cases that meet the Food Stamp expedite criteria. This was necessary to ensure that these recipients have access to their benefits within seven days from the date of application as required by Federal regulation. DBME programmed the AZTECS eligibility system to prevent issuance of EBT cards in the local offices except for expedite or emergency cases. The vendor mails out all other EBT cards. In addition, local offices placed posters in their lobbies 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, DBME made numerous changes to the AZTECS eligibility system to restrict the issuance of supplemental payments and prevent the occurrence of EBT fraud.

State of Arizona
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2008

05-111

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 in a letter dated March 18, 2008, determined this audit finding closed.

05-114

CFDA No.: 84.126 Rehabilitation Services—Vocational Rehabilitation Grants to States

Agency: Department of Economic Security

Status: Not warranting further action

Contact person: Katharine Levandowsky, RSA Program Administrator, (602) 542-3332

The finding does not warrant further action as the U.S. Department of Education in a letter dated October 29, 2008, determined this audit finding closed.

05-115

CFDA No.: 17.225 Unemployment Insurance

Agency: Department of Economic Security

Status: Fully corrected

Contact person: Andy Baldwin, UI Director, (520) 770-3769

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: Fully corrected

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

05-123

CFDA No.: 84.027 Special Education—Grants to States

84.173 Special Education—Preschool Grants

Agency: Department of Education

Status: Fully corrected

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

State of Arizona
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2008

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, Exceptional Student Services (ESS), has revised its policies and procedures to address the federal child count verification process in the following manner:

ESS requires local education agencies (LEAs) to verify their federal child count on October 1st, effective fiscal year 2009. This is a change from the current federal child count date of December 1st. A memo regarding this change has been sent to the Special Education Directors, via the list-serv, 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 (OSEP).

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 include accuracy of LEA SAIS data in the Individuals with Disabilities Act (IDEA) determinations in accordance with 34 CFR §300.600.

ESS will continue to send alerts on an annual basis via the list-serv 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 federal child count verification/reconciliation deadlines.

ESS will require LEA October 1st federal child count verification numbers match SAIS student count numbers by January. LEAs must reconcile their child count numbers with SAIS data before ESS will accept the LEA federal child count. In January, 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 (ADM) audit.

State of Arizona
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2008

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 (Division) will determine the status of audits and review the most recent audits for all sub-recipients. Audits will be requested from those jurisdictions not having a recent audit on file. After the review of audits, the Division will issue management decisions on any findings that affect its programs. The Division will complete its review by December 2009.

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: Fully corrected

Contact Persons: Andrew Allen, Chief Auditor, (602) 267-2322
Christa Lewis, Comptroller, (602) 267-2992

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 of Emergency Management (Division) will determine the status of audits and review the most recent audits for all sub-recipients. Audits will be requested from those jurisdictions not having a recent audit on file. After the review of audits, the Division will issue management decisions on any findings that affect its programs. The Division will complete its review by December 2009.

State of Arizona
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2008

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: Fully corrected

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

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, Exceptional Student Services, has revised its policies and procedures to address the federal child count verification process in the following manner:

ESS requires LEAs to verify their federal child count on October 1st, effective fiscal year 2009. This is a change from the current federal child count date of December 1st. A memo regarding this change has been sent to the Special Education Directors, via the list-serv, 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 OSEP.

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 include accuracy of LEA SAIS data in the IDEA determinations in accordance with 34 CFR §300.600.

ESS will continue to send alerts on an annual basis via the list-serv to LEAs. The purpose of this alert is to advise LEAs of the use of the STaR team to resolve SAIS discrepancies prior to federal child count verification/reconciliation deadlines.

ESS will require LEA October 1st federal child count verification numbers match SAIS student count numbers by January. LEAs must reconcile their child count numbers with SAIS data before ESS will accept the LEA federal child count. In January, 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.

State of Arizona
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2008

06-105

CFDA No.: 84.027 Special Education—Grants to States
84.173 Special Education—Preschool Grants

Agency: Department of Education

Status: Fully corrected

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

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

To date, Arizona Department of Education has developed a means of managing all single audits going forward, the SATS. This system was implemented in January 2007, and 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. 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 Audit Manager utilizes the bi-weekly Single Audit Report to follow up with the various federal grant program managers to check on the status of outstanding findings resolution, completion of management decision letters and the actions taken by the applicable education entity to resolve the said finding(s).

ADE has also developed a Single Audit Handbook which details specific instructions on how to use the tracking system. Additionally, the Department ensures that program area staff is continuously educated about federal guidelines for Single Audit findings and their resolution, through both written communication and internal trainings that occur on a regular basis. Through these communications, the Audit Manager and program area managers have been able to discuss actions that should occur if an entity with unresolved findings is unresponsive or does not resolve the finding within a reasonable amount of time, not to exceed six months. These actions include placing a hold on their current fiscal year budget funds, disallowance of applications, or amendments or additional audits to ensure compliance with resolving the findings.

State of Arizona
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2008

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 an 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 19th 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 19th 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 19th 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.

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, Migrant Education Program (MEP), will continue to 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.

State of Arizona
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2008

- 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 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, 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 MEP.

The guideline has been adopted into final form and was used to validate the counts submitted beginning with the period 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.

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 formatted procedures were submitted in final form to our office the week of May 16, 2008. As a follow up 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 No Child Left Behind Act of 2001 (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 database 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

State of Arizona
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Year Ended June 30, 2008

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 June 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: Fully corrected

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

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: 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 in a letter dated June 28, 2008, determined this audit finding closed.

06-112

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 in a letter dated June 28, 2008, determined this audit finding closed.

State of Arizona
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2008

06-113

CFDA No.: 84.126 Rehabilitation Services—Vocational Rehabilitation Grants to States
Agency: Department of Economic Security
Status: Not warranting further action
Contact person: Katharine Levandowsky, RSA Program Administrator, (602) 542-3332

The finding does not warrant further action as the U.S. Department of Education in a letter dated October 29, 2008, determined this audit finding closed.

06-115

CFDA No.: 84.126 Rehabilitation Services—Vocational Rehabilitation Grants to States
Agency: Department of Economic Security
Status: Not warranting further action
Contact person: Katharine Levandowsky, RSA Program Administrator, (602) 542-3332

The finding does not warrant further action as the U.S. Department of Education in a letter dated October 29, 2008, determined this audit finding closed.

06-123

CFDA No.: 17.225 Unemployment Insurance
Agency: Department of Economic Security
Status: Fully corrected
Contact person: Andy Baldwin, UI Director, (520) 770-3769

06-125

CFDA No.: 93.658 Foster Care—Title IV-E
Agency: Department of Economic Security
Status: Fully corrected
Contact person: David Longo, DCYF Finance & Business Operations Administrator, (602) 542-5099

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

The Department of Economic Security, Division of Children, Youth and Families (DCYF), identified state fiscal year 2006 educational leave expenditures that were incorrectly allocated. DCYF corrected those payroll charges that were incorrectly allocated in state fiscal year 2007. The revised IV-E claims were submitted to Administration of Children and Families (ACF) Region IX for appropriate federal fiscal year quarters as of July 30, 2008. DCYF continues to monitor educational leave expenditures on a quarterly basis and corrects as necessary.

State of Arizona
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2008

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 Department of Economic Security, 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 state fiscal year 2008, DERS 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. DERS did not have a repeat finding as part of the state fiscal year 2007 Single Audit related to these issues.

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: Fully corrected

Contact Persons: Christa Lewis, Comptroller, (602) 267-2992
Andrew Allen, Chief Auditor, (602) 267-2322

State of Arizona
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2008

07-101

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

10.557 Special Supplemental Nutrition Program for Women, Infants, and Children

10.558 Child and Adult Care Food Program

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

84.357 Reading First State Grants

84.367 Improving Teacher Quality State Grants

93.283 Centers for Disease Control and Prevention—Investigations and Technical Assistance

97.008 Urban Areas Security Initiative

16.007 State Domestic Preparedness Equipment Support Program

97.004 State Domestic Preparedness Equipment Support Program

97.067 Homeland Security Grant Program

Agency: Department of Administration

Status: Not corrected

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

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

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: Fully corrected

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

State of Arizona
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2008

07-103

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

CFDA No.: 10.558 Child and Adult Care Food Program

Agency: Department of Education

Status: Fully corrected

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

07-104

CFDA No.: 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

84.367 Improving Teacher Quality State Grants

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 19th 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 19th of each month. This report outlines such information as to 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 19th 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.

State of Arizona
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2008

07-105

CFDA No.: 84.010 Title I Grants to Local Educational Agencies
84.011 Migrant Education—State Grant Program
84.367 Improving Teacher Quality State Grants

Agency: Department of Education

Status: Not corrected

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

The Arizona Department of Education 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.

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 fiscal year 2010 funds must be substantially approvable prior to September 2, 2009, where one of the criteria will be the submission of the Affirmations of Consultation. Additionally, ADE is developing a web-based system for LEAs to submit various forms of documentation of compliance with NCLB. 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.

07-106

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
84.357 Reading First State Grants
84.367 Improving Teacher Quality State Grants

Agency: Department of Education

Status: Partially corrected

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

To date, Arizona Department of Education has developed a means of managing all single audits going forward, SATS. This system was implemented in January 2007, and 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. 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

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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 Audit Manager utilizes the bi-weekly Single Audit Report to follow up with the various federal grant program managers to check on the status of outstanding findings resolution, completion of management decision letters and the actions taken by the applicable education entity to resolve the said finding(s).

ADE has also developed a Single Audit Handbook which details specific instructions on how to use the tracking system. Additionally, the Department ensures that program area staff is continuously educated about federal guidelines for single audit findings and their resolution, through both written communication and internal trainings that occur on a regular basis. Through these communications, the Audit Manager and program area managers have been able to discuss actions that should occur if an entity with unresolved findings is unresponsive or does not resolve the finding within a reasonable amount of time, not to exceed six months. These actions include placing a hold on their current fiscal year budget funds, disallowance of applications or amendments or additional audits to ensure compliance with resolving the findings.

07-107

CFDA No.: 84.027 Special Education—Grants to States
84.173 Special Education—Preschool Grants

Agency: Department of Education

Status: Fully corrected

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

07-108

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, Exceptional Student Services, has revised its policies and procedures to address the federal child count verification process in the following manner:

ESS requires LEAs to verify their federal child count on October 1st, effective fiscal year 2009. This is a change from the current federal child count date of December 1st. A memo regarding this change has been sent to the Special Education Directors, via the list-serv, 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 OSEP.

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

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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 include accuracy of LEA SAIS data in IDEA determinations in accordance with 34 CFR §300.600.

ESS will continue to send alerts on an annual basis via the list-serv to LEAs. The purpose of this alert is to advise LEAs of the use of the STaR team to resolve SAIS discrepancies prior to federal child count verification/reconciliation deadlines.

ESS will require LEA October 1st federal child count verification numbers match SAIS student count numbers by January. LEAs must reconcile their child count numbers with SAIS data before ESS will accept the LEA federal child count. In January, 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

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

To ensure compliance with 34 CFR §300.203 (b), the Arizona Department of Education, Exceptional Student Services Finance Division, will ensure that a maintenance of effort test is performed during the months of August and September for each subrecipient, prior to awarding funding under CFDA Nos. 84.027 and 84.173. The ESS Division will prepare a three-year comparison report, utilizing 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 (SPED) expenditures prior to submitting their AFR, which is due October 15.

The ESS Division will notify the subrecipient of the potential Maintenance of Effort (MOE) finding. The information provided by the subrecipient will be verified utilizing the ADE School Finance portals for budgets and AFRs. If corrections to the School Finance portals are required, the ESS Division will wait until the corrections can be verified prior to approving grant applications submitted for the fiscal year 2009-10 school year. The Division will ensure that the information submitted and tested contains financial information with sufficient enough 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, thus clarifying for each entity that they must budget for their special education program utilizing 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 that they will need to make corrections to the AFR, for the year in question. During this time, a programmatic hold will be placed on the IDEA grant, utilizing the ADE Grants Management System hold system.

07-110

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, Migrant Education Program, will continue to 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 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 MEP.

The guideline has been adopted into final form and was used to validate the counts submitted beginning with the period between December 2007 and January 2008, through the CSPR Parts I and II. This guideline is utilized to interpret the data that is used to complete various reports, such as the CSPR.

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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 follow up 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 database 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 June 2008.

07-111
CFDA No.: 84.357 Reading First State Grants
Agency: Department of Education
Status: Fully corrected
Contact person: Gary R. Holland, Audit Manager, (602) 364-3518

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07-112

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 Department of Economic Security, Division of Benefits and Medical Eligibility, began issuing cards in local offices only for cases that meet the Food Stamp expedite criteria. This was necessary to ensure that these recipients have access to their benefits within seven days from the date of application as required by Federal regulation. DBME programmed the AZTECS eligibility system to prevent issuance of EBT cards in the local offices except for expedite or emergency cases. The vendor mails out all other EBT cards. In addition, local offices placed posters in their lobbies 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, DBME made numerous changes to the AZTECS eligibility system to restrict the issuance of supplemental payments and prevent the occurrence of EBT fraud.

DBME addressed all issues noted in the finding with the appropriate staff and will issue a reminder to all staff to log off the system when unattended.

07-113

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 Department of Economic Security, Division of Benefits and Medical Eligibility, 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 was closely monitored internally and by the Food and Nutritional Services (FNS) to ensure compliance. The

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completion date for the Accuracy Improvement Plan was June 30, 2008. The error rate based on case reads through June 2008 was 4.66% compared to 6.07% in June 2007 and 8.26% in federal fiscal year 2006. The Division received bonus funding in 2008 due to the accuracy rate improvement.

07-114

CFDA No.: 10.551 Food Stamps

10.561 State Administrative Matching Grants for Food Stamp Program

93.558 Temporary Assistance for Needy Families

93.658 Foster Care—Title IV-E

93.645 Child Welfare Services—State Grants

93.667 Social Services Block Grant

Agency: Department of Economic Security

Status: Fully corrected

Contact person: Tim Newton, DES Accounting Administrator, (602) 271-0084

07-115

CFDA No.: 93.563 Child Support Enforcement

Agency: Department of Economic Security

Status: Fully corrected

Contact person: Roger Welch, DCSE Finance Administration Administrator, (602) 771-8326

07-116

CFDA No.: 10.568 Emergency Food Assistance Program (Administrative Costs)

10.569 Emergency Food Assistance Program (Food Commodities)

Agency: Department of Economic Security

Status: Fully corrected

Contact persons: Linda Hammon, Hunger Program Manager, (602) 542-6616

Kim Kowal, Contracts Management Manager, (602) 542-6634

07-117

CFDA No.: 17.225 Unemployment Insurance

Agency: Department of Economic Security

Status: Not warranting further action

Contact person: Andy Baldwin, UI Director, (520) 770-3769

This finding does not warrant further action as the U.S. Department of Labor in a letter dated March 17, 2009, determined this audit finding closed.

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07-118

CFDA No.: 84.126 Rehabilitation Services—Vocational Rehabilitation Grants to States
Agency: Department of Economic Security
Status: Not warranting further action
Contact person: Katharine Levandowsky, RSA Program Administrator, (602) 542-3332

This finding does not warrant further action as the U.S. Department of Education in a letter dated March 2, 2009, determined this audit finding closed.

07-119

CFDA No.: 84.126 Rehabilitation Services—Vocational Rehabilitation Grants to States
Agency: Department of Economic Security
Status: Not warranting further action
Contact person: Katharine Levandowsky, RSA Program Administrator, (602) 542-3332

This finding does not warrant further action as the U.S. Department of Education in a letter dated March 2, 2009, determined this audit finding closed.

07-120

CFDA No.: 93.658 Foster Care—Title IV-E
Agency: Department of Economic Security
Status: Fully corrected
Contact person: David Longo, DCYF Finance & Business Operations Administrator, (602) 542-5099

07-121

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

The Department of Economic Security, Division of Children, Youth and Families, identified state fiscal year 2006 educational leave expenditures that were incorrectly allocated. DCYF corrected those payroll charges that were incorrectly allocated in state fiscal year 2007. The revised IV-E claims were submitted to ACF Region IX for appropriate federal fiscal year quarters as of July 30, 2008. DCYF continues to monitor educational leave expenditures on a quarterly basis and corrects as necessary.

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07-122

CFDA No.: 96.001 Social Security—Disability Insurance

Agency: Department of Economic Security

Status: Partially corrected

Contact person: Nancy West, DDSA Program Administrator, (602) 264-2644

The Department of Economic Security, Disability Determination Services Administration (DDSA), implemented a new process to complete the Time Report of Personnel Services for Disability Determination Services (SSA-4514). The SSA-4514 is completed by downloading employee hours from the Division of Business and Finance data warehouse rather than manually entering the timesheet information into the report. This ensures that timesheet information is accurately reflected on federal reports and the process is less time-consuming. DDSA implemented the new process in September 2008.

07-123

CFDA No.: 17.258 WIA Adult Program

17.259 WIA Youth Activities

17.260 WIA Dislocated Workers

Agency: Department of Economic Security

Status: Not warranting further action

Contact person: Mark Darmer, DERS Budget Manager, (602) 542-6333

This finding does not warrant further action as the U.S. Department of Labor in a letter dated March 17, 2009, determined this audit finding closed.

07-124

CFDA No.: 17.258 WIA Adult Program

17.259 WIA Youth Activities

17.260 WIA Dislocated Workers

Agency: Department of Economic Security

Status: Not warranting further action

Contact person: Mark Darmer, DERS Budget Manager, (602) 542-6333

This finding does not warrant further action as the U.S. Department of Labor in a letter dated March 17, 2009, determined this audit finding closed.

07-125

CFDA No.: 93.563 Child Support Enforcement

Agency: Department of Economic Security

Status: Partially corrected

Contact person: Roger Welch, DCSE Finance Administration Administrator, (602) 771-8326

The Department of Economic Security, Division of Child Support Enforcement (DCSE), will continue to follow the DES Tuition Reimbursement Policy and will require all tuition reimbursement requests to include justification of how courses will directly improve job performance and knowledge.

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07-126

CFDA No.: 16.007 State Domestic Preparedness Equipment Support Program
 97.004 State Domestic Preparedness Equipment Support Program
 97.008 Urban Areas Security Initiative
 97.067 Homeland Security Grant Program

Agency: Department of Emergency and Military Affairs

Status: Not corrected

Contact Persons: Andrew Allen, Chief Auditor, (602) 267-2322

The Division of Emergency Management (Division) will determine the status of audits and review the most recent audits for all subrecipients. Audits will be requested from those jurisdictions not having a recent audit on file. After the review of audits, the Division will issue management decisions on any findings that affect its programs. The Division will complete its review by December 2009.

07-127

CFDA No.: 16.007 State Domestic Preparedness Equipment Support Program
 97.004 State Domestic Preparedness Equipment Support Program
 97.008 Urban Areas Security Initiative
 97.067 Homeland Security Grant Program

Agency: Department of Emergency and Military Affairs

Status: Fully corrected

Contact Persons: Andrew Allen, Chief Auditor, (602) 267-2322
 Christa Lewis, Comptroller, (602) 267-2992

07-128

Research and Development Cluster

Agency: Arizona State University

Status: Partially corrected

Contact person: Beth Israel, Associate Vice President for Research Administration, (480) 965-8751

The finding for fiscal year 2007 was a result of 2 certified effort reports not having been done due to improper coding of employee profiles and mid-cycle profile modifications to the Human Resources application which caused the Activity Distribution Reports (ADR) to not be prepared in accordance with university policy. The university's response was that the Legacy ADR System, which caused the omission of ADRs for these 2 employees, was being replaced with a robust online Effort Reporting Solution designed by CedarCrestone, scheduled to be online effective June 30, 2008. This new A-21 compliant system went online on June 30, 2008.

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 PeopleSoft's Human Capital Management (HCM) employee profiles and modifications to PeopleSoft HCM employee profiles. The Effort Reporting Solution system generates effort reports for all employees who are paid from or have cost share commitments to

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sponsored projects. The application ensures the generation of Effort Reports even when an employee's profile changes, thereby resolving the problem outlined in fiscal year 2007. The web-based electronic Effort Reporting Solution system was effective for certification of all fiscal year 2008 effort.

The reason for the status noted above being shown as only partially completed is the effort reporting finding 08-129 noted in fiscal year 2008 involving the timing of the certifications for fiscal year 2008, resulting in this being a material weakness and material noncompliance for fiscal year 2008. There were no missing fiscal year 2008 certifications noted by the auditors. The university's response to finding 08-129 is indicated in the Corrective Action Plan section on fiscal year 2008 findings.