



HENRY & HORNE, LLP  
Certified Public Accountants

INDEPENDENT ACCOUNTANTS' REPORT  
ON APPLYING AGREED-UPON PROCEDURES

Arizona Department of Health Services:

We have performed the procedures enumerated below, which were agreed to by the Arizona Department of Health Services (ADHS), to ensure that the procedures set by the ADHS for the drawing of qualified nonprofit dispensary applications for the approximately 126 Community Health Analysis Areas (CHAA's) were properly followed. The ADHS is responsible for the procedures developed to be followed for the drawing. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

**Our procedures and findings are as follow:**

1. We observed the letter received on July 13, 2012 from Kardwell International, Inc. (Kardwell) noting that Kardwell certified that the atom action bubble top bingo blower (machine) would generate entirely random numbers from the white bingo ball (balls) placed in the machine.
  - No exceptions noted
2. We used the "IDEA" software program to select a random sample of applications for each CHAA from the report provided by the ADHS that contained the application numbers and range of ball numbers to be assigned to each CHAA. Next, we assigned each application a sequential ball number based on the order the random sample was generated by IDEA.
  - No exceptions were noted except for several changes that were required to be made to a few CHAA's after the random sample and assigning of ball numbers as initially performed. The changes made were as follows:
    - CHAA 61 – There was a data entry error on an application number that did not result in the random sample having to be re-performed as application AZDS00000036 should have been AZDS00000069. Since there was not an exclusion or inclusion of an additional application, it was determined that the random sample was still valid as the application number did not factor into the picking of the random sample.
    - CHAA 35, 65, 69, 73, 93, 109, 110, 111 and 113 – Due to last minute changes and/or errors identified by the ADHS with the original assigning of applications to CHAA's, random samples of applications had to be re-performed for these CHAA's and a new sequential ball number was assigned to each application within the CHAA's.

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3. We observed our staff, while wearing white cotton gloves, organize and divide the balls with the above assigned ball numbers into chain of custody bags for each competitive CHAA. The bags were sealed and identified with a label containing the CHAA number for the drawing. The bag was also marked with the ball letters and numbers included. An ADHS individual observed us performing this process. The balance of unused balls were also sealed in a chain of custody bag (bags) and marked by CHAAs that the unused balls related to. After the balls were placed in bags and sealed, we observed that the sealed bags were transported immediately to the ADHS Procurement Office. The bags were locked in the ADHS Procurement Office contract file room in the ADHS 1740 building, with the machine. We also observed that only two procurement administrative staff had access to the room and that there was a sign-in log that was completed each time the room was accessed.
  - No exceptions noted except for the random samples having to be re-performed for certain CHAA's as noted in agreed upon procedure #2 above, certain of those CHAA's had to have balls either removed from or added to the sealed bags. As such, agreed upon procedure #3 was re-performed for those corresponding CHAA's.
4. On the day of the drawing, we accompanied and observed the ADHS staff moving the machine and the bags of sealed balls from the ADHS Procurement Office to the State Laboratory where the drawing was held. As part of this process, we observed and verified that the sealed bags had not been opened or moved since assembly.
  - No exceptions noted
5. We attended the drawing and observed the drawing for each CHAA. As part of this process, we observed for each CHAA that the procedures performed to remove the balls from the sealed bags, place the balls in the machine, selection of the winning ball from the machine, reading of the winning application number and the placing of the ball in the designated plastic box for the winning balls was performed in accordance with the procedures set by the ADHS.
  - No exceptions noted, however, we would like to point out the below items that occurred leading up to and during the drawing to clarify how these situations were addressed.
    - On August 3rd, it was determined that the white gloves to be used by the individuals participating in the drawing would not be worn. The gloves were causing issues with the opening of the bags and the placing of the balls into the machine. Due to the sealed bags having residual glue on the bags, the white gloves were sticking to the glue. As such, it was determined that since no one involved in the drawing would be physically touching the balls with their hands until after the drawing occurred, that wearing the white gloves was not necessary. The initial procedures were revised to include this change in procedure.

- During the drawing for one of the CHAA's, there was one ball that bounced out of the machine and onto the floor while the balls were being poured out of the bag and into the machine. In order to ensure the ball was not handled directly by someone involved in the drawing, a representative of Henry & Horne, LLP obtained a pair of white gloves, put the gloves on and picked up the ball and placed it in the machine.
  - After the drawing for each CHAA, there were empty disposal bags that were used to place the used balls into and then these disposal bags were sealed and retained. During the drawing, it was determined that CHAA 27 had two disposal bags created. Prior to putting any of the used balls into the disposal bag, it was researched and determined that one of the disposal bags should have been labeled as CHAA 28. As such, one of the disposal bags for CHAA 27 was discarded and a new disposal bag for the unused balls for CHAA 28 was created.
6. At the conclusion of the drawing, we observed the winning balls and checked to ensure the proper application assigned to the winning ball was documented accurately.
- No exceptions noted
7. We verified that the results of the drawing were available for public viewing by internet video streaming.
- No exceptions noted

We were not engaged to, and did not, conduct an audit, the objective of which would be the expression of an opinion on the procedures set by the ADHS for the drawing of qualified nonprofit dispensary applications for the approximately 126 CHAA's being properly followed. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Arizona Department of Health Services and is not intended to be and should not be used by anyone other than those specified parties.

*Henry & Horne, LLP*

Tempe, Arizona  
August 28, 2012