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STATE OF ARIZONA
OFFICE OF THE
AUDITOR GENERAL

MELANIE M. CHESNEY
DEPUTY AUDITOR GENERAL

September 4, 2018

The Honorable Anthony Kern, Chair
Joint Legislative Audit Committee

The Honorable Bob Worsley, Vice Chair
Joint Legislative Audit Committee

Dear Representative Kern and Senator Worsley:

Our Office has recently completed a 36-month followup of the Arizona Department of Administration—Personnel Reform Implementation regarding the implementation status of the 10 audit recommendations (including sub-parts of the recommendations) presented in the performance audit report released in September 2015 (Auditor General Report No. 15-108). As the attached grid indicates:

- 4 have been implemented;
- 1 has been substantially implemented;
- 3 have been implemented in a different manner; and
- 2 are in the process of being implemented.

Unless otherwise directed by the Joint Legislative Audit Committee, this concludes our follow-up work on efforts to implement the recommendations from the September 2015 performance audit report.

Sincerely,

Dale Chapman, Director
Performance Audit Division

DC:ka
Attachment

cc: Gilbert Davidson, Acting Director
Arizona Department of Administration
Kevin Donnellan, Deputy Director
Arizona Department of Administration
Elizabeth Alvarado-Thorson, Deputy Director
Arizona Department of Administration

Arizona Department of Administration—Personnel Reform Implementation

Auditor General Report No. 15-108 36-Month Follow-Up Report

Recommendation

Status/Additional Explanation

Finding 1: Department should complete personnel reform implementation and strengthen workforce planning state-wide

<p>1.1 The Department should complete the state-wide classification system update by finalizing and implementing a classification system update plan. This plan should:</p> <ul style="list-style-type: none"> a. Identify and incorporate classification system best practices; b. Specify the tasks or activities that need to occur to implement the system update, prioritize work on the tasks or activities, and establish time frames for the completion of these tasks or activities; c. Identify needed resources and the persons assigned who are responsible for the plan's execution; and d. Specify who is responsible for monitoring the plan's implementation to ensure the update progresses as expected. 	<p>Implemented at 24 months</p> <p>Implementation in process The Department has developed an implementation plan to update the state-wide classification system. This plan identifies the tasks and activities that need to occur to implement the system update, and identifies needed resources and persons for the plan's execution. However, department staff reported that its planned work to program the new classification structure and job classifications into the State's Human Resources Information Solution (HRIS) has been delayed by the need to implement a major upgrade to the HRIS system. Department staff reported that the Department is in the process of developing a detailed implementation plan for the HRIS upgrade and will modify the classification system project's implementation plan accordingly. Department staff reported that it estimates completing the classification system update in December 2020.</p> <p>Implementation in process See explanation for Recommendation 1.1b.</p> <p>Implemented at 6 months</p>
<p>1.2 The Department should develop a comprehensive internal workforce plan to mitigate the potential loss of institutional knowledge, skills, and expertise due to retirements.</p>	<p>Implemented at 36 months</p>
<p>1.3 The Department should encourage state agencies to engage in workforce planning by:</p> <ul style="list-style-type: none"> a. Continuing to provide workforce planning guidance; and 	<p>Implemented at 6 months</p>

Recommendation

Status/Additional Explanation

- b. Providing training to state agencies on how to conduct workforce planning. This training should cover how to retain valuable employees, plan for their eventual succession, and ensure continuity of needed skills and abilities.

Substantially Implemented at 36 months

The Department has taken several steps to encourage state agencies to engage in workforce and succession planning. Specifically, it has developed a detailed succession planning process, guidance, and tools for state agencies' use that address how to retain valuable employees, plan for their eventual succession, and ensure continuity of needed skills and abilities. The Department has completed an initial pilot of its process and tools and is coordinating with three state agencies to perform a second pilot. In addition, the Department has held meetings with several state agencies to discuss the results of the pilot, present the tools and guidance, and encourage state agencies to begin succession planning during fiscal year 2019.

- 1.4 The Department should work with the State Legislature to statutorily require state agencies to conduct workforce planning. In proposing this legislation, the Department should work with the Legislature to determine what workforce planning requirements should be addressed in statute, including how often state agencies should conduct workforce planning and specifying any review responsibilities.

Implemented in a different manner at 36 months

According to the Department, it was told by the Legislature to work with a policy advisor on an administrative solution instead of pursuing a statutory change. As reported in the explanation for Recommendation 1.3b, the Department has developed a detailed succession planning process, guidance, and tools for state agencies' use. The Department's guidance outlines what succession plans should include and encourages state agencies to conduct succession planning in tandem with strategic planning efforts. Additionally, this guidance recommends that state agencies' executive leadership annually update succession plans to help ensure that they remain current and meet the agency's strategic business plan needs. The Department reported that state agencies should become self-sufficient in conducting succession planning and that it will offer support and guidance to state agencies upon request.

- 1.5 If statute is amended to require that state agencies conduct workforce planning, the Department should develop and implement policies and procedures that establish the requirements and guidance for the development of state agencies' workforce plans, including the minimum requirements for what these plans should include and the frequency with which state agencies should update their plans.

Implemented in a different manner at 36 months

See explanation for Recommendation 1.4.

- 1.6 If statute is amended to require that state agencies conduct workforce planning, the Department should periodically monitor state agencies' workforce planning efforts.

Implemented in a different manner at 36 months

See explanation for Recommendation 1.4.