

Arizona Department of Transportation

Department developed processes to meet various statutory responsibilities but failed to fully address fraud and security incidents, potentially not notifying affected customers and not recovering public monies, and had identified but not yet addressed issues related to legislative appropriations for transportation purposes

Audit purpose

To determine whether the Department addressed fraud and security incident risks related to its Motor Vehicle Division (MVD) system; ensured compliance with State purchasing card, conflict-of-interest, and 5-Year Transportation Facilities Construction Program (Construction Program) requirements; and to provide responses to the statutory sunset factors.

Key findings

- The Department is statutorily required to plan, construct, and maintain the State highway system; register motor vehicles and aircrafts; license drivers; and operate the State's motor vehicle fleet (State fleet) and airport, and has developed processes and/or taken steps to meet its responsibilities in some areas we reviewed, such as identifying highway maintenance goals, expending monies to carry out State highway transportation projects, and recovering its State fleet operation costs through various fees.
- The Department did not conduct required investigations of potential MVD system security incidents and failed to report to authorities and/or identify all potentially fraudulent accounts, potentially not notifying affected customers, not recovering \$198,358 of public monies, and possibly hampering authorities' response to the incidents.
- The Department has a process for identifying and prioritizing transportation projects but has not addressed issues with initial project cost estimates it identified. Specifically, the Department reported that initial transportation project cost estimates did not always include inflation, causing some transportation project actual costs to be higher than estimated, and reported that it was developing a cost estimation tool to standardize these estimates but did not have an estimated completion date. Additionally, it lacks a comprehensive stakeholder education process to obtain information it reported was necessary to carry out Legislature-directed transportation projects, such as detailed project scopes.
- The Department did not always use purchasing card, employee travel card, and central travel accounts consistent with State and/or Department policy requirements, including lacking documentation demonstrating that some transactions had a public purpose. Further, the Department did not comply with some State conflict-of-interest and open meeting law requirements.

Key recommendations

The Department should:

- Comply with State laws for reporting, investigating, and notifying customers of security incidents.
- Continue to develop and implement a cost estimation tool to standardize project cost estimates.
- Implement a stakeholder education process for obtaining and providing information on Legislature-directed transportation projects.
- Comply with purchasing card and travel policies; and conflict of interest requirements and open meeting laws.