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Performance Audit Division

Performance Audit

Arizona Game and Fish Commission, Department, and Director

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Debra K. Davenport
Auditor General

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December 19, 2013

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Arizona State Senate

The Honorable Andy Tobin, Speaker
Arizona House of Representatives

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The Honorable Janice K. Brewer
Governor, State of Arizona

The Honorable Ken Bennett,
Secretary of State, State of Arizona

Members of the Arizona Game and Fish
Commission

Mr. Larry D. Voyles, Director
Arizona Game and Fish Department

Transmitted herewith is a report of the Auditor General, *A Performance Audit of the Arizona Game and Fish Commission, Department, and Director*. This report is in response to Laws 2012, Ch. 283, §4, and was conducted under the authority vested in the Auditor General by Arizona Revised Statutes §41-1279.03. I am also transmitting within this report a copy of the Report Highlights for this audit to provide a quick summary for your convenience.

As outlined in its response, overall, the Arizona Game and Fish Department agrees with the elements of the findings and plans to implement all of the recommendations.

My staff and I will be pleased to discuss or clarify items in the report.

Sincerely,

Debbie Davenport
Auditor General

Attachment

REPORT HIGHLIGHTS PERFORMANCE AUDIT

Commission and Department should ensure prudent stewardship of public resources

Our Conclusion

The Arizona Game and Fish Department (Department) is responsible for administering state laws related to wildlife, watercraft, and off-highway vehicles, as directed by the Arizona Game and Fish Commission (Commission). The Commission and Department should ensure prudent stewardship of public resources by training staff about the importance of a strong control environment to avoid financial losses, establishing additional guidelines for reviewing and approving travel, enhancing and implementing its wireless device policy, and developing a policy regarding expenditures for employee recognition. The Department should also move to an all-online application system for issuing big game hunting permits, require applicants to use a single department identification (ID) number to increase efficiency and reduce errors, and increase its testing of the big game draw results to ensure it worked as intended. In addition, the Department should improve the management of its information technology (IT) systems and data.

Disregard for department procedures contributed to inappropriate expenditures—

The Commission and department management are responsible for safeguarding public resources and establishing an environment within the Department that promotes prudent stewardship of these resources. However, insufficient oversight of employees resulted in an embezzlement of \$3,000 in 2003 and unauthorized expenditures of \$15,600 in 2012.

Additional guidance needed to help ensure department travel is in State's best interest—

Although the Department has established procedures for reviewing and approving staff, management, and commissioner travel, the Department should develop and implement additional guidance for determining whether its travel is in the State's best interest. For fiscal years 2011 through 2013, the Department spent at least \$2.8 million on in- and out-of-state travel costs for the Director, staff, and commissioners, 35 percent of which was for out-of-state travel. This amount represents about 1 percent of the Department's expenditures during this period. However, in fiscal years 2012 and 2013, the Department sent between 13 to 18 representatives, often twice as many as fish and wildlife agencies from neighboring western states, to the Western Association of Fish and Wildlife Agencies conferences in Montana, California, and Hawaii. The Director also spent about one-third of his time in fiscal years 2012 and 2013 traveling to in- and out-of-state wildlife conservation and collaboration conferences, commission meetings, and diplomatic meetings in Washington, DC. Commissioners also traveled to in- and out-of-state conferences and commission meetings that are held throughout the State. The Commission and the Department reported that their travel is important for influencing national policy setting that affects Arizona land and wildlife, enhancing public trust, and developing good relationships with and generating department funding through stakeholder groups.

Department provided wireless devices and gifts without sufficient oversight—

Since at least 2008, the Department has provided cell phones and other wireless devices to its employees, but did not establish a wireless device policy until July 2013. The Department also did not support the purchase of a retirement plaque costing approximately \$300 because it lacks policies and procedures regarding employee recognition gifts to ensure that the benefit of giving a gift outweighs the cost.

Recommendations

The Department should:

- Provide additional training to staff and commissioners on their responsibilities for ensuring the proper stewardship of public monies;
- Establish additional guidelines for managerial decision-making about travel, such as how to determine which conferences or other travel are deemed essential; and
- Enhance its wireless device policy and oversight by incorporating more of the State's wireless devices policy into its own policy; adding more detailed guidance for determining when a wireless device is in the State's best interest, such as when the employee's job requires considerable time outside the office; and adding a more thorough description of appropriate business use for wireless devices.



2013

Process for issuing big game hunting permits could be improved

Big game hunting opportunities issued through the draw—To hunt big game in Arizona, a hunter must possess a hunting license and apply for and receive a big game permit (tag) through the Department's computerized selection process, known as the draw. Applicants who are not selected to receive a tag in the draw receive a bonus point that can increase the probability that he/she will be drawn in the future.

Application and post-draw processes have some weaknesses—The application process can result in some hunters' inappropriately receiving or not receiving a tag and inefficiencies for the Department. For example, because not all applications are submitted online, some errors can be made when recording the paper application information in the Department's application system because the information is illegible or entered incorrectly. In addition, the online system allows applicants to create multiple ID numbers that can result in a hunter's bonus points not being tied to his/her application. To address this, the Department spends multiple days researching and manually merging duplicate records prior to the draw. Further, although the Department conducts some testing to ensure the draw complies with statute and rule requirements and functions as intended, its testing could be enhanced. For example, the Department does not pull a sample of applicants and follow them through the draw process to ensure that their applications were successfully handled at each step of the process and that the results of whether or not these applicants were drawn for a tag were what would be expected.

Recommendations

The Department should:

- Continue its efforts to move to an all online application system, including developing a plan to help applicants who cannot apply online;
- Modify its online application system to require the use of a single department ID number; and
- Perform additional post-draw testing.

Department should improve its IT systems management processes

Department has not implemented formal processes for managing its IT systems—The Department's IT systems are critical to administering its hunting and fishing licenses and tags, and maintaining its Sportsman database, which contains confidential, personal information on all individuals who hunt in Arizona. In August 2013, the Commission simplified its license classification structure and fees, which will require the Department to modify its IT systems. However, the Department does not have formal written policies and procedures for developing and maintaining its IT systems. Specifically, at the time of our review, the Department lacked formalized processes for developing its systems, managing system changes, overseeing IT service providers and contracts, and ensuring its IT systems and data were adequately backed up and protected in the event of a system failure or disaster. Without formalized processes, the Department is not in the best position to properly maintain its systems and effectively modify its systems to support the changes to its license classification structure and fees. Additionally, unauthorized changes could be made to its systems, and data is at risk of being unrecoverable in the event of a system failure or disaster.

Recommendations

The Department should develop and implement formal policies and procedures for systems development, change management, overseeing IT service providers and contracts, and data backup and disaster recovery.

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INTRODUCTION

Scope and Objectives

The Office of the Auditor General has conducted a performance audit of the Arizona Game and Fish Commission (Commission), Arizona Game and Fish Department (Department), and its Director pursuant to Laws 2012, Ch. 283, §4. This audit was conducted under the authority vested in the Auditor General by Arizona Revised Statutes (A.R.S.) §41-1279.03. This performance audit focused on the Commission's and the Department's:

- Oversight and use of public monies;
- Process for issuing hunting permits;
- Management of information technology systems and data; and
- Compliance with open meeting law.

Commission and Department work to conserve State's wildlife and provide outdoor recreation opportunities

The Commission and the Department were established in 1929. Under the Commission's direction, the Department has various responsibilities related to wildlife, watercraft, and off-highway vehicles. The Department's mission conveys both its wildlife and recreation roles (see textbox).

Mission

To conserve Arizona's diverse wildlife resources and manage for safe, compatible outdoor recreation opportunities for current and future generations.

Commission and department responsibilities

The Commission consists of five members who are appointed by the Governor and serve staggered 5-year terms.¹ No more than one commissioner may be from any one county. The Commission's responsibilities include establishing broad policies and long-range programs for the management, preservation, and harvest of wildlife; and creating and enforcing state laws and rules related to watercraft, off-highway vehicles, and the protection of wildlife. For example, the Commission establishes hunt guidelines that provide general guidance on the parameters for how hunted or trapped species are managed. The Department uses these guidelines, which are updated every 2 years with public input, to make recommendations to the Commission on the dates, length, and structure of the upcoming hunting season and the number of hunt-permit tags that should be made available to hunters for animals such as turkey, deer, elk, and javelina.

The Commission holds public meetings almost monthly. Its meetings involve activities such as making decisions about rule changes, holding civil hearings regarding wildlife law violations, and discussing and approving agreements for land access rights. For example, during its January 2013 meeting, the Commission discussed its progress on negotiations for a pilot project and agreement that would allow hunters access to one of the largest ranches in the United States located near Seligman, Arizona. In exchange for access to the ranch land, hunters would pay a fee to the ranch to offset maintenance associated with recreational use, such as road or gate maintenance.

¹ When appointing commission members, according to A.R.S. §17-202(E), the Governor must select an individual from a list provided by the Arizona Game and Fish Commission Appointment Board.

The Commission appoints a director who supervises the Department. Specifically, A.R.S. §17-211 establishes the director as secretary to the Commission and the chief administrative officer of the Department, with responsibilities including general supervision and control of all activities, functions, and employees, and enforcing the game and fish laws and commission rules. The Department organizes its responsibilities under two categories: (1) wildlife conservation and (2) recreation. According to the Department, all of its staff share in the responsibility for accomplishing the goals under both of these categories, although some staff may ultimately perform more activities in one category than in the other. Specifically:

- **Wildlife Conservation**—The Department is responsible for managing wildlife populations to provide diverse hunting, fishing, and other recreational opportunities, such as wildlife viewing. The Department’s goal is to ensure that wildlife is abundant, conserve native wildlife diversity, manage human-wildlife conflicts, and conserve habitat and water. In 2012, the Department revised its comprehensive plan for managing Arizona’s fish, wildlife, and wildlife habitats. According to the Department, this plan guides the Department’s wildlife conservation activities including:
 - Managing game, such as elk and javelina, by counting the number of animals in an area to help the Commission make decisions about how many animals can be harvested each year while still maintaining a healthy population;
 - Managing fishing opportunities by enhancing the quality, abundance, availability, and diversity of opportunities. For example, department staff gather information through surveys to help guide department management decisions. Survey techniques include electrofishing, a process that uses electric fields in the water to temporarily stun the fish so they can be netted and then be observed; and
 - Managing the State’s vulnerable species such as the bald eagle, maintaining native species such as the desert ornate box turtle, and restoring Arizona’s wildlife diversity.
- **Recreation**—According to the Department, it is responsible for providing safe, ethical, compatible, responsible, and diverse outdoor recreation opportunities to the public, including opportunities for shooting sports, watercraft, and off-highway vehicles (OHVs). For example, the Department is responsible for:
 - Operating the commission-owned Ben Avery Shooting Facility, which according to the Department’s Web site is a world-class shooting venue with a 5-star rating from the National Association of Shooting Ranges, and managing or supporting the other eight commission-owned, public shooting ranges around the State;
 - Regulating boating and watercraft use by registering watercraft and providing watercraft safety education courses. According to the Department, as of October 2013, there were 129,400 registered watercraft;
 - Minimizing the impact that the use of OHVs can have on wildlife by promoting safe and responsible use of OHVs, and collaborating with other groups to enhance OHV recreation and access state-wide; and

- Hosting and encouraging participation in camps or programs for fishing, hunting, and wildlife recreation.

Organization and staffing

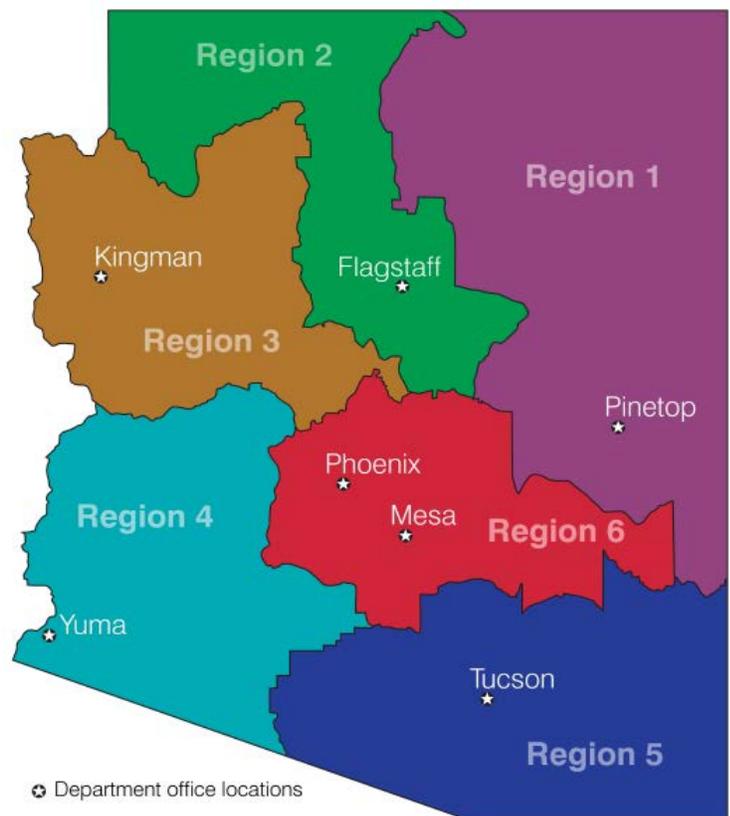
The Department operates seven offices including its headquarters in Phoenix and six regional offices located throughout the State (see Figure 1). The Department’s Wildlife Conservation and Recreation responsibilities are conducted by its staff, who are located at its headquarters and all of its regional offices.

As of October 2013, the Department reported 683.25 full-time equivalent (FTE) positions—273.5 appropriated; 409.75 nonappropriated. According to the Department, 612.5 positions were filled. The majority, 386.5 positions, were based in the Department’s Phoenix headquarters. According to the Department, although many positions are based in the Department’s Phoenix headquarters, not all of these employees work at the headquarters. For example, according to the Department, 26 employees staff the State’s 6 hatcheries distributed around northern Arizona and a number of research personnel are deployed to field sites where their investigations are being conducted.

The Department has organized its employees as follows:

- **Director’s Office (31 filled FTE: 22.5 appropriated, 8.5 nonappropriated; and 5 vacancies)**—This office is responsible for supporting the Commission, overseeing legal counsel, and approving budget recommendations and agreements. Its personnel also coordinate the development of rules and policies and procedures, and conduct risk management, loss prevention, and internal audits.
- **Wildlife Management Division (111.25 filled FTE: 9 appropriated, 102.25 nonappropriated; and 21 vacancies)**—This division comprises personnel responsible for game, nongame, fisheries, research, and habitat management. According to the Department, the division formulates science-based management and regulatory recommendations for wildlife, coordinates and conducts field inventories to obtain management

**Figure 1: Department regional office locations
As of June 2013**



Source: Auditor General staff depiction of information from the Department’s Web site.

data, provides research support, facilitates wildlife reintroductions and transplants, and provides technical information and guidance to state and federal agencies.

- **Information, Education and Recreation Division (77 filled FTE: 15 appropriated, 62 nonappropriated; and 12 vacancies)**—This division is responsible for public communication, coordination of public education programs and resources, such as hunter safety classes, and the operation of shooting ranges and programs state-wide. In addition, this division coordinates hunter, angler, and shooter recruitment and retention efforts as well as marketing efforts for the Department.
- **Business and Finance Division (52 filled FTE: 45 appropriated, 7 nonappropriated; and 7 vacancies)**—This division is responsible for customer service, procurement, and administration of licensing and permitting, as well as for performing accounting and budgeting services.
- **Special Services Division (39 filled FTE: 14 appropriated, 25 nonappropriated; and 8 vacancies)**—This division includes two branches; information systems, which supports the Department's computers, phone systems and network connection; and development, which is also responsible for improved recreational access to state, federal, and private lands.
- **Field Operations Division (302.25 filled FTE: 145 appropriated, 157.25 nonappropriated; and 17.75 vacancies)**—This division implements wildlife management, watercraft and OHV outreach and education, and law enforcement program objectives. In addition, the division provides aviation support, such as fixed-wing game surveys and administration of contract helicopter services for activities such as animal captures, surveys, and materials transport in support of development projects. Further, as a part of this division, the Department also operates six regional offices that function similar to its headquarters office but on a smaller scale (see Figure 1, page 3). Wildlife officers who work primarily in the field are assigned to specific regional offices. The Department's regional offices include 235.5 of the Field Operations Division's positions as follows:
 - **Region 1**—Pinetop (40 filled FTE: 18 appropriated, 22 nonappropriated; and 1 vacancy);
 - **Region 2**—Flagstaff (36 filled FTE: 20 appropriated, 16 nonappropriated; and 1 vacancy);
 - **Region 3**—Kingman (33.5 filled FTE: 16.5 appropriated, 17 nonappropriated; and 2 vacancies);
 - **Region 4**—Yuma (33.5 filled FTE: 16.5 appropriated, 17 nonappropriated; and 2 vacancies);
 - **Region 5**—Tucson (40 filled FTE: 24 appropriated, 16 nonappropriated; and 1.5 vacancies); and
 - **Region 6**—Mesa (43 filled FTE: 23 appropriated, 20 nonappropriated; and 2 vacancies).

Revenues and expenditures

The Department does not receive any State General Fund monies. Rather, the Department's revenues come mainly from license fees, intergovernmental revenues, including federal monies, lottery proceeds, Indian tribal gaming monies, admission and entry fees, donations, and motor vehicle fuel taxes. These revenues are deposited into one of the Department's many funds. Nearly all of the funds are subject to an annual appropriation and/or are restricted by statute, voter propositions, or federal program requirements (see Appendix A, Table 3, pages a-1 through a-4, for more information on the Department's funds). For example, the Department receives monies from the Arizona Benefits Fund, which is funded by tribal gaming monies. The use of those monies is restricted by a statute that was initially established through Proposition 202 (November 2002). As shown in Table 1 (see page 6), the Department received between approximately \$84 million and \$85 million annually in gross revenues during fiscal years 2011 through 2013.

As also shown in Table 1, the Department's expenditures ranged from between approximately \$77 million to more than \$85 million for fiscal years 2011 through 2013. On average, approximately 58 percent of these expenditures was used for personal services and related benefits, and approximately 20 percent was used for other operating expenditures. Other operating expenditures include purchasing operating supplies and fuel and paying for telecommunication, equipment, and machinery rental; repairs and maintenance; and interest costs. In addition, the Department was required to transfer a total of more than \$1.8 million to the State General Fund during fiscal years 2011 and 2012.

**Table 1: Schedule of revenues, expenditures, and changes in fund balance
Fiscal years 2011 through 2013
(In thousands)
(Unaudited)**

	2011	2012	2013
Revenues			
Licenses	\$ 33,263	\$ 34,146	\$ 34,181
Intergovernmental, including federal	28,545	27,130	26,430
Lottery proceeds ¹	10,000	10,000	10,000
Indian tribal gaming ²	5,541	6,019	6,144
Admission and entry fees	2,452	2,640	2,801
Donations	1,850	2,030	2,180
Motor vehicle fuel taxes ³	894	888	885
Other	1,448	2,281	2,471
Gross revenues	83,993	85,134	85,092
Net credit card transaction fees	(68)	(146)	(166)
Net revenues	83,925	84,988	84,926
Expenditures and transfers			
Personal services and related benefits	46,059	48,348	46,458
Professional and outside services	6,484	5,256	4,260
Travel	835	1,001	982
Aid to organizations and individuals	1,249	2,532	1,815
Other operating	16,099	16,353	17,006
Land, buildings, and improvements	9,918	625	5,054
Equipment	4,811	3,200	3,121
Total expenditures	85,455	77,315	78,696
Transfers to the State General Fund ⁴	1,101	723	
Transfers to other agencies	110	110	
Total expenditures and transfers	86,666	78,148	78,696
Net change in fund balance	(2,741)	6,840	6,230
Fund balance, beginning of year	33,016	30,275	37,115
Fund balance, end of year	\$ 30,275	\$ 37,115	\$ 43,345

¹ Amount consists of the lottery revenues the Heritage Fund receives in accordance with A.R.S. §5-572(B). For more information on the Department's funds, see Appendix A, Table 3, pages a-1 through a-4.

² Amount consists of a portion of monies from the Arizona Benefits Fund, which consists of Indian tribal gaming monies. A.R.S. §5-601.02(H)(3)(iii) requires that 8 percent of the monies be deposited into the Arizona Wildlife Conservation Fund. For more information on the Department's funds, see Appendix A, Table 3, pages a-1 through a-4.

³ Amount consists of a portion of motor fuel taxes appropriated from the Off-Highway Vehicle Recreation Fund as authorized by A.R.S. 28-1176(A). For more information on the Department's funds, see Appendix A, Table 3, pages a-1 through a-4.

⁴ Amount consists of transfers to the State General Fund in accordance with Laws 2010, 7th S.S., Ch. 1, §§112, 113, and 148 and Laws 2011, Ch. 24, §§108, 129, and 138 to provide support for state agencies.

Source: Auditor General staff analysis of the Arizona Financial Information System (AFIS) *Accounting Event Transaction File*, the AFIS Management Information System *Status of General Ledger-Trial Balance* screen, and department-provided information for fiscal years 2011 through 2013.

FINDING 1

The Arizona Game and Fish Commission (Commission) and the Arizona Game and Fish Department (Department) should enhance their oversight of public monies to better ensure these monies are protected and used in a prudent manner. Over the past decade, the Department has experienced two instances of inappropriate or questionable expenditures due to employee disregard of policies and procedures. In addition, a review of department travel expenditures for fiscal years 2011 through 2013 disclosed spending patterns that demonstrate the need for stronger accountability, such as a high number of department officials attending out-of-state conferences relative to attendance by other states. Expenditures for wireless devices such as cell phones and for employee recognition also showed a lack of careful oversight and review. To enhance the stewardship of public resources, the Department should modify existing policies and procedures and/or develop and implement additional ones, train staff on these policies and procedures, and increase oversight aimed at ensuring that the policies and procedures are followed. In addition, the Department should develop a method for allocating general costs equitably among its restricted funds.

Commission and Department should ensure prudent stewardship of public resources

Leadership responsible for establishing safeguards to ensure prudent stewardship of public resources

The Commission and department management are responsible for establishing a control environment within the Department that safeguards and promotes the prudent stewardship of public resources (see textbox). Management plays a key role in setting and maintaining the organization's ethical tone by providing guidance for proper behavior, removing temptations for unethical behavior, and providing discipline when appropriate.¹ Management is also responsible for establishing mechanisms that ensure staff carry out management directives. Such mechanisms would include policies and procedures, employee training and evaluation, limiting access to sensitive data or assets, timely review and communication of critical information, and supervisory approvals of staff activities and spending. In addition, important information should be communicated to ensure controls, such as policies and procedures, are followed.

Control environment—The environment throughout an organization set by management that should establish a positive and supportive attitude toward conscientious management and mechanisms that provide reasonable assurance that:

- operations are effective and efficient;
- financial reporting is reliable; and
- the agency is complying with applicable laws and regulations.

Source: United States General Accounting Office. (1999). *Standards for internal control in the federal government*.

¹ United States General Accounting Office. (1999). *Standards for internal control in the federal government* [GAO/ AIMD-00-21.3.1]. Washington, DC: Author. These standards are being updated and in a comment period from September 3, 2013, until December 2, 2013.

Department has suffered losses and is at risk for other inappropriate expenditures

The Department's control environment and activities have not sufficiently ensured prudent stewardship of public resources in some areas. One indication that the control environment may be weak can be found in past incidents of apparent inappropriate or questionable expenditures. Since 2003, the Department has experienced two such significant instances—one involving inappropriate expenditures and another involving embezzlement. Auditors reviewed several key areas such as capital assets, cash receipts, and payroll. This review did not identify significant concerns for the following areas: bidding, capital assets, cash receipts, credit cards, and payroll expenditures.¹ However, this review disclosed weaknesses in some areas—travel, oversight of employee wireless devices, and the purchase of employee recognition gifts. These weaknesses have resulted in financial losses or have placed the Department at risk for other inappropriate or questionable expenditures, which can ultimately damage public trust.

Inappropriate expenditures and employee actions resulted in losses of public monies—Auditors identified two instances spanning calendar years 2003 through 2012 in which insufficient oversight by management and failure of employees to follow policy resulted in department financial losses. Specifically:

- **Employee spent \$15,600 without approval**—A department employee spent \$15,600 without the necessary approvals and documentation to explain the expenditures. In May 2012, department personnel identified some unexplained expenditures in the Special Operations Unit, which houses undercover department officers who investigate crimes such as poaching. As a result, the Department requested that the Arizona Department of Public Safety perform an official investigation. This investigation found that between April 2009 and July 2012, the Department's former Special Operations Unit supervisor had requested department monies for his unit and deposited \$13,600 of these monies into a bank account listed under a covert identity. Most of this money was withdrawn in cash; the remainder was spent through bank card purchases for goods and services at locations such as Best Buy, the Home Depot, numerous restaurants, and gas stations. In addition, a \$2,000 department check was cashed at a bank by someone using the supervisor's undercover driver's license. The supervisor stated that department monies were never spent for personal use, but was not able to present any documentation to support these claims during the investigation. According to the Department, the supervisor was placed on administrative leave after being interviewed by investigators in January 2013, but subsequently retired. As of December 2013, this case was being evaluated by the Arizona Attorney General's Office for potential prosecution. In addition, to help prevent similar problems in the future, the Department asked its internal auditor to review existing policies for weaknesses.

The Special Operations Unit had previously been identified as lacking mechanisms to ensure proper use of monies prior to this 2012 investigation. Specifically, a 2002 Office of the Auditor

¹ This review was too limited to reach a conclusion about the sufficiency of internal controls in these areas (see Appendix C, page c-1, for more information on areas reviewed).

General procedural review identified weaknesses in policies and procedures within the Special Operations Unit and recommended changes to strengthen its procedures. Although an audit followup in 2003 found that the Department had implemented the recommendations, by as long ago as April 2009, the procedures were no longer being followed. According to the Department, if the employee had not circumvented the policies, the loss would either not have occurred or would have been discovered sooner. As of December 2013, the Department stated that it has completed the internal audit and anticipates the final report will be approved by January 2014, after which the associated process, policy, and recommendations will be implemented.

- **Employee embezzled approximately \$3,000**—According to the Department, an internal investigation and Arizona Department of Administration General Accounting Office's audit requested by the Department determined that a department employee had embezzled approximately \$3,000. The 2003 audit indicated that although the Department's procedures were adequate to safeguard cash, the Department was not adhering to its procedures. The employee, also a supervisor, was able to work with cash registers without adequate supervision and had taken department monies from sales such as watercraft registration and hunting and fishing licenses for personal use. According to the Department, it dismissed the employee in October 2003 and following an investigation by the Arizona Attorney General's Office, the employee was convicted, placed on probation, and ordered to pay restitution to the Department.

Some department travel expenditures need additional consideration—Auditors' review of department travel for fiscal years 2011 through 2013 showed a similar need to strengthen accountability controls. In particular, the extent of travel, particularly out-of-state travel, points to the need to ensure that all travel is clearly and adequately justified to a greater degree than currently exists. During fiscal years 2011 through 2013, the Department spent approximately \$2.8 million on in- and out-of-state travel costs for its Director, staff, and commissioners.¹ This amount represents approximately 1 percent of the Department's total expenditures for the period reviewed. Sixty-five percent of department travel expenditures were for travel that occurred within the State such as travel performed by wildlife managers visiting remote regions of the State to check hunting licenses and tags; travel performed by wildlife specialists to perform work to help protect endangered species such as Bald Eagles and California Condors; and mileage, meals, and lodging for commissioners, the Director, and numerous staff, who attend the 2-day commission meetings scheduled at regional offices throughout the State. In calendar year 2013, the Department had scheduled nine 2-day commission meetings. The remaining 35 percent of the travel expenditures were for out-of-state travel for events such as conferences or collaborative meetings.

According to the Department, the travel that its Director, staff, and commissioners conduct helps to protect Arizona's interests by influencing national policy setting that affects Arizona land and wildlife, and by encouraging good relations with and generating department funding through stakeholder groups. In addition, the Department states that this travel also helps to maintain federal funding that is critical to department operations, providing access for recreational shooting on public lands, recruiting and retaining hunters, anglers, and shooters, and enhancing

¹ This amount represents only those expenditures recorded on the State's accounting system as travel and does not reflect items, such as conference fees, that may have been recorded in another category, such as other operating expenditures.

relationships with industry partners. For example, the Director travels to Washington, DC, and according to the Department, this travel was conducted to influence policy related to topics such as the Federal Endangered Species Act, federal lands and fisheries management, and protecting Arizona's authority to manage wildlife in the public trust. In addition, the Department indicated that management and commissioners travel to conferences in other states to collaborate on wildlife issues such as wolf management and to discuss ways to advocate the states' rights to manage fish and wildlife within their borders. Its staff led 22 of the Western Association of Fish and Wildlife Agencies' (WAFWA) 26 committees and working groups in various roles, such as chairing the invasive species and Mule Deer working groups.¹

Auditors' review of travel conducted in fiscal years 2011 through 2013 revealed the following:

- **Director in travel status about one-third of the year**—At least \$45,800 of the monies the Department spent on in- and out-of-state travel during fiscal years 2011 through 2013 was for the Director's travel. This amount accounted for approximately 2 percent of the Department's in- and out-of-state travel expenditures.

**Table 2: Director's days in travel status
Fiscal years 2012 and 2013
(Unaudited)**

	Total days in the year	Director's travel status			
		2012		2013	
		Travel days	Percentage in travel	Travel days	Percentage in travel
Business days	250	93	37%	80	32%
Weekend days	105	28	27%	29	28%
Holidays	<u>10</u>				
Total	<u>365</u>	<u>121</u>	33%	<u>109</u>	30%

Source: Auditor General staff analysis of department-provided information for the number of days the Director was in travel status in fiscal years 2012 and 2013.

Although the Director's travel costs for fiscal years 2011 through 2013 were at least \$67,600, not including conference and meeting registration, according to the Department, approximately \$21,800 of the Director's travel costs were reimbursed by the Association of Fish and Wildlife Agencies because the Director serves as chairman.² Auditors' review of department travel records for fiscal years 2012 and 2013 found that the Director was in travel status approximately one-third of the year (see Table 2). Further, at least an additional \$3,200 was spent for conference and meeting registration fees for out-of-town events.

During fiscal years 2011 through 2013, the Director traveled for a variety of purposes including in- and out-of-state wildlife conservation and collaboration conferences, diplomatic meetings in Washington, DC, and other types of events, such as workshops or commission meetings. Additionally, in September 2012, the Director attended the Wyoming Governor's One-Shot Antelope Hunt in Lander, Wyoming, to maintain working relationships with other states (see textbox, page 11). From January 17 through 21, 2011, the Director also attended the National Shooting Sports Foundation Shooting, Hunting, and Outdoor Trade Show (SHOT Show) and conference in Las Vegas, Nevada, where, according to the Department, department staff established contacts for the Department's annual ammunition and equipment purchases, developed relationships with potential donors, and attended multiple industry

¹ According to WAFWA's Web site, it is a regional association of state and provincial fish and wildlife agencies representing 23 states and Canadian provinces. It is a strong advocate of the rights of states and provinces to manage fish and wildlife within their borders, and promotes sound resource management principles and the building of partnerships to enhance wildlife conservation efforts

² According to the Department, the Association of Fish and Wildlife Agencies also paid some of the Director's travel costs directly; therefore, these costs are not included.

partnership and committee meetings that support the Department's shooting sports, hunting, wildlife conservation, and law enforcement efforts. The Director also traveled to Washington, DC, for various meetings. During fiscal years 2011 through 2013, the Director spent at least 60 days in travel status to Washington, DC.

- **Commissioners travel frequently**—At least \$164,000 of the monies the Department spent on travel during fiscal years 2011 through 2013 was for commissioners' travel costs. This amount accounted for nearly 6 percent of the Department's total travel expenditures. The Department reimburses commissioners for travel costs, which is separate from the compensation a commissioner receives for performing official duties, such as attending commission meetings as allowed by A.R.S. §17-201 (C), which according to A.R.S. §38-611, should not exceed \$30 per day. Commissioners travel in-state for purposes such as conferences, meetings with stakeholder groups to discuss common goals, and commission meetings. For example, on a nearly monthly basis, commissioners attend commission meetings conducted at various locations throughout the State and according to the Department, other meetings held with the stakeholder groups to discuss common goals. Although the Commission reported that direct interaction between the Commission and the communities it serves is critical for building relationships and enhancing public trust, the Commission's decision to hold commission meetings in various locations state-wide has resulted in additional travel costs. The cost for conducting commission meetings at locations other than the Department's Phoenix office includes travel costs for commissioners as well as travel for the Director and multiple staff persons who also travel to attend these meetings. For example, according to the Department, it spent at least \$6,800 for travel costs for numerous individuals including commissioners, the Director, and staff to attend a 2013 commission meeting held in Yuma. Conversely, in 2012, the Commission held all of its meetings in Phoenix and telecast them at various sites throughout the State. Therefore, the Department likely had lower travel costs for commission meetings in 2012 since the Director and many staff would not have traveled for these 2-day meetings.

In addition, commissioners travel to out-of-state conferences and events (see next bullet for a description of these conferences). In fiscal years 2011 through 2013, commissioners traveled out-of-state for events such as the bi-annual WAFWA conferences and the 2011 SHOT show and conference in Las Vegas, Nevada. Specifically, based on department travel documents for the four WAFWA conferences scheduled from fiscal years 2012 through 2013, the Department registered between three to four commissioners of the five total commissioners to attend every conference. For example, four commissioners attended the WAFWA conference held in San Diego in January 2012. Further, for one travel expenditure auditors

Wyoming One Shot Antelope Hunt

In September 2012, the Director attended the Wyoming Governor's One-Shot Antelope Hunt in Lander, Wyoming. This 1-day hunt allows eight teams of three people to participate in a hunt, banquet, and ceremony. Participation in the hunt is by invitation only and invitations must be extended from the One-Shot Antelope Hunt Club's Board of Directors or from the Governor of Wyoming. Arizona was represented by the Director, a commissioner, and a former department director. The Department paid some of the expenses for the Director and the commissioner to attend, totaling more than \$1,300. According to the Department, while participating in this hunt, the Director was able to present a proposal to the Waters for Wildlife Foundation, which resulted in a \$5,000 grant to the Department to support water developments in Arizona for Sonoran pronghorn, a federally listed endangered species.

Source: Auditor General staff analysis of a Human Resources Information System (HRIS) file for fiscal year 2013 and related documents.

reviewed, the Department reimbursed more money to a commissioner than should have been reimbursed because the commissioner arrived at a conference a day early. After auditors brought this to the Department's attention, the commissioner reimbursed the Department \$362 for the mistakenly requested hotel, meal, and parking costs associated with the extra day.

- Department sends more representatives to conferences than do other states**—As illustrated in Figure 2, the Department registered representatives, including commissioners, staff, and the Director, for two WAFWA conferences per year in fiscal years 2012 and 2013 to collaborate with other states and federal agencies on common goals and issues pertaining to wildlife. According to fiscal years 2012 and 2013 WAFWA conference registration numbers, the Department registered more than twice the number of representatives for three of the four conferences than did other states, including California, Colorado, New Mexico, Nevada, Utah, and Wyoming, both for out-of-state conferences and the conference hosted in Tucson. According to the Department, it is necessary to have an appropriate number of technical subject matter experts to reflect Arizona's perspective in the formulation of regional, national, and international wildlife policy. For example, the Department reported that through participation in such conferences, its staff have helped develop a regional approach to Mexican wolf management and conservation initiatives that will benefit the Lesser Prairie Chicken and other species that share their habitat. As of September 2013 the Commission affirmed its expectation that the Department and Commission will continue its involvement in regional and national issues and venues including the in-state and out-of-state travel, to ensure Arizona's interests are represented.

Figure 2: Seven-state comparison of registered representatives for WAFWA conferences Fiscal years 2012 and 2013



Source: Auditor General staff analysis of department travel documents for Arizona and conference registration numbers provided by WAFWA for six surrounding western states.

However, sending a large number of representatives to out-of-state conferences can be expensive. For example, in July 2012, the Department spent at least \$45,000 in travel expenditures and approximately \$7,000 for conference registration for 15 representatives to attend the WAFWA conference in Hawaii (see textbox). For commissioners and department personnel who were reimbursed for 7 days of travel, hotel costs were approximately \$1,500 each and meals ranged from \$671 to \$929 per person, because according to the Department, commissioners and department staff were not always available to eat conference-provided meals.

Although the Department has procedures to review and approve travel, given the large number of staff it sends to meetings and conferences, particularly for out-of-state travel, it is incumbent on the Department to be able to demonstrate that the travel is in the State's best interest. Specifically, the Department's travel policy incorporates the State's policy by reference and requires advance approval for out-of-state travel. However, the policy does not contain specific procedures for limiting overall travel or questions that should be asked before approving any travel, such as can the travel be avoided, or are there other more cost-effective alternatives. As a result, the Department has not adequately ensured that the amount and type of travel are controlled and necessary.

Department provided wireless devices without sufficient oversight—In fiscal year 2013, the Department paid nearly \$200,000 for wireless devices and the associated plans. Specifically, according to department data as of June 2013, it paid for nearly 350 cell phones and Internet access devices, such as hotspots that provide Internet service to a laptop computer. According to the Department, it has provided cell phones and Internet access devices for many of its approximately 600 employees since at least 2008.¹ According to the Department, wireless devices benefit employees stationed in the field by providing an added level of safety, reducing the workload, and increasing the capacity for handling law enforcement and emergency response functions, as well as benefiting administrative employees by providing improved accessibility and responsiveness. However, the Department lacks guidance for determining which positions should receive wireless devices and has not ensured the appropriate use of these services and equipment. For example, auditors reviewed the Department's August through September 2012 wireless service bill, which showed that 30 users exceeded their monthly access, resulting in more than \$300 in additional usage charges. In addition, the Department did not have documentation indicating that these charges were appropriate or that the employees were questioned about the charges prior to the Department paying the bill.

July 2012 WAFWA Conference—Hawaii

In July 2012, the Department spent more than \$52,000 for 15 representatives, including the Director, 4 commissioners, and 10 staff, to attend the WAFWA's 2012 Annual Conference in Hawaii. The conference included a variety of meetings for groups such as the Black Footed Ferret Advisory Team, Climate Change Committee, and directors and commissioners from other states. The Department described the conference as a unique and irreplaceable forum to address and make progress on issues of critical importance to Arizona that must be addressed with regional and national counterparts.

Source: Auditor General staff analysis of a HRIS file for fiscal year 2013, department travel records, and the WAFWA Web site.

¹ Department staff reported that prior to 2008, only a few employees were provided cell phones.

Further, several of the cell phone or Internet access devices may have been paid for but not used. For example, the August through September 2012 wireless service bill showed that 35 of the Department's devices appeared to have been inactive during the month, but the Department still paid more than \$1,700 in monthly charges for these 35 plans. Many of these devices were assigned to employees who worked in the field and a few were assigned to a position rather than a person. According to the Department, staff may not have used the phone that month or may have been on vacation, or the position may not have been filled at that time. Regardless, the Department did not monitor its wireless device bill to identify unnecessary or underused devices and thus may not be aware of plans that should be canceled to avoid unnecessary costs.

The Department has made some improvements in this area but lacks some important guidance. Prior to July 2013, the Department lacked policies and procedures regarding cell phone and data plan use, including policies and procedures for determining which employees should receive a cell phone or Internet access device, requiring employees to sign user agreements specifying the appropriate use of cell phones and Internet access devices, and reviewing its wireless device bill and following up on unsupported or questionable charges, including charges for phones or plans that were not used. Although the Department reported that prior to July 2013 its practice was to review and approve bills and to question employees if questionable charges were identified, it did not finalize its wireless device policies and procedures until July 2013. These policies and procedures include elements recommended in the State's wireless devices policy, such as the requirement that employees sign a user agreement and that management review bills for inappropriate use; and some policies to prevent underuse, such as an annual review to verify the device and its associated plan is necessary and appropriate, and policies requiring recovery of phones when employees are absent for an extended period of time. However, its procedures still lack important directions, such as detailed guidance for determining when a wireless device is in the best interest of the State, which positions should receive a wireless device, and a thorough description of appropriate business use.

Department purchased retirement plaque without demonstrating public benefit—Auditors found that the Department inadequately supported the purchase of a retirement plaque costing approximately \$300. The Department reported that it typically gives plaques as a retirement gift to demonstrate its appreciation for the work of its employees, which ultimately benefits employee morale. The Arizona Department of Administration's state-wide human resources policy for employee recognition allows such a purchase if the benefit to the State outweighs the cost.¹ However, the Department lacks policies and procedures regarding employee recognition and lacked documentation demonstrating that the benefit of giving this plaque to a retiring employee outweighed the cost.

¹ Arizona Department of Administration (2008). *Statewide human resources policies and procedures*. Phoenix, AZ: Author.

Changes needed in some areas to more effectively demonstrate Commission's and Department's stewardship of public monies

The Department's lack of procedures in the previously discussed areas, including oversight to ensure procedures are followed, puts it at risk for future inappropriate or questionable expenditures and may damage public trust. Therefore, the Commission and Department should take steps to demonstrate responsible stewardship of public monies. Specifically, the Department should develop and implement or enhance its existing policies and procedures for areas such as its Special Operations Unit, travel, wireless devices, and employee recognition. In addition, the Department should provide training to all department staff and commissioners on the importance of the Department's policies and procedures and their role in ensuring effective stewardship of public monies. Finally, the Department should improve its oversight to ensure that staff follow its new and existing policies and procedures.

Department should enhance existing policies and procedures or develop new ones—A key step in demonstrating its commitment to accountability will be enhancing its existing policies and procedures and developing and implementing new ones. Specifically:

- **Implement policies and procedures for Special Operations Unit**—The Department should immediately finalize and implement its policies and procedures for its Special Operations Unit.
- **Enhance and implement travel procedures for limiting the amount of overall department travel**—The Department should develop and implement additional travel procedures to help ensure that its travel is in the State's best interest. The Department believes its travel is important to supporting its mission, and has established a travel policy and some procedures to guide its travel, including requirements that all out-of-state travel be approved in advance by the Director, Deputy Director, or acting Director/Deputy Director, and that out-of-state travel involving three or more individuals or that will exceed \$5,000 requires an additional form to be submitted and approved by the Director, Deputy, or delegates. However, the State's travel policy and associated guidelines provide more guidance on the items management should assess to determine whether travel can be avoided and whether more cost-effective alternatives are available (see textbox). In addition, these guidelines state that no travel should be conducted unless it is clearly in the State's best interest. Therefore, within its travel procedures, the Department should include additional guidelines for managerial decision-making about travel, such as how to determine which conferences, trainings, or other travel are deemed essential to

State travel guidance examples

Questions regarding travel that should be asked:

- Can travel be avoided?
- Are there other, more cost-effective alternatives?
- Can unavoidable travel be conducted more efficiently and economically?
- Are face-to-face meetings necessary, or could business be conducted by telephone, e-mail, or other means?

Other considerations:

- No travel should be conducted unless it is demonstrably in the State's best interest.
- The benefit versus the cost of sending multiple staff members should always be scrutinized.
- Costs include not only travel expenses, but the employee's compensation and benefits as well as the possible loss of staff productivity.

Source: Auditor General staff summary of *State of Arizona Accounting Manual*, Technical Bulletin 11-05S, Considerations for Out-of-State Travel.

the Department, how many department representatives should attend, and whether using state vehicles or reimbursing employees for miles driven is more cost-effective.

Additionally, the Commission should consider how to limit travel costs, such as hotel fees and meal reimbursements, for commissioners, the Director, and department staff who attend 2-day commission meetings held across the State. According to the Department, holding commission meetings throughout the State is important because it allows constituents from outside the Phoenix area to meet face to face with commissioners and department staff; enables commissioners, staff, and the Director to build relationships with customers, and city and county leaders; and provides opportunities to meet with stakeholders about matters that are important to the local area and attend other networking events following the meetings. Although holding commission meetings in various locations may provide opportunities for obtaining public input, decisions to do so should balance the benefits of holding commission meetings across the State with the travel costs and consider ways to minimize these costs. For example, travel costs may be reduced by limiting the number of staff who attend or stay overnight, reducing the commission meetings to 1 day, or reducing the number of commission meetings held each year. Other options could include holding stakeholder meetings separately from the commission meetings, with fewer commissioners or staff needing to attend. Therefore, the Department should work with the Commission to regularly consider ways to help limit travel costs associated with its commission meetings.

- **Implement and enhance policies and procedures for wireless devices**—The Department should ensure that its July 2013 wireless device policy is fully implemented including requiring all employees who are provided wireless devices to sign user agreements. The Department should also modify and implement a few revisions to its July 2013 wireless device policy. Specifically, the Department needs to add additional oversight procedures. First, the Department should establish a mechanism for supervisors to demonstrate that they have checked the appropriate use of the devices. For example, the Department could require supervisors to provide written explanations and signatures for any additional costs incurred by users before the bill is paid so that the Department knows that the additional use has been approved or that it needs to seek reimbursement from the employee. Second, to help ensure that the Department is not paying for services and equipment that are not needed, the Department should add more guidance to its policy. Specifically, the Department should include a reference to the State’s wireless devices policy to ensure employees are aware they must comply with the policy; incorporate more of the State’s wireless devices policy into its own policy by adding more detailed guidance and criteria for determining when a wireless device is in the best interest of the State, such as when the employee’s job requires considerable time outside the office; and add a more thorough description of appropriate business use. Third, the policy should include a written requirement for a more frequent assessment of unused cell phones and Internet access devices by adding this assessment into the policy’s required monthly review of wireless plans.

Once the Department has added more detailed guidance and criteria for determining when a wireless device is in the best interest of the State, it should review all positions that have a wireless device to ensure wireless devices are distributed only to those individuals meeting the established criteria.

- **Develop and implement policy regarding employee recognition gifts**—The Department should develop and implement a policy and procedure for employee recognition gifts, including retirement plaques. This policy and procedure should include the amount the Department will spend on recognition, guidance on how to determine and document the public purpose of employee gifts, and an explanation showing that the cost of such a gift does not outweigh the benefit to the public. In developing this policy and procedure, the Department should consider that the Arizona Department of Administration’s state-wide human resources policy for employee recognition programs limits the cost of gifts to \$75 for recognition such as professional achievement or retirement.

Department should provide training—An important part of a strong control environment is staff training. Information should be communicated in a timely manner to those who need it, and in a way that enables them to carry out their internal control and other responsibilities.¹ Therefore, given its past incidents with inappropriate expenditures and staff not following procedures, the Department should provide additional training to all department staff and commissioners on the importance of the Department’s policies and procedures, and the importance of a strong control environment, as well as inform all individuals of their responsibilities to ensure proper stewardship of public monies. In addition, as the Department enhances and/or develops and implements new procedures, such as those relating to travel, the Department should ensure that all appropriate department staff and commissioners are trained on those procedures.

Department should increase oversight—An organization should ensure that ongoing monitoring occurs, and separate evaluations of whether controls are appropriate and controls are being followed can be useful for determining effectiveness or identifying deficiencies.² The Department has an internal auditor who performs audits of numerous areas, such as cash, inventory control, and purchasing procedures. To minimize the risk for inappropriate or questionable expenditures, the Department should ensure that its internal audit schedule regularly includes those areas most vulnerable to fraud or abuse, and where the Department has established new or enhanced procedures, including areas such as travel, wireless devices, and the enhanced Special Operations Unit’s procedures.

Department can better allocate restricted monies

The Department should develop guidance for how to allocate general administrative expenditures among its restricted funds to ensure that it is allocating these costs equitably (see Appendix A, Table 3, pages a-1 through a-4, for more information on the Department’s funds). Auditors reviewed 20 transactions from fiscal year 2013 that totaled more than \$2 million from the Department’s Arizona Wildlife Conservation Fund (see textbox). This review identified three transactions totaling nearly \$820,000 that were not equitably allocated among the Department’s various funds.

Arizona Wildlife Conservation Fund

The Arizona Wildlife Conservation Fund receives monies from tribal gaming. Statute requires the Department to use the monies to conserve, enhance, and restore Arizona’s diverse wildlife resources and habitats.

Source: Auditor General staff analysis of the Arizona Joint Legislative Budget Committee’s *Fiscal Year 2013 Baseline Book*.

¹ United States General Accounting Office, 1999

² United States General Accounting Office, 1999

These transactions included costs for applications Web hosting and development testing, building maintenance, and a building interest payment. Although these types of expenditures can be charged to the Arizona Wildlife Conservation Fund since these three costs are general agency costs and all department funds and divisions benefited from these services, the Department could have equitably allocated these costs among its various funds. However, the Arizona Wildlife Conservation Fund was charged between 75 and 100 percent of the cost for each of these three transactions. A better practice would be to allocate general and shared costs on an equitable basis. The Office of the Auditor General made a similar recommendation in the 2011 Arizona Game and Fish Commission Heritage Fund performance audit report (see Report No. 11-14). Therefore, to ensure that costs that benefit the entire Department are equitably allocated among its various funds, the Department should develop a cost allocation policy and procedures. In doing so, the Department could consider the principles provided by the U.S. Office of Management and Budget.¹ Once this allocation method is developed, the Department should train staff on this method.

Recommendations:

- 1.1 The Department should immediately finalize and implement changes to its policies and procedures for its Special Operations Unit.
- 1.2 The Department should enhance its travel procedures by establishing additional guidelines for managerial decision-making about travel, such as how to determine which conferences, trainings, or other travel are deemed essential to the Department, how many department representatives should attend, and whether using state vehicles or reimbursing employees for miles driven is more cost-effective.
- 1.3 The Department should work with the Commission to regularly consider ways to help limit travel costs associated with its commission meetings.
- 1.4 The Department should enhance and implement its July 2013 wireless device policy. Specifically, the Department should:
 - a. Ensure that all employees who are provided wireless devices sign user agreements as its July 2013 policy requires;
 - b. Implement its policy requiring supervisors to check bills for appropriate use. In doing so, the Department should establish a mechanism for supervisors to demonstrate that they have checked the appropriate use of the devices before the bill is paid;
 - c. Enhance its wireless device policy referencing the State's wireless devices policy to ensure employees are aware they must comply with the policy, and incorporating more of the State's wireless devices policy into its own policy by adding more detailed guidance and criteria for determining when a wireless device is in the best interest of the State, such

¹ See Office of Management and Budget Circular A-87.

as when the employee's job requires considerable time outside the office, and by adding a more thorough description of appropriate business use; and

- d. Enhance its wireless device policy to include a written requirement for a more frequent assessment of unused cell phones and Internet access devices by adding this assessment into the policy's required monthly review of wireless plans.
- 1.5 Once the Department has added more detailed guidance and criteria for determining when a wireless device is in the best interest of the State, it should review all positions that have a wireless device to ensure wireless devices are distributed only to those individuals meeting the established criteria.
 - 1.6 The Department should develop and implement a policy and procedure for employee recognition gifts, including retirement plaques. This policy and procedure should include guidance on how to determine and document the public purpose of employee gifts, and an explanation showing that the cost of such a gift does not outweigh the benefit to the public.
 - 1.7 The Department should provide additional training. Specifically, the Department should train department staff and commissioners on:
 - a. The importance of the Department's policies and procedures and a strong control environment;
 - b. Their responsibilities toward ensuring proper stewardship of public monies; and
 - c. New or enhanced policies and procedures, such as those related to the Special Operations Unit, travel, wireless device usage and monitoring, and employee recognition gifts.
 - 1.8 The Department should increase its oversight of expenditures by ensuring that its internal audit schedule regularly includes those areas most vulnerable to fraud or abuse, and where the Department has established new or enhanced procedures, including areas such as travel, wireless devices, and the Special Operations Unit's enhanced procedures.
 - 1.9 The Department should develop a cost allocation policy and procedures for how to allocate general agency costs among its restricted funds.
 - 1.10 Once this cost allocation method is developed, the Department should train staff on this method.

FINDING 2

The Arizona Game and Fish Department (Department) should take steps to enhance its process for issuing big game permits to hunters. Big game, such as elk, are often not available in sufficient numbers to allow all hunters to participate, so the Department awards permits, called tags, through a computerized selection process known as “the draw.” However, the draw process has some weaknesses that lead to errors in appropriately determining who should receive tags. These processing weaknesses also cause extra work for the Department. The Department should address these weaknesses by moving completely to an online application system, by requiring applicants to apply using a single identification (ID) number, and by doing more to verify whether an applicant is an Arizona resident. Additionally, the Department should enhance its testing of draw results and take additional steps to systematically monitor complaints received from hunters about the draw to provide additional assurance that the draw functioned as intended and the draw results comply with statutes and administrative rules.

Process for issuing big game hunting permits could be improved

Big game hunting opportunities issued through the draw

To hunt in Arizona, a hunter is required to (1) purchase and possess a current hunting license; and (2) for most big game animals, such as elk, successfully apply for, draw, purchase, and possess a hunt permit-tag (tag) that specifies when, where, and with what type of weapon an animal may be taken. The number of tags available each year is limited for most big game animals and is determined by the Arizona Game and Fish Commission (Commission) through a multi-step process that involves gathering scientific data and obtaining public input (see textbox).

Not everyone applying for a big game tag will receive one because there are fewer tags available than the number of applicants. For example, according to the Department, in 2013, more than 142,000 applicants applied to hunt elk and pronghorn antelope, but only approximately 26,000 tags were available to hunt these animals. In addition, Arizona Revised Statutes (A.R.S.) §17-332(A) limits the number of big game tags issued to nonresidents in a random drawing to no more than 10 percent of the total hunt tags, and administrative rule establishes some additional requirements on how these tags can be distributed, such as reserving a maximum of 20 percent of the tags for those applicants who have the highest number of bonus points and further limiting the number of tags issued to nonresidents to no more than 10 percent of the total hunt permits in any hunt for certain desirable animals (see textbox, page 23, for more information on bonus points). Based on these various requirements, the Department has developed and uses a computerized process to select which hunters will receive a tag. This process is known as

Elements for determining the number of tags to offer

Scientific data—Using scientific data gathered from counting wildlife, hunter surveys about game obtained during the previous year, and the commission-set guidelines for how to manage each type of animal, the Department develops recommendations for the number of tags that should be offered for each type of animal for a specific hunt.

Public input—The Department receives input from the public and may revise its proposed recommendations based on this input. During a public commission meeting, the Commission approves the recommendations.

Source: Auditor General staff summary of information provided by department staff.

the draw (see Appendix B, pages b-1 through b-3, for detailed information on the draw's requirements and how the draw works).¹

Application and post-draw processes have a few weaknesses

The Department's draw is hindered both by some weaknesses within the application process and by limitations in the Department's efforts to ensure that the draw functions as intended and the draw results comply with statutes and administrative rules. Three weaknesses with the Department's draw application process—accepting paper applications, not requiring a single ID number, and not verifying residency—have either resulted in some individuals receiving tags that they should not have received or created extra work for the Department. In addition, the Department cannot ensure that the draw functions as intended and that the draw results comply with statutes and administrative rules because its testing of the draw results and process for tracking complaints have lacked sufficient depth.

Application process has three weaknesses—The Department's draw application process has three weaknesses that may allow some hunters to receive tags when they should not and creates inefficiencies for the Department. Specifically:

- **Some hunters who apply using paper applications may not be properly included in the draw**—When applicants apply for the draw, they can either submit their application online or on a paper application. However, the processing of paper applications can

produce some inaccurate results. Specifically, the Department uses a contractor to enter information from the paper applications into electronic records during the draw process, which can result in some data entry errors. According to the Department, if the contractor enters an incorrect hunt number (see textbox), the applicant could receive a tag to hunt for a hunt number he/she did not request on the application. Additionally, data entry errors can result in some applicants not being included in the draw process at all. In a department-provided example, hunter complaints following the 2013 Pronghorn Antelope and Elk draw led department staff to discover that a paper application processing mistake had resulted in an application not being correctly entered into the draw. As a result, the four applicants who had applied together on one application had not received tags. When such errors occur, administrative rule authorizes the Commission and the Department to correct the mistake by issuing the applicant a tag or reinstating his/her bonus points. According to the Department, after this specific application-processing mistake was discovered, it issued tags to these applicants in a hunt number they had requested on the

For the hunts that occurred in 2013, approximately 73 percent of draw applications were completed online.

Hunt number—A number that designates the specific type of hunt that a hunter wants to participate in, and identifies the following, among other things:

- an animal;
- a designated period of time;
- a specified area of the State; and
- a specific type of weapon.

A limited number of tags are assigned to each hunt number. Hunters can choose up to five hunt numbers to apply for during the draw, but can be selected for only one hunt number (see Appendix B, pages b-1 through b-3, for more information).

Source: Auditor General staff summary of department draw application materials.

¹ The Department conducts three separate draws for various animals (see Appendix B, pages b-1 through b-3, for more information).

original application. Department staff stated that the number of paper application-processing mistakes identified after the draw has decreased since the Department started accepting applications online. According to the Department, the error rate for the draw is small. However, the extent and effect of the application-processing and data entry errors on the draw is unknown because, according to department staff, mistakes are sometimes brought to the Department's attention only if an applicant complains to the Department.

Processing paper applications also creates inefficiencies for the Department. For example, according to the Department, it spent approximately \$14,500 in fiscal year 2013 to hire temporary employees to process these paper applications, which includes steps such as opening mail, sorting applications, and determining the number of applicants. It also paid a contractor more than \$44,000 in fiscal year 2013 to enter information from the paper applications into an electronic file that the Department uses to transfer information into its computer database.¹

In addition, prior to running the draws, department staff reported that they spend multiple days merging the duplicate records that were created in its database when the personal information on some applicants' paper applications is inconsistent with data already existing in the database from prior draws. For example, a paper application may list a birthdate that is different from the birthdate that exists in the database. Addressing these potentially duplicate records is necessary for the Department to provide applicants full credit for their bonus points (see textbox for further explanation). These points increase an applicant's likelihood of being selected for a tag. If a duplicate record of an applicant is created, then according to department staff, the applicant's bonus points will not be tied to the applicant's new application. According to department staff, these duplicates can be created by either the applicant's entering different personal information on the paper application than what the applicant previously included on past draw applications, or the contractor making a keying error when entering an applicant's personal information. Department staff also reported that these keying errors occur primarily when the applicant's handwriting is illegible. Mistakes on applications resulting in potential duplicate records for the same applicant in the database can occur frequently. For example, when preparing for the Fall 2013 draw for deer, turkey, javelina, bighorn sheep, buffalo, and pheasant, the Department's draw system

Bonus points—A draw applicant receives a random number for each bonus point he/she has and will be assigned the lowest random number for the purposes of the draw thereby increasing the probability that he/she will be drawn. Hunters accumulate bonus points that carry-forward each year in four ways:

1. **Not drawn**—If the hunter is not drawn for a tag, then he/she will receive a bonus point.
2. **Purchase**—If the hunter decides not to apply for the draw, then the hunter can buy a bonus point.
3. **Education**—If the hunter takes a hunter's education course, then the hunter will receive one bonus point.
4. **Loyalty**—If the hunter submits a valid application for 5 consecutive years, then the hunter will receive one loyalty bonus point.

Hunters continue to accumulate bonus points until they are drawn for a tag, at which time they will lose all of their "purchased" and "not drawn" bonus points.

Source: Auditor General staff summary of Arizona Administrative Code Title 12, Ch. 4 and information from the Department's Web site and staff.

¹ This database is the Sportsman database, which houses information on all individuals who hunt in Arizona (see Finding 3, page 33, for more information).

produced a 59-page list of potential duplicates, which staff needed to research and merge if appropriate.

- **Duplicate ID numbers in system may decrease hunter's chance of receiving tag**—The Department's online application system allows hunters to create multiple department ID numbers, which may result in some hunters' not receiving their bonus points if the Department does not merge the multiple department IDs associated with the same hunter.¹ A hunter's bonus points are tracked using the hunter's department ID number. When applying for subsequent draws, the Department's online application system does not require a hunter to use the department ID number the hunter was issued the first time he/she applied online for a license or a draw. Instead, the online application system offers the hunter the option to either log in using his/her birthdate and department ID number, or to continue with the application for the draw without logging in. When a hunter applies without logging in, the online application system generates a new department ID number for the applicant. According to the Department, its vendor programmed the online application system to operate this way.

When a new ID is generated for a hunter who already exists in the Department's database, the applicant's bonus points are not tied to his/her most recent tag application, and the Department must spend time working to eliminate the duplicate records so that the hunter does not lose his/her bonus points. For example, according to department staff, they spend days researching and manually merging duplicate records prior to running the draw. In addition, according to the Department, if the applicant who created a new department ID number also enters inconsistent personal information, such as typing in a different birthdate than was entered previously, the draw system treats this applicant as a new applicant, and this applicant will not show up in the Department's research and will enter the draw without bonus points.

- **Some nonresident hunters may take other applicants' hunting opportunities when they fraudulently apply as residents**—When applicants apply for the draw, the Department does not verify that an applicant is a resident of the State and instead relies on the hunter to sign the application or, if the hunter is applying online, to fill in an affidavit certifying that he/she is an Arizona resident. As a result, nonresidents who misrepresent themselves as Arizona residents are able to pay a lot less money to hunt in Arizona than if they paid for a nonresident hunting license and tag. For example, for an Arizona resident, a general hunting license and elk tag cost \$32.25 and \$121.50, respectively, compared to \$151.25 and \$595, respectively, for nonresidents.

According to the Department, on average less than 4 percent of the total big game tags available are drawn by nonresidents. However, some nonresidents have misrepresented themselves as residents and received resident hunting licenses and tags. For example, between January 2012 and September 2013, the Commission revoked the licenses of 18 nonresidents who had been convicted in the justice courts for obtaining resident licenses by fraud. These individuals had received 8 resident big game tags for animals such as elk, deer,

¹ This online application system is one of the two online systems created and maintained by an IT service provider that allows hunters to apply for a big game tag online (see Finding 3, page 33, for more information).

and javelina.¹ According to the Department, it cannot determine the extent and effect of nonresident hunters who receive resident tags and it does not verify residency for applicants because the number of applicants who purchase a hunting license and apply for tags each year is too high to verify. For example, according to the Department, in fiscal year 2013, nearly 300,000 applicants applied for a draw. However, according to department staff, the Department takes some steps to verify residency status such as sharing information between states or license checks during routine stops by wildlife managers in the field. For example, if a wildlife manager stops a hunter who has an out-of-state license plate, but finds that the hunter is using a resident hunting license and tag, the wildlife manager may interview the hunter and conduct an investigation to determine whether the hunter misrepresented his/her residency status. In addition, according to the Department, law enforcement investigators also annually review big game hunter draw lists for inconsistencies that lead to license fraud.

Post-draw processes lack sufficient depth to ensure the draw functions as intended—The steps the Department takes, such as post-draw testing and responding to complaints, lack sufficient depth to ensure that the draw functions as intended and the draw results comply with statutes and administrative rules. Specifically:

- **Department's testing lacks sufficient depth to ensure that the draw complies with all statutes and administrative rules**—Although the Department tests the draw results produced by its draw system, the level of testing is too limited to adequately ensure that the Department is in compliance with statute and administrative rule requirements and that the draw functions as intended. For example, after the draw, a department staff person reviews a few hunt numbers on a report that provides summary information about how the tags were issued for each hunt number. Department staff verify that, according to the draw system's report, the number of tags issued to nonresidents and the number of tags issued in the first round of the draw to hunters with bonus points are consistent with the percentages established in statute and administrative rule for all three rounds of the draw (see textbox on page 26).

According to information technology standards, agencies should ensure that the output of a system application is reviewed for reasonableness, accuracy, and completeness.² According to department staff, the testing that it conducts has not detected any errors in draw results, and they do not perform additional testing after the draw because they believe that the draw system has not been changed since 2006, when staff modified the draw system to address an administrative rule change. However, testing is important because the Department does not monitor whether any unauthorized activity or changes to the draw system have occurred that may impact how the draw operates (see Finding 3, pages 33 through 42, for more information).

Although the testing the Department conducts is important, it lacks sufficient depth for several reasons. First, the Department's testing does not verify all aspects of the administrative rule requirement. Specifically, the testing is designed only to determine if 20 percent of the tags

¹ According to A.R.S. §17-340(A)(6), the Commission may suspend or revoke the applicant's license if a person is convicted of a violation of A.R.S. §17-341(A). This statute indicates that it is unlawful to knowingly purchase, apply for, accept, obtain, or use, by fraud or misrepresentation, any license, permit, or tag to take wildlife.

² Auditors reviewed Control Objectives for Information and Related Technologies (COBIT) Online. COBIT Online is based on COBIT 4.1 standards established by the Information Systems Audit and Control Association.

were issued in the first round, not whether the 20 percent were issued to applications with the highest bonus points, as also required. Second, the Department does not perform additional testing to provide a level of assurance that the draw functioned as intended. Specifically, the Department does not pull a sample of applicants and follow them throughout the draw process to ensure that these applicants' applications were successfully processed through each step of the draw process and that the results of whether or not these applicants were drawn for a tag were what would be expected. Finally, although the Department reviews a few hunt numbers to assess compliance with the administrative rule requirement to limit nonresident tags to 10 percent, the Department cannot be sure it has complied because, as described earlier, the Department has not verified applicants' residency.

- **Complaint-handling practices potentially limit ability to identify problems with the draw**—

The Department does not always use formal complaint analysis procedures to identify patterns of problems with the draw or to identify areas for improvement. Complaints are an important source of information for determining how well an agency is performing its duties and whether it is in compliance with all applicable requirements. According to the Department, it actively solicits customer and constituent concerns, and it receives concerns or complaints about different topics, including the draw, through a variety of sources, such as its Web site, e-mail, call center, public meetings, and the Department's ombudsman or the Arizona Ombudsman—Citizens' Aide. Department staff stated that they sometimes discover errors with the draw results through complaints they receive from the public. For example, in the case described earlier, when an application was not drawn because of a mistake processing the paper application, these applicants' complaint alerted the Department to the mistake.

Three rounds of the draw

Round 1—As required by administrative rule, the Department awards up to 20 percent of tags in each hunt number to the applicants with the most bonus points who requested that hunt number as his/her first or second choice. The tags are given to hunters who have the lowest random numbers. These tags are awarded to both residents and nonresidents until the 10 percent cap on nonresident hunters established in administrative rule is reached.

Round 2—The Department assigns new random numbers to the remaining applicants and awards the remaining tags to applicants with the lowest random numbers in either the applicant's first or second hunt number choice. A nonresident hunter can receive a tag in this round until the 10 percent cap established in administrative rule is reached.

Round 3—If tags are still available, the Department assigns new random numbers to the remaining applicants and again awards the tags to applicants with the lowest random numbers. However, in this round, the tags are given in either the applicant's third, fourth, or fifth hunt number choice. Nonresident hunters can receive tags in this round until the 10 percent cap on nonresident hunters established in administrative rule is reached.

Source: Auditor General staff summary of information from the Department's Web site and staff (see Appendix B, pages b-1 through b-3, for more information on the draw).

However, the Department does not always track complaints about the draw. As a result, problems with the draw process could go unidentified. According to the Department, customer service staff receive directions on how to handle specific issues with the draw, such as being instructed to contact draw staff immediately for assistance if customers are reporting credit card issues. In addition, according to department staff, some problems can be identified if customer service staff receive multiple calls about the same problem and the staff person informs his/her manager or the Department's ombudsman so that management may look further into the issue to determine if there is a problem and identify possible solutions. However, according to the Department, it does not provide formal training to its customer service staff on how to identify patterns that potentially could result from complaints. In addition, if various staff receive the calls, patterns may remain undetected. According to department staff, the Department does not provide formal training to teach its customer service staff when they should bring complaints to their supervisor's attention because there has been very little turnover among the customer service staff so the staff know from experience what kinds of complaints are common and when a complaint may be out of the ordinary and should be brought to management's attention. However, if the Department experiences turnover in these positions in the future its staff may not be able to adequately determine when a complaint is unique and should be brought to management's attention.

Department should take steps to address application and post-draw weaknesses

To better ensure that the appropriate applicants are being drawn for tags and to reduce inefficiency, the Department should take steps to address the weaknesses with its draw application process and enhance its post-draw activities. Specifically, the Department should improve its application process by moving toward an all-online application system, requiring applicants who apply online to use a single department ID number, and increasing its efforts to verify residency. In addition, the Department should better ensure that the draw functioned as intended and that the draw results comply with statutes and administrative rules by performing additional testing after the draw and developing a method for tracking and identifying patterns from complaints about the draw.

Changes to application process could improve accuracy and efficiency—The Department should make changes to its application process in the following three areas:

- **Move toward an all-online application system**—Two of the four states that auditors contacted, New Mexico and Utah, no longer accept paper applications for the draw and instead require all applicants to apply online.¹ In these two states, if an applicant does not have access to a computer, the applicant can call the agency and speak with a customer service representative who will complete an application over the phone. According to New Mexico and Utah officials, when these states initially transitioned from accepting paper applications to accepting only online applications, both needed to hire temporary staff or use additional staff in order to respond to the increased number of applications they received over

¹ Auditors contacted Colorado, Nevada, New Mexico, and Utah to obtain comparative information about draws.

the phone. However, an official from the Utah Division of Wildlife Resources said the number of applications submitted over the phone has decreased since transitioning to online-only applications in 2008.

According to the Department, Arizona has already experienced a substantial increase in online applications. Approximately 73 percent of all tag applications for hunts that occurred in 2013 were completed online, up from approximately 58 percent of tag applications for hunts that occurred in the previous year. However, given the cost to the Department of using and processing paper applications, including paying a contractor, the Department should identify additional ways to further increase the number of online applications. For example, the Department could consider increasing its marketing efforts to encourage more applicants to apply online. Additionally, when the Department moves to an all-online application system, it should still provide a way for applicants who cannot apply online to apply. Further, the Department should seek commission approval, as necessary, to modify its administrative rules to specify the ways in which applicants can submit their applications for the draw.

In addition, prior to moving to an all-online application system, the Department should address all past issues with the online application system and ensure that it can fully support the volume of applicants under an all-online application system. For example, according to the Department, a significant number of hunters waited until the last afternoon to apply for the 2013 Pronghorn Antelope and Elk draw, overwhelming the online application system and resulting in slowed processing and system unavailability so that some hunters were unable to apply online. The Department reported that it extended the draw application deadline by 2 days to ensure that all hunters had the opportunity to apply (see Finding 3, pages 33 through 42, for more information). According to the Department they have remedied this issue.

- **Require applicants to apply with a single department ID number**—All four of the states auditors contacted use a single hunter ID number, and all four take steps to prevent hunters from generating duplicate ID numbers when a hunter cannot remember his/her customer ID number. For example, the New Mexico Department of Game and Fish requires hunters to sign in using their customer ID number and a password, and offers hunters the option of recovering their account information if they have forgotten their customer ID number or password. In addition, the Colorado Division of Parks and Wildlife allows applicants to choose how they want to sign in by using their customer ID number or their driver's license number. To reduce the inaccuracies and inefficiencies that can occur when hunters are not required to use a single ID number, such as duplicate records that must be merged, the Department should modify its online application system to require applicants to apply using a single department ID number. In addition, it should provide a mechanism for applicants to retrieve their ID number or use an alternate number, such as their driver's license number, if they forget their department ID when applying online.
- **Increase efforts to verify applicants' residency**—The Department should increase its efforts to verify applicants' residency, such as expanding the practices it already performs or adopting the process used by one of the four states auditors contacted. For example, the Department could expand its efforts to partner with other states to identify applicants who have falsified their residency information. According to the Department, it recently compared more than 228,000 applicant names with New Mexico and identified six applicants who had

applied as a resident in both New Mexico and Arizona. Additionally, one of the four states auditors contacted takes an additional step to verify residency that the Department could consider implementing. Specifically, in Colorado, when applicants apply for the draw online, they must submit their driver's license number, which the Colorado Division of Parks and Wildlife automatically checks against the Colorado Department of Revenue's Division of Motor Vehicles database. If the driver's license was issued less than 6 months prior to the draw application, the applicant will not be considered a Colorado resident. Although Colorado's residency check does not apply to hunters who submit paper applications or who do not have a driver's license, it establishes an additional level of assurance of the online applicants' residency. A Colorado official estimated that 84 percent of its applicants apply online. As the Department increases its efforts to verify residency it should seek commission approval, as necessary.

Additional testing and complaint tracking could better ensure draw functions as intended—The Department should conduct additional testing after the draw to better ensure that the draw results comply with statutes and administrative rules and that the draw functioned as intended, and develop a method for tracking complaints to identify any additional problems with the draw. Specifically,

- **Enhance post-draw testing**—The Department should do more testing after the draw. by enhancing its testing guidelines to include the following additional instructions and steps:
 - **Bonus point round testing**—Guidance should include steps for verifying that tags awarded in the first round went first to those applications with the most bonus points, as required by administrative rule. For example, the Department could pull a sample of applications selected in the first round to verify that the tags issued in the first round were issued to the applications with the highest bonus points.
 - **Additional testing**—Guidance should include steps for selecting and reviewing a sample of applicants to test that applications were successfully processed at each step of the draw process and that the draw results were what would be expected. For example, the Department should follow the sample of applicants through the draw process to ensure that these applicants' applications were correctly entered into the database, that the applications were correctly tied to the applicants' bonus points, and following the draw, it should compare these individuals' data, such as bonus points and hunt number choices, to the draw results to provide a level of assurance that the draw functioned as intended.
- **Develop a process for using complaints to identify and fix draw problems**—To help identify whether there are patterns of problems with the draw, the Department should ensure it has a mechanism for tracking complaints related to the draw that its customer service staff receive or that are submitted through its Web site or other sources, such as its ombudsman. Once all complaints related to the draw are documented using this tracking mechanism, the Department should develop a process for periodically assessing the draw complaints received by customer service staff along with those received from its Web site. This process should include analyzing these complaints to identify areas where the Department may need

to make changes to ensure that the draw process is meeting requirements and operating as intended. The Department should also train staff on this process.

Recommendations:

- 2.1 The Department should continue its efforts to move toward an all-online application system. Specifically, the Department should:
 - a. Develop and implement ways to encourage applicants to apply for the draw online;
 - b. Develop and implement a plan to help applicants who cannot apply online;
 - c. Address past problems with the online application to ensure that it can fully support an all-online application; and
 - d. Seek commission approval, as necessary, to modify its administrative rules to specify the ways in which applicants can submit their applications for the draw.
- 2.2 The Department should modify its online application system to require applicants to apply using a single department ID number and should provide a mechanism for applicants to retrieve their ID number or use an alternate number, such as their driver's license number, if they forgot their department ID number.
- 2.3 The Department should increase its efforts to verify an applicant's residency and, as necessary, seek commission approval of its methods.
- 2.4 The Department should do more testing after the draw to better ensure that the draw functioned as intended and that the draw results comply with statutes and administrative rules. Specifically, the Department should enhance its testing guidelines to include:
 - a. Steps to verify that tags awarded in the first round went first to those applications with the most bonus points, as required by administrative rule; and
 - b. Steps to select and review a sample of applicants to test that the applications were successfully processed at each step of the draw process and that the draw results were what would be expected.
- 2.5 To identify patterns of problems and potential areas for improvement in the draw, the Department should:
 - a. Develop and implement a mechanism to track complaints related to the draw that its customer service staff receive or that are submitted through its Web site or other sources, such as its ombudsman;

- b. Develop and implement a process for periodically assessing the draw complaints received by its customer service staff, or through its Web site or other sources, such as its ombudsman, to identify areas where the Department may need to make changes to ensure that the draw process is meeting requirements and operating as intended; and
- c. Train staff on this process.

FINDING 3

The Arizona Game and Fish Department (Department) should more effectively manage its information technology (IT) systems and data. The Department maintains several internally developed systems and is in the process of making modifications to its key systems to accommodate its revised licensing classification and fee structure by January 1, 2014. Although the Department has some IT procedures, it may not be in the best position to make changes to its systems because it lacks formal written policies and procedures to guide its systems development and its management of changes to those systems, and to help it ensure that it is meeting state IT standards and best practices. In addition, the Department needs written policies and procedures in other key areas, including those related to oversight of contractors providing IT services and ensuring backup and recovery of systems and data. To help protect data and minimize the risk of IT system weaknesses, the Department should develop and implement formalized IT system management processes that align with state standards and IT best practices, and train staff on these processes.

Department should improve its information technology systems management processes

IT systems critical for providing hunting and fishing opportunities will soon be modified

The Department maintains numerous IT systems that house data or perform tasks such as issuing hunting and fishing licenses (see textbox for examples). According to the Department, it manages 15 significant IT databases, 13 of which were developed internally. Some of these systems, such as the Sportsman database, contain confidential, personal information, such as individuals' social security numbers, birthdates, and addresses.

Laws 2013, Ch. 197, repealed Arizona Revised Statutes (A.R.S.) §17-333 and replaced it with a new A.R.S. §17-333 that allows the Arizona Game and Fish Commission (Commission) to establish by administrative rule new license classifications and new fees for licenses, permits, tags, stamps, and applications.¹ In August 2013, the Commission approved a new licensing classification structure and fees. According to the Department, the changes will reduce customer confusion by simplifying the license classification and fee structure from 40 options to 9 options. In addition, the Department reported that the new structure will allow hunting and fishing licenses to be valid for 1 year from the date of purchase rather than valid for only the remainder of the calendar year after the date it was purchased. These changes will go into effect on January 1, 2014, and according to the Department, it will need to modify some of its IT systems to accommodate these changes.

Sportsman database—An internally developed database that houses information on all individuals who hunt in Arizona, including information such as licenses, suspensions, hunter education credits, and the draw bonus points (see Finding 2, page 23).

Online license and tag computer system applications—Two online applications created and maintained by an IT service provider for the Department through December 31, 2013. These applications allow individuals to purchase an Arizona hunting or fishing license or apply for a big game hunting permit (tag) online.

Source: Auditor General staff summary of department information.

¹ According to this legislation's amendment to A.R.S. §41-1005(A)(2), the Department is exempt from the rule-making process for fees and license classifications. Once the Department finishes creating and approving the rules internally, it will file them with the Secretary of State's Office for publication in the Arizona Administrative Register, and they will later be added to the Arizona Administrative Code.

Department lacks IT systems management policies and procedures

Despite the need to update some of its key systems to reflect the changes to its licensing classifications and fees, the Department may not be in the best position to make these changes to its systems. As of August 2, 2013, the Department lacked adequate formal processes and some policies and procedures in critical IT system management areas, which could impede its ability to successfully modify its systems. Specifically, the Department lacked formalized processes for developing its systems (systems development), managing system changes (change management), overseeing IT service providers, and ensuring IT systems and data were protected in the event of a system's failure (data backup and recovery). Without formalized processes to guide systems development or modifications, or to ensure its data is properly protected, the Department may not be in the best position to effectively modify its systems to support the modifications to its hunting and fishing license structure, or to address changes to its online application process recommended in Finding 2 (see Finding 2, pages 21 through 31). The Department indicated that it has lacked the staff and resources necessary to develop formal IT policies and procedures, but recognizes the need for doing so.

No formal process to guide development or modification of new IT systems—As of August 2, 2013, the Department did not have a formal process for developing and maintaining IT systems (see textbox). According to the Department, to process the licenses that will be purchased under its new licensing classification structure effective January 1, 2014, the Department must either change its current IT systems or obtain a new IT system. Although the Department indicated in a March 2013 meeting that it intended to replace its IT systems, and hired a systems and programming manager to oversee the replacement, the Department decided in July 2013, because of time constraints and limited resources, to modify its existing IT systems instead. However, the Department had not developed any documents that provide guidance for developing, implementing, and maintaining its IT systems. In addition, despite the Department's limited time frame for developing, testing, and implementing the changes to its systems, as of August 2, 2013, the Department did not have a contingency plan should its systems not be ready to process the new licenses and fees.

Systems Development Life Cycle (SDLC) or systems development—The process of an IT system's planning, analysis, selection, design, testing, implementation, and maintenance.

Because the Department plans to modify its systems, develops so many of its applications and databases in-house, and employs four full-time developers, standard processes and guidance for developing or modifying IT systems are critical. Specifically, according to IT best practices and standards, a formal systems development process is needed to help ensure successful project development, implementation, and maintenance, as well as consideration of proper security controls. For example, formal security requirements could assist in ensuring that appropriate security controls such as roles and associated activities are considered during the development process including who has access and what level of access is granted to those individuals. In addition, a test plan and comprehensive business requirements document would help ensure that operational systems are developed consistent with an organization's business processes and

expectations. The absence of a documented systems development process may result in systems not functioning correctly, which could cause a major disruption of services, render the Department's systems susceptible to attacks, give unauthorized users access to sensitive information, and cause data to be unreliable.

Unauthorized changes could be made to IT systems—As of August 2, 2013, the Department lacked an adequate formal change management process (see textbox) and cannot ensure that unauthorized changes are not being made to its IT systems. Although the Department has taken some steps to manage changes, including establishing a mechanism to track changes and according to the Department, meeting daily to coordinate changes to its IT systems, its change management process lacks the following:

Change management—The process of managing all changes to infrastructure and applications within an organization's IT data and systems.

- **Lack of documentation**—The Department did not require documentation about the change to be submitted for review and approval, other than a simple description. According to IT standards and best practices, each change throughout the process should be documented. For example, change documentation should capture key steps of the change management process such as classification and prioritization of the change, assessment of impact, and approvals and authorization. Without requiring documentation of a proposed change to an IT system to be submitted for review and approval, changes cannot be properly evaluated and approved for items such as priority, risk, and appropriateness.
- **No system change logs**—The Department did not use automated system change logs to record changes made directly to its systems. A log is a record of the events occurring within an organization's systems and/or networks and can be used to track each change made to a system. These system change logs record all changes made to systems, including those that may not have been recorded and authorized through the Department's manual process to track changes. Without these automated logs, the Department cannot monitor whether unintentional or unauthorized changes are being made to its systems, such as the draw system (see Finding 2, pages 21 through 31).
- **Inadequate separation of duties**—The Department typically uses the same individual to develop, test, and implement changes on the system for which they are primarily responsible. However, IT standards and best practices indicate that separate individuals should be used to develop the change, test the change, and implement the change on the system. Without this separation, unauthorized changes may be implemented.
- **No managerial review**—The Department did not ensure managerial review of the changes that were applied to ensure unauthorized or unintended changes were not occurring and that the changes were made correctly. Specifically, although the Department holds a daily meeting to discuss changes, these meetings primarily consider the scheduling of the proposed changes. The Department does not have a formal, written process that authorizes and approves changes, such as approving the initial request, the testing plans, and implementation plans for the change.

- **Inadequate tracking of changes**—The Department did not track all changes made to its key systems managed outside the IT Department through the change management mechanism it had established. Specifically, the Department indicated that it is not tracking changes to some of its systems because some changes are not managed centrally and would not be covered through its manual change management mechanism.

Poor change management practices can have adverse effects. For example, department staff reported that changes are sometimes tested within an active IT system, rather than in a test environment, which could negatively impact the stability or integrity of the data and IT systems if changes have unintended results. Similarly, if manager and user approvals of proposed IT system changes do not occur at the various stages of the change process, such as development and testing, the IT system changes may not fully address the intended request, or unauthorized changes could occur.

Although the Department has taken some steps to develop a change management policy, the draft policy needs to be strengthened. In July 2013, the Department developed a draft change management policy. Although the draft policy includes some essential elements, such as criteria for classifying and prioritizing changes, and directing an assessment of the impact of proposed changes, the policy lacks specific guidance on testing changes. Specifically, the draft policy states the need for test plans, but lacks information to guide users on what testing entails, how tests should be performed, and who should be involved in testing. Additionally, this draft policy is generic rather than tailored to the Department, and it has not yet been implemented, communicated, or disseminated to staff who would need to use it.

Department lacks procedures for ensuring that its service providers perform key tasks—As of August 2, 2013, the Department lacked a formal process for ensuring IT service providers are performing key tasks, such as data backup and recovery. Specifically, the Department does not have a policy or procedures for developing IT contracts that would help ensure that its contracts contain key requirements, such as managing and monitoring data access. Additionally, although the Department reported that it performs some monitoring and oversight activities, it does not have written procedures for overseeing service providers to ensure that its IT systems and data are adequately safeguarded (see textbox). Service provider oversight helps to ensure that the service provider adheres to the contract terms and conditions and performs according to the requirements and scope of work specified in the contract. However, the Department does not have any procedures for performing any formal service provider oversight activities, such as requesting and reviewing performance reports to ensure that the service provider is adhering to contract requirements. Without an appropriate policy or procedures for developing and overseeing IT contracts with service providers, the Department cannot ensure that key tasks are being performed and that contractual requirements are being met.

Service provider oversight—

The process of developing, managing, and controlling IT service provider contracts, relationships, and performance for the efficient delivery of contracted services.

In addition, the Department sometimes uses state-wide contracts to obtain IT services. When the Department identifies the need for an IT service or product, it is required to first determine if a pre-

existing state-wide contract can be used to obtain those services or products. However, the Department does not have policies and procedures designed to help it determine whether these contracts cover all of its critical requirements, such as providing for the security of its systems and data. This is important, particularly if the Department is unclear about details in the contract, such as roles, responsibilities, or terms. For example, although the Department used a state-wide IT service provider contract to develop and maintain its online license and tag system through the end of 2013, when auditors asked who was responsible for important aspects of IT management such as monitoring and managing system access, department management and staff did not have a clear understanding of some the contractor's responsibilities related to protecting its system. However, a clear understanding of the contractor's responsibilities is important for responding to system issues, such as problems related to system availability. For example, the Department's online license and tag system has experienced problems with system availability, including an unexpected increase in Web site traffic during the application process for the 2013 Pronghorn Antelope and Elk draw, which caused the system to temporarily cease processing all draw applications (see Finding 2, pages 21 through 31, for more information).

Department data at risk of being unrecoverable in the event of a system failure or disaster—

The Department lacks formal data backup procedures and a disaster recovery plan, placing its IT systems and data at-risk (see textbox). Specifically, the Department has identified several deficiencies in its data backup and disaster recovery planning areas. For example, according to the Department, it lacks a comprehensive strategy to back up all of its systems and data. In addition, it does not have a current, comprehensive list of all systems and data to ensure it backs up all business-critical systems. Although the Department indicated that it backs up some data, it does not formally test this data for assurance that data will be available in the event of a system failure or disaster. Also, it does not encrypt the data it does back up to further secure this information. A May 2013 internal audit of the Department's IT system and data backup strategy identified similar weaknesses.

Data backup and recovery—

The process of duplicating original data and recovering and restoring the data if it becomes inappropriately or mistakenly deleted, corrupted, lost, stolen, or otherwise modified.

Data backup and recovery is critical to help organizations recover information and applications on its systems in the event of a system failure or disaster. A properly considered, current, and well-documented disaster recovery plan minimizes the likelihood and impact that a major IT service interruption will severely affect key business functions and processes. A formalized disaster recovery plan is essential to bringing operations back and minimizing IT system downtime so organizations can recover data and network operations quickly and return to normal business operations. In addition, backing up systems and data is critical to preventing data loss and sustaining operations in the event of a major disruption or disaster. Because the Department does not formally test its data for recoverability, it cannot ensure that the data being backed up is sufficient and complete for use as recovery data in a situation where recovery was needed. As a result, in the event of a system failure or disaster, the Department would likely experience greater system downtime because it does not have a plan to direct its actions and respond to unfavorable events. Instead, it will have to adapt quickly to the situation while the system failure or disaster is occurring.

Department recognizes need for written IT policies and procedures over almost all IT areas—The Department indicated that it has lacked the staff and resources necessary to develop formal IT policies and processes over key areas, but recognizes the need for doing so. The Department also indicated that it has started working to create some general IT policies and procedures. However, aside from the draft change management policy previously discussed, as of August 2, 2013, the Department does not have any additional IT policy and procedures drafts. The absence of policies and procedures may hamper the Department's ability to effectively develop, modify, and protect its IT systems and data, especially for the IT system changes needed to process the newly classified licenses or the new fees for licenses, permits, tags, stamps, and applications on January 1, 2014.

Department should develop and implement IT system management policies and procedures

The Department should improve its management of IT systems by developing and implementing formal written policies and procedures that align with state standards and IT best practices in key IT systems management areas. Specifically:

- **Systems development**—The Department should develop and implement a formal SDLC methodology to help ensure all IT systems are developed and maintained in line with IT standards and best practices. An effective SDLC methodology is important for ensuring successful project implementation. Specifically, an SDLC is a conceptual model used in project management that describes the stages involved in an information systems development project, from an initial feasibility study through maintenance of the completed application. In general, an SDLC methodology provides for a number of steps encompassing the system's planning, analysis, selection, design, testing, implementation, and maintenance. It helps ensure that the right people are involved in the system's design and selection and that the system meets the business needs of the organization implementing it.
- **Change management process**—The Department should take steps to enhance its draft change management policy and develop change management procedures that are consistent with IT standards and best practices. According to IT standards, to properly manage system changes, all changes should be assessed, approved, implemented, and reviewed in a controlled manner. In addition, change management policies and procedures should be written and composed of specific, sequential steps, including testing and formal approval (see textbox, page 39). Similarly, procedures should also provide guidance on other areas such as roles and responsibilities of the persons involved, how to classify and prioritize changes, the method for documenting all changes, and the type of documentation required such as prioritizations, approvals, testing plans, and implementation plans. Additionally, all documentation required for each change should be consistently maintained in a central location to ensure that all necessary users such as requestors and approvers are able to track the status of changes through the various stages of the process and review the detailed documentation as necessary. Finally, to enable monitoring, such as using system change logs, the Department should develop a method to record all changes made directly to its systems and databases. Then, the Department

should regularly monitor its system change logs to identify unauthorized changes.

- **IT service provider contracts and oversight**—To ensure its IT contracts include important elements and that contracted service providers perform as required, the Department should develop and implement formal written policies and procedures for developing IT service provider contracts and overseeing the IT service providers. Specifically, these policies and procedures should require that IT service provider contracts or agreements clearly define roles, responsibilities, and requirements of both the service provider and the Department, including who is responsible for managing and monitoring access to the Department’s systems and data. In addition, IT standards and best practices state that agencies should also establish a process to monitor service delivery to ensure that service providers are meeting business requirements and continuing to adhere to the contract or service agreement requirements and that performance remains competitive with other suppliers. Therefore, to ensure that the service provider is meeting requirements, the Department’s service provider policies and procedures should include continual monitoring and oversight processes by either the Department or an independent source. In addition, the Department should develop and implement formal written policies and procedures to guide its efforts before participating in state-wide contracts to help determine whether these contracts cover all of its critical requirements, such as providing for the security of its systems and data. Specifically, the policies and procedures the Department develops and implements should require it to review state-wide contracts and obtain and document additional clarification from the contractor as necessary to ensure all of its critical requirements will be met.

- **Data backup and recovery**—The Department should improve its data backup strategy to ensure it adequately backs up all its systems and data consistent with state standards, and create a formal disaster recovery plan consistent with IT standards and best practices. Specifically:
 - **Data backup and security should be improved**—According to state policy established by the Arizona Strategic Enterprise Technology office, agencies should develop and implement written data backup policies and procedures that require all agency systems and data to be backed up periodically, using an agency-defined cycle that is based on the criticality of their business processes. In addition, confidential information should be further protected by using encryption technologies that would make the data unreadable to unauthorized users. Further, to ensure successful recovery of the data, backups should be tested regularly.

 - **Disaster recovery plan should be established**—IT standards and best practices recommend that organizations implement a formalized disaster recovery plan and periodically review and update the plan as necessary. These standards and best practices specify that the plan should encompass all systems and infrastructure components for which the organization is responsible and should address important elements such as

Examples of change management steps:

- Identification and recording of significant changes
- Planning and testing
- Assessment of potential impacts
- Formal approval
- Communication to relevant parties
- Fallback procedures

Source: Auditor General staff analysis of IT standards and best practices.

regulatory and contractual requirements, and the agency's overall business continuity needs (see textbox). Organizations should also periodically test their disaster recovery plan so they can discover the plan's strengths and weaknesses, and update the plan based on the results of the test. Further, the plan should explicitly state who is involved in the disaster recovery team and what their roles and responsibilities are, what systems are most critical, the order in which to recover systems, and any other pertinent information required to bring the infrastructure back up as quickly as possible. Such a plan will also provide the organization with a systematic list to address how to bring the organization back to normal operations. Finally, organizations should have copies of their disaster recovery plan that are also stored off-site.

Important disaster recovery plan elements:

- Regulatory and contractual requirements
- Overall business-continuity needs
- IT resource-management requirements
- Analysis of business impacts
- Emergency procedures
- Testing
- Ongoing maintenance

Source: Auditor General staff analysis of IT standards and best practices.

In addition to the four system management areas above, the Department should also continue its efforts to identify and develop IT policies and procedures around all critical IT areas. As the Department develops and implements formalized IT systems management and other IT policies and procedures, its policies and procedures should be communicated and disseminated to necessary staff. In addition, staff should be adequately trained on these processes.

Recommendations:

- 3.1 To improve systems development practices, the Department should develop and implement a formal SDLC methodology to help ensure all IT systems are developed and maintained consistent with IT standards and best practices. This methodology should include steps for IT system development including planning, analysis, selection, design, testing, implementation, and maintenance.
- 3.2 To strengthen change management practices, the Department should:
 - a. Enhance its draft change management policy and develop change management procedures that are consistent with IT standards and best practices, by incorporating specific sequential steps, including testing and formal approval steps, and guidance on other areas such as roles and responsibilities of the persons involved and how to classify and prioritize changes;
 - b. Ensure changes to all key department systems, including systems that are not centrally managed, are tracked in its manual change management tracking mechanism, so that it is consistently tracking all changes;
 - c. Require all changes to be adequately documented to include all necessary information such as prioritizations, approvals, testing plans, and implementation plans;

- d. Consistently maintain all documentation required for each change in a central location; and
 - e. Develop a method, such as use of automated system change logs, to record all changes made directly to its systems and databases in order to enable monitoring of changes. In addition, the Department should regularly monitor its system change logs to identify unauthorized changes.
- 3.3 To ensure its IT contracts include important elements and that contracted service providers perform as required, the Department should develop and implement formal written policies and procedures for developing IT service provider contracts and overseeing IT service providers. These policies and procedures should require the following:
- a. IT service provider contracts or agreements include clearly defined roles, responsibilities, and requirements of both the service provider and Department, such as who is responsible for managing and monitoring access to the Department's systems and data;
 - b. Continual monitoring and oversight processes be performed by either the Department or an independent source; and
 - c. Before participating in state-wide contracts, the Department should determine whether these contracts cover all of its critical requirements, such as providing for the security of its systems and data. Specifically, the policies and procedures the Department develops and implements should require it to review state-wide contracts, and obtain and document additional clarification from the contractor as necessary to ensure all of its critical requirements will be met.
- 3.4 The Department should develop and implement formal written policies and procedures for backing up its systems and data according to state policy. Its policies and procedures should require the Department to:
- a. Back up its system and data periodically using a defined cycle based on the criticality of its business processes;
 - b. Further protect confidential information by using encryption technologies that would make the data unreadable to unauthorized users; and
 - c. Test backups regularly to ensure successful recovery of the data.
- 3.5 The Department should develop and implement a formalized disaster recovery plan consistent with IT standards and best practices. This plan should:
- a. Require the periodic review and update of the plan as necessary;
 - b. Encompass all system and infrastructure components for which it is responsible, and address important elements such as regulatory and contractual requirements, and the Department's overall business-continuity needs;

- c. Require that the disaster recovery plan be tested on a regular basis so the Department can discover its strengths and weaknesses and update the plan based on the test's results;
 - d. Explicitly state who is involved in the disaster recovery team and what their roles and responsibilities are, what systems are most critical, the order in which to recover systems, and any other pertinent information required to bring the infrastructure back up as quickly as possible; and
 - e. Require copies of its disaster recovery plan be in both digital and physical form that are also stored off-site.
- 3.6 The Department should continue its efforts to identify and develop IT policies and procedures around all critical IT areas.
- 3.7 The Department should ensure that its formalized IT systems management and other IT policies and procedures are disseminated and communicated to necessary staff and that staff are adequately trained on these policies and procedures.

FINDING 4

The Arizona Game and Fish Department (Department) should continue its efforts to help ensure that the Arizona Game and Fish Commission (Commission) complies with the State's open meeting law. As of August 2013, the Department had taken steps to address deficiencies identified during the audit regarding the Commission's compliance with open meeting law. The Department should continue its efforts to help ensure the Commission complies with these requirements, implement the remaining planned changes, and develop and implement procedures that will help ensure continued compliance.

Commission improving compliance with open meeting law

The Commission already complies with many aspects of the State's open meeting law, such as electronically posting meeting notices at least 24 hours in advance of commission meetings, including required elements in these notices, and having a quorum of commissioners present during the meetings. It has also made improvements in areas in which this audit initially identified issues of noncompliance. Specifically, the Commission, with the Department's assistance:

- **Modified the Web site disclosure statement**—As required by Arizona Revised Statutes (A.R.S.) §38-431.02(A), the Department modified the Commission's Web site disclosure statement to inform the public of the location where it would post both the electronic and physical notices of the Commission's public meetings. At the beginning of the audit, the Web site disclosure statement lacked this required information, but as of August 29, 2013, the Department had updated the Web site disclosure statement to include the required elements.
- **Plans to post meeting notices in physical location**—As required by A.R.S. §38-431.02(A)(C), the Department stated that it plans to begin posting meeting notices in a physical location. The Department already posts commission meeting notices on its Web site 24 hours in advance of commission meetings. Meeting notices for the March, May, June, and August 2013 commission meetings were posted on the Department's Web site, but not at its Phoenix office. However, in August 2013, the Department stated that changes have been made to post hard copies of commission meeting notices and agendas at the front counter areas of its Phoenix office as well as at all of the regional offices.
- **Provided approved commission meeting minutes more quickly**—The Department updated its process for posting approved commission meeting minutes to its Web site. Statute does not set a target for how soon approved meeting minutes should be made available to the public. However, between January and April 2013, auditors found that the Department did not publish commission-approved meeting minutes on its Web site for between 11 to 18 working days after they were approved for three of the four commission meetings auditors reviewed. The Department subsequently revised its process to post commission meeting minutes within 3 working days after they are approved. Auditors' review determined that the Department had posted the May and June 2013 commissioner-approved minutes within 3 business days of their approval.

- **Included required information in meeting minutes**—As required by A.R.S. §38-431.01(B), the Department now includes the start time for all commission meetings in meeting minutes. Auditors' review of meeting minutes for the four commission meetings held during January through April 2013 found that all four omitted the meeting start time for the first day of the commission meetings. Auditors' review of the May and June 2013 meeting minutes found that the Department had corrected this problem and, according to the Department, it has modified the commission meeting minute template to include the required information.

Recommendations:

- 4.1 The Department should continue its efforts to help ensure the Commission complies with the State's open meeting law by posting notices of commission meetings in the front counter areas of its Phoenix office and all of the regional offices.
- 4.2 The Department should develop and implement comprehensive procedures to help ensure the Commission's continued compliance with the State's open meeting law. These procedures should include who at the Department is responsible for overseeing compliance as well as for performing the various open meeting law tasks, such as:
 - a. Posting an appropriate disclosure statement online;
 - b. Posting electronic and hard copies of commission meeting notices and agendas 24 hours in advance;
 - c. Posting approved, written commission meeting minutes on the department Web site; and
 - d. Including all required elements in commission meeting minutes.

APPENDIX A

Fund descriptions

**Table 3: Department funds' purpose, revenues, transfers, expenditures, and fund balance
Fiscal year 2013
(Unaudited)**

Fund name and purpose	Fiscal year 2013 financial activity ¹	Fund balance June 30, 2013
Wildlife conservation and preservation:		
<p>Arizona Game and Fish Commission Heritage Fund (nonappropriated)—According to Arizona Revised Statutes (A.R.S.) §§5-572, 17-297, and 17-298, up to \$10 million annually of lottery proceeds and interest earned on those monies are spent in specific percentages between five general program areas, such as habitat evaluation and protection, urban wildlife and wildlife habitat programs, and acquisition of sensitive habitat. Interest earnings on the monies may be used for the programs or the cost of administering this fund.</p>	<ul style="list-style-type: none"> • Revenues—\$10 million from lottery proceeds and approximately \$119,000 of interest and miscellaneous revenues • Transfers—\$1.6 million transferred to the Game and Fish Revolving Fund for state matching required for federal programs (see pg. a-2) • Expenditures—\$7.6 million 	\$9,632,240
<p>Arizona Wildlife Conservation Fund (nonappropriated)—According to A.R.S. §§5-601.02(H)(3)(b)(iii) and 17-299, tribal gaming monies are used to conserve, enhance, and restore Arizona's diverse wildlife resources and habitats, and may include the acquisition of real property.²</p>	<ul style="list-style-type: none"> • Revenues—\$6.2 million, primarily from gaming revenues • Transfers—\$1.6 million transferred to the Game and Fish Revolving Fund for state matching required for federal programs (see pg. a-2) • Expenditures—\$3.4 million 	5,904,142
<p>Capital Improvement Fund (annually appropriated)—According to A.R.S. §17-292, this fund is used to construct, acquire, convert, renovate, or improve game and fish facilities, or acquire real property for game and fish facilities. The Department may also use this fund to pay for reasonable and necessary commission expenses to carry out the law's purposes.</p>	<ul style="list-style-type: none"> • Revenues—\$2,400 from interest and other revenue • Transfers—\$2.2 million transferred from the Conservation Development Fund as required by A.R.S. §17-288 (see below) • Expenditures—\$2.4 million 	341,710
<p>Conservation Development Fund (nonappropriated)—According to A.R.S. §17-282, this fund is used to make principal and interest payments on bonded debt, and any excess monies in the fund are transferred to the Capital Improvement Fund in accordance with A.R.S. §17-288.</p>	<ul style="list-style-type: none"> • Revenues—\$1.5 million, primarily from surcharges, licenses, permits, tags, and stamps as prescribed by the Commission in accordance with A.R.S. §17-345 • Transfers—\$2.2 million transferred to the Capital Improvement Fund (see above) • Expenditures—\$5,000 	3,340,929
<p>Federal Grants Fund (nonappropriated)—As permitted by A.R.S. §35-142(D) and (F), this fund was established to account for federal monies granted or awarded to the Department that were not specifically required to be deposited elsewhere. The monies in this fund are used for federal expenditures.</p>	<ul style="list-style-type: none"> • Revenues—No revenues • Expenditures—No expenditures 	152,806

Table 3 (Continued)

Fund name and purpose	Fiscal year 2013 financial activity ¹	Fund balance June 30, 2013
Wildlife conservation and preservation (cont'd):		
<p>Game and Fish Fund (annually appropriated)—According to A.R.S. §17-261, this fund is used to carry out the provisions of A.R.S. Title 17, including wildlife management activities such as surveying fish and wildlife populations, enforcing wildlife laws, and enhancing habitats. The fund can also be used to match federal grants for fish and wildlife restoration and for agency operational support.</p>	<ul style="list-style-type: none"> • Revenues—\$28.1 million, primarily from the sales of licenses and tags for hunting, trapping, and fishing, and other related fees and penalties • Transfers—\$15,700 of prior year interest earnings transferred from the Wildlife Endowment Fund in accordance with statute and \$2.3 million transferred to the Game and Fish Revolving Fund for state matching required for federal programs (see pg. a-3 and below) 	\$8,652,545
<p>Game and Fish Kaibab Co-op Fund (nonappropriated)—In accordance with Arizona Administrative Code R12-4-204, this fund is used to account for monies from the sale of Kaibab habitat management stamps in accordance with an agreement with the United States Forest Service that was established by the Sikes Act, 16 USC 670 et seq. These monies are used to provide funding for habitat management.</p>	<ul style="list-style-type: none"> • Expenditures—\$24.1 million • Revenues—\$40,100 • Expenditures—\$12,900 	103,262
<p>Game and Fish Revolving Fund (continuously appropriated)—According to A.R.S. §17-406, this fund is used to account for projects approved in compliance with provisions of the federal restoration act known as the Pittman-Robertson Act and Dingell-Johnson Act and other wildlife projects in which the cost may be partially or wholly reimbursed from federal monies.³</p>	<ul style="list-style-type: none"> • Revenues—\$29 million, including approximately \$24.9 million from federal grants; \$2.8 million from admissions and entry fees primarily from shooting ranges; and \$1.2 million from state, local, and private grants • Transfers—\$5.5 million transferred from the Arizona Game and Fish Commission Heritage Fund, Game and Fish Fund, and the Arizona Wildlife Conservation Fund for required state matching (see pgs. a-1 to a-2) and \$2.9 million transferred to the Indirect Cost Recovery Fund for the federal portion of indirect costs (see pg. a-4) 	2,532,814
<p>Game and Fish Trust Fund (nonappropriated)—As permitted by A.R.S. §17-231(B)(7) and (14), the Department can accept grants, gifts, donations, and intergovernmental agreements to be used according to wildlife-related requests and program requirements.</p>	<ul style="list-style-type: none"> • Expenditures—\$30.8 million • Revenues—\$2.4 million, primarily from donations • Expenditures—\$2.2 million 	6,128,746
<p>Game, Non-Game, Fish and Endangered Species Fund (annually appropriated)—According to A.R.S. §17-268, this fund is used for game, nongame, fish, and endangered species purposes.</p>	<ul style="list-style-type: none"> • Revenues—\$144,700, primarily from donations from taxpayers who designate a contribution to this fund on their Arizona state income tax forms 	207,848
<p>Waterfowl Conservation Fund (annually appropriated)—Prior to May 2013, A.R.S. §17-270 established this fund to increase the number of migratory waterfowl in Arizona.⁴</p>	<ul style="list-style-type: none"> • Expenditures—\$104,100 • Revenues—\$72,700, primarily from the sale of waterfowl stamps • Expenditures—\$85,000 	117,012

Table 3 (Continued)

Fund name and purpose	Fiscal year 2013 financial activity ¹	Fund balance June 30, 2013
<i>Wildlife conservation and preservation (cont'd):</i>		
Wildlife Endowment Fund (annually appropriated) —According to A.R.S. §17-271, this fund is used for wildlife conservation and management.	<ul style="list-style-type: none"> • Revenues—\$164,000, primarily from the sale of lifetime licenses • Transfers—\$15,700 of prior-year interest earnings transferred to the Game and Fish Fund in accordance with statute (see pg. a-2) • Expenditures—No expenditures 	\$1,823,078
Wildlife Theft Prevention Fund (nonappropriated) —According to A.R.S. §17-315, this fund is used to finance reward payments to persons providing information about illegal wildlife activities, to finance the Department's Operation Game Thief program, to promote awareness of the Wildlife Theft Prevention telephone reporting system, and to investigate unlawful commercial use of wildlife.	<ul style="list-style-type: none"> • Revenues—\$137,200, primarily from fines for the unlawful taking, wounding or killing, or unlawful possession of wildlife • Expenditures—\$163,200 	59,703
<i>Recreation:</i>		
Firearms Safety and Ranges Fund (continuously appropriated) —As required by A.R.S. §17-273, this fund is used for shooting ranges open to the public and operated by government or nonprofit entities. Monies may be used for items such as shooting range engineering and studies, noise abatement, safety enhancement, and other projects that are necessary to operate and maintain a shooting range under good practices and management.	<ul style="list-style-type: none"> • Revenues—\$81 of interest and rental income • Expenditures—No expenditures 	3,230
Land and Water Conservation and Recreation Development Fund (annually appropriated) —According to A.R.S. §17-267, this fund is used to pay for recreation benefits in connection with fish and wildlife restoration projects. Monies may be used in conjunction with federally provided monies.	<ul style="list-style-type: none"> • Revenues—\$270 of interest • Expenditures—No expenditures 	31,085
Off-Highway Vehicle Recreation Fund (nonappropriated) —According to A.R.S. §28-1176, this fund is used for informational and educational programs related to safety, the environment, and responsible use with respect to off-highway vehicle recreation and law enforcement activities, and for off-highway vehicle law enforcement.	<ul style="list-style-type: none"> • Revenues—\$1.6 million, primarily consisting of 35 percent of the State's Off-Highway Vehicle Recreation Fund monies allocated to the Department that come from motor fuel taxes and certain off-highway vehicle fees • Expenditures—\$1.4 million 	826,527
Watercraft Licensing Fund (annually appropriated) —According to A.R.S. §5-323, this fund is used to administer and enforce registration of watercraft and boating safety laws and to provide information and education programs relating to boating and boating safety.	<ul style="list-style-type: none"> • Revenues—\$4.2 million, primarily consisting of a portion of watercraft licenses fees the Department collects • Expenditures—\$3.2 million 	2,318,038

Table 3 (Concluded)

Fund name and purpose	Fiscal year 2013 financial activity ¹	Fund balance June 30, 2013
Other:		
Federal Economic Recovery Fund (nonappropriated) —As permitted by A.R.S. §35-142(D) and (F), this fund consists of one-time federal monies allocated by the American Recovery and Reinvestment Act of 2009 (P.L. 111-5). The Department is required to use monies in this fund to aid in economic and investment recovery and its administrative costs.	<ul style="list-style-type: none"> • Revenues—\$93,200 from federal and private grant monies and \$170,800 from the Office of State Forester • Transfers—\$59,000 transferred to the Indirect Cost Recovery Fund (see below) • Expenditures—\$254,000 	\$2,255
Indirect Cost Recovery Fund (nonappropriated) —As permitted by A.R.S. §35-142(D) and (F), this fund consists of revenue generated by billing federal programs for indirect costs. The Department uses the monies to pay administrative and overhead costs.	<ul style="list-style-type: none"> • Revenues—\$403,000, primarily from intergovernmental revenue • Transfers—\$2.9 million transferred from the Game and Fish Revolving Fund and \$59,000 transferred from the Federal Economic Recovery Funds (see pg. a-2 and above) • Expenditures—\$2.7 million 	1,016,103
Interagency Service Agreement Fund (nonappropriated) —As permitted by A.R.S. §35-142(F), this fund is used to execute intergovernmental and interagency service agreements.	<ul style="list-style-type: none"> • Revenues—No revenues • Expenditures—\$115,000 	103,885

¹ All amounts are rounded to the nearest thousandth or millionth, as applicable, and transfers are presented for only those funds that had transfer activity during fiscal year 2013.

² A.R.S. §§5-601.02(H)(3)(b)(iii) and 17-299 were established by the Arizonans for Fair Gaming and Indian Self-Reliance proposition passed by voters in November 2002 (Proposition 202).

³ The Federal Aid in Wildlife Restoration Act signed in 1937, commonly called the Pittman-Roberson Act, dedicates a 10 percent tax on ammunition and firearms for distribution to states for wildlife restoration. The Federal Aid in Sport Fish Restoration Act, commonly called the Dingell-Johnson Act or Wallop-Breaux Act, initially signed in 1950 and amended several times since then, provides federal aid to states for management and restoration of fish that have a material value in connection with sport or recreation in marine and/or fresh waters of the United States. The Act also provides monies to the states for aquatic education, wetland restoration, boat safety, clean vessel sanitation devices, and a nontrailerable boat program. The monies distributed to states are derived from various sources related to fishing, such as a 10 percent excise tax on certain items of sport fishing tackle and a 3 percent excise tax on fish finders and electric trolling motors.

⁴ Effective May 7, 2013, Laws 2013, Ch. 197, §6, repealed A.R.S. §17-270, §28, transferred the remaining balance in the Waterfowl Conservation Fund to the Game and Fish Fund.

Source: Auditor General staff analysis of the Arizona Joint Legislative Budget Committee's *Fiscal Year 2013 Baseline Book*, Arizona Revised Statutes pertaining to the Department's funds, Arizona Financial Information System (AFIS) *Accounting Event Transaction File* for fiscal year 2013, and the AFIS Management Information System *Status of General Ledger-Trial Balance* screen for fiscal year 2013.

To hunt in Arizona, individuals are required to purchase and possess a hunting license and sometimes must also purchase a tag or stamp. According to the Department's hunting regulations, only a license is required to hunt most small game and all predator and furbearing animals. Some birds, such as waterfowl, require the purchase of an additional stamp in order to hunt. In addition, some other animals require a tag to hunt. Specifically:

- Hunt permit-tags**—To hunt most big game animals, sandhill cranes, and pheasants in Arizona, a hunter must obtain a hunt permit-tag for each applicable animal he/she wants to hunt (see textbox). Only a limited number of hunt permit-tags are available for each animal each year, so hunters are chosen through a random computerized drawing, referred to as the draw (see pages b-2 through b-3 for more information on how the draw works).
- Nonpermit-tags**—Other animals, such as mountain lion, also require a tag, but the number of tags available is not limited. Hunters can purchase these tags at department offices or from licensed dealers, such as Wal-Mart.

Game animals with tags obtainable in a computerized draw¹



Bear



Bighorn sheep



Buffalo



Deer (Mule and White-tailed)



Elk



Javelina



Pheasant



Pronghorn antelope



Turkey

¹ For some of these animals, the Department also offers nonpermit-tags, which are not limited in number and which may be obtained from a department office or licensed dealer. For example, hunters wishing to hunt turkey with a bow and arrow or crossbow may obtain a nonpermit-tag to do so. In addition, according to department staff, sandhill crane and raptor tags are issued through separate manual draws.

Source: Auditor General staff summary of Arizona Administrative Code Title 12, Ch. 4, the Department's 2013-14 *Arizona Hunting Regulations* booklet, and staff interviews. Pictures provided courtesy of the Utah Division of Wildlife Resources, and javelina picture provided courtesy of the Arizona Game and Fish Department.

- Special big game license tags**—According to A.R.S. §17-346, the Department can make 30 special big game tags available per year to wildlife conservation and sportsman organizations. According to the Department, these organizations then sell these tags through auctions and raffles. Department management stated that the proceeds raised by these organizations from these special big game tags must be returned to the Department and are used to benefit these big game animals. For example, the Department reported that for fiscal year 2013, some of the monies generated from the sale of these tags were used to restore habitat for pronghorn antelope by clearing piñon and juniper vegetation that had encroached on antelope habitat. According to the Department, in fiscal year 2013, more than \$1.9 million was raised from the sale of 30 special big game tags that were distributed to wildlife conservation and sportsman organizations in fiscal year 2012.

Obtaining a hunt permit-tag through the draw

Obtaining a hunt permit-tag (tag) involves an application process and a computerized drawing (draw). The Department conducts three separate draws for various animals. Specifically, there is a spring draw for turkey, javelina, buffalo, and bear; a mid-winter draw for elk and pronghorn antelope; and a fall draw for deer, turkey, javelina, bighorn sheep, buffalo, bear, and pheasants.¹ The hunter must submit a separate application for each animal in each draw for which he/she wants to participate. Up to four hunters can apply on one application. The application allows hunters to choose up to five hunt numbers where they would like to receive a tag (see textbox).

An applicant's chances of being drawn depend on three things: the applicant's bonus points, the applicant's random number, and whether the applicant is a resident or a nonresident. According to department information, the draw is conducted in three rounds. Specifically:

- **First round**—The first round of the draw is designated to provide 20 percent of the tags in each hunt number to the individuals with the highest number of bonus points (see textbox, page b-3, for more information about how individuals acquire bonus points). Each application is assigned a random number and then is assigned additional random numbers for each of the applicant's bonus points.² The lowest of all the random numbers that the application received is the one random number assigned to the application. Then, the computer will award 20 percent of the tags in each hunt number to the applications that have the highest bonus points and the lowest random numbers. However, during this round, the computer considers only the first and second hunt number choices listed on the application. Specifically, if 20 percent of the tags available in the applicant's first choice have been awarded, then the computer will issue the applicant a tag in his/her second choice assuming there are still tags available in the applicant's second choice.³ If the computer cannot issue a tag in the applicant's first or second choices because 20 percent of the tags have already been issued to others, then the applicant will not be awarded a tag in the first round. This process is completed when 20 percent of the tags in every hunt number have been issued.

An exception to the first round process occurs for nonresidents. Because statute and administrative rule require that no more than 10 percent of the total number of tags be issued to nonresident hunters in any draw, if the applicant who is drawn during the bonus point round

Hunt number

For each draw, a hunt number identifies, among other things, the specific area of the State, type of weapon, date of the hunt, and big game animal for which the hunter wants to be selected.

Source: Auditor General staff summary of the Department's 2013-14 *Arizona Hunting Regulations* booklet.

¹ In addition to these three draws, according to the Department, there is also a draw just for sandhill cranes and a draw just for raptors. According to the Department, these draws are different from the other three draws because for these draws, department staff manually draw paper applications out of a bin.

² If multiple applicants apply on one application, the average number of bonus points earned by the group is used to determine the number of bonus points for that application.

³ If multiple hunters apply on one application then there must be enough tags remaining for each individual on the application to receive a tag in the hunt number in order for the applicants to be awarded the tags. If there are not enough tags remaining to award all hunters on the application a tag, then none of the hunters on the application will receive a tag.

is a nonresident, he/she may receive a tag only if no more than 10 percent of the available tags in that hunt number have been issued to nonresidents.

- **Second round**—The second round includes all applications that have not yet received a tag. The computer assigns every remaining application a new random number and an additional random number for each bonus point that the applicant has accumulated. The lowest of all the random numbers that the application received is the one random number assigned to the application. Then the computer will sort the assigned numbers from lowest to highest and award tags to the applications with the lowest random numbers in the first-choice hunt number listed on the application if tags are still available. If the application's first choice is full, then the application's second choice will go through the same process. If both are full, then no tag will be issued at this time. In addition, similar to above, the same process applies to nonresidents until the 10 percent nonresident cap has been met.
- **Third round**—The third round is similar to the second round, but in this round the computer attempts to award tags in an application's third-, fourth-, and fifth-choice hunt numbers. In this round all applications that have not yet received a tag are given a new random number through the same process described above, which the computer sorts lowest to highest. Then the computer awards tags to applications with the lowest random number in the application's third-choice hunt number. If no tags remain in that hunt number, then the computer will check the fourth-choice hunt number and so forth. If the computer cannot issue a tag in the application's fifth choice, then the application will be marked as unsuccessful, and all hunters on the application will receive a bonus point. The 10 percent nonresident cap described above applies to this round.

Hunters can accumulate bonus points in four ways:

1. **Not selected**—If a hunter submits a valid application for the draw and is not drawn, then a hunter will earn one bonus point for each animal, each time he/she was not drawn.
2. **Purchase**—If a hunter does not apply for a tag for an animal in a draw, then the hunter has the option of purchasing a bonus point for that animal.
3. **Hunter education class**—A hunter can earn one permanent bonus point by attending the Department's Arizona hunter education course. This bonus point will apply to each animal the hunter applies for in the draws.
4. **Hunter loyalty**—A hunter can earn one loyalty bonus point per animal if the hunter submits a valid draw application at least once a year for that animal for 5 consecutive years. If after receiving the loyalty point an applicant fails to submit a valid application in any year, then the hunter will lose his/her loyalty bonus point until the hunter again qualifies.

Once a hunter is drawn for a particular animal, all of his/her accrued bonus points for that animal, except for hunter safety and loyalty bonus points, are forfeited.

Source: Auditor General staff summary of Arizona Administrative Code Title 12, Ch. 4.

APPENDIX C

Methodology

This appendix provides information on the methods auditors used to meet the audit objectives.

This performance audit was conducted in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain sufficient appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The Auditor General and staff express appreciation to the Arizona Game and Fish Department's (Department) Director and his staff and the Arizona Game and Fish Commission (Commission) for their cooperation and assistance throughout the audit.

Auditors used various methods to study the issues addressed in this report. Auditors interviewed commission members, department officials and staff, and stakeholders, and rode along with four department staff members while patrolling or monitoring various wildlife areas. In addition, auditors reviewed and analyzed various department documents, including its strategic plan, operating manual, and hunting guidelines, state statutes applicable to the Department and Commission, and prior audit reports.

Auditors also used the following specific methods to address the audit's objectives:

- To assess the Department's internal controls in effect as of February 28, 2013, auditors completed a procedural review using interviews, observations, and selected tests of internal control policies and procedures, accounting records, and related documents. Specifically, auditors reviewed the following areas: bidding, capital assets, cash receipts and disbursements, credit cards, expenditures coded as aid to individuals, journal entries and transfers, payroll, travel, and expenditures from the Wildlife Conservation Fund. Auditors also obtained the following additional information for director, commissioner, and staff travel; wireless device use; retirement gifts; and Wildlife Conservation Fund cost allocation:
 - **Travel**—Auditors reviewed travel information for the Director, commissioners, and staff for fiscal years 2011 through 2013. Specifically, auditors reviewed Arizona Financial Information System (AFIS) data, Human Resources Information System data, and department travel documents and statements to determine amounts spent on in- and out-of-state travel. Auditors also obtained department expenditure information related to the February 2013 commission meeting to determine travel costs for this meeting. In addition, auditors reviewed department travel documents and the Western Association of Fish and Wildlife Agencies' registration numbers for six surrounding western states to compare the Department's registered representatives to other states' registered representatives.¹ Auditors also interviewed department staff and obtained and reviewed other documents such as conference brochures.
 - **Wireless devices**—Auditors reviewed AFIS for the Department's telecommunication costs and also obtained and analyzed a department-provided list of employees using wireless devices, a Verizon Wireless statement, an AT&T Wireless statement, and a

¹ These six states are California, Colorado, Nevada, New Mexico, Utah, and Wyoming.

Sprint Solutions statement for the months of August 2012 through September 2012 for excess usage and wireless devices with no activity. Auditors compared the Department's July 2013 wireless device policy, including the user agreements, to the guidelines and procedures established within the State's wireless devices policy, and interviewed department staff regarding the use of wireless devices within the Department prior to July 2013 when its new wireless device policy became effective.

- **Retirement gifts**—Auditors compared department practices pertaining to retirement recognition gifts to the employee recognition guidelines contained in the Arizona Department of Administration's state-wide human resources policy.
- **Wildlife Conservation Fund**—Auditors reviewed a judgmental sample of 20 expenditures that totaled \$2 million made from the Wildlife Conservation Fund between July 1, 2012 through February 28, 2013, to determine whether the Department's policies and procedures helped ensure its expenditures were in compliance with A.R.S. §17-299 and interviewed department staff regarding the use of the Wildlife Conservation Fund.

In addition, to further assess the control environment within the Department, auditors reviewed the United States General Accounting Office's *Standards for Internal Control in the Federal Government* and reviewed information pertaining to instances of employees circumventing department policies prior to the audit, including a 2012 Department of Public Safety criminal investigations report and an audit of the Department performed by the Arizona Department of Administration's General Accounting Office in 2003.

- To assess the draw's compliance with statutory and rule requirements, auditors reviewed state laws and Arizona Administrative Code, department documents describing the draw process, paper and online tag applications, and staff explanations of the Department's process for issuing licenses and tags. Auditors observed staff members correcting applicant records in the database prior to running the fall 2013 draw and observed staff performing testing after the draw. In addition, in order to obtain comparative information about how draws work in other states, auditors contacted the Nevada Department of Wildlife, the Utah Division of Wildlife Resources, Colorado Division of Parks and Wildlife, and the New Mexico Department of Game and Fish and reviewed online applications for these states. Auditors also observed license revocations during commission meetings, reviewed commission meeting minutes, and observed wildlife managers in the field checking hunters' licenses and tags during a hunt.
- To assess the effectiveness of the Department's information technology (IT) system management practices, auditors researched applicable IT industry standards and recognized best practices; reviewed Arizona's state-wide IT policies, standards, and procedures; reviewed the Department's Web site and state law for information on the license simplification legislation; and reviewed the Department's statement of work and other IT service provider contract-related documents. To obtain information about the Department's processes and procedures related to System Development Life Cycle, change management, IT service provider oversight, and data backup and recovery, auditors interviewed and obtained some supplemental documentation from department management and staff.

- To assess the Department's compliance with open meeting law requirements, auditors reviewed state laws and the Arizona Attorney General's Agency Handbook; viewed live webcasts of commission meetings in January, February, March, June, August, and September 2013; reviewed the Department's Web site to determine whether the Department had posted a sufficient disclosure statement to inform the public of the locations where electronic and hard copy meeting notices would be posted; and interviewed department staff. In addition, auditors reviewed the Web sites of the Arizona State Parks Board, the Arizona Corporation Commission, the Arizona Medical Board, the Arizona State Lottery Commission, and the Arizona Commission for Postsecondary Education to compare how other state agencies disclosed the locations of public meeting notice postings and minutes. Auditors observed the Department's Web site and the lobby of the Department's headquarters prior to the March, May, June, and August 2013 commission meetings to determine whether the meeting notices were being posted. Auditors also reviewed the meeting agendas posted for the January through June 2013 commission meetings for required elements; placed three calls to the Department to obtain audio recordings of the minutes after the January, March, and April 2013 commission meetings; and also monitored how long the Department took to post minutes after they were approved for the January through June 2013 commission meetings.
- To obtain information for the Introduction, auditors completed interviews, reviewed the Department's strategic plan, and the fall 2012 through spring 2014 hunt guidelines. In addition, auditors reviewed the Department's Web site for information about each region and reviewed department information about full-time equivalent positions. Auditors also analyzed information from the *AFIS Accounting Event Transaction File* and the *AFIS Management Information System Status of General Ledger-Trial Balance screen* and department-provided information for fiscal years 2011 through 2013.
- Auditors' work on internal controls focused on reviewing the Department's policies and procedures; conducting a review of various areas, including capital assets, cash receipts, and travel; and observing processes such as the Department's process for testing the draw results and its compliance with open meeting law. Auditors' conclusions on internal controls are reported in Findings 1 through 4 of the report.

AGENCY RESPONSE



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DEPUTY DIRECTOR

TY E. GRAY



December 16, 2013

Ms. Debbie Davenport, CPA
Auditor General
Office of the Auditor General
2910 N 44th Street, Suite 410
Phoenix, Arizona 85018

Dear Ms. Davenport:

On behalf of the Department and Commission, we want to extend our gratitude to you and your professional staff for this performance audit of the Arizona Game and Fish Department and Commission. As an agency committed to serving the public with excellence, we view audit as a valuable tool for the evaluation of processes and process improvement. It has been a pleasure to work with you and your staff over the past twelve months as this audit was conducted. The Department appreciates your staff's dedication to conducting a fair and very thorough review, including the time and effort involved in developing constructive recommendations, and the open attentive manner that characterized the interactions between our respective staff members.

We are proud of the Department's performance which was carefully reviewed across a broad range of our responsibilities and systems during this audit. The Department appreciates that the audit report identifies some opportunities for improvement. In the attached response, the Department provides comments to each of the four findings identified in the report, followed by specific responses to each recommendation.

We look forward to working with you and your staff over the coming months as we implement enhancements to our processes, policies, and procedures. The Department's vision is to be the national conservation leader supporting the continuation of the North American Model of Wildlife Conservation and Arizona's most trusted, respected and credible source for wildlife conservation products, services and information. Enhancements recommended by this audit will help us continue our pursuit of that vision in the service to the people of the state of Arizona.

Sincerely,

Larry D. Voyles
Director

John W. Harris
Chairman, Arizona Game and Fish Commission

Below is the Department's response to audit report's findings and recommendations.

Finding 1: Commission and Department should ensure prudent stewardship of public resources: Overall, the Department agrees with the elements of Finding 1.

The audit report references two employee-related incidents, one in 2003, and the other in 2013, which resulted in the loss of approximately \$19,000 before court-ordered restitution. The Department agrees that these were serious issues. In both incidents, when the Department detected wrong-doing, it took prompt action to resolve the issue, including discipline, separation from employment, and criminal investigations. The Department concurs that enhancing policies and procedures will better ensure that similar incidents do not occur in the future. The Department has already improved processes and procedures including requiring segregation of duties, strengthening controls, and is further enhancing its policies and procedures. Additionally, as mentioned in the audit report, the Department is taking actions to further identify potential improvements through an internal audit.

With regard to travel, the Department's internal travel policy and procedures for in-state and out-of-state travel comply with the State of Arizona's travel policy and provide a significant level of accountability. The Department agrees that enhanced procedures regarding consideration for travel could be beneficial. Currently, all out-of-state travel requires that travel authorization documents are reviewed and approved in writing by immediate supervisors, project leaders, Assistant Directors, and the Director/Deputy Director. For travel involving more than two employees, the Department's executive leadership identifies the staff with the appropriate subject matter expertise and directs them to attend.

As noted in the audit report, the Department's in- and out-of-state travel costs represent approximately 1 percent of its total expenditures, a majority of which (65%) is for in-state travel. The nature of the Commission's and Department's mission requires travel to all corners of Arizona to manage more than 800 species of wildlife, to provide for safe and compatible recreation, and to enforce the laws that govern wildlife, watercraft, and off highway vehicles. In addition, in-state travel, such as holding Commission, stakeholder, and other meetings on various topics throughout the state, is critical to building relationships and promoting public engagement. The ability for the public to meet with their Commission in person is paramount to maintaining public trust.

To implement and safeguard Arizona's authorities, rights and interests in response to federal overreach, the Director, Department staff and Commission must travel to engage in regional and national policy forums, including conferences, meetings, and other events. The audit report mentions the Director's travel status in 2011 through 2013. The Director, who also serves as Secretary to the Commission, is the Department's most effective and appropriate representative, particularly when negotiating with the highest levels of the Federal conservation agencies, and frequently travels without staff support to reduce costs to the agency.

Out-of-state travel represents approximately 0.36% of the Department's overall expenditures. Such travel allows the Department to work with other states and federal agencies to ensure that Arizona's interests are defended and well represented. Effective wildlife management and

administration reflective of Arizona's needs requires advocacy and policy engagement at regional, national, and international levels. The ability to meet face to face with national level decision makers whose actions can affect Arizona is essential to maintaining the State's jurisdictional authorities related to the Department's mission.

There are few champions for the state conservation machine (the collective conservation system delivered by the 50 state fish and wildlife agencies) active at the nation's capital. The state of Arizona is one of those champions. Nationally, the combined annual states' contribution to wildlife conservation is approximately \$4.3 billion, 8,000 wildlife officers, and 184 million acres, compared to the United States Fish and Wildlife Service's (FWS) contribution of approximately \$1.7 billion, 628 wildlife officers, and 150 million acres. In the face of federal encroachment on conservation of state resources, it has become abundantly clear that Arizona's leadership role is critical to the future of the state conservation machine.

Department travel provides a multitude of benefits to Arizona. For instance, contacts made at the annual Shooting, Hunting and Outdoor Trade (SHOT) Show™ and related events have already resulted in approximately \$750,000 in grants and donations that support the Department's Scholastic Clay Target Program, benefitting youth throughout Arizona. Another example is the Director's participation at the Wildlife and Hunting Heritage Conservation Council (a federal advisory committee to the Secretaries of Interior and Agriculture) which helped maintain access to approximately 500,000 acres for recreational shooting on federal public lands close to Phoenix.

Department travel to conferences, such as the Western Association of Fish and Wildlife Agencies (WAFWA) is directed by the Commission and executive leadership to assure Arizona subject matter expert engagement on policy issues at regional, national, and international levels, which the Commission has determined is in the best interest of the state. The audit report highlights the Department's participation at WAFWA conferences from July 2011 through January 2013, emphasizing the Department's attendance at the 2012 annual conference.

WAFWA conferences are hosted by member states or provinces on a rotational schedule. For example, the 2011 conference was hosted by member state Montana, the 2012 conference was hosted by member state Hawaii, and the 2013 conference was hosted by member state Nebraska. WAFWA requires all standing committees and most working groups to meet during each annual conference. In 2012, Department personnel participated in 21 different WAFWA Committee or Working Group meetings, chairing eight of them. Committee meetings are held concurrently over a compressed schedule, requiring a number of Department subject matter experts to attend. The Department has consistently engaged at a high level of participation at WAFWA and agrees that it sends more participants than some other member agencies. For decades, this level of participation has allowed the Department to exert significant influence on a variety of regional and national issues. Some examples of successful outcomes from the 2012 Hawaii WAFWA conference include:

- WAFWA Directors, including the Department's Director, adopted a Resolution requesting the de-listing of the gray wolf as a federally endangered species. The request

was subsequently endorsed by members of Congress, including members of the Arizona Delegation.

- The Department and other WAFWA member states laid the framework for interventions at the Convention on International Trade in Endangered Species (CITES) and also met with the FWS to challenge the scientific foundations of ‘precautionary’ endangered species listings based upon projected impacts of climate change. At the 2013 meeting of CITES, a proposal surfaced to uplist the polar bear largely due to unsubstantiated claims regarding sustainability and climate change. Allowing the use of unsubstantiated claims could have added weight to arguments for federal listings of Arizona species that might not be warranted. The Department’s representative prepared the WAFWA position and argued against the use of factors for listing that lack sound scientific support. This compelling argument ultimately swayed the vote of more than 20 nations at the CITES conference and the proposal was defeated.
- The Department continued coordination work on assembly of state wildlife Crucial Habitat Assessment Tools (CHATS) with the Western Governors Association. These interlinked geospatial tools allow the states to help guide and facilitate energy development and transmission siting.
- The Department, other WAFWA Directors, legal counsel, and subject matter experts also laid the framework for intervention and amici filings in defense of the New Mexico Game and Fish Department against assertions that by allowing trapping, the state was violating the ‘take’ provisions of the Endangered Species Act with regard to the 10j population of Mexican wolf. Arizona was an intervener in the case and its brief informed the strategy for defense of the states’ interests.
- The Department, working with other Western States, was able to secure approximately \$1 million in additional resources for Lake Mead, including funding for the National Park Service (NPS) and the state of Nevada, to help contain and abate quagga mussels, an aquatic invasive species.
- The Department coordinated WAFWA’s Grasslands Initiative, which laid the framework for multi-state range-wide conservation agreements that could preclude the need to list new endangered species. This is the first time a consortium of states has banded together under the aegis of WAFWA to administer an agreement of this type. These agreements will generate millions of dollars for conservation.
- The Department, with WAFWA member states, was able to coordinate directly with U.S. Bureau of Land Management on proposed changes to its wildlife translocation policies and handbook guidance, a matter of intense interest to Arizona.
- The Department, working with the Western Region of NPS, initiated development of a Master Memorandum of Understanding for inter-agency coordination. This is a ‘first-of-its-kind’ among western state wildlife agencies.
- Through WAFWA’s Hunter, Angler, Shooter Sports and Wildlife Recreation Participation Committee, the Department continued to work with other states and non-government partners to build and evaluate programs and marketing strategies to recruit and retain new customers. This approach allows member states to learn from and build upon each other’s successes and establish best practices for ensuring a future customer base that supports the North American Model of Wildlife Conservation.

Recommendations:

Recommendation 1.1: *The Department should immediately finalize and implement changes to its policies and procedures for its Special Operations Unit.*

Response: The recommendation of the Auditor General is agreed to, and the audit recommendation will be implemented.

Recommendation 1.2: *The Department should enhance its travel procedures by establishing additional guidelines for managerial decision making about travel, such as how to determine which conferences, trainings, or other travel are deemed essential to the Department, how many Department representatives should attend, and whether using state vehicles or reimbursing employees for miles driven is more cost effective.*

Response: The recommendation of the Auditor General is agreed to, and the audit recommendation will be implemented.

Recommendation 1.3: *The Department should work with the Commission to regularly consider ways to help limit travel costs associated with its Commission meetings.*

Response: The recommendation of the Auditor General is agreed to, and the audit recommendation will be implemented.

Recommendation 1.4: *The Department should enhance and implement its July 2013 wireless devices policy. Specifically the Department should:*

1.4a: *Ensure that all employees who are provided wireless devices sign user agreements as its July 2013 policy requires*

Response: The recommendation of the Auditor General is agreed to, and the audit recommendation will be implemented.

1.4b: *Implement its policy requiring supervisors to check bills for appropriate use. In doing so, the Department should establish a mechanism for supervisors to demonstrate that they have checked the appropriate use of the devices before the bill is paid*

Response: The recommendation of the Auditor General is agreed to, and the audit recommendation will be implemented.

1.4c: *Enhance its wireless device policy referencing the State's wireless devices policy to ensure employees are aware they must comply with the policy, and incorporating more of the State's wireless devices policy into its own policy by adding more detailed guidance and criteria for determining when a wireless device is in the best interest of the State, such as when the employee's job requires considerable time outside the office, and by adding a more thorough description of appropriate business use; and*

Response: The recommendation of the Auditor General is agreed to, and the audit recommendation will be implemented.

1.4d: *Enhance its wireless device policy to include a written requirement for a more frequent assessment of unused cell phones and Internet access devices by adding this assessment into the policy's required monthly review of wireless plans*

Response: The recommendation of the Auditor General is agreed to, and the audit recommendations will be implemented.

Recommendation 1.5: *Once the Department has added more detailed guidance and criteria for determining when a wireless device is in the best interest of the State, it should review all positions that have a wireless device to ensure wireless devices are distributed only to those individuals meeting the established criteria.*

Response: The recommendation of the Auditor General is agreed to, and the audit recommendation will be implemented.

Recommendation 1.6: *The Department should develop and implement a policy and procedure for employee recognition gifts, including retirement plaques. This policy and procedure should include guidance on how to determine and document the public purpose of employee gifts, and an explanation showing that the cost of such a gift does not outweigh the benefit to the public.*

Response: The recommendation of the Auditor General is agreed to, and the audit recommendation will be implemented.

Recommendation 1.7: *The Department should provide additional training. Specifically, the Department should train department staff and commissioners on:*

1.7a: *The importance of the Department's policies and procedures and a strong control environment*

Response: The recommendation of the Auditor General is agreed to, and the audit recommendation will be implemented.

1.7b: *Their responsibilities toward ensuring proper stewardship of public monies; and*

Response: The recommendation of the Auditor General is agreed to, and the audit recommendation will be implemented.

1.7c: *New or enhanced policies and procedures, such as those related to the Special Operations Unit, travel, wireless device usage and monitoring, and employee recognition gifts.*

Response: The recommendation of the Auditor General is agreed to, and the audit recommendation will be implemented.

Recommendation 1.8: *The Department should increase its oversight of expenditures by ensuring that its internal audit schedule regularly includes those areas most vulnerable to fraud or abuse, and where the Department has established new or enhanced procedures, including areas such as travel, wireless devices, and the Special Operations Unit's enhanced procedures.*

Response: The recommendation of the Auditor General is agreed to, and the audit recommendation will be implemented.

Recommendation 1.9: *The Department should develop a cost allocation policy and procedures for how to allocate general agency costs among its restricted funds.*

Response: The recommendation of the Auditor General is agreed to, and the audit recommendation will be implemented.

Recommendation 1.10: *Once this cost allocation method is developed, the Department should train staff on this method.*

Response: The recommendation of the Auditor General is agreed to, and the audit recommendation will be implemented.

Finding 2: Process for issuing big game hunting permits could be improved. Overall, the Department agrees with the elements of Finding 2.

The draw is one of the most critical processes the Department executes. The Department strives for an error-free process in the draw and believes that hunters should expect their applications to be processed correctly. While instances of error and license fraud have happened, they are infrequent. Additionally, if the Department has made an error, there is a process that provides solutions to address those situations. The Department expends significant resources and effort to ensure the draw runs accurately, and remains committed to continuously improving the draw process.

The Commission has directed the Department to evaluate options for transitioning to an all online system over the next few years. The Department recognizes that allowing applicants to submit paper applications contributes to inefficiency in the draw process. The Department understands that there are some people who prefer not to apply online, and is considering alternatives to ensure all eligible individuals can apply for the draw once a transition to an all online system is realized.

License fraud, such as a non-resident applying for the draw as a resident, is a criminal offense. The Department investigates these cases diligently. The Commission conducts civil hearings for those who have been convicted, and outcomes can include revocation of licenses to take wildlife in Arizona and compensation to the state for loss of wildlife. Revocation of Arizona license privileges also results in loss of license privileges in 43 other states under the Wildlife Violator Compact.

The Department is continuously exploring new methods to identify potential fraud cases. However, because the problem is not widespread, a cost and benefit analysis should be conducted before employing additional techniques to detect fraud. Recently, Department investigators compared information from Arizona and New Mexico big game applicants. The project compared more than 228,000 names looking for individuals who claimed residency status in both states, and found only six cases of potential fraud.

The audit report mentions that the state of Colorado requires online applicants to submit their driver's license number, which are then checked against the state's motor vehicle database to see if the licensee meets hunting license residency requirements. Although the audit report does not specifically recommend that the Department do the same, possession of an Arizona driver's license does not necessarily establish residency. For example, individuals are required to possess an Arizona driver's license if they work in Arizona, even if their permanent residence is in another state. In addition, a driver's license is not required to hunt in Arizona.

The Department agrees additional post-draw testing and validation of the draw results could be beneficial. Currently, the draw system produces summary reports that list tags awarded and the associated financial charges. Department staff manually validates these reports.

The Department employs the following steps to assure that the draw functions properly:

- The draw system code is stored on secure servers
- Draw system code changes go through technical and business functional testing
- Weekly meetings are held to review the draw to identify and resolve issues
- All code changes require a peer review
- All production changes must be approved

Prior issues with the Online License Sales and Draw system were caused by peak demand periods. The Department worked with the Arizona Department of Administration (ADOA) to adjust load balance and capacity settings which resolved the issue.

Recommendations:

Recommendation 2.1: *The Department should continue its efforts to move toward an all-online application system. Specifically Department should:*

2.1a: *Develop and implement ways to encourage applicants to apply for the draw online.*

Response: The recommendation of the Auditor General is agreed to, and the audit recommendation will be implemented.

2.1b: *Develop and implement a plan to help applicants who cannot apply online.*

Response: The recommendation of the Auditor General is agreed to, and the audit recommendation will be implemented.

2.1c: *Address past problems with the online application to ensure that it can fully support an all-online application*

Response: The recommendation of the Auditor General is agreed to, and the audit recommendation will be implemented.

2.1d: *Seek commission approval as necessary, to modify its administrative rules to specify the ways in which applicants can submit their applications for the draw.*

Response: The recommendation of the Auditor General is agreed to, and the audit recommendation will be implemented.

Recommendation 2.2: *The Department should modify its online application system to require applicants to apply using a single department ID number and should provide a mechanism for applicants to retrieve their ID number or use an alternate number, such as their driver's license number, if they forgot their department ID number.*

Response: The recommendation of the Auditor General is agreed to, and the audit recommendation will be implemented.

Recommendation 2.3: *The Department should increase its efforts to verify an applicant's residency, and as necessary, seek commission approval of its methods.*

Response: The recommendation of the Auditor General is agreed to, and the audit recommendation will be implemented.

Recommendation 2.4: *The Department should do more testing after the draw to better ensure that the draw functioned as intended and that the draw results comply with statutes and administrative rules. Specifically, the Department should enhance its testing guidelines to include:*

2.4a: *Steps to verify that tags awarded in the first round went first to those applications with the most bonus points, as required by administrative rule.*

Response: The recommendation of the Auditor General is agreed to, and the audit recommendation will be implemented.

2.4b: *Steps to select and review a sample of applicants to test that the applications were successfully processed at each step of the draw process and that the draw results were what would be expected.*

Response: The recommendation of the Auditor General is agreed to, and the audit recommendation will be implemented.

Recommendation 2.5: *To identify patterns of problems and potential areas for improvement in the draw, the Department should:*

2.5a: *Develop and implement a mechanism to track complaints related to the draw that its customer service staff receive or that are submitted through its Web site, or other sources, such as its ombudsman.*

Response: The recommendation of the Auditor General is agreed to, and the audit recommendation will be implemented.

2.5b: *Develop and implement a process for periodically assessing the draw complaints received by its customer service staff, or through its Web site or other sources, such as its ombudsman, to identify areas where the Department may need to make changes to ensure that the draw process is meeting requirements and operating as intended; and*

Response: The recommendation of the Auditor General is agreed to, and the audit recommendation will be implemented.

2.5c: *Train staff on this process*

Response: The recommendation of the Auditor General is agreed to, and the audit recommendation will be implemented.

Finding 3: Department should improve its information technology systems management processes. Overall, the Department agrees with the elements of Finding 3.

The Department agrees that improvements to IT policies and procedures would be beneficial. A concern expressed in the audit report is the Department may not have formalized policies and procedures to make significant changes to its licensing system. In 2012, the Department set a target date of January 1, 2014 to implement the system to accommodate the new license structure initiative in an effort to better serve our customers. The changes to the licensing structure resulted from customer suggestions, extensive public input and legislative authorization. The Department had intended to use the State's contracted vendor to modify the licensing system.

When the state-wide vendor's contract with ADOA was not renewed in 2013, the Department was presented with multiple challenges in meeting the January 1, 2014 implementation date. Prior to this initiative, the Department's IT team had not been responsible for developing key systems and thus had not instituted or formalized software development policies and procedures. After evaluating alternatives, the Department determined that the best course of action was to employ professional software developers and establish internal policies and capabilities necessary to build the new system.

Due to the loss of the state's contracted software vendor the Department took the following actions to develop key systems:

- Hired experienced software development staff
- Implemented a standard Systems Development Life Cycle
- Instituted a Change Management Procedure
- Built a system technology integration lab
- Built a development and test platform
- Initiated the internal development project

In May 2012, the Department instituted the preliminary Change Management Procedure and has since matured that process to include test plans, test validation results, back-out plans, communication plans, and peer reviews. All changes must be presented along with this material during the Department's Daily Operations Briefing and must be approved prior to being implemented. The Department continues to improve this process to minimize risk and promote efficiency.

Changes to systems centrally managed are tracked according to the Department's Change Management Procedure. Systems determined to be Key Department Systems are incorporated into this procedure and recorded in the Daily Operations Report.

Many organizations, including Fortune 500 companies, don't use automated tools to track changes on all systems. Instead, they use automated tools to track changes only on their critical systems. The Department will evaluate the costs and benefits, and will implement methods and tools for automated tracking of changes on key systems as appropriate.

In compliance with ADOA policy to protect sensitive data, such as hunt applicant information, the Department currently uses firewalls to shield its systems and data, and uses Symantec's PGP to encrypt sensitive data. The Department will continue to be vigilant in protecting sensitive data.

The Department has defined critical systems requiring disaster recovery through the State's Continuity of Operations Plan (COOP) process. Currently all critical systems are hosted in the ADOA data center, and are managed by ADOA's Disaster Recovery plan. ADOA maintains two data centers that are currently operational and the successful transition between the two has been exercised multiple times in the past twelve months. As the Department develops and hosts critical systems, it will review, test, and update its Disaster Recovery plan and will store electronic and physical copies of the plan on and offsite.

Recommendations:

Recommendation 3.1: *To improve systems development practices, the Department should develop and implement a formal SDLC methodology to help ensure all IT systems are developed and maintained consistent with IT standards and best practices. This methodology should include steps for IT system development including planning, analysis, selection, design, testing, implementation, and maintenance.*

Response: The recommendation of the Auditor General is agreed to, and the audit recommendation will be implemented.

Recommendation 3.2: *To strengthen change management practices the Department should:*

3.2a: *Enhance its draft change management policy and develop change management procedures that are consistent with IT standards and best practices, by incorporating specific sequential steps, including testing and formal approval steps, and guidance on other areas such as roles and responsibilities of the persons involved and how to classify and prioritize changes;*

Response: The recommendation of the Auditor General is agreed to, and the audit recommendation will be implemented.

3.2b: *Ensure changes to all key Department systems, including systems that are not centrally managed, are tracked in its manual change management tracking mechanism, so that it is consistently tracking all changes;*

Response: The recommendation of the Auditor General is agreed to, and the audit recommendation will be implemented.

3.2c: *Require all changes to be adequately documented to include all necessary information such as prioritizations, approvals, testing plans, and implementation plans;*

Response: The recommendation of the Auditor General is agreed to, and the audit recommendation will be implemented.

3.2d: *Consistently maintain all documentation required for each change in a central location; and*

Response: The recommendation of the Auditor General is agreed to, and the audit recommendation will be implemented.

3.2e: *Develop a method, such as use of automated system change logs, to record all changes made directly to its systems and databases in order to enable monitoring of changes. In addition, the Department should regularly monitor its system change logs to identify unauthorized changes.*

Response: The recommendation of the Auditor General is agreed to, and the audit recommendation will be implemented.

Recommendation 3.3: *To ensure its IT contracts include important elements and that contracted service providers perform as required, the Department should develop and implement formal written policies and procedures for developing IT service provider contracts and overseeing IT service providers. Procedures should require the following:*

3.3a: *IT service provider contracts or agreements include clearly defined roles, responsibilities, and requirements of both the service provider and Department, such as who is responsible for managing and monitoring access to the Department's systems and data; and*

Response: The recommendation of the Auditor General is agreed to, and the audit recommendation will be implemented.

3.3b: *Continual monitoring and oversight processes be performed by either the Department or an independent source;*

Response: The recommendation of the Auditor General is agreed to, and the audit recommendation will be implemented.

3.3c: *Before participating in state-wide contracts, the Department should determine whether these contracts cover all of its critical requirements, such as providing for the security of its systems and data. Specifically, the policies and procedures the Department develops and implements should require it to review state-wide contracts, and obtain and document additional clarification from the contractor as necessary to ensure all of its critical requirements will be met.*

Response: The recommendation of the Auditor General is agreed to, and the audit recommendation will be implemented.

Recommendation 3.4: *The Department should develop and implement formal written policies and procedures for backing up its systems and data according to state policy. Its policies and procedures should require the Department to:*

3.4a: *Back up its system and data periodically using a defined cycle based on the criticality of its business processes;*

Response: The recommendation of the Auditor General is agreed to, and the audit recommendation will be implemented.

3.4b: *Further protect confidential information by using encryption technologies that would make the data unreadable to unauthorized users; and*

Response: The recommendation of the Auditor General is agreed to, and the audit recommendation will be implemented.

3.4c: *Test backups regularly to ensure successful recovery of data.*

Response: The recommendation of the Auditor General is agreed to, and the audit recommendation will be implemented.

Recommendation 3.5: *The Department should develop and implement a formalized disaster recovery plan consistent with IT standards and best practices. This plan should:*

3.5a: *Require the periodic review and update of the plan as necessary.*

Response: The recommendation of the Auditor General is agreed to, and the audit recommendation will be implemented.

3.5b: *Encompass all system and infrastructure components for which it is responsible, and address important elements such as regulatory and contractual requirements, and the Department's overall business-continuity needs.*

Response: The recommendation of the Auditor General is agreed to, and the audit recommendation will be implemented.

3.5c: *Require that the disaster recovery plan be tested on a regular basis so the Department can discover its strengths and weaknesses, and update the plan based on the test's results.*

Response: The recommendation of the Auditor General is agreed to, and the audit recommendation will be implemented.

3.5d: *Explicitly state who is involved in the disaster recovery team and what their roles and responsibilities are, what systems are most critical, the order in which to recover systems, and any other pertinent information required to bring the infrastructure back up as quickly as possible.*

Response: The recommendation of the Auditor General is agreed to, and the audit recommendation will be implemented.

3.5e: *Require copies of its disaster recovery plan be in both digital and physical form that are also stored off-site.*

Response: The recommendation of the Auditor General is agreed to, and the audit recommendation will be implemented.

Recommendation 3.6: *The Department should continue its efforts to identify and develop IT policies and procedures around all critical IT areas.*

Response: The recommendation of the Auditor General is agreed to, and the audit recommendation will be implemented.

Recommendation 3.7: *The Department should ensure that its formalized IT systems management and other IT policies and procedures are disseminated and communicated to necessary staff, and that staff are adequately trained on these policies and procedures.*

Response: The recommendation of the Auditor General is agreed to, and the audit recommendation will be implemented.

Finding 4: Commission improving compliance with open meeting law.

Overall, the Department agrees with the elements of Finding 4.

The audit report notes that the Department already has comprehensive procedures to ensure the Commission's compliance with open meeting law. The Department is proud of its compliance with open meeting law and will continue to safeguard this important public right.

Recommendations:

Recommendation 4.1: *The Department should continue its efforts to help ensure the Commission complies with the State's open meeting law by posting notices of commission meetings in the front counter areas of its Phoenix office and all of the regional offices.*

Response: The recommendation of the Auditor General is agreed to, and the audit recommendation will be implemented.

Recommendation 4.2: *The Department should develop and implement comprehensive procedures to help ensure the Commission's continued compliance with the State's open meeting law. These procedures should include who at the Department is responsible for overseeing compliance as well as for performing the various open meeting law tasks, such as:*

4.2a: *Posting an appropriate disclosure statement online;*

Response: The recommendation of the Auditor General is agreed to, and the audit recommendation will be implemented.

4.2b: *Posting electronic and hard copies of commission meeting notices and agendas 24 hours in advance.*

Response: The recommendation of the Auditor General is agreed to, and the audit recommendation will be implemented.

4.2c: *Posting approved written commission meeting minutes on the department Web site; and*

Response: The recommendation of the Auditor General is agreed to, and the audit recommendation will be implemented.

4.2d: *Including all required elements in commission meeting minutes.*

Response: The recommendation of the Auditor General is agreed to, and the audit recommendation will be implemented.

Conclusion:

The Arizona Game and Fish Department and Commission are grateful for the opportunity to assess and improve our internal systems. The Department and Commission are confident that we will continue to comply with state and ADOA standards and hope to raise those standards by setting an example of improved performance. The Auditor General's Office is to be commended for its thoroughness and fairness in its assessment of the Department's operations.

Performance Audit Division reports issued within the last 24 months

11-14	Arizona Game and Fish Commission Heritage Fund	13-02	Arizona Board of Appraisal
12-01	Arizona Health Care Cost Containment System— Coordination of Benefits	13-03	Arizona State Board of Physical Therapy
12-02	Arizona Health Care Cost Containment System—Medicaid Eligibility Determination	13-04	Registrar of Contractors
12-03	Arizona Board of Behavioral Health Examiners	13-05	Arizona Department of Financial Institutions
12-04	Arizona State Parks Board	13-06	Department of Environmental Quality—Underground Storage Tanks Financial Responsibility
12-05	Arizona State Schools for the Deaf and the Blind	13-07	Arizona State Board of Pharmacy
12-06	Arizona Health Care Cost Containment System—Medicaid Fraud and Abuse Prevention, Detection, Investigation, and Recovery Processes	13-08	Water Infrastructure Finance Authority
12-07	Arizona Health Care Cost Containment System—Sunset Factors	13-09	Arizona State Board of Cosmetology
13-01	Department of Environmental Quality—Compliance Management	13-10	Department of Environmental Quality—Sunset Factors
		13-11	Arizona State Board of Funeral Directors and Embalmers
		13-12	Arizona State Board for Charter Schools
		13-13	Arizona Historical Society
		13-14	Review of Selected State Practices for Information Technology Procurement

Future Performance Audit Division reports
