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May 4, 2016

The Honorable John Allen, Chair  
Joint Legislative Audit Committee

The Honorable Judy Burges, Vice Chair  
Joint Legislative Audit Committee

Dear Representative Allen and Senator Burges:

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

- 2 have been implemented;
- 5 are in the process of being implemented;
- 1 has not been implemented; and
- 2 are not applicable at this time.

Our Office will conduct a 24-month followup with the Department on the status of those recommendations that have not yet been fully implemented.

Sincerely,

Dale Chapman, Director  
Performance Audit Division

DC:ka  
Attachment

cc: Craig Brown, Director  
Arizona Department of Administration

# Arizona Department of Administration—Personnel Reform Implementation

## Auditor General Report No. 15-108

### Initial Follow-Up Report

#### Recommendation

#### Status/Additional Explanation

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

1.1 The Department should complete the state-wide classification system update by finalizing and implementing a classification system update plan. This plan should:

- a. Identify and incorporate classification system best practices;
- b. Specify the tasks or activities that need to occur to implement the system update, prioritize work on the tasks or activities, and establish time frames for the completion of these tasks or activities;
- c. Identify needed resources and the persons assigned who are responsible for the plan's execution; and
- d. Specify who is responsible for monitoring the plan's implementation to ensure the update progresses as expected.

#### Implementation in process

In March 2016, the Department began working with a contracted consulting firm to help it expedite the state-wide classification system update. As part of this work, the consultant will identify best practices in the public sector and assist the Department with developing its classification system update plan.

#### Implementation in process

As explained in Recommendation 1.1a, the Department has retained a consulting firm to help expedite the state-wide classification system update. The consultant will assist the Department with developing its classification system update plan, which will include detailed steps, phases, timelines, priorities, and allocation of resources.

#### Implementation in process

The Department is working with a consulting firm to develop its classification system update plan, which will include identifying needed resources for the plan's execution. See Recommendations 1.1a and 1.1b for further explanation.

#### Implemented at 6 months

1.2 The Department should develop a comprehensive internal workforce plan to mitigate the potential loss of institutional knowledge, skills, and expertise due to retirements.

#### Not implemented

The Department reported that, for the purposes of succession planning and career development, it has begun using two assessment tools to help identify and assess staff who could potentially fill future vacancies. However, the Department has not developed a comprehensive workforce plan and did not explain how it plans to use the information gathered from its assessment tools to mitigate the potential loss of institutional knowledge, skills, and expertise due to retirements.

## Recommendation

## Status/Additional Explanation

1.3 The Department should encourage state agencies to engage in workforce planning by:

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

**Implemented at 6 months**

**Implementation in process**

In December 2015, the Department provided a strategic workforce planning training presentation for its staff, some of who are assigned as the chief human resources officers for large state agencies. The training addressed how to retain valuable employees, plan for their eventual succession, and ensure continuity of needed skills and abilities. As of March 2016, the Department reported that it plans to tailor this training to meet the specific needs of state agencies that request such training in the future. The training will be provided by these chief human resources officers or other department staff.

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

**Implementation in process**

According to the Department, it was told by the Legislature to work with a policy advisor on an administrative solution. The Department reported that it plans to discuss workforce planning policies and procedures, minimum requirements, frequency, and monitoring with the policy advisor after the 2016 Legislative session.

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

**Not applicable at this time**

As indicated in the explanation for Recommendation 1.4, the Department plans to work with a policy advisor on an administrative solution that would include policies and procedures.

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

**Not applicable at this time**

As indicated in the explanation for Recommendation 1.4, the Department plans to work with a policy advisor on an administrative solution that would include monitoring.