



August 15, 2018

Ms. Lindsey Perry, Auditor General
State of Arizona Office of the Auditor General
2910 N. 44th Street, Suite 410
Phoenix AZ 85018

Re: Response to the August 2018 Performance Audit.

Dear Ms. Perry:

The Arizona Department of Gaming (“ADG” or “Department”) appreciates the opportunity to respond to the recommendations and findings of the performance audit performed by the Office of the Auditor General.

Below, please find the Department’s response to the audit findings.

Recommendation 1.1: The Department should continue its efforts to ensure that all SMP employees are properly identified and classified to ensure they receive the required expanded financial background check at the time of renewal.

Response: The finding of the Auditor General is agreed to and the audit recommendation will be implemented. Although no applicable Tribal-State Gaming Compact requirement exists, the Department will continue its efforts to ensure the proper identification and classification of SMP employees for expanded financial background check purposes.

Recommendation 1.2: The Department should incorporate the changes it has made to identify SMP employees in its policies, procedures, and/or training manual for employee certification, and then train staff accordingly.

Response: The finding of the Auditor General is agreed to and the audit recommendation will be implemented. The Department will ensure that it takes the proper steps to incorporate the changes and train staff accordingly.

Recommendation 2.1: The Department should perform name-based background checks through the FBI, when fingerprint-based background checks are unable to be performed.

Response: The finding of the Auditor General is agreed to and the audit recommendation will be implemented. Currently, the Department performs name-based checks on gaming applicants whose fingerprints have been rejected twice by the FBI, as a name-based check cannot be performed until two attempts at fingerprint check has been made first, per DPS policy. The Department will ensure that this

policy is adhered to by the Division of Racing as well, and that name-based checks are requested when necessary and in a timely manner.

Recommendation 2.2: The Department should cross-train its licensing staff to complete criminal background investigations and make licensing recommendations and decisions.

Response: The finding of the Auditor General is agreed to and the audit recommendation will be implemented. The Department will work to cross-train licensing staff to complete criminal background investigations, to ensure timely criminal background investigations and licensing.

Recommendation 2.3: The Department should continue to track and evaluate its licensing timeliness to ensure it completes criminal background investigations in a timely manner.

Response: The finding of the Auditor General is agreed to and the audit recommendation will be implemented. The Department will continue to track licensing timeliness through the Arizona Management System process.

Recommendation 2.4: The Department should develop and implement policies and procedures that require the supervisory review of all licensing recommendations and decisions made by the special investigator when applicants have criminal history.

Response: The finding of the Auditor General is agreed to and the audit recommendation will be implemented. “Supervisory approval” is currently conducted by the State Racing Stewards in instances where the special investigator determines revocation is appropriate. The Department will ensure that supervisory review occurs for all recommendations and decisions (e.g. no action necessary or revocation) made by the special investigator(s) when applicants have criminal history.

Recommendation 2.5: The Department should develop and implement policies and procedures for conducting interviews, such as what information should be obtained through an interview, to ensure that licensing applicants are evaluated consistently and effectively.

Response: The finding of the Auditor General is agreed to and the audit recommendation will be implemented. The Department will ensure that a standardized process is implemented.

Recommendation 1: Conduct an IT risk assessment to evaluate, document, and prioritize the process areas in the Department’s IT systems with the highest security risks.

Response: The finding of the Auditor General is agreed to and the audit recommendation will be implemented. The Department is currently conducting an IT risk assessment to determine these risks.

Recommendation 2: Use the information from the IT risk assessment to guide its efforts to develop and implement all necessary security program policies and procedures in line with IT standards, best practices, and ASET standards, focusing on high-risk areas first.

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

Recommendation 3: Add supplementary detail and finalize its policies and procedures for conducting tote audits, such as information on verifying test data, to ensure staff have adequate guidance when auditing the tote system system.

Response: The finding of the Auditor General is agreed to and the audit recommendation will be implemented. The Department will work to develop more robust policies and procedures for conducting tote audits.

Recommendation 4: The Department should implement the three (3) recommendations from the Office of the Auditor General's June 2018 procedural review, conducted in conjunction with the performance audit.

Response: As stated in the Department's procedural review response letter, the findings of the Auditor General are agreed to and the audit recommendations will be implemented.

- Prior to the end of FY18, the Department completed a physical inventory of all capital assets and updated the internal capital assets list as requested. The Department will continue to do so on an annual basis.
- On July 16, 2018, the Department requested that all employees provide ASPS Disclosure Statement Forms (conflict of interest) to its Human Resources section, pursuant to ARS § 38-503. The Department will conduct annual audits to ensure no deficiencies exist and that all necessary conflict of interest forms are on file.
- The Department will conduct a thorough review of prior years' allocations and expenditures to determine accurate amounts and unspent monies available for problem gambling initiatives. Furthermore, the Department shall determine available options to help identify and track all monies designated for reimbursement of administrative and regulatory expenses separately from monies designated for problem gambling initiatives going forward.

ADG appreciates the input and recommendations of the Office of the Auditor General and looks forward to fully implementing their suggestions in a timely manner. Additionally, the Department believes the outcomes garnered from the audit process will only better the service and safety provided to the Arizona public. Again, on behalf of the Arizona Department of Gaming, I want to thank you for your hard work in compiling such a thorough review.

Sincerely,

Daniel Bergin
Director