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AUDITOR GENERAL

STATE OF ARIZONA
OFFICE OF THE
AUDITOR GENERAL

WILLIAM THOMSON
DEPUTY AUDITOR GENERAL

July 23, 2007

The Honorable Robert Blendu, Chair
Joint Legislative Audit Committee

The Honorable John Nelson, Vice Chair
Joint Legislative Audit Committee

Dear Senator Blendu and Representative Nelson:

Our Office has recently completed a 24-month followup of the Department of Administration—Financial Services Division, regarding the implementation status of the 21 audit recommendations (including sub-parts of the recommendations) presented in the performance audit report released in June 2005 (Auditor General Report No. 05-02). As the attached grid indicates:

- 19 have been implemented, and
- 2 are in the process of being implemented.

Since all of the audit recommendations have been implemented or are in progress, and unless otherwise directed by the Joint Legislative Audit Committee, this report concludes our follow-up work on the Department's efforts to implement the recommendations from the June 2005 performance audit report.

Sincerely,

Melanie M. Chesney, Director
Performance Audit Division

MMC:Acm
Attachment

cc: William Bell, Director
Department of Administration, Financial Services Division

**DEPARTMENT OF ADMINISTRATION
FINANCIAL SERVICES DIVISION
24-Month Follow-Up Report To
Auditor General Report No. 05-02**

FINDING 1: DOA needs comprehensive plan to ensure completion of HRIS system

Recommendation	Status of Implementing Recommendation	Explanation for Recommendations That Have Not Been Implemented
<p>1. The Department, in collaboration with the user community, should develop a comprehensive plan to direct the completion of the HRIS system. This plan should specify the goals and objectives for completing the project, and the remaining functions to be implemented; and identify a process for addressing user requests for system features and changes, and the funding, staff resources, and time frames for completing the system's remaining functions and fully implementing the system.</p>	<p>Implemented at 12 Months</p>	
<p>2. The Department should follow its process for formally assessing the impact of requested system changes and for approving their implementation and priority on the list of items awaiting action.</p>	<p>Implemented at 6 Months</p>	
<p>3. The Department should continue to address the concerns with its acceptance testing process, including developing a testing methodology, individual test plans, and documenting test results.</p>	<p>Implemented at 12 Months</p>	

**DEPARTMENT OF ADMINISTRATION
FINANCIAL SERVICES DIVISION
24-Month Follow-Up Report To
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FINDING 1: DOA needs comprehensive plan to ensure completion of HRIS system (concl'd)

Recommendation	Status of Implementing Recommendation	Explanation for Recommendations That Have Not Been Implemented
4. The Department should enhance user participation in the HRIS project by:		
a. Following through with its plans to involve users in the development of a comprehensive plan to direct the completion of HRIS;	Implemented at 6 Months	
b. Establishing documented processes by which the executive committee obtains, considers, and takes action on user input regarding overall project policy, and by which the project team obtains user participation and approval at critical project phases;	Implemented at 12 Months	
c. Including users in the process for prioritizing system changes; and	Implemented at 6 Months	
d. Involving users in all phases of system design and acceptance testing.	Implemented at 12 Months	

**DEPARTMENT OF ADMINISTRATION
FINANCIAL SERVICES DIVISION
24-Month Follow-Up Report To
Auditor General Report No. 05-02**

FINDING 2: Planned changes should improve procurement oversight, but more can be done

Recommendation	Status of Implementing Recommendation	Explanation for Recommendations That Have Not Been Implemented
1. The Department should continue with its plans to develop and implement a state-wide procurement policy and procedure manual that will not only contain policies and procedures for procurement within Arizona’s regulatory framework, but also provide guidance and examples of best practices in key procurement processes.	Implementation in Process	The Department continues its development of a state-wide policies and procedures manual, which will address policies as well as best practice. It is the intention of the Department to make this information available via the Department’s Web site.
2. The Department should continue with its plans to implement a process, policies, and procedures for conducting reviews at least once every 3 years of the procurement practices of state agencies with delegated procurement authority of \$100,000 or more.	Implemented at 18 Months	
3. In conjunction with its reviews of state agency procurement practices and as time and resources permit, the Department should annually review a random sample of individual procurements.	Implemented at 18 Months	
4. As part of its effort to develop a procurement policies and procedures manual, the Department should develop and implement policies, procedures, and/or guidelines for contract administration.	Implemented at 6 Months	

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FINDING 2: Planned changes should improve procurement oversight, but more can be done (concl'd)

Recommendation	Status of Implementing Recommendation	Explanation for Recommendations That Have Not Been Implemented
5. The Department should conduct a cost-benefit study of various options to determine the best approach for collecting and analyzing needed data on state contracting activities. Potential options for study include:	Implementation in Process	Although, the Department's fiscal year 2008 budget submittal included a request for the study of an AFIS replacement system, this was not funded. The Department intends to request this funding in fiscal year 2009.
a. Using the current capability that exists on the Arizona Financial Information System (AFIS) to collect basic contracting information.		
b. Identifying a new financial/accounting system to replace AFIS that has a procurement/contracting component with the ability to collect the desired contracting data.		

**DEPARTMENT OF ADMINISTRATION
FINANCIAL SERVICES DIVISION
24-Month Follow-Up Report To
Auditor General Report No. 05-02**

FINDING 3: Department can improve its workers' compensation claims process

Recommendation	Status of Implementing Recommendation	Explanation for Recommendations That Have Not Been Implemented
1. Risk Management should take steps to ensure that injured employees clearly understand the workers' compensation claims process and their rights and responsibilities in this process. Specifically:		
a. Through its automated phone system and Web site, Risk Management should explain the workers' compensation claims process, actions that injured employees are required to take to file a claim, and the information and reports that Risk Management needs to process a claim; and	Implemented at 18 Months	
b. Risk Management should expand the information on its Web site to inform injured employees of the importance of filling out a report of injury when treated by a physician, requesting that the physician immediately send reports to the Industrial Commission and Risk Management, asking all medical providers to send reports to Risk Management, and keeping adjusters informed of their work status.	Implemented at 6 Months	

**DEPARTMENT OF ADMINISTRATION
FINANCIAL SERVICES DIVISION
24-Month Follow-Up Report To
Auditor General Report No. 05-02**

FINDING 3: Department can improve its workers' compensation claims process (cont'd)

Recommendation	Status of Implementing Recommendation	Explanation for Recommendations That Have Not Been Implemented
2. Risk Management should improve its policies and procedures for claims processing by:		
a. Adopting procedures to more promptly identify time-loss claims by asking injured employees to identify the first day they missed time from work because of a work-related injury, and then, for potential time-loss claims, contacting the employee and/or agency supervisor 7 days after the injury occurred to determine if payment for time lost from work is due;	Implemented at 6 Months	
b. Monitoring its revised supervisory review policy to ensure that the existing backlog of claims awaiting review is eliminated and that claims are reviewed as scheduled; and	Implemented at 6 Months	
c. Developing a standard instrument for the supervisory review of claims, using this form to evaluate adjuster performance, and then using the information collected to identify any training needs.	Implemented at 6 Months	

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FINDING 3: Department can improve its workers' compensation claims process (cont'd)

Recommendation	Status of Implementing Recommendation	Explanation for Recommendations That Have Not Been Implemented
3. Risk Management should explore options for obtaining the information it needs from state agencies in a timely manner. These options include:	Implemented at 18 Months	
a. Sending a letter or e-mail, or making a telephone call requesting the needed information from state agencies; and		
b. Adopting an administrative rule establishing a penalty, such as a flat fee, for noncompliance with the statutory reporting requirement.		
4. Risk Management should provide guidance to agencies on how to report injury information, as well as periodically informing them whether they are providing injury information in a timely manner.	Implemented at 6 Months	
5. To help ensure the accuracy of information in its claims management system, Risk Management should develop procedures directing staff on data-entry requirements, including defining key terms and dates.	Implemented at 18 Months	

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FINDING 3: Department can improve its workers' compensation claims process (concl'd)

Recommendation	Status of Implementing Recommendation	Explanation for Recommendations That Have Not Been Implemented
6. Risk Management should more effectively monitor the claims process by developing additional management reports for key items in the workers' compensation claims process.	Implemented at 6 Months	