

The August 2018 Arizona Department of Gaming performance audit and sunset review found that the Department assesses compliance with the Tribal-State Gaming Compact, but should enhance its gaming facility employee recertification and horse racing licensure processes. The Department's status in implementing the recommendations is as follows:

Status of 12 recommendations

| | |
|------------------------|----|
| Implemented: | 10 |
| Partially implemented: | 2 |

We also identified a finding regarding the Department's administration of the Arizona Benefits Fund. This finding and the 3 associated recommendations were not included in the report because they contained sensitive information. We assessed the implementation status of the 3 recommendations and determined that the Department has implemented 2 recommendations and is in the process of implementing the third recommendation.

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 August 2018 report.

Finding 1: Department appropriately certified gaming vendors and employees reviewed, but should continue to enhance employee recertification process

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.

Implemented at 6 months

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.

Implemented at 6 months

Finding 2: Department should enhance horse racing licensure process to better ensure it appropriately issues all licenses in a timely manner

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

Implemented at 6 months

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

Implemented at 6 months

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

Implemented at 6 months

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.

Implemented at 6 months

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.

Implemented at 6 months

Sunset Factor 2: The Department's effectiveness and efficiency in fulfilling its key statutory objectives and purposes

1. The Department should conduct an IT risk assessment to evaluate, document, and prioritize the process areas in the Department's IT systems with the highest security risks.

Implemented at 30 months.

2. The Department should 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.

Implemented at 30 months.

3. The Department should add supplementary detail to 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.

Implemented at 30 months.

4. The Department should implement the recommendations from the Office of the Auditor General's June 2018 procedural review, conducted in conjunction with this audit (see Report 18-303). Specifically, the Department should:

- Conduct a physical inventory of its capital assets, update its internal capital assets listing and the FAM for any changes, and perform a reconciliation between its internal listing and the FAM at least annually. In addition, a record documenting the physical inventory should be prepared and retained for the retention period established by the Arizona State Library, Archives and Public Records.
- Maintain accurate and up-to-date conflict-of-interest disclosure forms for all employees to help ensure compliance with A.R.S. §38-503. Further, if the Department has related-party transactions that aggregate to \$100,000 or more annually, it should report them to the State Comptroller for financial reporting purposes.
- Improve its financial management of the Arizona Benefits Fund by identifying and accounting for monies designated for the reimbursement of administrative and regulatory expenses for gaming regulation separately from monies designated for problem gambling initiatives in the State's accounting information system. Additionally, the Department should review prior years' allocations and expenditures to help identify accurate amounts of unspent monies available to reimburse administrative and regulatory expenses and for problem gambling initiatives.

Partially Implemented at 30 months—The Department conducted a physical inventory of its capital assets and updated the FAM based on the results of the physical inventory. In addition, the Department reported that it will update its policies and procedures in fiscal year 2022 to include requirements for performing an annual reconciliation and retaining documentation of the physical inventory consistent with Arizona State Library, Archives and Public Records requirements.

Our review of a sample of conflict-of-interest forms found them to be accurate and up to date. In addition, as of May 2021, the Department reported that it had not identified any related-party transactions that needed to be reported to the State Comptroller.

The Department has also taken steps to improve its financial management of the Arizona Benefits Fund. Specifically, the Department has established separate sub-funds to properly segregate and account for monies designated for the reimbursement of regulatory and administrative expenses and monies designated for problem gambling initiatives. In addition, the Department reviewed prior years' allocations and expenditures to identify accurate amounts of unspent monies available to reimburse administrative and regulatory expenses and for problem gambling initiatives. However, as of May 2021, the Department had not transferred the full and correct amount owed to the sub-fund for problem gambling initiatives.

Sunset Factor 9: The extent to which changes are necessary in the laws of the Department to adequately comply with the factors listed in the sunset law

5. The Legislature should consider aligning the sunset dates of the Department, the Arizona Racing Commission, and the Arizona Boxing and Mixed Martial Arts Commission.

Partially Implemented at 18 months—Laws 2020, Ch. 36 established the Department's sunset date as July 1, 2026, which aligns with the Arizona Boxing and Mixed Martial Arts Commission sunset date. The sunset date for the Arizona Racing Commission remains July 1, 2024.