



GOVERNOR KATIE HOBBS



DIRECTOR JACKIE JOHNSON

September 3, 2025

SENT VIA EMAIL

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 2025 Performance Audit and Sunset Review of the Arizona Department of Gaming

Dear Ms. Perry:

The Arizona Department of Gaming ("Department") appreciates the opportunity to respond to the recommendations and findings of the performance audit and sunset review performed by the Office of the Auditor General. Below, please find the Department's response to the audit findings.

The Department appreciates the input and recommendations provided by the Office of the Auditor General and is committed to implementing them in a timely and effective manner. As the agency responsible for regulating one of the most diverse gaming markets in the United States, the Department is confident that this audit will help improve operations and strengthen regulatory oversight to protect the public and maintain the integrity of gaming in Arizona. On behalf of the Department, thank you and your staff for your diligence and thoroughness in conducting this review.

Sincerely,

DocuSigned by:

A blue ink handwritten signature that reads "Jackie Johnson".

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Jackie Johnson

Director, Arizona Department of Gaming

Enclosure

Recommendations to the Department

Finding 1: Department did not consistently obtain and review event wagering and fantasy sports contest operators' third-party audit reports to ensure the accuracy of privilege fee payments, increasing the risk of lost State revenues and negative impacts on operators that erroneously make overpayments

Department response: The Auditor General's finding is agreed to.

Response explanation: The Department will revise and implement updated policies and procedures that outline steps for Department staff to consistently obtain and review event wagering and fantasy sports contest operators' third-party audit reports to ensure the accuracy of privilege fee payments. Staff will be trained on the new or revised procedures to ensure effective implementation. The Department will continue to monitor compliance and will refine its processes, policies, and procedures as needed, including re-educating staff to maintain consistency and accountability.

Recommendation 1: Ensure that event wagering and fantasy sports contest operators comply with statutory and rule requirements to submit independent audit reports that include an attestation from the CPA firm that the operator accurately reported the adjusted gross event wagering receipts or fantasy sports contest adjusted revenues.

Department response: The audit recommendation will be implemented.

Response explanation: The Department has begun implementation of the recommendation through the implementation of a new system (Salesforce) to modernize and streamline the audit report process. In addition, the Department will issue updated guidance to operators, require resubmission of noncompliant reports with the appropriate CPA attestation, and enhance internal review procedures through a verification process and/or checklist.

Recommendation 2: Review event wagering and fantasy sports contest operators' independent audit reports to determine if the operators paid the correct privilege fee amounts during the audited year and take actions to address any overpayments and underpayments as required by rule.

Department response: The audit recommendation will be implemented.

Response explanation: The Department has begun implementation of the recommendation. The Department has initiated a comprehensive historical review of all submitted independent audit reports to verify that operators have accurately paid the required privilege fees during the audited year. In cases where overpayments or underpayments are identified, the Department will take corrective action. Applicable policies and procedures will be developed or revised and updated. Staff will be trained to ensure effective implementation.

Recommendation 3: Conduct a review of event wagering and fantasy sports contest operators' independent audit reports since 2021, and determine which operators did not provide an audit report that complied with statutory and rule requirements, such as providing

an attestation. Based on this review, the Department should follow up with all operators who did not provide an audit report that met statutory and rule requirements.

Department response: The audit recommendation will be implemented.

Response explanation: The Department has begun implementation of the recommendation. The Department has initiated a comprehensive historical review of all independent audit reports submitted by event wagering and fantasy sports contest operators since 2021 to identify reports that do not meet statutory and rule requirements, including the absence of a required CPA attestation. The Department will notify all noncompliant operators and require them to submit amended reports that meet the applicable requirements. Applicable policies and procedures will be developed or revised and updated. Staff will be trained to ensure effective implementation.

Recommendation 4: In conjunction with Recommendation 3, review event wagering and fantasy sports contest operators' independent audit reports since 2021 to determine if the operators paid the correct privilege fee amounts and take actions to address any overpayments and underpayments, as required by rule.

Department response: The audit recommendation will be implemented.

Response explanation: The Department has begun implementation of the recommendation. The Department has initiated a comprehensive review of all independent audit reports submitted by event wagering and fantasy sports contest operators since 2021. This review will verify whether operators paid the correct privilege fee amounts. Any identified overpayments or underpayments will be addressed with the operator, in accordance with rule. Agency staff will be trained to ensure effective implementation.

Recommendation 5: Revise and implement its policies and procedures for reviewing independent audit reports that include requirements and steps for following up with event wagering and fantasy sports contest operators or their auditors that fail to provide an audit report and/or required audit attestation.

Department response: The audit recommendation will be implemented.

Response explanation: The Department has begun implementation of the recommendation. The Department has initiated a review of applicable policies and procedures to determine additions, updates, or revisions necessary to clearly define the steps for reviewing independent audit reports and outline specific follow-up actions for instances where operators or their auditors fail to submit an audit report or attestation. The revised policies will be communicated to all licensed operators and agency staff will be trained to ensure effective implementation.

Recommendation 6: Revise and implement its policies and procedures to include steps to take disciplinary actions, if necessary, against event wagering and fantasy sports contest operators who fail to provide an independent audit report that complies with statutory and rule requirements.

Department response: The audit recommendation will be implemented.

Response explanation: The Department has begun implementation of the recommendation. The Department has initiated a review of applicable policies and procedures to determine additions, updates or revisions including clear steps for initiating disciplinary actions against event wagering and fantasy sports contest operators who fail to submit an independent audit report that meets statutory and rule requirements. The revised policies will be communicated to all licensed operators and agency staff will be trained to ensure effective implementation.

Finding 2: Although Department timely investigated and resolved some complaints we reviewed, we were unable to determine and the Department was unable to demonstrate if it timely and appropriately investigated and resolved most complaints it received because it lacks comprehensive complaint-handling processes, increasing risk to public welfare and safety

Department response: The Auditor General's finding is agreed to.

Response explanation: While the Department is responsive to inquiries and complaints from the public, the Department currently lacks agency-wide complaint handling policies, procedures, and tools to track the completion and timeliness of resolution. The Department has added this to its FY26 Strategic Plan as a breakthrough objective making it a high-priority improvement project.

Recommendation 7: Develop and implement policies and procedures for receiving, investigating, forwarding if necessary, and resolving the various types of complaints it is responsible for, including complaints related to Compact noncompliance, event wagering and fantasy sports, and horse racing.

Department response: The audit recommendation will be implemented.

Response explanation: The Department has begun implementation of the recommendation. The Department has identified constituent inquiry and complaint handling processes as a breakthrough project in its strategic plan. This project will include the development and implementation of policies and procedures for receiving, investigating, forwarding, and resolving all agency and commission public inquiries and complaints for which it's responsible. Staff will be trained on the new or revised procedures to ensure effective implementation.

Recommendation 8: Develop and implement a complaint-tracking mechanism(s) or tool(s) that allows the Department to track and monitor the various types of complaints it is responsible for to ensure they are investigated and resolved in a timely manner.

Department response: The audit recommendation will be implemented.

Response explanation: The Department has begun implementation of the recommendation. The Department has identified constituent inquiry and complaint handling processes as a breakthrough project in its strategic plan. This project will include a complaint-tracking mechanism(s) or tool(s) that allows the Department to track and monitor the various types of complaints it is responsible for to ensure they are investigated and resolved in a timely manner. In the interim, the Department has developed an internal tracker and will develop, implement, and train staff on policies and

procedures for complaint-handling while it works towards the full implementation of these improvements.

As part of its efforts to implement recommendations 7 and 8, the Department should:

Recommendation 9: Make complaint-handling information readily available on its website, including information on how to submit a complaint.

Department response: The audit recommendation will be implemented.

Response explanation: The Department's constituent inquiries and complaint handling breakthrough project will ensure that complaint-handling information is readily available on its website, including information on how to submit a complaint.

Recommendation 10: Implement a process to track complaints of compact noncompliance to ensure TGOs are notified within 48 hours of the receipt or report of a complaint regarding compact noncompliance.

Department response: The audit recommendation will be implemented.

Response explanation: The Department has begun implementation of the recommendation. The Department has identified constituent inquiry and complaint handling processes as a breakthrough project in its strategic plan. The revisions to the constituent inquiry and complaint tracker will now include a 48-hour notification requirement to the TGOs upon the receipt or report of a complaint regarding Compact noncompliance.

Recommendation 11: Implement a process to track event wagering and fantasy sports complaints to ensure final letters are sent to complainants within 5 days after completing the complaint investigation.

Department response: The audit recommendation will be implemented.

Response explanation: The Department has implemented a process to track event wagering and fantasy sports patron complaints to ensure final letters are sent to complainants within five days after completing the investigation, for those that warranted an investigation by the Department. The Department has updated its electronic tracking system to monitor each complaint's status and timeline. Additionally, staff have been trained on the updated procedures to support consistent and timely communication with complainants.

Recommendation 12: Implement the State Ombudsman's recommendations related to its handling of event wagering and fantasy sports complaints.

Department response: The audit recommendation will be implemented.

Response explanation: The Department did comply with one of the Ombudsmen's requests to add additional language to its emails with patrons. The Department is in the process of developing policies and procedures for timely contacting complainants to inform them of the status of their complaint investigations and responding to

licensees that either refuse or ignore corrective actions recommended by the Department.

Finding 3: Department, Racing Commission, and Boxing and MMA Commission did not comply with some State conflict-of-interest requirements, increasing risk that employees and commission members had not disclosed substantial interests that might influence or could affect their official conduct

Department response: The Auditor General's finding is agreed to.

Response explanation: The Department agrees with the auditors' findings that some of the state's requirements related to conflicts-of-interest were not fully complied with and has already taken actions to remedy as detailed in the below recommendation responses.

Continue to develop and implement conflict-of-interest policies and procedures to help ensure compliance with State conflict-of-interest requirements and alignment with recommended practices, including:

Recommendation 13: Requiring employees to complete a conflict-of-interest disclosure form upon hire that addresses all State and Department-specific conflict-of-interest requirements, and reminding them at least annually to update their form when their circumstances or responsibilities change, such as being assigned to participate on a committee to allocate event wagering licenses, including attesting that no conflicts exist, if applicable.

Department response: The audit recommendation will be implemented.

Response explanation: As of July 2025, the Department has a draft Conflict of Interest Policy and an Employee Conflicts Disclosure form, modeled after the Arizona Department of Administration's policy. The Department has also drafted Commission-specific disclosure forms for the Boxing & MMA and Racing Commissions which contain specific disclosures required by the statutes and rules governing those specific divisions of the Department. These forms will soon be finalized and distributed to staff and Commissioners to complete. Conflict-of-interest disclosure forms will be updated by staff and Commissioners annually, upon hire or appointment, when circumstances change, and when forms and policies are revised. Additionally, the Department conducted a Department-wide Conflicts of Interest Training on March 14, 2025, which was recorded and sent via email to all agency employees. On June 11, 2025, the Department held another training for all Department employees covering Procurement Ethics and required Conflict of Interest disclosures. Training will be provided on an annual basis, and employees and Commissioners will be required to sign an attestation form confirming that they have attended or reviewed the Conflict of Interest training.

Recommendation 14: Storing all substantial interest disclosures in a special file available for public inspection.

Department response: The audit recommendation will be implemented.

Response explanation: The Department had all employees complete the ADOA Disclosure Form earlier this year and is requiring new employees to complete the ADOA Disclosure form when they are hired. These forms are collected by Human Resources and stored in a separate conflicts of interest file. The Department will follow this system with the newly created Department specific disclosure form and the Commission specific disclosure forms, except Commission specific disclosure forms will be held by the respective Division associated with each Commission in a separate conflicts of interest file.

Recommendation 15: Establishing a process to review and remediate disclosed conflicts.

Department response: The audit recommendation will be implemented.

Response explanation: The Department has already established a process to review and remediate disclosed conflicts. Upon review of the disclosure form, Human Resources will escalate any conflicts to the Legal Team for review. The Legal Team will then advise the employee, their supervisor, and necessary executive level staff on how to best manage the conflict including procedures for walling the employee off from the conflict if necessary.

Recommendation 16: Develop and provide periodic training on its conflict-of-interest requirements, process, and disclosure form, including providing training to employees on how the State's and Department-specific conflict-of-interest requirements relate to their unique programs, functions, or responsibilities.

Department response: The audit recommendation will be implemented.

Response explanation: The Department has developed and conducted the Department-wide conflicts of interest training on March 14, 2025 and will continue to conduct this training annually. The Department also conducted a procurement ethics training on June 11, 2025 which reinforced the general state-wide conflicts of interest statutes as well as focusing on specific conflicts issues in the area of procurement. Training will be provided on an annual basis, and employees and Commissioners will be required to acknowledge receiving training.

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

Department has taken some steps to address and/or plan for implementing recommendations from 2023 evaluation of its problem gambling program

Department response: The Auditor General's finding is agreed to.

Response explanation: The Department has taken steps to implement recommendations from the 2023 evaluation of its problem gambling program. However, its ability to fully implement certain recommendations is constrained by budget limitations and the increasing demand for problem gambling services, which will require additional resources to address effectively.

Recommendation 17: Develop and implement a documented plan and time frames to implement the suggested recommendations from the contracted evaluation of the Department's problem gambling programs. If the Department determines not to implement some of the suggested recommendations, it should include its rationale for not doing so in the documented plan.

Department response: The audit recommendation will be implemented.

Response explanation: The Department has begun implementation and has incorporated some of the recommendations in the Department's recent Strategic Plan, however, the Division of Problem Gambling will also create a comprehensive plan that lists all recommendations and the Division's intent or ability to implement them.

Department has developed and implemented Compact Compliance Review (CCR) policies and procedures to assess compliance with most Compact requirements but lacks procedures for reviewing some problem gambling requirements and selecting gaming machines and tables for review

Department response: The Auditor General's finding is agreed to.

Response explanation: The Department agrees with the recommendations and has updated its policies and procedures related to Compact Compliance Reviews and has provided clear guidance on reviewing problem gambling requirements and the selection of gaming machines and table games to review.

Recommendation 18: Implement its revised CCR policies and procedures to ensure compliance with all problem gambling requirements in the Compact.

Department response: The audit recommendation will be implemented.

Response explanation: The Department has implemented the recommendation and has revised CCR procedures to ensure compliance with all problem gambling requirements outlined in Appendix M of the compact. The updated procedures provide clear guidance for verifying and documenting adherence to problem gambling provisions during CCR reviews. Staff have been trained on the new guidelines and the Department will continue to monitor compliance and refine the process, policies and procedures or re-educate staff as needed.

Recommendation 19: Develop and implement policies and procedures for selecting gaming machines and tables to review during the CCR, including guidance on the number and types of gaming machines and tables to review.

Department response: The audit recommendation will be implemented.

Response explanation: The Department has implemented the recommendation. Procedures have been developed and implemented to guide the selection of gaming machines and table games for review during the CCR process. These procedures include specific criteria for determining the number and types of gaming machines and

tables to be reviewed. Staff have been trained on the new guidelines and the Department will continue to monitor and refine the process, policies and procedures or re-educate staff as needed.

Recommendation 20: Implement its revised CCR policies and procedures for observing table games during the CCR.

Department response: The audit recommendation will be implemented.

Response explanation: Revised CCR procedures for observing table games during the CCR have been implemented. The updated procedures provide clear guidance on how and when table games are to be observed (in-person or surveillance). Staff have been trained on these procedures and the Department will continue to monitor the effectiveness of the process and make adjustments as necessary.

Although the Department took steps to ensure free bets were accurately calculated for those we reviewed, it lacks policies and procedures for ensuring event wagering operators consistently include free bets redeemed in their adjusted gross wagering receipts

Department response: The Auditor General's finding is agreed to.

Response explanation: The Department agrees and will revise its policies and procedures to ensure event wagering operators consistently include free bets redeemed in their adjusted gross wagering receipts.

Recommendation 21: Revise and implement instructions for operators on calculating and preparing free bet and promotional credits to clarify how free bet and promotional credit deductions should be calculated and require operators to submit documentation supporting these calculations.

Department response: The audit recommendation will be implemented.

Response explanation: The Department has begun to implement the recommendation and is revising and updating the instructions for calculating and reporting free bet and promotional credits. The revised instructions will clarify the calculation methodology and require operators to submit documentation that supports their calculations. Staff will receive instruction on the updated procedures, and monitoring will be conducted to ensure compliance.

Recommendation 22: Revise and implement policies and procedures that outline steps for Department staff to review free bet information to ensure free bets are accurately reported.

Department response: The audit recommendation will be implemented.

Response explanation: The Department has begun to implement the recommendation and is revising and updating policies and procedures that outline steps for Department staff to review free bet information to ensure free bets are accurately reported. Staff will

receive instruction on the updated procedures, and monitoring will be conducted to ensure compliance.

Department lacks consistent policies and procedures regarding its secondary review of tribal contribution payments

Department response: The Auditor General's finding is agreed to.

Response explanation: The Department agrees to the finding and has updated its policies and procedures regarding secondary reviews of tribal contribution payments.

Recommendation 23: Revise its policies and procedures for reviewing and reconciling tribes' monthly and quarterly Class III net win reports to clarify if a secondary review is required.

Department response: The audit recommendation will be implemented.

Response explanation: As of March 6, 2025, the Department has updated and implemented its policies and procedures for reviewing and reconciling tribes' monthly and quarterly Class III net win report with a specification when a secondary review is required. Staff have received training on these updated procedures, and regular monitoring will be conducted to ensure compliance.

Department developed a process for reviewing and reconciling event wagering and fantasy sports privilege fees but did not verify the accuracy of some privilege fees we reviewed

Department response: The Auditor General's finding is agreed to.

Response explanation: The Department agrees to the finding and will update its policies and procedures to ensure all event wagering and fantasy sports privilege fees are verified to be accurate, that all supporting documentation is provided by the operators, and that secondary reviews are conducted at a standardized cadence.

Recommendation 24: Ensure it receives and reviews all supporting documentation to ensure privilege fee payments it receives are accurate, including following up with operators to ensure all supporting documentation is provided.

Department response: The audit recommendation will be implemented.

Response explanation: The Department has begun to implement the recommendation and is revising policies and procedures that include outlining steps for Department staff to review and ensure privilege fee payments received are accurate. The updated policies and procedures will require supporting documentation and require staff to follow up with operators when documentation is incomplete. Staff will be instructed on the updated policies and procedures and monitoring will be conducted.

Recommendation 25: Continue to develop and implement a secondary review process to ensure that privilege fee payments are accurate.

Department response: The audit recommendation will be implemented.

Response explanation: As of March 6, 2025, the Department has updated and implemented its policies and procedures for reviewing and reconciling operators' monthly revenue reports with a specification when a secondary review is required. Staff have received training on these updated procedures, and regular monitoring will be conducted to ensure compliance.

Department lacks policies and procedures for some IT security requirements and did not conduct a risk assessment of its IT systems

Department response: The Auditor General's finding is agreed to.

Response explanation: The Department agrees to the recommendations and takes IT security very seriously. The Department has several processes and tests that help prevent and assess threats. The Department will address any shortfalls in ensuring the Department's IT systems are secure including creating all required policies and procedures.

Recommendation 26: Develop and implement a written action plan for developing and implementing State-required IT security procedures in line with AZDOHS requirements and credible industry standards, focusing on the IT security areas with the highest security risk first. The action plan should include specific tasks, the status of those tasks, and their estimated completion dates, as well as a process for regularly reviewing and updating the plan based on its progress.

Department response: The audit recommendation will be implemented.

Response explanation: The Department has begun to implement the recommendation and is actively developing and implementing a written action plan aligned with AZDOHS requirements and credible industry standards. The plan includes prioritized tasks based on identified IT security risks, along with current status updates and estimated completion dates. It will also include procedures for regular review and updates. The Department has already begun adopting AZDOHS policy templates for incident response, IT security awareness, and data protection, and continues to implement staff training, system monitoring, and risk mitigation efforts in alignment with State standards. The Department will continue to work with the Arizona National Guard Cyber Command for PIN testing.

Department lacked documentation to demonstrate horse racing licensing applicants were qualified

Department response: The Auditor General's finding is agreed to.

Response explanation: The Department agrees and will improve its policies and procedures and train staff to ensure the proper documentation of all due diligence steps conducted to ensure horse racing licensing applicants are qualified.

Recommendation 27: Ensure Department staff review a national infractions database for violations by horse racing license applicants.

Department response: The audit recommendation will be implemented.

Response explanation: The Department has implemented the recommendation. A review by the Department's Licensing Techs is now conducted at the time the applicant submits their application. The applicant's name is entered into the National Database maintained by the Association of Racing Commissioners International (ARCI). All applicants are reviewed for potential past violations, including any outstanding or unpaid fines, suspensions, or infractions from other jurisdictions. Completed background checks are copied and digitally stored along with the applicants' license applications. Staff have received instruction on the updated procedures, and monitoring will be conducted to ensure compliance and effective implementation.

Recommendation 28: Revise and implement the Department's checklist to ensure all licensing steps are completed and documented.

Department response: The audit recommendation will be implemented.

Response explanation: The Department has implemented the recommendation. A closeout checklist procedure was developed and implemented on May 28, 2025, to guide Licensing Techs during the licensing process. The checklist includes verification of application completeness, third-party background checks—including checks of the National Database and racing IDs from other jurisdictions. Each item on the checklist is verified and signed by the staff member who completes the process. Completed checklists are copied and digitally stored along with applicants' licenses and background check documentation. Staff have received instruction on the updated procedures, and monitoring will be conducted to ensure compliance and effective implementation.

Recommendation 29: Provide periodic training to licensing staff on processes to ensure all required steps are completed and properly documented.

Department response: The audit recommendation will be implemented.

Response explanation: The Department has implemented the recommendation. Staff have been trained on the new guidelines, and the Department will continue to monitor and refine its processes, policies, and procedures, providing additional training as needed.

Department determined a commercial racetrack permit application was administratively complete despite it lacking some required application information

Department response: The Auditor General's finding is agreed to.

Response explanation: The Department agrees with the finding and will update its policies and procedures to ensure greater clarity and consistency in the application review process. Although the Department's communication regarding administrative completeness may have been unclear, the Department did require submission of the missing documentation by the applicant and received the missing documentation before the application was forwarded to the Commission. Moving forward, the Department will ensure that all required information is obtained and verified prior to issuing any administrative completeness determinations.

Recommendation 30: Ensure that commercial racetrack permit applications contain all required documentation prior to issuing administrative completeness determinations, as required by rule.

Department response: The audit recommendation will be implemented.

Response explanation: The Department has begun to implement the recommendation and will ensure that all required documentation has been submitted and reviewed prior to issuing a determination of administrative completeness. A standardized checklist is in place for this purpose, and Department staff involved in the racetrack permit process will be trained regarding the checklist and understand the significance of its thorough completion.

Department has not developed a process to regularly evaluate the appropriateness of its horse racing license and permit fees

Department response: The Auditor General's finding is agreed to.

Response explanation: Though some analysis related to the Department's various fee types has been conducted periodically, the Department agrees to the recommendation and will develop a standard process to regularly evaluate the appropriateness of its horse racing license and permit fees.

Recommendation 31: Further revise and implement its policies and procedures for periodically evaluating all horse racing regulatory costs and fee amounts, including developing and implementing a cost methodology to provide information on its regulatory costs.

Department response: The audit recommendation will be implemented.

Response explanation: The Department has begun implementation of the recommendation and is reviewing its policies and procedures for budgeting and financial planning and analysis. Policies and procedures for evaluating horse racing regulatory costs will be enhanced to include guidance on how to evaluate the appropriateness of fees using specific cost methodologies.

Department untimely distributed funds to Category 2 tribes from the Compact Trust Fund

Department response: The Auditor General's finding is agreed to.

Response explanation: The Department acknowledges the importance of ensuring these distributions are made promptly and agrees with the recommendation to update the procedures to provide clear guidance on when Compact Trust Fund payments are due to the Category Two Tribes.

Recommendation 32: Timely distribute monies from the Compact Trust Fund to Category 2 tribes, in accordance with Compact requirements.

Department response: The audit recommendation will be implemented.

Response explanation: The Department has implemented the recommendation and has updated the procedures to provide clear guidance on when Compact Trust Fund payments are due to the Category Two Tribes. The Department distributed the 2024-2025 Category Two Compact Trust Fund payments on August 8, 2025, August 12, 2025, and August 14, 2025, all prior to or on the due date.

Department has not distributed all required monies from the Compact Trust Fund to Category 3 tribes

Department response: The Auditor General's finding is agreed to.

Response explanation: The Department agrees with the finding that these funds have not been distributed; however, the Department is fully meeting its Compact Trust Fund responsibilities. The Compact language for distributions to the Category Three Tribes is unclear and the Tribes are working to resolve the problem. Until they do, the Compact Trust Fund for the Category Three Tribes is being preserved with earned interest. Upon the agreement of Category Three Tribes, funds will be distributed timely.

Recommendation 33: Work with various stakeholders, including but not limited to working with the tribes, the Governor, and the Legislature as necessary, to help ensure it can meet its responsibility to distribute monies to Category 3 tribes from the Compact Trust Fund.

Department response: The audit recommendation will be implemented in a different manner.

Response explanation: The Department has been and will continue to meet with the Tribes to assist with a resolution of the matter. The Department has notified the Governor's Office of the status of the Compact Trust Fund. The Department believes it has sufficient statutory authority to distribute funds once an agreement is reached.

Sunset factor 4: The extent to which rules adopted by the Department are consistent with the legislative mandate.

Department has not developed rules required by A.R.S. §§5-1207(5) and 5-226(B)

Department response: The Auditor General's finding is agreed to.

Response explanation: The Department has begun its internal review of the Fantasy Sports rules and will include rule changes to address the requirements in A.R.S. § 5-1207(5) and 5-226(B) to the extent necessary.

Recommendation 34: Adopt rules as required by A.R.S. §5-1207(5).

Department response: The audit recommendation will be implemented.

Response explanation: The Department has begun its internal review of the Fantasy Sports rules and will include rule changes to address the requirements in A.R.S. § 5-1207(5) to the extent necessary.

Recommendation 35: Conduct and document an assessment of the need for rules related to A.R.S. §5-226(B). Based on this assessment, the Department should adopt the required rules or work with the Legislature to revise statute to remove the requirements to adopt rules.

Department response: The audit recommendation will be implemented.

Response explanation: The Department has begun its internal review of the Boxing & MMA rules and will perform the requested assessment and rule changes to address the requirements in A.R.S. § 5-226(B) to the extent necessary.

Sunset factor 5: The extent to which the Department has provided appropriate public access to records, meetings, and rulemakings, including soliciting public input in making rules and decisions.

Department complied with public records laws for the requests we reviewed, but could better align its policies with recommended practices

Department response: The Auditor General's finding is agreed to.

Response explanation: The Department agrees and will improve its public records requests policies and procedures.

Recommendation 36: Update and implement its policies and procedures to require staff to provide a written notice explaining to requestors the reason(s) for any delay(s) in fulfilling a public records request.

Department response: The audit recommendation will be implemented.

Response explanation: The Department has implemented the recommendation and has updated its public records policies and procedures to require staff to provide a written notice explaining to requestors the reason for any delay in fulfilling a public records request. If a request is anticipated to take longer than 30 days, written notices will be sent to requestors within the initial 30-day period, explaining the reason for the delay (e.g., requested material contained confidential information requiring redaction) and the anticipated timeframe for completion.