



Arizona House of Representatives House Majority Research MEMORANDUM

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TO: JOINT LEGISLATIVE AUDIT COMMITTEE
Senator Blendu, Chairman
Representative Knaperek, Vice Chairman

CC: Representative Konopnicki, Senator Waring

DATE: December 19, 2005

SUBJECT: Performance Audits & Sunset Review of the Arizona Department of Administration

Attached is the final report of the sunset review of the Arizona Department of Administration, which was conducted by the Senate Government and House of Representatives Government Reform & Government Finance Accountability Committee of Reference.

This report has been distributed to the following individuals and agencies:

Governor of the State of Arizona
The Honorable Janet Napolitano

President of the Senate
Senator Ken Bennett

Speaker of the House of Representatives
Representative Jim Weiers

Senate Members
Senator Jim Waring, Vice Chairman
Senator Bill Brotherton
Senator Jake Flake
Senator Linda Gray
Senator Harry E. Mitchell

House Members
Representative Bill Konopnicki, Chairman
Representative Ted Downing
Representative Phil Lopes
Representative John McComish
Representative John Nelson

Arizona Department of Administration
Arizona State Library, Archives & Public Records
Office of the Auditor General

Senate Majority Staff
Senate Research Staff
Senate Minority Staff
Senate Resource Center

House Majority Staff
House Research Staff
House Minority Staff
Chief Clerk

Attachment

**Senate Government and House of Representatives Government Reform & Finance
Accountability Committee of Reference**

Committee of Reference Report

Arizona Department of Administration

Background

Pursuant to Arizona Revised Statutes section (A.R.S. § 41-2953), the Joint Legislative Audit Committee (JLAC) assigned the sunset review of the Arizona Department of Administration (ADOA) to the Senate Government and House of Representatives Government Reform & Government Finance Accountability Committee of Reference for review. Pursuant to A.R.S. §41-1279.03, the Office of the Auditor General (OAG) completed a performance audit.

The Arizona Department of Administration (ADOA) was established in 1972 under A.R.S. §41-701 in order to provide centralized administrative services for the State of Arizona. The Department is divided into nine functional areas. In addition to the Director's office, which includes 7 filled positions, department personnel work in the following areas: Arizona Government University; Enterprise Procurement Services; General Accounting Office; Human Resources Division; Information Technologies and General Services; Legal Services; Maintenance and Facilities; Risk Management; and Telecommunications Program Office. ADOA's mission statement is "To provide effective and efficient support services to enable government agencies, state employees and the public to achieve their goals."

While the Department's operating budget consists of monies appropriated from the State General Fund, it also receives revenues from other funding sources, including charges assessed to state agencies for the various services it provides. The Department received an estimated \$126.2 million in revenues in fiscal year 2005. The Department also received estimated revenues of approximately \$101.3 million in fiscal year 2005 from state agency charges for the various services that it provides.

Committee of Reference Sunset Review Procedures

The Committee of Reference held one public meeting on November 1, 2005 to review the Department's response to the 12 sunset factors, as well as four additional questions, as required by A.R.S. § 41-2954, subsections D and F, and to accept public testimony. The Committee of Reference received testimony from Dale Chapman, Performance Audit Manager from the Office of the Auditor General; William Bell, Director of the Arizona Department of Administration; Kathy Peckardt, Director of Human Resources, ADOA; Tim Boncoskey, Assistant Director of Enterprise Procurement Services, ADOA; Ray DiCiccio, State Risk Manager, ADOA; and Michael Totherow, Assistant Director of the Information Services Division (ISD) Chief Information Officer, ADOA.

Committee of Reference Recommendations

The Committee of Reference recommended that the Arizona Department of Administration be continued for ten years.

Attachments

1. Agency Response
2. Meeting Notice
3. Minutes of the Committee of Reference Meeting

JANET NAPOLITANO
Governor



WILLIAM BELL
Director

ARIZONA DEPARTMENT OF ADMINISTRATION

OFFICE OF THE DIRECTOR

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October 17, 2005

Steven Moortel, Assistant Research Analyst
Arizona House of Representatives
1700 West Washington
Phoenix, Arizona 85007

Dear Mr. Moortel:

Thank you for your letter of September 28, 2005 concerning the Arizona Department of Administration sunset review. My staff and I are happy to provide you with the information needed to fulfill the requirements of A.R.S. §41-2954 (F). This letter is to provide you with responses to the factors posed by that statute.

Factor 1:

An identification of the problem or needs that the agency is intended to address.

Response:

The Arizona Department of Administration (ADOA), which was created in 1972 by A.R.S. § 41-701, exists to provide centralized administrative services for the State of Arizona. By consolidating administrative functions within one department, the State avoids duplication of administrative effort by the 100+ agencies, boards and commissions that constitute state government. A detailed listing of all relevant sections of law, which describe the purposes of ADOA, are contained in the attached Master Program list. In general, centralization allows the State to enforce administrative statutes and rules in a consistent manner and consolidate expertise in administrative functions. Processes common to all agencies are aggregated to maximize the efficiency of information systems. Standards are developed and enforced by efficient and cost effective groups of subject matter experts.

Factor 2:

A statement, to the extent practicable, in quantitative and qualitative terms, of the objectives of such agency and its anticipated accomplishments.

Response:

As the central administrative authority, ADOA's objectives are intended to enhance the broader policy objectives of the entire State government. ADOA has identified five strategic issues that form the core of the objectives for the agency:

Attract, retain and educate employees: State employees are the core assets of State government. Attracting, retaining and educating employees is vital as State employees implement the statutes and rules that form the parameters of State government.

Information technology efficiencies: State government must continually strive to achieve the efficiencies provided by information technology. ADOA is responsible for creating economies of scale with those systems and to ensure their efficient operation.

Cost efficient and effective public facilities: ADOA is responsible for the construction and maintenance of large portions of the State's physical assets. Providing safe and efficient facilities results in short and long term fiscal savings by eliminating the need for costly private lease space and expensive emergency repairs. Safe and efficient facilities also enhance State employee productivity.

Maximizing productivity, cost effectiveness and customer satisfaction: as the central administrative authority, ADOA collects and distributes management information to State government that allows for more effective decision making by State agencies. ADOA's role in developing Statewide policies creates standards and practices that result in more efficient government services. ADOA also provides procurement services that take advantage of economies of scale inherent in very large organizations.

Security and Safety: ADOA is responsible for maintaining the safety and security of the State's workforce and its physical and information assets. State employees who are confident in their security are more able to efficiently provide government services to the people of the State. Sound information security practices protect the confidential information of State workers and the citizens of the State.

Attached are the 2006-2010 ADOA Strategic Plan and the 2005-2006 Master List of Programs. Each document provides quantitative and qualitative descriptions of ADOA programs as well as specific strategy components for achieving those goals and target performance measures that indicate the extent to which the goals were achieved.

Factor 3:

An identification of any other agencies having similar, conflicting or duplicate objectives, and an explanation of the manner in which the agency avoids duplication or conflict with other such agencies.

Response:

ADOA's relationship with other state agencies is similar to the hub of a wheel: the hub both constrains and enables the movement of the wheel. Likewise, the department's role as the central administrative agency both constrains and enables State agencies. ADOA enforces statutes and rules that constrain the operation of other State agencies, but ADOA must also provide the freedom of movement of State agencies by providing administrative services in the most efficient and effective way. The enforcement role frequently leads to conflict with agencies that do not have the obligation to represent the interests of the whole of State government. ADOA must be cautious that the statutory roles of the other agencies are not overwhelmed by ADOA's administrative functions.

ADOA also delegates central authority on a limited basis when appropriate. Human Resources authorizes a small number of Personnel Analysts that are employed by some of the larger agencies so that they can concentrate on the specific concerns of their agency. Enterprise Procurement Services also delegates some procurement authority to non-ADOA employees in cases where the procurements are very specific to the agency; an example is the Arizona Lottery, which procures a large amount of advertising. In all cases the delegated activity is contingent upon the non-ADOA employee following ADOA instruction.

Any agency, given the appropriate staffing, could assume many of the administrative functions ADOA currently provides. But this would result in the loss of centralized regulatory authority, carefully crafted economies of scale and lead to unnecessary duplication of effort.

Factor 4:

An assessment of the consequences of eliminating the agency or of consolidating it with another agency.

Response:

The administrative functions conducted by ADOA will be required with or without the agency. Thus eliminating the agency will result in the administrative functions being conducted by each agency, on their own, without central coordination. Since ADOA is entirely administrative in nature, and since other agencies are currently relieved from providing those administrative services, there is not another good candidate agency for consolidation.

Any dissolution of responsibility for financial transactions and reporting (accounting, purchasing, payroll), especially in regards to the federal government, would have serious consequences to the state as well as to all governmental units at all levels in the state (Counties, Cities, towns, Universities, Community Colleges, and public schools). Currently, all state financial information is consolidated and reported in the Annual Financial Report (Cash Basis), the Comprehensive Annual Financial Report (CAFR) (which are the State's audited financial statements), and the State's Single Audit Report (Federal). Any changes to these documents could have major negative financial implications to the state and its political subdivisions.

Sincerely,



William Bell
Director

WB:PS:dld

cc: Gary Yaquinto, Director, OSPB

Attachments: 2006-2010 ADOA Strategic Plan
2005-2006 Master List of Programs

ARIZONA STATE LEGISLATURE

Senate Government and House of Representatives Government Reform
and Government Finance Accountability Committee of Reference for the
Sunset Review of: Prescott Historical Society, Arizona State Personnel
Board, Government Information and Technology Agency, and Arizona
Department of Administration

Minutes of the Meeting
Tuesday, November 1, 2005
9:30 a.m., House Hearing Room 1

Members Present:

Representative Bill Konopnicki, CoChair
Representative Ted Downing
Representative Phil Lopes
Representative John McComish
Representative John Nelson

Senator Jim Waring, CoChair
Senator Bill Brotherton
Senator Linda Gray
Senator Harry Mitchell

Members Absent:

Senator Jake Flake

Staff:

Steve Moortel, House Assistant Legislative Analyst
Nadine Sapien, Senate Government Analyst

Chairman Konopnicki called the meeting to order at 9:30 A.M. and the attendance was taken.

Presentations

Richard Sims, Director, Prescott Historical Society, presented a brief overview of the Prescott Historical Society, also known as the Sharlot Hall Museum, its work both in and around Prescott, and some of the museum's accomplishments.

Senator Waring asked if the Prescott Historical Society is charging an admission fee to the museum. Mr. Sims stated through House Bill 2490 (2004), the Historical Society is allowed to charge an admission fee to the museum. The fee is \$5 for adults and children 18 and under are free.

Senator Waring asked Mr. Sims if it is true that the Historical Society wants to raise membership dues. Mr. Sims stated the membership program is run through the non-profit society which can charge more market rate dues instead of the low and outdated numbers in the State statute.

Representative McComish asked if the Historical Society's \$4 million capital campaign is being run through the non-profit society. Mr. Sims stated the campaign is being run through the non-profit.

Representative McComish asked how much of the Society's operating budget comes from the State and the non-profit. Mr. Sims stated the Society is matching the State funds of over \$600,000 with the non-profit activities.

Senator Lopes requested that the Historical Society report back as to what the impact is on the utilization of the museum as a result of the admission fee. Mr. Sims stated he would be happy to report that information back to the Committee.

Senator Brotherton asked what is the Historical Society's current budget. Mr. Sims stated the current budget is \$640,000 and has been in place for the last three years. Mr. Sims stated the budget had been reduced from \$800,000 due to budget cuts and as a result the museum had to cut five State positions.

Senator Brotherton asked if the loss of employees is an ongoing issue for the museum. Mr. Sims stated the loss of State personnel is an ongoing problem as a result of prior budget cuts.

Senator Brotherton asked Mr. Sims where he would want the budget to be on an annual basis. Mr. Sims stated he would like to see the budget fully recovered back to 18 full time employees.

Senator Gray asked how much money has come in from the \$5 admission fee. Mr. Sims stated that tracking back to last October the museum has budgeted for a little over \$50,000 based on daily attendance. Mr. Sims did not have the figures for the current quarter but he stated that he would report back to Senator Gray with those numbers.

Mr. Sims stated all of the money from State allocations goes towards personnel and risk management costs and everything else needed to run the museum comes from the non-profit revenue stream.

Representative Lucy Mason stated her appreciation for Mr. Sims' ability to run the museum with the resources that have been allocated and urged the committee to continue with the funding of the Historical Society.

Representative Konopnicki stated the Committee will do what it can to try to restore the museum's funding but he is not sure how soon, or if ever, funding can be re-established to agencies that have been cut.

Representative McComish stated the Historical Society has done a great job of working with the private sector and non-profits. Representative McComish added that this does bring up the question of how much responsibility the State

takes for buying certain items, such as mop heads, and how much do non-profits take.

Senator Waring moved to recommend the continuation of the Prescott Historical Society for ten years and the motion was seconded by Representative Lopes.

Roll call vote was taken on the recommendation and passed 9-0-1 (Attachment 1).

Senator Brotherton stated he supports the continuation and that he would like to see more of the non-profit monies that are raised being used for the extras that cannot be achieved through State funds instead of so much of it going towards the operational budget of the museum. Senator Brotherton also stated he does not believe it is fair to cut taxes and not to give money back to State agencies that have been cut and stretched thin for a long time.

Senator Gray commended Mr. Sims on the job that he is doing.

Representative Konopnicki commended the Prescott Historical Society on the job that it is doing and stated that while there has been talk of a tax cut, the Legislature has to be careful in the next few years with how they try to re-establish State agencies.

Judy Henkel, Executive Director, Arizona State Personnel Board, presented a brief history and overview of the Arizona State Personnel Board.

Representative Downing asked what the frequency is of whistleblower complaints and what savings the State may have incurred because of these complaints. Ms. Henkel stated the Board received approximately seven to ten whistleblower complaints last fiscal year and each hearing process costs approximately \$1,100.

Representative Downing asked how many of the whistleblowers' allegations were upheld. Ms. Henkel responded that in a majority of the cases the employee does not win because the whistleblower statute is very specific as to what has to be proven and in a majority of the cases those specifics were not met.

Representative Downing commented whistleblowers play an important role in government reform and fiscal responsibility and these people need to be protected in order for them to come forward with information.

Senator Waring asked how many responses the Board had received from the satisfaction surveys which are mailed to all parties involved in hearings. Ms. Henkel stated the Board hears about 48 cases or more each year and approximately half respond to the surveys.

Representative Lopes pointed out that appeals and complaints rose from 62 in 2004 to 101 in 2005 and asked Ms. Henkel if this increase in one year is normal and if this statistic concerns her.

Ms. Henkel stated the fluctuation varies and in some years the numbers have been much lower. Ms. Henkel added settlements have increased to 30% and as a result even though the Board has received 101 complaints most likely some of those have settled.

Ms. Henkel stated the only concern she has is if there were an increase in the number of appeals filed it would increase the Board's budget.

Representative Lopes asked what the difference in cost is between a case that settles and one that goes through the entire process. Ms. Henkel stated the average cost for a hearing is \$1,100 and the savings for a case that is settled is approximately half of that.

Representative McComish asked if the Board has a procedure to give feedback to an agency in order to learn from a complaint that has been filed. Ms. Henkel stated in the past agencies have contacted the Board and in some cases the Board has met with agency directors.

Senator Waring moved to recommend a continuation of the Arizona State Personnel Board for ten years and the motion was seconded by Representative Lopes.

Roll call vote was taken and the motion passed 9-0-1 (Attachment 2).

Jay Dunkleberger, Senior Performance Auditor, Arizona Office of the Auditor General, presented a PowerPoint presentation of the Office's Performance Audit and Sunset Review of the Government Information Technology Agency (GITA) and Sunset Review of the Information Technology Authorization Committee (ITAC) (Attachment A).

Senator Waring asked if it is a fair assessment that GITA is not performing the functions in the security and privacy areas that it should. Mr. Dunkleberger stated that he would not characterize it that way but GITA does need improvement in enforcing policies and standards.

Senator Mitchell commented that an Auditor General's report titled "Department of Administration Information Services Division Telecommunications Program Office," seems to be asking this office the same thing that the Auditor General is asking GITA to do. Senator Mitchell asked if there are two different agencies involved with security.

Mr. Dunkleberger responded GITA's role is to set the statewide standard and the Department of Administration (DOA) enforces security within its agency and has a role in the privatized telecommunications network. Mr. Dunkleberger added there is some overlap and in the recommendation, the Auditor General is looking for GITA to provide guidance for all agencies, including DOA's administration of the telecommunications project.

Senator Brotherton asked what mechanisms are available for enforcing policies that are already in place. Mr. Dunkleberger stated GITA asks agencies to self report their compliance with security standards each year and GITA will then meet with those agencies to attempt to improve problems that have been identified. GITA has also formed a statewide security committee that examines how to address security issues.

Senator Brotherton asked how GITA enforces policies if agencies do not comply. Mr. Dunkleberger stated unless there have been changes made to GITA's statutory requirement since the Auditor General's report, there is little in statute that allows them to make physical changes to State agencies.

Senator Brotherton commented if there is an enforcement issue, it will be something that the Committee needs to look at.

Mr. Dunkleberger commented the Auditor General did recommend the formation of a Chief Security Officer position and for GITA to look at the statutory need of this position and how it can be established in statute.

Senator Waring asked how many of GITA's projects fall between \$25,000 and \$200,000. Mr. Dunkleberger stated in 2004 there were 87 projects and half fell under \$200,000.

Chris Cummiskey, Director, GITA, and State Chief Information Officer, provided GITA's response to the Auditor General. Mr. Cummiskey stated GITA concurs with the overall findings and recommendations of the Auditor General and is working to track and implement strategies for each one.

Mr. Cummiskey stated GITA's role is to sit as an independent agency to review the work product of the other 114 agencies, boards, and commissions as it relates to Information Technology (IT) planning and projects and make sure they are working within a set of standards and protocols that have been agreed upon by industry and other state governments across the country as best products.

Mr. Cummiskey stated since its inception, GITA has done a good job of making sure that projects stay on budget, on time, and within the parameters set forth by the Legislature.

In regards to Senator Brotherton's previous questions regarding enforcement mechanisms, Mr. Cummiskey stated GITA's options for enforcing compliance is limited. The Project Investment Justification process (PIJ), by statute, requires agencies to report to GITA with a plan and seek approval before they can move forward with a project and the budget offices of both the Office of Strategic Planning and Budgeting (OSPB) and the Joint Legislative Budget Committee (JLBC) have been good about not authorizing the release of funds until this step has been satisfied.

Mr. Cummiskey added GITA has few options when it comes to telling agencies to change what they are doing. Mr. Cummiskey stated there are standards to which GITA points to and they also try to work with them to comply but their only option is to shut down the project funding.

Senator Waring asked Mr. Cummiskey if GITA has a plan to work with DOA regarding security and privacy issues. Mr. Cummiskey stated GITA has been working closely with DOA because it does have operational responsibility for the common relays for communications across the agencies. GITA is also working with an IT Security Advisory Committee, which consists of the three mainframe agencies, the Department of Economic Security (DES), the Department of Public Safety (DPS), and DOA, as well as other entities such as the Federal Bureau of Investigation (FBI) and the universities to work on what the State needs to do to protect the network in the best ways possible.

Mr. Cummiskey added GITA will appoint the Chief Security Officer position that the Auditor General recommended to serve as a strategic link with DOA, the Governor's Office for Homeland Security, and the Arizona Department of Emergency and Military Affairs (DEMA), who all have pieces of the puzzle for security.

Representative Konopnicki commented that security is the most important issue and GITA should be given more power to enforce security policies other than shutting down project funding.

Mr. Commiskey stated GITA has received good compliance from the agencies but because of the situation that GITA is in statutorily, the best way to get compliance is to work with agency directors and their teams and educate them as to why the IT standards are important as they relate to security and why they need to be invoked. However, with 114 agencies it is taking time to educate these agencies, especially those without large IT staffs.

Representative Konopnicki asked how important is it to firm up security issues with the smaller agencies. Mr. Cummiskey stated it is very important not to leave any agency or board behind. Mr. Cummiskey added GITA, in conjunction with DOA, is in the process of shutting down access points to the internet.

Representative Nelson commented that information in a response from GITA to JLAC in October 2005 shows that a great deal of money was expended for a number of projects that were not approved. Representative Nelson asked how GITA got to a point where money is being spent on projects that do not move forward.

Mr. Cummiskey stated that he could not answer what happened prior to January 2003 but since then he does not know of any projects that fall into this category. Mr. Cummiskey added that he will have his staff research this issue in order to find a resolution so this will not happen again in the future.

Senator Brotherton asked Mr. Cummiskey if he believed there is a need for additional enforcement tools or if the current mechanisms are adequate if used effectively. Mr. Cummiskey stated GITA is cautious with the Auditor General's recommendation of auditing an agency and going beyond simply requiring an agency to report on their progress as it relates to the standards. Mr. Cummiskey added GITA can go in and find out why an agency is not complying with the IT standards from a strategic standpoint as it relates to the standards, but they feel they do not have the expertise in-house to take over an agency's operation if they do not comply.

Senator Brotherton commented that information regarding agencies that do not comply with security standards should be more readily available to the Legislature.

Senator Brotherton asked Mr. Cummiskey to comment on the difference of opinion between the Auditor General and GITA in regards to consulting on the actual creation and implementation of projects.

Mr. Cummiskey stated GITA has adopted an Interagency Service Agreement with Enterprise Procurement Services to set out rules and responsibilities and sit in on committees that are established to look at large scale IT projects as technical advisors. Mr. Cummiskey added the point that GITA did not want to cross over was becoming voting members of those committees because they felt that it would compromise their ability to be independent and communicative with both the Governor's office as well as the Legislature.

Representative Downing asked if the Legislature receives a scorecard illustrating agencies' compliance with security standards and if such a scorecard would be useful. Mr. Cummiskey stated currently members of the Legislature are not being provided that information, however, it would be a useful tool and GITA is in the position to provide the members that information.

Representative Downing commented that having that information available to the members of the Legislature would be useful.

Representative Downing asked if GITA provides technical support to the Secretary of State. Mr. Cummiskey stated GITA has not provided technical assistance to the Secretary of State. Mr. Cummiskey added typically with the Secretary of State and other constitutionally elected officers, GITA will not provide assistance unless requested by a particular office.

Representative Downing asked if GITA should be assigned a statutory role to protect the security of the State's voting systems. Mr. Cummiskey stated there is value in having an agency that tracks and manages best practices involved in large scale technological acquisitions with the State.

Representative Downing recommended that the Legislature consider GITA having an active technical advisory role with the State's voting systems.

Senator Brotherton asked if there is a potential security risk with those offices that GITA does not provide technical support to. Mr. Cummiskey stated GITA does have a partnership with most of the State entities in State government. Mr. Cummiskey added there are some entities that decided they have enough in-house IT council and they do not need additional information from GITA. However, if these entities do connect to the State network they must comply with GITA standards and DOA has been vigilant about this.

Representative Konopnicki commented that he agreed with Senator Brotherton and it is important to make sure that all entities must comply with GITA standards if they connect to the State network.

Senator Waring moved to recommend a continuation of the Government Information Technology Agency for ten years and the motion was seconded

Roll call vote was taken and the motion passed 6-0-4 (Attachment 3).

Dale Chapman, Performance Audit Manager, Arizona Office of the Auditor General, presented a PowerPoint presentation of the Office's Performance Audit and Sunset Review of the Arizona Department of Administration (Attachment B).

Representative Lopes asked if the audit was able to determine if DOA was able to achieve its goals of limiting growth of health care costs and increase provider choice through the implementation of self-funded health benefits. Mr. Chapman stated it was too early to determine if the program has achieved any savings or reduction of costs. Mr. Chapman added the program has increased choice for employees.

Representative Lopes asked if there are any mechanisms in place to assure the consistency of workers' compensation claims awarded. Mr. Chapman stated DOA's processes, policies, and procedures were reviewed to determine if they did conform with statute and if the policies and procedures were followed. Mr.

Chapman added with a few exceptions it was found by and large that the policies and procedures are being followed.

Representative Lopes asked if the issue of timeliness was looked at in the review of DOA's plans for the oversight of procurement in the State. Mr. Chapman stated at the time of the audit DOA was implementing this program and the Department might be better able to answer that question.

Bill Bell, Director, Arizona Department of Administration, provided the Department's response to the Auditor General's recommendations. Mr. Bell stated the Auditor General's report provides an excellent diagram for how to begin to approach some of the problems that were identified and DOA plans to follow many of the recommendations.

Kathy Peckardt, Director of Human Resources, Arizona Department of Administration, provided the response to the Auditor General's recommendations for Human Resources Information System (HRIS) (Attachment B) which were to develop a plan for the completion for HRIS and enhance user participation.

Ms. Peckardt stated DOA has met with the large State agencies and developed a systematic methodology to develop a process to find what is important to the agencies as phase two of HRIS begins. This information will be used in developing a five year plan that will be completed approximately by January. Ms. Peckardt added DOA is also working on a data warehouse that will contain employee information such as turnover.

Senator Brotherton asked what the turnover rate is for DOA and if there is a target percentage for where they would like the turnover rate to be. Ms. Peckardt stated DOA's turnover rate is approximately on average with the State's overall turnover rate of 17.6% and would like to be more in line with rates of other states and local cities which is between 11% and 12%.

Senator Brotherton asked what issues need to be addressed in order to reduce the turnover rate. Ms. Peckardt stated if the issue of pay is addressed it will reduce the turnover rate significantly.

Representative Konopnicki asked where DOA is in the development of the comprehensive plan for HRIS. Ms. Peckardt stated DOA is currently in the process of obtaining agency involvement and asking for their input of priorities for the next five years. This information is expected to be received by the end of November and will then be prioritized in December. It is anticipated that a completed plan will be finalized in January.

Tim Boncoskey, Assistant Director of Enterprise Procurement Services, Arizona Department of Administration, responded to the Auditor General's five recommendations for improving oversight of procurement in the State (Attachment B). Mr. Boncoskey stated all five recommendations are in the process of being completed.

Senator Gray asked what areas of House Bill 2582 (2001), which allowed reverse bidding, have been implemented. Mr. Boncoskey stated DOA is currently working with vendors but there has not been any reverse bidding. Mr. Boncoskey added DOA is looking to have reverse bidding up and operating by the end of this fiscal year.

Ray Di Ciccio, State Risk Manager, Arizona Department of Administration, responded to the Auditor General's two recommendations for workers' compensation (Attachment B).

Mr. DiCiccio stated the first recommendation was to improve employee communication by providing more information through the phone system and website. Mr. DiCiccio stated both the phone system and website have been updated. Mr. DiCiccio added other items have been implemented to help with communication. These include an agency liaison that goes to the agencies and provides employees with information, semi-annual meetings with all of the agencies in order to discuss workers' compensation benefits, and a representative who is sent to employee orientations to explain reporting requirements and benefits.

In response to the second issue of the backlog of workers' compensation claims, DOA has already put a special emphasis on that and there is no longer a backlog.

Representative Konopnicki commented that in the audit it is mentioned that the employee makes the workers' compensation claim but in some cases the DOA was already acting on cases before they were reported and in others DOA waited until after the claim was reported. Representative Konopnicki stated this is an issue that needs to be looked at because all employees should be treated the same way.

Mr. DiCiccio stated it is important to act on the claims in a timely manner but he is not aware of any differences in how DOA is processing the claims because there is a manual that states the procedures to follow on each claim.

Kathy Peckardt, in response to health benefit complaints, stated DOA does have a help desk for the sole purpose of addressing complaints from employees regarding their health benefits.

Representative Downing commented a help desk is useful for an employee that has the capacity to complain but some employees are incapacitated and cannot call a help desk.

Mr. Bell stated DOA will be reviewing its procedures and auditing its vendors and if there is a structural problem, it will be fixed.

Representative Konopnicki commented that there was an immediate increase of 14% in the insurance premium, an upcoming increase of 17%, and consultant fees were \$6 or \$7 million and he wanted to know when this increase in spending will stop. Mr. Bell stated it is DOA's objective to reduce costs and make this a cost effective project while providing the kind of service that is expected to employees.

Michael Totherow, Assistant Director of the Information Services Division (ISD) Chief Information Officer, Arizona Department of Administration, provided DOA's response to the Auditor General's recommendations for ISD and the Telecommunications Program Office (Attachment B).

Mr. Totherow stated in regards to the Auditor General's findings, ISD embraces as many best practices as possible to provide security for the systems housed within DOA's data center and the services provided for other agencies. Mr. Totherow added ISD is a cost recovery operation not directly funded for security services and when money is limited, many agencies will focus on serving the constituency and security is often put to the side.

In regards to the recommendation of a state-wide security officer, Mr. Totherow stated there is an overlap with this recommendation and the recommendation for a chief security officer for GITA and DOA has been working with GITA to define what the best scenario would look like.

In regards to the recommendation for the need for the Telecommunications Office to oversee the inventory process, Mr. Totherow stated through next March agencies will continue to transition on to AZNET. During this time agencies will be taking what they are providing for their own telecommunications and data wide area network (WAN) and then turning it over to the program control of Accenture to run in an outsource fashion. This turn over of control is where agencies are looking at what their inventory is, signing off on what is in scope and out of scope, and concur that requirements are met.

Representative McComish asked what can be done when agencies do not want to pay for independent security assessments of their information systems at least once every three years as recommended by national standards. Mr. Totherow stated GITA adopts many of these national standards into their standards and policies that have been enforced upon agencies and the costs have become part of their budgetary process.

Mr. Bell stated there is a gap in security and a plan needs to be developed that encompass all of the agencies in regards to this gap and also develop a comprehensive program that can be administered consistently to help agencies with security issues.

Representative Konopnicki agreed with Mr. Bell and stated the State cannot afford to treat security like it has in the past.

Senator Brotherton asked if DOA can prevent an agency from connecting to the State network if they do not have the proper security standards. Mr. Totherow stated DOA does not have the authority to enforce security in other agencies, constitutional offices, the Legislature, or the courts and this is the gap that DOA would be working with GITA to address from a state wide perspective.

Senator Brotherton asked how talking to GITA will give DOA the authority to enforce security. Mr. Bell stated there are gaps and confusion as to DOA's responsibilities in regards to security and it is important for DOA to sit down with GITA and other agencies to find an answer to this problem.

Representative Konopnicki commented that the issue of security enforcement and responsibility needs to be solved as soon as possible and in order for that to happen GITA needs to play a large role and DOA's responsibilities need to be defined.

Mr. Bell stated whether it is GITA, DOA, or another agency that is responsible for security, it is important to find a solution and provide the security that everyone is seeking.

Representative Konopnicki stated the responsibility for security needs to go to a cabinet level agency where security polices can be set and enforced.

Senator Brotherton commented if the Legislature needs to do something, it needs to be done this legislative session.

Representative Konopnicki stated this is a non-political issue and an issue that is paramount to the security of Arizona. Representative Konopnicki added that DOA should take the lead and come back to the Committee with recommendations.

Mr. Bell stated DOA takes the Auditor General's report seriously and will be working diligently to implement their recommendations.

Senator Waring moved to recommend the continuation of the Arizona Department of Administration for ten years and was seconded by Representative McComish.

Roll call vote was taken and the motion passed 7-0-3 (Attachment 4).

Representative Konopnicki commented that the security issue jumped off the page in everything that was looked at and the Committee would not be doing its due diligence if they did not follow up on that issue and make something happen.

There being no further business, Representative Konopnicki adjourned the meeting at 12:35 p.m.

Respectfully submitted,



Bill Ritz
Committee Secretary

(Tapes and attachments on file in the Secretary of the Senate's Office/Resource Center, Room 115.)

SENATE GOVERNMENT AND HOUSE OF REPRESENTATIVES GOVERNMENT REFORM AND GOVERNMENT FINANCE ACCOUNTABILITY COMMITTEE OF REFERENCE FOR THE SUNSET REVIEW OF: PRESCOTT HISTORICAL SOCIETY, ARIZONA STATE PERSONNEL BOARD, GOVERNMENT INFORMATION AND TECHNOLOGY AGENCY, AND ARIZONA DEPARTMENT OF ADMINISTRATION

ARIZONA STATE LEGISLATURE FORTY-SEVENTH LEGISLATURE – ROLL CALL VOTE

Recommendation: Continuation of the Prescott Historical Society for ten years.

MEMBER	AYE	NO	NOT VOTING
Rep. Downing	x		
Rep. Lopes	x		
Rep. McComish	x		
Rep. Nelson	x		
Senator Brotherton	x		
Senator Flake			x
Senator Gray	x		
Senator Mitchell	x		
Senator Waring, CoChair	x		
Rep. Konopnicki, CoChair	x		
	9	0	1

Committee Secretary 

Date November 1, 2005

**SENATE GOVERNMENT AND HOUSE OF
REPRESENTATIVES GOVERNMENT REFORM AND
GOVERNMENT FINANCE ACCOUNTABILITY COMMITTEE OF
REFERENCE FOR THE SUNSET REVIEW OF: PRESCOTT
HISTORICAL SOCIETY, ARIZONA STATE PERSONNEL
BOARD, GOVERNMENT INFORMATION AND TECHNOLOGY
AGENCY, AND ARIZONA DEPARTMENT OF
ADMINISTRATION**

**ARIZONA STATE LEGISLATURE
FORTY-SEVENTH LEGISLATURE – ROLL CALL VOTE**

Recommendation: Continuation of the Arizona State Personnel Board for ten years.

MEMBER	AYE	NO	NOT VOTING
Rep. Downing	x		
Rep. Lopes	x		
Rep. McComish	x		
Rep. Nelson	x		
Senator Brotherton	x		
Senator Flake			x
Senator Gray	x		
Senator Mitchell	x		
Senator Waring, CoChair	x		
Rep. Konopnicki, CoChair	x		
	9	0	1

Committee Secretary 

Date November 1, 2005

**SENATE GOVERNMENT AND HOUSE OF
 REPRESENTATIVES GOVERNMENT REFORM AND
 GOVERNMENT FINANCE ACCOUNTABILITY COMMITTEE OF
 REFERENCE FOR THE SUNSET REVIEW OF: PRESCOTT
 HISTORICAL SOCIETY, ARIZONA STATE PERSONNEL
 BOARD, GOVERNMENT INFORMATION AND TECHNOLOGY
 AGENCY, AND ARIZONA DEPARTMENT OF
 ADMINISTRATION**

ARIZONA STATE LEGISLATURE
 FORTY-SEVENTH LEGISLATURE – ROLL CALL VOTE

Recommendation: Continuation of Government Information Technology Agency for ten years.

MEMBER	AYE	NO	NOT VOTING
Rep. Downing			X
Rep. Lopes	X		
Rep. McComish	X		
Rep. Nelson			X
Senator Brotherton			X
Senator Flake			X
Senator Gray	X		
Senator Mitchell	X		
Senator Waring, CoChair	X		
Rep. Konopnicki, CoChair	X		
	6	0	4

Committee Secretary 

Date November 1, 2005

**SENATE GOVERNMENT AND HOUSE OF
 REPRESENTATIVES GOVERNMENT REFORM AND
 GOVERNMENT FINANCE ACCOUNTABILITY COMMITTEE OF
 REFERENCE FOR THE SUNSET REVIEW OF: PRESCOTT
 HISTORICAL SOCIETY, ARIZONA STATE PERSONNEL
 BOARD, GOVERNMENT INFORMATION AND TECHNOLOGY
 AGENCY, AND ARIZONA DEPARTMENT OF
 ADMINISTRATION**

ARIZONA STATE LEGISLATURE
 FORTY-SEVENTH LEGISLATURE – ROLL CALL VOTE

Recommendation: Continuation of the Arizona Department of Administration
 for ten years.

MEMBER	AYE	NO	NOT VOTING
Rep. Downing	x		
Rep. Lopes			x
Rep. McComish	x		
Rep. Nelson			x
Senator Brotherton	x		
Senator Flake			x
Senator Gray	x		
Senator Mitchell	x		
Senator Waring, CoChair	x		
Rep. Konopnicki, CoChair	x		
	7	0	3

Committee Secretary *Brian R. [Signature]* Date November 1, 2005