

ANNUAL REPORT

MARK KILLIAN — INTERIM DIRECTOR

ARIZONA DEPARTMENT OF WEIGHTS AND MEASURES



2014-2015

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Contact Information

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LETTER FROM THE DIRECTOR

December 7, 2015

The Honorable Governor Douglas A. Ducey
1700 West Washington Street
Phoenix, Arizona 85007

Dear Governor Ducey;

Thank you for the opportunity to serve the State of Arizona in the capacity of the Interim Director of the Arizona Department of Weights and Measures (AZDWM).

Enclosed you will find the 2014-15 Arizona Department of Weights and Measures Annual Report. This report summarizes the work accomplished by AZDWM during the time period of July 1, 2014 through June 30, 2015. Additionally, this report provides historical documentation regarding AZDWM, and presents the progress to transition AZDWM into a leaner organization by leveraging the "economies of scale" through the integration within larger agencies. The integration of AZDWM into larger agencies will vastly improve and streamline government while increasing consumer support and business relationships.

This may be the final report for the AZDWM as a separate agency. The Arizona Department of Transportation (ADOT), Arizona Public Safety (DPS) and the Arizona Department of Agriculture (AG) have all worked diligently to support a better service strategy to consumers and an opportunity to co-mingle the best parts of our agencies into more efficient service organizations. AZDWM has entered into Intergovernmental Service Agreements with all the above-mentioned agencies and is well underway in transitioning the important functions of AZDWM within these agencies.

The AZDWM has been tireless in promoting "LEAN" processes immediately upon your inauguration. This agency has been able to increase department efficiencies and cost savings, complete an Auditor General Report, and a Risk Assessment Analysis.

The transition of the AZDWM includes an expansion of our work in Metrology, Moving Company Task Force, TNC Company licensing and an increase in state wide device inspections. With more contact with our community this agency will continue to improve on their function of consumer protection and growing business relationships as we transition to a Division of the Department of Agriculture.

If I can answer any questions, please do not hesitate to contact me at 602-542-4373.

Sincerely;



Mark Killian
Interim Director
Arizona Department of Weights and Measures

Cc: John Halikowski — Director of Arizona Department of Transportation
Frank Milstead — Director of Arizona Department of Public Safety

MISSION STATEMENT

To Protect the Integrity of Arizona's Marketplace
By Ensuring that Equity and Accuracy are Preserved
In Commerce Through Fair and Equitable Regulation
And the Effective Communication
of Weight and Measurement Standards.

PRIMARY RESPONSABILITIES / OVERVIEW

We preserve and defend the measurement standards in which all commerce is built upon in order to deliver fair competition in the Arizona marketplace.

We ensure that commercial devices (scales, vapor recovery, liquid petroleum gas, etc.) used for the sale of commodities by weight, measure or count, are licensed and accurate.

We work to prevent unfair dealing by weight, measure or count, and the Department conducts regular inspections and investigations of potential fraud.

We maintain the state's primary standards (those measurements upon which all other measurement is based).

We ensure proper labeling of products sold by weight, measure, or count (a gallon of gas is a gallon; your breakfast cereal weighs 20 oz. as stated on the package, etc.).

We ensure that prices are posted and items are scanned correctly. The Department conducts regular inspections to ensure compliance by retail businesses.

We license weighmasters who are responsible for weight certification at truck stops and other locations for interstate commerce purposes.

We regulate Arizona Cleaner Burning Gasoline, and we regulate vapor recovery environmental programs.

REGULATORY BILL OF RIGHTS: Department field officers are required to identify themselves, explain to you the purpose of the visit and provide you with documentation. These and other requirements are in the Regulatory Bill of Rights (ARS §41-1001 and 1009).

DWM 2014/2015 STAFF

OFFICE STAFF

Andy Tobin
Director

DeSantiago, Damien
Director of Fuel Inspection and
Regulatory Programs

Smith, MacKenzie
Systems Network Engineer /
Systems Administrator

Wilson, Michelle
Director of Transportation Fuels
and Air Quality Programs

Fisk, Roger
Assistant to the Director

Mellott, Michele
Administrative Assistant

Kumaraswamy, Sara
Device, RSA/RSR and Weighmaster
Licensing and Billing

Sellers, Brian
State Metrologist

FIELD STAFF

INVESTIGATORS/ COMMERCE ADVISORS

Lloyd Austin

Shannon Bell

Kevin Allen

Glen Apodaca

Ephram Cordova

Kade Creviston

Ken Ford

Eric Gaedert

Ellie Harris

Glynn Myers

Luis Romero

Cesar Rodriguez

J.J. Stroh

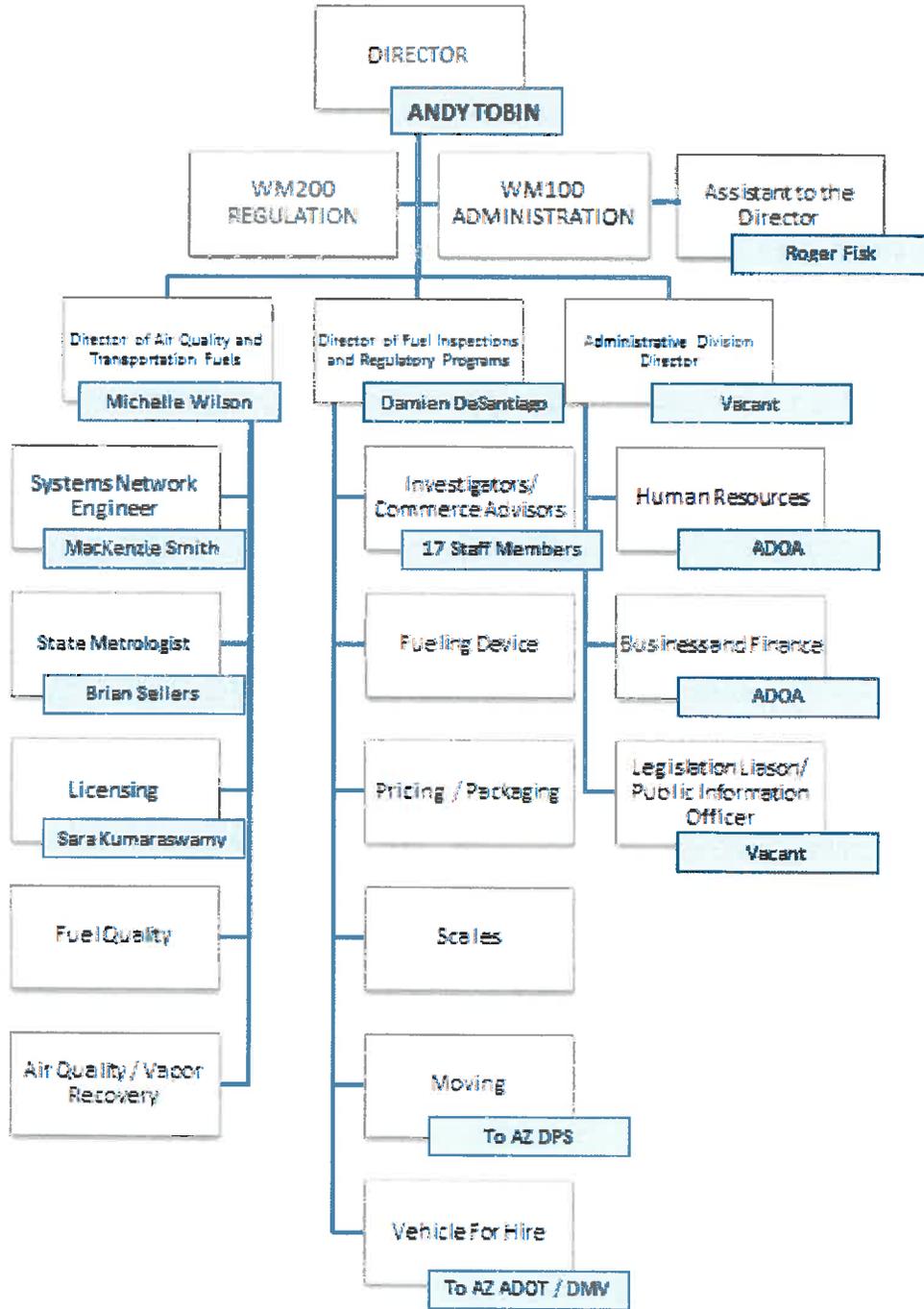
Paul Vought

Linda Wetzel

Michael Wright

Charley Zach

ORGANIZATION CHART



MAJOR ACCOMPLISHMENTS

Passing of HB2480 that authorizes the transfer of assets and responsibilities to the Arizona Department of Transportation/Department of Motor Vehicles (ADOT/DMV), The Arizona Department of Public Safety (DPS) and the Arizona Department of Agriculture (AG).

Passing of HB2135 that authorizes the licensing of Transportation Network Companies (TNC) for the state of Arizona. With TNC legislation pending, AZDWM reviewed processes and moved the entire Vehicle for Hire program to all on-line. Taxi, Livery, Limousine and TNC are now all automated and on-line. Savings thousands of Arizona business hours and AZDWM staff time, instead of forcing vehicles to come to the AZDWM at the Glendale office or the Tucson/Flagstaff special advertised license day. This very process was the catalyst for making the Agency review its processes even further and join the Governors LEAN initiative. That review lead to the transitioning of the AZDWM to other agencies to further pursue economies of scale and decrease administrative duplication.

LEAN Process Management: The AZDWM trained and promoted the LEAN Efficiency processes promoted by the Executive. The LEAN process have already provided significant agency savings, private sector savings and allowed an increase in public service through improved time resources.

Negotiating a Memo of Understanding (MOU) with the US Department of Transportation (USDOT) to help support Arizona with training of public safety agencies and allow Arizona to keep violation fine resources in Arizona to support an expanded effort of the protection of consumers with respect to the Moving Company Task Force. The MOU was signed by the Governor and the Attorney General. Training was organized at the DPS facility with the support of Director Milstead.

Coordinated a self inspection program with Sky Harbor Airport to organize a consumer protection plan to regularly self calibrated scales and have documentation available for our review. All major airports are now schedule for scale review. This agency has only received two complaints this calendar year from all airport scales. Often the airports calibrate now weekly, monthly or annually while our agency only inspected every three years and respond to complaints.

Began the expansion of the Arizona Metrology Lab. Currently the lab has met all of its certifications necessary to keep our designation and provide services to public and private sector clients, assuring accurate calibration and review. The AZDWM has now started the expansion of the Metrology lab through recent training program for Echelon I status. This status will further support the Arizona business community by having this designation available in Arizona, businesses will NOT have to send their needs to out of state labs. This saves business time and resources and helps improve on the Arizona Metrology Lab as one of the countries' best certified and now expanded. The expansion is expected to take 18 months for testing to be completed and certification achieved.

Staff Training Increased. Training for all Staff has been emphasized significantly expanded during the 2nd half of FY2015. (See attached Records)

MAJOR ACCOMPLISHMENTS, cont.

Implementation of HB2128. House Bill 2128 requires the removal of stage II vapor recovery systems at gasoline fueling stations beginning on October 1, 2016. The Department worked with stakeholders to develop the rules to implement HB 2128. The removal of stage II vapor recovery equipment will benefit to both business and air quality as it removes a duplicative air quality control measure that will no longer necessary.

Enforcement of Fuel Quality. The Department protected consumers and air quality through the fuel quality program which identified several significant fuel quality issues, including over 50 gas stations that were blending 89 octane gasoline at octane levels lower than required and 9 sites where the fuel did not meet fuel quality standards. The Department ensured all violations were corrected, and in the case of complaints, provided documentation to consumers as evidence for vehicle repairs.

Process Improvement. Through the LEAN process, the Department reviewed the vehicle for hire and commercial device licensing programs. The Department was able to implement process improvements that brought vehicle for hire licensing timeframes from 14—21 days down to less than a day in most cases. For commercial device licensing, the Department implemented a program that saved the state time and money by implementing an overdue invoice process in lieu of using the Attorney General's office.

AGENCY SUMMARY NUMBERS

LICENSES AND REVENUE BY FY

LICENSING	COLLECTED FEES			ITEMS LICENSED		
	2013	2014	2015	2013	2014	2015
VEHICLES FOR HIRE	\$ 55,392.00	\$ 56,160.00	\$ 116,088.00	7,046	8,206	9,131
OTHER DEVICES	\$ 2,393,946.01	\$ 2,071,562.00	\$ 2,637,390.96	59,620	60,905	60,974

PERFORMANCE NUMBERS BY FY

	2013	2014	2015
Inspections Conducted	11,823	12,020	10,271
Licenses Processed	123,506	121,519	129,552
Devices Tested	39,406	41,595	47,236
Laboratory Tests and Calibrations	8,206	8,151	8,190
Consumer Complaints Researched	1,573	1,624	1,898
Civil Penalties Issued	1,167	887	*719
Civil Penalties Amount Assessed	\$ 963,450	\$ 946,400	**\$ 841,150
General Fund Revenue Generated	\$3,270,000	\$2,939,677	\$3,363,326

*628 out of 719 have an inspection associated completed during the same FY

** \$703,850 out of \$841,150 belong to an inspection completed during the same FY

ADWM FY16 Transition Summary

As of the date of this report, budget and Interagency Service Agreements have been developed to transition the appropriate functions. Below is a summary of the transition of AZDWM to the appropriate agencies:

Transition to Arizona Department of Transportation:

- On August 3, 2015, the vehicle for hire program was moved over to ADOT/DMV along with three staff that perform licensing for the program.
- A fourth staff person was hired and trained by AZDWM to perform field inspection and was transitioned to ADOT following training in September 2015.
- New rules for Transportation Network Companies were developed and passed in August as part of the implementation of HB2135.
- The AZDWM and ADOT continue to share the AZDWM database to implement the VFH program until ADOT develops an online program for licensing within their system, tentatively due January 1, 2016.

Transition to Agriculture:

- In August 2015, IT systems including the agency database, email, and other operating systems were transitioned to Agriculture.
- The Auditor General Report was accepted and corrections made by August 15, 2015.
- Six office staff along with the physical assets of AZDWM were physically relocated to the Department of Agriculture on October 23, 2015.
- Unnecessary assets were transferred to Surplus on October 27, 2015.
- Budgets and employees, including 7 office staff and 17 field investigators, were formally transitioned on November 1, 2015.
- The Metrology Laboratory remains located in Glendale and has transitioned customer service plans for operation without the front office staff.

Transition to Department of Public Safety:

- The Interagency Service Agreement was signed on November 20, 2015, transferring 1 staff member and associated assets to DPS.
- The transfer of staff and associated budget is imminent.

Remaining Transition Efforts:

- AZDWM and Agriculture are working with stakeholders to prepare legislation to clarify requirements related to the transition contained in HB2480.
- After July 1, 2016, AZDWM rules will be transitioned under the Department of Agriculture.

ATTACHMENT A: Training Summary

WEIGHTS AND MEASURES - TRAINING RECORDS

ALL EMPLOYEES

EIN	EMPLOYEE	Welcome to State Gov't ADORI100	Standards of Conduct in the Public Sector LAW1000	Preventing Inappropriate Behavior in the Workplace LAW1006	SPS Handbook SPSORI100	Driving + Date RM29	MAP 101	Providing Quality Customer Service COM2011	Listening & Comm COM2000	Suspicious Mail Packages ERM100SP	Fair Emp Practices LAW1002	FMLA LAW1003	ADA LAW1007	HIPPA HSHIPAAP14	OSHA HSLAB103	Fair Labor Std LAW1004
107765	AUSTIN III, LLOYD W.	X	X	X	X	12/14/11	X	X	X	X	X	X	X	X	X	X
107769	BELL, SHANNON R.	X	X	X	X	6/26/09	X	X	X	X	X	X	X	X	X	X
42440	CORDOVA, EPHRAM	X	X	X	X	5/21/12	X	X	X	X	X	X	X	X	X	X
143798	CREVISTON, KADE	X	X	X	X	11/1/12	X	X	X	X	X	X	X	X	X	X
69078	DESANTIAGO, DAMIEN	X	X	X	X	12/1/11	X	X	X	X	X	X	X	X	X	X
	FISK, ROGER A.	N/A	X	X	X	4/28/15	X	X	X	X	X	X	X	X	X	X
92183	FORD, KENNETH L.	N/A	X	X	X	11/30/11	X	X	X	X	X	X	X	X	X	X
141617	GAEDERT, ERIC	X	X	X	X	12/1/11	X	X	X	X	X	X	X	X	X	X
156440	GARCIA, RAYMOND	X	X	X	X	4/24/14	X	X	X	X	X	X	X	X	X	X
62514	HARRIS, EVELYN V.	X	X	X	X	11/30/11	X	X	X	X	X	X	X	X	X	X
	KUMARASWAMY, SARAS	X	X	X	X	5/18/15	X	X	X	X	X	X	X	X	X	X
	MELLOTT, MICHELE A.	N/A	X	X	X	12/30/11	X	X	X	X	X	X	X	X	X	X
135827	MYERS, GLYNN M.	X	X	X	X	12/7/11	X	X	X	X	X	X	X	X	X	X
130343	NEJO, REYNOLDS G.	N/A	X	X	X	12/4/09	X	X	X	X	X	X	X	X	X	X
147691	RODRIGUEZ, CESAR	X	X	X	X	1/15/13	X	X	X	X	X	X	X	X	X	X
	SELLERS, BRIAN E.	N/A	X	X	X	11/30/11	X	X	X	X	X	X	X	X	X	X
	SMITH, MACKENZIE	X	X	X	X	11/30/11	X	X	X	X	X	X	X	X	X	X
23740	STROH, JAMES J.	N/A	X	X	X	11/30/11	X	X	X	X	X	X	X	X	X	X
25127	VOUGHT, ELMER P.	X	X	X	X	3/1/12	X	X	X	X	X	X	X	X	X	X
49939	WETZEL, LINDA D.	X	X	X	X	1/3/12	X	X	X	X	X	X	X	X	X	X
	WILSON, MICHELLE L.	X	X	X	X	4/23/15	X	X	X	X	X	X	X	X	X	X
119299	WRIGHT, MICHAEL C.	X	X	X	X	12/28/11	X	X	X	X	X	X	X	X	X	X
110053	ZACH, CHARLES M.	N/A	X	X	X	12/1/11	X	X	X	X	X	X	X	X	X	X
	ROMERO, LUIS	X	X	X	X	9/23/15	X	X	X	X	X	X	X	X	X	X
	ALLEN, KEVIN	X	X	X	X	9/23/15	X	X	X	X	X	X	X	X	X	X

SUPERVISORS ONLY

EIN	EMPLOYEE	Supervisor Academy	LRD3000 & LRD3001	MAP 1 ADMAP4MS	MAP 2 ADMAP4MS2	MAP 3 ADMAP4MS3
69078	DESANTIAGO, DAMIEN	X	X	X	X	X
	SELLERS, BRIAN E.	X		X	X	X
	WILSON, MICHELLE L.	X		X	X	X

ATTACHMENT B: Auditor General Report



A REPORT
TO THE
ARIZONA LEGISLATURE

Financial Audit Division

Procedural Review

Arizona Department of Weights and Measures

As of March 31, 2015

August • 2015
Report No. 15-303



Debra K. Davenport
Auditor General

The **Auditor General** is appointed by the Joint Legislative Audit Committee, a bipartisan committee composed of five senators and five representatives. Her mission is to provide independent and impartial information and specific recommendations to improve the operations of state and local government entities. To this end, she provides financial audits and accounting services to the State and political subdivisions, investigates possible misuse of public monies, and conducts performance audits of school districts, state agencies, and the programs they administer.



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DEBRA K. DAVENPORT, CPA
AUDITOR GENERAL

STATE OF ARIZONA
OFFICE OF THE
AUDITOR GENERAL

MELANIE M. CHESNEY
DEPUTY AUDITOR GENERAL

August 20, 2015

Andy Tobin, Director
Arizona Department of Weights and Measures

We have performed a procedural review of the Department of Weights and Measures internal controls in effect as of March 31, 2015. The review was requested by the Department and consisted of inquiries, observations, and selected tests of internal control policies and procedures, accounting records, and related documents. The review was more limited than would be necessary to give an opinion on internal controls. Accordingly, we do not express an opinion on the effectiveness of internal controls or ensure that all deficiencies in internal controls are disclosed.

Specifically, we reviewed cash receipts, cash disbursements, journal entries, transfers, payroll, capital assets, and information technology.

As a result of our review, we noted certain deficiencies in internal controls that the Department's management should correct to ensure that it fulfills its responsibility to establish and maintain adequate internal controls. Our findings and recommendations concerning these deficiencies are described in the accompanying summary.

This report is intended solely for the Department's information and use and is not intended to be and should not be used by anyone other than the specified party. However, this report is a matter of public record, and its distribution is not limited.

Should you have any questions concerning our procedural review, please let us know.

Sincerely,

Jay Zsorey, CPA
Financial Audit Director

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FINDING 1

The Department should improve controls over processing cash receipts

Criteria—To comply with the State of Arizona Accounting Manual (SAAM), Topic 20, §10, employees who are not responsible for maintaining accounting records should open cash receipts received in the mail. Two state employees should be present when mail is opened. This control ensures a separation of responsibilities and prevents errors, fraud, theft, or abuse in receiving, recording, and depositing receipts. In addition, supporting documentation should be maintained for all cash receipts a state agency collects to ensure that the revenue is recorded at the proper amount and accounted for. Further, the Department's accounting system should be reconciled to the State of Arizona's accounting system to ensure all revenues are properly recorded.

Condition and context—The Department's internal controls over cash receipts were not adequate to ensure that employee responsibilities were properly separated, cash receipt documentation was maintained, and cash receipts were reconciled to the accounting records. Specifically, one employee opened cash receipts received in the mail, recorded the cash receipts in the accounting system, and deposited the cash. In addition, the Department lacked supporting documentation for 14 of 20 cash receipts tested. Auditors were unable to determine if 11 cash receipts were properly recorded in the accounting records because the Department did not maintain documentation for 8 of the cash receipts and maintained only the State Treasurer deposit form for another 3 cash receipts. In addition, for 3 other cash receipts, the Department did not maintain documentation to support that currency was deposited intact into the Department's bank account. Further, cash receipts from credit card transactions were not being entered into the State's accounting system on a timely basis. This error would have been noted sooner if the Department reconciled cash receipts recorded in its accounting system to the State of Arizona's accounting system monthly.

Effect—The Department did not properly account for cash receipts, which increases the risk of errors, fraud, theft, and abuse.

Cause—Due to recent reductions in staffing, the Department did not have adequate personnel involved in the cash receipts process to properly separate cash receipt responsibilities, locate missing documentation, and perform reconciliations in a timely manner.

Recommendation—To help ensure that cash receipts are adequately controlled and to comply with the SAAM, the Department should:

- Require that two employees open the mail.
- Separate the duties of record keeping for cash receipts from cash deposits and reconciling accounting records.
- Retain documentation for all cash receipts.

- Record cash receipts in the State of Arizona accounting system in a timely manner.
- Reconcile cash receipts recorded in the Department's accounting records to the State of Arizona accounting system monthly, and investigate and resolve any differences.

FINDING 2

The Department should improve controls over employees' personnel documentation

Criteria—To comply with the SAAM, Topic 55, §5, payroll personnel must review payroll information, including personnel action forms documenting employees, positions, and salaries to ensure employees are paid at the correct rates based on their position and experience.

Condition and context—The Department lacked internal controls over maintaining employee personnel information and approving salaries. Specifically, auditors tested ten employees and noted that there was no support for one employee's position and salary. In addition, for another five employees, the employees' supervisors approved the personnel action forms but did not date the forms, and one form did not include any justification for the employee's pay increase.

Effect—The Department could pay an employee an inappropriate rate, and there is an increased risk of fraud, theft, and abuse.

Cause—The Department changed employee responsibilities over payroll, and no one person was responsible for verifying that all documentation was maintained and properly approved.

Recommendation—To help strengthen controls over payroll expenditures, the Department should maintain appropriate personnel documentation to support employee pay rates and ensure documentation is complete. The employee's supervisor should review and approve the documentation.

FINDING 3

The Department should update its capital assets list

Criteria—To comply with the SAAM, Topic 25, §35, the Department should maintain a capital assets list on the State’s Fixed Asset System that includes, at a minimum, property identification number, description, location of the asset, acquisition method, funding source, acquisition date, disposal date, purchase document number, and cost, as applicable. In addition, a list of all assets, even if not capitalized, should also be maintained. A physical inventory of these assets should be taken at least once a year.

Condition and context—The Department’s capital asset list and the State’s system were not complete because the Department has not completed a recent physical inventory. All five assets auditors selected from the Department’s premises and tagged as a capital asset were not recorded on the Department’s capital assets list or in the State’s system. Additionally, the Department did not have an employee assigned to be the property control officer to track all capital and noncapital assets.

Effect—Assets may be lost, stolen, misused, or misreported. In addition, it is critical for the Department to have a complete and up-to-date capital and noncapital asset listing because it is being merged into other state agencies, making its assets more vulnerable to loss, theft, or misuse if not properly accounted for.

Cause—The Department has recently experienced a decrease in the number of its employees, including the property control officer, and has not completed a physical inventory.

Recommendation—To help strengthen controls over capital assets and ensure all assets are accounted for during its merger, the Department should perform a physical inventory and compile a complete list of its capital and noncapital assets. The list of capital assets should include, at a minimum, the property identification number, description, location, acquisition method, funding source, acquisition date, purchase document number, and cost.

FINDING 4

The Department should improve access controls over its information technology systems

Criteria—The Department should have effective internal control policies and procedures to control access to its information systems.

Condition and context—The Department did not have adequate policies and procedures in place to ensure access to its information systems was appropriate. Specifically, changes to internal and external users' access were not reviewed to verify the changes were appropriate. Additionally, a former employee's access was not terminated but left open to allow another state agency employee to access information. Further, for four of ten users tested, the Department did not maintain documentation approving the users' access to its system.

Effect—There is an increased risk that the Department may not adequately prevent or detect unauthorized use, manipulation, damage, or loss of its information and data, including sensitive and confidential information.

Cause—The Department focused its efforts on the day-to-day operations and did not prioritize its review of IT policies and procedures to ensure they met IT standards and best practices.

Recommendation—To help prevent and detect unauthorized access or use, manipulation, damage, or loss to its information systems and data, the Department should develop and implement policies and procedures that include the following:

- Performing a periodic, comprehensive review of all existing employee access accounts to ensure system access granted is needed and compatible with job responsibilities.
- Removing employees' access immediately upon their termination and creating new user accounts for individuals who require system access.
- Using a standardized process to grant new users system access that includes appropriate approval and documentation

FINDING 5

The Department should improve its information system change management process

Criteria—The Department's IT systems process and store information and data that are vital to its daily operations. Therefore, the Department should have adequate policies and procedures to track and document changes made to its systems.

Condition and context—The Department did not have written policies and procedures to document, test, review, and monitor modifications made to its IT systems. Specifically, the Department used an outside service organization to update its IT systems; however, the Department did not monitor system changes to verify the changes were appropriate. The contractor submitted a list of system changes with its monthly bill; however, the change log was not submitted to IT personnel for review and approval.

Effect—There is an increased risk that changes to IT systems and data could go undetected or have unintended results without proper documentation, authorization, review, testing, and approval of the changes.

Cause—The Department had limited IT resources and, as a result, did not have sufficient policies and procedures to monitor changes to its IT system.

Recommendation—To help prevent and detect unauthorized modifications to its system and data, the Department should develop and implement policies and procedures that include the following:

- Track and reconcile all changes to its IT system, whether completed by an outside service organization or performed in-house.
- Separate responsibilities for changes so no one employee has the ability to authorize, review, test, and approve the change prior to implementation.
- IT personnel familiar with contractor-processed changes should review contractor invoices for accuracy.

FINDING 6

The Department should develop a disaster recovery plan

Criteria—It is critical that the Department have a comprehensive disaster recovery plan in place to provide the continuity of operations and to help ensure that vital IT resources, which includes its systems, network, infrastructure, and data, can be recovered in the event of a disaster, system or equipment failure, or other interruption

Condition and context—The Department does not have a formal disaster recovery plan in place for its IT resources. Consequently, the Department was unable to pull up its Web site and on-line payment system immediately when it shut down. The Web site and on-line payment system were up and running approximately 5 business days after the outage. However, during the outage customers were required to submit payments through the mail or in person.

Effect—The Department risks not being able to provide for the continuity of operations, recover vital IT resources, and conduct daily operations in the event of a disaster, system or equipment failure, or other interruption, which could cause inaccurate or incomplete system information and data and expensive recovery efforts.

Cause—The Department was not aware they should develop policies and procedures to maintain a disaster recovery plan.

Recommendation—To help ensure the continuity of department operations in the event of a system disaster or equipment failure, or other interruption, the Department should develop and implement a disaster recovery plan. This Department should:

- Conduct a business impact analysis to evaluate the impact disasters could have on its critical business process and create a plan based on the result of the analysis.
- Prioritize critical business processes to determine which processes it should recover first and list procedures for restoring critical processes.
- Communicate and distribute a copy of the plan to all affected employees.
- Maintain a copy of the plan off-site.
- Make arrangements for a designated physical recovery facility.
- Make arrangements with vendors to support infrastructure and systems requirements.
- Test and document the plan annually and update the plan for any problems noted.

FINDING 7

The Department should establish policies to ensure compliance with Arizona Revised Statutes

Criteria—Key employees should disclose potential conflicts of interest in accordance with Arizona Revised Statutes (A.R.S.) §38-503.

Condition and context—The Department did not have proper controls to ensure that all employees in management positions completed a conflict-of-interest or related-party disclosure. Specifically, auditors noted that there was not a conflict-of-interest or related-party disclosures for each employee in a management position.

Effect—The Department risks engaging in transactions with conflicts of interests that have not been disclosed.

Cause—The Department was not aware that all key employees should complete a conflict-of-interest or related-party disclosure.

Recommendation—The Department should ensure that all employees in management positions complete a conflict-of-interest or related-party disclosure form each year to ensure compliance with A.R.S. §38-503. In addition, new employees in management positions should complete the form when hired in order to disclose any potential conflicts of interest or related parties.

DEPARTMENT RESPONSE

DEPARTMENT RESPONSE



ARIZONA DEPARTMENT OF WEIGHTS AND MEASURES

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"At The Speed Of Business"
Governor Douglas A. Ducey, January 12, 2015

August 17, 2015

Debbie Davenport, Auditor General
2910 N. 44th Street
Ste. 410
Phoenix, AZ 85018

Dear Auditor General Davenport,

Thank you for all your support and the professional process and respect of this agencies responsibilities during your audit process. Your entire staff was especially efficient and we deeply appreciate your agencies timely scheduling of our request for this audit of the Arizona Department of Weights and Measures.

The Arizona Department of Weights and Measures is in transition mode as you are aware. Three other agencies are now part of this transition. Your work to affirm the character of the process and the credibility of this agencies procedures helps us to complete the transition process.

The Arizona Department of Weights and Measures appreciates the opportunity to correct the findings of the procedural review performed by your office on March 31, 2015.

If you have any further concerns of questions, please do not hesitate to contact my office at 602-771-4922

Sincerely

A handwritten signature in black ink, appearing to read "Andy Tobin", written over a circular stamp.

Andy Tobin

Director

Arizona Department of Weights and Measures

"Trust, but verify."
President Ronald Reagan December 8, 1987



ARIZONA DEPARTMENT OF WEIGHTS AND MEASURES

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"At The Speed Of Business"

Governor Douglas A. Ducey, January 12, 2015

Finding 1: The Department should improve controls over processing cash receipts.

The Department accepts the findings of the Auditor General and appreciates the recommendation.

Response: The Director, or his designee, of the Department of Weights and Measures (DWM) will ensure that two employees open all mail together. All checks, money orders, cashier's checks, etc., will be endorsed at the time the mail is opened. The cash receipts (CR) will then be logged into the Department's Compliance Tracking Unit (CTU) database, two adding machine tapes run, and a deposit slip completed. Two daily transmittal reports will be printed from the CTU, one copy for the licensing desk to reconcile customer accounts, and one as back-up for the CR. The CR will then be taken to Bank of America (or other designated bank) for Deposit. The validated deposit slips, along with the two tapes, and the daily transmittal report will be stapled together and delivered to the Department of Administration's Central Services Bureau (CSB). CSB will key the daily deposits into the Arizona Financial Accounting System (AFIS) from the documentation provided. CSB will deliver a validate deposit slip along with the required AFIS documentation to the State Treasurer's Office for further processing. Once the Treasurer has approved, and the deposit is in final status in AFIS, CSB will return a copy of the AFIS documentation along with the two tapes, one validated deposit slip, and the daily transmittal report back to WMA for filing. CSB will provide a monthly AFIS reconciliation to reconcile to WMA's CTU, so that any differences may be investigated and resolved.

Finding 2: The Department should improve controls over employee personnel documentation. The Department accepts the findings of the Auditor General and appreciates the recommendation.

Response: The finding of the Auditor General is agreed to and the audit recommendation will be implemented. The DWM gratefully appreciates the efforts of the AZ-DOA (HR) Division, who have helped coordinate and correct our HR services program since early March 2015.

Finding 3: The Department should update its capital assets list. The Department accepts the findings of the Auditor General and appreciates the recommendation.

Response: As part of the transition plan, the DWM is working on re-affirming ALL assets at the agency and determining what assets will be moving over to the Department of Agriculture,

"Trust, but verify."

President Ronald Reagan December 8, 1987

Department of Transportation and the Department of Public Safety via an ISA as well as the remaining assets being transferred to the state surplus program.

Finding 4: The Department should improve access controls over its information technology resources. BOTH FINDING 4 and 5 ARE RESPONDED BELOW:

Finding 5: The Department should improve its information system change management process. BOTH FINDINGS 4 and 5 ARE RESPONDED BELOW:

Response: The Department accepts the findings of the Auditor General and appreciates the recommendation.

We agreed to the findings. DWM had outdated and non-enforced IT policies and procedures. The previous management directly oversaw the IT responsibilities. It appeared to create a difficulty in coordinating general practices of IT procedures.

IT procedures were not prioritized and new procedures weren't well enforced. The IT department input and suggestions for new projects and procedures had not been approved and IT Procurement Procedure then was not followed as a matter of regular practice. During the last 3 years, management purchased, assigned or moved, IT assets, IT responsible wasn't coordinated on a large percentage of the acquisitions.

With limited resources IT was tracking and documenting all the requests submitted directly to IT Support, except the requests contracted without internal notification that were sent to external support and vendors directly. These practices from ADWM's management/staff are now being corrected and addressed.

Please note that we must default all ADWM's IT Policies and procedures to AZ department of Agriculture, as part of the transition of ADWM.

Systems and network security vulnerability scan performed by ASET/DOA –Test and validate that only the authorized items are running on the systems and network. Create and review in-depth logs files to monitor compliance with ASET security protocols, violation alerts, and actions taken.

Agency Website moved out and managed by ASET/DOA. This will maintain system up to date with the most current hardware, Operating Systems, security and on time applying of patches and maintenance. Providing a low cost and easy way to ensure backup and disaster recovery with offsite backups.

Email Exchange Services, core Business SQL Database have been moved to the AZDA IT infrastructure. - As part of the merging process with the AZ Agriculture Department (AZDA). We started to default AZDA IT policies and procedures. Verifying current user's network access, files and rules that allow on valid access. Closing all un-used ports on routers and disabling all unused user ids and passwords. Authentication violation within a specified period, disable the

user access from the system and network. Files and folders will be moved to AZDA as well and this is work progress.

IT Assets Inventory– By transferring IT assets shortly to the Arizona Department of Transportation (ADOT) we started collecting an inventory. This inventory should be completed to include all current IT assets and must be reviewed and updated frequently (at least quarterly). Most IT responsibilities and controls have been reinstated to Systems Administrator, whom continue to register and monitor IT services, security and equipment. With the assistance of the AZDA IT manager, Systems Administrator started to track and supervise IT Issues that require to contract external resources and involve expenses.

Finding 6: The Department should develop a disaster recovery plan 11.

The Department accepts the findings of the Auditor General and appreciates the recommendation.

Response: The Arizona Department of Weights and Measures has updated the “Business Continuity Plan Phase II”, as of July 31, 2015. A hard copy is located at the department office and an electronic copy is located on the department computer v-drive.

Finding 7: The Department should establish policies to ensure compliance with Arizona Revised Statutes.

The Department accepts the findings of the Auditor General and appreciates the recommendation.

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

