



STATE OF ARIZONA
OFFICE OF THE
AUDITOR GENERAL

DEBRA K. DAVENPORT, CPA
AUDITOR GENERAL

WILLIAM THOMSON
DEPUTY AUDITOR GENERAL

May 22, 2007

The Honorable Robert Blendu, Chair
Joint Legislative Audit Committee

The Honorable John Nelson, Vice Chair
Joint Legislative Audit Committee

Dear Senator Blendu and Representative Nelson:

Our Office has recently completed an 18-month followup of the Arizona State Retirement System regarding the implementation status of the 9 audit recommendations (including sub-parts of the recommendations) presented in the performance audit report released in September 2005 (Auditor General Report No. 05-09). As the attached grid indicates:

- All recommendations have been implemented.

Since all recommendations have been implemented, and unless otherwise directed by the Joint Legislative Audit Committee, this report concludes our follow-up work on the System's efforts to implement the recommendations resulting from our September 2005 performance audit report.

Sincerely,

Debbie Davenport
Auditor General

DD:lgg
Attachment

cc: Paul Matson, Director
Arizona State Retirement System

ARIZONA STATE RETIREMENT SYSTEM
18-Month Follow-Up Report To
Auditor General Report No. 05-09

FINDING 1: ASRS' investment management generally appropriate

Recommendation	Status of Implementing Recommendation	Explanation for Recommendations That Have Not Been Implemented
1. The ASRS Real Estate Committee should adopt its draft policies and procedures for investment in real estate.	Implemented at 6 Months	
2. ASRS should use procedures developed by other state pension plans to help guide its future development of real estate investment procedures.	Implemented at 18 Months	

ARIZONA STATE RETIREMENT SYSTEM
18-Month Follow-Up Report To
Auditor General Report No. 05-09

FINDING 2: ASRS should improve its performance in paying some benefits

Recommendation	Status of Implementing Recommendation	Explanation for Recommendations That Have Not Been Implemented
1. To improve the timeliness of paying new retiree annuities, ASRS should:		
a. Complete the incorporation of the new retiree function into its main data system by December 2006 to allow it to initialize annuities based on currently available data instead of waiting for employer verification of final payroll details.	Implemented at 18 Months	
b. Complete its ongoing project to convert members' paper and microfiche files to electronic images by June 2006.	Implemented at 18 Months	
c. Study the cost of implementing a second monthly pay date for new retirees' annuities, weighing any potential impact upon currently scheduled IT projects against the benefit of reducing new retirees' wait times for receiving annuity payments.	Implemented at 6 Months	
2. To improve the accuracy of paying new retirees, ASRS should update all procedure documents related to processing new retirees, and provide training to its staff for the automated calculation of the highest average monthly salary once this new function is operational.	Implemented at 12 Months	

ARIZONA STATE RETIREMENT SYSTEM
18-Month Follow-Up Report To
Auditor General Report No. 05-09

FINDING 2: ASRS should improve its performance in paying some benefits (concl'd)

Recommendation	Status of Implementing Recommendation	Explanation for Recommendations That Have Not Been Implemented
3. To improve the timeliness of paying refunds, ASRS should complete its efforts to fully incorporate this function into its main computer system by April 2006.	Implemented at 12 Months	

ARIZONA STATE RETIREMENT SYSTEM
18-Month Follow-Up Report To
Auditor General Report No. 05-09

FINDING 3: ASRS should monitor and assess its plan for improving call center performance

Recommendation	Status of Implementing Recommendation	Explanation for Recommendations That Have Not Been Implemented
1. To provide more accurate call volume projections to assist in future staffing plans, ASRS should consider the feasibility of tracking both the primary and secondary reasons for incoming calls.	Implemented at 18 Months	
2. If the call center is able to achieve its performance objectives with fewer staff than required by the staffing plan, ASRS should redeploy any excess staff to other areas requiring assistance.	Implemented at 12 Months	