

Katie Hobbs
Governor



**Elizabeth
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Director

ARIZONA DEPARTMENT OF ADMINISTRATION

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Linsey A. Perry
Auditor General
2910 N. 44th Street, Suite 410
Phoenix, AZ 85018

Dear Ms. Perry,

Thank you for providing us with the preliminary draft report of the sunset audit for the Arizona Department of Administration. We appreciate the opportunity to respond. Attached, please find our final response to the sunset audit findings.

Please feel free to contact me with any questions.

Sincerely,

A handwritten signature in black ink, appearing to read "EAT", with a long horizontal flourish extending to the right.

Elizabeth Alvarado-Thorson
Director

Attachment (1)

Sunset Factor 2: The extent to which the Department has met its statutory objective and purpose and the efficiency with which it has operated.

Recommendation 1: The Department should obtain signed ISAs from all State agencies that receive its IT services.

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

Response explanation:

The Department's Engagement Management team is currently working on a campaign to request agencies without a current Internal Service Agreement (ISA) to execute the Evergreen/Annual ISA. We expect to complete the ISA Evergreen/Annual campaign by June 30, 2024.

Following the completion of the campaign, the department will determine which, if any, agencies are unwilling to sign an ISA and then determine which options are available for maintaining, transferring, or terminating agency services.

Recommendation 2: The Department should develop and implement policies and procedures for periodically reviewing the appropriateness of CSB fees that require it to analyze the costs of CSB activities, compare these costs to the associated fees, determine the appropriate fees, and then revise CSB fees as needed.

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

Response explanation: Beginning FY24 CSB began meeting with all agencies to establish and/or modify ISAs outlining the services to be provided. For FY24 CSB also established a new rate setting methodology that is included in the agreements. In FY24 CSB will also begin establishing rules for publishing rates, determining fees, and reporting actual costs to agencies in accordance with ARS 35-193.02.

Recommendation 3: The Department should require its Division of School Facilities to develop and implement a written plan that outlines key steps that it will take to address outstanding recommendations related to the prior audits of the Arizona School Facilities Board, including associated completion deadlines for each step.

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

Response explanation: The Department will submit a plan to address outstanding recommendations and associated deadlines by October 31, 2023.

Sunset Factor 3: The extent to which the Department serves the entire State rather than specific interests.

Recommendation 4: The Department should ensure that all its employees have a completed conflict-of-interest disclosure form that requires them to disclose whether they or their relatives have a substantial interest in any Department decision making.

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

Response explanation: In addition to providing all Department new hires with a conflict-of-interest disclosure, a process has been implemented to include employees transferring into the Department from other agencies. The Department will implement a process to ensure that all current employees have the most recent conflict of interest form completed as well.

Recommendation 5: The Department should develop and implement internal conflict-of-interest policies and procedures, that include:

Recommendation 5a: Requirements for public officers to complete a disclosure form at appointment.

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

Response explanation: The department will develop a process to obtain disclosure forms for public officers at appointment.

Recommendation 5b: Reminding all employees and public officers at least annually to complete a new disclosure form when their circumstances change.

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

Response explanation: The Department issued an ethics reminder email to all agency employees on August 17, 2023, which included a reminder to complete an updated conflict of interest disclosure form when circumstances change. The ethics reminder email is scheduled to be issued annually. Going forward, public officers, including board members, will receive a copy of the annual ethics reminder.

Recommendation 5c: A process for remediating conflicts of interest disclosed by employees or members of public bodies.

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

Response explanation: The Department will develop a process to review and remediate conflicts of interest disclosed by an employee or member of a public body. The Department has already begun to implement a standard process to remediate conflicts of

interest at meetings of many of its public bodies, and will implement that process for all its public bodies.

Recommendation 6: The Department should provide training to its employees and members of its public bodies on its newly developed conflict-of-interest policies and procedures.

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

Response explanation: The Department will create a plan to identify employees and members of its public bodies who would benefit from training on the Department's newly developed conflict-of-interest policies and procedures and provide such training.

Sunset Factor 5: The extent to which the Department has encouraged input from the public before adopting its rules and the extent to which it has informed the public as to its actions and their expected impact on the public.

Recommendation 7: The Department should develop and/or update and implement open meeting law policies and procedures for all Department public bodies to help ensure that they comply with open meeting law requirements, including:

Recommendation 7a: Requirements related to executive session, including notices, agendas, and motions and votes to hold executive session.

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

Response explanation: The Department will develop a process to manage executive sessions in alignment with Arizona's open meeting law statutes and guidance from the Attorney General's Agency Handbook including how to provide adequate specificity when agendizing and moving to enter executive session and ensuring a quorum is present to vote to enter executive session.

Recommendation 7b: Requirements related to quorum, such as public bodies only holding meetings if a quorum of members is present.

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

Response explanation: The Department will update its open meeting law guidance as it relates to the necessity of a quorum for public bodies to hold meetings and Department staff administering public meetings will take a more active role in facilitating the meetings and interjecting if public body members deviate from open meeting law requirements.

Recommendation 8: The Department should consult with the Attorney General's Office to ensure its open meeting law policies and procedures, including executive session and quorum practices, comply with open meeting law.

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

Response explanation: The Department will consult with the Attorney General's Office to review any processes or guidance created in response to Recommendations 7a and 7b, to ensure they comply with the open meeting law.

Recommendation 9: The Department should consult with the Attorney General's Office to determine and address potentially invalid actions taken at meetings that did not meet quorum requirements.

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

Response explanation: The Department will consult with the Attorney General's Office regarding steps to ratify, pursuant to A.R.S. § 38-431.05(B), any potentially invalid actions taken at meetings in which a quorum was not present.

Recommendation 10: The Department should provide training for public body members and applicable Department staff on its open meeting law policies and procedures.

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

Response explanation: The Department will provide new public body members with a copy of Chapter 7 of the Attorney General's Agency Handbook related to Arizona's open meeting law with instructions to review the material prior to their first meeting pursuant to A.R.S. § 38-431.01(G). The Department will also provide public body members with copies of any newly developed material related to open meeting law policies and procedures, including processes for managing executive sessions and guidance on quorum requirements. The Department will also provide training for public body members and Department staff on open meeting law policies and procedures.

Sunset Factor 6: The extent to which the Department has been able to investigate and resolve complaints that are within its jurisdiction and the ability of the Department to timely investigate and resolve complaints within its jurisdiction.

Recommendation 11: The Department should develop and implement a process, including written procedures, for providing a written response to benefit grievances within 60 days, as required by rule, and provide written responses to benefit grievances within this time frame.

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

Response explanation: The Benefits Services Division will implement a process for the review of grievances and the documentation of grievance decisions.