

A REPORT
TO THE
ARIZONA LEGISLATURE

Performance Audit Division

Performance Audit and Sunset Review

Department of Emergency and Military Affairs

Sunset Review

State Emergency Council

JUNE • 2004
REPORT NO. 04 – 04



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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AUDITOR GENERAL

STATE OF ARIZONA
OFFICE OF THE
AUDITOR GENERAL

WILLIAM THOMSON
DEPUTY AUDITOR GENERAL

June 17, 2004

Members of the Arizona Legislature

The Honorable Janet Napolitano, Governor

Major General David Rataczak, Adjutant General
Department of Emergency and Military Affairs

Transmitted herewith is a report of the Auditor General, A Performance Audit and Sunset Review of the Department of Emergency and Military Affairs and Sunset review of the State Emergency Council. This report is in response to a November 20, 2002, resolution of the Joint Legislative Audit Committee. The performance audit was conducted as part of the Sunset review process prescribed in Arizona Revised Statutes §41-2951 et seq. I am also transmitting with this report a copy of the audit's Report Highlights to provide a quick summary for your convenience.

As outlined in its response, the Department of Emergency and Military Affairs agrees with all of the findings and plans to implement or implement in a different manner all of the recommendations.

My staff and I will be pleased to discuss or clarify items in the report.

This report will be released to the public on June 18, 2004.

Sincerely,

Debbie Davenport
Auditor General

Enclosure

PROGRAM FACT SHEET

Department of Emergency and Military Affairs

Services:

The Department of Emergency and Military Affairs, established in 1972 and directed by the Adjutant General, is responsible for protecting and defending Arizona's citizens' peace, health, and safety. The Department has both emergency management and military responsibilities.

The Department helps state, county, or local agencies prepare for and respond to disasters in an effort to reduce the impact they have on persons and property.

This includes maintaining the State Emergency Response and Recovery Plan (a plan that coordinates the State's activities during a state-declared emergency), conducting exercises to test the Plan, providing training on emergency management topics, coordinating the State's emergency response, and helping communities obtain federal funding to restore structures to pre-disaster status or mitigate the impact of future disasters.

The Department also supports the activities of the approximately 7,000 men and women currently serving in Arizona's Air and Army National Guard (Arizona's part of the reserve component of the U.S. Air Force and Army). In addition, the Department maintains the Camp Navajo training and storage facility near Flagstaff, Arizona. Finally, the Department also operates the Project Challege Program, a nationally affiliated military-style program for at-risk men and women between the ages of 16 and 18 who wish to obtain a high school equivalency degree.

Personnel:

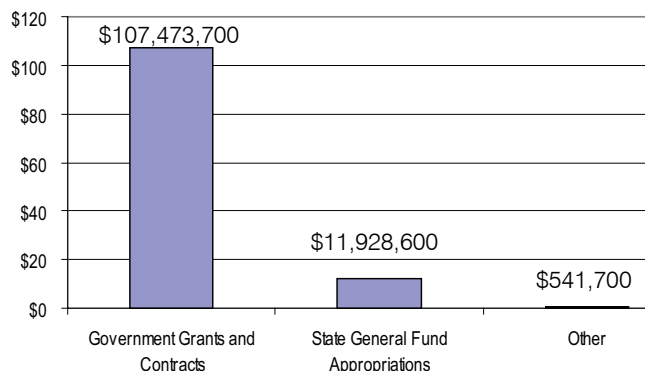
The Department reports that it is authorized to have 123.1 full-time equivalent positions, and 12 of these positions were vacant as of February 2004.

Facilities and equipment:

The Department determined the approximate cost of its assets to be more than \$75 million as of July 4, 2003, including buildings, land, equipment, and vehicles. For example, the Department owns its state headquarters building located at 5636 E. McDowell Road in Phoenix, Arizona, and other items, such as 31 armories, GPS systems, and radio transceivers. In addition to state-owned assets, the Department leases property and vehicles such as modular buildings, an aircraft hangar, and some vans. According to the Department, its cost for leasing property and equipment was as much as \$20,577 per month during fiscal year 2003.

Program revenue:

\$119,944,000 (fiscal year 2004, estimated)



Mission:

To promote, protect, and defend the health, safety, peace, and quality of life of the citizens of our communities, state, and nation.

Program goals:

The Department has established the following eight goals:

1. To provide for state-wide compliance with the Disaster Mitigation Act of 2000.
2. To increase local emergency response and recovery capability through planning, training, and exercising assistance, to include terrorist acts and WMD capability where appropriate.
3. To reduce human suffering during disasters and enhance recovery after disaster strikes.
4. To establish communications capacity throughout Arizona where the first responder and emergency management communities have interoperable communications.
5. To prevent unauthorized access to Division's IT network.
6. To attract and retain quality employees.
7. To provide quality service and products to external customers.
8. To effectively and efficiently expend state and federal funds.

Adequacy of goals and performance measures:

The Department's goals are generally aligned with its mission, and the Department has established performance measures for its main functions. The Department has also updated its goals to include a focus on domestic preparedness for terrorism and weapons of mass destruction (WMD) incidents. Finally, the Department's efforts to develop a State Hazard Mitigation Plan and support the development of similar plans for local communities are also reflected in its goals and measurements.

Although the Department has established performance measures for its main functional areas, the Department should establish a performance measure that evaluates its efforts to implement recommendations made in "after-action reports." An after-action report analyzes the response and coordination efforts after a state disaster has occurred, and identifies areas where improvements are needed. The Department's 2004 Strategic Plan has no performance measures dealing with after-action reports, and as indicated in Finding 1 of this report (see pages 14 through 17), the Department has not consistently produced these after-action reports.

The Department has established a performance measure to evaluate external customer satisfaction with the service and products it provides. While the Department has developed a customer service survey mechanism, it has not consistently analyzed and reported these survey results. Therefore, the Department should ensure that it annually analyzes the data from this important mechanism.

Source: Auditor General staff compilation of the Department's unaudited revenue estimates for the year ending June 30, 2004, information contained within its Strategic Plan, and other information provided by the Department.

SUMMARY

The Office of the Auditor General has conducted a performance audit and Sunset review of the Department of Emergency and Military Affairs and a Sunset review of the State Emergency Council pursuant to a November 20, 2002, resolution of the Joint Legislative Audit Committee. This audit was conducted as part of the Sunset review process prescribed in Arizona Revised Statutes (A.R.S.) §41-2951 et seq.

Established in 1972, the Department of Emergency and Military Affairs is responsible for promoting, protecting, and defending Arizona citizens' peace, health, and safety. The State's Adjutant General administers the Department, which consists of three divisions. First, the Division of Emergency Management helps state, county, or local agencies prepare for and respond to disasters in an effort to reduce their impact on persons and property. Further, this Division has recently been assigned several of the State's homeland security responsibilities. The Division of Military Affairs provides facilities and resource management support for the Arizona Army and Air National Guard. Arizona has approximately 7,000 men and women serving in the Army and Air National Guard. The Division also operates an over 28,000-acre facility at Camp Navajo, located approximately 12 miles west of Flagstaff, Arizona, which is used to train military personnel and store an estimated \$3.3 billion worth of items, primarily military equipment such as missile rocket motors and ammunition for the federal government and private organizations. Finally, the Department's Joint Programs Division provides support services for the Department and supervises Project ChalleNGe, a military-style program for at-risk men and women between the ages of 16 and 18 wishing to receive a high school equivalency degree.

Division effectively performs its emergency management responsibilities (see pages 9 through 19)

Between January 1998 and December 2003, 26 state emergency declarations were issued. For example, in June 2002, an emergency was declared as a result of the Rodeo-Chediski Fire. This fire destroyed more than 400 structures and burned over 450,000 acres in Arizona near the towns of Heber and Show Low. The fire required the evacuation of 35,000 people, and caused at least \$28 million in damage. The

other 25 disasters include 7 other fires and 6 floods, windstorms, or other weather-related disasters. The Division of Emergency Management plays a role in helping the State manage all such disasters.

Auditors determined that the Division of Emergency Management effectively carries out its four main emergency management responsibilities:

- **Preparedness**—The Division has improved its disaster preparedness efforts. Since the Auditor General’s prior reviews in 1994 and 1997, the Division has maintained and updated the State Emergency Response and Recovery Plan (Plan), which identifies the responsibilities of 70 state, volunteer, private, and federal organizations in state-declared disasters, and assigns primary agencies for each role in a state-declared disaster. Further, the Division also tests the Plan through exercises, and provides regular and useful training such as terrorism response basics for emergency professionals. The Emergency Management Accreditation Program (EMAP), an organization that reviews emergency management agencies for accreditation purposes, reviewed the Division against its standards and granted the Division conditional accreditation in June 2003. Other people, such as a representative from the Federal Emergency Management Agency (FEMA), as well as many of the stakeholders auditors interviewed, had positive comments about the Division’s role in preparing for disasters.
- **Response**—The Division comprehensively responds to disasters. After a state disaster is declared, the Division deploys resources and coordinates the activities of state agencies, nonprofit organizations, and local governments based on the Plan’s requirements. Both representatives from FEMA and division stakeholders contacted during the audit indicated that, overall, the Division’s actions were effective. For example, a representative from FEMA involved in the 2000 Wenden Flood and the 2002 Rodeo-Chediski Fire indicated that the Division did a good job of coordinating state and federal resources. As a further example, one county official noted that during a recent flood, the Division provided 10,000 sandbags within a day of receiving the request.

While the Division’s response is sound, it should continue to improve its post-disaster assessment process. Although two Executive Orders and the Plan direct the Division to critique the State’s disaster response coordination efforts and produce an after-action report documenting these efforts, the Division has not consistently done so. Between June 1998 and July 2003, the Division did not produce after-action reports for 5 of the 9 disasters it responded to. The Division should produce an after-action report after any disaster in which it coordinates emergency response activities. If it chooses not to produce a report, it should document the reasons. The Division should also ensure that its

after-action reports include detailed recommendations for any problems identified.

- **Recovery**—Following a disaster, the Division helps government, tribal, and eligible nonprofit organizations develop projects to remove debris, provide food and water, and repair the damage. For the 15 disasters that were declared during fiscal years 2001 through 2003, the Division assisted local communities with 382 projects. It also administers state and federal funding to support the projects. The Division reports that it issued approximately \$411,000 in state monies for completed projects, and continues to administer approximately \$10.7 million in state and \$13.3 million in federal monies for ongoing projects. In fact, because the Division performs so well, Arizona is one of only three states that FEMA allows to independently perform most of the recovery project functions, such as determining eligibility and working with FEMA to ensure funds are spent appropriately. Further, during the Department's EMAP accreditation review, the Division was found to be in compliance with its recovery standard.
- **Mitigation**—The Division also provides an effective mitigation program designed to limit the impact of future disasters. The Division is in the process of developing the State's Hazard Mitigation Plan, and is also developing an online model to assist local governments in drafting their own mitigation plans. The Division administers three federal hazard mitigation grant programs that provide money for mitigation planning and projects to limit the impact of future disasters. For example, the Division helped the Town of Eagar obtain a grant for solar-powered aerators to improve its wastewater treatment system. EMAP's evaluation found that it complied with all three applicable standards, and many of the Division's stakeholders auditors interviewed stated that the Division's mitigation program was helpful.

Environmental cleanup and state liability issues at Camp Navajo being addressed (see pages 21 through 26)

The environmental contamination and potential liability problems for items stored at Camp Navajo identified in two previous Auditor General reports are being addressed. The Camp is an over 28,000-acre, federally owned military installation located approximately 12 miles west of Flagstaff, Arizona. The Department of the Army originally opened the Camp in 1942. It operated as a military weapons demolition and storage facility, but in 1982 the Department was granted a license to use it for training purposes. In 1993, the Army extended the Department's license to operate Camp Navajo indefinitely; however, the Army retained responsibility for cleaning up the environmental contamination from weapons demolition, as well as other activities. Audits in 1994 and 1997 pointed out the Department's need to ensure

timely environmental remediation at Camp Navajo. Further, the 1997 report noted that the Department had received \$13 million and anticipated receiving an additional \$24.5 million for environmental investigations and restoration work. Since then, the Department hired a contractor to perform the work necessary to obtain closure of the contaminated sites. In November 2003, the Department's contractor reported that there were 51 contaminated sites at Camp Navajo, 13 of which have been closed because they meet public health and environmental standards, and 38 that are in the process of being closed. According to the National Guard Bureau, many of the remaining sites are expected to be closed by 2005, although it anticipates the need for long-term monitoring through 2020 for some of these sites. As of November 2003, the National Guard Bureau reports that it requires approximately \$73 million through federal fiscal year 2009, and has already spent or received funding for approximately \$33.6 million.

The Department has also taken steps to address the previous concerns over the lack of appropriate liability language in Camp Navajo's storage agreements. To respond to these concerns, the Department worked with the Arizona Attorney General's Office to develop appropriate language for its existing Camp Navajo storage agreements. However, auditors found that the Department did not always include this language in all new agreements and renewals to existing agreements. The Department could prevent these omissions by continuing its efforts to develop a formal review and approval process for all of its agreements.

Other pertinent information (see pages 27 through 31)

During the audit, auditors compiled information on existing armory conditions and the methods the Department is using to finance the construction and repair of Arizona's armories. The Department operates 32 Army National Guard armories in Arizona, of which the State owns all but one. The federal government owns an armory at Camp Navajo, near Flagstaff, Arizona. The average age of these armories is 40 years. The state and federal governments share roles for constructing new Army National Guard armories—the State identifies the need for new armory construction or renovation through its long-range construction plan, while the federal National Guard Bureau (Bureau) prepares a prioritized list for congressional consideration. Congress must approve any new armory projects or major renovation that has a federal cost of more than \$1.5 million. By federal requirements, the federal government will contribute up to 75 percent of the costs for constructing new armories if the State provides the land and the remaining 25 percent of construction costs, and 100 percent if the armory is constructed on federal land using a federal contracting process. The Department is in the process of constructing two new Army National Guard armories. It also has one other armory project planned for 2009 that the federal government has agreed to support, as well as 15 other armory projects that the federal government has not yet agreed to fund.

The federal government owns and operates all five facilities used by Air National Guard members. Two of these facilities are located in Phoenix, two are in Tucson, and one is in Sierra Vista. The structures in these facilities range in age from 1 to 46 years.

To finance the repair and maintenance of Arizona's armories and the Air Guard facilities, the State typically contributes 50 percent or less, with the federal government paying the remainder. To help identify needed construction and maintenance repairs, the Department must annually report the armories' condition to the Bureau.

Sunset Factors: Department of Emergency and Military Affairs (see pages 33 through 40)

Termination of the Department could harm the public's health, safety, or welfare because it performs both emergency management and military functions. The Department's Division of Emergency Management coordinates planning for emergencies, conducts exercises to improve readiness for disasters, and provides training to assist emergency management professionals. The Department often takes a lead role in responding to disasters and helps local governments obtain grants to assist with recovering from disasters and mitigating the impact of future ones. The Department also supports the Arizona Army and Air National Guard.

Sunset Factors: State Emergency Council (see pages 41 through 44)

The State Emergency Council was established in 1971 and is composed of the Governor, Secretary of State, Attorney General, department officials, directors from seven different state agencies, and the President of the Senate and Speaker of the House, who are nonvoting members. The Council has some important responsibilities related to state-declared disasters. For example, the Governor cannot allocate more than \$200,000 in state monies per disaster without the Council's approval. Further, the Council's broad membership brings together both elected officials and appointed state agency representatives who play a part in planning for and/or responding to disasters.

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INTRODUCTION & BACKGROUND

The Office of the Auditor General has conducted a performance audit and Sunset review of the Department of Emergency and Military Affairs and a Sunset review of the State Emergency Council pursuant to a November 20, 2002, resolution of the Joint Legislative Audit Committee. This audit was conducted as part of the Sunset review process prescribed in Arizona Revised Statutes (A.R.S.) §41-2951 et seq.

History and purpose

Established in 1972 under A.R.S. §26-101, the Department is responsible for promoting, protecting, and defending Arizona's citizens' peace, health, and safety. The Department's mission is to "promote, protect, and defend the health, safety, peace, and quality of life of the citizens of our communities, state, and nation."

Responsibilities, organization, and staffing

The Department is directed by the State's Adjutant General, whom the Governor appoints for a 5-year term under A.R.S. §26-101. However, the individual must also meet federal guidelines to receive the appointment. The Department has both military and emergency management responsibilities. In addition, the Department provides support to the State Emergency Council, and has recently incorporated state homeland security duties into its other functions. To carry out its responsibilities, the Department is organized into the following divisions:

- **Division of Emergency Management (19.5 FTEs, 0 vacant)**—The Division helps state, county, or local agencies prepare for and respond to disasters in an effort to reduce the impact they have on persons and property. The Division's activities revolve around four areas: preparedness, response, recovery, and mitigation. The tasks within these areas include maintaining the State Emergency Response and Recovery Plan (Plan), a plan that coordinates the State's activities during a state-declared emergency; conducting exercises to test the

Plan; providing training on emergency management topics; coordinating the State's emergency response; helping communities obtain funding to restore structures to pre-disaster status; and helping communities obtain funding for projects designed to mitigate the impact of future disasters. The Division also acts as a pass-through entity for money from the Federal Emergency Management Agency (FEMA), which helps fund similar emergency management activities at the local level. Further, the Division was one of only three states to have its emergency management program be conditionally or fully accredited under the Emergency Management Accreditation Program (EMAP), a program that ensures that accredited members meet national standards.¹ In June 2003, the Division was awarded conditional accreditation status, and is currently working to achieve full accreditation.

Since April 2003, the Division has been assigned several of Arizona's homeland security responsibilities. Specifically, the Governor has appointed the Division's Director to also serve as the Director of the Arizona Office of Homeland Security. The Division revised the Plan to include the State's response during terrorist incidents and developed guidelines for its actions at each federal terrorism alert level. Further, the Division has implemented weapons of mass destruction training and exercises. For example, in 2002, the Division conducted an exercise focused on responding to a biological terrorist incident. Finally, the Division also received more than \$38 million in federal homeland security grants for federal fiscal year 2003. According to the Division, it retained a portion of these monies for the grant program's administration and distributed the rest of the monies to the State's local governments. The Division reports that it allocated the monies based on the local government's homeland security risk assessments, which identified the seriousness of the threats in each jurisdiction, and a standard formula that determined the percentage each jurisdiction should receive.² Federal government guidelines state that communities can spend these grant funds on planning, training, exercises, equipment, First Responder preparedness, and critical infrastructure preparedness. Specific examples of approved uses include ballistic threat body armor, increased security measures around nuclear power plants, and motion detectors.

- **Division of Military Affairs (45.6 FTEs, 10 vacant)**—The Division of Military Affairs supports the activities of the approximately 7,000 federally paid members of the Arizona Army and Air National Guard, which form Arizona's reserve component

¹ EMAP is the only source for national emergency management accreditation. It began accepting applications in 2002 with the support of several organizations, including FEMA and the National Emergency Management Association. EMAP's accreditation process involves assessing the agency against 54 standards by reviewing documents, conducting interviews, and on-site evaluations. EMAP agreed to work with FEMA to conduct assessments of all states' and territories' emergency response programs.

² Because of Arizona's concentrated population centers, the Division has suggested to the Office for Domestic Preparedness (ODP) that in the future the State allocate the homeland security grant monies on a regional basis rather than to each local jurisdiction.

for the United States Army and Air Force.¹ The Division's 45.6 state employees primarily provide the Arizona Army and Air National Guard with facilities and resource management support. The Army National Guard ensures that its approximately 4,300 members are prepared to respond to disasters by typically training 1 weekend each month and 2 weeks each year. Similarly, the Air National Guard's 2,800 members also train 1 weekend each month and an additional 15 days per year. However, both Army and Air Guard members may be asked to serve additional duty during state and national emergencies. For example, as of October 13, 2003, the President has activated approximately 1,600 members of the Arizona National Guard to participate in Operation Noble Eagle and Operation Enduring Freedom.

In addition, the Division maintains Camp Navajo, a major training and storage facility located approximately 12 miles west of Flagstaff, Arizona. This facility serves clients from both the federal government and private industry. For example, Camp Navajo stores various missile rocket motors for both the United States Air Force and Navy, and houses helicopter ammunition for a private company.

- **Division of Joint Programs (45.9 FTEs, 2.1 vacant)**—This Division is responsible for the Department's support functions. Its duties include managing the Department's facilities, performing purchasing and contracting activities, and providing information technology support services. For example, as part of its facilities management duties, the Division provides maintenance and repair services to the Department's buildings, including Army National Guard armories.

In addition, the Joint Programs Division also supervises Project ChalleNGe, a nationally affiliated military-style program for at-risk men and women between the ages of 16 and 18 who wish to obtain a high school equivalency degree. Further, applicants must volunteer to join the program and must not have a record of serious criminal activity. At no cost to the participants or their families, the 17-month program graduates two classes of about 100 students per year.

State Emergency Council

The Department also provides staff support and assistance to the State Emergency Council (Council). The Council comprises the Governor, Secretary of State,

Council Membership

Consists of the following persons, or their designees:

- Governor
- Secretary of State
- Attorney General
- Adjutant General
- The Director of the Department of Emergency and Military Affairs' Division of Emergency Management
- Directors from the following departments:
 - Administration
 - Agriculture
 - Environmental Quality
 - Health Services
 - Public Safety
 - Transportation
 - Water Resources
- President of the Senate and Speaker of the House, as nonvoting members

¹ The federal government pays for the National Guard when members are training or engaged in a federal mission, such as serving in an overseas mobilization. The State pays for the National Guard when the Governor activates its members for a state-declared emergency, such as riot control or an emergency response.

Attorney General, department officials, directors from seven different state agencies, and the President of the Senate and Speaker of the House of Representatives, who are nonvoting members. The Council's responsibilities include monitoring each state-declared emergency and informing the Governor when the disaster is substantially contained, based on reports it receives quarterly from department staff. Additionally, while the Governor may allocate up to \$200,000 per disaster from the State's \$4 million Governor's Emergency Fund, the Governor must seek the Council's approval if it becomes necessary to allocate any additional monies for the disaster. The Council, through information gathered by department staff, also monitors county and local governments' use of these state emergency funds. Finally, the Council may issue a state emergency proclamation if the Governor is inaccessible.

Budget

As illustrated in Table 1 (see page 5), the Department receives both state and federal monies to support its activities. Specifically, in fiscal year 2004, the Department expects to receive approximately \$12 million in State General Fund appropriations, and over \$107 million in federal money for contracts and grants. The Department uses its federal grant money for a variety of activities such as exercises and homeland security training. Further, the Department also passes these monies through to counties and municipalities for similar purposes.

In addition, the Department receives about \$7.5 million in revenues to operate, maintain, and improve the Camp Navajo facility. The largest source of these revenues comes from storing federal government items, such as missile rocket motors for the Departments of the Navy and the Air Force.

Audit scope and methodology

This audit focuses on the Department's effectiveness in carrying out its emergency management responsibilities, and also follows up on other issues including problems at the Camp Navajo facility that were identified in previous Auditor General reports. This report presents findings and recommendations in two areas:

- The Department's Division of Emergency Management effectively performs its emergency management responsibilities, and can further enhance its effectiveness by developing a more consistent process for analyzing the State's emergency response performance following disasters.

Table 1: Schedule of Revenues and Expenditures
Years Ended June 30, 2002, 2003, and 2004
(Unaudited)

	2002 (Actual)	2003 (Actual)	2004 (Estimated)
Revenues:			
State General Fund appropriations	\$12,926,180	\$11,782,065	\$ 11,928,600
Government grants and contracts	37,465,958	41,583,031	107,473,700 ¹
Rental	237,467	466,332	350,000
Interest	220,196	91,592	100,000
Donations	394,517	1,817	
Other	<u>22,008</u>	<u>21,042</u>	<u>91,700</u>
Total revenues	<u>51,266,326</u>	<u>53,945,879</u>	<u>119,944,000</u>
Expenditures: ²			
Personal services and related benefits	18,742,137	20,409,781	21,724,300
Professional and outside services	5,148,074	7,820,271	9,612,800
Travel	359,628	361,472	362,500
Food	340,554	435,996	482,900
Aid to organizations	8,642,199	13,781,178	53,156,900 ¹
Other operating	13,417,159	12,372,318	16,188,700
Buildings, improvements, and equipment	<u>4,459,884</u>	<u>2,157,139</u>	<u>15,817,300</u>
Total expenditures	<u>51,109,635</u>	<u>57,338,155</u>	<u>117,345,400</u>
Excess of revenues over expenditures	<u>156,691</u>	<u>(3,392,276)</u>	<u>2,598,600</u>
Other financing sources (uses):			
Reversions to the State General Fund ³	(290,896)	(686,631)	
Proceeds from sale of capital assets	290,000		580,000
Net operating transfers in (out)	<u>(339,577)</u>	<u>2,334,551</u>	<u>(2,832,400)</u>
Total other financing sources (uses)	<u>(340,473)</u>	<u>1,647,920</u>	<u>(2,252,400)</u>
Excess of revenues and other financing sources over expenditures and other financing uses	(183,782)	(1,744,356)	346,200
Fund balance, beginning of year	<u>15,188,175</u>	<u>15,004,393</u>	<u>13,261,037</u>
Fund balance, end of year	<u>\$15,004,393</u>	<u>\$13,261,037</u>	<u>\$ 13,607,237</u>

¹ The large increase in 2004 is due primarily to an estimated \$58 million expected to be received from the U.S. Department of Homeland Security's Office for Domestic Preparedness for homeland security grants. Most of this amount will be passed through to other organizations.

² Includes prior year administrative adjustment.

³ Includes legislative reductions of unexpended balances from prior-year appropriations.

Source: Auditor General staff analysis of the Arizona Financial Information System (AFIS) Accounting Event Transaction File for the years ended June 30, 2002 and 2003, and department estimates for the year ending June 30, 2004.

- The environmental contamination problems stemming from the destruction of weapons and other activities at Camp Navajo and the potential liability problems with items stored at the Camp identified in previous Auditor General reports are being addressed.

In addition, the report presents information on the state and federal governments' role in planning and funding the construction and repair of Arizona's National Guard armories, as well as information related to the 12 sunset factors defined in A.R.S. §41-2954 for the Department and the Council.

To examine these audit issues, auditors used a variety of methods. These methods include reviewing applicable federal and state statutes and rules, conducting interviews with department staff and officials, and reviewing various internal agency documents, such as strategic and emergency response plans, 87 department training evaluations, and the Department's response to its EMAP evaluation. Likewise, to assess the Council's performance, auditors examined council meeting minutes and documents audited by department staff related to the Governor's Emergency Fund. Further, auditors also used the following specific methods:

- To assess the Arizona Division of Emergency Management's performance in providing Arizona with emergency management services, auditors evaluated all four of the Division's areas: preparedness, response, recovery, and mitigation. Specifically, auditors observed the Division's operations during its response to the June 2003 Aspen Fire, and viewed its Full-Scale Border Exercise on November 16, 2003. In addition, auditors reviewed documentation from a variety of sources, including FEMA, EMAP, and the California Governor's Office of Emergency Services (OES). Specifically, auditors reviewed the Division's State Emergency Response and Recovery Plan, which coordinates the State's response to state-declared emergencies.¹ Auditors also analyzed planning guidelines from both FEMA and OES, reviewed EMAP's January 2003 assessment of the Division, and examined FEMA's Public Assistance Program, Program Evaluation, and Customer Satisfaction Survey. Likewise, auditors analyzed the guidelines for FEMA's mitigation, recovery, and general emergency management grants. Auditors also conducted various interviews with FEMA and EMAP officials. Finally, auditors also interviewed 24 division stakeholders who had participated in either a full-scale exercise or disaster response between January 2001 and December 2003, and in many cases received assistance from the Division.
- To follow up on past environmental and legal issues at Camp Navajo, auditors toured the facility, conducted various interviews with officials from both state and federal agencies, and reviewed numerous documents. Specifically, auditors

¹ While county and local governments can develop their own emergency response plans that coordinate their response to local disasters, the Department has no oversight of these plans; therefore, auditors did not evaluate the effectiveness of county and local emergency planning.

interviewed officials with the Federal National Guard Bureau and examined agreements between the United States Department of Defense and the Arizona Department of Environmental Quality, and between the Department of the Army and the State of Arizona. Likewise, auditors reviewed 21 Camp Navajo storage agreements with the federal and state governments and private entities to determine whether the agreements contained appropriate liability language. Further, auditors interviewed officials from the Arizona Attorney General's Office and the Arizona Department of Administration's Risk Management Division and State Procurement Office to determine best practices in reviewing new and renewal Camp Navajo storage agreements.

- To gather information about the existing Arizona National Guard armories' conditions and the Department's construction and repair methods, auditors toured 16 Arizona Army National Guard armories. In addition, auditors analyzed information received from the Department and the Arizona Department of Administration regarding the armories' condition. Further, auditors reviewed the United States General Accounting Office's February 2003 report, *Defense Infrastructure*, regarding the condition of facilities nation-wide. Likewise, auditors examined the Department's long-range construction plan and facility management documents to identify the amount and type of armory construction and repair projects the Department indicates are needed. Finally, auditors interviewed officials from a variety of organizations, including the Federal National Guard Bureau and the Arizona Department of Administration, to obtain information on how repair and construction projects are identified and what funding is available.

This audit was conducted in accordance with government auditing standards.

The Auditor General and staff express appreciation to the Adjutant General and Department of Emergency and Military Affairs staff for their cooperation and assistance throughout the audit.

FINDING 1

Division effectively performs its emergency management responsibilities

The Division of Emergency Management effectively carries out its emergency management responsibilities, but it could more effectively critique the State's performance after a disaster. The Division appropriately prepares for disasters by maintaining the State's Emergency Response and Recovery Plan (Plan), testing the Plan through exercises, and conducting emergency response training. When the plan is put to use during an actual disaster, a Federal Emergency Management Agency (FEMA) official and stakeholders have indicated that the Division does a good job of deploying resources and coordinating the State's response. However, the Division could improve these activities by more consistently and effectively critiquing the State's performance after a disaster to identify areas where improvements can still be made. Finally, the Division also does a good job helping local communities rebuild infrastructure damaged during disasters, and helping to reduce the danger to people and mitigate potential property loss from future disasters.

Division plays key role in Arizona's emergency management

Between January 1998 and December 2003, 26 state emergency proclamations were issued. These emergencies included large-scale disasters, such as the nationally publicized Rodeo-Chediski Fire, which started on June 23, 2002. This fire destroyed more than 400 structures and burned over 450,000 acres in Eastern Arizona near the towns of Heber and Show Low. The fire required the evacuation of 35,000 people, and caused at least \$28 million in damage. The 25 other disasters during this period included 7 other fires and 6 floods, windstorms, or other weather-related emergencies (see Table 2, page 10 for a complete list of disasters).

Table 2: State and Federal Expenditures for Disasters Declared by the State of Arizona¹
January 1998 through December 2003
As of January 26, 2004
(Unaudited)

Disaster	Date	State Expenditures	Federal Expenditures
Kinishba Fire	Jul. 03	\$ 74,439	
Aspen Fire	Jun. 03	74,998	\$1,085,770
Forest Health Emergency	May 03	302,241	
Exotic Newcastle Disease Emergency	Feb. 03		
Potable Water Emergency	Jul. 02	42,844	
Rodeo-Chediski Fire	Jun. 02	98,920	2,105,777
Yavapai Indian Fire	May 02	150,882	
Queen Creek Citrus Wood Chip Fire	Oct. 01	129,104	
National Guard Airport Security Mission	Oct. 01	8,110	
September 11, 2001, Terrorism Event	Sep. 01	2,598,339	
MCC/Southwest Arizona Monsoon	Aug. 01	14,237	
Wenden Flood	Oct. 00	1,263,839	6,734,981
Rain from Hurricane Olivia	Oct. 00	3,215	
Mohave County Windstorm	Aug. 00	20,483	
Gila County Potable Water Shortage	July 00	42,111	
Y2K	Jan. 00		
Monsoon Storm Emergency	Sep. 99	1,245,480	89,016
Santa Cruz County Flash Flood	Sep. 99	124,276	
Cochise County Flash Flood	Aug. 99	124,473	
Pima County Flash Flood Emergency	Aug. 99		
Statewide Drought Emergency	Jun. 99		
Rainbow Fire Emergency	Jun. 99	185,775	
Statewide Wildland Fire Emergency	May 99	4,894	
New River HazMat Incident	Mar. 99	325,267	
Red Imported Fire Ant Emergency	Jan. 99	177,393	
Rainbow Family Gathering	Jun. 98	311,395	
Total		<u>\$7,322,715</u>	<u>\$10,015,544</u>

¹ State expenditures consist of monies from the Governor's Emergency Fund. Federal expenditures consist of monies made available by federal emergency declarations. Amounts do not include local matching monies.

Source: Auditor General staff analysis of Arizona Division of Emergency Management disaster response records.

Other agencies and emergency management experts give the Division high marks for its performance in helping the State to:

- prepare for,
- respond to,

- recover from, and
- mitigate future disasters.

In fact, it appears that Arizona is one of the first states to receive full or conditional national accreditation in emergency management because of the Division's performance.¹

Division effectively promotes disaster preparedness

The Division works with state, county, federal, volunteer, or nonprofit agencies to help ensure that Arizona is well-prepared for disasters. The Division has maintained and updated an appropriate Emergency Response and Recovery Plan (Plan), which coordinates the State's response to state-declared disasters. In addition, the Division also conducts exercises to test the effectiveness of this Plan, and provides important emergency management training.

Division appropriately prepares for disasters by maintaining the State's Emergency Response and Recovery Plan—The Division has improved its disaster preparedness efforts by maintaining and updating the Plan, which coordinates the State's response to state-declared emergencies. The Plan is important because “the elected leadership in each jurisdiction is legally responsible for ensuring that necessary and appropriate actions are taken to protect people and property from the consequences of emergencies and disasters.”² While two previous Auditor General audits found that the Division failed to update the Plan and that it lacked a list of specific state agency responsibilities, the Division has addressed those issues by rewriting the Plan so that it is organized along federal guidelines.³ In addition, a FEMA official who auditors spoke with indicated that he believes the Division is appropriately updating the Plan, and acknowledged that the Plan contains all of the general elements identified in the federal guide for state and local emergency operations planning.

Currently, Arizona's plan identifies the responsibilities of 70 state, volunteer, or nonprofit, private, and federal organizations, and assigns primary agencies for each role in a state-declared disaster (see text box on page 12), such as assigning one or more primary agencies to manage an urban search and rescue, a hazardous materials incident, or a wildland fire. While the Plan tasks the Division with the primary

The Plan identifies disaster response roles for 70 agencies.

¹ The Division is in the process of obtaining accreditation for its emergency management functions from the Emergency Management Accreditation Program (EMAP). EMAP, a national organization that began accepting applications in 2002, with the support of FEMA and the National Emergency Management Association, is the only source of emergency management accreditation. Twelve states and the District of Columbia have conducted their EMAP reviews, and Arizona was one of three states and the District of Columbia that did well enough to achieve conditional or full accreditation. Arizona received conditional accreditation in June 2003 and expects to receive a second on-site EMAP evaluation to attain full accreditation.

² Federal Emergency Management Agency. *Guide for All-Hazard Emergency Operations Planning*. September 1996.

³ Arizona Office of the Auditor General, Report Nos. 94-9 and 97-14.

State Plan Assignment of Responsibilities for Wildland Fires

The Plan designates the State Land Department as the primary agency for responding to wildland fires. Its duties include:

- Managing the response to wildland fires;
- Requesting federal aid; and
- Developing response procedures, such as how to identify key personnel.

The Plan makes the Division a support agency for wildland fires. Its duties include:

- Coordinating food and shelter for evacuated citizens;
- Tracking expenditures; and
- Activating the State Emergency Response Center.

The Center is a coordinating post used by the Division and other federal, state, local, and private organizations during a disaster.

Field Exercise

On November 16, 2003, the Division conducted a field exercise that according to division information involved six state agencies, five counties, the Mexican state of Sonora, and approximately 1,000 emergency response professionals. Lasting approximately 6-1/2 hours, the drill tested the response to a hypothetical terrorist attack on the United States- Mexican border that caused an explosion and a subsequent release of toxic chlorine gas.

role in many disasters, the Division can also provide resources, and communication and strategic support when other agencies are in the lead. In addition, the Division has taken steps to ensure the Plan is current with emerging federal emergency management goals and the Governor's homeland security strategy by incorporating terrorism issues.

External evaluators have also found the Plan mostly effective, and most stakeholders indicate that the Division has made efforts to involve them in plan revisions. Specifically, in January 2003, EMAP found the Plan in overall compliance with its standards for planning, which include assigning coordination and communication responsibilities to organizations and individuals. Auditors also interviewed 6 stakeholders from state agency and nonprofit or volunteer organizations, such as the Arizona Department of Environmental Quality and the American Red Cross, most of whom indicated that the Division made efforts to involve stakeholders in revising the Plan. Further, one agency representative interviewed stated that he thought that the Division's changes to the Plan are particularly important because new threats are constantly emerging since September 11, 2001. However, two stakeholders expressed concerns that increased homeland security duties compound the lack of planning resources within the Division and all state agencies.

Division properly tests the Plan's performance—As statutorily required, the Division conducts appropriate exercises to test the State's emergency preparedness, and it also consistently documents the areas needing improvement identified during the exercises. Exercises are an important part of comprehensive emergency management because they "ensure that a jurisdiction's investment in emergency management personnel and resources can be relied upon when needed."¹ The Division indicates that it conducts two main types of exercises—meeting- and field-based. Each year it holds an annual wildfire meeting-based exercise where emergency management professionals discuss how they would respond and try to determine what could go wrong during a response.

The Division also annually performs a simulated disaster exercise in the field at Palo Verde Nuclear Generating Station near Phoenix, Arizona, and an additional field-based exercise in which participants test the Plan. A previous Auditor General report

¹ Federal Emergency Management Agency. *Guide for All-Hazard Emergency Operations Planning*. September 1996.

(Report No. 97-14) noted that the Division had not adequately performed state-wide exercises. However, for the field-based exercise that tests the Plan, the Division reports that currently it obtains information about exercise topics from various agencies, and invites all 15 counties to participate in the exercise. Participants in these exercises include representatives from federal and state agencies, county and city personnel, Arizona's tribal governments, and nonprofit or volunteer organizations such as the American Red Cross. Past field exercises have focused on the State's ability to receive, dispense, and store pharmaceutical supplies in Maricopa and Pima Counties in the event of a disaster, as well as flood and wildland fire exercises.

Auditor observation of the November 16, 2003, field exercise (see text box, page 12) and a review of other documents related to it found that the Division uses a thorough process for analyzing the State's performance during its field exercises and identifying areas that need improvement. For example, at the end of the November 2003 exercise, the Division asked all the participants in the State Emergency Operation Center to fill out a standardized form regarding their experiences during the exercise, and held a debriefing in which division management asked response professionals to verbally offer their thoughts on areas for improvement they identified during the exercise. The Division and the Federal Office for Domestic Preparedness are responsible for compiling all of this information into an after-action report, which identifies specific areas where the State could improve. In addition to correcting these problems, the Division indicated it uses a specific exercise evaluation method to attempt to analyze shortfalls in the Plan.

In 2003, EMAP assessors also found the Division compliant with all three of its accreditation standards for conducting emergency response exercises. These standards focus on whether the Division's exercises tested the State's plans, procedures, and capabilities, and whether the Division took steps to correct any deficiencies identified through these drills. In addition, auditors interviewed 15 state agency, nonprofit organization, and county stakeholders, several of whom indicated that the exercises are well-constructed, realistic, and involved the appropriate people. While some stakeholders had concerns about the Division's choice of exercise topics, the Division annually selects exercises based on county and state threat assessments, and federal priorities.

Division provides important emergency training—To help the State prepare for disasters, the Division also provides regular and useful training for emergency professionals. The Division provides training on a variety of emergency management planning and response issues, including how to conduct an exercise that tests a community's emergency response plan, and how to assess and plan for mass-care needs during a disaster. In addition, the Division has begun implementing weapons of mass destruction training using a standardized federal curriculum that includes classes such as terrorism response basics and classes geared to specific audiences, such as hospitals and public safety personnel. The training classes offered are determined through federal, state, county, and local requirements and

requests. According to division staff, approximately 4,750 people participated in 245 training classes during calendar year 2003.

According to outside evaluators, the Division's training program meets national standards, and program participants found the topics appropriate and the instructors qualified. When EMAP evaluated the Division's training program in January 2003, it found the Division in compliance with all five of its accreditation standards for training, including conducting classes on appropriate emergency management topics, regularly scheduling and conducting training classes, and properly assessing training needs. Further, auditors examined 87 evaluations completed by both internal and external participants in five different training classes conducted between March and August 2003 and found that participants provided positive comments on both the content of the classes and the instructors. Auditor interviews with 16 state agency, nonprofit or volunteer, and county and local government stakeholders revealed positive comments. For example, several stakeholders indicated that the classes were well-organized, covered appropriate topics, and were taught by qualified instructors.

Disaster response comprehensive, but Division should continue to enhance post-disaster analysis

When disasters have occurred, the Division has responded comprehensively, but it should continue to improve its post-disaster assessment process. Stakeholders including state, county, and nonprofit or volunteer organizations indicate that the Division does an effective job coordinating response activities and assisting organizations during a state-declared disaster. However, to ensure the Division remains effective when disasters strike, it should continue developing a more consistent process for analyzing the State's performance after an emergency.

Division comprehensively responds to disasters—After a state disaster is declared, the Division quickly deploys resources and adequately coordinates the activities of state agencies, volunteer or nonprofit organizations, and local governments based on guidelines outlined in the Plan. Interviews with federal representatives and division stakeholders indicate that overall, the Division's actions during an emergency response are effective. For example, one FEMA representative who participated in the response activities for both the 2000 Wenden Flood and the 2002 Rodeo-Chediski Fire stated that the Division did a good job coordinating both state and federal resources and noted that the Division also worked effectively with the county emergency personnel. Auditors' interviews with 18 nonprofit or volunteer organization stakeholders, state, county, and tribal government officials, county sheriffs, and a fire chief indicated that the Division responded effectively during disasters. Specifically, several commented that the Division was responsive, professional, provided appropriate resources in a timely fashion, and effectively

The Division's disaster response tasks include holding briefing meetings, tracking personnel and supplies, and obtaining National Guard equipment.

Photo 1: Aspen Fire Near Tucson, AZ

On June 17, 2003, the Aspen Fire—located 20 miles north of Tucson, near the town of Summerhaven, Arizona—began. While local emergency personnel initially responded to the fire, the emergency needs quickly exceeded the local entities' capacity. Governor Janet Napolitano declared the fire a state emergency on June 19, 2003, resulting in the State's emergency responders participating in combating the fire as outlined in the State Emergency Response and Recovery Plan. Specifically, the State Land Department's Fire Management Division was the primary state agency during the response, and the Division of Emergency Management (Division) was a support agency responsible for helping coordinate the activities of the estimated 119 agencies and 3,000 individuals who aided in the response. The Division performed a variety of tasks, including:

- Holding briefings for key personnel in the State Emergency Operations Center
- Keeping track of personnel and supplies deployed to the fire
- Obtaining equipment from the National Guard

This fire was also declared a federal disaster on July 14, 2003. In addition to personnel and equipment, according to division records, as of January 26, 2004, the State contributed \$74,998 from the Governor's Emergency Fund, and the federal government provided \$1,085,770 to help combat and recover from the fire.



Photo: Courtesy of David Sanders.

coordinated the emergency response. For example, one county official noted that during a recent flood, the Division provided 10,000 sandbags within a day of receiving the request.

Division should continue to improve its post-disaster assessment process—The Division should continue developing a more consistent process for action reports. In 1997, the Auditor General noted that the Division still had not consistently performed formal critiques of its disaster response coordination efforts (Report No. 97-14). Since then, two Executive Orders (98-1 and 04-5) and the Plan direct the Division to critique the State's disaster response coordination efforts and produce an after-action report documenting those efforts. However, auditors found that although the Division has produced some after-action reports, it still has not consistently developed these reports or adopted a method for ensuring that all problems identified are corrected.

The Division should develop after-action reports whenever it coordinates disaster response activities.

Between June 1998 and July 2003, the Division produced after-action reports for four of nine disasters (see Table 3). The Division indicates that it did not complete after-action reports for the other five disasters because of the short time period that the State Emergency Operations Center was open or the Divisions's low level of activity

during the response. However, even disasters that do not require the Center to be open for long periods of time may still involve response activities that could be evaluated. For example, the Division did not produce an after-action report for the May 2002 Yavapai Indian Fire because it only opened the Center during the day. However, during that time, the Division assisted the County by facilitating Arizona National Guard Support, providing information to the media, and sending division liaisons to the County to help with its reimbursement.

In some instances the Division may decide not to develop a report, such as when its response coordination responsibilities are minimal. The Division should then document why it elected not to produce a report.

When the Division produces an after-action report, it should ensure these reports include detailed recommendations for correcting any problems identified. In late 2003, the Division

began developing a new instrument for tracking corrective action issues, including those identified in after-action reports. However, auditors' review of the instrument found that not all problems listed in its post-disaster after-action reports were included on the instrument. Therefore, the Division should ensure that its after-action reports include a formal set of recommendations that it plans to pursue. The Division's after-action reports that it produces following exercises (see pages 12 through 13) provide a good model for developing clearly defined recommendations.

Division provides effective recovery assistance

After a disaster occurs, the Division effectively helps government, tribal, and eligible nonprofit organizations develop projects to restore public structures to pre-disaster status, and administers the state and federal funding that is available for these projects.¹ Following a state disaster declaration, the Division informs potential applicants of the public assistance grant monies, assists with the application process, including submission for FEMA approval, and may perform final inspections

¹ State monies for recovery projects come from the Governor's Emergency Fund authorized by A.R.S. §35-192. Federal monies for federally declared disasters come from the Public Assistance Grant Program authorized under 44 CFR Part 206.

Table 3: After-Action Reports Produced
June 1998 through July 2003

Emergencies in Which the State Emergency Operation Center Was Activated¹	Date	Report Produced
<i>Kinishba Fire</i>	Jul. 03	X
<i>Aspen Fire</i>	Jun. 03	X
<i>Rodeo-Chediski Fire</i>	Jun. 02	X
<i>Yavapai Indian Fire</i>	May 02	
<i>September 11, 2001, Terrorism Event</i>	Sep. 01	
<i>Wenden Flood</i>	Oct. 00	X
<i>Y2K</i>	Dec. 99	
<i>Summer Monsoon Storm Emergency</i>	Sep. 99	
<i>Rainbow Family Gathering</i>	Jun. 98	

¹ Italics indicate that the Emergency Operation Center was opened on a 24-hour basis.

Source: Auditor General staff analysis of Arizona Division of Emergency Management disaster response records.

of completed projects. Possible recovery projects include removing debris, providing food and water to citizens, constructing temporary bridges or roads, and repairing utilities such as water treatment or power-generating plants. For example, in 2000, a flood in La Paz County damaged a 3.6-mile segment of road between the towns of Salome and Wenden. According to the Division, it helped the County obtain \$81,000 in federal and approximately \$16,200 in state funds to repair the damaged road. For the 15 disasters that were declared during fiscal years 2001 through 2003, the Division assisted local communities with 382 projects. The Division reports that it issued approximately \$411,000 in state funds for completed projects, and continues to administer approximately \$10.7 million in state and \$13.3 million in federal monies for projects that are still ongoing.

According to FEMA, EMAP, and stakeholders, the Division has an effective disaster recovery process. Specifically, Arizona was one of only three states granted the authority by FEMA to independently perform most of the recovery project functions such as determining the eligibility of projects and working with FEMA to ensure funds are spent appropriately.¹ According to FEMA, the Division was selected because of its experience and capabilities. In addition, in April and May 2002, FEMA surveyed Arizona emergency management officials and grant recipients to assess the Division's performance of its recovery duties. Arizona received a score of 91.8 out of a possible 100. Similarly, auditors' interviews with six county and local government stakeholders who worked with the Division in exercises or recent disasters indicated the Division's recovery staff were professional and thorough, and that the Division's recovery program was well-organized and helpful. For example, one stakeholder indicated that the Division was quick to respond to the need to assess damage from the disasters. Finally, in January 2003, EMAP assessors found that the Division was in compliance with its recovery standard. EMAP's standard for developing recovery strategies and plans includes identifying short- and long-term priorities, and developing acceptable time frames for restoring services and infrastructure.

The Division helps communities obtain grant monies for projects such as removing debris and constructing temporary bridges.

Division effectively manages mitigation

The Division also effectively develops plans to mitigate the impact of future disasters and assists local communities by administering three federal mitigation grant programs. The Division informs potential applicants about the grants, assists with the application process, and determines the specific applications that should be submitted to FEMA for approval. While the Division has been administering hazard mitigation grants, to meet new federal requirements, state, county, and local communities will need a hazard mitigation plan to continue to qualify for some of these grant programs. The Division is developing the State's Hazard Mitigation Plan, which describes potential hazards facing the State, and documents the State's strategies for reducing potential losses. According to a division official, the Division expects to provide a draft of the Plan to FEMA in the spring of 2004. In addition, to

¹ FEMA still retains general oversight of the Division as well as specific functions such as approval of environmental and historical preservation reviews.

assist local communities with their mitigation plans, the Division is developing an online system with a step-by-step guide that counties and local communities may use to write their individual hazard mitigation plans. The Division also administers three hazard mitigation programs. These programs are:

Photo 2: Town of Eagar Mitigation Project

The Division helped the town of Eagar apply for a grant from the Hazard Mitigation Grant Program. During the Rodeo/Chediski Fire, the town's water treatment system was nearly overwhelmed by the needs of more than 9,000 evacuees. To the right is a picture of one of the solar-powered aerators installed to reduce wastewater treatment times. The Division helped the town apply for the grant, informed it of the grant requirements, and performed a final project inspection.



Photo: Courtesy of the Department of Emergency and Military Affairs.

- **Pre-Disaster Mitigation Competitive Grant Program**—This federal competitive grant program provides funding to state, local, county, and tribal governments for pre-disaster mitigation planning and projects. According to the Division, from fiscal year 2002 through 2003, Arizona has received approximately \$180,500 from this grant. The Division is using these funds to develop the State Hazard Mitigation Plan and the online mitigation plan database for county and local community use. In addition, according to the Division in February 2004, FEMA conditionally approved a planning grant for more than \$90,000 and a project grant worth more than \$3 million to purchase land and property to relocate people from a flood-prone area of Pima County.¹

- **Hazard Mitigation Grant Program**—When a federal disaster is declared, states, local governments, and other entities can apply for

federal Hazard Mitigation Grant Program funding. The federal government makes 7.5 percent of federal funds that were spent on a specific disaster response available for mitigation grants under this program. According to the Division, between fiscal years 2001 and 2003, it has worked with FEMA to administer nearly \$4 million from this program. Counties and local flood districts and communities received approximately \$3.8 million of these monies to fund mitigation planning and projects. The Division received the remaining monies from this grant program to administer the grants.

- **Flood Mitigation Assistance Program**—This program provides federal grants to states and communities to reduce the risk of flood damage to structures insured under the National Flood Insurance Program (NFIP). The NFIP is a program that makes federally backed flood insurance available in those states and communities that agree to adopt and enforce floodplain management measures, including developing and maintaining long-term Flood Mitigation Plans. According to the Division, between fiscal years 2001 and 2003, the Division administered grants from this program totaling approximately \$83,000.²

¹ According to the Division, this grant received conditional approval because FEMA wants further assurance that Pima County has the matching money and understands the grant requirements.

² In addition, the Division is in the process of administering an approximately \$450,000 Flood Mitigation Assistance Grant for a flood protection project for the City of Nogales, Arizona.

Nearly \$40,000 of these funds were used by the Division, while \$43,000 went to county and local communities. For example, one of these grants was used in Yavapai County to fund the purchase of a home located in a flood-prone area.

EMAP and division stakeholders have found the Division's mitigation function to be performing effectively. In January 2003, EMAP found that it complied with all three applicable standards. One of the standards measured is whether the Division has a mitigation strategy that is based on things such as hazard identification and risk assessment. In addition, auditors interviewed six county and local government stakeholders, several of whom indicated the Division was helpful in their mitigation planning efforts. Further, other stakeholders also noted that the Division was helpful in obtaining mitigation grants. For example, one official noted that the Division facilitated a proposal for his county to obtain three wood chippers as a part of a flood mitigation project.

The Division is in the process of developing an on-line guide to assist local communities with mitigation planning.

Recommendations

1. To ensure it takes advantage of every opportunity to learn from its disaster response and to comply with two Executive Orders and the State Emergency Response and Recovery Plan, the Division of Emergency Management should develop an after-action report every time it coordinates emergency response activities. If the Division chooses not to produce a report, it should document the reasons why.
2. To ensure all problems identified through the after-action report process are corrected, the Division of Emergency Management should include detailed recommendations in its post-disaster after-action reports.

FINDING 2

Environmental cleanup and state liability issues at Camp Navajo being addressed

The Camp Navajo environmental contamination and potential liability problems identified in previous Auditor General reports are being addressed. Camp Navajo, which is over 28,000 acres, is a facility that was previously used by the Army to store ammunition and destroy obsolete or unserviceable military weaponry, but is currently used by the Department as a training and storage facility. Progress is being made on cleaning up the environmental contamination that resulted from weapons destruction and other activities at Camp Navajo. Additionally, while previous audits identified concerns about the State's potential liability for damage to items stored at Camp Navajo, these concerns have been resolved by adding liability language into existing storage agreements. However, to ensure that appropriate liability language is contained in future renewals and new agreements, the Department should continue its efforts to establish a documented review process for all Camp Navajo storage agreements.

Camp Navajo serves as a training site and storage facility

Camp Navajo is a federally owned military installation located approximately 12 miles west of Flagstaff, Arizona. It originally opened as a Department of the Army installation in 1942, and was used to store and ship ammunition to troops in the Pacific and to destroy obsolete or unserviceable military weaponry. In 1982, the Department was granted a license to operate the Camp and use it for training purposes. In 1988 the federal Commission on Base Realignment and Closure designated Camp Navajo for closure and transfer to the Department. The

Photo 3: A Storage "Igloo" at Camp Navajo



The Department estimates that it stores approximately \$3.3 billion in commodities for government agencies and private organizations.

Photo: Courtesy of the Office of the Auditor General.

Department wanted to retain Camp Navajo as a training site; therefore, in 1993, the Army agreed to extend Arizona's license indefinitely. Currently, the Department's Military Affairs Division operates the Camp as a training facility and manages the storage of federally and privately owned items, such as missile rocket motors and ammunition. While in the past the Department was limited to storing items only for government entities, in 2002, A.R.S. §26-152 was amended so that the Department could enter into agreements with privately owned companies. According to the Department, the statute was amended to more fully utilize Camp Navajo. For example, in 2003, the Department entered into agreements with two private companies: one for storing explosive fuses, and the other for helicopter ammunition. The Camp contains approximately 775 concrete "igloos," 12 above-ground buildings, 9 of which are in usable condition and were formerly used to store small arms ammunition, and 3 general storage warehouses. As of February 2004, approximately 23 percent of the Camp's storage igloo capacity and one general storage warehouse were in use or were assigned to current customers (see Table 4 for a list of items currently stored at the Camp).

Table 4: Items Stored at Camp Navajo
As of April 2004

Items	Owner
Arizona Cardinal football training camp beds and Astroturf	Northern Arizona University
Bomb dummy units, helicopter ammunition, and Minuteman missile rocket motors	United States Department of the Air Force
Explosive fuses	Motorola
Helicopter ammunition	ATK Ordnance and Ground Systems, LLC
Propellants	Goodrich Corporation—Universal Propulsion Company
Records	United States Department of Agriculture
Rocket propellant grains, solid rocket fuel, and Trident missile rocket motors	United States Department of the Navy
Munitions	Republic of Singapore Air Force
Munitions	United Kingdom Royal Air Force

Source: Auditor General staff summary of information provided by Department of Emergency and Military Affairs staff.

In federal fiscal year 2003, the Department generated approximately \$7.5 million in revenues from various Camp Navajo activities, mostly from storage fees charged to federal government agencies such as the Departments of the Navy and Air Force. The Department estimates that the items stored at Camp Navajo are worth approximately \$3.3 billion. A.R.S. §26-152 requires the Department to use revenues from these activities to operate, maintain, and improve the Camp Navajo facility.

Camp Navajo environmental cleanup progressing

The cleanup of environmental contamination caused by weapons demolition and other activities at Camp Navajo is progressing as a result of efforts made by both federal and state agencies. While the Department is licensed to operate the Camp, the Army retains responsibility for cleaning up the environmental contamination from its activities. The Army's mission lasted more than 50 years and left many portions of the land environmentally contaminated with items such as explosives, metals, white phosphorus, cyanide, mustard agent breakdown products, and asbestos. In addition, there were other contaminated sites from when the Army managed Camp Navajo, such as a landfill and a wastewater treatment plant.

Two prior Auditor General reports (Nos. 94-9 and 97-14) pointed out the Department's need to ensure timely environmental restoration of Camp Navajo, but also indicated that progress had been made. The 1994 report indicated that cleanup could be delayed because of uncertainty about what funding source should cover the environmental restoration costs. However, the 1997 report indicated that the Department had received approximately \$13 million from the Department of Defense to investigate Camp Navajo's level of contamination, and anticipated receiving an additional \$24.5 million for restoration. The 1997 report also indicated that cleanup was anticipated to be completed (excluding areas requiring long-term monitoring) by 2008.

Since the last Auditor General report, the Department hired a contractor to perform the work necessary to obtain closure of the contaminated sites, such as developing a management plan that contains short-term goals and long-term planning, performing wildlife and cultural surveys as necessary, and preparing work plans to execute unexploded ordnance identification and clearance, and the Army committed additional funding for cleanup efforts. In November 2003, the Department's

Agencies Involved in Camp Navajo Environmental Restoration

- **Department of the Army/National Guard Bureau**—The Army has primary responsibility for funding the environmental cleanup. The National Guard Bureau is responsible for managing the environmental programs at Camp Navajo.
- **Arizona Department of Environmental Quality (ADEQ)**—ADEQ serves as the primary regulatory agency for the Camp's cleanup, and is responsible for approving all restoration plans and ensuring sites meet cleanup standards.
- **Department of Emergency and Military Affairs**—The Department develops and approves contracts and distributes funds to the vendors who are performing the environmental cleanup work at Camp Navajo.

Photo 4: White Phosphorus Rounds at Camp Navajo



When the Army exploded or burned obsolete or unserviceable ammunition, some weapons remained, leaving unexploded ordnance, residuals of chemical warfare agents, and buried and partially exposed metal fragments and debris.

Photo: Courtesy of the Arizona Department of Environmental Quality.

contractor reported that 13 of the total 51 contaminated sites had been closed and 38 were in the process of being closed.¹ According to the National Guard Bureau, many of the remaining contaminated sites at Camp Navajo are expected to be closed by 2005, although long-term monitoring is anticipated through 2020.² For example, a landfill at Camp Navajo was covered with a clay cover and seeded to prevent erosion. According to a National Guard Bureau official, a contractor must monitor the site for an indefinite period of time to ensure it does not leak contaminants into the air or groundwater. To fund the cleanup and monitoring efforts, as of November 2003, the National Guard Bureau reports that it requires approximately \$73 million through federal fiscal year 2009, and already has spent or has received funding for approximately \$33.6 million.

State liability limited, but storage agreement review and approval process needed

Excerpt of Liability Language Added To Agreement

The Arizona Army National Guard shall not be liable for the loss or damage to ATK-managed ammunition stored at Camp Navajo unless such loss or damage is a direct result of negligence or violation of regulations, practices, or procedures by the Arizona Army National Guard.

Source: 2003 support agreement between the Arizona Army National Guard and ATK Ordnance and Ground Systems, LLC.

The Department has taken steps to address the liability concerns raised in previous Auditor General reviews by adding language to its existing agreements protecting the State from liability for damage to items stored at Camp Navajo. However, the Department does not have a formal process for reviewing and approving its storage agreements, and it failed to ensure this language was correctly inserted in some agreements.

Existing Camp Navajo agreements have been revised to limit state liability—The Department has taken steps to address state liability concerns that were raised in two previous Auditor General performance audits (see Report Nos. 94-9 and 97-14). These audits found that Camp Navajo storage agreements lacked appropriate language protecting the State from liability for damage to the stored items. The Department worked with the Arizona Attorney General's Office, and developed liability language to be inserted into the agreements. Based on an auditor review of the language, and discussions with the Arizona Department of Administration's (DOA) Risk Management Division, the changes to the agreements appropriately reduce the State's liability for damage caused to items stored at Camp Navajo.

However, in March 2004, auditor review of the storage agreements found that the liability language was missing from one agreement. This agreement covers records storage for the U.S. Department of Agriculture, Natural Resources Conservation

¹ According to an Arizona Department of Environmental Quality official, a site is considered to be closed when it meets the standards at which public health and the environment are protected. In addition, most closed sites must be reviewed 5 years after closure to ensure that site conditions have not changed.

² The numbers of contaminated sites that are open or closed as well as the plans for cleanup and closure and the funding requirements will continue to change as more information is gathered by the National Guard Bureau.

Service. The Department is in the process of revising the agreement by adding liability language to protect the State and bring it in line with the other storage agreements.

Formal storage agreement review and approval process needed—

Although new liability language was developed, auditors also found that the Department failed to ensure this language was correctly added in every case in which an agreement was renewed or a new one was developed. As a result, the State's liability has not always been protected. Specifically, a review of Camp Navajo agreements found the following:

- **Liability clauses left out of one agreement**—When the Department renewed its agreement with the United States Air Force to store Minuteman missile rocket motors in 2002, it did not initially include the liability language. The Department corrected this oversight in July 2003 after auditors pointed out that the language was missing.
- **Liability problems with private company agreement**—The Department neglected to include the correct liability language in a new, private agreement established in 2003. While the agreement included language discussing liability, it was incorrectly written so that it explicitly held the State of Arizona liable for damage to the stored helicopter ammunition. The Department also corrected this problem after auditors brought it to their attention.

These incidents could have been prevented if the Department had a formal process for reviewing and approving new and renewal agreements. Without policies describing how the agreements should be reviewed and who should perform the review, no one is responsible for ensuring that the agreements contain the appropriate liability language. For example, when developing the new private agreement in 2003, the Department did not consult with its risk management officer or officials from the State's Risk Management Division, who could have ensured that the new agreements properly identified the liability of each party in the event of damage to the stored property. In addition, according to the Department's State Attorney General representative, while his Office does not review contracts for liability concerns, he could not recall his Office ever receiving copies of the new private agreements to review for his concerns, such as whether they conform to applicable legislation or properly identify the parties involved. While reviews by these bodies are not mandatory, officials from DOA's Risk Management Division and the State Procurement Office indicate new agreements should be reviewed by the State Attorney General's Office and DOA's Risk Management Division, if they contain language that has not been previously approved.

To address these concerns, during the course of the audit the Department began establishing a procedure for reviewing new agreements with private companies. However, to ensure that the State does not become unnecessarily liable for items

stored at Camp Navajo, it should expand this process to include reviews of all new agreements, whether with private or government agencies. Further, the process should also discuss how to review and approve renewals and modifications of existing storage agreements. While renewals may not involve sizable changes, the Department still needs to ensure the appropriate liability language is retained. However, approval of renewals could be limited to appropriate internal staff, such as the Department's Risk Management Officer. Establishing a documented review process for new and renewal agreements is even more important now, since the Department is planning to increase the number of customers using its facility at Camp Navajo.

Recommendations

1. The Department should continue to work toward adding liability language to its storage agreement with the U.S. Department of Agriculture.
2. The Department should develop a documented process to guide the review and approval of all new and renewal Camp Navajo storage agreements. At a minimum, this process should include guidance for:
 - A documented review and approval by appropriate internal and external organizations, such as the Department of Administration's Risk Management Division and the State Attorney General's Office for new private and government agreements; and
 - A documented review and approval by appropriate internal staff, such as the Department's Risk Management Officer, for renewals and modifications to existing agreements.

OTHER PERTINENT INFORMATION

In response to legislative staff inquiries, auditors compiled information on existing armory conditions and the methods the Department is using to finance Arizona armory construction and repair.

Arizona has Army and Air National Guard facilities

Within Arizona's National Guard, there are both Army and Air National Guard units. These units are housed in the following two types of facilities:

- **Army National Guard armories**—The Department operates 32 Army National Guard armories in Arizona (see Figure 1, page 28). All but one are owned by the State, while the federal government owns an armory at Camp Navajo, near Flagstaff, Arizona. However, under federal National Guard regulations, the State operates and maintains all Army National Guard armories. Typically, armories include offices and training facilities and are used by many of Arizona's approximately 4,300 Army National Guard members, typically 1 weekend each month and 2 weeks each year to receive training in order to fulfill their duty requirements. The federal government can also require Guard members to serve longer periods of time to support specific federal missions, such as Operation Noble Eagle and Operation Enduring Freedom. The average age of Arizona's 32 Army National Guard armories is 40 years. The federal government estimates the average life for federal military facilities at 67 years if given full sustainment funding. None of Arizona's installations exceed this, and only one is within 10 years of this guideline. Arizona's oldest armory was constructed in 1942, and the most recently constructed armory was completed in 1988. Currently, there are two new armories under construction (see pages 29 through 30).
- **Air National Guard facilities**—The federal government owns and operates five facilities used by Air National Guard members located at the Davis-Monthan Air

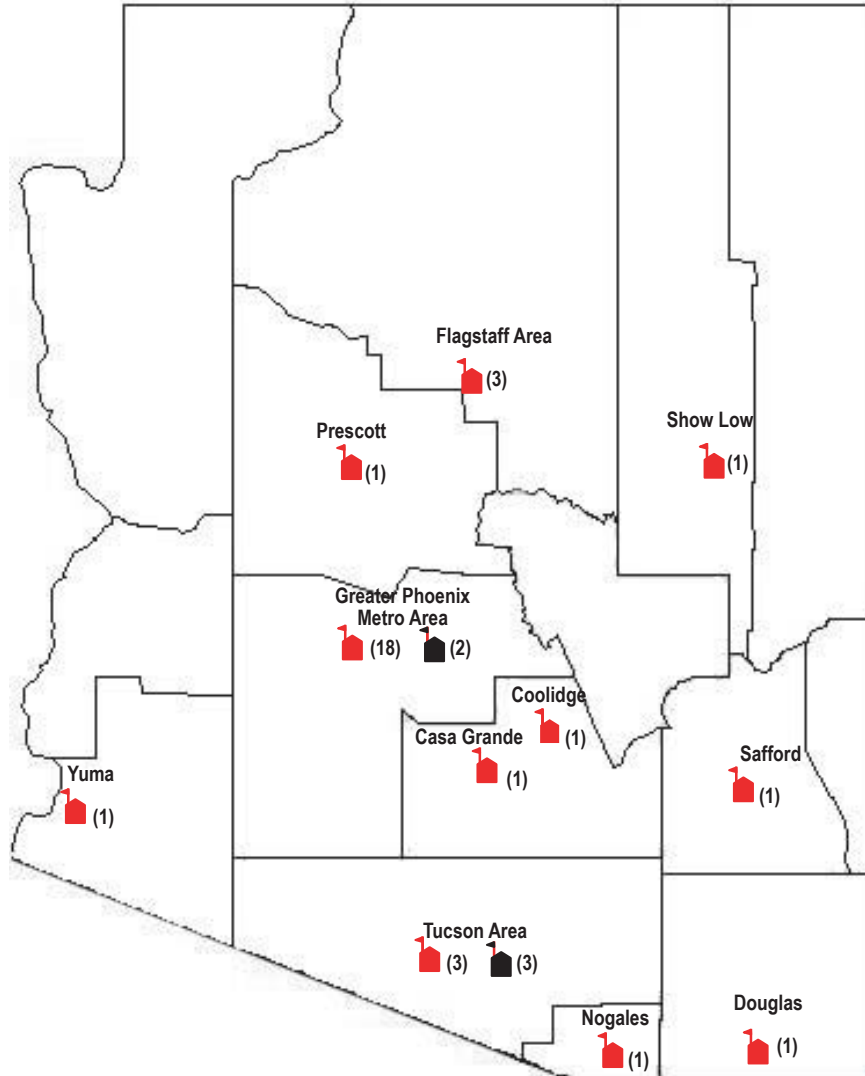
Armory Definition

Federal law defines an armory as “a structure that houses one or more units of a reserve component, and is used for training and administering those units.”

Source: 10 U.S.C.A. §18232.

In Arizona, the Department operates 32 armories that are an average of 40 years old.

**Figure 1: Arizona Army and Air National Guard Facilities¹
As of September 2003**



 = Army National Guard  = Air National Guard

Numerals in parentheses indicate the number of facilities at the location.

¹ Of Arizona's 32 Army National Guard facilities, only one is federally owned. This facility is at Camp Navajo, near Flagstaff, Arizona. All 5 of Arizona's Air National Guard facilities are federally owned.

Source: Auditor General staff analysis of Department of Emergency and Military Affairs building records and interviews with staff.

Force Base and Tucson International Airport in Tucson, Phoenix Sky Harbor International Airport and the Papago Park Military Reservation in Phoenix, and Fort Huachuca in Sierra Vista, Arizona. These facilities consist of a variety of structures, including hangars, training and communication facilities, and command posts. These facilities are used by many of the State's approximately 2,800 Arizona Air National Guard members, who typically serve 1 weekend each month and 15 additional training days each year. Air National Guard members carry out such duties as training fighter pilots from other counties, and being deployed overseas to support United States military objectives. The structures in these facilities range in age from 1 to 46 years.

State and federal governments share roles in constructing new armories

Responsibility for constructing new Army National Guard armories and Air National Guard facilities is shared between the state and federal governments. For Army National Guard armories, the state typically identifies the need for a new armory by developing long-range construction plans and proposals that include the armory's location and what the federal and state share of the project costs will be. Under federal requirements, the federal government will contribute up to 75 percent of the costs for constructing new armories if the state provides the land and the remaining 25 percent of construction costs, and 100 percent if the armory is constructed on federal land using a federal contracting process. Congress must approve any new armory projects or major renovation that a state proposes that has a federal cost of more than \$1.5 million. To obtain congressional approval, states submit their proposals to the federal National Guard Bureau, which assigns a national rank to the projects. The Bureau compares its anticipated funds to this national rank to help prepare a prioritized list of projects forecast several years in advance. Congress then determines which projects should be funded. According to the Department, and a representative of the National Guard Bureau, Congress may also approve projects earlier, or adopt projects that are not on the Bureau's list.

The Department currently has two new Army National Guard armories under construction:

- **Yuma Armory**—In November 2003, construction began on a new armory in Yuma. The Department wanted to replace the Yuma armory with a new facility because it is 42 years old and lacks adequate classrooms and other features. Since the new armory is not being built on federal land, the Department needed to provide the land and 25 percent of the construction costs of the facility.

The federal government will contribute up to 100 percent of the construction costs if the armory is built on federal land using a federal contracting process.

There are two new armories under construction—one in Yuma and one in Phoenix.

However, according to one department manager, both the Department and the City added additional features to the facility that the federal government would not fund; therefore the City and the Department supplied nearly \$1.5 million of the approximately \$3.5 million construction costs. While the Department received a \$371,000 State General Fund appropriation for the Yuma project, it sold three unneeded armories and obtained over \$250,000 in additional funding from the City of Yuma to assist with its share of the construction costs. The City also agreed to provide the Department with land for the new armory. As a result, the Department and City have agreed to share the new facility as a joint state armory and city community center. The Department anticipates construction will be complete on the Yuma armory in late summer 2004.

- **Papago Park Military Reservation Aviation Building Armory**—Also, in late 2003, construction began on a new armory building in the Papago Park Military Reservation located in Phoenix. A current armory at the site houses five military units. However, according to the Department, this facility cannot accommodate so many soldiers. To alleviate these space problems, in 1993, the Department obtained a commitment from the federal government for financing an adjacent armory. The project was originally submitted to the Bureau assuming the federal government would pay for only 75 percent of the cost of the new building. Since that time, it has been determined the armory will be located on federal property, so the Department worked with the Bureau to obtain approval for revising the project to 100 percent federal funding.¹ The Department proceeded with construction by reducing the size of the project to match the federal funding and reassigning some units intended for the new facility. The Department anticipates completing construction on this project in early 2005.

In addition, the Department has several other proposed armory projects. First, the Bureau has agreed to support an armory project in Gilbert, Arizona, which is currently scheduled for 2009. However, the Department wants approval for starting this project in 2005. The State will be responsible for obtaining the land and providing nearly \$1.7 million of the over \$7 million project cost. The Department is in the process of seeking the necessary state funding for this project. The Department has also proposed other armory projects that the Bureau has not yet agreed to place on its future budget proposals. Specifically, the Department's March 2004 long-range construction plan proposes ten additional new armories and major modifications to another five armories. The estimated cost of these construction projects would total nearly \$74 million in federal and almost \$14 million in state monies. According to a department official, these projects will reduce overcrowding at some current armories, renovate or replace older facilities, and allow the Department to accommodate new Army National Guard units.

The Department has identified other armory projects to reduce overcrowding, replace older armories, or accommodate new units.

¹ According to one department official, the project was not originally developed based on 100 percent federal funding because, until recently, the Department and the federal government had disagreed over the ownership of the land before finally concluding that the armory will be built on federal land.

While Air National Guard facilities are constructed using a similar approval process as armories, either the state or federal governments can determine the need and purpose for new facilities. In addition, according to a federal official, all of Arizona's Air National Guard facilities are owned and operated by the federal government.

State and federal governments share roles in repairing armories

The federal government is also involved in supporting maintenance and repair costs, as well as identifying any needed repairs at state-operated armories. The State typically contributes 50 percent of the maintenance and repair costs for state-owned Army National Guard armories, and the federal government pays for 75 percent of the maintenance and repair at facilities on federal land.¹ For Air National Guard facilities, the State contributes 25 percent or less of the repair and maintenance costs at these facilities.

The State typically contributes 50 percent or less of the maintenance and repair costs.

In order to identify needed repairs, the Bureau requires the Department to annually report on the condition of National Guard facilities, including armories. The Department inspectors give each component of the armory, such as the building exterior, stairs, and kitchen, a rating of "red", "amber" or "green," with the red rating being the most severe. For example, inspectors are instructed to give a kitchen a red score if the walls, ceiling, or floors are cracked, or worn or damaged, or components such as floor drains and electrical safety outlets are missing. The Department's inspectors then assign an overall rating equal to the most frequent color rating among the inspected components. Of the 26 armories inspected, 3 were given an overall red score.² Additionally, the Arizona Department of Administration (ADOA) sends building inspectors who evaluate state buildings not less than every 4 years for deficiencies. These inspectors use a different standard for evaluating structures than the federal inspections, and ADOA inspections are used to verify the maintenance condition and identify problems in state buildings that may be eligible for state building renewal fund monies. During fiscal year 2003, these inspectors recommended that the Department ask for building renewal monies for 4 of the Department's 32 National Guard armories, although ADOA does not develop repair cost estimates.

¹ The Department can also use federal monies issued under this formula for minor construction at National Guard armories, but only for projects requiring less than \$750,000 in federal monies, or \$1.5 million for projects that correct life-, health-, or safety-threatening deficiencies.

² Two armories were not inspected due to the Department's plans to close them, and four were not included because complete inspection records were not available.

SUNSET FACTORS

Department of Emergency and Military Affairs

In accordance with Arizona Revised Statutes (A.R.S.) §41-2954, the Legislature should consider the following 12 factors in determining whether the Department of Emergency and Military Affairs should be continued or terminated:

1. The objective and purpose in establishing the agency.

The Department was established under A.R.S. §26-101 in 1972, and is responsible for promoting, protecting, and defending the peace, health, and safety of the citizens of Arizona. The Department has both military and emergency management responsibilities; it helps state, county or local agencies prepare for and respond to disasters, and reduce the impact they have on persons and property, and supports the activities of the approximately 7,000 members of the Arizona Army and Air National Guard. During fiscal year 2004, the Department expects to receive approximately \$12 million in General Fund monies, and an additional amount of more than \$107 million, nearly all in federal monies for contracts and grants.

The Department also operates Camp Navajo, an Army National Guard training and storage facility located approximately 12 miles west of Flagstaff. In federal fiscal year 2003, Camp Navajo generated about \$7.5 million in revenue for various services, and this revenue is used to support operations at the Camp. For example, the Department estimates that the Camp currently stores approximately \$3.3 billion in materials for government and private organizations, including commodities such as Minuteman missile rocket motors and munitions.

2. **The effectiveness with which the agency has met its objective and purpose and the efficiency with which it has operated.**

In general, the Department satisfactorily carries out its four key emergency management roles outlined below (also see Finding 1, pages 9 through 19):

- **Preparing for Disasters**—The Department assists the State in preparing for disasters by maintaining and updating the State’s Emergency Response and Recovery Plan (Plan), conducting exercises to test the Plan, and providing training for the State’s emergency professionals. The Department has updated the Plan and organized it along federal guidelines. Additionally, auditors interviewed six state agency and nonprofit organization stakeholders, most of whom indicated that the Division made efforts to involve stakeholders in revising the current Plan. Further, EMAP, the Emergency Management Accreditation Program, the only national accreditation program in emergency management, found that the Department’s disaster exercise and training programs were compliant with its standards. The Department also received positive comments from stakeholders, such as that the exercises were well-constructed, and the classes were taught by qualified instructors.
- **Responding To Disasters**—When the State responds to a state-declared disaster, the Department coordinates the activities of state agencies, nonprofit organizations, and local governments, and provides other assistance according to guidelines outlined in the Plan. This assistance can include operating the State Emergency Operations Center, the State’s coordination center used by the Department and other organizations during a disaster; sending liaisons and equipment to the disaster site; and developing a response strategy for each disaster. One FEMA representative who participated in two emergency responses in Arizona stated that the Department did a good job coordinating both state and federal resources. In addition, stakeholders indicated that the Department responded effectively during disasters. For example, one county official noted that during a recent flood, the Department provided 10,000 sandbags within one day of receiving the request.
- **Assisting Disaster Recovery**—After a disaster occurs, the Department helps eligible local governments develop projects to restore public structures to pre-disaster status, informs them about grant monies, assists them with the application process, and submits local projects to the Federal Emergency Management Agency (FEMA) for final approval. These projects can include things such as removing debris, constructing temporary bridges and roads, and repairing utilities. According to FEMA, EMAP, and stakeholders, the Department has an effective disaster recovery process. In

fact, Arizona was one of only three states granted the authority by FEMA to independently perform most of the recovery functions due to its experience and capabilities.

- **Mitigating Future Disasters**—The Department also develops plans to mitigate the impact of future disasters, and helps local communities access three federal mitigation grant programs. Based on new federal grant requirements, the Department is developing a State Hazard Mitigation Plan that describes the potential hazards facing the State, and documents the State's strategies for reducing potential losses. It is also developing an on-line guide that local communities can use to develop their own local mitigation plans and therefore be eligible for some federal grants. EMAP found that the Department's mitigation activities complied with all of their accreditation standards.

In addition to effectively performing its emergency management responsibilities, the Department also helped limit the amount of State General Fund monies required to construct two new Army National Guard armories—the first armories to be constructed in Arizona since 1988 (see Other Pertinent Information, pages 27 through 31). For example, in November 2003, the Department began construction on a new armory in Yuma to replace the previous one that was 42 years old and lacked key features. To pay for the new, approximately \$3.5 million Yuma facility, Arizona needed to obtain the land and nearly \$1.5 million to cover its share of the costs of the facility.¹ While the Department received a \$371,000 State General Fund appropriation for the Yuma project, the Department also sold three unneeded armories and obtained additional funding from the City of Yuma to assist the State with its share. The City also agreed to provide the Department with land for the new armory. As a result, the Department and the City have agreed to share the new facility as a joint state and city community center. Construction on the Yuma armory is anticipated to be completed in late summer 2004.

The Department has also operated efficiently by reducing the energy usage at its buildings. Specifically, beginning in 1997, the Department has instituted a variety of measures designed to reduce the agency's utility costs, such as installing a centrally controlled power management system for many of its buildings, installing more efficient lighting and cooling systems, and educating its staff on energy management. As a result, the Department reports that it reduced its electricity and fossil fuel usage in its buildings by nearly 20 percent from 1997 to 2002. The Department's energy management program is recognized both within Arizona and nationally, receiving numerous Arizona Governor's awards for energy efficiency and United States Department of the Army energy management awards from 1998 to 2002.

¹ While to meet federal construction requirements, the Department needed to provide the land and 25 percent of the construction costs of the facility, according to one department manager, the Department and the City wished to add features that the federal government would not fund. Therefore, the combined department and city share of the construction costs was nearly \$1.5 million.

When disasters have occurred, the Division has responded adequately, but it should continue to improve its post-disaster assessment process. Specifically, the Department should produce an after-action report every time it coordinates emergency response activities. If it chooses not to produce a report, it should document the reasons. (See Finding 1, pages 14 through 16). These reports analyze the State's performance during disasters and recommend corrective actions. Further, auditors determined that the post-disaster after-action reports should also include detailed recommendations for how to correct any problems identified.

3. The extent to which the agency has operated within the public interest.

The Department generally operates in the public interest. The Department's Division of Military Affairs supports the activities of the approximately 7,000 federally paid members of the Arizona Army and Air National Guard. The Army National Guard ensures that its approximately 4,300 members are prepared to respond to emergencies by typically training 1 weekend each month and 2 weeks each year. Similarly, the Air National Guard's approximately 2,800 members also train 1 weekend each month and an additional 15 days per year. From September 22, 2002, to October 13, 2003, the Department reports that the Arizona National Guard provided the federal government with approximately 1,600 Army and Air National Guardsmen for a variety of duties including providing transportation, specialized communications, and medical services both within the United States and abroad.

The Department has further operated in the public interest by improving the State's protection against unnecessary liability in existing agreements for goods stored at Camp Navajo. However, to ensure appropriate liability language is contained in future renewals and new agreements, the Department should continue its efforts to establish a documented review process for Camp Navajo storage agreements (see Finding 2, pages 24 through 26). This process should include a documented review of all appropriate agreements, whether with private or government agencies. Further, the process should also require review of renewals and modifications of existing storage agreements by internal staff, such as the Department's Risk Management Officer.

4. The extent to which the rules adopted by the agency are consistent with legislative mandate.

The Department's rules are not subject to the rulemaking process established under the State's Administrative Procedure Act. However, it is still required to adopt rules for the operation of the Department and to carry out specific statutes. According to the Governor's Regulatory Review Council (GRRC), the

Department has adopted some but not all of the rules required by statute. Specifically, the Department has not established required rules for the following statutes:

- **A.R.S. §26-102(C)9**—GRRC noted that the Department had not adopted rules regarding Project ChalleNGe’s application process, standards for enrollment, and educational requirements. Project ChalleNGe is a military style program for at-risk men and women between the ages of 16 and 18 who wish to obtain their high school equivalency degree.
 - **A.R.S. §26-165(B)**—GRRC noted that the Department does not have rules governing the application process for National Guard years of service medals established under this statute.
 - **A.R.S. §26-181**—This statute requires the Adjutant General to evaluate applications for tuition reimbursement and make payments to those who the General determines are eligible. According to GRRC, the standards used to evaluate these applications should be in rule.
 - **A.R.S. §26-343**—This statute relates to the Emergency Response Commission. The Department and its staff are responsible for drafting rules for the Commission. However, GRRC noted that the Commission, through the Department, needs to establish rules governing public information requests, procedures, and programs for chemical emergency planning and preparedness, the release and reporting requirements related to the Emergency Planning and Community Right to Know Act, and a grant program administered by the Commission under A.R.S. §26-343(H).
5. **The extent to which the agency 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.**

According to the Department, it keeps the public informed of its rule-making as well as its overall duties. For example, in February 2002, the Department proposed modifying its rules to reflect that it no longer certified students and instructors through a hazardous material training program. According to department records, it announced three public meetings in early 2002 to discuss the proposed rules. Further, when the Department initiated these rule changes, it nominated a contact person for public inquiries and advertised this contact information in the Arizona Administrative Register.

According to the Department, it keeps the public informed of its overall duties through a combination of news releases, public service announcements, and its

Web site. During emergencies, the Department indicates that it maintains a high level of public visibility because of increased media involvement.

6. The extent to which the agency has been able to investigate and resolve complaints that are within its jurisdiction.

This factor is not applicable, since the Department does not have investigative or regulatory authority. However, according to the Department's administrative rules, anyone aggrieved by any decision made by the Director of the Department can appeal the decision to the State's Office of Administrative Hearings.

7. The extent to which the Attorney General or any other applicable agency of state government has the authority to prosecute actions under enabling legislation.

This factor is not applicable, since the Department is not a regulatory agency with enforcement or oversight responsibilities. However, the Department does have a representative from Arizona's Office of the Attorney General to provide legal advice as required.

8. The extent to which the agency has addressed deficiencies in the enabling statutes, which prevent them from fulfilling their statutory mandate.

According to the Department, over the past 8 years, it pursued or supported several legislative changes to resolve issues preventing it from fulfilling its legislative mandate. First, the Department supported Laws 1996, Chapter 255 pertaining to assessments to the Nuclear Emergency Management Fund. This fund consists of assessments collected from corporations that construct or operate commercial nuclear generating stations. Monies from the fund are used to develop and maintain a state plan for responding to emergencies at commercial nuclear generating plants. The changes that were made allow any fiscal year end fund balances to be used to offset future assessments.

Second, the Department supported Laws 2001, Chapter 116, which allows the Department to enter agreements with other states' National Guards for training and interstate aerial counter-drug operations, and assist tribal authorities in counter-drug and demand reduction activities. The Department reports this authority allows it to use its aircraft to support federal law enforcement agencies.

Third, the Department supported Laws 2002, Chapter 109 regarding the Department's authority to seek storage agreements with private companies at its Camp Navajo facility. Before this law change, the Department was allowed

only to enter into agreements with government agencies to store items at Camp Navajo. According to the Department, allowing it to pursue agreements with private companies will increase its Camp Navajo revenues.

Finally, the Department supported changes clarifying the Adjutant General's role during disasters. In a 1997 Auditor General report (Report No. 97-14), the Auditor General recommended that the Legislature consider clarifying A.R.S. §26-303(H) to ensure that all references to the "director" specify the director of the Department of Emergency and Military Affairs, who is also the State's Adjutant General, rather than the Director of the Emergency Management Division. The Division supported Laws 1998, Chapter 30, clarifying this statute.

9. The extent to which changes are necessary in the laws of the agency to adequately comply with the factors in the Sunset laws.

Auditors determined that the Governor's April 2003 appointment of the Department's Division of Emergency Management Director to also serve as the Director of the State's Office of Homeland Security is inconsistent with statutory requirements. A.R.S. §26-305(D) requires that the Department's Director of the Division of Emergency Management "shall devote full time to the office and shall hold no other office." While the appointment violates statutes, there may be benefits to combining these roles. Currently, the Office of Homeland Security manages a state strategy for responding to terrorist incidents. The Department has a unit that specializes in homeland security, and has been working with the Office to develop the strategy that will be incorporated into the Department's State Emergency Response and Recovery Plan. This Plan identifies the responsibilities of 70 state, volunteer, private, and federal organizations in a disaster (see Finding 1, pages 9 through 19). Further, the Department has created a Deputy Director position to ensure that the Division receives appropriate oversight and guidance. Therefore, the Legislature could consider reviewing A.R.S. §26-305(D) to determine if this statutory requirement, which was established in 1971, is still appropriate.

10. The extent to which the termination of the agency would significantly harm the public health, safety, or welfare.

Termination of the Department could harm the public's health, safety, or welfare because it performs both emergency management and military functions. The Department's Division of Emergency Management coordinates the planning for disasters; conducts exercises to help local, state, and private agencies improve their readiness for state disasters; and provides training to assist emergency management professionals. During actual disasters, the Department often takes a lead role in responding to disasters and supports other responding agencies

by providing resources, communication, and strategic support. Additionally, the Department helps local governments obtain grants that assist them in recovering from current disasters and mitigating the impact of future ones.

The Department also administers the Arizona National Guard through its Division of Military Affairs. In addition to recruiting and training National Guard troops to support a variety of federal goals, the National Guard has been used in support of state and local disasters.

11. The extent to which the level of regulation exercised by the agency is appropriate and whether less or more stringent levels of regulation would be appropriate.

This factor does not apply, since the Department is not a regulatory agency.

12. The extent to which the agency has used private contractors in the performance of its duties and how effective use of private contractors could be accomplished.

The Department uses private contractors for a variety of activities. For example, the Department's largest current contract, which is valued at more than \$13 million in federal monies, is to construct an 84,000-square-foot aircraft maintenance facility at Marana. This building is expected to be completed in August 2004. Other contracts include a nearly \$13,000 food service contract for its Project ChalleNGe program, and an ongoing contract, which costs approximately \$15,000, with the State's Department of Game and Fish to conduct a federally required Tassel-Eared Squirrel survey. This survey determines the impact of reforestation programs on Camp Navajo's squirrel population. While this audit did not identify any additional areas in which contracting would be beneficial or effective, the Department indicates that due to the activation of most of its military mechanics, it is currently looking into contracting the maintenance of military vehicles.

SUNSET FACTORS

State Emergency Council

In accordance with A.R.S. §41-2954, the Legislature should consider the following factors in determining whether to continue or terminate the State Emergency Council.

1. The objective and purpose in establishing the Council.

The State Emergency Council was established under A.R.S. §26-304 in 1971 and has a variety of duties related to state emergencies. The Council is composed of the Governor, Secretary of State, Attorney General, department officials, directors from seven different state agencies, and the President of the Senate and Speaker of the House, who are nonvoting members. The Council's responsibilities include monitoring each state-declared emergency and informing the Governor when a disaster is substantially contained, based on reports about ongoing emergencies it receives quarterly from the Department of Emergency and Military Affairs staff. Additionally, while the Governor may allocate up to \$200,000 per disaster from the State's \$4 million Governor's Emergency Fund, the Governor must seek the Council's approval if it becomes necessary to allocate any additional monies for the disaster. The Council, through information that department staff gathers, also monitors county and local governments' use of these state emergency funds. Finally, the Council may issue a state emergency proclamation if the Governor is inaccessible.

Council Membership

Consists of the following persons or their designees:

- Governor
- Secretary of State
- Attorney General
- Adjutant General
- Director of the Department of Emergency and Military Affairs' Division of Emergency Management
- Directors from the following Departments:
 - Administration
 - Agriculture
 - Environmental Quality
 - Health Services
 - Public Safety
 - Transportation
 - Water Resources
- President of the Senate and Speaker of the House, as nonvoting members

Source: A.R.S. §26-304.

2. The effectiveness with which the Council has met its objective and purpose, and the efficiency with which the Council has operated.

The Council appears to be meeting its objective and purpose. Two of the Council's primary duties are monitoring state-declared disasters and approving the expenditure of additional monies for state-declared emergencies. Based on a review of council meeting minutes, during fiscal years 2001 to 2003, the Council approved providing additional funds to six disasters. For example, in July 2002, the Council approved providing more than \$3.3 million for the Rodeo-Chediski Fire. The Council, with the assistance of the Department, also annually presents a report to the Legislature detailing the state-declared emergencies that have been terminated during the year and those that remain open. This report also includes information on the monies allocated and expended from the Governor's Emergency Fund. Although the Council may issue a state emergency proclamation if the Governor is inaccessible, it has not had to do so.

3. The extent to which the Council has operated within the public interest.

The Council generally operates in the public interest by issuing supplemental funds to disasters and monitoring the status of state emergencies, including the use of Governor's Emergency Fund monies.

4. The extent to which rules adopted by the Council are consistent with the legislative mandate.

The Council does not have statutory authority to promulgate rules. However, it does have the authority to make recommendations to the Governor on rules, policies, and procedures. However, auditor review of the 22 Council meeting minutes from January 1996 to September 2003 found that it has not done so.

5. The extent to which the Council 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.

The Council does not have the authority to adopt rules. Although the Council votes on whether to allocate additional monies to disasters and will take public input, according to department staff, the public typically does not attend these meetings.

6. **The extent to which the Council has been able to investigate and resolve complaints that are within its jurisdiction.**

This factor is not applicable, since the Council does not have investigative or regulatory authority.

7. **The extent to which the Attorney General or any other applicable agency of state government has authority to prosecute actions under the enabling legislation.**

This factor is not applicable, since the Council does not have regulatory authority.

8. **The extent to which the Council has addressed deficiencies in its enabling statutes that prevent it from fulfilling its statutory mandate.**

There have been several statutory changes to the Council's statutes since it was created in 1971. For example, Laws 1998, Chapter 134 increased the Council's membership by adding the directors of the Departments of Administration and Water Resources. Other law changes involved allowing some council members to appoint a designee to take his/her place at council meetings.

9. **The extent to which changes are necessary in the laws of the Council to adequately comply with the factors listed in the Sunset law.**

This audit did not identify any changes needed to the Council's statutes.

10. **The extent to which termination of the Council would significantly harm the public health, safety, or welfare.**

The Council has some important responsibilities related to state-declared disasters, and the Council's broad membership brings together both elected officials and appointed state agency representatives that play a part in planning for and/or responding to disasters. One of the key roles the Council plays during a disaster is approving state monies. The Governor cannot allocate more than \$200,000 per disaster without approval of the Council. In addition, the Council is responsible for monitoring disasters, and ensuring that the monies allocated to disasters are spent appropriately. Finally, the Council may issue a state emergency proclamation if the Governor is inaccessible.

11. The extent to which the level of regulation exercised by the Council is appropriate and whether less or more stringent levels of regulation would be appropriate.

This factor does not apply, since the Council is not a regulatory agency.

12. The extent to which the Council has used private contractors in the performance of its duties and how the effective use of private contractors could be accomplished.

This factor does not apply, since the Council does not directly contract for services.

AGENCY RESPONSE



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GOVERNOR

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THE ADJUTANT GENERAL
MAJOR GENERAL DAVID P. RATAZAK
DIRECTOR

June 14, 2004

Debbie Davenport
Auditor General
2910 North 44th Street
Phoenix, Arizona 85008

Dear Ms. Davenport,

The Department of Emergency and Military Affairs thanks you and your staff for the professionalism displayed during the performance audit and Sunset review. We plan to implement the audit recommendations as follows:

Finding 1

Recommendation 1:

The finding of the Auditor General is agreed to and the audit recommendation will be implemented. The Division has activated the State Emergency Operations Center 43 times over a six-year period (1998-2004), 10 for emergencies and 33 for disaster exercises. Subsequent to these 43 activations, the Division conducted 42 after-action reviews, and published 20 After-Action Reports. While the Division purposefully determined there was no need for an after-action report for the Y2K and the Indian Fire activations, the reasons were not documented. In the future the Division will always conduct after-action reviews and will either publish an after-action report or document why one is not needed.

Recommendation 2:

The finding of the Auditor General is agreed to and the audit recommendation will be implemented. All future after-action reports will identify shortcomings, corrective action, suspense, and responsible individual. The status of the corrective actions will be tracked and reviewed no less than quarterly as part of the Division's Strategic Plan and Performance Reporting process.

Finding 2

Recommendation 1:

The finding of the Auditor General is agreed to and the audit recommendation will be implemented. A new agreement has been drafted and staffed, and will be forwarded to the Department of Agriculture for signature. It will go into effect with the new Federal Fiscal year (FY05) using the adjusted storage rates for that year. The new agreement contains language limiting the liability of the State against loss or damage to Department of Agriculture material on site and identifies the Department of Agriculture as responsible for any environmental damage that may result from that storage activity.

Recommendation 2:

The finding of the Auditor General is agreed to and a different method of dealing with the finding will be implemented. A draft policy for processing private contracts already exists and is being implemented. A parallel policy to cover government contracts is being drafted that will reflect key safeguards for State liability. Key among these safeguards is standardized language in the agreements limiting State liability for stored material and making customers responsible for any environmental impacts of their property on Camp Navajo. This language has already been approved by the Attorney General's Office and DOA Risk Management. The Judge Advocate General and DEMA Risk Management Officer will review all agreements, and a staffing cover requiring signature will be included with each agreement. Per agreement with the Attorney General's Office and DOA Risk Management, staffing to their agencies will only occur if, in the opinion of the Judge Advocate General or the DEMA Risk Management Officer, unique circumstances exist in the agreement, or if the customer insists on different language from what is already in the standard agreement document.

Sincerely,

DAVID P. RATACZAK
Major General, AZ ARNG
The Adjutant General

Performance Audit Division reports issued within the last 12 months

02-05	Arizona Health Care Cost Containment System—Member Services Division	03-02	Registrar of Contractors
02-06	Arizona Health Care Cost Containment System—Rate Setting Processes	03-03	Water Infrastructure Finance Authority
02-07	Arizona Health Care Cost Containment System—Medical Services Contracting	03-04	State Board of Funeral Directors and Embalmers
02-08	Arizona Health Care Cost Containment System—Quality of Care	03-05	Department of Economic Security—Child Protective Services—Foster Care Placement Stability and Foster Parent Communication
02-09	Arizona Health Care Cost Containment System—Sunset Factors	03-06	Arizona Board of Appraisal
02-10	Department of Economic Security—Division of Children, Youth and Families, Child Protective Services	03-07	Arizona Board for Charter Schools
02-11	Department of Health Services—Health Start Program	03-08	Arizona Department of Commerce
02-12	HB2003 Children’s Behavioral Health Services Monies	03-09	Department of Economic Security—Division of Children, Youth and Families Child Protective Services—Caseloads and Training
02-13	Department of Health Services—Office of Long Term Care	04-L1	Letter Report—Arizona Board of Medical Examiners
03-L1	Competitive Electric Metering, Meter Reading, and Billing and Collections	04-01	Arizona Tourism and Sports Authority
03-01	Government Information Technology Agency—State-wide Technology Contracting Issues	04-02	Department of Economic Security—Welfare Programs
		04-03	Behavioral Health Services’ HB2003 Funding for Adults with Serious Mental Illness

Future Performance Audit Division reports

Gila County Transportation Excise Tax

Department of Environmental Quality—Water Quality Division