





Arizona Department of Veterans' Services and the Arizona Veterans' Service Advisory Commission

54-Month Followup of Report 21-109

The August 2021 Arizona Department of Veterans' Services (Department) and the Arizona Veterans' Service Advisory Commission (Commission) sunset review found that the Department and Commission met some statutory objectives and purposes, such as providing benefits-counseling assistance to veterans and policy advice to the Governor, but the Department did not comply with several Veterans' Donations Fund grant award and monitoring requirements or use Gold Star Family revenues to maintain the Enduring Freedom Memorial. Additionally, the Commission did not comply with some conflict-of-interest and open meeting law requirements. We made **20** recommendations to the Department and **5** recommendations to the Commission, and their status in implementing the recommendations is as follows:

Department's status in implementing 20 recommendations

Implementation status	Number of recommendations
 Implemented	11 recommendations
 Partially implemented	3 recommendations
 No longer applicable	1 recommendation
 Not implemented	5 recommendations

Commission's status in implementing 5 recommendations

Implementation status	Number of recommendations
 Implemented	4 recommendations
 Partially implemented	1 recommendation

As shown above, we determined that the Department and Commission have implemented or partially implemented 14 of 20 and 5 of 5 recommendations, respectively, and 1 Department recommendation is no longer applicable. However, the Department still has not implemented 5 recommendations. By not implementing these 5 recommendations, the Department has not ensured that:

- ▶ All grant monies distributed to benefit Arizona veterans have been expended appropriately and that any unspent or inappropriately spent grant monies have been returned to the Department.
- ▶ Gold Star Family license plate revenues have been used to maintain the Enduring Freedom Memorial located in Wesley Bolin Plaza, as required.

The Department has had sufficient time to implement all the recommendations from our August 2021 sunset review. As a result, we do not see further benefit in continuing to follow up with the Department. Therefore, unless otherwise directed by the Joint Legislative Audit Committee, this report concludes our followup work on the Department and Commission's efforts to implement the recommendations from the August 2021 report.

Recommendations to the Department

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

1. The Department should obtain and review all necessary close-out documentation from grants awarded during calendar years 2017 through 2019.

▶ Status: **Not implemented.**

As reported in our December 2023 24-month followup, the Department sent a final request for information to grantees awarded grants during calendar years 2017 through 2019 requesting any outstanding close-out documentation related to these grants and reported that it expected to complete its review of submitted documentation by January 2024. However, our review of Department documentation found that while the Department noted contacting some grantees to request close-out documentation, it did not note whether it received any close-out documentation in response. Further, the Department reported that it could not successfully obtain all close-out documentation for grants issued during calendar years 2017 through 2019 because it did not have responses from some grantees. As a result, the Department reported discontinuing its efforts to obtain close-out documentation from these grantees and initiating the recovery of any grant monies. It has instead designated these grants as closed but incomplete in its grant management system, which the Department reported would make these grantees ineligible to receive future grant funding. Because the Department has closed these grants and discontinued its efforts to obtain close-out documentation and recover any unexpended grant monies, this concludes our followup work on this recommendation and recommendation 2.

2. The Department should, based on its review of grant close-out documentation for grants awarded during calendar years 2017 through 2019, determine if grantees need to return unexpended grant monies and, if so, request grantees to return those monies.

▶ Status: **Not implemented.**

See explanation for recommendation 1.

3. The Department should comply with statutory, State, and Department grants-management requirements when awarding and monitoring large and small grants from the Veterans' Donations Fund to help ensure grant monies are used for the benefit of Arizona veterans, including ensuring:

- a. Awarded grant projects are compatible with the Department's objectives.

▶ Status: **Implemented at 24 months.**

- b.** Applicant’s budget worksheets show a line-item breakdown of all revenue and expenses for which the applicant is seeking grant funding.
 - ▶ Status: **Implemented at 6 months.**
- c.** Applicant’s proposed administrative costs do not exceed 12.5 percent of the total grant funding request.
 - ▶ Status: **Implemented at 6 months.**
- d.** Applicants submit 3 bids if contracted services will be part of the grant project.
 - ▶ Status: **Partially implemented at 54 months.**

As discussed in our previous followup, the Department revised the requirement in its grant agreements to more clearly state that grantees must submit evidence of having obtained a minimum of 3 bids when contracting for services consisting of repair, maintenance, or construction for their grant projects. As part of our previous followup, 1 of 13 grants we reviewed involved contracted services consisting of repair, maintenance, or construction. However, we found that this grant applicant submitted 2 rather than the required 3 bids and did not provide an explanation for not submitting a third bid, and despite the deficiency, the Department approved the applicant for grant funding.

To again assess the Department’s compliance with the 3-bid requirement, we reviewed a random sample of 3 of 22 large grants closed in fiscal year 2025. However, none of these grantees contracted for repair, maintenance, or construction services, and the Department could not identify any grant projects closed between July 2024 and April 2026, which involved a grantee contracting for these services. As such, we were unable to assess the Department’s compliance with its 3-bid requirement and full implementation of this recommendation. Therefore, this concludes our followup work on this recommendation.

- e.** The Department director provides written justifications when overriding grant evaluators’ recommendations on whether to award the grant.
 - ▶ Status: **Implemented at 6 months.**
- f.** The Department notifies the applicant of the award decision within 45 to 60 days for large grants and 30 days for small grants of the application submission date.
 - ▶ Status: **Implemented at 6 months.**

- g.** Grantees provide the Department with required deliverables at the end of the grant, such as information on the grant project's results and a report on how grant monies were spent, including a statement comparing actual to projected expenditures with an explanation of the differences.

▶ Status: **Not implemented.**

Our review of a random sample of 5 of 53 grants the Department designated as closed in fiscal year 2025 found it received all required deliverables from 3 grantees, including 1 grantee that reported and returned unspent grant monies, consistent with the Department's grants-management process.¹ However, 2 of 5 grantees did not provide the Department with all required deliverables, such as information on the results of their projects, reports on how grant monies were spent, and comparisons of budgeted to actual expenditures. Specifically:

- For 1 of these grants, the Department approved a grant award of \$75,000 and, after approving this grant award, distributed an initial \$25,000 to the grantee.² Although the Department did not distribute any additional grant monies to this grantee, it lacked documentation/information demonstrating whether the grantee spent the \$25,000 as proposed in its grant application and a determination of whether the Department should have recovered any unspent or inappropriately used monies. In response to our requests for information regarding the status of this grant, as of May 2026, the Department reported contacting the grantee about the grant and the \$25,000 it distributed. According to the Department, the grantee indicated that due to a change in their leadership, it was unaware of the grant and associated reporting requirements. The Department further reported working with the grantee to determine whether the grant monies have or will be spent consistent with the scope of the approved grant, whether to amend the grant to use the monies in a different manner that align with program requirements, or whether the grantee should return the grant monies. The Department did not provide a time frame for resolving this issue.
- The other grant involved an award of \$4,999 to rent venue space for local veteran organizations to set up tables to provide assistance and/or information to veterans and their families at a fundraising event. Although the application specified the date by which the grantee reported needing the requested grant monies, the Department approved the grant 1 week after the requested date and distributed the grant monies 3 days after the event occurred. Once the grantee received the grant monies and because the event had passed, the grantee informed the Department that it would use the monies in other ways to assist veterans in its area but did not describe what those uses would be. The Department did not require the grantee to either amend its original grant application or submit a new grant application to specify the intended use of the awarded and distributed \$4,999.

¹ The 5 grants we reviewed consisted of 2 of 31 small grants of less than \$5,000 and 3 of 22 large grants between \$5,000 and \$75,000.

² The grant was intended to be paid out in 3 separate \$25,000 installments over the life of the grant project. However, Department documentation indicates it only distributed the initial \$25,000 to the grantee.

Although the grant files we reviewed included a copy of an email between Department staff and the grantee indicating that the grantee provided receipts for purchases made using the monies, after making multiple requests for this documentation, the Department reported it was unable to find these receipts and was unaware of how the monies were used. Only after we concluded our followup work and while we were finalizing our report in May 2026 did the Department report that it had obtained and reviewed documentation submitted by the grantee and determined that the grant expenditures did not fully align with the approved grant scope. The Department reported requesting that the grantee repay the \$4,999 grant award, but it had not returned these monies. The Department further reported closing this grant and that the grantee would not be eligible for future funding until the matter is resolved.

Although the Department has developed a formal grants-management process for awarding grants, which includes a committee that reviews grant applications, budget information, and checking the applicant's eligibility for and good standing using Veteran's Donation Fund monies, this process lacks guidance for monitoring awarded grants and obtaining required deliverables. Additionally, the Department has not established a supervisory review process to ensure staff are taking appropriate action to receive all required deliverables from grantees. Lastly, although Department staff described a process for recovering unspent or inappropriately spent grant monies, the Department has not fully developed or implemented procedures or guidance for this process. Department staff also indicated that they are often hesitant to initiate this process because they do not want to negatively impact veterans' organizations.

Absent a documented process and guidance for monitoring grants and ensuring grantees provide required deliverables and as illustrated by the 2 examples previously discussed, the Department cannot ensure grant monies are appropriately spent for the benefit of Arizona veterans, consistent with the approved grant application. Additionally, Department staff may not consistently work with grantees to ensure all required deliverables are provided and that all unexpended grant monies and/or grant monies not used for their intended purpose are returned and/or recovered. Finally, for its fiscal year 2026 grant cycle, the Department allocated \$2 million to the Veteran's Donation Fund grant program, with large grant recipients eligible to receive up to \$150,000, twice the amount recipients were eligible to receive at the time of our August 2021 sunset review, increasing potential financial impacts of the deficiencies in the Department's processes. Given the Department's lack of progress in implementing this recommendation in the nearly 5 years since our August 2021 sunset review, we do not see further benefit in continuing to follow up on this recommendation and recommendation 3h.

h. Grantees return to the Department all grant monies that were not expended for the grant project.

▶ Status: **Not implemented.**

See explanation for recommendation 3g.

4. The Department should spend Gold Star Family license plate revenues received for the maintenance of the Enduring Freedom Memorial located in Wesley Bolin Plaza, as required by statute.

▶ Status: **Not implemented.**

As reported in our December 2023 24-month followup, the Department has continued to work with the Arizona Department of Administration and Arizona Legislative Council on the process of updating the Enduring Freedom Memorial using Gold Star Family license plate revenues. This included obtaining bids for the project to re-engage existing names and add new names to the Memorial. In January 2026, the Department reported that a contractor had been selected to complete the work, and the Department was working with stakeholders to verify the new names to be added to the memorial. However, as of May 2026, the Department has yet to draft or finalize a contract for the project, and although it reported it was in the process of doing so, it did not provide an estimated time frame for executing the contract. The Department has attributed delays in completing this project to locating and working with members of the original committee who sponsored the memorial to ensure any changes to the memorial are consistent with the committee's intent.

As reported in our 24-month followup, the Department anticipated completing the engraving project on the Enduring Freedom Memorial by the end of 2023. However, as of May 2026, nearly 2 ½ years later, this project has yet to be initiated. As a result, the Department has yet to spend any Gold Star Family license plate revenues toward the maintenance of the Enduring Freedom Memorial since having last done so in 2013, and the memorial continues to omit the names of some Arizona military service members who died or were injured during military service during Operation Iraqi Freedom.³ Given the Department's lack of progress in implementing this recommendation, we do not see further benefit in continuing to follow up on this recommendation.

5. The Department should collect the \$45,000 owed from the Arizona American Legion

▶ Status: **Implemented at 6 months.**

³ According to Department documentation, Gold Star Family license plate revenues have increased from around \$43,000 at the time of our August 2021 sunset review report to approximately \$90,000 as of January 2026.

6. The Department should, prior to the next annual renewal of its contract with the Arizona American Legion:
- Review and determine the ongoing need for this contract.
 - Ensure that if the contract is continued, it complies with all State Procurement Code requirements.
 - Work with its Assistant Attorney General to review and determine whether the quarterly payments received from the Arizona American Legion should be deposited in the Veterans' Donations Fund as a donation or the State General Fund as a payment for services.

▶ Status: **Implemented at 6 months.**

7. The Department should, if it continues its contract with the Arizona American Legion, develop and implement a procedure for monitoring this contract, including a process for ensuring it receives all required payments.

▶ Status: **No longer applicable at 6 months.**

The Department canceled its contract with the Arizona American Legion.

8. The Department should develop and implement procedures for ensuring it maintains all required supporting documentation and approval forms for Veterans' Donations Fund transactions.

▶ Status: **Implemented at 6 months.**

9. The Department should create a written action plan for developing and implementing ASET-required information technology (IT) security procedures and based on this action plan, develop and implement ASET-required IT security procedures in line with ASET requirements and credible industry standards, focusing on the IT security areas with the highest security risks first.⁴ The action plan should include specific tasks, the status of those tasks, and their estimated completion dates, as well as a process for regularly reviewing and updating the plan based on its progress.

▶ Status: **Partially implemented at 54 months.**

The Department reported it has continued working on its written action plan for developing and implementing State-required IT security policies and procedures. However, it has yet to fully develop or implement some IT security procedures in line with State requirements and credible industry standards. For example, although the Department provided detailed status updates for each action item in its plan, the Department's plan indicated that 12 of 22 action items had yet to be fully implemented. Additionally, as reported in our December 2023 24-month followup, the Department has continued to update its action plan, but the plan still does not include a process

⁴ Effective September 24, 2022, Laws 2022, Ch. 50, transferred the responsibility for State agency IT and data security oversight from the Arizona Department of Administration—Arizona Strategic Enterprise Technology Office to the Arizona Department of Homeland Security.

for regularly reviewing and updating the plan based on its progress. The Department attributed its lack of progress to limited IT staffing. By not implementing all required IT security procedures, the Department is at risk for not adequately protecting its IT systems and the data contained therein. Given the Department's lack of progress in implementing this recommendation in the nearly 5 years since our August 2021 sunset review, we do not see further benefit in continuing to follow up on this recommendation.

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

- 10.** The Department should develop and implement policies and procedures that comply with statutory conflict-of-interest requirements and recommended practices, including requiring all Department employees and committee members to complete an annual conflict-of-interest disclosure form that includes an affirmative statement indicating whether or not a conflict exists; storing completed disclosure statements of substantial interests in a special file available for public inspection; and developing and implementing a process for reviewing and remediating disclosed potential or actual conflicts of interest.

▶ Status: **Partially implemented at 54 months.**

As of June 2025, the Department had developed a conflict-of-interest policy that requires its employees and committee members to comply with statutory conflict-of-interest requirements and recommended practices. The policy requires Department employees to complete a conflict-of-interest disclosure form that includes an affirmative statement indicating whether or not a conflict exists and annually review their disclosure forms to determine whether changes are needed. Additionally, the policy requires the Department to store disclosed substantial interests in a special file available for public inspection and includes a process for reviewing and remediating disclosed potential or actual conflicts of interest.

Our review of a judgmental sample of 6 of 463 employees as of February 2026 found that all 6 employees had completed the required conflict-of-interest form and, according to the Department's tracking sheet, annually reviewed their form, consistent with Department policy. Additionally, our review of Department documentation for an additional 2 employees who had disclosed substantial interests found that these disclosures were reviewed and remediated according to the Department's policy, and these forms were stored in a special file available for public inspection.⁵

However, our review of a judgmental sample of 4 of 15 Military Family Relief Fund Pre- and Post-9/11 Advisory Committee members as of February 2026 found that the Department has not applied its conflict-of-interest policy to its committee members. Specifically, all 4 committee members have not updated their conflict-of-interest disclosure forms since 2019 and have not completed the required disclosure form developed by the Arizona Department of Administration (ADOA). Department staff

⁵ Our review of the random sample of 6 employees did not include employees who disclosed a substantial interest. The Department referred us to the additional 2 employees who did disclose substantial interests.

reported they have only required committee members to complete a form upon appointment. Additionally, although the Department's policy indicates that its human resources staff are responsible for its conflict-of-interest processes, the Department's human resource staff reported that they understood their responsibility to apply to individuals employed by the State rather than volunteers such as committee members.

In April 2026, the Department reported that it planned to require all committee members to complete an ADOA conflict-of-interest disclosure form and will incorporate its committee members into its conflict-of-interest disclosure review processes. This concludes our followup work on this recommendation.

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

- 11.** The Department should ensure that it makes the Committees' meeting minutes or a recording of these public meetings available for public inspection within 3 working days.
 - ▶ Status: **Implemented at 6 months.**

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

- 12.** The Department should resolve Homes' resident grievances within 5 business days as required by Department policy and procedures.
 - ▶ Status: **Implemented at 6 months.**
- 13.** The Department should revise the Homes' self-report handling and record-keeping procedures to include provisions for maintaining documentation that self-reports are reported immediately to ADHS and APS, as required by State and federal regulations, and provide training to staff on maintaining this documentation.
 - ▶ Status: **Implemented at 6 months.**

Recommendations to the Commission

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

1. The Commission should develop and implement policies and procedures to comply with conflict-of-interest statutory requirements and recommended practices, including:
 - a. Requiring all Commission members to complete an annual conflict-of-interest disclosure form that includes an affirmative statement indicating whether or not a conflict exists.
 - ▶ Status: **Implemented at 18 months.**
 - b. Establishing a process to review and remediate disclosed conflicts.
 - ▶ Status: **Partially implemented at 54 months.**

As reported in our previous followup, the Commission has developed operating guidelines directing a process to review and remediate conflicts disclosed by Commission members. However, these guidelines do not require the Commission or Department to document its review of member forms and determination of whether any disclosed interests should be remediated. Our review of all 8 Commission member disclosure forms completed in calendar year 2026 found that 1 member disclosed a potential conflict. Although the Department reported that the disclosure did not constitute a substantial interest requiring remediation, it did not provide documentation of this review and determination. This concludes our followup work on this recommendation.
 - c. Maintaining completed disclosure statements of substantial interests in a special file available for public inspection.
 - ▶ Status: **Implemented at 24 months.**

Sunset Factor 5: The extent to which the Commission 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.

2. The Commission should work with the Department to ensure its compliance with all open meeting laws, including:
 - a. Posting meeting agendas on the Department's website at least 24 hours before public meetings.
 - ▶ Status: **Implemented at 6 months.**

- b.** Making meeting minutes or a recording of its public meetings available for public inspection within 3 working days following a meeting.

▶ Status: **Implemented at 6 months.**