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July 20, 2026

Lindsey A. Perry, CPA, CFE
Auditor General
2910 N 44th St., Ste. 410
Phoenix, AZ 85018-7271

Dear Ms. Perry:

The Industrial Commission of Arizona (ICA) has thoroughly reviewed the Auditor General's report and is committed to implementing the recommendations as outlined in the attached response.

The ICA is dedicated to fostering a culture of excellence, accountability, and innovation. We view continuous improvement as integral to our operations, guiding the refinement of our internal processes and the ongoing enhancement of our service quality. We remain committed to evaluating our performance, soliciting feedback, and implementing modifications that advance our mission to better serve the citizens of Arizona.

We sincerely acknowledge and appreciate the diligence and collaboration demonstrated by the staff of the Office of the Auditor General throughout this Sunset Review process.

Sunset factor 2: The Commission's effectiveness and efficiency in fulfilling its key statutory objectives and purposes.

Commission made improvements in documenting its occupational safety and health inspections but could further improve its process for supervisory review of inspections.

Commission response: The Auditor General's finding is agreed to.

Response explanation: N/A

Recommendation 1: Implement its policies and procedures for ensuring occupational safety and health citations are issued timely, including the timely submission of inspection documentation for supervisory review.

Commission response: The audit recommendation will be implemented.

Response explanation: N/A

Commission has implemented some processes to help ensure it complies with some statutory Small Business Bill of Rights requirements but has not provided all required information, written materials, and updates to small businesses.

Commission response: The Auditor General's finding is agreed to.

Response explanation: N/A

Recommendation 2: Revise its Small Business Bill of Rights website to ensure it aligns with all statutory requirements, including the contact information for its employees designated to handle complaints and the process by which a small business may file a complaint.

Commission response: The audit recommendation will be implemented.

Response explanation: N/A

Recommendation 3: Revise and implement its Small Business Bill of Rights written materials to ensure they align with all statutory requirements, including the contact information for its employees designated to handle complaints.

Commission response: The audit recommendation will be implemented.

Response explanation: N/A

Recommendation 4: Provide monthly updates to small businesses on the status of any action resulting from its inspections, as required by statute.

Commission response: The audit recommendation will be implemented.

Response explanation: N/A

Recommendation 5: Develop and implement policies and procedures for providing monthly updates to small businesses on the status of any action resulting from its inspections.

Commission response: The audit recommendation will be implemented.

Response explanation: N/A

Commission has improved its timeliness in adopting changes to federal occupational safety and health standards and directives within federally required time frames but lacks written policies and procedures that document its process for doing so.

Commission response: The Auditor General's finding is agreed to.

Response explanation: N/A

Recommendation 6: Develop and implement policies and procedures for timely adopting federal program changes.

Agency response: The audit recommendation will be implemented.

Response explanation: N/A

Commission made improvements to help ensure it complies with federal grant requirements but lacks written policies and procedures outlining these processes for some areas we reviewed.

Commission response: The Auditor General's finding is agreed to.

Response explanation: N/A

Recommendation 7: Develop and implement policies and procedures for fully utilizing its federal grants.

Commission response: The audit recommendation will be implemented.

Response explanation: N/A

Recommendation 8: Develop and implement policies and procedures for appropriately allocating expenses to its federal grants, including for accurately allocating staff hours worked to the appropriate grants.

Commission response: The audit recommendation will be implemented.

Response explanation: N/A

Recommendation 9: Continue finalizing the physical separation of its consultation and enforcement program staff. Once implemented, the Commission should assess whether additional physical controls are necessary and make any additional changes, as necessary.

Commission response: The audit recommendation will be implemented.

Response explanation: N/A

Commission provided employers with documentation detailing safety and health hazards needing correction within federally required time frames for 19 of 20 consultation visit requests we reviewed but did not consistently track or monitor that the documentation was provided to employers.

Commission response: The Auditor General's finding is agreed to.

Response explanation: N/A

Recommendation 10: Develop and implement policies and procedures for tracking and monitoring the status of consultation visits to ensure hazard documentation is provided to employers within federally required time frames, including tracking and monitoring the date hazard documentation is provided to employers within its IT system.

Commission response: The audit recommendation will be implemented.

Response explanation: N/A

Commission has taken action to address some federal evaluation findings related to its occupational safety and health program but had not yet addressed findings related to timely handling of complaints, conducting occupational safety and health inspections, and maintaining key inspection documentation.

Commission response: The Auditor General's finding is agreed to.

Response explanation: N/A

Recommendation 11: Work with OSHA to address all outstanding findings from OSHA's federal fiscal years 2023 and 2024 evaluations, including obtaining written confirmation from OSHA that the findings have been fully addressed.

Commission response: The audit recommendation will be implemented.

Response explanation: N/A

Commission has initiated efforts to improve leadership oversight of its conveyance regulatory program but has not implemented several recommended practices for its conveyance regulatory program, increasing public safety risks.

Commission response: The Auditor General's finding is agreed to.

Response explanation: N/A

Recommendation 12: Develop and implement a written plan that outlines steps it will take to implement the regulatory recommended practices from NSAA in its conveyance regulatory program, such as establishing a systematic process for conducting inspections, handling complaints, and analyzing the reliability of program data, including associated completion deadlines for each step.

Commission response: The audit recommendation will be implemented.

Response explanation: N/A

Recommendation 13: Ensure that the regulatory recommended practices from NSAA are implemented into its conveyance regulatory program by requiring conveyance program staff to provide frequent and regular reports to the Commission director on their progress in implementing the recommended practices.

Commission response: The audit recommendation will be implemented.

Response explanation: N/A

Recommendation 14: Ensure that the regulatory recommended practices from NSAA are implemented into its conveyance regulatory program by developing and implementing a process for Commission leadership to regularly review key metrics related to the implementation of the recommended practices to ensure the sustained implementation of the recommended practices thereafter.

Commission response: The audit recommendation will be implemented.

Response explanation: N/A

Commission has not always issued administrative law judge case decisions or held initial administrative law judge hearings within statutorily required time frames, delaying some claimants' workers' compensation benefits.

Commission response: The Auditor General's finding is agreed to.

Response explanation: N/A

Recommendation 15: Hold initial administrative law judge hearings within 60 days of receiving notice of a case for workers' compensation benefits cases, as required by A.R.S. §23-1061(J), unless a continuance is granted consistent with rule.

Commission response: The audit recommendation will be implemented.

Response explanation: N/A

Recommendation 16: Track and monitor specific causes of untimely initial hearings for administrative law judge cases involving workers' compensation benefits pursuant to A.R.S. §23-1061(J), including causes within and outside of the Commission's control.

Commission response: The audit recommendation will be implemented.

Response explanation: N/A

Recommendation 17: Periodically assess the causes of untimely initial hearings for administrative law judge cases involving workers' compensation benefits pursuant to A.R.S. §23-1061(J) and take actions to address causes identified to ensure administrative law judges improve timeliness.

Commission response: The audit recommendation will be implemented.

Response explanation: N/A

Recommendation 18: Develop and implement policies and procedures outlining the circumstances in which further hearings in other administrative law judge cases should be prioritized over initial hearings involving workers' compensation benefits cases that require an initial hearing to be held within 60 days, pursuant to A.R.S. §23-1061(J).

Commission response: The audit recommendation will be implemented.

Response explanation: N/A

Recommendation 19: Make administrative law judge case decisions within the statutorily required time frame.

Commission response: The audit recommendation will be implemented.

Response explanation: N/A

Recommendation 20: Track and monitor specific causes of untimely case decisions, including causes within and outside of the Commission's control.

Commission response: The audit recommendation will be implemented.

Response explanation: N/A

Recommendation 21: Periodically assess the causes of untimely case decisions and take actions to address causes identified to ensure administrative law judges improve timeliness.

Commission response: The audit recommendation will be implemented.

Response explanation: N/A

Commission has not complied with federal requirements to ensure at least 1 enforcement program inspector is trained to inspect workplaces for 2 of 4 hazardous industries we reviewed, increasing the risk that safety and health hazards are not identified.

Commission response: The Auditor General's finding is agreed to.

Response explanation: N/A

Recommendation 22: Ensure at least 1 enforcement program inspector is trained to perform inspections for each of OSHA's National Emphasis Programs, as applicable.

Commission response: The audit recommendation will be implemented.

Response explanation: N/A

Recommendation 23: Continue to develop and implement a training program to help ensure enforcement program inspectors complete required training courses for OSHA's National Emphasis Programs, as applicable.

Commission response: The audit recommendation will be implemented.

Response explanation: N/A

Commission did not develop required State information technology (IT) security and data procedures or comply with some State IT policy requirements.

Commission response: The Auditor General's finding is agreed to.

Response explanation: N/A

Recommendation 24: Develop and implement a written plan that outlines key steps it will take to develop and implement all required IT security procedures in line with Arizona Department of Homeland Security requirements, including outlining associated completion deadlines and assigned staff responsibilities.

Commission response: The audit recommendation will be implemented.

Response explanation: N/A

Commission did not maintain its capital asset inventory consistent with the State of Arizona Accounting Manual (SAAM) and the Commission policy requirements, increasing the risk of theft and waste of State resources.

Commission response: The Auditor General's finding is agreed to.

Response explanation: N/A

Recommendation 25: Train staff responsible for maintaining its capital asset inventory and performing its annual physical inventory on the SAAM and Commission policy requirements and have staff acknowledge understanding of the requirements.

Commission response: The audit recommendation will be implemented.

Response explanation: N/A

Commission could not demonstrate it disposed of some assets pursuant to State and/or Commission policy requirements, increasing the risk to the State's data security.

Commission response: The Auditor General's finding is agreed to.

Response explanation: N/A

Recommendation 26: Ensure that all asset disposals include all required documentation, including data removal forms, as required by ADOA and Commission policy.

Commission response: The audit recommendation will be implemented.

Response explanation: N/A

Recommendation 27: Train staff who dispose of assets, and staff responsible for reviewing asset disposals, to ensure that these disposals comply with State requirements and the Commission's policies and procedures, and have staff and supervisors acknowledge understanding of the policies and procedures.

Commission response: The audit recommendation will be implemented.

Response explanation: N/A

Commission reimbursed employees for travel expenses, including lodging, meals, and transportation, inconsistent with the SAAM and/or the Commission policy, totaling approximately $198 in improperly paid transactions and reimbursements.

Commission response: The Auditor General's finding is agreed to.

Response explanation: N/A

Recommendation 28: Revise and implement its updated travel policy to provide guidance to staff regarding the appropriate travel reimbursements for tips paid at restaurants consistent with the SAAM, and have staff and supervisors acknowledge understanding of the policies and procedures.

Commission response: The audit recommendation will be implemented.

Response explanation: N/A

Recommendation 29: Train staff who use central travel accounts and submit travel reimbursements, and supervisory staff responsible for reviewing related transactions and reimbursements, to ensure that these transactions and reimbursements comply with the SAAM and Commission policies and procedures, and have staff and supervisors acknowledge understanding of the policies and procedures.

Commission response: The audit recommendation will be implemented.

Response explanation: N/A

Sunset factor 3: The extent to which the Commission's key statutory objectives and purposes duplicate the objectives and purposes of other governmental agencies or private enterprises.

Commission and Arizona Department of Insurance and Financial Institutions are statutorily responsible for investigating fraud related to workers' compensation, increasing the risk the agencies duplicate efforts.

Commission response: The Auditor General's finding is agreed to.

Response explanation: N/A

Recommendation 30: Continue to work with the Arizona Department of Insurance and Financial Institutions to formalize a written agreement to help minimize duplication of effort in investigations of workers' compensation fraud.

Commission response: The audit recommendation will be implemented.

Response explanation: N/A

Sunset factor 4: The extent to which rules adopted by the Commission are consistent with the legislative mandate.

Commission has adopted rules when statutorily required to do so, with 1 exception.

Commission response: The Auditor General's finding is agreed to.

Response explanation: N/A

Recommendation 31: Adopt rules as required by A.R.S. §23-474.

Commission response: The audit recommendation will be implemented.

Response explanation: N/A

Recommendation 32: Continue its process to amend the 2 rules it identified as inconsistent with statute.

Commission response: The audit recommendation will be implemented.

Response explanation: N/A

Sunset factor 5: The extent to which the Commission has provided appropriate public access to records, meetings, and rulemakings, including soliciting public input in making rules and decisions.

Commission did not comply with some open meeting law requirements for 6 of 7 meetings we reviewed, potentially not informing the public of the proceedings of its public bodies.

Commission response: The Auditor General's finding is agreed to.

Response explanation: N/A

Recommendation 33: Comply with open meeting law requirements, including ensuring that meeting minutes and recordings are made available within 3 working days and include all elements required by statute, including meeting location, date, and time.

Commission response: The audit recommendation will be implemented.

Response explanation: N/A

Recommendation 34: Comply with open meeting law requirements, including ensuring meeting notices and agendas are posted at all locations included in its disclosure statements at least 24 hours in advance of meetings.

Commission response: The audit recommendation will be implemented.

Response explanation: N/A

Recommendation 35: Implement its policies and procedures for posting meeting minutes that apply to all public bodies.

Commission response: The audit recommendation will be implemented.

Response explanation: N/A

Recommendation 36: Develop and implement open meeting law policies and procedures for the Boiler Advisory Board, Occupational Safety and Health Advisory Committee, Review Board, and Wage Board, including agendizing, noticing, and holding public meetings to help ensure compliance with open meeting law requirements.

Commission response: The audit recommendation will be implemented.

Response explanation: N/A

Commission did not comply with State public records law, recommended practices, and/or its policies and procedures, delaying public access to records and potentially resulting in the Commission not making requestors aware of the status of their requests.

Commission response: The Auditor General's finding is agreed to.

Response explanation: N/A

Recommendation 37: Provide written notice to requestors that a request was received within 5 working days of request receipt, as required by statute.

Commission response: The audit recommendation will be implemented.

Response explanation: N/A

Recommendation 38: Comply with Commission public records law policies and procedures and/or recommended practices, including providing requesters with an anticipated date, responding to requests within its internal time frames, and receiving payment prior to providing responsive records.

Commission response: The audit recommendation will be implemented.

Response explanation: N/A

Recommendation 39: Develop and/or implement public records law policies and procedures for all divisions that respond to public requests to help ensure it complies with public records law and recommended practices, including providing requestors with a written notice that their public records request was received within 5 business days and an anticipated date the Commission will fulfill the request.

Commission response: The audit recommendation will be implemented.

Response explanation: N/A

Sunset factor 6: The extent to which the Commission timely investigated and resolved complaints that are within its jurisdiction.

Commission lacks internal time frames for processing bad faith complaints and took up to 832 days to resolve bad faith complaints we reviewed, potentially delaying awarding monetary penalties to injured workers.

Commission response: The Auditor General's finding is agreed to.

Response explanation: N/A

Recommendation 40: Develop and implement bad faith complaint policies and procedures that establish time frames for handling bad faith complaints.

Commission response: The audit recommendation will be implemented.

Response explanation: N/A

Recommendation 41: Develop and implement bad faith complaint policies and procedures that establish a process for tracking and monitoring specific causes for why bad faith complaints remain open.

Commission response: The audit recommendation will be implemented.

Response explanation: N/A

Recommendation 42: Develop and implement bad faith complaint policies and procedures that establish a process for periodically assessing the causes for why bad faith complaints remain open and taking actions to address causes identified to ensure staff improve timeliness.

Commission response: The audit recommendation will be implemented.

Response explanation: N/A

Commission lacks information on its website regarding its authority to handle equal pay discrimination complaints, potentially resulting in the Commission not making the public aware they can report violations of State equal pay law.

Commission response: The Auditor General's finding is agreed to.

Response explanation: N/A

Recommendation 43: Include information on its website regarding its responsibility to handle equal pay discrimination complaints and how to report violations of the State's equal pay law, such as a separate complaint form.

Commission response: The audit recommendation will be implemented.

Response explanation: N/A

Commission lacks policies and procedures for determining jurisdiction of occupational safety and health complaints, increasing the risk that it investigates complaints outside its jurisdiction.

Commission response: The Auditor General's finding is agreed to.

Response explanation: N/A

Recommendation 44: Develop and implement policies and procedures for determining whether occupational safety and health complaints are within its jurisdiction.

Commission response: The audit recommendation will be implemented.

Response explanation: N/A

Commission developed a complaint form that does not require complainants to provide key information needed to determine jurisdiction for payment compliance complaints, increasing the risk it investigates complaints outside its jurisdiction.

Commission response: The Auditor General's finding is agreed to.

Response explanation: N/A

Recommendation 45: Update its payment compliance complaint forms to include an area for complainants to indicate when the alleged violation occurred to help ensure the Commission is investigating and resolving these complaints within its jurisdiction.

Commission response: The audit recommendation will be implemented.

Response explanation: N/A

Sunset factor 8: The extent to which the Commission has established safeguards against possible conflicts of interest.

Commission has established some safeguards against possible conflicts of interest but has not complied with some State conflict-of-interest requirements and had not aligned its conflict-of-interest process with some recommended practices.

Commission response: The Auditor General's finding is agreed to.

Response explanation: N/A

Recommendation 46: Implement its conflict-of-interest policies to help ensure compliance with State conflict-of-interest requirements and recommended practices, including reminding employees and public officers to update their conflict-of-interest forms annually.

Commission response: The audit recommendation will be implemented.

Response explanation: N/A

Recommendation 47: Implement its conflict-of-interest policies to help ensure compliance with State conflict-of-interest requirements and recommended practices, including requiring employees and public officers to complete a conflict-of-interest disclosure form that meets statutory requirements at hire and/or appointment.

Commission response: The audit recommendation will be implemented.

Response explanation: N/A

Recommendation 48: Implement its conflict-of-interest policies to help ensure compliance with State conflict-of-interest requirements and recommended practices, including storing all substantial interest disclosures, including disclosure forms and/or meeting minutes, in a special file available for public inspection.

Commission response: The audit recommendation will be implemented.

Response explanation: N/A

Recommendation 49: Develop and implement periodic training on its conflict-of-interest requirements, process, and disclosure form, including providing training to all employees and public officers on how the State's conflict-of-interest requirements relate to their unique programs, functions, or responsibilities.

Commission response: The audit recommendation will be implemented.

Response explanation: N/A

Sincerely,

Gaetano Testini

Gaetano Testini
Director

CC: Logan Johnson
Senior Auditor
Performance Audit Division

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