Office of Administrative Hearings
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Katie Hobbs
Governor

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Director

August 20, 2026

Elizabeth Kowalewski, Principal
Sikich
333 John Carlyle Street, Suite 500
Alexandria, VA 22314

RE: Office of Administrative Hearings – Sunset Review Response

Dear Ms. Kowalewski:

The Office of Administrative Hearings ("OAH") has reviewed and provided responses to the Performance Audit and Sunset Review performed on behalf of the Arizona Auditor General's Office. We appreciate the feedback provided and have already begun addressing and implementing the recommendations from the audit.

On behalf of the OAH, we want to offer our thanks to the Sikich team for their professionalism and courtesy during the review. We believe this contributed to our positive working relationship throughout the process.

Thank you again for the opportunity to respond to the Performance Audit report.

Respectfully,

Tammy L. Eigenheer

Tammy L. Eigenheer
Director

Enclosure: OAH's Response

cc: Jeffery Sanchez, Office Manager

Mission Statement: We will contribute to the quality of life in the State of Arizona by fairly and impartially hearing the contested matters of our fellow citizens arising out of State regulation.

Finding 1: The Office did not comply with some State conflict-of-interest requirements or align its conflict-of-interest process with recommended practices, increasing risk that its employees had not disclosed substantial interests that might influence or could affect their official conduct

Office response: The finding is agreed to.

Response explanation: The Office erroneously relied on ADOA to provide the Conflict of Interest forms at hire.

Recommendation 1: Develop and implement conflict-of-interest policies and procedures to help ensure compliance with State conflict-of-interest requirements and alignment with recommended practices, including requiring employees to complete a conflict-of-interest disclosure form upon hire/appointment and reminding them at least annually to update their form when their circumstances change, including attesting that no conflicts exist, if applicable.

Office response: The audit recommendation will be implemented.

Response explanation: The Office is working on developing a policy/procedure for this. In the interim, all employees have completed a COI form in 2026 and now have a reminder on their calendar to complete a new COI form every January.

Recommendation 2: Develop and implement conflict-of-interest policies and procedures to help ensure compliance with State conflict-of-interest requirements and alignment with recommended practices, including using a conflict-of-interest disclosure form that addresses both financial and decision-making conflicts of interest.

Office response: The audit recommendation will be implemented.

Response explanation: The current ADOA COI form has been provided to and completed by all employees and is available on a shared drive for use.

Recommendation 3: Develop and implement conflict-of-interest policies and procedures to help ensure compliance with State conflict-of-interest requirements and alignment with recommended practices, including storing all substantial interest disclosures, including disclosure forms, in a special file available for public inspection.

Office response: The audit recommendation will be implemented.

Response explanation: The Office Manager has created a specific file of all COI forms completed by employees.

Recommendation 4: Develop and implement conflict-of-interest policies and procedures to help ensure compliance with State conflict-of-interest requirements and alignment with recommended practices, including reviewing and remediating disclosed conflicts.

Office response: The audit recommendation will be implemented.

Response explanation: No conflicts were disclosed on the 2026 updated COI forms, but the annual resubmissions will be reviewed for such conflicts.

Recommendation 5: Develop and provide periodic training on conflict-of-interest requirements, processes, and disclosure forms.

Office response: The audit recommendation will be implemented.

Response explanation: The COI requirements, processes, and disclosure forms will be addressed through the policy, at office trainings, and through email especially around the time of the annual resubmission.

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

We identified two opportunities for the Office to improve its operations.

Office response: The finding is agreed to.

Recommendation 6: Establish a mechanism or update its automated system notifications to alert ALJs when upcoming holidays may impact compliance with statutorily required timeframes.

Office response: The audit recommendation will be implemented.

Response explanation: Emails will be sent in advance of holidays detailing the effect of the holiday on deadlines.

Recommendation 7: Reconcile case data to the annual reports, and reissue corrected annual reports, as necessary.

Office response: The audit recommendation will be implemented.

Response explanation: The Office Manager will review the annual reports, and correct and reissue them, as necessary

Recommendation 8: Ensure that the required annual reports are submitted by the statutorily-required deadlines.

Office response: The audit recommendation will be implemented.

Response explanation: The Office Manager will submit the two annual reports on the earlier deadline to ensure compliance with both statutory requirements.

The Office implemented a year-end reconciliation process intended to ensure it charges the same rates to all agencies that contract for its services but it made calculation errors in fiscal year 2025 that resulted in inequitable charges between agencies

Office response: The finding is agreed to.

Response explanation: Upon explanation, the error in the methodology was understood by the Office.

Recommendation 9: Update the year-end billing process to ensure that the average year-end billing rates reflect actual expenditures and that expenditures are distributed equally to all agencies.

Office response: The audit recommendation will be implemented.

Response explanation: Spreadsheets were updated during the reconciliation period or year-end billing process of FY2026. This has already been implemented.

Recommendation 10: Develop and implement detailed procedures for its billing process, including adequate segregation of duties, and cross-train employees to be able to review the accuracy of calculations performed to recover expenditures for services provided to agencies.

Office response: The audit recommendation will be implemented.

Response explanation: Procedures will be written, developed and updated over time for the billing process. The Office will look into cross-training employees where practical as well as the establishing segregation of duties as resources permit.

The Office does not have any policies and procedures for its training program and does not retain training documentation, increasing the risk that ALJs and agencies do not receive training related to ensuring fair and independent hearings

Office response: The finding is agreed to.

Recommendation 11: Develop and implement policies and procedures for documenting ALJ training consistent with state and Office requirements.

Office response: The audit recommendation will be implemented.

Response explanation: The Office will require ALJs to submit annual reports detailing any training they attend outside of the Office. Further, bi-monthly meetings have been scheduled to provide training in the Office with topics planned including hearing procedures, case management issues, and any concerns the ALJs may have.

Recommendation 12: Develop and implement a training program for agencies as required by statute.

Office response: The audit recommendation will be implemented.

Response explanation: The Director is currently developing a specific training and will reach out to offer it to the agencies upon completion.

The Office failed to comply with its internal policy for cash and check handling, which increases the risk of fraud and theft

Office response: The finding is agreed to.

Response explanation: The Office will periodically review the internal policy for cash and check handling and implement it based on practicality and establish a segregation of duties as resources permit.

Recommendation 13: Implement existing cash and check-handling policies and procedures, including steps to ensure segregation of duties. If necessary, utilize external resources to provide staff training on the required financial processes.

Office response: The audit recommendation will be implemented.

Response explanation: The Office will implement and periodically review the cash and check-handling policies and procedures based on practicality and establish a segregation of duties as resources permit.

Recommendation 14: Periodically review cash and check-handing processes to ensure that employees document segregation of duties in the receipt log, as required by its policies and procedures.

Office response: The audit recommendation will be implemented.

Response explanation: The Office will develop and periodically review the cash and check-handling processes and adjust based on practicality and establish a segregation of duties as resources permit.

The Office has not incorporated public feedback into ALJ evaluations as required by statute

Office response: The finding is agreed to.

Response explanation: This has not historically been done.

Recommendation 15: Modify the ALJ evaluation process to incorporate public feedback.

Office response: The audit recommendation will be implemented.

Response explanation: Public feedback will be documented in annual ALJ evaluations.

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

The Office responded to our public request consistent with statute, but it does not track public records requests and responses, and therefore cannot demonstrate compliance with statutory requirements

Office response: The finding is agreed to.

Response explanation: The Office did not maintain documentation of prior public records requests.

Recommendation 16: Immediately begin retaining all public records requests and responses.

Office response: The audit recommendation will be implemented.

Response explanation: The Office has created an entry in its case management system to document all public records requests and the Office's response to them.

Recommendation 17: Develop and implement a tracking mechanism for receiving and responding to public records requests to ensure compliance with statutory requirements.

Office response: The audit recommendation will be implemented.

Response explanation: The Office has created an entry in its case management system to document all public records requests and the Office's response to them.

Recommendation 18: Develop and implement comprehensive policies and procedures for public records requests to ensure compliance with statutory requirements to acknowledge requests within 5 business days of receipt and maintain an index of record or categories of records that were withheld and the reason why. The comprehensive policies and procedures should incorporate State guidelines to develop and implement processes for identifying when a public record request may contain confidential information, irreversibly redacting confidential or restricted information from records before providing the records and documenting within the Office's records which materials were redacted or released.

Office response: The audit recommendation will be implemented.

Response explanation: The Office is developing policies and procedures to address this.

Sunset Factor 6: The extent to which the Office has provided appropriate public access to records, meetings, and rulemakings, including soliciting public input in making rules and decisions.

The Office does not have a mechanism to track complaints and did not consistently follow its process for handling and resolving complaints

Office response: The finding is agreed to.

Recommendation 19: Develop written policies and procedures for complaint-handling that outline each step of the complaint handling process. This should include timeframes for notification, investigation and resolution.

Office response: The audit recommendation will be implemented.

Response explanation: The Office is developing policies and procedures to address the complaint-handling process.

Recommendation 20: Develop mechanisms to track and monitor timeliness of the complaint-handling process.

Office response: The audit recommendation will be implemented.

Response explanation: The Office is developing a mechanism to track and monitor the timeliness of the complaint-handling process.

Recommendation 21: Update the process on its website to clarify that in order to maintain impartiality, the Office will not investigate complaints for ongoing cases until the case is finalized.

Office response: The audit recommendation will be implemented.

Response explanation: The website will be updated to provide this information.