



# AUDITOR GENERAL'S COMMENTS ON BOARD RESPONSE

We appreciate the Board's response, including its agreement with most of the audit findings and its plan to implement, or implement in a different manner, all the recommendations. However, the Board's response includes some statements that necessitate the following clarifications:

1. The Board states that it disagrees with some parts of our finding regarding its adherence to State conflict-of-interest requirements and better aligning its conflict-of-interest policies and procedures with recommended practices (see Finding 1, pages 4 through 7) but indicated it will implement our recommendations. Specifically:

a. In the Board's response to Recommendation 1a, it states the following (see Board's response, page 2):

"The Human Resources Division of the Arizona Dept. of Administration sets forth the policy for Conflicts of Interest for Employees. As such, a response to this inquiry was made on November 18, 2021: "Thank you for your inquiry regarding conflict of interest notice requirements. Employees are required to complete the Disclosure Statement upon hire with the State and any time there is a change. The Disclosure Statement is part of the New Hire packet, so it is likely you completed the form when you first began your employment with the State. There is no statute or policy that requires employees to complete the Disclosure Statement annually. We are aware that the Office of the Auditor General's recent audits of State agencies include a review of how well agencies are complying with State conflict of interest requirements. In several audits, the Auditor General's report identified that conflict-of-interest recommended practices indicate that all public agency employees and public officers complete a disclosure form annually; however, this is a recommendation, not a requirement. While there seems to be inherent disagreement between the Governing Agency (ADOA) and the Auditor General office, the Board will implement the Auditor General recommendation as it is not burdensome to the Agency."

**Contrary to the Board's response, we did not recommend that Board members and employees complete a conflict-of-interest disclosure form annually, nor do our findings and recommendations represent a disagreement with State policy. As discussed in Finding 1 (see pages 4 through 7), the Board had not required its employees to complete a conflict-of-interest disclosure form upon hire, as required by ADOA policy. Additionally, as of January 2022, neither of the Board's 2 employees had completed a conflict-of-interest disclosure form. We recommended that the Board follow ADOA policy and also remind employees and Board members at least annually about the importance of updating their form when their circumstances change, consistent with recommended practices. We will review the Board's compliance with ADOA policy and alignment with recommended practices during our initial followup.**

b. In the Board's response to Recommendation 1b, it states the following (see Board's response, page 2):

"Pursuant to the State Procurement requirements, policies and laws of the State, the Board (staff and Members) does not go into financial interests in contracts, sales, purchases, and services that would be in conflict with any party serving on the Board. However, as the Auditor General feels it more prudent a practice, the Board will implement the Auditor General recommendation as it is not burdensome to the Agency."

**First, following State laws is not a recommended practice, it is a requirement. Second, the Board's response focuses only on conflicts of interest related to procurement actions and does not address the concerns we noted in Finding 1 (see pages 4 through 7). Specifically, State laws require all employees and Board members to disclose substantial financial or decision-making interests, and**

then refrain from participating in matters related to the disclosed interests. To help ensure compliance with these requirements and regardless of whether the employee has a procurement role, ADOA's State Personnel System employee handbook and conflict-of-interest disclosure form require State employees to disclose if they have any business or decision-making interests, secondary employment, and relatives employed by the State at the time of initial hire and anytime there is a change. We will review the Board's compliance with these requirements during our initial followup.

2. The Board agreed with our finding that it did not consistently comply with all open meeting law requirements and indicated it would implement the associated recommendations (see Sunset Factor 5, page 14). However, its response to Recommendation 8a states the following (see Board's response, pages 5 and 6):

"The law is currently 3 days. The Board will post whatever is required under the current statutes to comply with all open meeting laws."

The Board's response is incomplete and misleading. Recommendation 8a addresses 2 separate statutory requirements: (1) meeting minutes, or digital recordings should be available upon request within 3 working days of Board meetings, and (2) digital recordings, or a notice of the availability of digital recordings, should be posted to the Board's website within 5 working days of Board meetings. We will review the Board's compliance with both statutory requirements during our initial followup.

3. The Board agreed with our finding that it did not always document whether complainants were notified of the complaint resolution and indicated it would implement the associated recommendation (see Sunset Factor 6, pages 15 through 16). However, the Board's response to Recommendation 10b states the following (see Board's response, page 6):

"The Board has a process for complaint investigation and notification in statute as outlined in A.R.S. 32-1744(B). All complainants are notified in writing of the final disposition of their complaint."

Although State law includes requirements for complaint investigations and notification, State law does not outline how Board staff should ensure these requirements are met and how complaint investigation activities are documented, including notifications. For this reason, we recommended the Board continue to develop and implement internal policies and procedures to better ensure that Board staff adhere to State law. Additionally, although the Board reported that it notified complainants of the complaint resolution as required by statute, it was unable to provide documentation demonstrating that it had always done so (see Sunset Factor 6, page 16). We will review the Board's process and documentation for complaint investigations and notifications during our initial followup.