



Douglas A. Ducey
Governor

Sandra Watson
Director

ARIZONA OFFICE OF ECONOMIC OPPORTUNITY

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PHOENIX, ARIZONA 85007

September 27, 2022

Lindsey A. Perry
Auditor General
Office of the Auditor General
2910 N. 44th St., Ste. 410
Phoenix, AZ 85018

RE: Performance Audit and Sunset Review of the Office of Economic Opportunity

Dear Ms. Perry:

The responses of the Office of Economic Opportunity (the "OEO") to the findings and recommendations of the Final Performance Audit of the OEO are attached.

We again extend our thanks to the Auditor General team for its efforts during the Sunset Review process.

Sincerely,

A handwritten signature in black ink, appearing to read "SWatson", with a long horizontal flourish extending to the right.

Sandra Watson
Director

Finding 2: Office lacked documentation of services received in exchange for payments made to Commerce Authority and may have allocated some of these costs to federal programs inconsistent with federal requirements

Recommendation 1: Develop and implement processes to document and monitor the benefits and services that the Commerce Authority provides to the Office, including a process to track and document the time Commerce Authority staff spend on Office activities.

Agency response: The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

Response explanation: The Office believes that the benefits and services provided to it by the Commerce Authority were commensurate with the costs it paid to the Commerce Authority. The Office will work with the Commerce Authority to develop and implement a process to document and monitor in greater detail the benefits and services that the Commerce Authority provides to the Office.

Recommendation 2: Annually evaluate and update its service agreements with the Commerce Authority to ensure that the costs it pays for Commerce Authority services is commensurate with the benefits and services it receives.

Agency response: The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

Response explanation: The Office will develop a process to annually evaluate and update its service agreements with the Commerce Authority to ensure that the costs it pays for Commerce Authority services is commensurate with the benefits and services it receives.

Recommendation 3: Ensure it complies with federal requirements for allocating costs to federal programs, including documenting that the costs it allocates to federal programs are in accordance with the benefits received by those programs.

Agency response: The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

Response explanation: The Office will review Federal guidelines and work with Federal partners to ensure cost allocations are properly reported and documented.

Recommendation 4: Work with the Commerce Authority to develop and implement processes for establishing independence and separation between the 2 entities, consistent with their statutorily established structure as separate legal entities.

Agency response: The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

Response explanation: The Office will work with the Commerce Authority to develop policies and procedures to better document and ensure the independence and separation between the two entities.

Finding 3: Office did not comply with a key State conflict-of-interest requirement, increasing risk that employees and public officers had not disclosed substantial interests that might influence or could affect their official conduct

Recommendation 5: Develop and implement conflict-of-interest policies to help ensure compliance with State conflict-of-interest requirements, including:

Recommendation 5a: Requiring employees/public officers to complete a conflict-of-interest form upon hire/appointment, including attesting that no conflicts exist, if applicable.

Agency response: The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

Response explanation: The Office will further develop conflict-of-interest policies and procedures to ensure compliance, including ensuring employees /public officers complete conflict-of-interest forms upon hire/appointment.

Recommendation 5b: Reminding employees/public officers at least annually to update their disclosure form when their circumstances change.

Agency response: The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

Response explanation: The Office will implement a procedure for soliciting updated disclosures from employees/public officials, at least annually.

Recommendation 5c: Storing all substantial interest disclosures, including disclosure forms and meeting minutes, in a special file available for public inspection.

Agency response: The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

Response explanation: The Office will implement a process for identifying and storing substantial disclosures in a special file for public inspection.

Recommendation 5d: Establishing a process to review and remediate disclosed conflicts.

Agency response: The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

Response explanation: The Office will establish a process for review and remediation of disclosed conflicts.

Recommendation 6: Develop and provide 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.

Agency response: The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

Response explanation: The Office will develop and provide all employees with 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.