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WANDA A. WRIGHT
DIRECTOR

July 10, 2020

Lindsey Perry, Auditor General
State of Arizona Office of the Auditor General
2910 N 44th Street, Ste. 410
Phoenix, AZ 85018

Dear Ms. Perry:

Transmitted is the Arizona Department of Veterans' Services reply to the sunset audit findings of the Arizona Military Family Relief Fund. The Department agrees with the findings, and is amenable to discussing what future efforts will be needed to revise the language in A.R.S.41-608.04. As outlined in the attached response, the Department has taken action to address each recommendation in Finding 2.

The Department appreciates the Auditor's recommendations as we continually improve our processes to better serve Arizona's veterans.

Sincerely,

Wanda A. Wright
Director

Finding 1: Post-9/11 Advisory Committee established and Department upheld Fund eligibility criteria beyond what statute has set, restricting eligibility for financial assistance

Recommendation 1: The Department should impose on applicants and eligible expenses only the statutorily-established eligibility criteria and work with the Post-9/11 Advisory Committee to revise its website, application form, bylaws, and practices to ensure only the statutorily-established eligibility criteria are imposed when assessing applications for financial assistance.

Department Response: The finding of the Auditor General is agreed to and a different method of dealing with the finding will be implemented.

Response explanation: The Department acknowledges that A.R.S.41-608.04 utilizes ambiguous language that makes it difficult to interpret. Further, the Department agrees interpretation of the statute could mean that while the committee is statutorily obligated to establish criteria for the use of monies, it does not implicitly grant the committee powers to determine eligibility requirements for the applicants which are outlined in the statute. Therefore, if taken literally and not contemplating prior precedence set by the MFRF Advisory Committee, it is possible that any veteran pre or post 9/11 experiencing financial need and meeting the following independent eligibility criteria: is deceased or wounded, injured or became seriously ill before or after 9/11/2001; has either deployed from a military base in Arizona, claimed Arizona as home of record, or been a member of the Arizona National Guard at time of deployment and discharged under honorable conditions, the applicant would be eligible for monies in this fund. However, the statute is not clear that the financial need must occur as a result of an incident which occurred as a result of military service. Therefore, if eligibility is met, a veteran could apply for monies based on financial need extraneous to their service. This presents serious issues for the Department. Any veteran that meets the eligibility criteria could apply for MFRF regardless of why the veteran is experiencing financial need. The Department does not believe this is in keeping with the intent of the statute. The Department is amenable to discussing with the Arizona State Legislature, MFRF Advisory Committees and Veteran Service Organizations what future efforts will be needed to revise the language of the statute to ensure any ambiguities are clearly defined.

Recommendation 2: The Department should work with its legal counsel and the Legislature to clarify in statute the eligibility requirements applicants must meet to be eligible to receive financial assistance.

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

Response explanation: The Department is amenable to discussing what future efforts will be needed to revise the language of the statute to ensure any ambiguities are clearly defined.

Recommendation 3: The Department should, if statute is amended, update its website, application form, bylaws, and practices, accordingly.

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

Response explanation: If the statute is amended, the Department will update its website, application form, bylaws and practices.

Finding 2: Department has not effectively administered Fund donations and awards, placing these public monies at risk of loss or theft and the Department granting excessive awards

Recommendation 4: The Department should implement its updated procedures for restrictively endorsing, timely depositing, and limiting access to donation checks.

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

Response explanation: The Department has taken action to follow SAAM guidelines.

Recommendation 5: The Department should implement its updated procedures for properly separating duties for receiving and handling donations and making payments to vendors on behalf of applicants.

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

Response explanation: The Department has taken action to follow SAAM guidelines. MFRF and Finance staff have separated duties for receiving and handling donations, plus making payments to vendors on behalf of the applicants.

Recommendation 6: The Department should properly separate duties for maintaining applicant and award records, including ensuring that another Department employee or supervisor reviews the records.

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

Response explanation: The Department has taken action to create internal controls for separating duties among MFRF staff.

Recommendation 7: The Department should perform monthly reconciliations of the Department's internal donation and award records to State accounting system records, including ensuring that another Department employee or supervisor reviews and approves the reconciliation.

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

Response explanation: The Department has taken action to follow SAAM guidelines.

Recommendation 8: The Department should review existing Fund records and documentation to identify and correct incomplete, inaccurate, and duplicative information.

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

Response explanation: The Department has taken action to include monthly Fund record reviews as part of internal controls for the MFRF program. The Department has also purchased software that will assist in keeping better documentation of applicants to ensure accurate, complete files.

Recommendation 9: The Department should identify and implement process improvements to help ensure complete and accurate program application, award, and payment information and documentation, including developing and implementing associated policies and procedures, and training staff, as appropriate.

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

Response explanation: The Department is very familiar with the Arizona Management System (AMS) and is always looking to continuously improve our processes. A training plan for all MFRF staff has been implemented which includes AMS training to support continuous improvement. The Department uses continuous improvement tools, such as problem solving, value stream mapping, standardized work, metric development and continuous monitoring to ensure information is accurate.