

Arizona Department of Emergency and Military Affairs and State Emergency Council

Department helps coordinate emergency management efforts throughout the State, but did not consistently develop and track corrective actions to address some emergency response deficiencies, impacting its ability to address these deficiencies during real-world emergency responses, and did not comply with some State conflict-of-interest requirements

Performance Audit and
Sunset Review

September 2022
Report 22-114

A Report to the Arizona Legislature

Lindsey A. Perry
Auditor General





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September 30, 2022

Members of the Arizona Legislature

The Honorable Doug Ducey, Governor

Kerry Muehlenbeck, Arizona Adjutant General
Arizona Department of Emergency and Military Affairs

Transmitted herewith is the Auditor General's report, *A Performance Audit and Sunset Review of the Arizona Department of Emergency and Military Affairs and State Emergency Council*. This report is in response to a December 17, 2020, resolution of the Joint Legislative Audit Committee. The performance audit was conducted as part of the sunset review process prescribed in Arizona Revised Statutes §41-2951 et seq. I am also transmitting within this report a copy of the Report Highlights to provide a quick summary for your convenience.

As outlined in its response, the Department agrees with all the findings and plans to implement or implement in a different manner all the recommendations. My Office will follow up with the Department in 6 months to assess its progress in implementing the recommendations.

My staff and I will be pleased to discuss or clarify items in the report.

Sincerely,

Lindsey A. Perry

Lindsey A. Perry, CPA, CFE
Auditor General

cc: State Emergency Council members

Arizona Department of Emergency and Military Affairs and State Emergency Council

Department helps coordinate emergency management efforts throughout the State, but did not consistently develop and track corrective actions to address some emergency response deficiencies, impacting its ability to address these deficiencies during real-world emergency responses, and did not comply with some State conflict-of-interest requirements

Audit purpose

To determine whether the Department developed and tracked the completion of corrective actions to address emergency-response deficiencies in accordance with applicable requirements and best practices and complied with State conflict-of-interest requirements and recommended practices, and to provide responses to the statutory sunset factors for the Department and State Emergency Council.

Key findings

The Department:

- Performs various activities to carry out its statutory responsibilities, such as providing training and conducting exercises for State and local entities, providing and coordinating emergency management services, and coordinating the deployment of the National Guard for State emergencies or national contingencies.
- Developed policies and procedures for correcting deficiencies in its emergency responses that aligned with some accreditation standards and federal guidance but did not develop corrective actions to address 3 of 93 emergency-response deficiencies or consistently track the status and completion of 103 of 127 corrective actions we reviewed, impacting its ability to address deficiencies during real-world emergencies.
- Did not comply with some State conflict-of-interest requirements and fully align its conflict-of-interest process with recommended practices, increasing the risk that employees did not disclose substantial interests that might influence or affect their official conduct.

The State Emergency Council:

- Is responsible for monitoring each State emergency and approving the use of State General Fund monies to assist State and local entities recover and rebuild from State emergencies, and approved the allocation of more than \$6.9 million for emergencies across the State in fiscal years 2020 through 2022.

Key recommendations

The Department should:

- Develop, implement, and track the status and completion of corrective actions for emergency-response deficiencies.
- Develop and/or update and implement conflict-of-interest policies and procedures to help ensure compliance with State conflict-of-interest requirements.



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The Arizona Auditor General has completed a performance audit and sunset review of the Arizona Department of Emergency and Military Affairs (Department) and the State Emergency Council (Council). This performance audit and sunset review provides responses to the statutory sunset factors for both the Department and Council, and determined whether the Department developed, documented, and tracked the completion of corrective actions to address identified emergency response deficiencies in accordance with applicable requirements and best practices; and complied with State conflict-of-interest requirements and aligned its conflict-of-interest processes with recommended practices.

Department’s mission and responsibilities

The Department was established in 1972 and is statutorily responsible for preparing and coordinating emergency services with federal, State, county, and tribal agencies to reduce the impact emergencies have on persons and property, and for administering the Arizona National Guard.¹ The Department carries out these responsibilities by performing the following activities:

Department mission

To provide military and emergency management capabilities to the citizens of Arizona and the nation.

Source: The Office of Strategic Planning and Budgeting’s *Master List of State Government Programs*.

- **Developing State and helping develop local emergency response plans, and conducting/providing emergency management exercises and training**—The Department is responsible for developing the State’s emergency response plans, including its hazardous materials emergency response plans, and working with State and local entities to help them develop their own emergency plans that align with Federal Emergency Management Agency (FEMA) guidelines.^{2,3} Additionally, the Department is responsible for conducting emergency management exercises and providing emergency management training for State and local entities (see Department Sunset Factor 2, pages 15 through 18, for more information).
- **Managing State and federal emergency management grants**—The Department is responsible for managing various federal and State grant monies to fund emergency management activities in Arizona. For example, the Department manages State and federal mitigation grants, which fund efforts to help reduce the impact of disasters, such as building flood barriers and restructuring stormwater drainage systems (see Department Sunset Factor 3, pages 18 and 19, for more information). Additionally, the Department annually applies to FEMA for Emergency Management Performance Grant (EMPG) monies to help it support State efforts for emergency prevention, protection, mitigation, response, and recovery. The Department also provides a portion of these monies to State and local entities in Arizona as reimbursement for costs incurred when performing emergency management activities. As part of this reimbursement process, the Department is responsible for ensuring that these State and local entities comply with EMPG requirements by annually reviewing and approving EMPG applications submitted by these entities (see Department Sunset Factor 2, pages 15 through 18, for more information).

¹ A.R.S. §§26-102, 26-305(B) and (C), and 26-306(A)(6).

² A.R.S. §26-306(A)(4)(12).

³ FEMA guidelines require that emergency response plans describe the resources available to the State and/or local entity to respond to an emergency, such as equipment and supplies.

- **Providing operational support to State and local entities during emergencies**—The Department is responsible for coordinating with State and local entities to provide operational support during emergencies (see Department Sunset Factor 2, pages 15 through 18, for more information).⁴ For example, during a flood, the Department may coordinate search and rescue parties for missing persons, help distribute water and food, and find shelter for persons displaced by the flood.
- **Helping communities obtain resources after an emergency**—After an emergency has occurred, the Department is responsible for helping local governments apply for State and/or federal funding to address damaged public property and coordinating mitigation efforts (see Department Sunset Factor 2, pages 15 through 18, for more information). For example, after a flood, the Department may help local governments obtain funding to rebuild damaged public property, such as roads, drainage systems, and underground stormwater systems.
- **Administering the Arizona National Guard**—The Arizona National Guard is a reserve component of the United States Army and Air Force and serves the State and country by responding to domestic emergencies, overseas combat missions, counterdrug efforts, and reconstruction missions. The Governor serves as the commander in chief of the Arizona National Guard, but the Department is responsible for recruiting, training, and coordinating the deployment of Arizona National Guard personnel for State emergencies or military operations (see Department Sunset Factor 2, pages 15 through 18, for more information).⁵ The Department also maintains the Camp Navajo training and storage facility near Flagstaff, Arizona. Camp Navajo is the primary military training site in the State and provides storage for military equipment, such as ammunition and military vehicles.

Department’s organization and staffing

The Department is directed by the State’s Adjutant General, who is appointed by the Governor to act as both the head of the Department and the Governor’s military advisor. As of June 2022, the Department reported that it had 363 full time equivalent (FTE) positions and 96 vacancies, exclusive of Arizona National Guard personnel, and is organized into the following divisions:

Division of Emergency Management (45 FTEs, 3 vacancies)—Prepares and coordinates emergency services with federal, State, county, and tribal agencies to reduce the impact emergencies have on persons and property. The Division’s emergency management activities address 4 key areas: preparedness, operations, grants management, and recovery.

Division of Administrative Services (89 FTEs, 26 vacancies)—Provides administrative, human resources, accounting, auditing, contracting, information technology (IT), and legal services for the Department.

Division of Military Affairs (229 FTEs, 67 vacancies)—Administers the Arizona National Guard and is directed by a joint command of the Air National Guard and Army National Guard. As of June 2022, this division also included 7,628 federally funded Arizona National Guard members.⁶

State Emergency Council responsibilities and membership

Pursuant to A.R.S. §26-304, the State Emergency Council is responsible for monitoring each State emergency and the Department’s response to emergencies to determine if the emergency has been stabilized and is

⁴ A.R.S. §26-305(B)(C) and A.R.S. §26-306(A)(6).

⁵ The President of the United States is authorized to direct the mobilization of the Arizona National Guard to serve federal purposes, such as responding to domestic disasters and defending the security of the United States. According to A.R.S. §26-172(E), when the Arizona National Guard is mobilized into the armed forces of the United States, it is subject to federal control.

⁶ The federal government pays Arizona National Guard members when they are engaged in federal duty. The State pays Arizona National Guard members when they are completing duties for the State, such as assisting the State during an emergency. For example, the State paid to mobilize the Arizona National Guard at the border in 2021 because the Governor declared a State emergency (see Sunset Factor 2, pages 15 through 18 for more information).

substantially contained (see textbox for the Council's membership).⁷ The Council is also responsible for approving the use of State General Fund monies to assist State and local entities recover and rebuild from State emergencies, pursuant to A.R.S. §35-192. Specifically, up to \$4 million in State General Fund monies is available each fiscal year to assist State and local entities recover and rebuild from State-declared emergencies.⁸ For each State emergency, A.R.S. §35-192 authorizes the Governor to approve up to \$200,000 and requires the Council to approve funding in excess of \$200,000 to assist State and local entities (see Council Sunset Factor 2, pages 23 and 24, for more information).

Department's revenues and expenditures

As shown in Table 1 (see pages 4 and 5), the Department has various revenue sources, including federal grants and State General Fund appropriations, totaling an estimated \$106 million in fiscal year 2022. The Department is also estimated to receive more than \$12 million in federal aid in fiscal year 2022 to combat the effects of the COVID-19 pandemic. Further, the Department's expenditures are estimated to total approximately \$90 million in fiscal year 2022, and include payroll and related benefits, aid to organizations, and transfers to other entities. In fiscal year 2022, the Department's transfers to other agencies are estimated to total approximately \$1 million.

State Emergency Council Members

- Governor
- Secretary of State
- Attorney General
- Adjutant General
- Director of the Department's Division of Emergency Management
- Directors from the following departments:
 - Administration
 - Agriculture
 - Environmental Quality
 - Health Services
 - Public Safety
 - Transportation
 - Water Resources
- President of the Senate and Speaker of the House (advisory members)

Source: A.R.S. §26-304.

⁷ The Department reported that it provides staff support and assistance to the Council. For example, the Department reported that Department staff will send notifications for Council meetings, prepare the meeting agendas and updates on the status of open emergencies, and take the meeting minutes. According to the Department, it does not keep track of how many hours its staff spend on these tasks.

⁸ Although statute indicates the \$4 million is available to be paid from the State General Fund, Arizona Administrative Code, Title 8, Chapter 2, refers to these available monies as the Governor's Emergency Fund.

Table 1
Schedule of revenues, expenditures, and changes in fund balances
Fiscal years 2020 through 2022
(Unaudited)

	2020 (Actual)	2021 (Actual)	2022 (Estimate)
Revenues			
Intergovernmental			
Federal grants ¹	\$53,179,819	\$56,562,618	\$59,007,600
Federal pandemic aid ²	26,537,129	59,103,635	12,800,000
State agencies ³	5,728,035	120,000	2,079,300
Rental income ⁴	13,010,423	12,108,213	14,581,100
State General Fund appropriations	14,458,560	11,343,278	14,690,800
Nuclear Emergency Management Fund (NEMF) assessment ⁵	1,485,252	1,140,754	2,576,300
Other ⁶	151,717	96,025	125,000
Total net revenues	114,550,935	140,474,523	105,860,100
Expenditures and transfers			
Payroll and related benefits	31,737,238	33,054,501	41,414,700
Professional and outside services ⁷	5,602,073	7,967,620	5,098,000
Travel	1,170,478	2,615,784	440,600
Food ⁸	112,659	654	0
Aid to individuals and organizations ⁹	7,391,249	12,016,325	6,693,800
Other operating ¹⁰	27,976,887	31,965,604	27,000,300
Capital and noncapital purchases ¹¹	2,557,822	3,199,966	8,415,000
Total expenditures	76,548,406	90,820,454	86,062,400
Transfers to State agencies ¹²	3,000	76,154,121	1,111,900
Total expenditures and transfers	76,551,406	166,974,575	90,174,300
Net change in fund balances	37,999,529	(26,500,052)	15,685,800
Fund balances, beginning of year	19,652,831	57,652,360	31,152,308
Fund balances, end of year	\$57,652,360	\$31,152,308	\$46,838,108

- ¹ Federal grants revenues consisted of grants received from U.S. Departments of Defense, Transportation, and Homeland Security federal programs. For example, the Department received more than \$47 million in both fiscal years 2020 and 2021 from the National Guard Military Operations and Maintenance Projects program, a U.S. Department of Defense program that supports the operations and maintenance of Arizona National Guard facilities and provides authorized service support activities to National Guard units and personnel through assistance awards.
- ² Federal pandemic aid intergovernmental revenues consisted of federal grants that the Department received to combat the effects of the COVID-19 pandemic and is primarily composed of monies received from the U.S. Department of Treasury's Coronavirus Relief Fund and U.S. Department of Homeland Security's Disaster Grants – Public Assistance (Presidentially Declared Disasters) programs. Funding for these programs was provided through various federal acts to pay for expenditures incurred due to the COVID-19 public health emergency. See footnote 12 for more information on the Department's expenditures of these monies.
- ³ State agencies intergovernmental revenues consisted of monies the Department received from other State agencies. In fiscal year 2020, these revenues primarily consisted of monies received from the Arizona Department of Health Services' Public Health Emergencies Fund—a fund that received a portion of certain fines and penalties imposed by the courts—to pay for the COVID-19 public health emergency following an emergency declaration by the Governor.
- ⁴ Rental income is primarily received from the Air Force Space and Missile Systems Center, Navy Strategic Systems Program, and Raytheon Technologies for the storage of rocket motors and other materials.
- ⁵ The NEMF assessment was the Department's portion of a legislative appropriation used to administer and enforce the State's plan for responding to an accident at a commercial nuclear generating station in accordance with A.R.S. §26-306.02(A).
- ⁶ Other revenues primarily consisted of investment income and proceeds from the sale of surplus or obsolete Department property.

Table 1 continued

- ⁷ Professional and outside services consisted of various services the Department procured such as engineering, architectural, and temporary agency services. It also included services the Department procured to maintain and adhere to regulations and laws and meet federal and State objectives outlined in the Department's Integrated Cultural Resource Management Plan, such as updating cultural resource records and documentation; testing eligibility of cultural resources on Arizona Army National Guard lands; and planning and management of cultural resource clearance and compliance for current and future Department training and construction projects. Cultural resources include historic properties, archaeological resources, and sacred sites.
- ⁸ The Department had increased expenditures for food during fiscal year 2020 because the Governor activated the Arizona National Guard and because of food costs related to its response to the COVID-19 public health emergency. For example, the Department purchased food for personnel at the State Emergency Operations Center (SEOC) at the beginning of the COVID-19 pandemic. All personnel in the SEOC were unable to leave the facility due to quarantine requirements. In addition, lunch boxes were provided to National Guard members on State active duty for COVID-19-related missions due to a lack of food sources at their duty stations.
- ⁹ Aid to organizations and individuals primarily consisted of monies the Department provided to Arizona counties, local and tribal governments, and universities related to emergencies and disasters and preparedness. These expenditures included distributions of approximately \$5 million annually in federal grant monies. For example, in fiscal year 2021, the Department distributed approximately \$3.1 million to Arizona local governments, Indian tribes, and Arizona State University using monies from an EMPG federal grant. In addition, during fiscal year 2021, the Department distributed approximately \$4.1 million of federal pandemic aid to entities including Arizona local governments, school districts, public and private hospitals and medical centers, public and private institutions of higher education, fire districts, nonprofits, and Northern Arizona University.
- ¹⁰ Other operating expenditures consisted of various expenditures such as rent; utilities, including telecommunication; supplies, including automotive fuel; insurance; and repair and maintenance expenditures.
- ¹¹ Capital and noncapital purchases consisted of various purchases of vehicles, furniture, and equipment, and the acquisition of building improvements. For example, in fiscal years 2020 and 2021, the Department expended approximately \$1.4 million and \$1 million, respectively, for the acquisition of solar energy systems.
- ¹² During fiscal year 2021, the Department transferred monies to other State agencies. For example, the Department transferred approximately \$74 million of its federal pandemic aid monies to other State agencies, primarily the Arizona Department of Health Services. The Department also transferred \$1.5 million from its Emergency and Disaster Fund to the Arizona Department of Forestry and Fire Suppression's Fire Suppression Fund.

Source: Auditor General staff analysis of the Arizona Financial Information System *Accounting Event Transaction File* and the State of Arizona *Annual Financial Report* for fiscal years 2020 and 2021, and the Department's Operating Budget Request for fiscal year 2022.



Department did not develop corrective actions to address some emergency response deficiencies it identified and did not consistently track corrective action status and completion

Accreditation standards and federal guidance require and/or recommend Department develop and track corrective actions to address emergency response deficiencies and Department has developed policies and procedures aligned with some of these requirements/recommendations

To help ensure the Department effectively responds to emergencies, Emergency Management Accreditation Program (EMAP) standards and FEMA guidance require and/or recommend that the Department identify deficiencies in its response to emergencies (deficiencies), including emergency training exercises and real-world events, and develop corrective actions to address those deficiencies.^{9,10} Specifically, EMAP standards and FEMA guidance require and/or recommend that the Department:

- **Develop corrective actions to address deficiencies**—EMAP standards require the Department to implement a corrective action process that prioritizes the resolution of identified deficiencies, such as unclear policies or procedures. Similarly, FEMA guidance recommends that the Department develop corrective actions that address identified deficiencies and document the corrective actions in after-action reports (see textbox for definition and Figure 1 on page 7 for topics of Department’s 6 after-action reports published in 2019 through 2021). FEMA guidance also recommends establishing time frames for developing after-action reports after the associated exercise or real-world event and developing corrective actions before publishing an after-action report.
- **Track corrective actions until completion**—EMAP standards require the Department to track the completion of corrective actions. Additionally, FEMA guidance recommends that emergency management agencies track and report on corrective actions until their completion so that they can determine whether corrective actions have been implemented and can be tested to ensure the deficiencies were addressed.

After-action report—Documented assessment of the Department’s response to a training exercise or real-world emergency event, including any deficiencies in Department practices or policies that it identified after the training/event.

Source: Auditor General staff summary of Department policies and procedures.

⁹ EMAP is an independent organization that accredits emergency management and homeland security programs agencies using standards developed by emergency management stakeholders, such as governments and businesses. The Department received a 5-year EMAP accreditation in 2020.

¹⁰ U.S. Federal Emergency Management Agency. (2020). *Homeland Security Exercise and Evaluation Program*. Washington, DC.

Figure 1

Topics of Department’s after-action reports published in calendar years 2019 through 2021

2019				2020	2021
					
Training exercise simulating an earthquake	Training exercise simulating pandemic outbreak	Training exercise simulating wildfire	Training exercise simulating wildfire	Department response to protests in Phoenix and Tucson	Department response to multiple wildfires across the State

Source: Auditor General staff review of Department’s after action-reports published in calendar years 2019 through 2021.

The Department has developed policies and procedures that align with some of these EMAP requirements and FEMA recommendations, including policies and procedures requiring it to develop corrective actions for deficiencies identified after both training exercises and real-world events, document the deficiencies and corrective actions in after-action reports, and track and update the status of corrective actions. The Department’s policies and procedures also require Department staff responsible for creating after-action reports to hold improvement planning meetings twice per year. At these meetings, Department staff responsible for implementing corrective actions are required to provide updates on the implementation status and tracking of corrective actions to Department management. The Department has also developed a spreadsheet (tracking spreadsheet) to record the deficiencies identified in after-action reports and to document and track the associated corrective actions until they are implemented.¹¹

Department did not consistently comply with EMAP and policy requirements or implement FEMA guidance for developing and tracking corrective actions

To assess the Department’s compliance with EMAP standards, Department policies and procedures, and implementation of FEMA guidance, we reviewed the tracking information in the Department’s tracking spreadsheet for all 93 deficiencies and 127 corrective actions identified in the 6 after-action reports the Department published in calendar years 2019 through 2021.¹² We found that the Department did not consistently comply with EMAP standards, Department policies and procedures, and FEMA guidance (see Table 2 on page 8). Specifically, the Department:

- **Did not develop corrective actions for 3 of 93 deficiencies we reviewed prior to publishing after-action reports, contrary to Department policies and procedures and FEMA guidance**—As of February 2022, the Department had not developed corrective actions to address 3 of the 93 deficiencies identified in the 6 after-action reports, contrary to Department policies and procedures. All 3 deficiencies were identified in an after-action report the Department published in November 2019 for a training exercise simulating a pandemic outbreak held in August of that same year (see textbox, page 8). As a result of not developing corrective actions for these 3 deficiencies, the Department also did not follow FEMA’s guidance that corrective actions be developed before publishing an after-action report. In March and April 2022, during the audit, the Department developed corrective actions for these 3 deficiencies.

¹¹ The tracking spreadsheet includes fields to document the identified deficiencies and their associated corrective action(s), as well as each corrective action’s status, priority, estimated completion date, and actual completion date.

¹² Because the Department developed 2 or more corrective actions to address 22 of the 93 deficiencies, the total number of corrective actions is greater than the total number of deficiencies.

Table 2

Department did not develop corrective actions for some emergency response deficiencies and did not consistently track corrective action status and completion

Requirement/Recommendation	Met	Not Met
Develop corrective actions to address deficiencies in after-action reports	✓ Developed corrective actions for 90 of 93 deficiencies.	✗ Did not develop corrective actions for 3 of 93 deficiencies
Track status and completion of corrective actions	✓ Tracked status and completion information for 24 of 127 corrective actions.	✗ Did not track status and completion information for 103 of 127 corrective actions.

Source: Auditor General staff review of Department’s corrective action tracking spreadsheet.

Identified deficiencies for which Department did not develop corrective actions

1. Some Department policies and procedures did not have points of contact specified for federal agencies during disasters.
2. A checklist used to help Department staff when responding to disasters lacked clarity on which specific emergency response entities Department staff should contact.
3. Department staff were confused about which State agency would be responsible for tracking whether Continuity of Operation Plans were activated during an emergency.¹

¹ Continuity of Operations Plans outline how agencies can continue their essential functions during emergencies.

Source: Auditor General staff summary of deficiencies identified in Department’s after-action reports.

- **Did not consistently track corrective actions, contrary to EMAP standards, Department policies and procedures, and FEMA guidance**—The Department did not consistently track the status and completion of corrective actions, contrary to EMAP standards, Department policies and procedures, and FEMA guidance. Specifically, as seen in Table 2, 103 of 127 corrective actions documented in the tracking spreadsheet were missing 1 or more pieces of tracking information, such as the corrective action’s status, priority, estimated completion date, and actual completion date.

Additionally, we also reviewed a judgmental sample of 10 corrective actions listed as not yet completed in the tracking spreadsheet and found that although 2 of the 10 corrective actions had passed their estimated completion date, the Department failed to develop and document a new estimated completion date in the tracking spreadsheet.¹³ The Department also did not document the reason for the delays and/or why more time was needed to complete the corrective actions. Similarly, for 7 of 10 corrective actions in our sample, the Department had completed the corrective actions but failed to note their completion in the tracking spreadsheet. Finally, for 1 of 10 corrective actions in our sample, the Department reported that it had placed the corrective action on hold because it was making changes to the process for which the corrective action was developed but did not update the tracking spreadsheet to reflect this status or document why the corrective action had been placed on hold.

¹³ We judgmentally sampled 10 of 68 corrective actions listed as not yet completed in the tracking spreadsheet. Our judgmental selection was based on when the corrective actions were developed and the priority assigned by the Department (see Appendix B, pages b-1 through b-2, for more information on our sampling methodology).

Not consistently or timely developing and tracking corrective actions impacts Department's ability to address deficiencies during a real-world emergency response

By not consistently or timely developing and tracking corrective actions for identified deficiencies, the Department is at risk that these deficiencies are not effectively or timely addressed, potentially impacting its ability to respond to real-world emergencies and protect public safety. For example:

- Failing to develop corrective actions before publishing an after-action report, as recommended by FEMA guidance, allowed 3 deficiencies related to coordination with other agencies identified in a 2019 after-action report relating to a simulated pandemic outbreak to go unresolved for more than 2 years. Although we did not directly identify any instances in which this lack of coordination occurred, this delay in resolving deficiencies potentially impacted Department staff's ability to coordinate with State and federal agencies when responding to emergencies after 2019, including during a pandemic outbreak.
- Not consistently completing and updating information in the tracking spreadsheet negatively impacts the Department's ability to effectively prioritize, monitor, and complete corrective actions, and timely resolve deficiencies. For example, not documenting the priority status of corrective actions in the tracking spreadsheet limits Department staff's ability to determine which corrective actions they should prioritize implementing.
- Not consistently documenting the completion of corrective actions in the tracking spreadsheet negatively impacts the Department's ability to ensure that all the necessary steps have been taken to implement corrective actions and to test whether the corrective actions resolved the identified deficiencies. For example, in 2019 the Department developed a corrective action requiring its staff to update and clarify its policies and procedures for requesting assistance from other states during emergencies, such as requesting personnel from other states to help respond to a wildfire. Although the Department updated its policies and procedures in 2020, thereby completing the corrective action, the tracking spreadsheet had not been updated to reflect its completed status. As a result, Department staff may not have known that the updated policies and procedures for requesting assistance from other states were ready to be tested and, as of June 2022, the Department had not tested the implementation of this corrective action to ensure the action corrected the deficiency.

Department policies and procedures are not fully aligned with FEMA guidance and are outdated, and the Department did not hold improvement planning meetings required by its policies and procedures

The Department's policies and procedures for developing and tracking corrective actions are not fully aligned with FEMA guidance and are outdated, and the Department did not hold improvement planning meetings required by Department policies and procedures that could have helped facilitate the tracking of corrective actions. Specifically:

- **Department policies and procedures for developing corrective actions did not fully align with FEMA guidance**—Although the Department's policies and procedures require staff to develop corrective actions to address deficiencies identified in after-action reports and provide estimated completion dates for the corrective actions, they do not specify that staff should develop corrective actions before publishing an after-action report, consistent with FEMA guidance. Further, they do not require staff to establish timeframes for developing after-action reports. This lack of alignment likely contributed to the Department not developing corrective actions for 3 deficiencies for more than 2 years.
- **Department policies and procedures for tracking corrective actions had not been updated to reflect revised practices**—The Department's policies and procedures for documenting and tracking

corrective actions do not address or reference the tracking spreadsheet or explain how it should be used. Instead, the Department's policies and procedures indicate that corrective actions should be tracked using the Department's online platform for coordinating responses to emergencies, which Department staff reported they stopped using to track corrective actions in June 2020. Department staff reported switching to the tracking spreadsheet because they believed it would make tracking corrective actions easier and allow all staff to update the tracking spreadsheet. However, the Department never updated its policies and procedures to reflect this change. Additionally, although the Department's tracking spreadsheet requires staff to assign a priority for each corrective action, its policies and procedures do not include guidance on how to assign a priority for corrective actions and how the priority should dictate when the corrective action should be completed.

- **Department did not hold improvement planning meetings as required by its policies and procedures**—Contrary to its policies and procedures, the Department reported it did not hold its biannual improvement planning meetings in 2021 due to an increased workload from assisting with COVID-19 vaccine distribution. Instead, the Department reminded staff to update the tracker during a July 2021 training meeting and in an October 2021 email. In September 2022, the Department reported it planned to update its policies and procedures to provide flexibility in how frequently it holds its improvement planning meetings.

Recommendations

The Department should:

1. Develop, implement, and test corrective actions for deficiencies identified in after-action reports, or document why a corrective action for an identified deficiency cannot be developed, implemented, and/or tested.
2. Document and track status changes and completion of corrective actions identified in after-action reports.
3. Develop and/or update and implement policies and procedures for:
 - a. Requiring corrective actions to be developed within a specified time frame after the exercise or real-world event, consistent with FEMA guidance.
 - b. Documenting and tracking corrective actions using its tracking spreadsheet, including guidance for who should update the tracking spreadsheet and time frames for doing so.
 - c. Assigning priorities for corrective actions, including guidance for how priorities should be determined and how an assigned priority should dictate when the corrective action should be completed.
 - d. Holding improvement planning meetings as frequently as needed to ensure that the Department updates the status of corrective actions and monitors them until completion.

Department response: As outlined in its [response](#), the Department agrees with the finding and will implement or implement in a different manner the recommendations.



Department did not comply with some State conflict-of-interest requirements and its conflict-of-interest process was not fully aligned with recommended practices, increasing risk that employees and public officers had not disclosed substantial interests that might influence or could affect their official conduct

Statute addresses conflicts of interest for public agency employees and public officers

Arizona law requires employees of public agencies and public officers to avoid conflicts of interest that might influence or affect their official conduct. To determine whether a conflict of interest exists, employees/public officers must first evaluate whether they or a relative has a “substantial interest” in (1) any contract, sale, purchase, or service to the public agency or (2) any decision of the public agency.

If an employee/public officer or a relative has a substantial interest, statute requires the employee/public officer to fully disclose the interest and refrain from voting upon or otherwise participating in the matter in any way as an employee/public officer.^{14,15}

The interest must be disclosed in the public agency’s official records, either through a signed document or the agency’s official minutes. To help ensure compliance with these statutory requirements, the Arizona Department of Administration’s (ADOA) State Personnel System employee handbook and conflict-of-interest disclosure form (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. The ADOA disclosure form also requires State employees to attest that they do not have any of these potential conflicts, if applicable, also known as an “affirmative no.” In addition, A.R.S. §38-509 requires public agencies to maintain a special file of all documents necessary to memorialize all disclosures of substantial interest, including disclosure forms

Key terms

- **Substantial interest**—Any direct or indirect monetary or ownership interest that is not hypothetical and is not defined in statute as a “remote interest.”
- **Remote interest**—Any of several specific categories of interest defined in statute that are exempt from the conflict-of-interest requirements. For example, an employee or public officer who is reimbursed for actual and necessary expenses incurred while performing official duties.

Source: Auditor General staff review of A.R.S. §38-502 and the *Arizona Agency Handbook*. Arizona Office of the Attorney General. (2018). *Arizona agency handbook*. Phoenix, AZ. Retrieved 2/15/2022 from <https://www.azag.gov/outreach/publications/agency-handbook>.

¹⁴ See A.R.S. §§38-502 and 38-503(A) and (B).

¹⁵ A.R.S. §38-502(8) defines “public officer” as all elected or appointed officers of a public agency established by charter, ordinance, resolution, State constitution, or statute. According to the *Arizona Agency Handbook*, public officers include directors of State agencies and members of State boards, commissions, and committees—whether paid or unpaid.

and official meeting minutes, and to make this file available for public inspection. Additionally, the Department requires staff who disclose a business interest, secondary employment, or relatives employed by the State to complete a supplemental disclosure form and work with their supervisor to determine if a potential conflict exists and develop a plan to address the potential conflict.

In response to conflict-of-interest noncompliance and violations investigated in the course of our work, such as employees/public officers failing to disclose substantial interests and participating in matters related to these interests, we have recommended several practices and actions to various school districts, State agencies, and other public entities.¹⁶ Our recommendations are based on guidelines developed by public agencies to manage conflicts of interest in government and are designed to help ensure compliance with State conflict-of-interest requirements by reminding employees/public officers of the importance of complying with the State's conflict-of-interest laws.¹⁷ Specifically, conflict-of-interest recommended practices indicate that all public agency employees and public officers complete a disclosure form annually. Recommended practices also indicate that the form include a field for the individual to provide an "affirmative no," if applicable.¹⁸ These recommended practices also indicate that agencies develop a formal remediation process and provide periodic training to ensure that identified conflicts are appropriately addressed and help ensure conflict-of-interest requirements are met.

Department did not comply with some State conflict-of-interest requirements and its conflict-of-interest process was not fully aligned with recommended practices

The Department did not comply with some State and Department conflict-of-interest requirements, and its conflict-of-interest process was not fully aligned with recommended practices designed to help ensure that employees comply with State requirements. Specifically:

- **Disclosure form did not address all statutorily required disclosures**—The ADOA disclosure form that Department employees completed prior to May 2022 required employees to disclose any substantial financial interest and an affirmative statement indicating whether or not a conflict exists; however, it did not require disclosure of substantial interest in Department decisions, as required by statute. In June 2020, the ADOA updated its conflict-of-interest disclosure form to include decision-making disclosures, but the Department did not use the updated disclosure form until May 2022 (see page 13 for more information).
- **Some Department staff did not provide required information on disclosure forms or complete required supplemental forms, as required by Department policy**—We reviewed a random sample of 5 completed conflict-of-interest disclosure forms for employees hired in calendar year 2021 and found that 3 of the 5 employees did not provide some information required on the form.¹⁹ Specifically, 1 employee disclosed secondary employment, but did not provide their work schedule or secondary employer's address. The other 2 employees disclosed they had relatives who worked for the State of Arizona but did not specify the relationship with the relative or indicate for which agency the relative worked. Additionally, the Department was not able to provide documentation that these 3 employees had completed the

¹⁶ See, for example, Auditor General reports 21-402 *Higley Unified School District—Criminal Indictment—Conspiracy, Procurement Fraud, Fraudulent Schemes, Misuse of Public Monies, False Return, and Conflict of Interest*, 19-105 *Arizona School Facilities Board—Building Renewal Grant Fund*, and 17-405 *Pine-Strawberry Water Improvement District—Theft and misuse of public monies*.

¹⁷ Recommended practices we reviewed included: Organization for Economic Cooperation and Development. (2022). *Recommendation of the council on OECD guidelines for managing conflict of interest in the public service*. Paris, France. Retrieved 8/22/22 from <https://legalinstruments.oecd.org/public/doc/130/130.en.pdf>; Ethics & Compliance Initiative. (2016). *Conflicts of interest: An ECI benchmarking group resource*. Arlington, VA. Retrieved 2/15/2022 from <https://www.ethics.org/wp-content/uploads/2021-ECI-WP-Conflicts-of-Interest-Defining-Preventing-Identifying-Addressing.pdf>; and Controller and Auditor General of New Zealand (2020). *Managing conflicts of interest: A guide for the public sector*. Wellington, New Zealand. Retrieved 2/15/2022 from <https://oag.parliament.nz/2020/conflicts/docs/conflicts-of-interest.pdf>.

¹⁸ As previously discussed, the ADOA disclosure form includes a field for the individual to provide an "affirmative no."

¹⁹ The Department hired a total of 63 employees in calendar year 2021.

supplemental disclosure form and worked with their supervisor to determine if a potential conflict existed and to develop a plan that addressed the potential conflict, as required by Department policy.

- **Department lacked a special disclosure file required by statute**—The Department reported it housed completed disclosure forms in each individual employee's personnel file instead of in a special disclosure file for storing substantial interest disclosures for public access, as required by statute.

Finally, the Department had not fully aligned its conflict-of-interest process with recommended practices. Specifically, although not required by statute or the ADOA, the Department did not require its employees to annually complete a disclosure form or annually remind them to complete a disclosure form when their circumstances change.

Not complying with some State conflict-of-interest requirements and not fully aligning its conflict-of-interest process with recommended practices increased risk that Department employees did not disclose substantial interests that might influence or affect their official conduct

The Department's noncompliance with some State conflict-of-interest requirements and not fully aligning its conflict-of-interest process with recommended practices increased the risk that Department employees would not disclose substantial interests that might influence or affect their official conduct. Specifically, by not reminding employees to update their disclosure form at least annually, the Department could not ensure that all employees disclosed both financial and decision-making substantial interests and refrained from participating in any manner related to these interests, as required by statute. Consequently, the Department might have been unaware of potential conflicts and the need to take action to mitigate those conflicts.

Finally, because the Department did not store completed forms disclosing substantial interests in a special file, it lacked a method to track which and how many employees disclosed an interest and make this information available in response to public requests, as required by statute.

Department used outdated disclosure form, did not provide periodic conflict-of-interest training, and did not develop comprehensive conflict-of-interest policies and procedures

We identified 3 key factors that contributed to the problems noted previously. Specifically:

- **Department did not use updated disclosure form**—Although ADOA updated its conflict-of-interest disclosure form in June 2020, the Department reported it was not aware of the update, and therefore had not adopted ADOA's new form. During the audit, in May 2022, the Department began using ADOA's updated conflict-of-interest disclosure form.
- **Department conflict-of-interest training for new staff did not include some requirements and it did not provide periodic, ongoing training**—Although the Department provided some conflict-of-interest training to staff upon hire, its training did not address the Department's requirement for staff to complete a supplemental disclosure form for business interests, secondary employment, or relatives employed by the State. Failing to address this requirement in training likely contributed to some staff not completing the supplemental disclosure form because staff we interviewed reported confusion as to when and whether they needed to complete the supplemental form. Additionally, the Department did not develop and provide periodic conflict-of-interest training that reinforced conflict-of-interest requirements and recommended practices on an ongoing basis.
- **Department's conflict-of-interest policies and procedures did not address all requirements and recommended practices**—Although the Department's policies and procedures address some conflict-

of-interest requirements, such as requiring employees to complete a conflict-of-interest form upon hire, they do not address other requirements or recommended practices, such as establishing a special file and annually reminding employees to update their disclosure form if their circumstances have changed.

Recommendations

The Department should:

4. Develop and/or update and implement conflict-of-interest policies and procedures for:
 - a. Reminding employees at least annually to update their disclosure form when their circumstances change, including attesting that no conflicts exist, if applicable, consistent with recommended practices.
 - b. Continuing to use a conflict-of-interest disclosure form that addresses both financial and decision-making conflicts of interest, including attesting that no conflicts exist, as applicable.
 - c. Storing all substantial interest disclosures, including disclosure forms and meeting minutes, in a special file available for public inspection, as required by statute.
5. Provide periodic training on its conflict-of-interest requirements, process, and disclosure forms, including how the State's conflict-of-interest requirements relate to their unique programs, functions, or responsibilities and when to complete the supplemental form, consistent with recommended practices.

Department response: As outlined in its [response](#), the Department agrees with the finding and will implement or implement in a different manner the recommendations.



DEPARTMENT SUNSET FACTORS

Pursuant to A.R.S. §41-2954(D), the legislative committees of reference shall consider but not be limited to the following factors in determining the need for continuation or termination of the Department. The sunset factor analysis includes additional findings and recommendations not discussed earlier in the report.

Sunset factor 1: The objective and purpose in establishing the Department and the extent to which the objective and purpose are met by private enterprises in other states.

The Department was established in 1972 and has both military and emergency management responsibilities. The Department's military responsibilities include training the Arizona National Guard, deploying the Arizona National Guard abroad when necessary, and responding to domestic emergencies, such as wildfires and the COVID-19 pandemic. Its emergency management responsibilities include coordinating with and/or assisting federal, State, county, and local entities to prepare for and respond to emergencies. The Department also conducts trainings for State and local emergency management entities and manages federal and State emergency management grants. Further, the Department coordinates the allocation of resources when responding to an emergency and helps local governments obtain funding to assist with recovery efforts.

Based on our review of the FEMA and National Guard websites, all 50 states have a state emergency management agency and National Guard. We did not identify any states that met the Department's objective and purpose through private enterprises.

Sunset factor 2: The extent to which the Department has met its statutory objective and purpose and the efficiency with which it has operated.

The Department performs various activities to carry out its statutory responsibilities, such as providing training and conducting exercises for State and local entities, responding to emergencies, and coordinating the deployment of the National Guard for State emergencies or national contingencies. Specifically, the Department:

- **Provided training and conducted exercises**—In fiscal year 2021, the Department conducted 39 trainings and exercises for State, local, and tribal entities. These trainings and exercises covered a range of emergency management areas, such as handling hazardous materials, cybersecurity, and sports and large-scale event incident management.
- **Provided and coordinated emergency management services in the State**—The Department provides and coordinates emergency management services for both new and open State emergencies.²⁰ For example, according to Department records, in July 2021, the Department coordinated flood mitigation efforts and a sand-bagging event in Coconino County during which 114 volunteers filled 6,600 sandbags and cleaned 8 properties to help address flooding (see Photo 1 on page 16). Additionally, the Department assisted with the State's response to the COVID-19 pandemic by coordinating the setup of alternate care sites, such as temporary and expanded medical facilities, and community mobile testing. For example, according to the Department's fiscal year 2021 annual report, the Department coordinated the efforts of cities, counties, tribes, community health groups, and vendors across the State to conduct up to 40,000 COVID-19 tests per day.

²⁰ In fiscal year 2022, there were 11 newly declared State emergencies and, as of June 2022, there were 28 open State emergencies. See Appendix A, pages a-1 through a-3, for more information about the State's open emergencies.

- Coordinated the deployment of Arizona National Guard**—In coordination with the Department’s emergency management staff, the Arizona National Guard helped distribute various resources to help address the COVID-19 pandemic, including more than 320,000 items of personal protective equipment (PPE)(see Figure 2 for examples). Additionally, according to the Department’s fiscal year 2021 annual report, the Arizona National Guard helped set up and provide staffing for the vaccination site at State Farm Stadium in the City of Glendale and supported COVID-19 contact tracing efforts. Further, the Arizona National Guard assisted 14 local law enforcement agencies to respond to increased migration from Mexico across the southwestern border of the U.S.

Photo 1
 Arizona National Guard members assisting with flood mitigation efforts in Coconino County



Source: Photo courtesy of the Department.

Figure 2
 Examples of resources distributed by Arizona National Guard in fiscal years 2020 and 2021

Resources distributed by the Arizona National Guard in fiscal year 2020		Resources distributed by the Arizona National Guard in fiscal year 2021	
 <p>Distributed food boxes to local food banks.</p>	 <p>Distributed PPE items to hospitals, county health departments, and tribal governments.</p>	 <p>Helped administer vaccinations throughout the State.</p>	 <p>Deployed personnel to the border.</p>
750,000 food boxes	320,000 PPE items	418,178 vaccinations	150 personnel

Source: Auditor General staff summary of Department’s fiscal years 2020 and 2021 annual reports.

However, we identified 2 areas where the Department can better meet its statutory objective and purpose. Specifically:

- Department did not review and approve EMPG applications pursuant to the Department’s EMPG review checklist and State policy**—As discussed in the Introduction, the Department is responsible for reviewing and approving EMPG applications from State and local entities. To help ensure applicants meet EMPG requirements, the Department developed a checklist for its staff to help guide and document their EMPG application reviews. For example, the checklist requires that Department staff verify and document the total amount of grant monies being requested, ensure monies requested are for allowable EMPG activities, and confirm that the applicant has signed the application and agreed to the grant terms. However, we reviewed a judgmental sample of 4 of 18 EMPG applications the Department approved in fiscal year 2022, including the corresponding checklists, and identified various deficiencies with the Department’s application reviews. For example, Department staff noted on 1 of the checklists that the corresponding application was signed; however, our review found that the application had not been signed. Additionally, we found that Department staff failed to review, or failed to document their review,

for portions of all 4 applications. For example, one applicant had failed to agree to the grant terms on the application, and the corresponding checklist did not document that the information was missing. These deficiencies increase the risk that the Department approved EMPG awards for applicants who did not meet all requirements, which in turn could result in FEMA not reimbursing the Department for EMPG activities. In part, these issues are attributable to the Department not developing written policies, procedures, and/or guidance for the EMPG application review process, including how staff should use the checklist.

The Department's EMPG application and review process also did not incorporate several requirements from the Arizona Office of Grants and Federal Resources policy and procedure manual (grant manual).²¹ The grant manual outlines the State's policies and procedures for the administration and management of all State grant programs to help maximize program benefits and improve program performance. For example, the grant manual requires that narratives in an application include an outline and description of activities required to reach the project's goals, such as the scope of work and timelines. However, the Department's EMPG application and checklist do not specifically include these items, requiring Department staff to spend additional time to follow up with applicants to obtain the information needed to review and approve the application. For example, 4 of the 6 local emergency management entities we contacted reported that when submitting an EMPG application to the Department for review, Department staff regularly needed to follow up to obtain additional details about the application, such as the scope of the project and associated timelines, resulting in both the Department and State and local emergency management entities spending additional time to either review or revise and resubmit EMPG applications.

Additionally, the grant manual requires that agencies implement a supervisory review process to help ensure applicants meet program requirements, including applicable laws and regulations. Although Department staff reported that they will periodically have internal discussions on questions that arise when staff are reviewing EMPG applications, the Department has not developed a written policy or procedure for conducting and documenting supervisory reviews of EMPG applications. Finally, the grant manual recommends the use of eCivis, a web-based grants management system available to all State agencies that can help these agencies manage the grant application process and ensure that applications undergo a supervisory review. As of September 2022, the Department reported it planned to procure a grants management system other than eCivis that it believes will better meet the needs of its EMPG application process.

- **Department has not established Arizona Strategic Enterprise Technology Office (ASET)-required information technology (IT) procedures**—Arizona State agencies are required to develop IT security-specific procedures consistent with ASET's State-wide policies and credible industry standards.²² ASET's policies are intended to help State agencies implement recommended IT security practices and to protect the State's IT infrastructure and the data contained therein. ASET's policies cover various IT security practices, including account management, security awareness training, and assessing IT system risk. However, as of May 2022, the Department had not developed IT security-specific procedures for implementing ASET's State-wide policies. For example, the Department had not developed procedures for implementing ASET's policy requirement to annually perform IT risk assessments, which are often a key first step to identify IT security issues that need to be addressed.

Recommendations

The Department should:

6. Develop and/or update and implement written policies and procedures that outline:
 - a. The specific steps staff should complete for reviewing and approving EMPG applications.
 - b. A supervisory review process for EMPG applications.

²¹ Arizona Office of Grants and Federal Resources. (2018). *Grants management manual – Grantor*. Phoenix, AZ: Arizona Department of Administration. Retrieved on 3/1/2022 from <https://grants.az.gov/grant-manual>.

²² National Institute of Standards and Technology (NIST). (2020). *NIST Special Publication 800-53, Revision 5: Security and privacy controls for federal information systems and organizations*. Gaithersburg, MD. Retrieved 3/15/2022 from <https://doi.org/10.6028/NIST.SP.800-53r5>.

7. Revise its EMPG application and checklist consistent with grant manual requirements, including requiring that application narratives include the scope of work and timelines.
8. Train all relevant staff on the newly developed or updated policies, procedures, and checklist for reviewing and approving EMPG applications.
9. Develop and implement a goal and time frame for adopting eCivis, or a similar grants management system, to manage the EMPG.
10. Conduct a risk assessment of its IT systems and develop and implement a written action plan for the development and implementation of all ASET-required IT security procedures, focusing on the highest priority IT security areas first. The action plan should include specific tasks and their estimated completion dates, assign staff responsibility for completing and overseeing completion of the task, and include a process for regularly reviewing and updating the plan based on its progress.

Department response: As outlined in its [response](#), the Department agrees with the findings and will implement or implement in a different manner the recommendations.

Sunset factor 3: The extent to which the Department serves the entire State rather than specific interests.

The Department provides services and helps coordinate emergency management efforts throughout the State. For example, the Department’s Division of Emergency Management:

- **Coordinated wildfire response and recovery—**
In calendar year 2021, the Department coordinated with various emergency management agencies to respond to wildfires throughout the State, including in Pinal, Gila, and Mohave Counties. As part of its efforts, the Department coordinated teams of up to 600 individuals, including firefighters, to help contain the fires. The Department also coordinated with the Arizona National Guard to provide helicopter crews to support these firefighting efforts (see Photo 2).

Department employees also assisted with fire response and recovery on location. Specifically, to assist with the response to wildfires in Pinal and Gila Counties, the Department sent 12 employees to work with those counties’ emergency management agencies by completing activities such as providing staffing assistance for their emergency operation centers.

- **Developed and updated the State Emergency Response and Recovery Plan—**In calendar year 2019, the Department worked with other State agencies to develop and update the State Emergency Response and Recovery Plan, which outlines the responsibilities of State agencies during an emergency. For example, the Department worked with the Arizona Department of Transportation (ADOT) to incorporate ADOT’s role and responsibilities for restoring transportation infrastructure after a disaster into the State Emergency Response and Recovery Plan.
- **Distributed monies, such as EMPG and mitigation grant monies, to State agencies, local governments, and tribal governments to support emergency preparedness and response—**According to Department records, in fiscal year 2021, the Department distributed more than \$1.6 million in

Photo 2
Arizona National Guard helicopter crew supporting Gila County wildland firefighting efforts in 2021



Source: Photo courtesy of the Department.

mitigation grant monies to 8 projects across the State. These projects included flood mitigation efforts that constructed walls and channels to eliminate the flooding and its threat to housing. The Department also distributed more than \$2.5 million in EMPG monies to 18 counties, State agencies, and tribal governments in fiscal year 2021 (see Table 3).

Table 3
EMPG funding distributed by Department
Fiscal Year 2021
(Unaudited)

Entity	Number of Awards	Total Amount Awarded	Funding Areas
Counties	14	\$2,202,107	<ul style="list-style-type: none"> • Identification of resource distribution capabilities • Emergency notification systems • Public outreach programs • Vehicle maintenance
State agencies	2	238,038	<ul style="list-style-type: none"> • Creation of response plans for emergencies, such as diseases and food shortages • Conducting trainings based on response plans
Tribal governments	2	63,437	<ul style="list-style-type: none"> • Creation of emergency response coordination teams • Emergency management conferences • Communication systems
Total	18	\$2,503,582	

Source: Auditor General staff review of recipient EMPG quarterly reports and Department EMPG funding distribution totals.

- Helped impacted communities recover from and mitigate the effects of emergencies**—The Department has assisted local governments in obtaining funding to rebuild public infrastructure damaged during disasters, such as roads, drainage systems, and underground stormwater systems, and distributed over \$1.1 million in recovery monies to 10 different projects in fiscal year 2022. For example, in fiscal year 2022, the Department provided more than \$9,000 to Maricopa County for reimbursement of costs to repair a low-water crossing that had been damaged by flash flooding.

In addition to the Emergency Management Division’s efforts, the Arizona National Guard also provides services throughout the State. For example, the Department reported that, during the COVID-19 pandemic, the Arizona National Guard distributed and transported medical personnel and supplies throughout the State. Additionally, it provided COVID-19 testing sites and assisted with contact tracing throughout the State. Further, the Department reported the Arizona National Guard helped establish vaccination sites in 13 of Arizona’s 15 counties and that Arizona National Guard members worked over 640,000 hours in response to the COVID-19 pandemic.

However, we found that the Department did not comply with some State conflict-of-interest requirements and had not fully aligned its conflict-of-interest process with recommended practices, such as maintaining a special file for substantial interest disclosures and providing periodic conflict-of-interest training. We recommended that the Department develop and implement conflict-of-interest policies and procedures to help ensure compliance with State conflict-of-interest requirements and provide periodic conflict-of-interest training to its staff (see Finding 2, pages 11 through 14).

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

Our review of the Department's statutes and rules indicates that the Department has adopted rules when required to do so.²³

Sunset factor 5: The extent to which the Department has encouraged input from the public before adopting its rules and the extent to which it has informed the public as to its actions and their expected impact on the public.

As of January 2022, the Department had not initiated any rulemakings during the previous 5 years. Therefore, it has not needed to encourage input from the public before adopting rules during that time.

Sunset factor 6: The extent to which the Department has been able to investigate and resolve complaints that are within its jurisdiction and the ability of the Department to timely investigate and resolve complaints within its jurisdiction.

The Department is not a regulatory agency and does not have statutory responsibility to investigate and resolve complaints from the public. However, the Department has established a process for soliciting feedback from the entities with which it works after training exercises and real-world events. Specifically, after responding to an emergency, Department policy requires it to facilitate a meeting with State and local emergency management entities during which all the involved parties discuss successful activities and emergency response deficiencies. Department policy also requires it to develop corrective actions to address any deficiencies it identified during the meetings (see Finding 1, pages 6 through 10, for recommendations we made to improve the Department's corrective action process).

Sunset factor 7: The extent to which the Attorney General or any other applicable agency of State government has the authority to prosecute actions under the enabling legislation.

According to A.R.S. §41-192, the Attorney General serves as the Department's legal advisor and provides legal services as the Department requires.

Sunset factor 8: The extent to which the Department has addressed deficiencies in its enabling statutes that prevent it from fulfilling its statutory mandate.

According to the Department, statutory changes enacted by Laws 2022, Ch. 151, addressed 3 deficiencies in its enabling statutes by:

- Revising A.R.S. §26-102(a) to state that the Adjutant General is the "Commanding General" of the Arizona National Guard. The Department reported this revision allows the Adjutant General to discipline all Arizona National Guard personnel to maintain good order and discipline.
- Revising A.R.S. §§26-179(a) and 26-180(b) to allow reimbursements for the Arizona National Guard Postsecondary Education Reimbursement Program to be submitted at the beginning of semesters rather than after registration and to extend the lapsing of the Program's appropriation to 90 days after the end of the fiscal year.²⁴ The Department reported that these changes will make its reimbursement program more competitive with other states' National Guard programs and similar federal programs.

²³ In conducting this assessment, we relied, in part, upon Department-reported information.

²⁴ The Arizona National Guard Postsecondary Education Reimbursement Program allows qualifying Arizona National Guard personnel, their spouses, their legal dependents, and Department employees who have completed a semester of a full-time or part-time degree program or certificated vocational program to apply for a reimbursement of tuition and fees.

- Revised A.R.S. §26-156(a) and 175(b) to enhance leave entitlements for Arizona National Guard personnel on State active duty for more than 30 days.²⁵ The Department reported these changes will improve morale and recruitment among Arizona National Guard personnel.

Sunset factor 9: The extent to which changes are necessary in the laws of the Department to adequately comply with the factors listed in this sunset law.

We did not identify any needed changes to the Department's statutes.

Sunset factor 10: The extent to which the termination of the Department would significantly affect the public health, safety, or welfare.

Terminating the Department could affect the public's health, safety, and welfare if its responsibilities were not transferred to another entity. The Department provides both emergency management and military functions for the State that can impact public health, safety, and welfare. For example, the Department's responsibilities include coordinating the planning for emergencies in the State, conducting emergency exercises, and providing training to help State and local entities improve their disaster readiness. Additionally, the Department is responsible for providing resources, communication, and strategic support during emergencies. Further, the Department is responsible for helping local governments obtain federal and State grants to assist with and mitigate the impact of disasters. Finally, the Department is responsible for administering the Arizona National Guard, which helps protect the State and the nation and provides assistance during emergencies.

Sunset factor 11: The extent to which the level of regulation exercised by the Department compares to other states and is appropriate and whether less or more stringent levels of regulation would be appropriate.

This factor does not apply because the Department is not a regulatory agency.

Sunset factor 12: The extent to which the Department has used private contractors in the performance of its duties as compared to other states and how more effective use of private contractors could be accomplished.

The Department uses private contractors for several functions, including hazardous materials training, leasing retail space for Arizona National Guard recruitment activities, and building construction and maintenance.

We contacted the emergency management and military agencies for 3 other states—California, Colorado, and Washington—to assess their use of private contractors. Although none of these states reported using private contractors for the same purposes as the Department, they use private contractors for the following functions:

- The California Governor's Office of Emergency Management reported using private contractors for surge staffing during emergencies, debris removal, and rental housing for displaced individuals. The California National Guard reported using private contractors for car rentals and workspace during emergencies.
- The Colorado Division of Homeland Security and Emergency Management reported using private contractors for surge staffing in its emergency operations center and field operations, and for its public and individual assistance programs. The Colorado National Guard reported using private contractors for flight simulators and weather forecasting for aviation.
- The Washington Military Department, which comprises both the Washington State National Guard and the Washington State Emergency Management Division, reported that it uses private contractors for several functions, including the state's emergency notification system and its state emergency operations center audiovisual system.

For these functions and responsibilities, the Department reported that it primarily uses its own resources, and therefore does not need to use private contractors to fulfill them. For example, the Department reported that it

²⁵ State active duty occurs when the Governor mobilizes the Arizona National Guard in response to a State emergency.

does not use private contractors for surge staffing and instead will use Arizona National Guard members when increased staffing is needed. As such, we did not identify any additional areas where the Department should consider using private contractors.



COUNCIL SUNSET FACTORS

Pursuant to A.R.S. §41-2954(D), the legislative committees of reference shall consider but not be limited to the following factors in determining the need for continuation or termination of the Council.

Sunset factor 1: The objective and purpose in establishing the Council and the extent to which the objective and purpose are met by private enterprises in other states.

The Council was established in 1971 and has various responsibilities related to State emergencies. Specifically, the Council is statutorily responsible for monitoring each State-declared emergency to determine if the emergency has been stabilized and is substantially contained.²⁶ The Council is also responsible for approving monies to address State-declared emergencies when the funding needs of an emergency exceed \$200,000 (see Introduction, pages 2 through 3, for more information).²⁷ Further, statute authorizes the Council to declare an emergency if the Governor is inaccessible to do so.²⁸ The Council’s membership includes the Governor, Secretary of State, Attorney General, Adjutant General, and the directors of various State agencies with responsibilities related to public health and safety (see Introduction, page 3, for the complete list of Council membership).

We contacted 3 states—California, Colorado, and Washington—and all 3 used state emergency management agencies, similar to the Department, to accomplish the Council’s objective and purpose. For example, the California Governor’s Office of Emergency Services is responsible for monitoring emergencies and approving monies for emergency response activities in that state. We did not identify any states that met the Council’s objective and purpose through private enterprises.

Sunset factor 2: The extent to which the Council has met its statutory objective and purpose and the efficiency with which it has operated.

The Council carries out its statutory responsibilities by monitoring each State emergency and approving the allocation of monies to reimburse State and local entities for emergency response operations (see Figure 3 on page 24 for more information).^{29,30} In fiscal years 2020 through 2022, the Council met 6 times to monitor State emergencies and review the expenditure of monies to address State emergencies. The Council also discussed changes to ongoing emergencies, such as whether the emergencies were substantially contained. For example, during the Council’s April 2022 meeting, the Council discussed the effects of the Governor ending the emergency declaration for the COVID-19 pandemic, such as transferring Department responsibilities to local governments. During these 6 meetings, the Council also approved the allocation of more than \$6.9 million for 15 State emergencies that included flooding and wildfires. For example, the Council approved the allocation of \$400,000 to address monsoonal flooding that occurred in Coconino, Apache, and Navajo Counties in July 2021. See Table 4, page 24, for a summary of monies the Council approved for distribution in fiscal year 2022 and Sunset Factor 3, page 25, for information on monies the Council approved for distribution in previous years.

²⁶ A.R.S. §26-304.

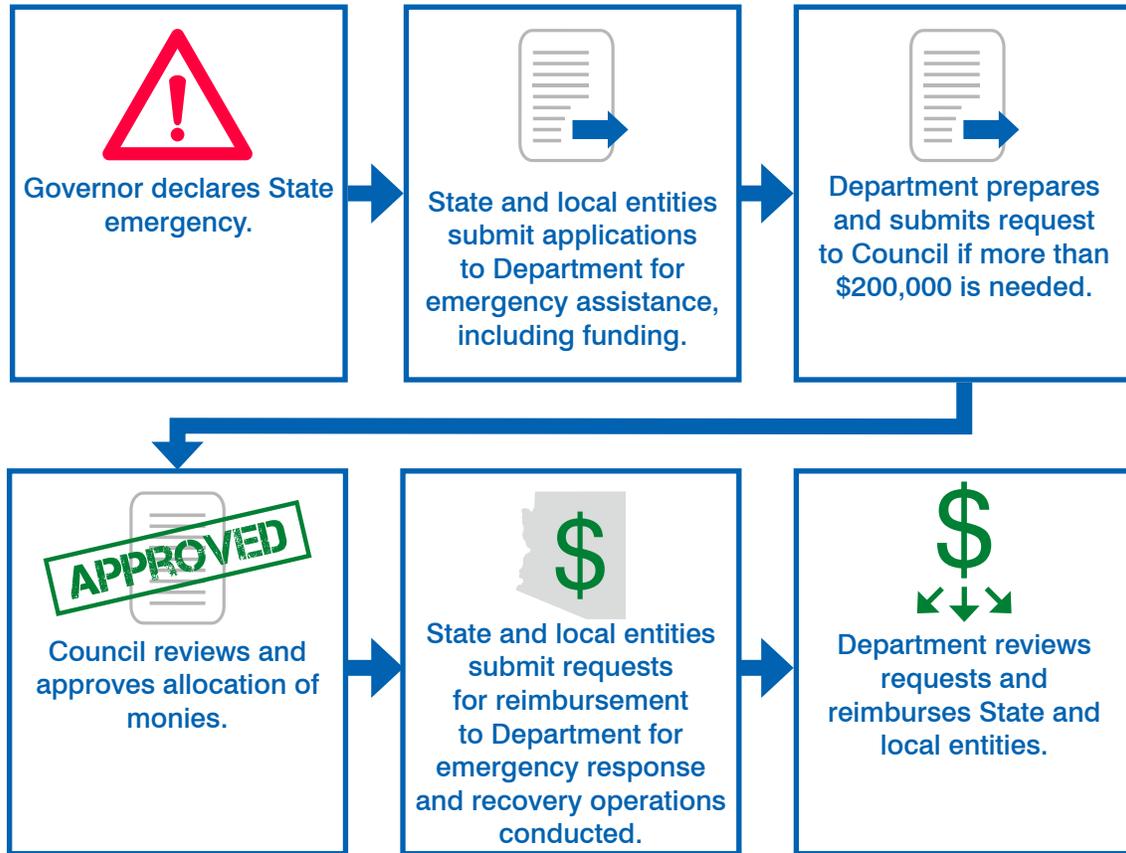
²⁷ A.R.S. §35-192.

²⁸ A.R.S. §26-304(B)(3).

²⁹ Once the Council approves the use of monies to address a State emergency, the Department is then responsible for reimbursing counties and local jurisdictions for recovery activities related to the emergency, such as repairing damaged infrastructure.

³⁰ See Appendix A, pages a-1 through a-2, for information on the amount of monies allocated to open State emergencies as of June 2022, by the Governor and the Council pursuant to A.R.S. §35-192.

Figure 3
Process to request funding from Council for State emergencies



Source: Auditor General staff summary of Arizona Administrative Code Title 8 and information provided by Department.

Table 4
Council allocated \$1.8 million of State General Fund monies for 5 State emergencies in fiscal year 2022
 (Unaudited)

State declared emergencies	Date emergency declared	Allocation ¹
Northern monsoonal flooding	August 2021	\$530,000
Pinal County flooding	July 2021	450,000
Gila Bend flooding	August 2021	400,000
July Coconino County flooding	July 2021	250,000
August Coconino County flooding	August 2021	170,000
Total		\$1,800,000

¹ Allocations listed are monies allocated by the Council and exclude \$200,000 allocated by the Governor.

Source: Council meeting minutes for fiscal year 2022.

Sunset factor 3: The extent to which the Council serves the entire State rather than specific interests.

The Council serves the entire State by monitoring each State emergency and approving monies to address State emergencies when the funding needs exceed \$200,000, pursuant to A.R.S. §35-192. For example, during the Council's June 2022 meeting, the Council monitored State emergencies by discussing their status and by reviewing the approved allocation and expenditure amounts for each open State emergency. Additionally, in fiscal years 2020 through 2022, the Council approved more than \$6.9 million from these monies to address ongoing emergencies in Maricopa, Pima, Pinal, Coconino, Greenlee, Navajo, Apache, and Santa Cruz Counties.³¹

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

The Council does not have statutory authority to promulgate rules and it has not adopted any rules.

Sunset factor 5: The extent to which the Council has encouraged input from the public before adopting its rules and the extent to which it has informed the public as to its actions and their expected impact on the public.

The Council does not have statutory authority to promulgate rules nor has it adopted rules and thus has not needed to encourage input from the public before adopting rules.

Additionally, we attended and reviewed meeting minutes for 2 Council meetings held in April and June 2022 and found that the Council complied with the open meeting law requirements we reviewed. For example, the Council posted public meeting notices more than 24 hours before the meeting and provided meeting minutes within 3 working days after the meeting.

Sunset factor 6: The extent to which the Council has been able to investigate and resolve complaints that are within its jurisdiction and the ability of the Council to timely investigate and resolve complaints within its jurisdiction.

The Council is not a regulatory agency and does not have statutory responsibility to investigate and resolve complaints.

Sunset factor 7: The extent to which the Attorney General or any other applicable agency of State government has the authority to prosecute actions under the enabling legislation.

According to A.R.S. §41-192, the Attorney General serves as the Council's legal advisor and provides all legal services the Council requires.

Sunset factor 8: The extent to which the Council has addressed deficiencies in its enabling statutes that prevent it from fulfilling its statutory mandate.

The Council reported it has not identified any deficiencies in its enabling statutes that prevent it from fulfilling its statutory mandate.³²

Sunset factor 9: The extent to which changes are necessary in the laws of the Council to adequately comply with the factors listed in this sunset law.

We did not identify any needed changes to the Council's statutes.

³¹ For fiscal years 2020 through 2022, the Council did not deny or modify any requests for funding it received.

³² In conducting this assessment, we relied, in part, upon Council-reported information.

Sunset factor 10: The extent to which the termination of the Council would significantly affect the public health, safety, or welfare.

Terminating the Council could significantly affect public health, safety, or welfare if its responsibilities were not transferred to another entity. As previously discussed, the Council is responsible for monitoring State emergencies, including reviewing expenditures of monies approved pursuant to A.R.S. §35-192 and discussing changes to ongoing emergencies, such as whether the emergencies have been substantially contained. In addition, the Council has the sole authority to approve the distribution of monies for State emergencies pursuant to A.R.S. §35-192 when the funding needs of an emergency exceed \$200,000. Finally, the Council may declare an emergency if the Governor is inaccessible, enabling the State to respond to emergencies as needed.

Sunset factor 11: The extent to which the level of regulation exercised by the Council compares to other states and is appropriate and whether less or more stringent levels of regulation would be appropriate.

This factor does not apply because the Council is not a regulatory agency.

Sunset factor 12: The extent to which the Council has used private contractors in the performance of its duties as compared to other states and how more effective use of private contractors could be accomplished.

The Council does not use private contractors to perform its duties. We contacted emergency management entities with responsibilities similar to those of the Council in 3 states—California, Colorado, and Washington—and, similar to the Council, all 3 reported that they do not use private contractors in performing those responsibilities, such as monitoring and approving monies for emergencies. We did not identify any areas where the Council should consider using private contractors.



SUMMARY OF RECOMMENDATIONS

Auditor General makes 10 recommendations to the Department

The Department should:

1. Develop, implement, and test corrective actions for deficiencies identified in after-action reports, or document why a corrective action for an identified deficiency cannot be developed, implemented, and/or tested (See Finding 1, pages 6 through 10, for more information).
2. Document and track status changes and completion of corrective actions identified in after-action reports (See Finding 1, pages 6 through 10, for more information).
3. Develop and/or update and implement policies and procedures for:
 - a. Requiring corrective actions to be developed within a specified time frame after the exercise or real-world event, consistent with FEMA guidance.
 - b. Documenting and tracking corrective actions using its tracking spreadsheet, including guidance for who should update the tracking spreadsheet and time frames for doing so.
 - c. Assigning priorities for corrective actions, including guidance for how priorities should be determined and how an assigned priority should dictate when the corrective action should be completed.
 - d. Holding improvement planning meetings as frequently as needed to ensure that the Department updates the status of corrective actions and monitors them until completion (See Finding 1, pages 6 through 10, for more information).
4. Develop and/or update and implement conflict-of-interest policies and procedures for:
 - a. Reminding employees at least annually to update their disclosure form when their circumstances change, including attesting that no conflicts exist, if applicable, consistent with recommended practices.
 - b. Continuing to use a conflict-of-interest disclosure form that addresses both financial and decision-making conflicts of interest, including attesting that no conflicts exist, as applicable.
 - c. Storing all substantial interest disclosures, including disclosure forms and meeting minutes, in a special file available for public inspection, as required by statute (See Finding 2, pages 11 through 14, for more information).
5. Provide periodic training on its conflict-of-interest requirements, process, and disclosure forms, including how the State's conflict-of-interest requirements relate to their unique programs, functions, or responsibilities and when to complete the supplemental form, consistent with recommended practices (See Finding 2, pages 11 through 14, for more information).
6. Develop and/or update and implement written policies and procedures that outline:
 - a. The specific steps staff should complete for reviewing and approving EMPG applications.

- b. A supervisory review process for EMPG applications (see Sunset Factor 2, pages 15 through 18 for more information).
7. Revise its EMPG application and checklist consistent with grant manual requirements, including requiring that application narratives include the project scope of work and timelines (see Sunset Factor 2, pages 15 through 18 for more information).
8. Train all relevant staff on the newly developed or updated policies, procedures, and checklist for reviewing and approving EMPG applications (see Sunset Factor 2, pages 15 through 18 for more information).
9. Develop and implement a goal and time frame for adopting eCivis, or a similar grants management system, to manage the EMPG (see Sunset Factor 2, pages 15 through 18 for more information).
10. Conduct a risk assessment of its IT systems and develop and implement a written action plan for the development and implementation of all ASET-required IT security procedures, focusing on the highest-priority IT security areas first. The action plan should include specific tasks and their estimated completion dates, assign staff responsibility for completing and overseeing completion of the task, and include a process for regularly reviewing and updating the plan based on its progress (see Sunset Factor 2, pages 15 through 18 for more information).



State monies allocated to open emergencies

Table 5
\$28,979,824 in State monies Governor/Council allocated to open State emergencies¹
As of June 2022

(Unaudited)

 Emergency	 Date emergency declared²	 Allocation³
State-wide drought —Drought conditions caused by lack of rain, reducing both surface and groundwater supplies.	June 1999	\$0
Winter storm and flooding —State-wide flooding in 7 counties.	February 2005	4,687,710
Monsoons and flooding emergency —State-wide monsoons and flooding in 12 counties.	August 2006	2,689,673
Winter storm emergency —Rain and snow created record amounts of snowfall and flooding across the State, affecting 8 counties.	January 2010	4,018,347
Schultz post-fire flooding emergency —Flooding in the Flagstaff area, which had been recently impacted by fire.	July 2010	2,041,966
State-wide flooding —Flooding in Maricopa and La Paz Counties caused by a monsoon.	September 2014	2,053,765
Nogales International Outfall Interceptor breach —Flooding damaged a sewer line shared with Mexico.	July 2017	545,454
Woolsey flooding —Flooding in Maricopa County caused significant damage to public infrastructure in Gila Bend.	August 2017	150,000
Tinder fire —Fire in Coconino County damaged public infrastructure.	April 2018	200,000
Coconino County flooding —Heavy flooding in Coconino County damaged public infrastructure.	August 2018	1,486,757
Mammoth monsoon & water system emergency —Heavy rainfall in the town of Mammoth caused repeated shutdowns of the town’s water system.	August 2018	330,009

Table 5 continued

 Emergency	 Date emergency declared²	 Allocation³
Pinal County flooding —Flash flooding caused by thunderstorms damaged Pinal County roadways and canals.	November 2018	1,077,165
Winter storms —Snowfall and rain damaged public infrastructure in Apache, Coconino, Gila, Navajo, and Yavapai Counties.	February 2019	2,200,000
Museum fire —Wildfire in Coconino County damaged public infrastructure.	July 2019	200,000
Pinetop-Lakeside flooding —Heavy rainfall and hail caused flooding and damage to private and public property.	September 2019	341,287
COVID-19 emergency⁴ —Global pandemic.	March 2020	0
Rioting-imposition of curfew —Civil disturbances and damage to property in the Phoenix and Tucson areas.	May 2020	421,191
Border emergency —Increased immigration by foreign nationals through the U.S-Mexico border.	April 2021	2,736,500
Telegraph fire —Wildfire starting in Gila and Pinal Counties causing public infrastructure damage.	June 2021	200,000
Mescal fire —Fire in Gila County merged with the Telegraph fire and damaged public property.	June 2021	200,000
July Coconino County flooding —Flooding in Coconino County.	July 2021	450,000
Northern monsoonal flooding —Flooding caused by monsoons in northern Arizona.	August 2021	730,000
Miami flooding —Flooding around the town of Miami, Arizona.	August 2021	200,000
Pinal County flooding —Flooding in Pinal County.	August 2021	650,000
Gila Bend flooding —Flooding around the town of Gila Bend.	August 2021	600,000
August Coconino County flooding —Flooding in Coconino County in an area recently damaged by a fire.	August 2021	370,000
Cattle tank road flooding —Flooding in southern Arizona.	August 2021	200,000
Tunnel fire —Forest fire in Coconino County.	April 2022	200,000
Total		\$28,979,824

¹ State monies in this table refer only to State General Fund monies allocated by the Governor and/or the Council to assist State and local entities recover and rebuild from State emergencies, pursuant to A.R.S. §35-192 (see Introduction, page 3, for more information). The table does not

Table 5 continued

include State monies the Governor and/or the Council allocated to closed emergencies or monies provided for emergency response by other sources, such as legislative appropriations or federal monies distributed for disaster relief.

- ² The Department reported that various factors can affect how long an emergency remains open, such as the severity of the emergency, the length of time needed to complete necessary repairs, eligibility for federal funding, and federal review of environmental impacts.
- ³ According to the Department, the Governor and/or the Council may not need to allocate State monies to a State emergency if available federal funding meets State and local entities' needs related to recovering and rebuilding from the emergency.
- ⁴ During the Council's April 2022 meeting, Department staff explained that the Governor's termination of the emergency declaration for the COVID-19 pandemic ended the State's operational response to the emergency, but did not end the State's recovery efforts, such as using federal grant monies to reimburse expenditures incurred due to the COVID-19 pandemic.

Source: Auditor General staff review of the Department's fiscal year 2021 annual report and other Department and Council documentation related to open emergencies.



Objectives, scope, and methodology

The Arizona Auditor General has conducted a performance audit and sunset review of the Department and the Council pursuant to a December 17, 2020, resolution of the Joint Legislative Audit Committee. The audit was conducted as part of the sunset review process prescribed in A.R.S. §41-2951 et seq.

We used various methods to address the audit's objectives. These methods included reviewing the Department's and Council's statutes and Department rules and policies and procedures; interviewing Department staff; and reviewing Department records and information from the Department's annual reports and website. In addition, we used the following specific methods to meet the audit objectives:

- To determine whether the Department developed and tracked corrective actions to address identified emergency response deficiencies, we reviewed information in the Department's tracking spreadsheet for all 93 deficiencies and 127 corrective actions identified in all 6 after-action reports the Department prepared in calendar years 2019 through 2021. We determined the tracking spreadsheet was reliable for audit purposes. Additionally, we reviewed Department documentation for a judgmental sample of 10 of 68 corrective actions listed as not yet completed in the tracking spreadsheet. Our judgmental selection was based on when the corrective actions were developed and the priority assigned by the Department. Finally, we reviewed EMAP standards and FEMA guidance for developing and tracking the implementation of corrective actions.^{33,34}
- To evaluate the Department's compliance with State conflict-of-interest requirements and alignment with recommended practices, we reviewed statute and State requirements, recommended practices, and the Department's conflict-of-interest disclosure form.^{35,36} We also reviewed a random sample of 5 conflict-of-interest disclosure forms completed by Department employees hired in calendar year 2021.
- To evaluate the Department's EMPG application review process, including the Department's use of its EMPG review checklist, we reviewed a judgmental sample of 4 of 18 EMPG applications the Department approved in fiscal year 2022 and their corresponding checklists. Additionally, we reviewed the State of Arizona Office of Grants and Federal Resources website and the State's grants manual.³⁷ Further, we

³³ EMAP is an independent organization that accredits emergency management and homeland security programs agencies using standards developed by emergency management stakeholders, such as governments and businesses.

³⁴ U.S. Federal Emergency Management Agency. (2020) *Homeland Security Exercise and Evaluation Program*. Washington, DC.

³⁵ Recommended practices we reviewed included: Organization for Economic Cooperation and Development. (2022). *Recommendation of the council on OECD guidelines for managing conflicts of interest in the public service*. Paris, France. Retrieved 8/22/2022 from <https://legalinstruments.oec>; Ethics & Compliance Initiative. (2016). *Conflicts of interest: An ECI benchmarking group resource*. Arlington, VA. Retrieved 2/15/2022 from <https://www.ethics.org/wp-content/uploads/2021-ECI-WP-Conflicts-of-InterestDefining-Preventing-Identifying-Addressing.pdf>; and Controller and Auditor General of New Zealand. (2020). *Managing conflicts of interest: A guide for the public sector*. Wellington, New Zealand. Retrieved 2/15/2022 from <https://oag.parliament.nz/2020/conflicts/docs/conflicts-ofinterest.pdf>.

³⁶ In response to conflict-of-interest noncompliance and violations investigated in the course of our work, we have recommended several practices and actions to various school districts, State agencies, and other public entities. Our recommendations are based on guidelines developed by public agencies to manage conflicts of interest in government and are designed to help ensure compliance with State conflict-of-interest requirements. See, for example, Arizona Auditor General reports 21-402 *Higley Unified School District—Criminal Indictment—Conspiracy, Procurement Fraud, Fraudulent Schemes, Misuse of Public Monies, False Return, and Conflict of Interest*, 19-105 *Arizona School Facilities Board—Building Renewal Grant Fund*, and 17-405 *Pine-Strawberry Water Improvement District—Theft and misuse of public monies*.

³⁷ Arizona Office of Grants and Federal Resources. (2018). *Grants management manual – Grantor*. Phoenix, AZ: Arizona Department of Administration. Retrieved 3/1/2022 from <https://grants.az.gov/grant-manual>.

contacted 6 local emergency management entities to obtain their feedback on working with the Department and its EMPG application review process.

- To obtain information for the Introduction, we reviewed Department-prepared information regarding Department staffing and vacancies. In addition, we compiled and analyzed unaudited financial information from the AFIS Accounting Event Transaction File for fiscal years 2020 and 2021, the State of Arizona *Annual Financial Report* for fiscal years 2020 and 2021, and Department-provided budget information for fiscal year 2022.
- To obtain additional information for the Sunset Factors, we reviewed the Arizona Administrative Register regarding the Department's rulemakings and attended 2 Council meetings in April 2022 and June 2022 to assess the Council's compliance with various open meeting law requirements. We also reviewed Council meeting minutes, the Council's fiscal year 2021 annual report, and Department documentation to determine the amount of monies allocated by the Governor and Council to State emergencies open as of June 2022. Further, we judgmentally selected and contacted 3 states—California, Colorado and Washington—and reviewed their emergency management and military agencies' responsibilities and use of private contractors.³⁸

Our work on internal controls included reviewing relevant policies and procedures for ensuring compliance with and/or adherence to Department and Council statutes, EMAP standards, FEMA guidance, State policy, recommended practices, and credible industry standards, and where applicable, testing compliance with or adherence to these requirements and guidance. We reported our conclusions on internal control deficiencies in Findings 1 and 2, and in our responses to the statutory sunset factors for the Department.

We selected our audit samples to provide sufficient evidence to support our findings, conclusions, and recommendations. Unless otherwise noted, the results of our testing using these samples were not intended to be projected to the entire population.

We conducted this performance audit of the Department and the Council in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

We express our appreciation to the Adjutant General and staff and the Council for their cooperation and assistance throughout the audit.

³⁸ We judgmentally selected these states because they are western states with emergency management and military agencies.

DEPARTMENT RESPONSE



Douglas A. Ducey
GOVERNOR

STATE OF ARIZONA
DEPARTMENT OF EMERGENCY AND MILITARY AFFAIRS

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Major General Kerry L. Muehlenbeck
THE ADJUTANT GENERAL

September 28, 2022

NGAZ-TAG

The Auditor General
(Attention: Lindsey A. Perry, CPA, CFE)

SUBJECT: Department's Final Response to the DEMA Sunset Review Audit

The Department received and reviewed the final report draft of the performance audit and sunset review of the Arizona Department of Emergency and Military Affairs (Department) and the State Emergency Council (Council). Per your request, the Department submits its final response.

Encl
Final Response


KERRY L. MUEHLENBECK
Major General, AZ ANG
The Adjutant General

Finding 1: Department did not develop corrective actions to address some emergency-response deficiencies it identified and did not consistently track corrective action status and completion

Recommendation 1: Develop, implement, and test corrective actions for deficiencies identified in after-action reports, or document why a corrective action for an identified deficiency cannot be developed, implemented, and/or tested.

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

Response explanation: The Department will continue to improve its after-action reports and documentation of corrective action success or failure for future use.

Recommendation 2: The Department should document and track status changes and completion of corrective actions identified in after-action reports.

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

Response explanation: The Department will track status changes and completion of corrective actions identified in after action reports.

Recommendation 3: The Department should develop and/or update and implement policies and procedures for:

Recommendation 3a: Requiring corrective actions to be developed within a specified time frame after the exercise or real-world event, consistent with FEMA guidance.

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

Response explanation: The Department will update its policies and procedures to develop timely corrective actions, as appropriate based on circumstances, taking into consideration FEMA guidance.

Recommendation 3b: Documenting and tracking corrective actions using its tracking spreadsheet, including guidance for who should update the tracking spreadsheet and time frames for doing so.

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

Response explanation: The Department will improve its use of tracking spreadsheets for accuracy, validity, and usefulness.

Recommendation 3c: Assigning priorities for corrective actions, including guidance for how priorities should be determined and how an assigned priority should dictate when the corrective action should be completed

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 will develop guidance for how to assign priorities and work with State partners, who are ultimately responsible for completing corrective actions in exercises or real-world emergencies to determine when a corrective action should/can be completed.

Recommendation 3d: Holding improvement planning meetings as frequently as needed to ensure that the Department updates the status of corrective actions and monitors them until completion

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

Response explanation: The Department will readdress/alter its current planning meeting policies so that they are flexible and meet the need of the Department and relevant stake-holders.

Finding 2: Department did not comply with some State conflict-of-interest requirements and its conflict-of-interest process was not fully aligned with recommended practices, increasing risk that employees and public officers had not disclosed substantial interests that might influence or could affect their official conduct.

Recommendation 4: The Department should develop and/or update and implement conflict-of-interest policies and procedures for:

Recommendation 4a: Reminding employees at least annually to update their disclosure form when their circumstances change, including attesting that no conflicts exist, if applicable, consistent with recommended practices.

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

Response explanation: The Department will initiate a yearly notification to employees.

Recommendation 4b: Continuing to use a conflict-of-interest disclosure form that addresses both financial and decision-making conflicts of interest, including attesting that no conflicts exist, as applicable.

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

Response explanation: The Department will continue to use a conflict-of-interest disclosure form as required by ADOA and the state government.

Recommendation 4c: Storing all substantial interest disclosures, including disclosure forms and meeting minutes, in a special file available for public inspection, as required by statute.

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

Response explanation: The Department will comply.

Recommendation 5: The Department should provide periodic training on its conflict-of-interest requirements, process, and disclosure forms, including how the State's conflict-of-interest requirements relate to their unique programs, functions, or responsibilities and when to complete the supplemental form, consistent with recommended practices.

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 asserts that this is an ADOA responsibility to develop and provide training (initial and periodic) and create a reporting mechanism for all governmental agencies to follow.

Department Sunset Factor 2: The extent to which the Department has met its statutory objective and purpose and the efficiency with which it has operated.

Recommendation 6: The Department should develop and/or update and implement written policies and procedures that outline:

[Click to enter explanation.](#)

Recommendation 6a: The specific steps staff should complete for reviewing and approving EMPG applications.

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

Response explanation: The checklist will be expanded to allow for additional information to ensure application completeness and steps needed to review an application. However, each application is different and not all of the items identified on the checklist/procedures will apply to the varying emergency management agencies that apply.

Recommendation 6b: A supervisory review process for EMPG applications.

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

Response explanation: The Department believes a supervisory review process exists already. Each application is initially reviewed by the EMPG Program Coordinator and the EMPG Grant Analyst. Their initial review will identify any discrepancies, eligibility and financial completeness as well as other factors. Once their review is complete the applications will be reviewed again with the Assistant Director of Grant Administration and the Chief Financial Officer. The Department recognizes that the current checklist

does not identify space for the signatures of the Assistant Director and Chief Financial Officer showing their concurrence with Program Coordinator and the Grant Analyst and therefore it appears that no supervisory review was completed. For documentation purposes the Department will add signature concurrence to the checklist/procedures.

Recommendation 7: The Department should revise its EMPG application and checklist to ensure they consistent with grant manual requirements, including requiring that application narratives include the project scope of work and timelines.

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: EMPG is not a project based grant, but the application may include project(s). DEMA does require a scope of work for projects such as contractual services. DEMA agrees to have the application include a work plan that outlines the applicants' priorities, initiatives, and the grant requirements.

Recommendation 8: The Department should train all relevant staff on the newly developed or updated policies, procedures, and checklist for reviewing and approving EMPG applications.

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

Response explanation: The EMPG program coordinator will continue to update programmatic policies, procedures, and checklists for reviewing and approving EMPG applications.

Recommendation 9: The Department should develop and implement a goal and time frame for adopting eCivis, or a similar grants management system, to manage the EMPG.

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

Response explanation: DEMA set aside grant funding specifically for the EMPG program to procure a system that can be tailored to fit the needs of the program and the reporting requirements and intends to have a system in place by December 2023.

Recommendation 10: The Department should conduct a risk assessment of its IT systems and develop and implement a written action plan for the development and implementation of all ASET-required IT security procedures, focusing on the highest priority IT security areas first. The action plan should include specific tasks and their estimated completion dates, assign staff responsibility for completing and overseeing completion of the task, and include a process for regularly reviewing and updating the plan based on its progress.

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

Response explanation: The Department is hiring a permanent CIO, first one in many years, to manage its state IT program.

