

Arizona Department of Administration

Department has established processes or taken steps to meet various statutory responsibilities to provide centralized support services for State government operations but has not implemented some prior audit recommendations intended to ensure school facility safety or complied with some open meeting law and complaint-handling requirements

Audit purpose

To determine whether the Department established processes for meeting its statutory responsibilities to support State government operations with risk management, IT, and financial services; management of State-owned property; and administration of the Special Employee Health Insurance Trust Fund (HITF); and complied with conflict-of-interest and open meeting law requirements; and to provide responses to the statutory sunset factors.

Key findings

- Established in 1973 to provide centralized support services for State government operations, the Department has met or is taking steps to meet its responsibilities in some areas we reviewed, such as establishing processes to reduce losses related to property, liability, and workers compensation claims; monitor employee productivity; and reallocate space in State-owned and leased buildings.
- Beginning in 2020, the HITF balance fell below its cash reserve goal, which is intended to ensure the Department can pay for State employee health benefit costs in the event of cash flow fluctuations or catastrophic expenses; however, the Department has since taken steps to help increase HITF revenues and reduce expenditures.
- As of October 2022, the Department had not implemented 35 recommendations from our 2017, 2019, and 2021 audits of the Arizona School Facilities Board, whose responsibilities were transferred to the Department in September 2021. These recommendations addressed issues such as the School Facilities Board not inspecting school buildings, limiting its ability to ensure student and staff health and safety and efficient use of State monies.
- Department had not established a process to periodically review and adjust its fees for financial services provided to other State agencies through its Central Services Bureau (CSB) and thus was at risk of collecting more or less money than needed to pay for providing these services.
- Department did not comply with most executive session meeting requirements we reviewed, and held meetings without a required quorum for 2 public meetings we observed.
- Department did not comply with rules requiring it to provide a written response to complainants regarding State benefit grievances within 60 days for 7 of 10 benefit grievances we reviewed. These grievances can relate to important issues such as eligibility for employee medical coverage.

Key recommendations

The Department should develop and implement:

- A written plan outlining key steps it will take to address outstanding recommendations from prior audits of the Arizona School Facilities Board.
- Policies and procedures for periodically reviewing and adjusting its CSB service fees.
- Open meeting law policies and procedures, including requirements related to executive sessions and quorums.
- Written procedures for providing written responses to benefit grievance complainants.