

The August 2021 Arizona Department of Veterans' Services (Department) and the Arizona Veterans' Service Advisory Commission (Commission) sunset review found that the Department and Commission met some statutory objectives and purposes, such as providing benefits counseling assistance to veterans and policy advice to the Governor, but the Department did not comply with several Veterans' Donations Fund grant award and monitoring requirements or use Gold Star Family revenues to maintain the Enduring Freedom Memorial. Additionally, the Commission did not comply with some conflict-of-interest and open meeting law requirements. We made 20 recommendations to the Department and 5 recommendations to the Commission, and their status in implementing the recommendations is as follows:

### Status of Department's recommendations

Implemented	11
In process	5
No longer applicable	1
Not yet applicable	1
<b>Not implemented</b>	<b>2</b>

### Status of Commission's recommendations

Implemented	4
In process	1

We will conduct a 36-month followup with the Department and Commission on the status of the recommendations that have not yet been implemented.

## Department recommendations

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

1. The Department should obtain and review all necessary close-out documentation from grants awarded during calendar years 2017 through 2019.

**Implementation in process**—As reported in our initial followup, the Department had begun obtaining and reviewing all necessary close-out documentation for grants awarded during calendar years 2017 through 2019. In June 2023, the Department reported that it sent a final request for information to grantees related to outstanding close-out documentation, and as of October 2023, indicated that it is still obtaining and reviewing grant close-out documentation from grantees and expects to complete its review of the documentation provided by January 2024. We will continue to assess the Department's implementation of this recommendation during our 36-month followup.

2. The Department should, based on its review of grant close-out documentation for grants awarded during calendar years 2017 through 2019, determine if grantees need to return unexpended grant monies and, if so, request grantees to return those monies.

**Not yet applicable**—The Department plans to implement this recommendation based on its review of information provided in response to its June 2023 final request for information related to outstanding close-out documentation (see explanation for Recommendation 1).

3. The Department should comply with statutory, State, and Department grants-management requirements when awarding and monitoring large and small grants from the Veterans' Donations Fund to help ensure grant monies are used for the benefit of Arizona veterans, including ensuring:

a. Awarded grant projects are compatible with the Department's objectives.

**Implemented at 24 months**

b. Applicant's budget worksheets show a line-item breakdown of all revenue and expenses for which the applicant is seeking grant funding.

**Implemented at 6 months**

c. Applicant's proposed administrative costs do not exceed 12.5 percent of the total grant funding request.

**Implemented at 6 months**

d. Applicants submit 3 bids if contracted services will be part of the grant project.

**Not implemented**—Since the initial followup, the Department has revised its bid requirements to require applicants to submit a minimum of 3 bids when grant funding is requested for contracted services consisting of repair, maintenance, or construction. If 3 bids are not attainable, the applicant must provide a valid explanation as to why. According to Department documentation, 1 of 13 grants the Department approved in calendar year 2022 involved contracted services consisting of repair, maintenance, or construction and thus the applicant should have complied with this requirement. However, based on our review of grant documentation, the applicant submitted 2 bids rather than the required 3 bids for the construction project and did not provide an explanation for not submitting a third bid. Despite not adhering to the Department's bid requirements, the Department approved the applicant for grant funding. We will continue to assess the Department's compliance with its bid requirements that applicants submit a minimum of 3 bids for contracted services during our 36-month followup.

e. The Department director provides written justifications when overriding grant evaluators' recommendations on whether to award the grant.

**Implemented at 6 months**

f. The Department notifies the applicant of the award decision within 45 to 60 days for large grants and 30 days for small grants of the application submission date.

**Implemented at 6 months**

g. Grantees provide the Department with required deliverables at the end of the grant, such as information on the grant project's results and a report on how grant monies were spent, including a statement comparing actual to projected expenditures with an explanation of the differences.

**Not implemented**—Although Department policy requires grantees to provide the Department with specified deliverables at the end of the grant, such as information on the grant project's results, reports on how grant monies were spent, and a comparison of budgeted to actual expenditures with explanations for any differences, it has not ensured that all grantees fully comply with this requirement. Specifically, our review of 6 completed grant projects the Department approved for calendar year 2022 found that 3 grantees provided the required deliverables, while 2 grantees did not provide some required deliverables, and 1 grantee did not provide any deliverables. The Department followed its procedure by informing the grantee that did not provide any deliverables that it is ineligible to receive future grant monies if it does not provide the deliverables. However, although 1 grantee did not provide required deliverables because they contained protected medical information and another grantee provided a draft rather than a final ledger of expended grant monies, the Department did not follow up with these 2 grantees to request additional and/or redacted information related to the grant project results and expended grant monies. By not obtaining all required deliverables, the Department cannot ensure that a grant project was completed and grant monies were expended as approved. We will further assess the Department's implementation of this recommendation, and steps it takes to ensure grantees provide the required deliverables, during our 36-month followup.

h. Grantees return to the Department all grant monies that were not expended for the grant project.

**Implementation in process**—The Department’s grant agreements include a provision notifying its grantees of the requirement to return unexpended monies. Based on the provision of required deliverables for 6 grant projects the Department approved for calendar year 2022, it determined that 5 of these grantees did not have unexpended grant monies that needed to be returned. However, as explained in Recommendation 3g, 1 grantee provided a draft rather than a final ledger of how grant monies were spent, and a separate grantee did not provide the Department with any of the required deliverables that would allow the Department to determine if unexpended grant monies remained and should be returned. The Department notified this grantee that it would be ineligible to receive future grant monies unless or until it satisfied this requirement. Because the Department has yet to require any grantees to return unexpended grant monies, we will continue to assess the Department’s implementation of this recommendation during our 36-month followup.

4. The Department should spend Gold Star Family license plate revenues received for the maintenance of the Enduring Freedom Memorial located in Wesley Bolin Plaza, as required by statute.

**Implementation in process**—The Department reported that it had previously worked with the Arizona Department of Administration on the process of updating the Enduring Freedom Memorial using Gold Star Family license plate revenues, including obtaining bids for the project, and that the update will include re-engraving existing names and adding new names on the Memorial. The Department anticipates this project will be completed by the end of 2023. Additionally, and consistent with A.R.S. §41-1304.05(B)(4), the Department reported it is now working with the Arizona Legislative Council, which is responsible for the Wesley Bolin Memorial Plaza that houses the Enduring Freedom Memorial, on this project. We will assess the Department’s progress in implementing this recommendation during our 36-month followup.

5. The Department should collect the \$45,000 owed from the Arizona American Legion.

**Implemented at 6 months**

6. The Department should, prior to the next annual renewal of its contract with the Arizona American Legion:

- Review and determine the ongoing need for this contract.
- Ensure that if the contract is continued, it complies with all State Procurement Code requirements.
- Work with its Assistant Attorney General to review and determine whether the quarterly payments received from the Arizona American Legion should be deposited in the Veterans’ Donations Fund as a donation or the State General Fund as a payment for services.

**Implemented at 6 months**

7. The Department should, if it continues its contract with the Arizona American Legion, develop and implement a procedure for monitoring this contract, including a process for ensuring it receives all required payments.

**No longer applicable**—The Department canceled its contract with the Arizona American Legion.

8. The Department should develop and implement procedures for ensuring it maintains all required supporting documentation and approval forms for Veterans’ Donations Fund transactions.

**Implemented at 6 months**

9. The Department should create a written action plan for developing and implementing ASET-required IT security procedures and based on this action plan, develop and implement ASET-required IT security procedures in line with ASET requirements and credible industry standards, focusing on the IT security areas with the highest security risks first. The action plan should include specific tasks, the status of those tasks, and their estimated completion dates, as well as a process for regularly reviewing and updating the plan based on its progress.

**Implementation in process**—The Department has continued working on its written action plan for developing and implementing State-required IT security procedures, but it has yet to fully develop or implement State-required IT security procedures in line with State requirements and credible industry standards. Additionally, although the Department has updated its action plan to include the actions’ status and identified early 2024 as an expected

completion date for its written action plan, the plan still does not include a process for regularly reviewing and updating the plan based on its progress. We will assess the Department's progress in implementing State-required IT security procedures during our 36-month followup.

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

10. The Department should develop and implement policies and procedures that comply with statutory conflict-of-interest requirements and recommended practices, including requiring all Department employees and committee members to complete an annual conflict-of-interest disclosure form that includes an affirmative statement indicating whether or not a conflict exists; storing completed disclosure statements of substantial interests in a special file available for public inspection; and developing and implementing a process for reviewing and remediating disclosed potential or actual conflicts of interest.

**Implementation in process**—As of May 2023, the Department has developed a conflict-of-interest policy that requires new employees to complete conflict-of-interest disclosure forms, prescribes a process for annually reminding employees to complete new forms if changes have occurred, and includes a process for reviewing and remediating disclosed potential or actual conflicts of interest. The Department reported that if an employee has a conflict-of-interest that involves a substantial interest, the disclosure form will be placed in a special file that is available for public inspection, although this is not included in the Department's policy. Additionally, the policy does not reference all potential conflict-of-interest areas, such as decision-making interests, and does not require the Department's various committee members, such as the Department's Military Family Relief Fund Pre- and Post-9/11 Advisory Committee's members, to comply with the policy and complete conflict-of-interest disclosure forms, although these committee members have completed disclosure forms. We will continue to assess the Department's implementation of this recommendation during our 36-month followup.

### **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.**

11. The Department should ensure that it makes the Committee's meeting minutes or a recording of these public meetings available for public inspection within 3 working days.

**Implemented at 6 months**

### **Sunset Factor 6: The extent to which the Department has been able to investigate and resolve complaints that are within its jurisdiction.**

12. The Department should resolve Homes' resident grievances within 5 business days as required by Department policy and procedures.

**Implemented at 6 months**

13. The Department should revise the Homes' self-report handling and record-keeping procedures to include provisions for maintaining documentation that self-reports are reported immediately to ADHS and APS, as required by State and federal regulations, and provide training to staff on maintaining this documentation.

**Implemented at 6 months**

## Commission recommendations

### Sunset Factor 3: The extent to which the Commission serves the entire State rather than specific interests.

1. The Commission should develop and implement policies and procedures to comply with conflict-of-interest statutory requirements and recommended practices, including:
  - a. Requiring all Commission members to complete an annual conflict-of-interest disclosure form that includes an affirmative statement indicating whether or not a conflict exists.  
**Implemented at 24 months**
  - b. Establishing a process to review and remediate disclosed conflicts.  
**Implementation in process**—As of March 2023, the Commission had developed operating guidelines directing a process to review and remediate disclosed conflicts. Specifically, a committee consisting of the Commission chair and Department director will annually review all commissioner conflict-of-interest forms by July 1 and if any conflicts of interest exist, determine and document how this will be remediated by September 1. We will further assess the Commission’s implementation of its operating guidelines during our 36-month followup.
  - c. Maintaining completed disclosure statements of substantial interests in a special file available for public inspection.  
**Implemented at 24 months**

### Sunset Factor 5: The extent to which the Commission 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.

2. The Commission should work with the Department to ensure its compliance with all open meeting laws, including:
  - a. Posting meeting agendas on the Department’s website at least 24 hours before public meetings.  
**Implemented at 6 months**
  - b. Making meeting minutes or a recording of its public meetings available for public inspection within 3 working days following a meeting.  
**Implemented at 6 months**