

ARIZONA STATE SENATE

RESEARCH STAFF



JASON THEODOROU
LEGISLATIVE RESEARCH ANALYST
GOVERNMENT COMMITTEE
Telephone: (602) 926-3171

TO: MEMBERS OF THE SENATE
GOVERNMENT COMMITTEE OF
REFERENCE

DATE: January 19, 2024

SUBJECT: Sunset Review of the Arizona Department of Administration

Attached is the final report of the sunset review of the Arizona Department of Administration (ADOA), which was conducted by the Senate Government Committee of Reference. A performance audit of the ADOA was conducted by the Office of the Auditor General (Reports No. [23-107](#) and [23-104](#)).

This report has been distributed to the following individuals and agencies:

Governor of the State of Arizona
The Honorable Katie Hobbs

President of the Senate
Senator Warren Petersen

Speaker of the House of Representatives
Representative Ben Toma

Senate Members
Senator Jake Hoffman, Chair
Senator Wendy Rogers, Vice-Chair
Senator Eva Diaz
Senator David C. Farnsworth
Senator Juan Mendez
Senator Janae Shamp
Senator Priya Sundareshan
Senator Justine Wadsack

Arizona Department of Administration
Office of the Auditor General
Arizona State Library, Archives and Public Records

Senate Resource Center
Senate Republican Staff
Senate Democratic Staff
Senate Research Staff

Office of the Chief Clerk
House Republican Staff
House Democratic Staff
House Research Staff

Senate Government Committee of Reference Final Report

Arizona Department of Administration

Background

Pursuant to [A.R.S. § 41-2953](#), the Joint Legislative Audit Committee assigned the sunset review of the Arizona Department of Administration (ADOA) to the Senate Government Committee of Reference and the House Government Committee of Reference.

Established in 1972, the ADOA was charged to provide centralized administrative services for the State of Arizona. The direction, operation and control of the ADOA is the responsibility of the Director who is appointed by the Governor with the advice and consent of the Senate and serves at the pleasure of the Governor. The Director may establish, abolish or reorganize the positions or organizational units within the ADOA, subject to legislative appropriation, if in the Director's judgment such modification of organization would make the operation of the ADOA more efficient, effective or economical. A deputy director and assistant directors of each agency division must be appointed by the Director with approval from the Governor.

Duties of the ADOA include: 1) administering health, life and other forms of insurance coverage for eligible individuals including state employees, retirees and their dependents; 2) providing state government IT services; and 3) establishing and providing risk management services. The ADOA is also responsible for: 1) administering the State Personnel System; 2) managing the statewide accounting system; and 3) serving as the state's central procurement authority. The Director or the authorized representative is the general accountant of the state and keeper of public account books, vouchers and other documentation relating to accounts and contracts of the state.

The ADOA is charged with the management of state buildings including state-owned properties and public school district facilities. The management of state buildings consists of building maintenance, the allocation of space, operation, alteration, renovation and security of the statutorily prescribed list of state buildings ([A.R.S. Title 41, Chapter 4](#)).

The ADOA is statutorily set to terminate on July 1, 2024, unless legislation is enacted for its continuation ([A.R.S. § 41-3024.14](#)).

Committee of Reference Sunset Review Activity

Pursuant to [A.R.S. § 41-2954](#), the Senate Government Committee of Reference held a public meeting on Wednesday, January 17, 2024, to review the Auditor General's Performance Audit and Sunset Review Report, consider the ADOA's responses to the statutorily-outlined sunset factors and receive public testimony.

Committee of Reference Recommendations

The Senate Government Committee of Reference recommended that the ADOA be continued for two years, until July 1, 2026.

Appendices

1. Meeting Notice
2. Minutes of the Senate Government Committee of Reference
 - a. Attachment A: Presentation by the Office of the Auditor General
 - b. Attachment B: Presentation by the ADOA
3. Chairperson's letter requesting the ADOA's response to sunset factors
4. The ADOA's response to sunset factors

Interim agendas can be obtained via the Internet at <http://www.azleg.gov/Interim-Committees>

ARIZONA STATE SENATE

INTERIM MEETING NOTICE

OPEN TO THE PUBLIC

SENATE GOVERNMENT COMMITTEE OF REFERENCE

Date: Wednesday, January 17, 2024

Time: 9:00 A.M.

Place: SHR 1

Members of the public may access a livestream of the meeting here:

<https://www.azleg.gov/videoplayer/?clientID=6361162879&eventID=2024011033>

AGENDA

1. Call to Order
2. Roll Call
3. Opening Remarks
4. ~~Sunset Review of the Arizona Commerce Authority~~
 - ~~• Presentation by the Arizona Office of the Auditor General~~
 - ~~• Response by the Arizona Commerce Authority~~
 - ~~• Public Testimony~~
 - ~~• Discussion and Recommendations~~
5. ~~Sunset Review of the Arizona Department of Administration~~
 - ~~• Presentation by the Arizona Office of the Auditor General~~
 - ~~• Response by the Arizona Department of Administration~~
 - ~~• Public Testimony~~
 - ~~• Discussion and Recommendations~~
4. Sunset Review of the Arizona Department of Homeland Security
 - Presentation by the Arizona Department of Homeland Security
 - Public Testimony
 - Discussion and Recommendations
5. Sunset Review of the Arizona Registrar of Contractors
 - Presentation by the Arizona Registrar of Contractors
 - Public Testimony
 - Discussion and Recommendations
6. Sunset Review of the Arizona State Board of Technical Registration
 - Presentation by the Arizona State Board of Technical Registration
 - Public Testimony
 - Discussion and Recommendations
7. Sunset Review of the Governor's Office on Tribal Relations
 - Presentation by the Governor's Office on Tribal Relations
 - Public Testimony
 - Discussion and Recommendations

8. Sunset Review of the State Personnel Board
 - Presentation by the State Personnel Board
 - Public Testimony
 - Discussion and Recommendations
9. Sunset Review of the Industrial Commission of Arizona
 - Presentation by the Industrial Commission of Arizona
 - Public Testimony
 - Discussion and Recommendations
10. Sunset Review of the Boiler Advisory Board
 - Presentation by the Boiler Advisory Board
 - Public Testimony
 - Discussion and Recommendations
11. Sunset Review of the Occupational Safety and Health Advisory Committee
 - Presentation by the Occupational Safety and Health Advisory Committee
 - Public Testimony
 - Discussion and Recommendations
12. Sunset Review of the Occupational Safety and Health Review Board
 - Presentation by the Occupational Safety and Health Review Board
 - Public Testimony
 - Discussion and Recommendations
13. Sunset Review of the Arizona Commerce Authority
 - Presentation by the Arizona Office of the Auditor General
 - Response by the Arizona Commerce Authority
 - Public Testimony
 - Discussion and Recommendations
14. Sunset Review of the Arizona Department of Administration
 - Presentation by the Arizona Office of the Auditor General
 - Response by the Arizona Department of Administration
 - Public Testimony
 - Discussion and Recommendations
15. Adjourn

Members:

Senator Jake Hoffman, Chair

Senator Wendy Rogers, Vice-chair

Senator Eva Diaz

Senator David C. Farnsworth

Senator Juan Mendez

Senator Janae Shamp

Senator Priya Sundareshan

Senator Justine Wadsack

01/11/2024

01/12/2024

hf

For questions regarding this agenda, please contact Senate Research Department.

Persons with a disability may request a reasonable accommodation such as a sign language interpreter, by contacting the Senate Secretary's Office: (602) 926-4231 (voice). Requests should be made as early as possible to allow time to arrange the accommodation.

ARIZONA STATE SENATE

SENATE GOVERNMENT COMMITTEE OF REFERENCE

Minutes of the Meeting

January 17, 2024

9:00 A.M., SHR 1

Members of the public may access a livestream of the meeting here:

<https://www.azleg.gov/videooplayer/?clientID=6361162879&eventID=2024011033>

Members Present:

Senator Jake Hoffman, Chair
Senator Wendy Rogers, Vice-Chair
Senator Eva Diaz
Senator David C. Farnsworth
Senator Juan Mendez
Senator Janae Shamp
Senator Priya Sundareshan
Senator Justine Wadsack

Staff:

Jason Theodorou, Government Research Analyst
Alanna Bendel, Government Research Assistant Analyst
Michael Ayala, Government Research Intern

Chairman Hoffman called the meeting to order at 9:09 a.m. and attendance was taken.

OPENING REMARKS

Senator Hoffman requested the staff introduce themselves as follows:

- Jason Theodorou, Government Research Analyst
- Alanna Bendel, Government Research Assistant Analyst
- Michael Ayala, Government Research Intern
- Jackson Cooper, Government Committee Secretary

SUNSET REVIEW OF THE ARIZONA DEPARTMENT OF HOMELAND SECURITY

Presentation by the Arizona Department of Homeland Security

Kimberly O'Connor, Executive Deputy Director, Arizona Department of Homeland Security, distributed and explained a PowerPoint presentation entitled "Arizona Department of Homeland Security" (Attachment A). Ms. O'Connor also distributed a booklet entitled "Sunset Review, 2024 Report" (Attachment B).

Susan Dzbanko, Deputy Director of Grant Administration, Arizona Department of Homeland Security, continued with the PowerPoint presentation (Attachment A).

Ryan Murray, Deputy Director, Statewide Information Security and Privacy Office, and Interim Chief Information Security Officer, Arizona Department of Homeland Security, continued with the PowerPoint presentation (Attachment A) and answered questions posed by the Committee.

Ms. Dzbanko answered questions posed by members of the Committee.

Public Testimony

Gil Orrantia, Former Director, Arizona Department of Homeland Security, testified in support of the Arizona Department of Homeland Security.

Sheriff Mark Lamb, Pinal County, testified in support of the Arizona Department of Homeland Security.

Sheriff Leon Wilmot, Yuma County, testified in support of the Arizona Department of Homeland Security.

Robert Watkins, on behalf of Sheriff Mark Danells, Cochise County, testified in support of the Arizona Department of Homeland Security.

Discussion and Recommendations

The Committee offered comments.

Senator Rogers moved that the Senate Government Committee of Reference make the recommendation to continue the Arizona Department of Homeland Security for 2 years until July 1, 2026. The motion CARRIED with a roll call vote of 8-0-0 (Attachment 1).

Senators Shamp, Sundareshan, Wadsack, Mendez, Rogers and Hoffman explained their vote.

SUNSET REVIEW OF THE ARIZONA REGISTRAR OF CONTRACTORS

Presentation by the Arizona Registrar of Contractors

Tom Cole, Executive Deputy Director, Arizona Registrar of Contractors, distributed and explained a PowerPoint presentation entitled "Arizona Registrar of Contractors" (Attachment C) and explained the function and purpose of the Arizona Registrar of Contractors. Mr. Cole answered questions posed by members of the Committee.

Public Testimony

No public testimony took place.

Discussion and Recommendations

Senator Rogers moved that the Senate Government Committee of Reference make the recommendation to continue the Arizona Registrar of Contractors for 2 years until July 1, 2026. The motion CARRIED with a roll call vote of 8-0-0 (Attachment 2).

Senator Hoffman explained his vote.

SUNSET REVIEW OF THE ARIZONA STATE BOARD OF TECHNICAL REGISTRATION

Presentation by the Arizona State Board of Technical Registration

Judith Stapley, Executive Director, Arizona State Board of Technical Registration, distributed and explained a PowerPoint presentation entitled "Sunset Audit Review Committee of Reference 2024" (Attachment D) and explained the function and purpose of the Arizona State Board of Technical Registration. Ms. Stapley answered questions posed by members of the Committee.

Senator Hoffman offered comments.

Public Testimony

No public testimony took place.

Discussion and Recommendations

Senator Rogers moved that the Senate Government Committee of Reference make the recommendation to convert the Occupational Licenses under the Arizona State Board of Technical Registration to a less restrictive regulation.

The Committee offered comments.

The motion CARRIED with a roll call vote of 5-3-0 (Attachment 3).

Senators Mendez, Sundareshan, Wadsack and Hoffman explained their vote.

SUNSET REVIEW OF THE GOVERNOR'S OFFICE ON TRIBAL RELATIONS

Presentation by the Governor's Office on Tribal Relations

Jason Chavez, Director of Tribal Affairs, Governor's Office on Tribal Relations, distributed and explained a PowerPoint presentation entitled "Governor's Office on Tribal Relations" (Attachment E) and a folder with documents referring to the Governor's Office on Tribal Relations (Attachment F). Mr. Chavez answered questions posed by the Committee.

Public Testimony

Senator Theresa Hatathlie, Legislative District 6, testified in support of the Governor's Office on Tribal Relations.

Senator Sally Gonzales, Legislative District 20, testified in support of the Governor's Office on Tribal Relations and answered questions posed by the Committee.

Discussion and Recommendations

Senator Rogers moved that the Senate Government Committee of Reference make the recommendation to continue the Governor's Office on Tribal Relations for 2 years until July 1, 2026. The motion CARRIED with a roll call vote of 8-0-0 (Attachment 4).

Senators Mendez, Sundareshan, Rogers and Hoffman explained their vote.

SUNSET REVIEW OF THE STATE PERSONNEL BOARD

Presentation by the State Personnel Board

Zachariah Tolliver, Executive Director, State Personnel Board, distributed and explained a PowerPoint presentation entitled "Arizona State Personnel Board" (Attachment G). Mr. Tolliver answered questions posed by the Committee.

Public Testimony

No public testimony took place.

Discussion and Recommendations

Senator Rogers moved that the Senate Government Committee of Reference make the recommendation to continue the State Personnel Board for 2 years until July 1, 2026. The motion CARRIED with a roll call vote of 6-0-2 (Attachment 5).

Senators Mendez and Sundareshan explained their vote.

SUNSET REVIEW OF THE ARIZONA COMMERCE AUTHORITY

Presentation by the Arizona Office of the Auditor General

Monette Kiepke, Performance Audit Manager, Office of the Auditor General, distributed and explained a PowerPoint presentation entitled "Arizona Commerce Authority, Performance Audit and Sunset Review" (Attachment H) and explained the findings from the Auditor General's Sunset Review. Ms. Kiepke answered questions posed by the Committee.

Response by the Arizona Commerce Authority

Sandra Watson, President and CEO, Arizona Commerce Authority (ACA), distributed and explained a PowerPoint presentation entitled "Arizona Commerce Authority, An Overview" (Attachment I) as well as a handout entitled "Update on ACA Actions In Response to September 2023 Performance Audit" (Attachment J). Ms. Watson played a video on the ACA's role in bringing Lucid Motors to Arizona. Ms. Watson answered questions posed by the Committee.

RECESS

At 12:15 p.m. the Chairman recessed the meeting to the sound of the gavel.

RECONVENE

At 3:33 p.m. the Chairman called the meeting to order.

Response by the Arizona Commerce Authority (continued)

Ms. Watson answered additional questions posed by the Committee.

Public Testimony

Greg Blackie, Arizona Free Enterprise Club, testified against the continuation of the Arizona Commerce Authority.

Discussion and Recommendations

Senator Rogers moved that the Senate Government Committee of Reference make the recommendation to revise or consolidate the Arizona Commerce Authority. The motion CARRIED with a roll call vote of 4-3-1 (Attachment 6).

Senators Sundareshan, Mendez, Wadsack, Shamp, Rogers and Hoffman explained their vote.

SUNSET REVIEW OF THE INDUSTRIAL COMMISSION OF ARIZONA

SUNSET REVIEW OF THE BOILER ADVISORY BOARD

SUNSET REVIEW OF THE OCCUPATIONAL SAFETY AND HEALTH ADVISORY COMMITTEE

SUNSET REVIEW OF THE OCCUPATIONAL SAFETY AND HEALTH REVIEW BOARD

Presentation by the Industrial Commission of Arizona

Gaetano Testini, Executive Deputy Director, Industrial Commission of Arizona, distributed and explained a PowerPoint presentation entitled "Industrial Commission of Arizona" (Attachment K) and explained the function and purpose of the Industrial

Commission of Arizona, the Occupational Safety and Health Advisory Committee, the Boiler Advisory Board, and the Occupational Safety and Health Review Board. Mr. Testini also distributed a booklet entitled "The Industrial Commission of Arizona and Related Advisory/Review Boards, Review of Sunset Factors, 2023" (Attachment L). Mr. Testini answered questions posed by the Committee.

Public Testimony

No public testimony took place.

Discussion and Recommendations

Senator Rogers moved that the Senate Government Committee of Reference make the recommendation to continue the Industrial Commission of Arizona, the Boiler Advisory Board, the Occupational Safety and Health Advisory Committee and the Occupational Safety and Health Review Board for 2 years until July 1, 2026.

Senator Hoffman offered comments.

The motion CARRIED with a roll call vote of 7-0-1 (Attachment 7).

Senators Mendez, Shamp, Sundareshan and Rogers explained their vote.

SUNSET REVIEW OF THE ARIZONA DEPARTMENT OF ADMINISTRATION

Presentation by the Arizona Office of the Auditor General

Miguel Caro Mateus, Performance Audit Manager, Office of the Auditor General, distributed and explained a PowerPoint presentation entitled "Arizona Department of Administration, Performance Audit and Sunset Review" (Attachment M) and explained the findings from the Auditor General's Sunset Review. Mr. Caro Mateus answered questions posed by the Committee.

Response by the Arizona Department of Administration

Elizabeth Alvarado Thorson, Executive Deputy Director, Arizona Department of Administration, distributed and explained a PowerPoint presentation entitled "Arizona Department of Administration, Sunset Hearing Presentation" (Attachment N) and explained the purpose and function of the Arizona Department of Administration.

Public Testimony

No public testimony took place.

Discussion and Recommendations

Senator Rogers moved that the Senate Government Committee of Reference make the recommendation to continue the Arizona Department of Administration for 2 years until July 1, 2026. The motion CARRIED with a roll call vote of 7-0-1 (Attachment 8).

Senators Farnsworth, Mendez, Champ, Sundareshan, Rogers and Hoffman explained their vote.

Attached is a list noting the individuals who registered their position on the agenda items (Attachment O).

Attached are forms noting the individuals who submitted a speaker slip on the agenda items (Attachment P).

There being no further business, the meeting was adjourned at 5:19 p.m.

Respectfully submitted,

Jackson Cooper
Committee Secretary

(Audio recordings and attachments are on file in the Secretary of the Senate's Office/Resource Center, Room 115. Audio archives are available at <http://www.azleg.gov>)



Arizona Department of Administration Performance Audit and Sunset Review

Presenter: Miguel Caro Mateus

Date: January 17, 2024



Presentation overview



- Background information
- Problems identified
- Why the problems matter
- What led to the problems
- Key recommendations
- Information from Department's sunset review

Arizona Department of Administration



- Established in 1973
- Centralized administrative services to State agencies
- Elizabeth Alvarado-Thorson serves as executive deputy director
- Auditor General conducted 2015 sunset review

Department's key statutory responsibilities



- State Personnel System
- State employees'/retirees' health insurance and benefits
- State accounting system
- IT services
- State-owned properties and buildings
- Public school districts' facilities
- State-wide risk management services
- State's central procurement authority



Arizona Strategic Enterprise Technology Office (ASET)

Oversight of State agency IT projects

July 2023

ASET's responsibilities



- Approving projects or recommending approval to Information Technology Authorization Committee (ITAC)
- Project monitoring through status reports and periodic review
- Suspending projects at risk of failing
- Requiring third-party reviews of projects over \$5 million

Problem identified



ASET provided insufficient project oversight, decreasing its ability to identify projects at risk of failing and hindering critical State agency functions related to protecting children, the public, and citizens' sensitive information

ASET provided insufficient oversight in multiple areas



Of 20 IT projects reviewed, ASET:

- Did not consistently receive or document reviewing status reports for 15 projects
- Did not corroborate agency expenditures for 18 projects, or consistently receive expenditure information

ASET provided insufficient oversight in multiple areas (continued)



Of 20 IT projects reviewed, ASET:

- Closed 7 projects with unresolved issues and risks
- Had not taken action to suspend IT projects
- Did not evaluate whether any projects met intended outcomes

Why this matters



- ASET's ability to assess IT project success is limited
- IT projects with unresolved issues can hinder critical agency functions related to protecting children, the public, and citizens' sensitive information

Project implementation issues hindered critical agency functions



- Child welfare management information system: incorrect payments to providers/adoptive parents, noncompliance with federal requirements, functionality limitations
- Public safety information dissemination to law enforcement: system delays and long-term functionality risks
- Security controls project to protect citizens' personal, health, and financial information: not completed and had outstanding technical issues

What led to these problems



- ASET had not implemented oversight mechanisms for reviewing and documenting project information
- ASET had not developed key mechanisms to hold State agencies accountable, such as:
 - Expectations for status reporting
 - Processes to corroborate expenditures
 - Processes for taking action when projects are at risk of failing to meet intended results

Key recommendations



- Develop and/or revise and implement rules, policies, procedures, and standards outlining project status reporting expectations
- Develop processes for:
 - Corroborating project expenditure data
 - Assessing and addressing project failure risks

IT projects over \$5 million require third-party reviews

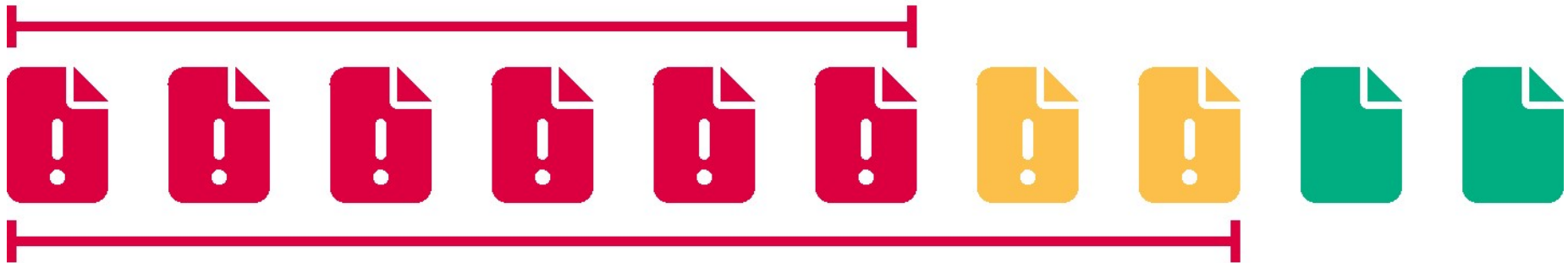


- ASET must require agencies to contract for independent reviews before recommending projects to ITAC
- Third-party reviews:
 - Guide the technology approach, scope, estimated cost, completion timeline, and project feasibility
 - Provide insight into project risks and the overall feasibility of IT projects

Problems identified



Did not ensure agencies contracted for third-party review before recommendation to ITAC



Did not obtain/could not demonstrate it obtained initial results of third-party review before recommendation to ITAC

Why this matters



Lack of third-party reviews:

- Limits key information related to project concerns and risks for ASET and ITAC to consider and address
- Jeopardizes project success

What led to these problems



- Lack of policies and standards to hold agencies and ASET staff accountable for ensuring agencies contract for and obtain independent third-party reviews prior to making recommendations to ITAC
- ASET does not believe that statute requires it to obtain the initial independent third-party review results before making recommendations to ITAC

Key recommendations



- Develop policies and procedures that outline steps to contract for independent third-party reviews of IT projects exceeding \$5 million
- Work with ITAC to develop a process for requiring agencies provide ASET and ITAC with the results of third-party reviews



Arizona Department of Administration

Sunset Review
September 2023

Department has taken steps to meet its responsibilities



- Established processes to reduce property, liability, and workers compensation claims losses
- Took steps to help increase Special Employee Health Insurance Trust Fund (HITF) revenues and reduce HITF expenditures
- Developed remote work policies for employee productivity

Department has taken steps to meet its responsibilities (continued)



Made progress toward meeting several of its space reallocation goals, including:

- Selling and demolishing buildings to eliminate deferred maintenance liability
- Reducing private sector lease expenditures

Areas where Department can better meet responsibilities or improve efficiency

Department:

- Had not established processes to periodically review and adjust financial service fees
- Lacked agreements for IT services it provided to some State agencies
- Did not comply with some open meeting law requirements

Division of School Facilities recommendations



Arizona School Facilities Board responsibilities transferred to Department in 2021

- 35 recommendations from our 2017, 2019, and 2021 audits had not yet been implemented
- Recommendations aimed at ensuring student and staff health and safety and efficient use of State monies

Key recommendations



Develop and implement:

- Policies and procedures for reviewing/updating fees
- Open meeting law policies and procedures
- A plan to address the 35 outstanding recommendations from prior Arizona School Facilities Board audits



Arizona Department of Administration

Presenter: Miguel Caro Mateus

Date: January 17, 2024





Sunset Hearing Presentation



WHAT WE DO:

- Technology
- Accounting
- Benefits
- Facilities Operations, Maintenance, & Construction
- Human Resources
- Procurement
- Risk Management
- School Facilities

Arizona Strategic Enterprise Technology (ASET)

Business One Stop:



4,200

Approximate number of new applications submitted through the platform

93.5%

Completion rate of applications started in the same day

1 HOUR
OR LESS

Time to complete most same-day applications

90%

LLC/PLLC

68%

TRADE NAME

64%

TAX LICENSE

Approval Rate for most frequently filed applications

Arizona Strategic Enterprise Technology (ASET)

911 Program:



56 OF **81** PSAPs migrated to statewide NG 911 solution

Arizona Strategic Enterprise Technology (ASET)

Leveraging the Cloud: Cloud-First Initiative



90

On-Premise data centers closed

2,800+

Applications migrated to the cloud

\$10.8
MILLION

Recurring cost avoided annually

Risk Management Division

Claims:



2,303

Workers' Compensation
Claims in FY23

↓ 39%

Workers' Compensation
Claims frequency since FY21

1,788

Property
Claims in FY23

3,550

Liability
Claims in FY23

Risk Management Division

Intervention:



2,244 Employees

8,548 Safety Courses Completed

Human Resources Division

Job Postings:



5,960

Jobs Posted
in FY23

316K+

Job Application
processed in FY23

13

Hiring Events hosted for
Veterans Only

630+

Veterans Hired
in FY23

Division of Business and Finance

Transactions Processed:



27,090,048

Financial Transactions
Processed in AZ360

1,003,446

Payroll Transactions
Processed

12,616

Transactions Processed
for CSB Customers

General Services Division

Space Reduction:



745,700 Approximate square footage reduction for the state

\$10.1
MILLION Amount saved in annual rents to state agencies

General Services Division

Maintenance:



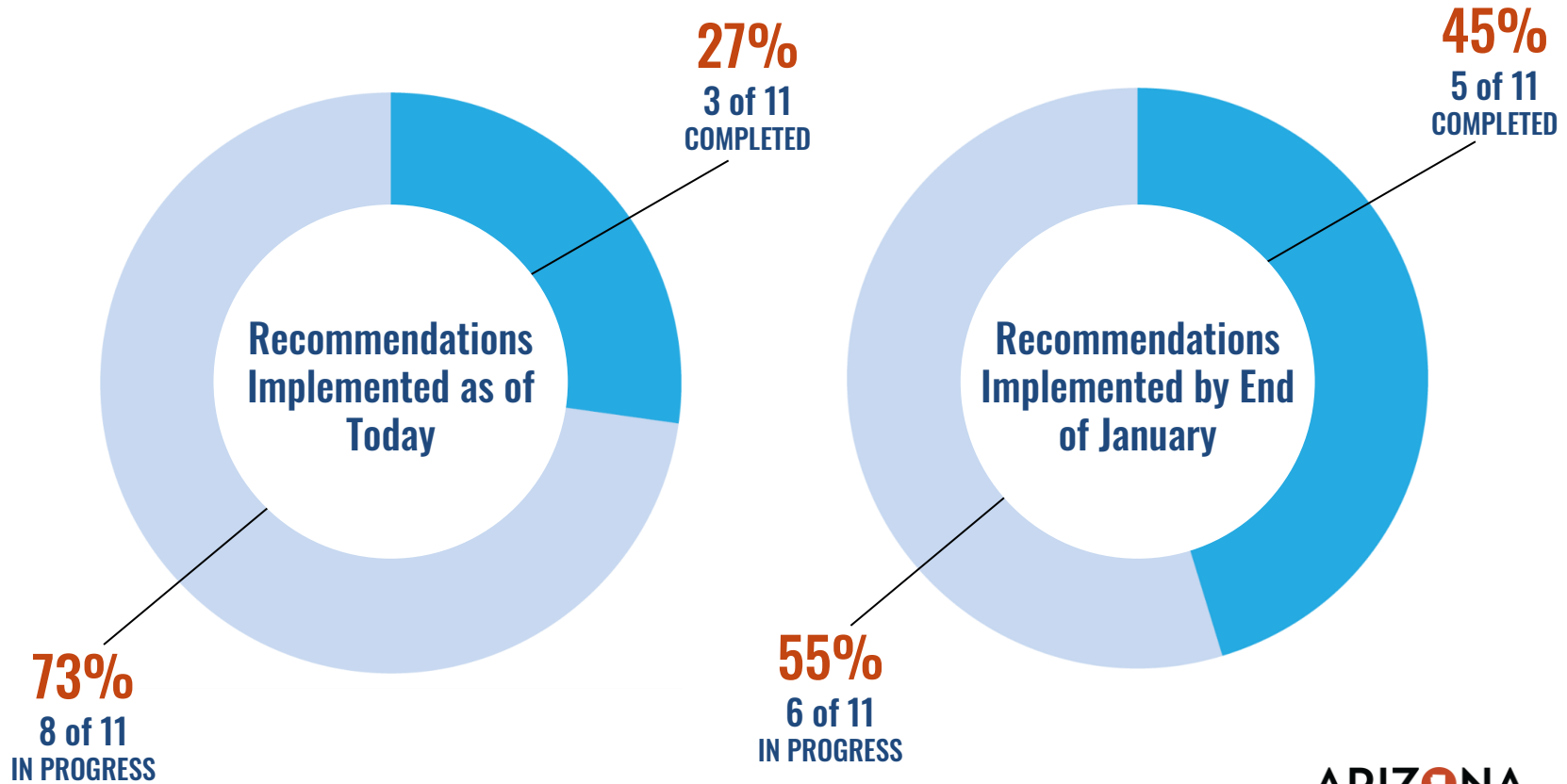
27,800

Maintenance work orders
and repair

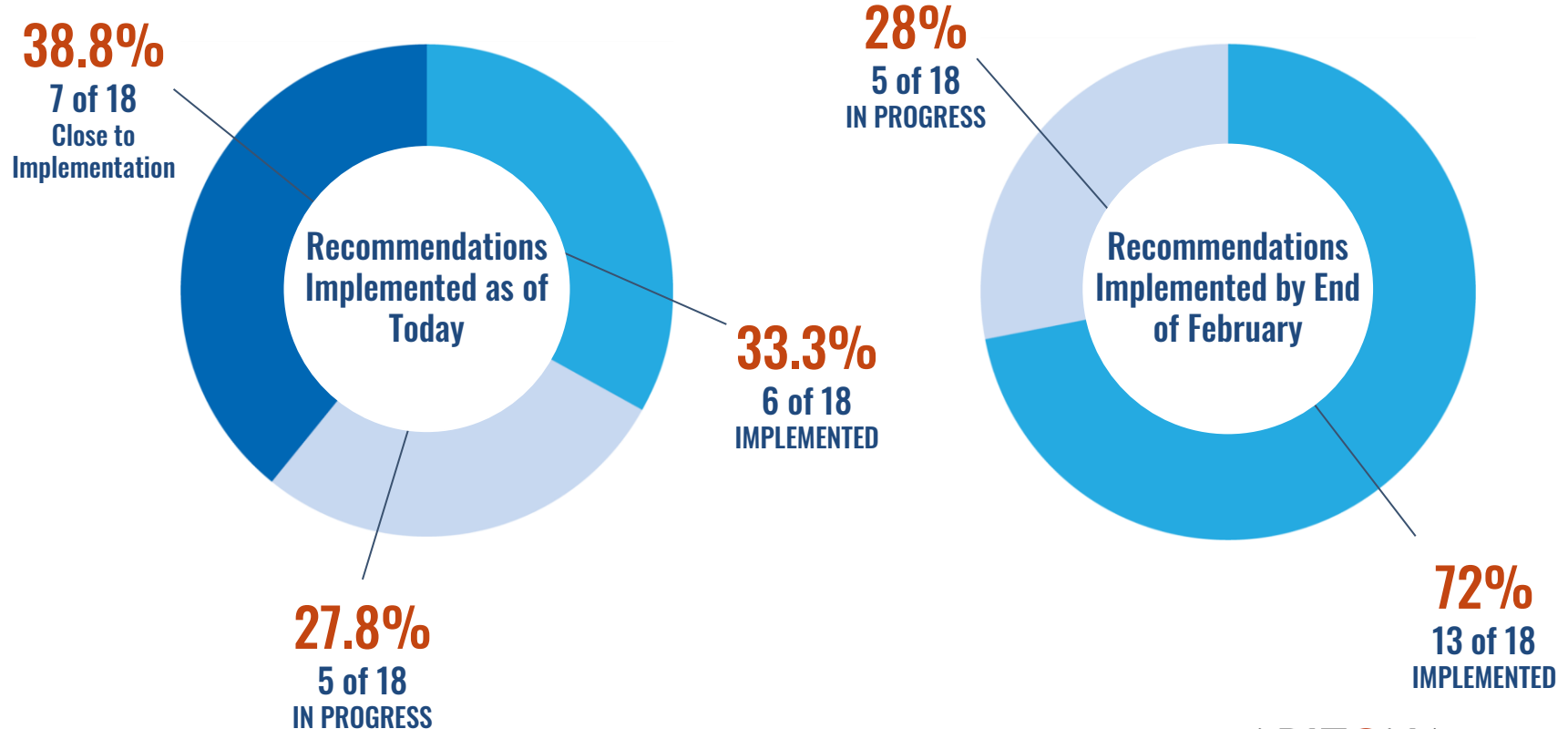
Auditor General's Key Findings

- ADOA had not established a process to periodically review and adjust its fees for financial services provided to other agencies through its Central Services Bureau (CSB) and 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.

Agency Wide Recommendations



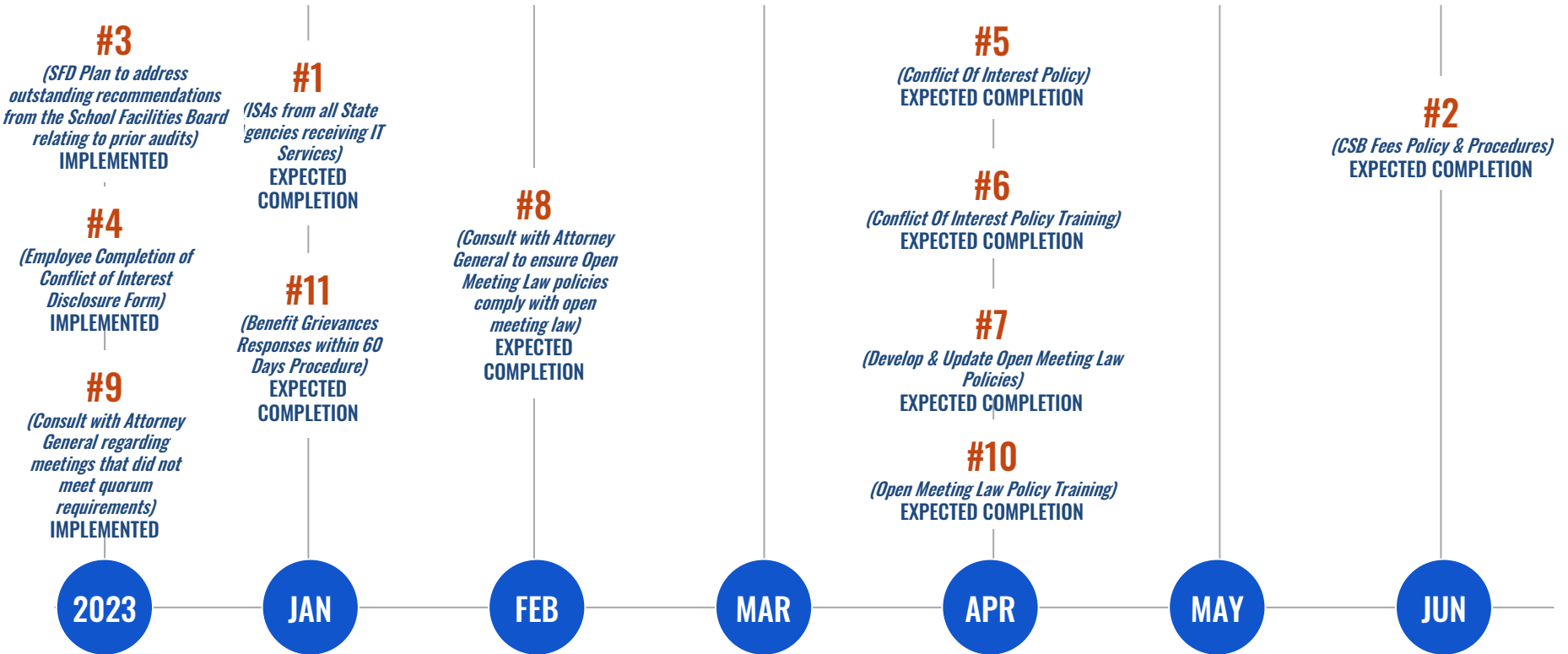
ASET Recommendations



ADOA's Progress Made on Recommendations to Date Include:

- **Collecting Interagency Service Agreements from state agencies for IT and CSB services**
- **Sent the Auditor General's Office the plan on remaining SFD recommendations**
- **All employees have completed conflict of interest forms**
- **Met with the Attorney General's Office regarding open meeting law**
- **Enhancing conflict of interest training for non-employees**

Sunset Review Response Milestones



QUESTIONS?





Arizona State Legislature

1700 West Washington

Phoenix, Arizona 85007

June 22, 2023

Director Elizabeth Alvarado-Thorson
Arizona Department of Administration
100 N 15th Ave, Ste 302
Phoenix, AZ 85007

Dear Director Elizabeth Alvarado-Thorson:

The sunset review process prescribed in Title 41, Chapter 27, Arizona Revised Statutes, provides a system for the Legislature to evaluate the need to continue the existence of state agencies. During the sunset review process, an agency is reviewed by legislative committees of reference (CORs). On completion of the sunset review, the CORs recommend to continue, revise, consolidate or terminate the agency.

The Joint Legislative Audit Committee (JLAC) has assigned the sunset review of the Arizona Department of Administration to CORs comprised of members of the Senate Government and the House of Representatives Government. JLAC has directed the Auditor General to conduct a performance audit of the Arizona Department of Administration.

Pursuant to A.R.S. § 41-2954, the COR is required to consider certain sunset factors in deciding whether to recommend continuance, modification or termination of an agency. In addition to the sunset factors, which are addressed in the Auditor General performance audit, please provide your agency's written response to the required factors as listed below:

1. The extent to which the agency potentially creates unexpected negative consequences that may require additional review by the COR, including increasing the price of goods, affecting the availability of services, limiting the abilities of individuals and businesses to operate efficiently and increasing the cost of government.
2. The extent to which the agency has addressed deficiencies in its enabling statutes.
3. The extent to which the agency has determined whether the Attorney General or any other agency in Arizona has the authority to prosecute or initiate actions.
4. The consequences of eliminating the agency or consolidating it with another agency.

Your response should be received by September 1, so that we may proceed with the sunset review and schedule the required public hearing. Please submit the requested information to:

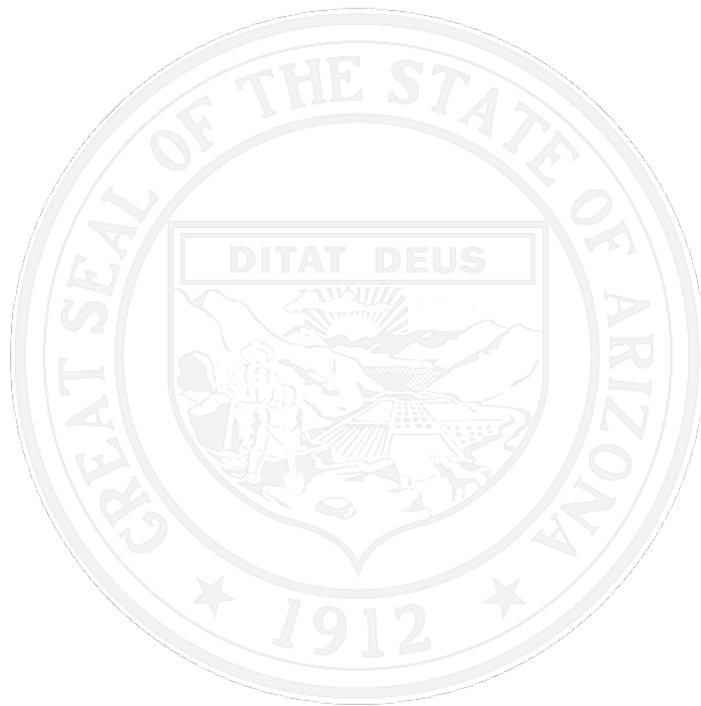
Anna Nguyen
Arizona State Senate
1700 West Washington
Phoenix, Arizona 85007

Thank you for your time and cooperation. If you have any questions, please feel free to contact me at (602) 926-3292 or Anna Nguyen, the Senate Government Research Analyst, at (602) 926-3171.

Sincerely,

Senator Jake Hoffman
Senate Government Committee, Chair

cc: Timothy M Dunn, House Government, Chair
Frank Komadina, House Government, Analyst



Katie Hobbs
Governor



**Elizabeth
Alvarado-Thorson**
Director

ARIZONA DEPARTMENT OF ADMINISTRATION

OFFICE OF THE DIRECTOR
100 NORTH FIFTEENTH AVENUE • SUITE 302
PHOENIX, ARIZONA 85007
(602) 542-1500

August 31, 2023

Anna Nguyen
Research Analyst, Senate Committee on Government
Arizona State Senate
1700 West Washington
Phoenix, Arizona 85007

Dear Anna Nguyen:

Please see our written responses to the list of additional Sunset Review Factors that were requested by Senator Hoffman in his June 22, 2023 letter.

Sincerely,

Elizabeth Alvarado-Thorson
Director

Attachment

cc:

The Honorable Jake Hoffman, Senate Committee on Government, Chair
The Honorable Timothy Dunn, House Committee on Government, Chair
Frank Komidina, House Committee on Government, Research Analyst

Pursuant to A.R.S. § 41-2954, the committee of reference is required to consider certain sunset factors in deciding whether to recommend continuance, modification or termination of an agency. In addition to the 12 sunset factors, which are addressed in the Auditor General performance audit, please find ADOA's written response to the required factors as listed below.

1. The extent to which the agency potentially creates unexpected negative consequences that may require additional review by the Committee of Reference, including increasing the price of goods, affecting the availability of services, limiting the abilities of individuals and businesses to operate efficiently and increasing the cost of government.

ADOA operates in support of state government agencies, boards and commissions with few public facing offices. ADOA divisions were unable to identify ways it creates unexpected negative consequences such as increasing the price of goods, affecting the availability of services, limiting the abilities of individuals and businesses to operate efficiently or increasing the cost of government. ADOA instead works to create operational efficiencies that promote fiscal responsibility.

Division of Business and Finance (DBF)

Unexpected negative consequences fitting the description provided that might require additional review by the committee of reference were not identified by DBF. Accounting practices and policies set by DBF, or reporting requirements of DBF, ensure proper and timely financial reporting. General oversight may be perceived as a burden on agencies, but are enforced consistently with the law to mitigate risk to the State and remain compliant with federal guidelines and requirements for funding. Reporting and oversight ensure state agencies are responsibly stewarding state funds, preventing waste and fraud, and decreasing the cost of government.

General Services Division (GSD)

Unexpected negative consequences fitting the description provided that might require additional review by the committee of reference were not identified by GSD. The division optimizes the stewardship of the State's facilities and business operations through efficient execution and oversight of planning, construction, maintenance, procurement and materials management. None of these actions increase the price of goods, negatively affect the availability of services, or limit the abilities of individuals and businesses to operate efficiently.

Human Resources Division (HRD)

Unexpected negative consequences fitting the description provided that might require additional review by the committee of reference were not identified by HRD. Human Resources supports the statewide operations through its statutory responsibility to administer the State Personnel System (SPS). HRD maintains and enhances the SPS infrastructure including the State's payroll/personnel system (HRIS), the centralized job board (azstatejobs.gov), the hiring system (Talent Acquisition), and the State's centralized employee self-service website (YES). HRD also maintains the classification and compensation system, and the Personnel Rules and policies that govern SPS agencies and employees. HRD provides agencies support and services for

employee relations, staffing and recruitment, core training for employee development, employee recognition, workforce planning and analysis, and operational support.

Arizona Strategic Enterprise Technology (ASET)

Unexpected negative consequences fitting the description provided that might require additional review by the committee of reference were not identified by ASET. ASET provides direct services to agencies to meet their information technology needs and at statewide level price points that would otherwise require each customer agency to procure and/or manage these services. Many of the agencies lack the expertise to manage the services themselves and would increase overall state expenditures if each agency had to individually acquire the services. Additionally, ASET is responsible for Information Technology project oversight which is in place, in part, to ensure agencies are responsible stewards of state funds in acquiring or developing technology. The number of IT projects which ASET reviews and provides oversight on behalf of agencies has grown from 46 in 2019 to 136 in 2023.

Risk Management Division (RMD)

Unexpected negative consequences fitting the description provided that might require additional review by the committee of reference were not identified by RMD. Risk Management's establishment provided comprehensive property, liability, worker's compensation and loss prevention programs, minimizing the impact of the State's human, physical and financial damages. RMD achieves this by identifying, evaluating, controlling, and mitigating exposures to loss; and by managing post-loss claims. When necessary, RMD also requires contractual indemnification and insurance provisions in state contracts that protects the state from negligence caused by state contractors.

Governor's Regulatory Review Council (GRRC)

Unexpected negative consequences fitting the description provided that might require additional review by the committee of reference were not identified by GRRC. On the contrary, its mission and enabling statutes require that new and existing regulations do not unnecessarily limit the abilities of individuals to operate efficiently and unnecessarily increase the cost of government. GRRC reviews Arizona regulations to ensure that they are necessary and to avoid duplication and adverse impact on the public. GRRC also assesses whether Arizona regulations are beneficial, clear, consistent with legislative intent, legal, and within the agency's statutory authority. GRRC assesses whether probable benefits of an Arizona regulation outweighs the probable costs of the regulation, and the regulation imposes the least burden and costs to persons regulated by it. If an Arizona regulation does not meet these criteria, GRRC may deny or return it to the agency for further consideration. GRRC also reviews reports prepared by agencies, regularly revisit existing Arizona regulations to ensure they are up-to-date, enforced as written, are the least burdensome necessary to achieve their regulatory objective, and the benefits of the rules outweigh the costs. Finally, in the event a stakeholder or member of the public believes the rules limit the abilities of individuals and businesses to operate efficiently, they may petition GRRC to review those rules and GRRC may modify, revise, or declare the rules void if it finds the rules are not specifically authorized by statute, exceed the agency's

statutory authority, are unduly burdensome, or are not demonstrated to be necessary to specifically fulfill a public health, safety or welfare concern.

State Procurement Office (SPO)

Unexpected negative consequences fitting the description provided that might require additional review by the committee of reference were not identified by SPO. To the contrary, SPO positively impacts vendors and businesses doing business through state procurements by engaging with the supplier community and committing to continually improving procurement practices. To ensure the best interests of the State are served by providing ample competition, SPO invites vendors to stakeholder meetings to assess the best path forward in a given area. SPO also engages in market research to bring in as many suppliers as possible to compete for state business. SPO's main procurement functions are available online in its eProcurement System, often using this system to directly reach suppliers whenever new opportunities for doing business with the State arise. Through targeted supplier engagement, SPO decreases the cost of goods and services for state agencies, boards and commissions, by increasing competition to drive down the pricing for state agencies. SPO also constantly searches for efficiencies in supply chains to ensure that costs aren't passed onto the state.

SPO's Cooperative Program also decreases the cost of government, both for state agencies and local governments statewide. In the last year SPO has hosted events in Verde Valley, Lake Havasu, and Prescott ensuring accessibility to the Cooperative program in rural municipalities. The Cooperative Program reaches over 1,000 entities nationally, across 26 States, so state suppliers have an incentive to offer better pricing to reach a broader group of potential buyers. There's also better competition for state solicitations, which drives down prices. Most of the Cooperative Program's members are in Arizona (all 15 counties and over 900 other entities), Arizona counties, 85% of municipalities, and school districts statewide have access to these same contracts. Through the Co-Op, local governments do not expend additional time, resources, and personnel running procurements from scratch, because they can simply purchase from the existing SPO cooperative contract.

School Facilities Division (SFD)

Unexpected negative consequences fitting the description provided that might require additional review by the committee of reference were not identified by the School Facilities Division. The School Facilities Division ensures access across the state to services from the BRG program, demonstrated by 54% of the 1,385 BRG grants in the last fiscal year awarded to schools outside of Maricopa and Pima county.

Benefits Services Division (BSD)

Unexpected negative consequences fitting the description provided that might require additional review by the committee of reference were not identified by BSD. The Division works intently with other divisions to achieve cost savings in procurement, demonstrated by the RFP that was awarded to new Life and Disability vendors. The new contract is projected to save the state \$21 million in a 5 year span. Similarly the new pharmacy benefit manager contract saved the state \$60 million in its first year, and is expected to continue doing so in future years.

2. The extent to which the agency has addressed deficiencies in its enabling statutes.

ADOA led several initiatives over the years to streamline government services, and save additional dollars for the state. These changes netted positive impacts for agencies, employees, and citizens of the state.

In 2016, ADOA requested SB 1056 which successfully passed, eliminating the requirement for state agencies to purchase or print on recycled paper with an emblem designating it as recycled. Additionally, SB 1056 eliminated a report requiring state agencies to track how much recycled paper they used each year.

In 2017, ADOA led on two bills aimed at reducing the cost of government, and cleaning up state statute. SB 1137 created fees for paper payments to the state. Paper payments take significantly more time and resources to process, than other forms of payment. This change saved tax dollars by incentivizing less costly ways of doing business with the state. SB 1164 cleaned up procurement language as ADOA aligned functions as a result of being given the responsibility of overseeing the State Energy Office. It also included other small changes to ensure efficiencies which included no longer accepting cashiers' checks which are more costly to the state than electronic processing, saving taxpayer dollars.

In 2022, ADOA spearheaded multiple bills aimed at reducing the cost of government, and updating statute. SB 1261 updated the list of buildings and facilities that ADOA is obligated to maintain. SB 2058 created the Cyber Risk Insurance Fund which allowed Risk Management to obtain insurance to protect the state in the event of a catastrophic cyber breach. Prior to this several individual agencies were obtaining insurance at a collectively higher cost to the state than what could be achieved through one plan. It also meant that some agencies were missing out on certain needed protections and coverage. HB 2081 updated outdated Risk Management statutes, creating more efficiencies in the process and workflow of the Risk Management Division. SB 1598 transferred the ADOA Security team out of ADOA ASET into the Department of Homeland Security. ADOA's goal as an agency is to streamline services for the rest of the state, while Homeland Security has the additional responsibility of not just providing services to the state government, but also to the rest of Arizona's municipality governments. This move was a logical step as the Security team's objectives are aligned better with the Department of Homeland Security.

3. The extent to which the agency has determined whether the Attorney General or any other agency in Arizona has the authority to prosecute or initiate actions.

In accordance with A.R.S. § 41-192(A), the Attorney General serves as chief legal officer of the state and is the legal advisor of the departments of this state and provides such legal services as ADOA requires. Where the Attorney General has a conflict or inability to represent ADOA, ADOA utilizes the support of outside counsel appointed through the Attorney General's office. Additionally, ADOA has a General Counsel and an Associate General Counsel that advise the Director.

Except where specified below, neither the Attorney General nor any other applicable agency of state government has the authority to prosecute actions under ADOA's enabling statute. Furthermore, except where specified below, the nature of ADOA's general objectives and purposes does not require any such prosecution.

BSD: Benefits uses outside counsel appointed by the Attorney General's office for specialized legal topics concerning federal health insurance law (HIPAA, Affordable Care Act).

GRRC: GRRC uses the Attorney General's office for legal advice relating to matters under the Open Meeting Law, conflicts of interest, the interpretation of the Administrative Procedure Act, and the interpretation of GRRC's and the Secretary of State's rules in the Arizona Administrative Code. If GRRC were ever involved in civil litigation, absent a conflict of interest, the Attorney General's office would represent GRRC, however, GRRC does have the authority to hire outside legal counsel to represent it.

There is no provision in GRRC's enabling legislation or statutes that requires the prosecution of actions.

GSD:

GSD is required to use the Attorney General's Office for assistance with Construction Contracts (A.R.S. § 41-791.01), Lease-purchase agreements for real property and improvements which include Certificates of Participation (COP) or debt service financing (A.R.S. § 41-791.02.B.3.) GSD is also required to use the Attorney General's Office for Intergovernmental Agreements (A.R.S. § 11-952.D.)

RMD:

The Attorney General has authority to represent Risk Management in specific scenarios. This includes legal services in defense of claims arising out of A.R.S. 41-621. RMD also has the duty to pay for services pursuant to A.R.S. § 41-621(M) and 41-622. The referenced statutes provide adequate authority for the Attorney General to defend actions against the State, and prosecute actions to recover damages against other parties that may be at fault.

SFD:

The SFD uses the Attorney General's office for legal advice relating to matters under the Open Meeting Law, conflicts of interest, the interpretation of the Administrative Procedure Act, and the interpretation of the SFD rules in the Arizona Administrative Code. Absent a conflict of interest, the Attorney General's office represents SFD in administrative and judicial proceedings.

SPO:

There are several statutes which authorize the Attorney General's office to be involved in actions under the Arizona Procurement Code (A.R.S. §§ 41-2501 et seq., and A.A.C. R2-7-101 et seq.) Pursuant to A.R.S. § 41-2549, notice is to be provided to the Attorney General's office "if for any reason collusion or other anticompetitive practices are suspected among any bidders or offerors." Any violation of the Arizona Procurement Code may be enforced by the Attorney

General's office under A.R.S. § 41-2616(D). No other agency has authority to prosecute actions under the Procurement Code. SPO also has a Deputy Assistant Director for Compliance who acts as Procurement Counsel, as needed.

4. The consequences of eliminating the agency or consolidating it with another agency.

The Arizona Department of Administration operates and manages numerous individual business lines on behalf of the state. While each division serves a unique function, collaboration between these divisions has resulted in efficiencies, tax dollars saved, and improved services for Arizonans. ADOA achieves these outcomes through daily interdivision partnerships, benefiting agencies throughout the state's operations with its shared services model, and in some cases even aiding municipal governments. The agency provides common services which not only capture economies of scale and reduce unnecessary duplication, but also allow other state government agencies and their employees to focus their resources and efforts on their specific missions. By conducting shared government services (HR, Benefits, IT, Procurement etc.) through the Department of Administration, tax dollars are saved, and employee time is maximized.

If ADOA were eliminated, either of two things would necessarily occur: 1) each agency would need to establish, recruit for, train and implement the common services that ADOA currently provides, or 2) since no other entity has ADOA's scope of powers and duties, another agency or agencies would need to be created to fulfill the basic requirements in law fulfilling the programs managed under the authority of ADOA. Eliminating ADOA would push necessary government functions, such as Procurement, Information Technology, Human Resources, Accounting etc. onto each individual state agency. This would lead to duplication of efforts, require additional dollars for staff, along with the essential resources those staff need to complete their duties. Risk is also heightened by the lack of qualified oversight that could expose the state to potential liabilities.

Consolidating ADOA with another government agency would not be in the best interest of either department since ADOA's primary objective is to serve state agencies as a whole while those agencies' primarily function to serve the individual needs of the public. Consolidation of divisions into another agency would disrupt the current flow of how these divisions collaborate to achieve their objectives. ADOA's structure fosters organic communication, partnership, and streamlined decision making for the betterment of the state. Divisions at ADOA are dependent on each other to meet project goals, innovate outdated processes, and solve problems facing the state.

DBE

If the Division of Business and Finance were eliminated, the functions of the office would still need to be performed in accordance with state and federal laws. A centralized accounting group is needed in order to complete required reports such as the Single Audit, the State's Annual Comprehensive Report, and Annual Financial Report. These reports are critical to the state's interests by allowing the state to receive its share of federal funding, establish the state's credit

rating, and are used to forecast the state's budget. Further, the State cannot function without essential accounting and payroll functions. Eliminating the centralized administration of these functions would dramatically increase the costs of these activities through redundant and inefficient systems and operations. The office also completes the important role of ensuring that all appropriations are made in accordance with the budget and feed bills, which would also need to be completed elsewhere.

Without DBF, statewide reporting would become extremely difficult, costly, and ineffective. ADOA is not aware of any benefits that would be derived from consolidating DBF with another agency since it is heavily intertwined with other divisions at ADOA such as procurement, ASET and HR. For example, the DBF's payroll team works closely with HR to ensure that policies are uniform statewide. Currently, these teams are transitioning to a Statewide Resource Planning system. This means that Benefits, HR and Payroll will all operate on the same platform for state employees, creating an additional necessity for these offices to be in close communication with each other.

DBF also works closely with GSD to establish their program budgets. In Arizona and around the country, Risk Management, DBF and Procurement rely heavily on each other to deliver government services in an efficient manner. SPO and DBF possess integrated systems that allow state agencies to access state contracts via the eProcurement System, paying in a manner consistent with DBF requirements in the Arizona Financial Information System. Ultimately this increases efficiency and audit compliance for both procurement and accounting audits. DBF splitting off from ADOA would cause significant increase in costs, and slow down business processes that have been established between these divisions.

GSD

GSD was established to centralize public building and property functions, including maintenance, statewide capital outlay planning and capital construction. GSD consolidates various building and maintenance operations, which reduces costs, improves executive and legislative oversight, provides budgetary transparency and increases operational efficiency. The division provides a centralized location for information which decision makers can use with respect to facilities costs, building inventories, and other functions housed within the division. Eliminating the division would re-create the specific situations and problems the division was established to eliminate.

Without GSD, there would be no centralized building management leaving building tenants little leverage or dedicated employees to consistently maintain State-owned buildings, including utilities, routine maintenance, grounds services, operating supplies, janitorial services, contract management staff salaries and building renewal. Moreover, the task of managing the Capital Planning process would fall by default on the budget offices.

Termination of the agency and critical GSD functions could also significantly impact the public's health, safety, or welfare. For example, when it comes to facilities planning and construction the State of Arizona is exempt from the local building codes (it is not exempt from fire code),

including zoning, pursuant to A.R.S. § 34-461. As that is the case, local jurisdictions do not perform plan reviews or inspections of the State's construction activities. GSD performs those functions pursuant to A.R.S. § 41-791.01, as the State's jurisdictional authority for plan reviews and inspections of construction projects to ensure public health, safety, and welfare.

ADOA is also responsible for security in its facilities pursuant to A.R.S. § 41-791. GSD administers State agency badge access to certain facilities, including the Governor's Office and other elected official's offices. GSD provides security guards, through contracted services, to its managed facilities. Termination of ADOA to perform either of these functions would negatively affect public health, safety, and welfare of state agencies and the public.

Having a centralized agency for state facilities provides several impactful fiscal benefits to the state. Through the Surplus Property Program established in statute, items that completed their intended procured objectives for the state can be sold. More than \$1.9 million was returned to the General Fund in FY21. Additionally, GSD strategizes statewide property usage. ADOA's Compression Plan is a multi-year plan and collaboration with several state agencies prioritizing the backfill of larger and better-maintained assets. More importantly it is eliminating inefficient, underutilized, and decrepit facilities through sales, renovations, and demolitions. Overarching goals for the program are to reduce the state's physical footprint, reduce deferred maintenance, create hoteling & collaborative workspace opportunities, and sustain the Capital Outlay Stabilization Fund (COSF). Through this planning the General Services Division has achieved \$10.1 million savings in reduced rental obligations for agencies in FY23 and into subsequent FY's to the extent agencies do not expand their footprints.

HRD

Elimination of ADOA would result in the loss of a centralized human resources division (HRD) that supports the statewide operation through its statutory responsibility to administer the State Personnel System (SPS). HRD maintains and enhances the SPS infrastructure including the State's payroll/personnel system (HRIS), the centralized job board (azstatejobs.gov), the hiring system (Talent Acquisition), and the State's centralized employee self-service website (YES). HRD also maintains the classification and compensation system, and the Personnel Rules and policies that govern SPS agencies and employees. HRD provides agencies support and services for employee relations, staffing and recruitment, core training for employee development, employee recognition, workforce planning and analysis, and operational support.

Consolidation of the division within another agency would not be useful since HRD works directly with other divisions at ADOA to provide services to state agencies. Moreover, decentralization of HRD functions and a return of these functions to the individual state agencies would introduce an undesirable and unacceptably high degree of risk and potential cost and liability. The HRD team within ADOA ensures all people-related systems, processes and functions throughout the SPS are administered fairly and consistently, including such areas as employee relations and employee discipline, where inconsistent application of law, rule and policy could result in inequities and potential costly, reputationally damaging legal liabilities for the State. Indeed, many of the larger and mid-sized SPS agencies maintain agency staff who

perform human resource functions in consultation with the central HRD. HRD created and maintains a Human Resources Academy to ensure consistent, standard knowledge and skills exist for core HR competencies statewide.

ASET

If ASET were eliminated there would be no single agency focused on statewide IT strategy, IT policies, or IT standards. There would be no agency to establish statewide standards to provide efficiencies and economies of scale. In addition, each agency would be required to develop and use redundant systems and processes that could be inconsistently adopted, increasing risk and costs to the State, thereby impacting agency business needs. Additionally, this would cause severe inefficiencies for agency IT working on inter-agency approaches. Lastly, there would be no agency to deliver centralized, statewide IT services to other agencies and be empowered by statute to recover for those services, or to coordinate them in times of crisis.

Without ASET statutory responsibilities would need to be transferred including the state's 9-1-1 program, School Transparency Portal, Agency Web Portal Program, and Business One Stop. Currently ASET ensures Public Safety Answering Points (PSAPS) across the state are funded and equipped with modern technology. This responsibility would need to be transferred to another state agency along with dollars for staff to manage it.

ASET did not identify any advantages of being merged with another agency as their work is interconnected and aligned with ADOA's shared services approach and mission. Procurement plays a significant role in the way IT is executed statewide. The close proximity facilitates stronger collaboration between ASET and SPO, ultimately benefiting both the divisions and the state. SPO regularly updates its terms and conditions to reflect best practices in distinct areas of IT procurement. ASET also depends on DBF in their administration of Automation Projects Funding and assists HR in IT workforce retention and recruitment statewide.

It's important to note that consolidation in IT has occurred before when the Government Information Technology Agency (GITA) was merged with ADOA-ISD, forming ADOA-ASET in 2011.

RMD

There are numerous consequences to eliminating RMD and shifting its work back to state agencies. Without a centralized agency, state agencies would require an exorbitant amount of additional staff to deal with financial consequences of property, liability or workers' compensation claims. Additionally staff with specialized expertise would be required to address insurance claims, and purchase insurance on behalf of agencies. Disbanding Risk Management would increase insurance costs as well as cause higher deductibles due to the state no longer pooling its agencies together to spread risk. This would ultimately result in higher costs to the state since it is necessary for agencies to have insurance and the current model of consolidation saves taxpayer dollars. Additionally Risk Management is able to effectively determine what is in the best interest of the state whereas the agency itself may be more concerned with the best interest of the agency. This becomes significant when an agency may not understand the

unintended consequences for the state when acting in its own best interest. RMD provides neutral advising and representation to protect state tax dollars, ultimately creating more favorable outcomes for the state overall. Having a centralized Risk Management team means they can focus on risk-reduction and remediation in a way that benefits the state.

Risk does not foresee any advantages by being merged with another agency. Risk works closely with different parts of the agency to provide strong services statewide. One example is how RMD works closely with SPO, ensuring contracts that are signed do not include indemnifications that could cause harm to the state.

SPO

The consequence of consolidating SPO into another agency would mean the loss of a centralized unit of government that would address interest of statewide importance and focus, and then loss of a central place for customers and the public to go to find out information on statewide procurement activities. SPO manages the ArizonaProcurement Portal which makes it easy and fast for vendors to bid on contracts being awarded by state agencies. SPO also works closely with ASET and Risk to ensure that large IT contracts and insurance programs bring the best value for the state. SPO also utilizes the Statewide Communications office at ADOA to ensure that important communications are being sent to state agencies.

SPO also created an effective procurement system in which 85% of municipalities, and 100% of counties, utilize the State's contracts for at least some of their procurement needs through SPO's Cooperative Program. Over the last five years, SPO has worked to grow the breadth and quality of its Cooperative Program to help cut down the cost of procurement for governments across the State.

SFD

If the SFD were eliminated, the functions of the office would still need to be performed in accordance with state statute. School districts would face enormous costs in deferred maintenance that could jeopardize the health and safety of students if they were unable to afford the rise in costs while a replacement division was determined. In the next year 151 out of 217, or 70% of all school districts are expected to need and apply for Building Renewal Grants, and 43 new schools or additional space projects would be stalled for districts causing growing student populations to remain in crowded classrooms.

SFD benefits from ADOA's current structure assisting the division achieve more effective services. Upon the legislature moving School Facilities to ADOA, the General Services Division brought SFD processes in alignment with the agency. Additionally GSD provides support to SFD by utilizing CAD, a software used for verifying square footage. GSD also provided expertise and assistance in 5 year inspections, improving the quality of the work that SFD performs. SFD has seen significant success since being moved to ADOA by the legislature in 2021. The transition to Salesforce, a project that ASET and other teams at ADOA assisted in acquiring, will make it far easier for school districts to access SFD's services. The General Accounting Office at DBF also assisted with this effort. This is especially critical for smaller school districts where staff

have a multitude of responsibilities. Other enhancements were made to help speed up projects, including allowing School Facilities Liaisons to approve projects, ensuring that issues in schools are addressed quickly. ADOA's remote work policies benefits the team, allowing the division to broaden the talent pool, and improving the ability to retain employees with valuable institutional knowledge. GRRRC also assisted in updating outdated administrative rules, and updating the Minimum Adequacy Guidelines.

BSD

If the Benefits Services Division were eliminated, the functions of the office would still need to be performed according to state, and federal law. Large employers are required by federal law to provide health insurance benefits to their employees. This system of employer provided health care is the foundation of health care policy in the U.S. The State has consolidated this activity in ADOA so that the State can achieve operational and financial efficiencies and to ensure that employees have consistent and attractive coverage for current and future workforce. This also applies for other optional benefits such as dental coverage, life insurance and short and long term disability insurance. The activity includes sharing important information on benefits' offerings, conducting audits and price negotiations with health insurance companies. One audit performed in 2022 helped the state recoup \$1.6 million from an individual carrier, highlighting the necessity of a centralized benefits office. Without a centralized office, state agencies could propose or implement policies that are both harmful to the employee, and jeopardize the state with complicated legal risks.

Benefits works directly with HR to share important information with employees and ensure the proper application of the benefits for employees experiencing health issues, and operates on the same platforms as DBF, displaying the need for close collaboration throughout the year. These partnerships enhance the products that Benefits delivers to the state workforce. There are no identified advantages for transferring BSD to another agency. BSD also works closely with Risk Management and Procurement to identify high-quality, low-cost health plans for the state.

Finally, while the coverages provided by Risk Management and BSD are different, the administration of those coverages requires actuarial expertise that informs budget and policy decisions. Locating those insurance functions in ADOA allows for a smaller staff with consolidated expertise.