

Arizona Supreme Court
Administrative Office of the Courts

FUNDING AGREEMENT

Fiscal Year 2026

This Agreement is entered into by and between the Arizona Supreme Court, Administrative Office of the Courts, ("AOC"), and the Veterans Court Program as signed below ("Grantee"). The purpose of this one-time funding is to support veterans' treatment court services to veterans who have substance use disorders or mental health conditions

1. **Term.** This Agreement becomes effective upon execution and shall remain in effect through June 30, 2026. This Agreement may be extended upon request from the Grantee.

2. **Modification and Termination.** This Agreement may be modified or terminated by the AOC if in its judgment such action is necessary due to: (a) lack of funding; (b) statutory changes in the program; (c) Grantee's failure to implement or operate the approved plan; (d) Grantee's non-compliance with this Agreement or other program requirements, or (e) other circumstances necessitating such action. Either party may terminate this Agreement upon thirty (30) days written notice to the other party by certified mail.

3. **Fund Accounting.** Funds distributed to Grantee shall be deposited in a Special Revenue Fund established for the execution of this Agreement. Any interest earned on these monies while in the possession of Grantee shall accrue to the fund for use by Grantee in accordance with its approved plan. Funds disbursed to Grantee for reimbursement of approved expenses do not have to be deposited into a Special Revenue account.

4. **Expenditures.**

a. **Distribution of Funds.** The AOC may retain all or any portion of the funds allocated to Grantee for the performance of its approved plan and may authorize direct expenditures for the benefit of Grantee. The specific amounts to be retained by the AOC for direct expenditures for the benefit of Grantee and to be disbursed to the Grantee are set forth in the Funding Plans to this Agreement. The AOC may periodically modify the distribution of funds based on its determination of Grantee's need for and usage of the funds.

b. **Reporting Requirements.** Grantee shall comply with all reporting and data requests required by the AOC. Grantee shall submit two reports, **one mid-year report with funds expended (due January 15th) and one upon expending all funds** Reports shall include a financial report.

c. **Inappropriate Expenditures.** Grantee shall expend funds only for the purposes and uses specified in the approved plan and budget. Grantee agrees to reimburse the AOC for any unauthorized or inappropriate expenditures which are not in compliance with the approved plan and budget and this Agreement. Funds shall not be used to pay county or city administrative costs for services associated with receipt of those funds including, but not limited to, the cost of:

accounting, payroll, data processing, purchasing, personnel, and building use. All equipment purchased solely with AOC funds shall be used solely for purposes in the approved plan unless written permission is received from the AOC.

e. **Budget Modifications.** Funds shall not be moved to or from any budget category without prior written approval from the AOC. All budget modifications shall be in accordance with the AOC's Budget Modification Policy.

f. **Termination of Funding.** In the event that this Agreement is terminated, all unexpended funds in the possession of Grantee shall be returned to the AOC within 30 days of such termination, along with, but not limited to: (1) a closing financial statement; (2) a final report outlining the program achievements; and (3) an inventory, including serial numbers, of all equipment purchased with grant funds. If termination is due to failure of Grantee to comply with the approved plan, the AOC may require return of equipment and supplies purchased with grant funds.

5. Books and Records.

a. **Financial Records and Examination.** Grantee shall maintain and shall require its subcontractors to maintain acceptable accounting systems, records, and documents to properly reflect all funds expended in the performance of the approved plan. All books, records and other documents relevant to this Agreement shall be retained by Grantee and its subcontractors for a period of five (5) years after the final payment has been made, or until after the resolution of any audit questions or contract disputes, whichever is longer. AOC, state, or federal auditors, as applicable, and any other persons duly authorized by the AOC shall have full access to, and the right to examine, audit, copy and make use of any and all said materials. All subcontracts shall include a provision acknowledging the authority of the AOC to conduct such audits or examinations.

b. **Program Records and Evaluation.** The AOC may monitor and evaluate the local plan to determine its effectiveness. As a condition of receipt of grant funds, Grantee agrees to maintain and provide to the AOC such data and statistics as may be required for purposes of evaluation. Grantee further agrees that authorized agents of the AOC shall have the right to conduct on-site visits for purposes of compliance monitoring and program evaluation. All subcontracts shall include a provision acknowledging the authority of the AOC to conduct such inspections and evaluations.

6. **Inventory.** Equipment purchased with funds received pursuant to this Agreement shall become the property of Grantee, and Grantee shall maintain written inventory and property control policies and procedures covering the equipment. Grantee may use its existing inventory system, but must at a minimum maintain the information required by AOC policies and procedures.

7. **Use, Loss and disposition of Equipment.** Equipment must be used as required by the approved plan for 1 year, unless written permission is given by the AOC. After this time, the equipment may be transferred upon approval of the presiding judge. Grantee is responsible for any maintenance, loss or damage to the equipment, and the AOC makes no assurances regarding its repair or replacement. Equipment which is no longer needed or usable shall be surplus as

required by this Agreement. If no such requirements are included in the Agreement, then local surplus property procedures may be utilized.

8. **Sanctions.** In addition to any other remedy available pursuant to this Agreement, Grantee may be placed in financial sanction status for deficiencies including but not limited to, delinquent submissions, delinquent reports, inaccurate reporting of statistics, inadequate records, expenditures outside of the approved budget and non-compliance with the approved plan for this or any other grant. During the period of sanction status, the AOC may take any appropriate action including:

- a. Written warning with request for immediate compliance.
- b. Withholding all or any portion of future program fund or equipment disbursements.
- c. Withholding all disbursements from all program funds.
- d. Requiring monthly submission of expenses prior to disbursement.
- e. Requiring monthly submission of expenses for reimbursement of actual costs incurred.
- f. Recovery of funds or equipment already disbursed.

To receive reimbursement while in sanction status, Grantee shall submit a monthly request to the AOC detailing expenses in funding categories as delineated on Addendum A. State funds shall not be used for any adverse financial costs or interest charged or incurred due to Grantees financial sanction status.

9. **Performance Liability.** Except as otherwise provided by law, in the performance of this Agreement and Grantee's approved plan both parties hereto are acting in their individual governmental capacities and not as agents, employees, partners, joint venturers, or associates of each other. The employees, agents, or subcontractors of one party shall not be deemed or construed to be the employees or agents of the other party. Each party is solely responsible for the actions of its employees under this Agreement.

GRANTEE (*add court name*)

ARIZONA SUPREME COURT
ADMINISTRATIVE OFFICE OF THE COURTS

By _____

By _____

Title _____

Title _____

Date _____

Date _____

Court _____