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Governor

ARIZONA DEPARTMENT OF ENVIRONMENTAL QUALITY

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Stephen A. Owens
Director

November 27, 2007

Ms. Debra K. Davenport
Auditor General
2910 N. 44th Street, Suite 410
Phoenix, AZ 85018

Re: Vehicle Emission Inspection Program Final Draft Report of Performance Audit

Dear Ms. Davenport:

The Arizona Department of Environmental Quality has reviewed the October 29, 2007, Preliminary Report Draft of the Performance Audit of the Vehicle Emissions Inspection Program. This letter provides the Department's response to the Final Draft Report.

ADEQ would like to acknowledge the diligence and hard work of the Auditor General's staff in performing this Performance Audit of this complicated Program.

Overall, the Department concurs with the Recommendation to develop a contractor monitoring plan. That plan will provide the Department with the data necessary to evaluate the frequency of needed audits, identify risk areas and better target the use of limited State resources and in that way, implement the balance of the Recommendations. Building on this concept, the Department will develop an overall program monitoring plan to encompass other components of the Vehicle Emissions Program. An overall program monitoring plan will provide to the Program a structured method for evaluating both the effectiveness of oversight of the contract/contractor and operational procedures including the staff performance.

Recommendation: In line with contractor monitoring best practices, the Department should evaluate whether it can conduct a smaller random sample of equipment and inspector audits and compare the results with the contractor's audit failure rates to verify that the contractor's performance is satisfactory. The Department should also consider planning equipment and performance audits on a risk basis using the results of the contractor's audits to determine risk areas.

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

Recommendation: As appropriate, the Department should amend its administrative rules to reduce the number of equipment and inspector audits it is required to conduct.

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

Recommendation: The Department should develop and implement a follow-up process for equipment and inspector audits that ensures that:

- The contractor appropriately repairs equipment failing audits before returning it to service, and
- Inspectors who fail department or contractor audits receive appropriate and timely corrective action, which may include the contractor retraining, suspending, or terminating noncompliant inspectors and/or the Department suspending or revoking licenses.

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

Recommendation: The Department should confer with its Assistant Attorney General regarding the need to modify its administrative rules and/or its and the contractor's audit checklists and make appropriate changes in rules and/or checklists to establish criteria for determining when an inspector fails to demonstrate the ability to properly conduct an emissions inspection, and should have his/her license suspended or revoked.

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

Recommendation: The Department should expand its contractor monitoring activities to provide more comprehensive coverage and include important monitoring activities not previously provided, such as:

- Periodically evaluating contractor quality assurance and quality control procedures;
- Verifying the contractor's compliance with its surveillance schedule and audit plan; and
- Reviewing and ensuring that the contractor conducts other internal audits required by the contract.

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

Recommendation: The Department should develop and implement an annual contract monitoring plan to help ensure more effective, efficient, and comprehensive coverage of its monitoring activities.

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

Recommendations: In developing the contract monitoring plan, the Department should assess whether its employees need additional training in specific contract monitoring activities and provide any needed training.

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

Sincerely,

Stephen A. Owens
Director