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**AUDITOR GENERAL**

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DEPUTY AUDITOR GENERAL

June 7, 2016

The Honorable John Allen, Chair  
Joint Legislative Audit Committee

The Honorable Judy Burges, Vice Chair  
Joint Legislative Audit Committee

Dear Representative Allen and Senator Burges:

Our Office has recently completed an initial followup of the *Arizona Department of Transportation—Sunset Factors* regarding the implementation status of the 5 audit recommendations presented in the performance audit report released in September 2015 (Auditor General Report No. 15-114). As the attached grid indicates:

- 1 has been implemented, and
- 4 are in the process of being implemented.

Our Office will conduct an 18-month followup with the Department on the status of those recommendations that have not yet been fully implemented.

Sincerely,

Dale Chapman, Director  
Performance Audit Division

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Attachment

cc: John Halikowski, Director  
Arizona Department of Transportation

# Arizona Department of Transportation—Sunset Factors

## Auditor General Report No. 15-114

### Initial Follow-Up Report

#### Recommendation

#### Status/Additional Explanation

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

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| <p>1. The Department should continue its efforts to comprehensively review construction project data, determine if there is additional project data that would be useful to review, and create reports to show this information. The Department should also determine which department officials should review the reports, the frequency of these reviews, and what actions to take when needed improvements to the construction program are identified.</p>  | <p><b>Implementation in process</b><br/>The Department has created a monthly scorecard that tracks the percentage of construction projects completed on time and within budget and has set target goals for these areas. The Department has determined that, on a quarterly basis, the deputy state engineers will review the projects that are completed more than 30 days late and projects that are 5 percent or more over budget to determine the root causes. According to the Department, the deputy state engineers will then develop a report that includes recommendations for addressing those causes for review by the State Engineers' Office, State Construction and Materials Engineer, and the Project Management Manager. The Department began using the scorecard in January 2016 but reported that it will need to collect project information for at least 1 year before it has enough information to identify trends.</p> |
| <p>2. As the Department implements its new PEN5 software application, it should improve its use of quality assurance (QA) reports by determining what QA report data would be beneficial to review, ensuring this information is entered into its PEN5 software application, and creating reports to show this information. The Department should also determine which department officials should review the reports, the frequency of these reviews, and what actions to take when needed improvements to the construction program are identified.</p>   | <p><b>Implementation in process</b><br/>The Department reported that it is still in the process of implementing the PEN5 software application but anticipated that it would begin using the application to review QA report information by early fall 2016.</p>   |
| <p>3. The Department should take steps to follow best practices as well as its established guidance and criteria for lessons-learned meetings to help ensure that it does not miss opportunities to improve its construction program. This should include holding lessons-learned meetings on a regular basis; incorporating the successes and areas for improvement into future projects, such as through design policy and procedures changes, staff training, or additional reviews of design plans; storing lessons-learned documents in its planned database; and ensuring future program participants know where they are located.</p> | <p><b>Implementation in process</b><br/>The Department reported that it plans to hold lessons-learned meetings every 6 months that include members of its planning and construction divisions. According to the Department, lessons-learned documents will be stored on its Intranet rather than its planned database. As of May 2016, the Department had conducted lessons-learned meetings for three projects. The Department also reported that it was revising its <i>Project Development Manual</i> to (1) direct future participants to review the lessons-learned documents at the beginning of each project, and (2) include a link to the Intranet for these documents. The Department reported that it plans to complete the revisions by early 2017.</p>   |
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## Recommendation

## Status/Additional Explanation

4. The Department should develop and implement a policy that specifies which of its employee positions will be required to complete fingerprint background checks and the rationale for this requirement. Because of the volume of confidential information and revenue handled by the customer service representatives who process mail-in vehicle registration renewals, these policies should include a requirement to begin fingerprinting prospective employees who are hired for this position.

### Implemented at 6 months

The Department has implemented a policy specifying the employees required to complete fingerprint background checks. After the audit, the processing of mail-in vehicle registration renewals was contracted to an authorized third-party vendor, who is also required to complete fingerprint background checks.

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## Sunset Factor #4: The extent to which rules adopted by the Department are consistent with the legislative mandate.

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5. Because of the existing moratorium on state agencies' rulemaking, the Department should determine whether and when it can proceed with a rulemaking to establish rules that (1) govern the enforcement and administration of dealer and manufacturer license plates, as required by A.R.S. §28-4537, and (2) establish the evidence that a motor fuel supplier must provide to receive an uncollectable fuel tax credit, as required by A.R.S. §28-5639(C).

### Implementation in process

According to the Department, A.R.S. §28-4537 provides sufficient guidance for the dealer and manufacturer plate program, and additional rulemaking is unnecessary. Therefore, it will not seek an exemption from the rulemaking moratorium but plans to seek a repeal of the statutory requirement to adopt rules for this statutory provision during the next legislative session. However, the Department reported that it has decided to seek an exemption from the rulemaking moratorium to adopt rules that establish the evidence that a motor fuel supplier must provide in order to receive an uncollectable fuel tax credit, pursuant to A.R.S. §28-5639(C). The Department reported that it plans to include this proposed rule change in its next Five-Year Rule Review for motor fuel tax rules in January 2018.