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AUDITOR GENERAL

STATE OF ARIZONA  
OFFICE OF THE  
**AUDITOR GENERAL**

WILLIAM THOMSON  
DEPUTY AUDITOR GENERAL

June 21, 2005

The Honorable Robert Blendu, Chair  
Joint Legislative Audit Committee

The Honorable Laura Knaperek, Vice Chair  
Joint Legislative Audit Committee

Dear Senator Blendu and Representative Knaperek :

Our Office has recently completed a 24-month followup of the Registrar of Contractors regarding the implementation status of the 16 audit recommendations (including sub-parts of the recommendations) presented in the performance audit report released in April 2003 (Auditor General Report No. 03-02). As the attached grid indicates:

- 6 recommendations have been implemented;
- 1 recommendation is in the process of being implemented;
- 4 recommendations have not been implemented; and
- 5 recommendations are no longer applicable.

Unless otherwise directed by the Joint Legislative Audit Committee, this report concludes our followup on the Registrar of Contractors' efforts to implement the recommendations resulting from the April 2003 performance audit.

Sincerely,

Debbie Davenport  
Auditor General

DKD:jw  
Attachment

cc: Israel Torres, Director  
Registrar of Contractors

# REGISTRAR OF CONTRACTORS

## 24-Month Follow-Up Report To

### Auditor General Report No. 03-02

**FINDING I: Consumer protection can be enhanced**

Recommendation	Status of Implementing Recommendation	Explanation for Recommendations That Have Not Been Implemented
1. The Registrar of Contractors should develop criteria for determining when it should pursue discipline against contractors with serious or multiple complaints.	<b>Implemented at 6 Months</b>	
2a. The Registrar of Contractors should make the nature of valid complaints available to consumers through its phone center.	<b>Implemented at 24 months</b>	
2b. The Registrar of Contractors should make the nature of valid complaints available to consumers through its Web site.	<b>Not Implemented</b>	The agency stated that GITA approved a Project Investment Justification (PIJ) form to allow the complaint nature to be viewed on the ROC Web site, but the legislature did not fund the project.
3a. If the Registrar of Contractors wishes to reintroduce courtesy inspections, it should seek statutory authority from the Legislature.	<b>Implemented at 6 Months</b>	
3b. If the registrar of Contractors wishes to reintroduce courtesy inspections, it should make the results available to all consumers.	No Longer Applicable <sup>1</sup>	

<sup>1</sup> During the 2005 legislative session, A.R.S. §32-1104 was modified, prohibiting the Registrar of Contractors from posting information resulting from its informal dispute resolution process, called the “Building Confidence” program, as part of a licensee’s record on its Web site.

# REGISTRAR OF CONTRACTORS

## 24-Month Follow-Up Report To

### Auditor General Report No. 03-02

#### FINDING II: Some Recovery Fund changes needed

Recommendation	Status of Implementing Recommendation	Explanation for Recommendations That Have Not Been Implemented
1. The Registrar of Contractors should ensure that the Residential Contractors' Recovery Fund's balance is sufficient to account for all financial liabilities, including anticipated claims, to comply with A.R.S. §32-1134.	No Longer Applicable <sup>1</sup>	
2. The Registrar of Contractors should contract with a qualified actuary to project anticipated future claims and to help set appropriate fee amounts necessary to establish sufficient claim reserves.	No Longer Applicable <sup>2</sup>	
3. After the actuary has determined the estimate for anticipated future claims, the Registrar of Contractors should comply with A.R.S. §32-1134.01 by reassessing all licensed residential contractors in Arizona who have paid into the Fund to resolve the Fund's deficit and to achieve the Fund's statutorily required \$200,000 fund balance.	No Longer Applicable <sup>3</sup>	

<sup>1</sup> During the 2003 legislative session, A.R.S. §32-1134(A)(1) was modified, which changed the accounting method from accrual to cash basis.

<sup>2</sup> During the 2003 legislative session, A.R.S. §32-1134(A)(2) was modified to require that an independent CPA examine the Recovery Fund every 3 years.

<sup>3</sup> During the 2003 legislative session, A.R.S. §32-1134.01 was modified to state that if at any time the Recovery Fund balance was less than \$2 million, contractors who paid into it would be reassessed.

**REGISTRAR OF CONTRACTORS  
24-Month Follow-Up Report To  
Auditor General Report No. 03-02**

**FINDING II: Some Recovery Fund changes needed (concl'd)**

Recommendation	Status of Implementing Recommendation	Explanation for Recommendations That Have Not Been Implemented
4. The Registrar of Contractors should use its own internal CPAs to compile and produce the Recovery Fund's annual financial statement in nonaudit years and discontinue paying its contracted CPA for these services.	<b>Implemented at 24 Months</b>	
5. The Legislature should consider amending A.R.S. §32-1134(A)(7) to limit the Fund's administrative expenses to a percentage of the Fund's revenues from the previous fiscal year to enable the Fund to cover its 2003 and 2004 fiscal year administrative expenses.	No Longer Applicable <sup>1</sup>	
6. In September 2003, 1 year after the fee increases and claims limits were increased, the Registrar of Contractors should report its revenues and administrative costs to the Joint Legislative Budget Committee staff to help the Legislature determine if it should consider any additional changes to the Fund's administrative expense limit statute.	<b>Implemented at 6 Months</b>	

<sup>1</sup> During the 2003 legislative session, A.R.S. §32-1134(A)(1) was modified, which changed the accounting method from accrual to cash basis. As a result, the current limitation based on the Fund's balance is adequate to cover administrative expenditures.

**REGISTRAR OF CONTRACTORS**  
**24-Month Follow-Up Report To**  
**Auditor General Report No. 03-02**

**FINDING III: Agency's vehicle use is inappropriate and inefficient**

Recommendation	Status of Implementing Recommendation	Explanation for Recommendations That Have Not Been Implemented
1. To comply with A.R.S. §38-538.02, the Registrar of Contractors should immediately end its policy of providing personally assigned take-home vehicles to its staff.	<b>Implemented at 6 Months</b>	
2. The Registrar of Contractors should return its 22 vehicles that were driven fewer than 10,000 miles in the past year to the Department of Administration.	<b>Not Implemented</b>	The agency disagreed with this recommendation and has not implemented it. However, it states that it reduced the size of its vehicle fleet by 5 vehicles in 2003.
3. The Registrar of Contractors should monitor the efficiency of all vehicles that had been driven for employees' personal commutes to and from work, and in January 2004, it should eliminate any of these vehicles that fall below the efficient-use guideline of 10,000 miles per year.	<b>Not Implemented</b>	Eleven of the 56 agency vehicles (19.6 percent) that were used in the 12-month period from October 2003 through September 2004 were driven fewer than 10,000 miles. The agency stated that none of these 11 vehicles has been eliminated from its fleet. Eight of the 11 vehicles were previously identified by auditors as being inefficiently used either in January 2004 or during the audit.

**REGISTRAR OF CONTRACTORS  
24-Month Follow-Up Report To  
Auditor General Report No. 03-02**

**FINDING III: Agency’s vehicle use is inappropriate and inefficient (concl’d)**

<b>Recommendation</b>	<b>Status of Implementing Recommendation</b>	<b>Explanation for Recommendations That Have Not Been Implemented</b>
<p>4. To ensure that its vehicles are appropriately and efficiently used in the future, the Registrar of Contractors should better monitor their use by requiring detailed mileage reports on all vehicles.</p>	<p><b>Not Implemented</b></p>	<p>Although the agency has begun tracking weekly total mileage, it is not requiring detailed reports that would allow it to evaluate how vehicles are used and more accurately assess the number of vehicles it needs. The agency allows its inspectors and investigators to store their state vehicles at off-site locations, some of which are significant distances away from work sites. Consequently, some vehicle mileage reflects commuting from these locations to the work sites. Detailed mileage logs would allow the agency to adequately determine how much of the mileage put on its vehicles is work related, and therefore better track the efficiency of its vehicles’ use.</p>

**REGISTRAR OF CONTRACTORS**  
**24-Month Follow-Up Report To**  
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**SUNSET FACTOR 4: The extent to which rules adopted by the agency are consistent with the legislative mandate**

<b>Recommendation</b>	<b>Status of Implementing Recommendation</b>	<b>Explanation for Recommendations That Have Not Been Implemented</b>
1. The agency should adopt the rules changes recommended by the Governor's Regulatory Review Council (GRRC) in the rule review that GRRC performed at the Office of the Auditor General's request.	Implementation in Process	