



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

**DEBRA K. DAVENPORT, CPA**  
AUDITOR GENERAL

**WILLIAM THOMSON**  
DEPUTY AUDITOR GENERAL

October 27, 2006

The Honorable Laura Knaperek, Chair  
Joint Legislative Audit Committee

The Honorable Robert Blendu, Vice Chair  
Joint Legislative Audit Committee

Dear Representative Knaperek and Senator Blendu:

Our Office has recently completed a 24-month followup of the Arizona Department of Environmental Quality—Waste Programs Division regarding the implementation status of the 9 audit recommendations (including sub-parts of the recommendations) presented in the performance audit report released in August 2004 (Auditor General Report No. 04-06). As the attached grid indicates:

- 8 have been implemented, and
- 1 is no longer applicable.

Unless otherwise directed by the Joint Legislative Audit Committee, this report concludes our follow-up work on the Department's efforts to implement the recommendations resulting from the August 2004 performance audit.

Sincerely,

Debbie Davenport  
Auditor General

DD:Acm  
Attachment

cc: Stephen A. Owens, Director  
Department of Environmental Quality

**DEPARTMENT OF ENVIRONMENTAL QUALITY**  
**Waste Programs Division**  
**24-Month Follow-Up Report To**  
**Auditor General Report No. 04-06**

**FINDING 1: Changes made to the State Assurance Fund, and Department should take additional actions**

<b>Recommendation</b>	<b>Status of Implementing Recommendation</b>	<b>Explanation for Recommendations That Have Not Been Implemented</b>
1. The Department should continue to work on increasing compliance with financial assurance requirements, including pursuing formal enforcement actions such as consent orders and compliance orders, as necessary.	<b>Implemented at 6 Months</b>	
2. The Department should assess the cleanup costs charged to the State Assurance Fund to see if cost ceilings are being treated as the actual price of cleanup costs rather than as an upper limit for costs.	<b>Implemented at 24 Months</b>	
3. If contractors are routinely charging at the cost ceilings for certain cleanup activities, the Department should consider revising cost ceilings to better reflect the true cost of cleanup work.	<b>Implemented at 24 Months</b>	
4. If the Department performs a cost survey to create the cost ceilings that will be effective beginning in July 2005, it should use an appropriate methodology and not allow respondents to answer questions that do not pertain to their occupation.	Not Applicable <sup>1</sup>	

<sup>1</sup> The Department decided not to perform a cost survey before creating its July 1, 2005, cost schedule. The Department believes that changes to the July 1, 2005, cost schedule that replaced some unit rates with a reimbursement schedule based on time and materials used will help to reduce costs to the State Assurance Fund incurred by consultants. The Department believes that these costs will be further reduced by the requirement of Laws 2004, Ch. 273 that volunteers must, under certain circumstances, pay 10 percent of the cleanup costs.

**DEPARTMENT OF ENVIRONMENTAL QUALITY**  
**Waste Programs Division**  
**24-Month Follow-Up Report To**  
**Auditor General Report No. 04-06**

**FINDING 1: Changes made to the State Assurance Fund, and Department should take additional actions (concl'd)**

<b>Recommendation</b>	<b>Status of Implementing Recommendation</b>	<b>Explanation for Recommendations That Have Not Been Implemented</b>
5. The Department should examine the feasibility of instituting competitive bidding as a method of controlling State Assurance Fund costs.	<b>Implemented at 24 Months</b>	

**DEPARTMENT OF ENVIRONMENTAL QUALITY**  
**Waste Programs Division**  
**24-Month Follow-Up Report To**  
**Auditor General Report No. 04-06**

**FINDING 2: Division should improve its hazardous waste enforcement efforts**

<b>Recommendation</b>	<b>Status of Implementing Recommendation</b>	<b>Explanation for Recommendations That Have Not Been Implemented</b>
1. To more quickly notify responsible parties about violations identified during inspections, the Division should explore ways to streamline its review and approval process for enforcement actions.	<b>Implemented at 12 Months</b>	
2. The Division should consider setting in policy specific time frames for each step in the enforcement action review and approval process.	<b>Implemented at 12 Months</b>	
3. The Division should modify its computer system to allow for the generation of a management report to track the status of enforcement actions that are in the review process, and should use this report to monitor the timeliness of issuing these enforcement actions.	<b>Implemented at 24 Months</b>	
4. The Division should modify its computer system to allow for the generation of a management report to track the status of enforcement actions that are in the review process, and should use this report to monitor the timeliness of issuing these enforcement actions.	<b>Implemented at 6 Months</b>	