



ARIZONA DEPARTMENT OF ECONOMIC SECURITY

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Governor

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DEC 29 2003

Debra K. Davenport, Auditor General  
Office of the Auditor General  
2910 North 44th Street, Suite 410  
Phoenix, Arizona 85018

Dear Ms. Davenport:

We appreciate the opportunity to comment on the review by your office of the Department of Economic Security's process for estimating population. We generally agree with the audit recommendations and have provided our response to each recommendation.

***Recommendation 1: To better clarify that the role of the Population Technical Advisory Committee (POPTAC) is advisory only, the Legislature should consider establishing it in statute, including defining the committee's advisory role and specifying terms of service for committee members. The Governor could then rescind Executive Order 95-2, which created the existing POPTAC.***

**Response:** The finding of the Auditor General is agreed to and a different method of dealing with the finding will be implemented. The Department of Economic Security would welcome clarification of the role of the Population Technical Advisory Committee (POPTAC) and believes this could be accomplished either by executive order or legislation. The Department will not be requesting legislation at this time. The Department works closely with POPTAC in a variety of ways. The participation of Regional Councils of Government has been invaluable in the collection and review of local data used in population estimates. The Department also provides estimates for POPTAC's review and recommendation that are based on sound technical considerations.

***Recommendation 2: The Department of Economic Security should employ or contract with a professional demographer with a Ph.D. in demography to ensure that it has the technical expertise necessary to prepare population estimates based on sound methodology.***

**Response:** The finding of the Auditor General is agreed to and the audit recommendation will be implemented. The Department will investigate the opportunity to contract with a professional demographer in the review and analysis of the data and methods used in its population estimates. The Department will prepare and issue a request for proposals to procure the services of a demographer. Award of the contract will be dependent upon its bid cost and available funds. The Department is a member of the Federal-State Cooperative Program for Population Estimates

and will seek guidance from other members on best practices in the development and implementation of sound methodology.

**Recommendation 3:** *To comply with statutory and constitutional provisions, the Department of Economic Security should prepare population estimates developed through formal methodology and by following appropriate policies and procedures. Specifically, the Department's Research Administration should:*

- a. *Establish the scientific basis for future changes to its methodology, including changes recommended by its advisory committee, and document the basis for such changes in its policies and procedures.*
- b. *Develop formal policies and procedures establishing the methods used in preparing annual population estimates. If the estimates are prepared by local associations of governments and adopted by the Department, the Department should verify that the methods used to prepare the estimates were appropriate.*
- c. *Develop formal policies and procedures establishing the reliability of data used in annual population estimates. If the estimates are prepared by local associations of government and adopted by the Department, the Department should verify the reliability of the data used to prepare the estimates.*
- d. *Annually review its population estimates to assess their reliability.*

**Response:** The finding of the Auditor General is agreed to and the audit recommendation will be implemented. The Department has never received any funding from the Legislature to carry out its statutory responsibilities for preparing population estimates and undertakes this activity with available resources. The Department will implement the changes described below:

**Item a:** The Department has initiated plans to formalize procedures for the review and analysis of suggested changes to methodology. These procedures will include a detailed review and categorization of proposed changes as to soundness, applicability and feasibility. The rationale for implementation of any such changes will be explicitly stated and included in the documentation.

**Item b:** Department staff compares its estimates with data from the decennial census to benchmark performance. Department staff currently uses analytic techniques such as regression analysis to evaluate the performance of methods. The Department can provide the formula, weights and data inputs used in its estimates and will also obtain this information for estimates prepared by regional councils of government in order to verify that methods used were appropriate. The Department will include this information in its formal policies and procedures. The Department is a member of the Federal-State Cooperative Program for Population Estimates and will seek guidance from other members on improvements to the

analysis and documentation of methods prepared by the Department and by regional councils of government.

**Item c:** Department staff currently uses analytic techniques such as regression analysis to evaluate the reliability of data series selected for use in the estimates. Department staff collects input data and reviews it for consistency. Staff contacts the local sources of the data to validate the accuracy of data that appear to be inconsistent with past trends or other corroborating information. The Department will initiate the development of formal policies and procedures to assess the reliability of data by documenting its current procedures and investigating options to conduct additional review and verification of data.

**Item d:** Department staff currently performs annual reviews of the reliability of its estimates and compares its results to the Census Bureau estimates. The Department will improve this process by developing formal policies, documenting its current procedures and investigating options to conduct additional review.

Your comments have provided us with valuable insight. We look forward to implementing the recommendations from your review that will improve Arizona's population estimates. The Department also agrees that data is the central component of a quality population estimate. By far the most significant improvement to the accuracy of population estimates would be the acquisition of current data that can only be gathered from a special census or survey. Although expensive, a mid-decade census is indeed the most reliable way to improve the accuracy of population estimates and ensure the equitable distribution of state tax revenues.

Sincerely,



David A. Berns