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OFFICE OF THE
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DEPUTY AUDITOR GENERAL

February 26, 2010

The Honorable Judy Burges, Chair
Joint Legislative Audit Committee

The Honorable Thayer Verschoor, Vice Chair
Joint Legislative Audit Committee

Dear Representative Burges and Senator Verschoor:

Our Office has recently completed a 24-month followup of the Arizona Department of Environmental Quality (Department)—Vehicle Emissions Inspection Program regarding the implementation status of the 10 audit recommendations (including sub-parts of the recommendations) presented in the performance audit report released in December 2007 (Auditor General Report No. 07-12). As the attached grid indicates:

- 2 have been implemented;
- 6 are in the process of being implemented; and
- 2 are not yet applicable.

Unless otherwise directed by the Joint Legislative Audit Committee, this concludes our follow-up work on the Department's efforts to implement the recommendations from the December 2007 performance audit report.

Sincerely,

Melanie M. Chesney, Director
Performance Audit Division

MMC:sjs
Attachment

cc: Benjamin H. Grumbles, Director
Arizona Department of Environmental Quality

ARIZONA DEPARTMENT OF ENVIRONMENTAL QUALITY

VEHICLE EMISSIONS INSPECTION PROGRAM

Auditor General Report No. 07-12

24-Month Follow-Up Report

Recommendation	Status/Additional Explanation
<p>Finding 1: Department should adjust its monitoring activities to improve effectiveness, efficiency, and coverage</p>	
<p>1.1 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.</p>	<p>Implementation in Process The Department reported that it continues to evaluate whether it can reduce the number and frequency of audits by reviewing historic failure rates of the contractor's station equipment and personnel. In addition, the Department reported that it is conducting a legal review of the Vehicle Emissions Inspection Program's approved State Implementation Plan (Plan) to determine if changes to the current audit regime, which was developed to comply with federal requirements, would require it to revise the Plan and obtain the EPA's approval. The Department expects to complete this evaluation and review in the next 3 months.</p>
<p>1.2 As appropriate, the Department should amend its administrative rules to reduce the number of equipment and inspector audits it is required to conduct.</p>	<p>Not Yet Applicable The Department reported that it will propose to amend the affected rules once it has completed the evaluation and review of the appropriate frequency and number of audits (see explanation for 1.1).</p>
<p>1.3 The Department should develop and implement a follow-up process for equipment and inspector audits that ensures that:</p> <p>a. The contractor appropriately repairs equipment failing audits before returning it to service, and</p> <p>b. 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.</p>	<p>Implemented at 18 Months</p> <p>Implemented at 18 Months</p>

Recommendation

Status/Additional Explanation

1.4 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.

Not Yet Applicable

The Department has drafted language to amend A.A.C. R18-2-1016 (4) to allow inspectors, 30 days after notification of failing an audit, to demonstrate to the Department that they have the skills to meet the requirements of this section prior to having their licenses suspended or revoked. The Department reported that once it completes its legal evaluation of the Plan, it will propose to amend these rules (see explanation for 1.1).

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

a. Periodically evaluating contractor quality assurance and quality control procedures;

Implementation in Process

The Department reported that because extensive program changes were implemented in January 2009, the Department needed time to gather information on the accuracy of the new procedures and how often audits on the new procedures should be required. According to the Department, in November 2009, the Department finished gathering information on the changed procedures and accepted the last of the modifications for the contractor's test equipment and associated practices. The Department plans to continue working on the draft of comprehensive monitoring procedures and expects to have these ready for managerial review in the next 5 months.

b. Verifying the contractor's compliance with its surveillance schedule and audit plan; and

Implementation in Process

See explanation for 1.5a.

c. Reviewing and ensuring that the contractor conducts other internal audits required by the contract.

Implementation in Process

See explanation for 1.5a.

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

Implementation in Process

The Department reported that it continues to develop a contract monitoring plan and anticipates that it will complete this plan within 3 months after the comprehensive monitoring plan (see explanation for 1.5a).

1.7 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.

Implementation in Process

The Department reported that it continues to evaluate training needs in the development of the contractor monitoring plan (see explanation for 1.6).