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DEPUTY AUDITOR GENERAL

August 24, 2018

The Honorable Anthony Kern, Chair
Joint Legislative Audit Committee

The Honorable Bob Worsley, Vice Chair
Joint Legislative Audit Committee

Dear Representative Kern and Senator Worsley:

Our Office has recently completed a 36-month 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:

- 3 have been implemented;
- 1 is in the process of being implemented; and
- 1 is no longer applicable.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 for the September 2015 performance audit report.

Sincerely,

Dale Chapman, Director
Performance Audit Division

DC:ka
Attachment

cc: John Halikowski, Director
Arizona Department of Transportation

Arizona Department of Transportation—Sunset Factors

Auditor General Report No. 15-114

36-Month 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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|---|--|
| 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. | Implemented at 18 months |
| 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. | Implementation in process
According to the Department, the PEN5 software's data collection component is fully operational, and the Department plans to finish developing its reporting feature, including ad hoc reports. As of August 2018, the Department has developed some reports and plans to have its Construction and Materials Group review and report findings to upper management on a quarterly basis. |
| 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. | Implemented at 18 months |
| 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 |

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

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).

No longer applicable

This recommendation is no longer applicable because of statutory changes. Specifically, Laws 2017, Ch. 48, repealed A.R.S. §28-4537, the statute requiring the Department to develop rules governing the enforcement and administration of dealer and manufacturer license plates. Additionally, Laws 2018, Ch. 260, repealed the requirement in A.R.S. §28-5639 that the Department adopt rules establishing the evidence a supplier must provide to receive an uncollectable fuel tax credit.