



State of Arizona
Office
of the
Auditor General

PERFORMANCE AUDIT

**ARIZONA
DEPARTMENT
OF
AGRICULTURE
PEST EXCLUSION
AND
MANAGEMENT PROGRAM**

Report to the Arizona Legislature
By Debra K. Davenport
Auditor General
September 2000
Report No. 00-13

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DEBRA K. DAVENPORT, CPA
AUDITOR GENERAL

STATE OF ARIZONA
OFFICE OF THE
AUDITOR GENERAL

September 14, 2000

Members of the Legislature

The Honorable Jane Dee Hull, Governor

Mr. Sheldon Jones, Director
Arizona Department of Agriculture

Transmitted herewith is a report of the Auditor General, A Performance Audit of the Arizona Department of Agriculture's Pest Exclusion and Management Program. This report is in response to a June 16, 1999, resolution of the Joint Legislative Audit Committee. The performance audit was conducted as part of the Sunset review set forth in A.R.S. §41-2951 et seq. I am also transmitting with this report a copy of the Report Highlights for this audit to provide a quick summary for your convenience.

This is the fourth in a series of reports to be issued on the Arizona Department of Agriculture.

As outlined in its response, the Department agrees with all of the findings and recommendations.

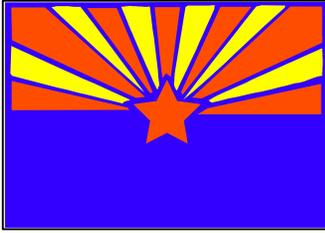
My staff and I will be pleased to discuss or clarify items in the report.

This report will be released to the public on September 15, 2000.

Sincerely,

Debbie Davenport
Auditor General

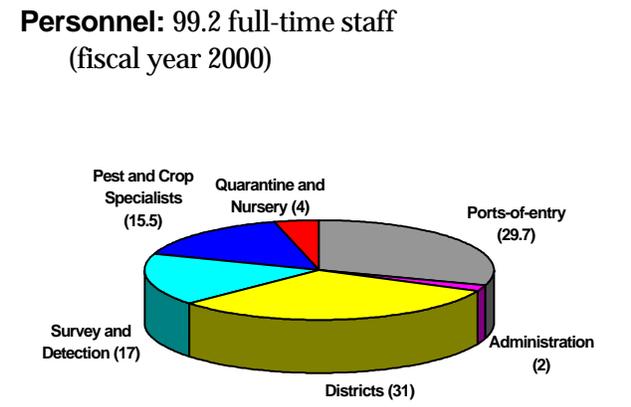
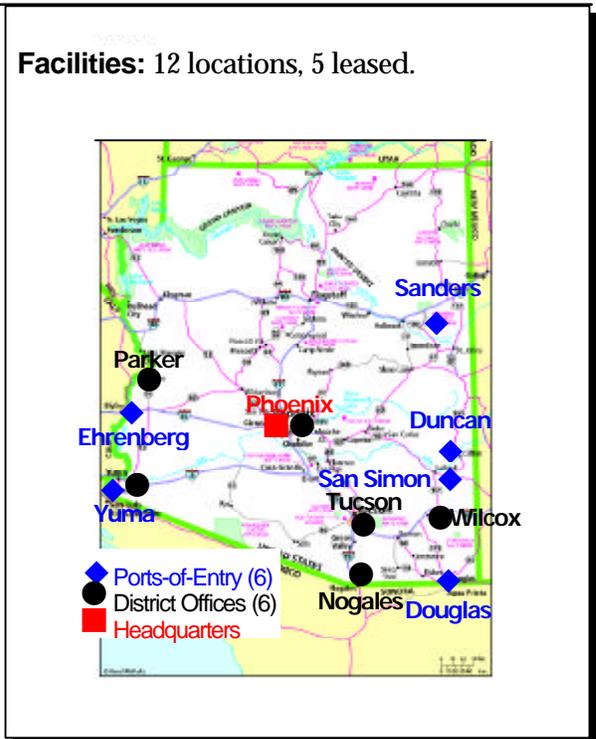
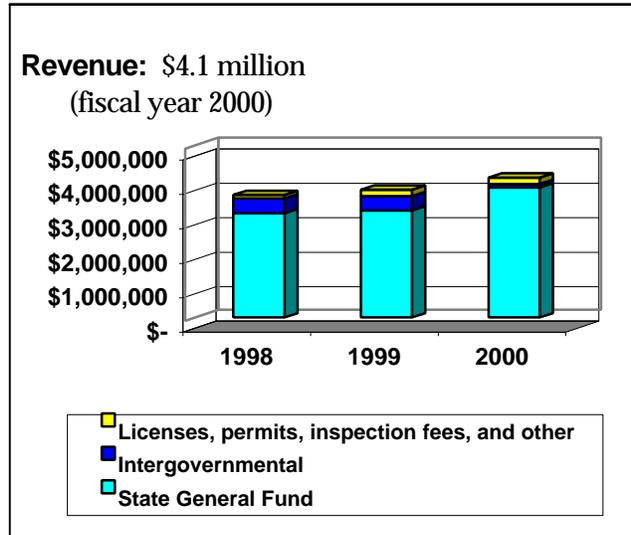
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Program Fact Sheet

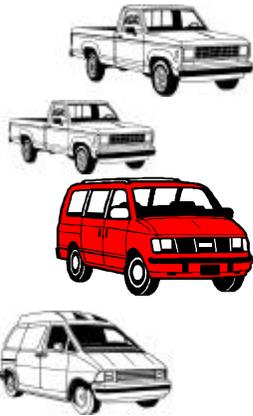
**Department of Agriculture
Pest Exclusion and Management Program**

Services: The Pest Exclusion and Management Program offers the following services: 1) **Port-of-entry and district inspections**—Inspects commercial vehicles entering Arizona through 6 ports-of-entry and at destinations throughout Arizona; 2) **Survey, detection, and nursery inspection**—Inspects nurseries and other potential locations of pest infestations; 3) **Cotton plow-down**—Ensures that cotton growers plow-down their fields after harvesting; 4) **Phyto-sanitary**—Issues certificates required by other states and foreign countries to import Arizona agricultural commodities; and 5) **Noxious weed management**—Works with local weed management groups and others to recognize and manage noxious weeds.



- The Department owns its office facilities at the San Simon and Sanders ports, uses space provided by the Department of Transportation at the Ehrenberg, Duncan, Douglas, and Yuma ports, and leases its Tucson district office space from the Department of Administration. In total, the Department paid rent of approximately \$54,000 for its facilities outside the Department's Office at the Capitol Complex in Phoenix.
- In addition to the staff stationed at these 12 facilities, an inspector works out of his home in Casa Grande.

Equipment: The Department has purchased several items used by the program, including:



50 state vehicles, consisting of 43 full-sized pick-up trucks, 5 compact pick-up trucks, 1 mini-van, and 1 12-passenger van. These vehicles were leased from the Department of Administration at a cost of \$189,000 in fiscal year 2000.



4 Digital Imaging Systems used to take and electronically send pictures of Red Imported Fire Ants at the ports-of-entry for identification at the State Agriculture Laboratory. These systems were purchased at a cost of approximately \$20,000 each.



Global Positioning System components, used to map trap locations at a cost of approximately \$4,000.

Program Goals: (fiscal years 2000 through 2002)

1. To provide an overview of inspection and regulatory measures.
2. To exclude and prevent the establishment of hazardous pests in Arizona.
3. To manage existing pests and prevent the reintroduction of eradicated pests in Arizona.
4. To serve our customers in an accurate and efficient manner.

Adequacy of Goals and Performance Measures: Several improvements could be made to the Department's four goals and their performance measures.¹

- Goal 1 is “to provide an overview of inspection and regulatory measures.” However, this goal and its associated performance measures cover functions this program does not perform, such as issuing licenses, conducting investigations, and taking disciplinary actions.
- Some key performance measure data has not been collected in the past, while some data was not consistently reported. For example, some districts confused counts of the number of nurseries inspected versus the number of plants within nurseries that were inspected. However, the program has acknowledged these problems and begun to develop new data definitions and data collection processes.
- While the program employs several appropriate outcome and efficiency measures, improvements could be made. For example:
 - ✓ The program lacks formal measures about its average personnel time or cost to issue phyto-sanitary certificates;
 - ✓ Similarly, the program does not have any performance measures under Goal 3 regarding its nursery regulation activities, such as the voluntary certification function.

¹ The Department incorporated one of these goals and associated performance measures in order to comply with guidelines specified in the Budget and Planning Instructions for fiscal years 2000 and 2001 issued by the Governor's Office of Strategic Planning and Budgeting.

SUMMARY

The Office of the Auditor General has conducted a performance audit of the Arizona Department of Agriculture's Pest Exclusion and Management Program pursuant to a June 16, 1999, resolution of the Joint Legislative Audit Committee. This audit was conducted as part of the Sunset review set forth in A.R.S. §41-2951 et seq, and is the fourth report in a series of audits to be conducted on programs within the Arizona Department of Agriculture.

Through this program, the Department seeks to ensure the provision of pest-free agricultural products, and protect the public from agricultural and other pests through prevention, control, and eradication. As part of the program, the Department inspects trucks hauling agricultural products and other high-risk cargoes into Arizona at six Department of Transportation ports-of-entry and at various trucking destinations throughout Arizona to ensure these vehicles are not carrying harmful pests, plant diseases, or noxious weeds. The Department also conducts other types of inspection, prevention, and eradication activities. When other states or countries require that Arizona's agricultural products be certified as pest- and disease-free before leaving the State, the Department also conducts the necessary inspections and issues the required certification.

Port-of-Entry Inspections Help State Avoid Costly Pest Infestations (See pages 9 through 19)

Port-of-entry inspections serve as Arizona's "first line of defense" in helping prevent harmful pests and plant diseases from entering the State. Although the Department has limited resources to conduct these inspections, it has appropriately focused these resources to maximize their effectiveness. Inspections are focused on the ports with the highest traffic and on trucks that

Port-of-entry inspections are Arizona's "first line of defense."

pose the highest risk for carrying pests. The four ports-of-entry where inspections were conducted in fiscal year 1999—Sanders, San Simon, Yuma, and Ehrenberg—accounted for nearly two-thirds of all trucks entering the State. The Department also works with California to share information and jointly support new port activities. For example, the Department recently signed an agreement with California under which California provided monies for the Department to begin conducting port-of-entry inspections in Duncan and Douglas as of July 2000.

Given the limited resources available, these efforts cannot ensure that all at-risk trucks receive inspections. For example, over 600,000 of the 3.5 million trucks entering Arizona through the 4 ports staffed by the Department could not be inspected during fiscal year 1999. This occurred because the ports were either so busy that the State risked creating a safety hazard if the trucks were held until they could be inspected or the trucks were on PrePass, a computerized pre-approval system that allows trucks to bypass the ports without stopping because they have satisfied certain safety, weight, and other requirements in advance. Additionally, the Department could not conduct port inspections for the approximately 2 million trucks that entered Arizona through ports at which Department inspectors were not stationed.

Despite these limitations, inspections conducted at the ports-of-entry may have helped prevent costly pest infestations that have plagued other states. For example, Department inspectors detected and prevented approximately 2,300 high-risk pests from entering Arizona in 1999. This included Mediterranean Fruit Flies, which have been described as the world's most threatening agricultural pest. To improve upon these successes at little additional cost, the Department should create additional inspector positions. Specifically, the Department should consider creating these positions by reallocating some of the staff positions reduced as a result of the Department centralizing its licensing functions as recommended in a previous Auditor General report (Report No. 2000-5). The Department could add these inspectors to uncovered, high-traffic ports such as Topock and/or Kingman. Additionally, the Department should work with the Department of Transportation to enhance pest inspection activities

and continue working with Arizona's PrePass steering committee to develop a policy excluding trucking companies that haul agricultural commodities 90 percent of the time from using pre-clearance technology.

**Current Fees May Not
Support Costs to Issue
Phyto-Sanitary Certificates
(See pages 21 to 27)**

The Department may recover only part of its costs for issuing phyto-sanitary certificates.

The Department may recover only part of its costs for issuing phyto-sanitary certificates, which certify that Arizona agricultural producers are pest- and disease-free for export to other states or countries. In fiscal year 1999, the Department issued approximately 1,500 interstate phyto-sanitary certificates. It also issued about 4,000 international phyto-sanitary certificates on behalf of the federal government.

The Department lacks statutory authority to charge fees for most interstate certificates. Department inspectors spend considerable time traveling to inspections, inspecting, and issuing some of these certificates. For example, a review of 7 of the 258 interstate certificates issued in April and May 2000 showed that the Department incurred over \$140 total in direct costs for issuing the 7 certificates. However, the Department could assess a fee for only 1 of the 7—for \$15. Therefore, the Department should continue with its efforts to identify its costs to issue these certificates. Once the costs are known, the Legislature should consider providing statutory authority to the Department to set fees for interstate certificates.

For federal phyto-sanitary certificates, the problem is different: although the Department is authorized to recover the full costs of issuing these certificates, it does not appear to be charging enough to recover the costs. A review of 22 of the 265 federal certificates issued in April and May 2000 showed that the Department recovered its direct costs for only 11. Direct costs for all 22 were about \$940, but the fees totaled only \$594. The Department needs to continue with its efforts to identify its costs for issuing federal certificates and accordingly adjust its fees so that it more consistently recovers its costs.

Other Pertinent Information
(See pages 29 through 33)

The Department focuses on preventing RIFA from entering Arizona.

During this audit, other pertinent information was gathered regarding the Red Imported Fire Ant (RIFA) and the Department's current efforts to prevent this pest from becoming established in Arizona. RIFA, which is firmly entrenched in several Southern states, causes severe damage to agriculture, wildlife, people, and property. For example, three counties in California are infested and California has budgeted over \$10 million to fund fire ant eradication programs in fiscal year 2001 alone. As a result of this potential for harm, the Department is especially focused on detecting and preventing RIFA from becoming established in the State. For example, the Department reported rejecting 296 commercial trucks infested with RIFA at Arizona's ports-of-entry from July to December 1999. Additionally, the Department treated ten separate populations of RIFA in Arizona during fiscal year 2000 and reports that only one of these populations is currently active.

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INTRODUCTION AND BACKGROUND

The Office of the Auditor General has conducted a performance audit of the Arizona Department of Agriculture's Pest Exclusion and Management program pursuant to a June 16, 1999, resolution of the Joint Legislative Audit Committee. This audit was conducted as part of the Sunset review set forth in A.R.S. §41-2951 et seq, and is the fourth in a series of audits to be conducted on programs within the Arizona Department of Agriculture.

The State's interest in preventing and treating pest infestations precedes statehood. In 1909 the Legislative Assembly of the Territory of Arizona created a three-member commission known as the Arizona Horticultural Commission with the power to inspect orchards, nurseries, and nursery stock for insect pests. In 1912, following statehood, the territorial Horticulture Commission became the Arizona Commission of Agriculture and Horticulture, but retained responsibility for pest detection and management activities in Arizona through 1990. However, in 1989, the Legislature passed Laws 1989, Chapter 162, which combined the Arizona Commission of Agriculture and Horticulture and three other separate state agencies to form the Arizona Department of Agriculture (Department). The Department began operating on January 1, 1991, and assumed the State's pest detection and management activities.

Pest Detection and Management in Arizona

Through the Pest Exclusion and Management Program, the Department seeks to ensure the provision of pest-free agricultural products and protect the public from agricultural and other pests through prevention, control, and eradication, thereby also reducing the necessity of pesticide applications. The Department works toward this mission by primarily inspecting trucks hauling agricultural products, such as fruits, vegetables, and nursery

Department focuses on inspecting trucks carrying agricultural products.

products, at six Department of Transportation ports-of-entry and at trucking destinations throughout Arizona to ensure these vehicles are not carrying harmful pests, plant diseases, or noxious weeds. Additionally, the Department inspects trucks originating from regions of the United States with known high-risk infestations; inspects other trucks carrying non-agricultural commodities, as time allows; inspects and sets insect traps at nurseries and other potential locations of pest infestations; ensures that cotton growers plow-down their fields after harvesting to minimize the potential for boll weevil infestations; and oversees eradication efforts when harmful pests, plant diseases, or noxious weeds are found. Finally, the Department issues phyto-sanitary certificates to Arizona growers and shippers asserting that specified products are free from pests, plant diseases, and/or noxious weeds. These certificates are required by other states and foreign countries to export these products.

During fiscal year 1999, the Department engaged in a variety of inspection, trapping, and plow-down activities. For example, the Department reported inspecting over 151,000 shipments of agricultural and other products that entered Arizona in fiscal year 1999 and rejecting approximately 4,000 shipments for pest and quarantine violations. The Department also reported issuing approximately 4,000 federal phyto-sanitary certificates, inspecting over 170,000 acres of seed crops, placing more than 7,000 pest traps, and ensuring that approximately 280,000 acres of cotton were appropriately plowed-down.

Pest Exclusion and Management Program Resources

During fiscal year 2000 and as illustrated in Table 1 (see page 3), the program received approximately \$3.8 million in General Fund monies, while generating over \$108,000 from other government sources. It also collected about \$142,000 from issuing licenses and permits. The program employed 99.2 full-time equivalent staff (FTE), including approximately 29 inspectors at 4 ports-of-entry and 31 inspectors in districts throughout Arizona during fiscal year 2000.

*Department inspectors
are located at four ports-
of-entry.*

Table 1

**Arizona Department of Agriculture
Pest Exclusion and Management Program
Statement of Revenues and Expenditures
Years Ended June 30, 1998, 1999, and 2000
(Unaudited)**

	1998	1999	2000
Revenues:			
State General Fund appropriations	\$3,028,900	\$3,108,200	\$3,771,600 ¹
Intergovernmental ²	427,571	416,623	108,752
Licenses and permits	98,927	165,798	141,567
Inspection fees	1,870	10,757	34,131
Other	<u>987</u>	<u>5,884</u>	<u>4,071</u>
Total revenues	<u>3,558,255</u>	<u>3,707,262</u>	<u>4,060,121</u>
Expenditures:			
Personal services	2,286,911	2,341,235	2,531,930
Employee related	573,231	579,837	610,925
Professional and outside services	46,506	45,814	73,794
Travel, in-state	246,670	252,859	263,444
Travel, out-of-state	12,771	15,810	11,523
Other operating	348,539	356,788	362,125
Equipment	<u>104,550</u>	<u>89,383</u>	<u>141,590</u>
Total expenditures	<u>3,619,178</u>	<u>3,681,726</u>	<u>3,995,331</u>
Excess of revenues over (under) expenditures	(60,923)	25,536	64,790
Operating transfers in (out)	<u>14,073</u>	<u>(2,856)</u>	<u>6,151</u>
Excess of revenues and transfers in over (under) expenditures and transfers out	<u>\$ (46,850)</u>	<u>\$ 22,680</u>	<u>\$ 70,941</u>

¹ Includes approximately \$320,000 relating to the prevention and eradication of the Red Imported Fire Ant (RIFA).

² Includes approximately \$344,000, \$130,000, and \$47,000 for 1998, 1999, and 2000, respectively, of federal grants relating to the control of Karnal Bunt. In addition, 1999 includes \$195,000 allocated by the Governor from the Department of Emergency and Military Affairs emergency funds for the prevention and control of RIFA.

Source: The Arizona Financial Accounting System *Accounting Event Transaction File* for the years ended June 30, 1998, 1999, and 2000.

SPAR Review of Ports-of-Entry

The Governor's Office of Strategic Planning and Budgeting and the Joint Legislative Budget Committee issued a Strategic Program Area Review (SPAR) in January 2000 on Arizona's ports-of-entry. This review primarily focused on the Department of Transportation's Motor Vehicle Division port activities and their relationship with the Departments of Public Safety and Agriculture. It concluded that the Departments of Transportation, Public Safety, and Agriculture each benefit from sharing the ports-of-entry. The report stated that while it may not be feasible to consolidate their various port operations, opportunities exist for increased cooperation between these state agencies. For example, the three agencies should cross-train port staff, which would increase efficiency and reduce the inspection and time delay burden for truck drivers. The report further recommended that the Department of Transportation develop new or updated interagency agreements with the Departments of Public Safety and Agriculture to specify key business components and responsibilities, and foster more cooperation.

Laws 2000, Chapter 343, requires the Department of Transportation, with the cooperation of the Departments of Public Safety and Agriculture, to submit a progress report on the implementation of the report's recommendations to the Governor, the Legislature, and state budget offices by September 1, 2000. This report should include the specific actions the three agencies have taken or changes identified to operate more effectively and efficiently at the ports-of-entry; actions the agencies have taken to cross-train and develop employees at the ports; and how the agencies are using interagency agreements to foster effective and efficient cooperation.

Program Changes and Improvements

As a result of a program management change in July 1998 and the identification of several areas needing improvement, the Pest Exclusion and Management Program has recently undergone

and continues to undergo several changes. Many of these changes reflect an increased emphasis on customer service and enhanced efficiency. For example,

- **Improved allocation of staff resources**—The program is shifting staff resources to increase efficiency. For example, the program is stationing administrative assistants at some of the ports-of-entry and district offices so inspectors can spend more time performing actual inspections and less time completing paperwork. Similarly, the program worked with the Department's Animal Services Division to start posting livestock inspectors at some ports-of-entry, which fosters improved screening of livestock entering the State, while freeing program inspectors to focus on pest detection.
- **Prioritizing inspections**—In addition to inspecting trucks at ports, the Department conducts some inspections inside Arizona when certain trucks arrive at their destination. Department procedures now allow inspectors to prioritize these interior inspection activities based on the risk of whether a pest or plant disease is present. Previously, inspectors could inspect the same truck multiple times if it were making deliveries to multiple locations. However, inspectors can now limit their inspection activities to the first delivery location if the inspection does not detect a pest or the risk of infestation is low. This should not only allow the Department to streamline this inspection activity, but also allow it to better utilize its limited inspection resources by expanding inspection coverage and focusing on activities that present a higher risk for pests.
- **Enhanced data collection efforts**—Realizing the importance of accurate and comprehensive data, the program is working to enhance its data collection and analysis capabilities. In the past, the program has struggled to capture and adequately analyze critical data and information for many of the activities it performs. For example, the program lacks consistent summary data for district office activities prior to June 1999 and relies on manual compilations to summarize its port activities. As a result, the program has encountered difficulty in reporting on its activities and the results of those activities. Program management recognizes the importance

of accurate and complete data and has begun training its staff on collecting, summarizing, and analyzing activity data. As a result, the program should be better positioned to report on and evaluate its inspection, pest detection, and other activities.

Audit Scope and Methodology

This audit focuses on the Department's efforts to fulfill its responsibilities to prevent, detect, and eradicate harmful pests and plant diseases throughout the State and its processes and fees for issuing interstate and federal phyto-sanitary certificates. Several methods were used to study the issues addressed in this audit, including:

- Reviewing and verifying the Department's port-of-entry pest detection statistics for July 1, 1998 through December 31, 1999, including laboratory identification slips, sample logs, and monthly ports-of-entry summaries in order to assess and verify the port's pest and plant disease inspection and detection rates;
- Reviewing and assessing the reliability of Department of Transportation, Motor Vehicle Division's data for 1997, 1998, and 1999 to determine the number of trucks passing through all ports-of-entry, bypassing the ports during high-volume periods, and using PrePass electronic clearance technology;
- Reviewing applicable federal and state statutes and administrative rules to identify the program's responsibilities and authority;
- Reviewing and analyzing data for 52 interstate and federal phyto-sanitary certificates the program issued between April and May 2000 for which cost information was available, in order to determine whether the program recovers its costs for issuing these certificates;

Introduction and Background

- Contacting officials and reviewing plant regulations from nine other states to obtain information about their pest exclusion and management activities for comparison to Arizona's practices;¹ and
- Interviewing Department management and staff, Department of Transportation officials, legislative staff, United States Department of Agriculture staff; a plant industry representative, a local pest control district representative, and a trucking industry representative to obtain their views on the program's activities and performance.

The report presents findings and recommendations in two areas:

- The Department should enhance port-of-entry activities, which are valuable in avoiding costly infestations; and
- The Department should continue in its efforts to identify its costs for issuing interstate and federal phyto-sanitary certificates and adjust its federal certificate fees to recover its costs if appropriate, while the Legislature should consider granting statutory authority to the Department to charge fees for all interstate certificates.

In addition, the report contains Other Pertinent Information regarding the Red Imported Fire Ant and the Department's efforts to prevent, detect, and eradicate this pest in Arizona.

This audit was conducted in accordance with government auditing standards.

The Auditor General and staff express appreciation to the Director and staff of the Department of Agriculture for their cooperation and assistance throughout the audit.

¹ New Mexico and Utah were contacted because of their similarities to Arizona's climate and geographic issues. California, Florida, and Texas were contacted because they have large agricultural industries and have ports-of-entry functions similar to Arizona's. Oregon, Washington, Colorado, and Idaho were contacted because they were identified by literature or experts as having noteworthy pest detection programs.

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FINDING I

PORT-OF-ENTRY INSPECTIONS HELP STATE AVOID COSTLY PEST INFESTATIONS

Despite inherent limitations, Department inspections at Arizona's ports-of-entry help avoid costly pest infestations. Even though it inspects only a fraction of the trucks entering Arizona, the Department appropriately focuses its efforts on the ports with the highest traffic and trucks that pose the highest risk. As a result, Department inspections may help prevent potentially costly pest and plant disease infestations from occurring in the State. However, the Department can take several steps to improve the program, including creating new positions to conduct port inspections.

Background

Although the nature of port-of-entry inspections for pests and plant diseases has changed considerably over the years and is now considerably reduced from previous levels, this function remains a "first line of defense" in preventing harmful pests and plant diseases from entering the State. In the past, the Department inspected every vehicle, including commercial trucks and private vehicles, and operated at ten ports-of-entry. However, this function came under close scrutiny in the late 1980's and early 1990's, resulting in several changes. First, to eliminate the inconvenience for motorists entering or departing the State, the Legislature discontinued the practice of inspecting private vehicles at ports-of-entry in 1989. Additionally, a Project S.L.I.M. report, released in July 1992, found that agricultural port inspections had limited impact and recommended discontinuing all

agricultural inspections at the ports-of-entry in favor of expanding interior inspection activities.¹ In its fiscal year 1993 Budget Analysis and Recommendations report, the Joint Legislative Budget Committee also recommended eliminating port inspections, stating that only 948 vehicles, or fewer than a tenth of 1 percent of vehicles, failed inspections in fiscal year 1991 and that pest infestation occurred despite port inspections. As a result, the Legislature suspended all Department inspection activities at the ports during fiscal year 1993. However, the Legislature reinstated agricultural port inspections on a limited scale in fiscal year 1994 in response to industry concerns about existing and emerging pests, such as cotton boll weevils and Red Imported Fire Ants.

Department Appropriately Focuses Its Limited Resources

Although the Department has limited port inspection resources, it appropriately focuses these resources to maximize the effectiveness of its port inspection activities. Specifically, while the Department inspects only a fraction of the trucks entering the State, these inspections focus on the ports with the highest traffic and trucks that pose the highest risk for carrying pests. However, given limited resources available, these efforts cannot ensure that all at-risk trucks receive port inspection.

Fewer than 3 percent of trucks entering Arizona receive port inspections.

Port inspectors inspect a small percentage of the trucks entering the State—The Department inspects only a small percentage of the trucks entering Arizona. Until July 2000, the Department operated at four ports-of-entry located in Sanders, San Simon, Yuma, and Ehrenberg.² At these ports, the Department inspects trucks meeting certain criteria, such as agricultural loads or point of origin, for the presence of pests. If an illegal pest or plant dis-

¹ The Statewide Long-Term Improved Management Project (Project S.L.I.M.), a review of Arizona's 12 largest cabinet agencies and 4 special study areas, focused on improving processes, enhancing service quality, and reducing government's cost.

² The Department operates at two port facilities in Yuma. However, for purposes of this audit, these two facilities were counted as one port-of-entry. The Department also began to operate at two additional ports-of-entry, located at Duncan and Douglas, as of July 17, 2000.

ease is identified, the truck and its contents are typically not allowed to enter the State unless the pest or disease is eliminated. During fiscal year 1999, the Department reported inspecting over 151,000 shipments and rejecting approximately 4,400 of them because pests or quarantine violations were detected. In comparison, the Department of Transportation reports that approximately 5.5 million trucks entered Arizona through its 21 ports-of-entry in fiscal year 1999. Therefore, the Department inspected fewer than 3 percent of the trucks entering the State. Figure 1 (see page 12) illustrates the locations of the 21 ports-of-entry operated by the Department of Transportation and notes the 6 ports at which the Department currently conducts inspections.

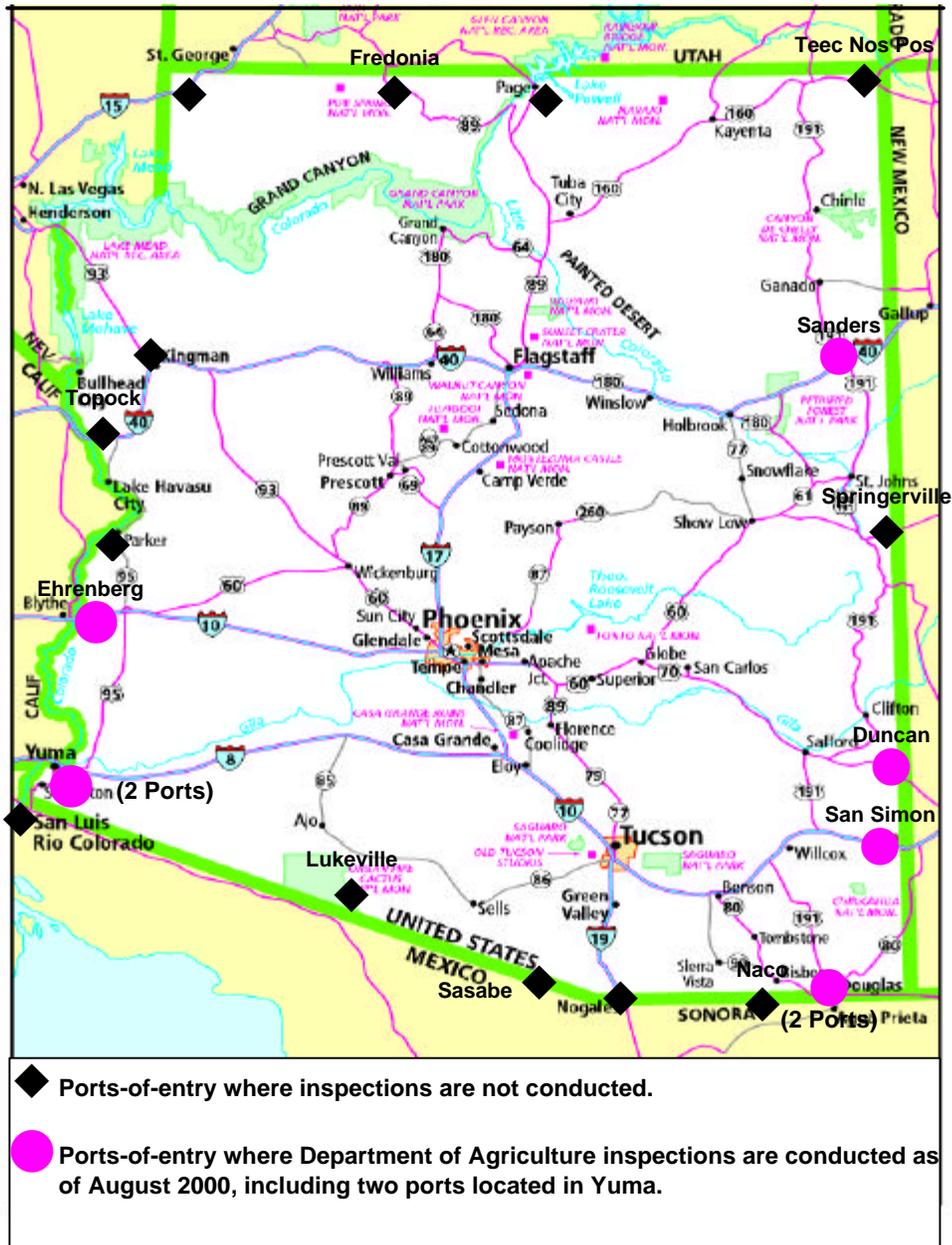
Department appropriately focuses its efforts—Although the Department inspects only a fraction of the trucks entering Arizona, it appropriately focuses its efforts to maximize the effectiveness of its port inspection activities. For example:

- **The Department employs inspectors at appropriate ports**—The Department does not receive sufficient funding to conduct inspections at all 21 ports-of-entry operated by the Department of Transportation. As a result, the State must choose which ports will be the focus of its efforts. The 4 ports at which the Department conducted its inspections in fiscal year 1999 accounted for 3.5 million, or 64 percent, of the 5.5 million trucks entering Arizona during that fiscal year. By stationing inspectors at these four ports, the Department had access to the majority of trucks entering the State.

Similarly, the Department does not assign inspectors to locations already covered by United States Department of Agriculture inspectors. For example, the Department does not inspect trucks entering through the Nogales or San Luis federal ports-of-entry on the Mexico-Arizona border.

- **The Department works with California to maximize limited resources**—During the course of this audit, the Department reached an agreement with the State of California under which California will provide monies for the Department to begin conducting inspections at two additional ports-of-entry. These operations, located at Douglas and Duncan, commenced on July 17, 2000. California pursued

Figure 1
State of Arizona
Ports-of-Entry
As of August 1, 2000



Source: Auditor General staff summary of information obtained from the Arizona Departments of Agriculture and Transportation.

Finding I

this agreement with the Department to establish operations at these additional ports, located in Duncan and Douglas, so that they would provide pest detection and exclusion activities for truck traffic heading into California. Additionally, the Department and the State of California regularly cooperate and exchange information regarding trucks that have failed inspection.

Department appropriately focuses on high-risk trucks.

- **The Department focuses on high-risk trucks**—Because of limited resources and in an effort to limit the burden on private industry, the Department inspects only trucks meeting specified criteria that pass through the ports-of-entry. For example, the Department requires all trucks carrying agricultural commodities and trucks originating from states with known infestations of Red Imported Fire Ants to be inspected, while inspecting other trucks only as time and space permits.

- **The Department employs inspectors in the interior**—Even if a truck carrying a dangerous pest or plant disease is not detected at a port, it may be detected by Department inspectors in Arizona’s interior. For example, a truck could enter Arizona through a road not served by a port-of-entry. Such trucks carrying agricultural products, or trucks that are otherwise subject to Department inspection, are required under A.R.S. §3-213, A.R.S. §3-214, and R3-4-201 to notify the Department of their arrival even if they do not pass through a port. Similarly, Department of Transportation staff located at the 16 ports-of-entry that are not staffed by Department of Agriculture inspectors notify the Department when trucks carrying high-risk products enter the State. This allows the Department to determine whether the truck should undergo an inspection at its destination.

Some trucks avoid port inspection—Given the limited resources available, the Department’s efforts cannot ensure that all at-risk trucks receive port inspection. However, many of these situations are outside the Department’s control. For example:

- **High volume periods provide opportunities to avoid inspection**—Trucks may not receive port inspections during high traffic periods. During these periods, Department of Transportation personnel must allow trucks to pass through

the ports-of-entry without any screening or inspection because the ports cannot physically accommodate the traffic. This practice is necessary to prevent trucks from backing up onto the highway and causing a traffic hazard. The Department of Transportation reports that approximately 259,000 trucks passed through the 4 ports staffed by the Department of Agriculture during fiscal year 1999 under these circumstances. Without extensive structural changes to the ports, which would require significant funding, this practice will continue and possibly grow in the future as truck traffic increases.

- **Technology provides opportunities to avoid inspection—** Trucks may not receive port inspections if they use pre-clearance technology. With encouragement from the federal government, the Department of Transportation has installed pre-clearance technology at 7 ports. This program, known as PrePass, allows pre-approved trucks to bypass the ports at highway speeds as long as they receive a signal from a computer system to continue. In order to participate, trucks must meet Department of Transportation criteria for truck safety, weight, and driver compliance. The use of this technology is expected to expand in the future to allow the fixed-capacity ports-of-entry to accommodate increasing truck traffic and reduce time-consuming stops for the private trucking companies. The Arizona Department of Transportation reports that approximately 364,000 trucks bypassed the 4 Department ports-of-entry through the PrePass program in fiscal year 1999.

Pre-clearance technology is appropriate for trucks carrying many kinds of products, but trucks with agricultural products are an exception. PrePass literature directs trucks equipped with the PrePass system that are hauling agricultural products to stop for inspection. However, Department management is concerned that this is not occurring. To help address this concern, the Department is working with the Department of Transportation and other stakeholders to develop a policy prohibiting trucking companies who predominately haul agricultural commodities from participating in the PrePass system in Arizona.

Port-of-Entry Inspections Help Prevent Expensive Infestations

Despite these limitations, inspections conducted at the ports-of-entry have helped prevent costly pest infestations that have plagued other states. Specifically, the port-of-entry inspections have detected numerous harmful pests and plant diseases. Additionally, as demonstrated by other states, pest infestations can cost hundreds of millions of dollars to eradicate and pose a significant danger to the agricultural industry in those states.

Ports-of-entry inspections identify harmful pests and plant diseases—Department inspectors working at the ports-of-entry detect pests and plant diseases that potentially could cause significant damage if not prevented from entering or spreading throughout Arizona. For example:

- Department inspectors detected and prevented over 2,300 high-risk pests from entering Arizona in 1999. This included Mediterranean Fruit Flies, which have been described as the world's most threatening agricultural pest. Similarly, Department inspectors have also detected California Red Scale, which reduces citrus production and makes fruit unmarketable.
- Department inspectors working at the San Simon port-of-entry prevented Mexican Fruit Flies from entering Arizona on a truck carrying mangoes in March 2000. The mangoes originated in Mexico and entered the United States through Texas. Mexican Fruit Flies attack ripening fruit, making it inedible and potentially causing millions of dollars in damage.
- Department inspectors have repeatedly detected Red Imported Fire Ants at the ports. In addition to feeding on plants and damaging electrical and irrigation systems, these ants

Figure 2: A Mexican Fruit Fly



Source: Arizona Department of Agriculture

can aggressively attack people, livestock, and wild animals with painful, repeated stings. Fourteen states, including California, New Mexico, and the Southern states from Texas to South Carolina have Red Imported Fire Ant infestations. More information about Red Imported Fire Ants and Arizona's efforts to address this problem is provided in the "Other Pertinent Information" section of this report, pages 29 through 33.

Undetected pests and diseases can cause expensive infestations—Other states' experiences show that if pest and plant diseases are not prevented from entering the State, the potential resulting infestations can cause significant damage and cost millions of dollars to eradicate. For example:

Infestations are expensive to eradicate.

- Florida's citrus crop has been repeatedly decimated by an outbreak of Citrus Canker, a highly contagious plant disease caused by bacteria. It can destroy entire crops, but is not harmful to humans. The most recent infestation has led to four Florida counties being designated as federal disaster areas. Because there is no known cure for Citrus Canker, all infested trees and trees within 1,900 feet of infested trees must be destroyed to avoid spreading the disease. The latest outbreak has already claimed over 500,000 trees, and officials estimate that it will cost over \$170 million to eradicate Citrus Canker in Florida.

- California officials spent at least \$328 million between 1975 and 1998 to address several infestations of Mediterranean Fruit Flies. These flies attack ripening fruits or vegetables, pierce the soft skin, and lay eggs in the puncture, thus making the fruit inedible. Infestations are treated by aerial pesticide spraying and releasing sterile flies to mate with the active flies, decreasing the likelihood that they will produce offspring.

If either of these pests were to become established in Arizona, the State's \$100 million citrus industry could be jeopardized.

Opportunities Exist to Enhance Inspection Activities

The costs of a potential infestation highlight the need for the inspection program to be as effective as possible. While the Department has done a good job of targeting its resources, it can take two additional steps to improve the program without incurring significant expenses. Specifically:

- ✓ The Department should create new inspector positions and consider staffing these positions by taking advantage of an opportunity to reassign existing Department staff.
- ✓ The Department should work with the Department of Transportation to supplement port inspection activities by providing pest inspection training to Department of Transportation port inspectors and mobile enforcement team members.
- ✓ Likewise, the Department should continue to work with the Department of Transportation and other stakeholders to ensure that trucks, which primarily carry agricultural commodities, are not allowed to use PrePass technology to avoid agricultural inspections.

New inspector positions could enhance port activities—The Department could benefit from creating new port inspection positions. For example, the Department could assign new inspectors to rove throughout the State as needed. Similarly, the Department could station an inspector in Kingman who would inspect trucks that enter Arizona through the Topock and Kingman ports. Over a million trucks entered Arizona through the Department of Transportation’s Topock and Kingman ports-of-entry in 1999, ports which the Department currently does not cover.

Although the Department has limited resources, there are opportunities to increase the number of port-of-entry inspectors within existing resources. For example, this office previously recommended centralizing the Department’s licensing functions (Auditor General Report No. 00-05). When implemented, the Depart-

ment should reduce the number of personnel assigned to licensing. The Department could then transfer some full-time-equivalent employee positions to the Pest Exclusion and Management Program to serve as port-of-entry inspectors.

If the Department creates new roving inspector positions using personnel reductions realized by implementing prior audit recommendations, *it should incur no additional personnel costs*. However, Department officials indicate that they might have to consolidate lower grade licensing FTE positions to create new, higher grade port inspection positions and would need to purchase vehicles for these inspectors at a one-time cost of approximately \$22,000 each, and an additional \$9,000 for annual vehicle operation and travel costs per inspector.

Work with Department of Transportation to supplement port inspection activities—The Department should continue with its efforts to identify opportunities for increased cooperation with the Department of Transportation, Motor Vehicle Division to enhance its port inspection and pest detection activities. As required by Laws 2000, Chapter 343, the Departments of Agriculture and Transportation have begun working to identify opportunities to cross-train port staff. By cross-training each agency's port staff, these staff should be able to perform both the required pest and motor vehicle inspections on trucks entering the State with the goal of increasing port inspection efficiency and reducing the time delay and burden on truck drivers. Additionally, the Department should expand the training it provides to include mobile Department of Transportation teams. These teams, which processed over 17,000 trucks in 1999, periodically deploy at unannounced locations including roads covered by ports after working hours, roads within the State (to inspect intrastate traffic), and roads not covered by a fixed port-of-entry; and perform similar motor vehicle inspections as those performed by port staff. Cross-training these teams would allow them to also perform some pest inspections on eligible trucks processed by these mobile teams.

In addition to providing this training, the Department could also participate on these mobile Department of Transportation inspection teams when time and resources allow. When appropriate, the Department should provide staffing on these teams to conduct pest inspections for eligible trucks, especially on roads

Finding I

not covered by a fixed port-of-entry. Additionally, the Department could use these opportunities to ensure the Department of Transportation personnel appropriately perform pest inspections. Department of Transportation management has expressed willingness to cooperate with the Department in this regard.

Agricultural trucks should be barred from PrePass—As previously discussed, trucks can bypass some ports-of-entry by using pre-clearance technology known as PrePass. The Department is currently working with the PrePass Steering Committee, the group that sets PrePass policy in Arizona, to develop a policy to prohibit trucking companies carrying agricultural commodities 90 percent of the time from participating in PrePass. The Department should continue these efforts, which will help ensure that trucks carrying agricultural commodities are inspected.

Recommendations

1. The Department should create new port-of-entry inspector positions and assign these new inspector positions to high-traffic ports not currently covered by the Department, such as the Kingman and Topock ports. The Department should consider creating these positions by reallocating some of the staff positions saved or realized from centralizing its licensing functions.
2. The Department should continue working with the Department of Transportation to supplement port inspection activities by:
 - a. Providing training to the Department of Transportation's port inspectors and mobile enforcement teams; and
 - b. Participating on the Department of Transportation's mobile enforcement teams when time and resources allow.
3. The Department should continue working with Arizona's PrePass steering committee to develop a formal policy that trucking companies hauling agricultural commodities 90 percent of the time are not allowed to participate in PrePass.

FINDING II

CURRENT FEES MAY NOT SUPPORT COSTS TO ISSUE PHYTO-SANITARY CERTIFICATES

The Department recovers only part of its costs for issuing phyto-sanitary certificates, which are certificates that Arizona agricultural producers sometimes need to export their products to other states or countries. For interstate certificates, the Department lacks statutory authority to assess a fee except under limited circumstances. For international certificates, the Department has authority from the federal government to charge for the certificate, but the Department's outdated fee schedule does not always fully recover the costs. Therefore, the Department needs to continue with its efforts to identify its total costs to issue phyto-sanitary certificates, and establish appropriate fees for federal certificates, while the Legislature should consider granting the Department authority to establish fees for interstate certificates.

Some States and Foreign Countries Require Phyto-Sanitary Certificates

Before allowing an agricultural product to be imported, other states and foreign countries sometimes require a phyto-sanitary certificate (certificate), which certifies that the product is free from specified pests, diseases, and/or weeds. The Department inspects agricultural commodities and issues interstate and federal certificates for Arizona producers to ship their products to other states and countries. In fiscal year 1999, the Department issued approximately 1,500 interstate certificates and over 4,000 federal certificates. The federal certificates, issued under an agreement with the United States Department of Agriculture (USDA), allow commodities to be exported to over 50 different countries.

*Other states and countries
sometimes require export
certificates.*

Producers do not pay a fee for most interstate certificates. For international certificates, the charge is \$19 for shipments valued at less than \$1,250 and \$30 for shipments valued at \$1,250 or more.

The Department Lacks Authority to Charge Fees for Most Interstate Certificates

The Department currently lacks statutory authority to charge fees for most interstate certificates. In some cases, Department inspectors spend considerable time traveling to inspections, inspecting, and issuing interstate certificates, yet cannot charge a fee for this service.

The Department does not recover its costs to issue most interstate certificates—Issuing a certificate can involve a considerable amount of work. In order to issue interstate certificates, a Department inspector might have to:

- ✓ Research the destination state’s import requirements,
- ✓ Travel to the producer’s location,
- ✓ Inspect the commodity, and
- ✓ Issue the interstate certificate.

However, the Department often does not collect a fee for this service. While the Department began to collect cost information on a limited number of phyto-sanitary certificates in April 2000, detailed cost data was available for only 7 of the 258 interstate phyto-sanitary certificates issued by Department inspectors between April and May 2000. However, the Department collected a fee for only 1 of these 7 certificates. In total, the Department incurred over \$140 in direct costs to issue all 7 certificates, yet it was able to collect only \$15 total in fees.

Department has limited authority to charge fees.

The Department lacks statutory authority to charge fees for most interstate certificates—The Department lacks statutory authority to assess fees for this service except under limited circumstances. Specifically, Arizona Revised Statutes do not authorize the Department to charge fees for most of the interstate certificates it issues. Rather, it only authorizes the Department to set and collect fees for a few, isolated circumstances, including nursery stock and seed inspections. For example, the Department charges \$10 to inspect a shipment of nursery stock. The Department charged for approximately 124 nursery inspections in fiscal year 1999. Similarly, the Department charges \$50 to inspect plants for ozonium root rot. The Department conducted approximately 8 ozonium root rot inspections in fiscal year 1999. When the Department cannot recover its costs through fees, it must use other sources of funding to support these activities, including General Fund monies.

In comparison, other states contacted generally charge for all interstate certificates. For example, Oregon charges \$30 per certificate, plus \$45 per hour (including travel time) with a one-hour minimum. Similarly, Colorado charges \$10 per certificate, plus additional inspection charges if an inspection is required. Colorado's inspection charges are \$32 per hour, \$.20 per mile, and \$2 per acre inspected.

The Department Needs to Re-Examine Fees for Federal Certificates

Although the Department is authorized to recover its costs of issuing international certificates on behalf of the federal government, its fees appear too low to recover costs. While the exact cost of issuing these federal certificates is not known, reviews of a sample of these certificates showed that total costs were considerably higher than the total fees allowed.

Department does not always recoup its costs—The Department's fees for federal certificates do not appear sufficient to recover costs, at least for lengthier, more detailed inspections. As with interstate certificates, the process of issuing an interstate certificate can be lengthy depending on the commodity, its loca-

tion, and the destination country's requirements. Detailed cost information was available for only 22 of the 265 federal phytosanitary certificates issued by Department inspectors between April and May 2000. Based on a review of this data, we found that the Department was able to recover its direct costs for 11 certificates, many of which represent more typical inspections. However, direct costs for all 22 certificates were approximately \$940, but the fees collected by the Department totaled only \$594. Additionally, auditors identified several complex certificates that required the Department to expend significant resources at a considerable loss. For example:

- Six Department inspectors spent over 25 hours inspecting a shipment of oranges destined for New Zealand earlier this year. New Zealand's phyto-sanitary requirements dictated that the inspectors examine 1,800 pieces of fruit under a microscope before they could issue the certificate. As a result, the Department spent over \$400 in direct inspector time and vehicle costs alone for this certificate, yet the Department's fee for this certificate is only \$30.
- In a more typical case, a Department inspector drove 40 miles round-trip and spent at least an hour to issue a less complex federal certificate for a shipment of pecans. The Department spent approximately \$43 for the inspector's salary and vehicle costs alone, yet the Department's fee for this certificate is only \$30.

USDA charges higher fees for the same certificates—The Department's fees are outdated. The Department historically charged the same fees as USDA to issue federal certificates. However, the USDA increased its fees from \$19 to \$23 for certificates on shipments valued at less than \$1,250 and from \$30 to \$50 for certificates on shipments valued at more than \$1,250 in order to ensure that it recovers its costs. This was necessary because the USDA does not receive an appropriation to provide this service. Additionally, the USDA changed its rules in 1993 to allow states that issue federal certificates to change their fees in order to fully recoup their costs. However, the Department has not revised its fees in years.

The USDA permits states to charge fees that fully recover their costs for issuing federal certificates. The USDA also offers spe-

cific guidelines on what costs can be included and a formula for arriving at the appropriate fees. However, the Department has not used these guidelines and currently does not track its costs in a manner that would allow it to apply the formula and revise its fees accordingly.

The Department Should Ensure Phyto-Sanitary Certificates Cover Its Costs

To ensure that the Department recovers its costs for issuing phyto-sanitary certificates, it needs to establish appropriate fees. First, the Department should continue with its efforts to identify its total costs for issuing certificates, including complex certificates, using federal guidelines. Based on the results, the Legislature should consider granting statutory authority to the Department to establish fees for issuing all interstate certificates. Likewise, the Department should establish appropriate fees as warranted for issuing federal certificates.

The Department should identify its total costs—In order to establish appropriate fees, the Department should identify its total costs to issue interstate and federal certificates, respectively. As previously discussed, 7 Code of Federal Regulations §354.3 provides a formula for states to use to identify their total costs. This formula is thorough, requiring states to consider both their direct costs (such as inspectors' time and transportation) and indirect costs (such as support and administrative costs). Therefore, while the federal government requires states to use this formula to identify costs for issuing only federal certificates, the Department could also use it as a model to identify interstate certificate costs. This would be consistent with other states, such as Oregon, Washington, and Florida, who charge the same fee schedule for issuing interstate certificates as they charge for issuing federal certificates.

The Legislature should consider granting statutory authority to set fees for all interstate certificates—Based on the Department's cost analysis for issuing interstate certificates, the Legislature

Department needs to identify its total costs for issuing interstate and federal certificates.

should consider granting statutory authority to the Department to charge fees for issuing all interstate certificates. Specifically:

- ✓ The Legislature should consider establishing a maximum fee in statute and giving the Department the authority to set the actual fees in administrative rule, not to exceed the maximum set in statute. This would allow the Department to revise these fees as its costs to issue interstate certificates change.

- ✓ Additionally, the Legislature should also consider allowing the Department to assess separate mileage and/or inspection fees similar to other states. For example, New Mexico charges a \$5 flat fee to issue certificates, plus \$22 per hour and \$.30 per mile if an inspection is required to issue the certificate. Oregon, Washington, Colorado, and Florida similarly charge a mileage and/or hourly labor fee in addition to their flat certificate fee.

Although other states assess separate mileage and/or inspection fees, Department officials indicate that they would prefer to charge only flat fees in order to avoid the cost of developing and maintaining administrative processes to track inspector and vehicle costs for each inspection, and to bill customers.

The Department should re-examine its fees for issuing federal certificates—After identifying its costs, the Department should similarly act to adjust its fees for issuing federal certificates, if appropriate, to more consistently recover its costs. Specifically, the Department should adjust its fees in accordance with the federal guidelines. The Department has the option of charging flat fees or an hourly fee for all federal certificates. However, as with interstate certificates, the Department indicates that it prefers to charge flat fees.

Recommendations

1. The Department should continue with its efforts to identify its total costs for issuing interstate and federal phyto-sanitary certificates, respectively, by applying the federal cost formula in 7 Code of Federal Regulations §354.3.
2. Once the Department has determined its costs, the Legislature should consider granting statutory authority to the Department to set fees in administrative rule not to exceed a maximum amount determined by the Legislature for issuing interstate phyto-sanitary certificates. The Legislature might also consider granting specific authority to assess separate mileage and/or hourly labor fees.
3. If the Department receives statutory authority, it should establish fees for issuing interstate phyto-sanitary certificates in administrative rules.
4. If the Department determines that it does not consistently recover its costs, the Department should revise its fees for issuing federal phyto-sanitary certificates.

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OTHER PERTINENT INFORMATION

During the audit, other pertinent information was gathered regarding the Red Imported Fire Ant and the Department of Agriculture's current efforts to prevent this pest from becoming established in Arizona.

The Red Imported Fire Ant

As part of its Pest Exclusion and Management program, the Department attempts to prevent various pests from entering the State and becoming established so as to prevent the potential damage that these pests can cause to the agricultural industry. The Red Imported Fire Ant (RIFA), which is firmly entrenched in several Southern states, causes severe damage to agriculture, wildlife, people, and property. As a result of this potential for harm, the Department is especially focused on detecting and preventing RIFA from becoming established in the State. Additionally, the Department has taken an active role in eradicating any populations that have been detected in Arizona, including treating ten separate sites in the State during fiscal year 2000.

Red Imported Fire Ants—The Red Imported Fire Ant (RIFA) is not native to the United States, but was accidentally introduced into Alabama in the 1930's from South America. While difficult to differentiate from ordinary ants, RIFA are 1/8" to 1/4" long and reddish brown in color, but are best characterized by their aggressive behavior and mound-shaped nests. Figure 4

(see page 30) illustrates a red imported fire ant. Once established, RIFA colonies can average between 100,000 and 500,000 ants and

Figure 3: A Red Imported Fire Ant



Source: Arizona Department of Agriculture

Other Pertinent Information

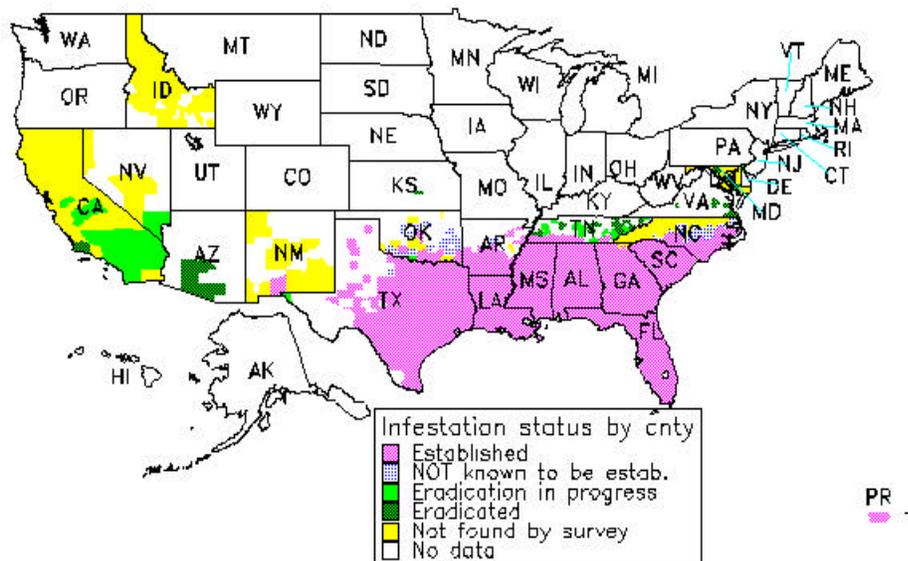
RIFAs endanger people, plants, and animals.

these ants aggressively protect their mounds when disturbed, attacking people, livestock, and wild animals with painful, repeated stings. The United States Department of Agriculture (USDA), Agricultural Research Service reports that approximately 40 percent of the population in RIFA-infested areas is stung each year, with about 1 percent of the population becoming sensitive to these attacks and requiring medical care. Additionally, the ants feed on seeds and seedlings, damage electrical and irrigation systems, and cause problems in crop or nursery fields because their mounds create difficulties for farm machinery.

RIFA currently infests more than 310 million acres in the country and can be found in 14 states. Figure 4 illustrates the infected areas, which lie exclusively in the Southeast and Southwest. Several states, including Florida, Georgia, and Alabama, are

Figure 4

United States Department of Agriculture
Reported Distribution of Red Imported Fire Ants
As of June 2, 2000



Source: Reported Survey and Distribution of Red Imported Fire Ants data retrieved from the National Agricultural Pest Information System. The Center for Environmental and Regulatory Information Systems, United States Department of Agriculture, does not certify to the accuracy or completeness of this map.

Other Pertinent Information

completely infested, while other states, such as Oklahoma, Texas, and California, are only partially infested. However, even the partially infested states have expended and will continue to expend millions of dollars annually to control these infestations. According to a Texas Fire Ant Research and Management Plan study released in 1999, damage caused by and management of RIFA in the 5 major urban areas of the state cost more than \$580 million in 1998.¹ Three counties in California are infested and California has budgeted over \$10 million to fund fire ant eradication programs in fiscal year 2001 alone. However, experts agree that once RIFA becomes established, eradication becomes very difficult. For example, the Texas Department of Agriculture has attempted to eradicate the ant from a 6-block area in Lubbock, Texas, for more than 10 years, yet the infestation persists.

Arizona's conducive climate necessitates aggressive measures— Arizona considers itself to be a RIFA-free state because all known incidences of RIFA in Arizona underwent or are under active eradication. However, several parts of Arizona are conducive to RIFA establishment, increasing the importance of Department efforts to detect and prevent the establishment of this pest in the State. According to experts, geographic areas with warm summers and cool winters, known avenues of RIFA introduction such as containerized nursery stock, and large or rapidly growing populations that result in an increased need for nursery stock, should be considered at high risk for RIFA introduction. RIFA thrives in areas that regularly receive water, such as golf courses, lawns, and sports fields. Additionally, the interstate transport of various agricultural, nursery, and other products where RIFA is found facilitates their expansion.

Arizona is at high risk for RIFA infestation.

Given the potential for RIFA infestation in Arizona and the millions of dollars that an infestation could cost in damage and eradication efforts, the Department has adopted a progressive and prevention-oriented approach in addressing RIFA. For example, through its port inspection efforts, the Department at-

¹ The Texas Fire Ant Research and Management Plan was funded by the Texas legislature in 1997 for the first two years of a six-year plan. The funding supports research, education, and regulatory programs conducted at Texas A & M University (the Texas Agricultural Experiment Station and the Texas Agricultural Extension Service); Texas Tech University; the University of Texas at Austin; and the Texas Department of Agriculture.

Other Pertinent Information

tempts to intercept RIFA traveling on trucks before they can enter the State. From July through December 1999, the Department reported rejecting 296 commercial trucks infested with RIFA at Arizona's ports-of-entry. In fiscal year 1999, the Department reports surveying 60 high-risk nurseries for the presence of RIFA and intercepting the ant at 7 of these nurseries. Additionally, the Department reported in January 2000 that it was continuing with its exclusion and detection activities, including port-of-entry inspections, inspection of high-risk conveyances, and trapping and survey of all high-risk sites (nurseries, landscape operations, and golf courses).

RIFA concerns have also resulted in specific funding from the Governor and Legislature to address this problem. For example, due to RIFA public health concerns and confirmation of established infestations in California, Governor Jane Dee Hull released \$200,000 in state emergency funds in January 1999 to enhance the Department's ongoing efforts to combat this pest. As a result, the Department reported adding 10 additional inspectors and 1 laboratory technician to assist in RIFA detection efforts. Additionally, the Legislature approved a line-item appropriation of \$330,000 for fiscal year 2000 and \$333,000 for fiscal year 2001 to combat the ant. This funding is significant as the Department estimates it spent approximately \$583,000 during fiscal year 1999 to address RIFA issues.

Department actively involved in eradicating RIFA populations—Despite Department efforts to detect and prevent the establishment of RIFA in the State, various populations have been identified, requiring the Department to take various actions to eradicate them. For example, the Department was actively involved in treating ten populations for RIFA during fiscal year 2000. These populations included:

- **Phoenix motel and nearby restaurant**—Department inspectors detected this RIFA population in June 1999 while inspecting a truck at the motel. A survey of the motel not only found the ant, but also determined that the ant had spread to a nearby restaurant and adjacent property. The Department reports eradicating this population, but will continue with precautionary treatments until October 2000.

Other Pertinent Information

- **Nurseries in Phoenix, Gilbert, and Mesa**—While several nurseries in the State have experienced problems with RIFA and have required Department assistance to eradicate colonies, only three nurseries have recently undergone active treatment for RIFA. Nurseries are at higher risk for RIFA infestations due to nursery products that are imported from RIFA-infested areas of the country and the redistribution of this product to various areas of the State. The Department actively surveys nurseries around the State for RIFAs.

- **Cibola High School in Yuma**—In July 1999, major RIFA activity of over 8,200 mounds was discovered at Yuma’s Cibola High School. Department officials suspect that this population may be more than 10 years old, which coincides with the school’s construction and supports the idea that the ant may have been introduced via out-of-state earth-moving equipment or nursery product. To date, the Yuma Union High School District reports spending over \$100,000 to address the infestation. As of August 2000, eradication efforts had reduced the number of mounds to nine.

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Agency Response

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September 5, 2000

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

Dear Ms. Davenport:

Enclosed is the Arizona Department of Agriculture's response to the Arizona Department of Agriculture's Pest Exclusion and Management Audit. The Department agrees in general with the findings and recommendations of the audit team.

The Department is pleased to note that it has already begun to identify many ways to improve upon the issues documented in your report and has begun implementing the recommendations where possible. In most instances, these efforts were underway before the recommendations were received, and we have accepted them as endorsements of responsible management directives already underway.

We extend our appreciation to the audit team for their professionalism and attention to detail. I certainly appreciate their willingness to seek out the Department's input and clarification of issues identified in this report.

Sincerely,

A handwritten signature in black ink that reads "Sheldon R. Jones". The signature is written in a cursive, flowing style.

Sheldon R. Jones
Director

AUDITOR GENERAL'S RECOMMENDATIONS AGENCY RESPONSE

Overview:

The Arizona Department of Agriculture (ADA) agrees in general with the findings and recommendations of the audit team and would like to thank the Auditor General's staff for the professional manner in which the audit was performed.

We believe the ADA, while it continues to identify methods of improving its delivery of service to Arizona's growing agricultural industry and the public as a whole, is a good example of how government should strive to work. We take very seriously our mission and our charge to regulate and support Arizona agriculture in manner that promotes farming, ranching and agribusiness while protecting consumers and natural resources.

While this cabinet level agency was created only ten years ago, to serve and regulate Arizona's agriculture industry, a number of things have and continue to change about the industry we serve. Foremost is the changing face of our customers, which reflects the industry as a whole. Arizona is internationally renowned for its diverse agricultural production. From artichokes to cattle, cotton and citrus to shrimp and watermelons, Arizona is continuously increasing its agricultural diversity. It is entirely fascinating to observe the customers that call on us every day. The ADA is constantly asked to service more than the program crops of wheat, cattle, cotton and dairy. Ten years ago, the aquaculture, ratite, custom slaughter, wine and massive nursery industry did not exist as they do today. Because of the changing face of our customers and the public's demands for faster, more efficient service, the ADA recognizes more must be done to meet the challenges we face today and those we will face in the future.

The findings and recommendations of this report will be incorporated into our discussions with other state agencies and other agency stakeholders to further refine the system for meeting the dynamic and ever changing needs of Arizona's agriculture industry and the public at large. It is important to note, also, that this report provides warranted endorsement of the Department's FY2002-2003 budget request, which seeks funds to increase the number of employees designated to work at Arizona's ports-of-entry.

The findings and recommendations make mention of the unprecedented agreement the Department has with the California Department of Food & Agriculture to provide for Department presence at Duncan and Douglas; however, it neglects to mention the amount of the agreement which is \$350,000. California recognizes the benefit, but the benefit accrues equally to Arizona taxpayers, at no cost to them.

Finding I: Port-of-Entry Inspections Help State Avoid Costly Pest Infestations

Recommendation 1: The Department should create new port-of-entry inspector positions and assign these new inspector positions to high-traffic ports not currently covered by the Department, such as the Kingman and Topock ports. The Department should consider creating these positions by reallocating some of the staff positions saved or realized from centralizing its licensing functions.

Agency Response: *The finding of the Auditor General is agreed to and a different method of dealing with the finding will be implemented.*

The Department appreciates the Auditor General's recognition of the valuable service the Pest Exclusion and Management program provides to Arizona's citizens. Pest eradication and control costs in neighboring states climb higher into the millions of dollars each year. Often times, this cost is paid by state and local governments and is all too frequently passed onto citizens in the cost of over-the-counter pest exclusion chemical products, extermination services, and medical treatment expenses.

The Department agrees that more of its resources need to be strategically placed at high-traffic ports of entry, like Kingman and Topock. The Department has taken steps to implement this recommendation in a different manner, however. It is unlikely staff positions saved by centralizing its licensing functions, on its own, solve this identified problem.

Therefore, the Department has submitted a budget request for funds to staff existing ports-of-entry at Duncan and Douglas twenty-four hours a day as opposed to sixteen hours a day, and to staff the Kingman port-of-entry fully by 2003. The Department will measure the success of its Kingman inspections and will use that data to justify staffing the station at Topock in FY2004. Included in this request are companion requests for additional burdens created on Survey & Detection, the District offices and our laboratory, by virtue of increased detection capability at our ports.

Recommendation 2: The Department should continue working with the Department of Transportation to supplement port inspection activities by:

- a. **Providing training to the Department of Transportation port inspectors and mobile enforcement teams; and**
- b. **Participating on the Department of Transportation's mobile enforcement teams when time and resources allow.**

Agency Response: *The finding of the Auditor General is agreed to and the audit recommendations will be implemented.*

The Arizona Department of Agriculture has already begun implementing this recommendation. The Department is presently working with the Arizona Department of Transportation to develop a revised Interagency Agreement, and where possible, the two Departments agree that port inspection activities can be supplemented by supplying pest identification training for Transportation's many port employees.

We see value in participating with specifically targeted exercises. Cross training will generate awareness to recognize that an incidence discovered by one agency is of value to the other. At a very simple level of example, DOT, if aware, could direct a load to one of our designated holding areas.

Recommendation 3: The Department should continue working with Arizona's PrePass steering committee to develop a formal policy that trucking companies hauling agricultural commodities 90 percent of the time are not allowed to participate in PrePass.

Agency Response: *The finding of the Auditor General is agreed to and the recommendation will be implemented.*

The Department appreciates the recognition the Auditor General has made of the threats inherent with Arizona's PrePass program. The Department will continue its work with the PrePass steering committee to formalize a position on the eligibility of agricultural carriers.

Finding II: *Current Fees May Not Support Costs to Issue Phyto-sanitary Certificates*

Recommendation 1: The Department should continue with its efforts to identify its total costs for issuing interstate and federal phyto-sanitary certificates, respectively, by applying the federal cost formula in 7 Code of Federal Regulations §354.3.

Agency Response: *The finding of the Auditor General is agreed to and the recommendation will be implemented.*

As the ADA is in the preliminary stages of determining the actual costs of issuing interstate and federal phyto-sanitary certificates, the Department has already discovered that the fees being charged for such services are not sufficient to cover their costs. The Department will continue building historical cost figures to establish the average cost of these two services.

Recommendation 2: Once the Department has determined its costs, the Legislature should consider granting statutory authority to the Department to set fees in administrative rule not to exceed a maximum amount determined by the Legislature for issuing interstate phyto-sanitary certificates. The Legislature might also consider granting specific authority to assess separate mileage and/or hourly labor fees.

Agency Response: *The finding of the Auditor General is agreed to and the recommendation will be implemented consistent with Legislative mandate.*

The ADA will make every effort to inform the Legislature of the cost of issuing interstate phyto-sanitary certificates so it may adjust the statutory authority of fees charged for issuing them.

Recommendation 3: If the Department receives statutory authority, it should establish fees for issuing interstate phyto-sanitary certificates in administrative rules.

Agency Response: *The finding of the Auditor General is agreed to and the recommendation will be implemented.*

The ADA will certainly develop administrative rules consistent with Legislative mandate. Should the Legislature grant the Department the authority to establish the fees for issuing interstate phyto-sanitary certificates, the Department will fulfill its obligation to the public by establishing administrative rules that are consistent with the law.

Recommendation 4: If the Department determines that it does not consistently recover its costs, the Department should revise its fees for issuing federal phyto-sanitary certificates.

Agency Response: *The finding of the Auditor General is agreed to and the recommendation will be implemented.*

The Department will make every effort to determine the actual cost associated with issuing federal phyto-sanitary certificates, and if the fees being charged for this valuable service do not meet the cost, the Department will revise its fee structure to recover its costs.

Other Performance Audit Reports Issued Within the Last 12 Months

99-13	Board of Psychologist Examiners	00-1	Healthy Families Program
99-14	Arizona Council for the Hearing Impaired	00-2	Behavioral Health Services— Interagency Coordination of Services
99-15	Arizona Board of Dental Examiners	00-3	Arizona's Family Literacy Program
99-16	Department of Building and Fire Safety	00-4	Family Builders Pilot Program
99-17	Department of Health Services' Tobacco Education and Prevention Program	00-5	Department of Agriculture— Licensing Functions
99-18	Department of Health Services— Bureau of Epidemiology and Disease Control Services	00-6	Board of Medical Student Loans
99-19	Department of Health Services— Sunset Factors	00-7	Department of Public Safety— Aviation Section
99-20	Arizona State Board of Accountancy	00-8	Department of Agriculture— Animal Disease, Ownership and Welfare Protection Program
99-21	Department of Environmental Quality—Aquifer Protection Permit Program, Water Quality Assurance Revolving Fund Program, and Underground Storage Tank Program	00-9	Arizona Naturopathic Physicians Board of Medical Examiners
99-22	Arizona Department of Transportation A+B Bidding	00-10	Department of Agriculture— Food Safety and Quality Assurance Program and Non-Food Product Quality Assurance Program
		00-11	Arizona Office of Tourism
		00-12	Department of Public Safety— Scientific Analysis Bureau

Future Performance Audit Reports

Department of Agriculture—Commodity Development and Promotion Program

Department of Agriculture—State Agricultural Laboratory

Department of Agriculture—Sunset Factors

Arizona State Boxing Commission