



State of Arizona
Office
of the
Auditor General

PERFORMANCE AUDIT

**ARIZONA
AUTOMOBILE THEFT
AUTHORITY**

Report to the Arizona Legislature
By Debra K. Davenport
Auditor General

July 2001
Report No. 01-14

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AUDITOR GENERAL

STATE OF ARIZONA
OFFICE OF THE
AUDITOR GENERAL

WILLIAM THOMSON
DEPUTY AUDITOR GENERAL

July 30, 2001

Members of the Arizona Legislature

The Honorable Jane Dee Hull, Governor

Mr. Paul Mortensen, Executive Director
Arizona Automobile Theft Authority

Transmitted herewith is a report of the Auditor General, A Performance Audit of the Arizona Automobile Theft Authority. 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.

As outlined in its response, the Arizona Automobile Theft Authority agrees with the report Finding and will implement all of the 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 July 31, 2001.

Sincerely,

Debbie Davenport
Auditor General

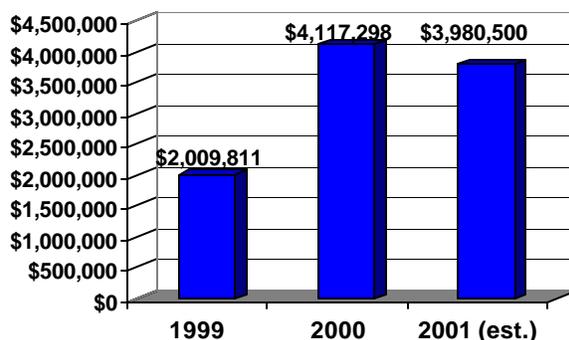
Enclosure



Arizona Automobile Theft Authority

Services: The Automobile Theft Authority is responsible for analyzing methods of combating Arizona's automobile theft problem and promoting successful methods of reducing the number of vehicle thefts in Arizona. The Authority participates in or provides funding for three major types of programs: **1) Public awareness**—the Authority increases public awareness by educating Arizona citizens about automobile theft and theft protection through use of media campaigns, community events, and other public relations efforts and issuing grants to law enforcement agencies; **2) Prosecution**—the Authority provides some funding to the three county attorney offices with the highest vehicle theft rates in order to focus efforts on prosecuting auto theft cases; and **3) Investigation**—the Authority funds the Arizona Vehicle Theft Task Force, which coordinates a statewide law enforcement effort to combat vehicle theft.

Revenues: \$3,980,500
(fiscal year 2001 estimates)



Revenue is generated primarily through a semiannual fee of 50 cents per insured vehicle. This fee is collected from insurance companies issuing motor vehicle liability policies within the State.

Facilities: The Authority leases office space and storage space in Phoenix for an annual cost of almost \$34,000.

Equipment: The Authority owns only standard office equipment.

Authority membership: 12 members who serve four-year terms:

- 2 police chiefs;
- 2 county attorneys;
- 2 sheriffs;
- DPS director or designee;
- MVD assistant director or designee;
- 2 general public members; and
- 2 employees of insurance companies who write motor vehicle policies.

Personnel: 5 full-time positions:

- 1 Executive Director;
- 1 Administrative Services Officer;
- 1 Public Information Officer; and
- 2 Administrative Assistant positions (one position currently vacant).

Authority Mission:

“To reduce vehicle theft through a statewide cooperative effort by supporting law enforcement investigation, prosecution, and public awareness programs.”

Program Goals: (fiscal years 2001-2003)

1. To reduce the occurrence of vehicles stolen throughout the State of Arizona by 10 percent each year.
2. To support the identification and apprehension of vehicle theft organizations and chop shops (dismantling of stolen vehicles for profit).
3. To implement prosecution programs in four counties by funding staff resources to prosecute cases referred by the Arizona Vehicle Theft Task Force.
4. To increase public awareness in vehicle theft prevention and promote the “Watch Your Car” program.
5. To develop and implement an effective border interdiction program.

Adequacy of Performance Measures:

The Arizona Automobile Theft Authority’s five goals appear to be appropriate for its mission, and it has established 26 performance measures that correlate to its goals. A review of its performance measures indicates that the Authority has generally established only inputs or outputs as performance measures and needs to expand the number and type of performance measure data it gathers for each major program it funds.

To expand its performance measures in a meaningful way, the Authority should look for ways to measure program outcome, efficiency, and quality, and use this information to analyze the value of each program.

- The Authority should establish outcome measures. Outcome measures indicate the results achieved and whether the program is meeting its proposed targets, such as the percentage increase in felony arrests, convictions, or program participants.
- The Authority should establish efficiency measures. Efficiency measures reflect the cost of providing the program or services, such as the cost per felony arrest, conviction, or program registrant.
- The Authority should also establish quality measures. Quality measures emphasize reliability or responsiveness to the customer or stakeholder, such as interest in or satisfaction with the program.

SUMMARY

The Office of the Auditor General has conducted a performance audit and Sunset review of the Arizona Automobile Theft Authority (Authority) pursuant to a June 16, 1999, resolution of the Joint Legislative Audit Committee. This audit was conducted under the authority vested in the Auditor General by Arizona Revised Statutes §41-2951 et seq.

The Arizona Automobile Theft Authority was established in 1992 and is responsible for determining the scope of the State's motor vehicle theft problem and analyzing the various methods of combating it. In fiscal year 2001, the Authority will distribute about \$2.8 million in grants for a statewide law enforcement effort to investigate vehicle theft, programs dedicated to prosecuting auto theft cases, and public education efforts. The Authority's revenue is generated through a semiannual assessment of 50 cents per insured vehicle from all insurance carriers who sell motor vehicle liability policies in the State.

The Authority Needs to Improve Its Management Information and Operating Procedures (See pages 9 through 17)

The Authority lacks adequate information, procedures, and guidelines to ensure that it is meeting its mission. Although the number of auto thefts has continued to decrease since the Authority began its major programs, the Authority does not have enough information to determine how much effect, if any, its programs are having on this continued decline. Changes in the number of auto thefts can be influenced by many factors in addition to deterrent or prevention programs, including demographic changes and changes in the economy. However, the Authority can improve its efforts to analyze the various methods it uses to combat the motor vehicle theft problem by expanding the number and type of performance measures gathered for each

program. For example, the Authority should establish some outcome measures to ensure its programs are meeting their proposed targets, such as the percentage increase in felony arrests or convictions. Efficiency measures, such as the cost per felony arrest or cost per program registrant, would also be important data to capture. It should then use this data to make decisions about whether it should continue funding these programs.

In addition, the Authority lacks guidelines for the process it uses to decide which projects should receive grant funding. For example, the Authority has no guidelines that justify its decision to solicit grant applications from only 6 of Arizona's 15 counties. Although the Authority indicates that grant solicitations were sent to the counties with the highest auto theft rates, monies used for grants are collected statewide. Other states have established grant award procedures and guidelines outlining the programs eligible to receive grants, acceptable expenditures, criteria under which applications are evaluated, and monitoring and reporting requirements. Further, the Legislature should consider granting the Authority rule-making power so that the Authority can formalize the grant guidelines in administrative rule with public input.

To further ensure resources are safeguarded, the Authority also needs to establish basic written operational procedures. At the time of our audit, the Authority lacked written procedures for its day-to-day functions. Written policies and procedures became even more critical in January 2001 when the responsibility for collecting revenues (totaling more than \$3 million annually) from motor vehicle insurance companies was transferred from the State's General Accounting Office to the Authority. The Authority is in the process of drafting a policies and procedures manual that it expects to have in place July 1, 2001. Finally, to assist in achieving its objectives, the Authority should develop an operational plan as specified by A.R.S. §41-3451.

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INTRODUCTION AND BACKGROUND

The Office of the Auditor General has conducted a performance audit and Sunset review of the Arizona Automobile Theft Authority (Authority) pursuant to a June 16, 1999, resolution of the Joint Legislative Audit Committee. This audit was conducted under the authority vested in the Auditor General by Arizona Revised Statutes (A.R.S.) §41-2951 et seq.

Authority's History and Responsibilities

Laws 1992, Chapter 75 established the Arizona Automobile Theft Authority to address automobile theft. However, no funding provision was imposed, which limited the Authority's activities to appointing Board members and selecting volunteers to research anti-theft programs and gather automobile theft statistics. Consistent with statute, the Authority solicited voluntary donations from insurance companies and other corporations with a vested interest in reducing automobile theft.

The Authority received approximately only \$158,000 in donations; therefore, Laws 1996, Chapter 263 established funding for the agency through an assessment of automobile insurers who issue motor vehicle liability policies in the State. However, the Authority believes its program is really just beginning, since full collection of its fee revenue did not begin until fiscal year 2000 (see Table 1, page 6).

Item 1: Arizona Auto Thefts

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|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none">■ Since 1997, Arizona has been listed annually as #10 in the nation for number of auto thefts and #2 in auto thefts per 100,000 residents.■ 38,247 motor vehicles were stolen in Arizona during calendar year 1999. |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

Introduction and Background

The Authority's basic responsibilities include determining the scope of the motor vehicle theft problem and analyzing the various methods of combating it. Its mission is:

To reduce vehicle theft through a statewide cooperative effort by supporting law enforcement investigation, prosecution, and public awareness programs.

The Authority seeks to fulfill this mission by administering or providing grant funding for several programs designed to promote auto theft prevention. These programs can be classified under three broad categories.

■ **Law enforcement investigation**—The Authority provides funding for two law enforcement programs.

➤ **Arizona Vehicle Theft Task Force**—The Arizona Vehicle Theft Task Force was established in November 1996 after the Department of Public Safety approached the Authority with a funding request to coordinate a statewide law enforcement effort to combat vehicle theft. The Task Force investigates property crimes involving vehicles, vehicle parts, and insurance fraud, as well as providing technical expertise and training to other law enforcement agencies. Its membership consists of 42 officers and 3 civilian members and represents 13 city, county, and state law enforcement agencies, as well as a national nonprofit insurance organization.¹ Although it is administered by the Department of Public Safety, the Authority provides the majority of its funding. In fiscal year 2001, the Task Force will receive an estimated \$2.45 million from the Authority.

➤ **Border interdiction**—The Authority, with the help of the Task Force, is starting a project that would improve vehicle recovery for U.S. automobiles discovered in Mexico

The Arizona Vehicle Theft Task Force combats vehicle theft statewide.

¹ Task Force participants represent the State—Department of Public Safety, Department of Insurance, and Motor Vehicle Division of the Arizona Department of Transportation; County Sheriff's Offices—Cochise, Yavapai, and Yuma; city police departments—Chandler, Glendale, Marana, Mesa, Phoenix, Scottsdale, and Tucson; and the National Insurance Crime Bureau.

and identify stolen vehicles as they cross the border. The Authority provided \$50,000 in fiscal year 2001 to test and evaluate the use of computer technology to assist in this effort.

- **Prosecution**—The Authority provides funding for prosecution programs in the three counties with the highest theft rates: Maricopa, Pima, and Pinal. These programs focus on prosecuting vehicle theft cases and give priority to cases investigated and referred by the Arizona Vehicle Theft Task Force. Attorneys from these programs also offer legal training and advice to task force members. The Authority will provide an estimated \$177,000 to fund three prosecutors and one legal secretary in fiscal year 2001.
- **Public awareness**—These programs are designed to provide information to the public about automobile theft and how to help prevent it. The Authority provides information through press releases, TV, and radio and newspaper interviews. In addition, the Authority participates in or provides funding for the following public awareness programs.
 - **Media campaigns and safety fairs**—The Authority’s staff provides information to the public on preventing vehicle theft by participating in community events such as the Arizona State Fair, police safety fairs, shopping mall public safety events, and neighborhood safety fairs.
 - **Prevention program**—The Authority also operates an auto theft prevention program called “Watch Your Car.” People registered in the program place stickers on their vehicles that allow law enforcement officials to stop the vehicles without cause between the hours of 1 to 5 a.m., the time when most automobile thefts occur. In fiscal year 2001, the Authority will receive an estimated \$240,000 in federal grant monies to conduct outreach activities and operate this program.
 - **Grants**—Another responsibility of the Authority is to annually award grant funds to public agencies for projects that prevent, combat, and reduce motor vehicle theft and improve prosecution. For example, during fiscal

year 2001, a grant was awarded to the Peoria Police Department to purchase steering-wheel-locking devices to be awarded to citizens at community events, and a grant was awarded to the Phoenix Police Department to provide overtime funding for police officers who give presentations on auto theft prevention at city or neighborhood events. In fiscal year 2001, seven grants were awarded that totaled \$136,371.

Organization and Staffing

The Authority consists of 12 members who serve four-year terms. Members include law enforcement officials, insurance company representatives, and the public (see Item 2 below).

Item 2 Authority Membership	
<u>Members</u>	<u>Appointed by</u>
Director of DPS or designee	
Police Chiefs (2) ¹	Arizona Chiefs of Police Association
Sheriffs (2) ¹	Arizona Sheriffs' Association
County Attorneys (2) ¹	Governor
General Public Members (2)	Governor
Insurance Company Employees (2)	Governor
Assistant Director of Motor Vehicle Division in Arizona Department of Transportation or designee	

¹ Statute requires police chief, sheriff, and county attorney membership to be appointed from both urban and rural populations.

To assist the Authority in its duties for fiscal year 2001, the Authority was authorized five full-time-equivalent (FTE) positions. The executive director is assisted by a public relations officer, administrative services officer, and an administrative assistant, with one administrative assistant position currently vacant.

In addition, Laws 1997, Chapter 263, Section 14 created an eight-member Automobile Theft Authority Committee consisting of six legislators (three each from the Senate and House), the Governor or Governor's designee, and the director of the Department of Insurance. The committee is tasked with reviewing the

Authority's prevention programs, funding sources, and impact of the Authority's programs on auto theft rates and motor vehicle insurance costs. However, the committee has not met since November 19, 1998, and has a repeal date of December 31, 2003.

Budget

The Authority does not receive any General Fund appropriations.

Although the Legislature authorizes the Authority's expenditures, the Authority does not receive any General Fund Appropriations. Rather, the Board receives its funding through an assessment on insurance companies issuing motor vehicle liability insurance policies in the State. A semiannual fee of 50 cents per insured vehicle is collected and deposited in the Automobile Theft Authority Fund. In fiscal year 2001, this assessment is estimated to generate almost \$3.5 million in revenue. Additional funding is derived from interest earned, grants, or gifts. Table 1 (see page 6) illustrates the Authority's actual and estimated revenues and expenditures for fiscal years 1999 through 2001.

Audit Scope and Methodology

Audit work focused on the effectiveness of the Authority's programs and the efficiency with which it operates. This audit includes one finding and recommendations.

- The need for the Authority to better demonstrate the value of its programs and establish written policies and procedures, including grant guidelines, to help ensure that its programs meet its objectives.

Several methods were used to study the issues addressed in the audit including:

- Interviewing staff and nine Board members, an Arizona Vehicle Theft Task Force representative, a legislator, and representatives from two state agencies that interact with the Authority to obtain information about the Authority and to determine the auto theft prevention programs that existed before the Authority was created.

Table 1

**Arizona Automobile Theft Authority
Statement of Revenues, Expenditures, and Changes in Fund Balance
Years Ended June 30, 1999, 2000, and 2001
(Unaudited)**

	1999	2000	2001
	(Actual)	(Actual)	(Estimated)
Revenues:			
Vehicle Inspection and Title Enforcement Fund Appropriation			\$ 150,000 ¹
Charges for services	\$2,001,035	\$4,030,873 ²	3,450,000
Intergovernmental		50,000	240,000 ³
Earnings on investments	8,776	36,425	140,000
Private gifts			<u>500</u>
Total revenues	<u>2,009,811</u>	<u>4,117,298</u>	<u>3,980,500</u>
Expenditures:			
Personal services	167,674	144,732	182,100
Employee-related	29,505	26,287	27,200
Professional and outside services	117,324	115,754	163,000
Travel, in-state	4,768	2,389	7,500
Travel, out-of-state	4,348	12,704	12,000
Aid to individuals and organizations ⁴	1,751,370	1,914,300	2,851,400
Other operating	109,201	241,672	250,300
Equipment	<u>5,709</u>	<u>21,356</u>	<u>65,000</u> ³
Total expenditures	<u>2,189,899</u>	<u>2,479,194</u>	<u>3,558,500</u>
Excess of revenues over (under) expenditures	(180,088)	1,638,104	422,000
Fund balance, beginning of year	<u>208,838</u>	<u>28,750</u>	<u>1,666,854</u>
Fund balance, end of year	<u>\$ 28,750</u>	<u>\$1,666,854</u>	<u>\$2,088,854</u>

¹ This appropriation from the Arizona Department of Transportation's Vehicle Inspection and Title Enforcement Fund is for educating the public about auto theft, enhancing border enforcement, and supporting prosecution of auto theft cases.

² Amount includes more than \$1 million of past-due assessments collected from insurance companies that were using the incorrect method for calculating their assessments.

³ In 2001, the Authority received a \$240,000 grant from the U.S. Department of Justice, Bureau of Justice for the *Watch Your Car* program. Approximately \$30,000 of these monies are allocated for buying a van dedicated to program activities.

⁴ Amount consists of grants made to the Arizona Vehicle Theft Task Force and other law enforcement agencies.

Source: Auditor General staff analysis of the Arizona Financial Information System *Revenues and Expenditures by Fund, Program, Organization, and Object* and *Trial Balance by Fund* reports for the years ended June 30, 1999 and 2000; and Authority-provided estimates for the year ending June 30, 2001.

Introduction and Background

- Contacting nine other states to compare their structure, funding, and program operations with Arizona's program. States were selected based on auto theft statistics, border or port accessibility, and similarities to the Authority's organizational structure. States selected were Florida, Illinois, Maryland, Michigan, Minnesota, New York, Pennsylvania, Texas, and Virginia.
- Inspecting the "Watch Your Car" registrant records and comparing them to the number of vehicles registered in Arizona.
- Reviewing and analyzing literature, including news articles, Internet Web sites, and research studies about motor vehicle theft prevention activities.
- Contacting the U.S. Department of Justice, Bureau of Justice Assistance to discuss its "Watch Your Car" grant program and review federal motor vehicle legislation.
- Reviewing annual reports, statutes, board minutes, and budget documents to learn of the Authority's past and current efforts to comply with state mandates.
- Examining grant applications for the past three years and Authority contracts with other agencies and outside entities.
- Attending three Board meetings of the Arizona Automobile Theft Authority to observe Board functions and compliance with open meeting law.

This audit was conducted in accordance with government auditing standards.

The Auditor General and staff express appreciation to the Arizona Automobile Theft Authority's Board members, executive director, and staff for their cooperation and assistance throughout the audit.

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FINDING I

THE AUTHORITY NEEDS TO IMPROVE ITS MANAGEMENT INFORMATION AND OPERATING PROCEDURES

The Authority needs to gather additional management information and improve its operating procedures. Currently, the Authority has little information to determine the effect its programs are having on reducing auto theft. As a result, the Authority is not in a strong position to assess which programs should be continued. The Authority also has no policies and procedures to help ensure that grant monies have been allocated properly and fairly, or to ensure that adequate management controls are in place for the more than \$3 million it collects from insurance companies each year. The Authority should follow the example of other states with similar programs and establish written procedures for handling all its functions and programs.

Additional Management Information Needed

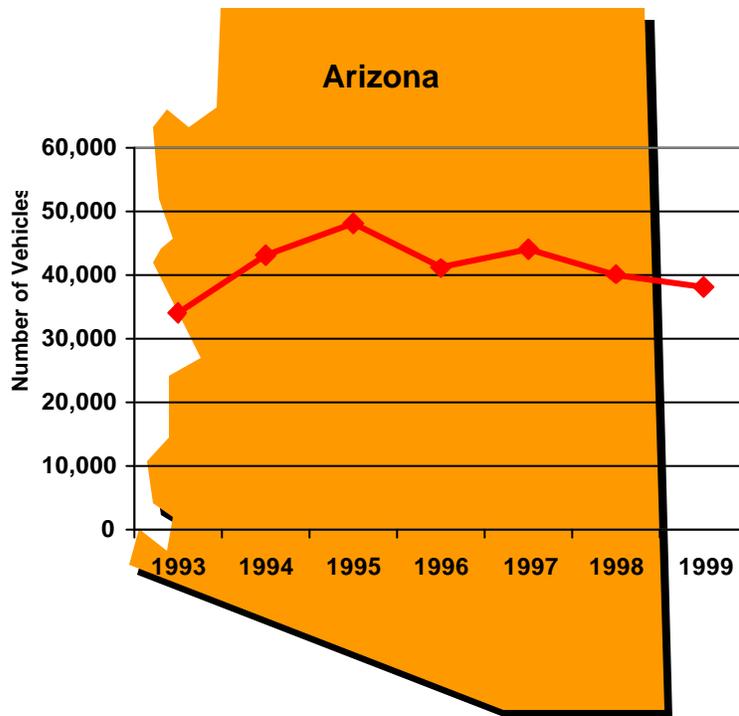
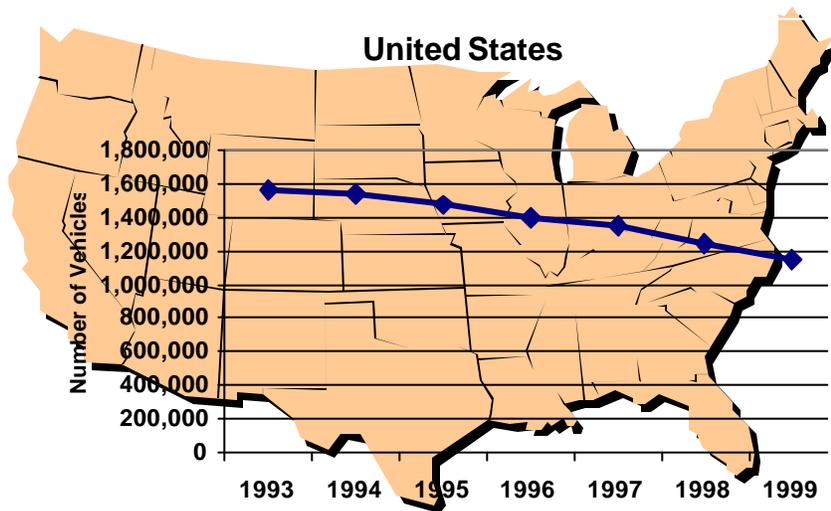
The Authority should gather additional management information to help demonstrate the value of its programs. Although the number of auto thefts in Arizona has been decreasing, the Authority does not collect enough performance measure data now to establish whether its programs are impacting this trend. Developing, collecting, and analyzing additional information would help the Authority assess the value of its programs and determine whether programs should be continued or eliminated.

Program impact unclear—Although the Authority was established to provide funding for programs designed to prevent auto theft, it is difficult to conclusively determine the impact of its programs on the overall number of auto thefts. One of the key reasons for this difficulty is that the number of auto thefts began decreasing in calendar year 1996 before the Authority had a dedicated funding source (see Figure 1, page 10). In addition,

Auto thefts in Arizona are decreasing, following the national downward trend.

Figure 1

**Arizona Automobile Theft Authority
Comparison of Vehicle Theft Trends
Years Ended December 31, 1993 through 1999**



Source: Auditor General staff analysis of auto theft statistics contained in the U.S. Department of Justice Federal Bureau of Investigation, Uniform Crime Report, as reported in the Arizona Vehicle Theft Task Force Fiscal Year 2000 annual report.

as noted in a study of Maryland's Motor Vehicle Theft Prevention Program, there are several competing explanations for why the number of auto thefts rise and fall, including demographic changes, changes in law enforcement practices, and changes in the economy.¹ A subsequent review of auto theft prevention programs in Maryland and a review in Michigan also noted the difficulty in making conclusive statements about the program's impact.²

Steps needed to further demonstrate program value—Despite the difficulty in conclusively determining its impact on the overall number of auto thefts, the Authority could do more to demonstrate the value of the programs it funds. The Authority is statutorily responsible for analyzing the various methods of combating the vehicle theft problem. However, the Authority does not currently gather enough performance measure data on the programs it funds to conduct such an analysis. Specifically, the Authority has generally established only basic performance measures for each program, which include input and output measures such as the number of stolen vehicles, number of vehicles recovered, and number of felony arrests.

To expand performance measures in a meaningful way, the Authority needs to look for ways to measure program outcome, efficiency, and quality. Outcome measures indicate the results achieved and whether the program is meeting proposed targets, such as the percentage increase in felony arrests and convictions. Efficiency measures reflect the cost of providing the program, such as the cost per felony arrest, or program registrant. Quality measures emphasize the Authority's reliability or responsiveness to the customer or stakeholder, such as interest in or perception of the program or service provided. Some of this information is already being gathered by the programs the Authority funds,

The Authority needs to expand its performance measures to assess the value of its programs.

¹ Cheesman, II, Fred L., Jennifer L. Bridger, and George C. Payer. *An Impact Evaluation of Maryland's Motor Vehicle Theft Prevention Program, Executive Summary*. University of Baltimore, Schaefer Center for Public Policy, October 21, 1996.

² Thomas, Larry W., Ann Cotton, and Dennis McGrath. *Update of the Impact Evaluation of the Maryland Vehicle Theft Prevention Programs*. University of Baltimore, Schaefer Center for Public Policy, January 6, 2000. Michigan Office of the Auditor General. *Performance Audit of the Automobile Theft Prevention Authority*, Michigan Department of State Police, August 1, 1995.

but should also be incorporated into the Authority's performance measures. Using appropriate performance measures, basic demographic information, and crime statistics would help the Authority assess the value of its programs and determine whether programs should be continued or eliminated.

The "Watch Your Car" program offers an example of how the use of additional performance measures might help the Authority decide which programs should continue to receive funding. Few vehicle owners currently participate in this program—only about 9,540 of Arizona's almost 3.5 million passenger vehicles are registered.¹ Although a survey conducted by the Authority's public relations firm in 1998 found some potential for greater participation, a federal official indicated that the pool of people who are interested in the program already take other precautionary measures, such as locking their cars and keeping them in the garage. The Authority's staff is expanding presentations on the program, developing curriculums for schools and employees of large businesses, and requiring grantees to train their agency police about the program. Applying additional performance measures to this program, such as the percentage increase in participants, cost per registrant, and the number of Watch Your Car vehicles stopped by police, would help the Authority determine whether the program was beneficial, or whether funding should be shifted to some other program.

Grant Process and Guidelines Needed

The Authority needs to institute procedures to ensure monies are distributed in a fair and equitable manner and to assist it in soliciting, awarding, evaluating, and monitoring grants. The Authority lacks specific guidelines for its major function—allocating funding to public agency programs designed to prevent motor vehicle theft. Establishing grant guidelines and administrative rules similar to other states would benefit the Authority in achieving its objectives.

¹ The Authority provided the number of Watch Your Car registrants as of June 1, 2001.

Finding I

Grant award process and guidelines are needed for the nearly \$3 million awarded annually.

Grant guidelines are needed—The Authority has not established guidelines or procedures for determining how grants should be awarded and monitored. During fiscal year 2001, the Authority will provide grant monies totaling about \$2.8 million. To ensure monies are awarded in a fair and equitable manner and meet statutory intent, the Authority should implement a grant award process and written grant guidelines. Specifically,

- **Notice of grant availability**—The Authority should establish a process for announcing the availability of grant funds statewide. Currently, not all law enforcement entities throughout the State are notified of grant fund availability. For fiscal year 2001, the Authority mailed 30 grant solicitation letters to possible applicants in only 6 of Arizona’s 15 counties.¹ Although the Authority indicates that it sent grant solicitations to the counties that have the highest auto theft rates, monies used for grants are collected statewide. The Florida Motor Vehicle Theft Prevention Authority puts grant information on its Web site, annually announces grants through a state publication, and mails notices of the availability of grant funds to all Florida law enforcement entities, state attorneys, and other interested businesses and organizations.

- **Acceptable expenditure guidelines**—The Authority should establish grant guidelines to ensure that monies are granted according to statutory intent. Statute indicates that monies shall be allocated to public agencies to establish, maintain, and support programs designed to prevent motor vehicle theft. However, because there are no guidelines, it is difficult to determine if the Authority’s awards comply with statutory intent. Auditors’ review of recent law enforcement grants found that the Authority provided monies for “food, drink and entertainment at public awareness events, a four-wheel-drive vehicle, and computers and accessories.” A review of other states’ guidelines found that these types of expenditures were both allowed and disallowed. For example, the Texas Automobile Theft Prevention Authority grant

Other states have specific grant guidelines and policies to determine how grant funds should be allocated.

¹ Grant solicitations were mailed to the following counties: Maricopa, Mohave, Pima, Pinal, Santa Cruz, and Yuma. The nine counties that were not notified were Apache, Cochise, Coconino, Gila, Graham, Greenlee, La Paz, Navajo, and Yavapai.

guidelines allow the purchase of vehicles but exclude the purchase of computer hardware and software, whereas the Florida Motor Vehicle Theft Prevention Authority grant application and review packet does not specifically exclude the purchase of computers but does not allow grants for food or vehicles.

- **Grant review criteria**—The Authority should establish grant evaluation criteria and may also want to consider establishing a committee to evaluate grant applications and make recommendations regarding grant awards to the full Authority. Currently, only Authority staff review the applications and make recommendations. Maryland, Illinois, and Pennsylvania have grant review subcommittees that review grant applications and make recommendations to their full councils or boards. In addition, Florida appoints a committee to evaluate applications based on a scoring system.

Establishing a committee may help ensure that grants comply with statutory intent and established guidelines. Auditors' review of grants found that, although the Authority's statutes restrict grant funding to public agencies, the Authority has provided monies to the Arizona Auto Theft Investigators Association, a nonpublic professional organization affiliated with the International Association of Auto Theft Investigators. During the last three years, grants totaling approximately \$25,500 have been provided for support of the Association's annual meetings and to pay for some association members' attendance fees at international meetings.

- **Monitoring and reporting requirements**—The Authority could improve its monitoring of grants by ensuring that reporting requirements are met by grantees and conducting site visits, if necessary. Although the Authority requires quarterly reports, until recently, no staff had been assigned to review these reports and follow up with agencies when reports were not submitted. Some states also use site visits to ensure grant awards are used appropriately. Illinois and Pennsylvania use grantee site visits to monitor grants. To determine adherence to stated project goals and review progress, Michigan conducts periodic program reviews of the funded projects and Texas monitors its grants by verifying such

items as adherence to performance measures stated in the grant application.

Administrative rules are needed—To ensure the public has access to and input on any formal grant procedures established, the Legislature should consider providing the Authority with rule-making powers. The Governor’s Regulatory Review Council advises that the Authority should have rule-making power since it grants money. Several other states’ theft authorities, such as Florida, Pennsylvania, and Illinois, have rule-making authority. If the Legislature grants the Authority rule-making power, the Authority should then ensure its grant procedures are outlined in administrative rules.

Authority Needs Basic Operational Procedures

To assist in achieving objectives and safeguarding resources, the Authority needs to establish written management procedures and develop an operational plan. Despite its responsibility for collecting and disbursing several million dollars, the Authority lacks basic management controls and operational procedures. Further, even though specified in statute, the Authority has no current operational plan.

Authority lacks basic operational procedures and internal controls—At the time of our audit, the Authority lacked basic operational procedures. For example, it lacked procedures for opening mail, processing cash receipts, billing insurance companies, and processing outstanding invoices. Written policies and procedures became even more critical in January 2001, when the responsibility for collecting revenues (totaling more than \$3 million annually) from motor vehicle insurance companies was transferred from the State’s General Accounting Office to the Authority.

The Authority is in the process of drafting a policies and procedures manual that it expects to have in place July 1, 2001. To maintain a strong system of internal controls, the Authority needs to ensure it establishes complete operational procedures. To assist in its efforts, the Authority could refer to the *State of Ari-*

zona Accounting Manual, which describes policies and procedures, and sample forms that could be adopted and followed.

Authority needs to develop operational plan—The Authority needs to establish an operational plan as specified by A.R.S. §41-3451.

Auditors' review of other states' plans suggests that an operational plan could present the Authority's statutory responsibilities, an analysis of the auto theft problem, a statewide strategy for reducing auto theft, and grant procedures and guidelines. For example, the Maryland Vehicle Theft Prevention Council's plan includes information on the Council's statutory responsibilities and objectives, its strategy for preventing vehicle theft, and its grant conditions and policies. The Michigan Automobile Theft Prevention Authority's plan of operation "presents a general plan for the disbursement of the funds collected by the authority." The Michigan plan outlines the organizations and programs eligible to receive funding, the type of expenditures allowed and other grant requirements, and describes the vehicle theft problem in Michigan.

Recommendations

1. The Legislature should consider providing the Authority with rule-making powers so that the Authority can establish formal procedures, such as grant guidelines, in rules.
2. To analyze and demonstrate the value of its programs, the Authority should expand its performance measures to include program outcome, efficiency, and quality measures. The Authority should then gather needed data and use this information to help determine which programs should be funded.
3. The Authority should establish written grant award guidelines that include processes for:
 - a. Advertising the amount of grant funding available,
 - b. Soliciting grants from law enforcement agencies on a statewide basis,
 - c. Explaining which expenditures are acceptable, and the criteria under which applications will be evaluated, and
 - d. Monitoring grantee reports for financial compliance and adherence to program goals.
4. The Authority should cease granting funds to the Arizona Automobile Theft Investigators Association since it has no current statutory authority to provide monies to private entities.
5. To ensure that resources are safeguarded, the Authority should complete its written policy and procedure manual that outlines the internal control structure, including how it will process cash receipts and its methods for performing all office functions and programs.
6. To assist in achieving its objectives, the Authority should develop an operational plan as required by A.R.S. §41-3451.

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SUNSET FACTORS

In accordance with A.R.S. §41-2954, the Legislature should consider the following 12 factors in determining whether the Arizona Automobile Theft Authority should be continued or terminated.

1. The objective and purpose in establishing the agency.

The purpose of the Arizona Automobile Theft Authority is to reduce motor vehicle theft in Arizona. The Authority was established by the Legislature in 1992 and its mission is “to reduce vehicle theft through a statewide cooperative effort by supporting law enforcement investigation, prosecution, and public awareness programs.”

The Authority consists of 12 members representing law enforcement, the automobile insurance industry, prosecution, and the general public. Its statutory responsibilities include:

- Determining the scope of the motor vehicle theft problem, including areas of the State where the problem is greatest.
- Analyzing various methods of combating the motor vehicle theft problem.
- Developing and implementing an operational plan and a financial plan.
- Allocating monies from its fund to public agencies to establish, maintain, and support programs designed to prevent motor vehicle theft, such as supporting law enforcement and prosecution agencies and funding programs designed to educate and assist the public.

2. The effectiveness with which the agency has met its objective and purpose and the efficiency with which the agency has operated.

The Authority needs to take several steps to ensure it meets its objective and operates efficiently. First, the Authority should expand its performance measures to include program outcome, efficiency, and quality measures. Then the Authority should gather needed data and use the information to demonstrate the value of its programs and to help it determine which programs should be funded. In addition, the Authority needs to improve its operational efficiencies. Auditors' review found that the Authority lacked even basic operating policies and procedures. Because the Authority receives and disburses several million dollars annually, written procedures are needed to ensure that its programs meet its objectives, use its resources consistent with laws and regulations, and ensure that resources are guarded against waste, loss, and misuse. The Authority is drafting a policies and procedures manual that it expects to have in place July 1, 2001 (see Finding I, pages 9 through 17).

3. The extent to which the agency has operated within the public interest.

The Authority has operated within the public interest in some ways, but could improve its efforts in other areas. The Authority operates in the public interest by participating in or providing funding for programs designed to reduce auto theft. For example, the Authority provides information about auto theft and ways to reduce it through its participation in community events, news interviews, and information provided on its Web site.

The Authority fails to operate in the public interest by not establishing grant guidelines for its award process and notifying all counties of available grant dollars. Without written standards, the Authority cannot ensure that its approximately \$2.8 million in grant monies is spent on appropriate programs that could best benefit the public. Further, although monies to fund grants are collected

from all counties, not all counties within the State are made aware of these grant funding opportunities (see Finding I, pages 9 through 17). In addition, the Authority could better work in the public interest by helping the Governor ensure that the Authority's two general public member positions are filled by general public members. Although statute does not define a public member, one of the persons currently holding a public member position does not appear to meet this qualification because the person serves as an official in the Governor's Office and sits on the Authority's oversight committee.

4. The extent to which rules and regulations promulgated by the agency are consistent with the legislative mandate.

Currently, the Authority has no rule-making power. However, the Governor's Regulatory Review Council indicates that since the Authority grants money, it should have rule-making authority.

5. The extent to which the agency has encouraged input from the public before promulgating its rules and regulations, and the extent to which it has informed the public as to its actions and their expected impact on the public.

The Authority currently has no authority to promulgate rules and regulations, but it informs the public of its actions through meetings that are open to the public and by maintaining a Web site. The Authority generally complies with Open Meeting Laws by posting public meeting notices, although it was not in full compliance with posting requirements for its three most recent meetings. Specifically, the Authority failed to post its meeting notices in the State Capitol lobby, even though it filed a statement including this site as one of its posting locations. Additionally, the Authority did not follow Open Meeting Law requirements for keeping Executive Session minutes until auditors recently brought this problem to the Authority's attention. Moreover, the Authority can improve its ability

to inform the public on its Web site by including information such as its meeting schedule, grant awards it has made, and other major decisions or actions taken.

- 6. The extent to which the agency has been able to investigate and resolve complaints that are within its jurisdiction.**

This factor is not applicable because the Authority does not have investigative or regulatory authority.

- 7. The extent to which the attorney general or any other applicable agency of state government has the authority to prosecute actions under the enabling legislation.**

This factor does not apply to the Authority since it has no regulatory or oversight responsibilities.

- 8. The extent to which the agency has addressed deficiencies in the enabling statutes that prevent it from fulfilling its statutory mandate.**

Legislation passed during the 2000 legislative session changed the membership of the Authority from 9 to 12 members to represent the population of both large and small communities by adding an additional police chief, county sheriff, and county attorney.

- 9. The extent to which changes are necessary in the laws of the agency to adequately comply with the factors listed in the Sunset Laws.**

To assist the Authority in complying with its statutory mandates, the Legislature should consider modifying A.R.S. §41-3451 to permit the Authority to promulgate administrative rules. If the Authority's statutes are revised, the Authority should work with the Governor's

Regulatory Review Council to write and implement rules that are needed for properly operating its programs, such as its grant award process (see Finding I, pages 9 through 17).

10. The extent to which termination of the agency would significantly harm the public health, safety or welfare.

Terminating the Authority may not directly harm public health, safety, or welfare. Prior to the Authority receiving a permanent funding source, some specific efforts existed to address automobile theft, including a multi-agency task force operating in Tucson and vehicle theft investigation units at both the Department of Public Safety and the Phoenix Police Department. However, the Authority's funding was the impetus behind the creation of the statewide vehicle theft task force and has also provided funding for prosecution efforts dedicated to exclusively focusing on auto theft cases in the three counties with the highest auto theft rates. If the Authority is terminated, it is not clear whether these specific efforts would continue.

11. The extent to which the level of regulation exercised by the agency is appropriate and whether less or more stringent levels of regulation would be appropriate.

The Automobile Theft Authority is not a regulatory agency and therefore has no regulatory authority.

12. The extent to which the agency has used private contractors in the performance of its duties and how effective use of private contractors could be accomplished.

The Authority continues to review its use of private contractors. It has used private contractors for public relations activities but determined that discontinuing such contracts and bringing the function in-house could achieve cost savings. It has also used a private contractor

Sunset Factors

to provide technology services. Further, the Authority will use private contractors for its statutorily mandated annual audit of the Automobile Theft Authority Fund and for future Web site development. Except for these two areas, the Authority does not see a need to use additional private contractor services at this time.

AGENCY RESPONSE

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**ARIZONA AUTOMOBILE
THEFT AUTHORITY**

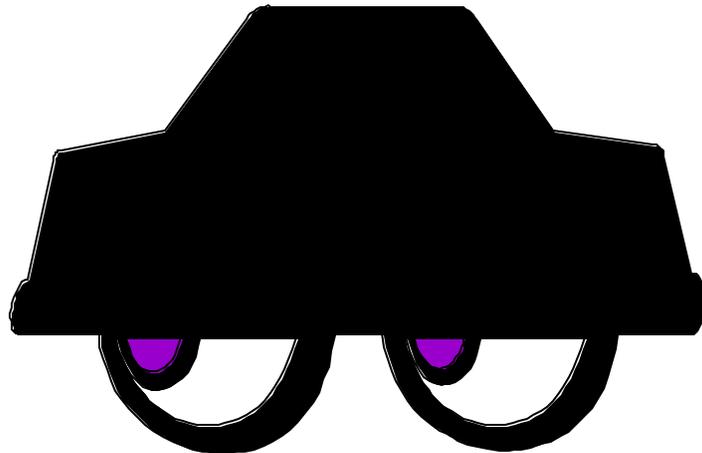
RESPONSE TO THE REPORT

OF

THE AUDITOR GENERAL



**PAUL MORTENSEN
DIRECTOR**



June 26, 2001

June 26, 2001

Ms. Debbie Davenport
Office of the Auditor General
2910 North 44th Street, Suite 410
Phoenix, AZ. 85018

Dear Ms. Davenport:

The Arizona Automobile Theft Authority wishes to express its appreciation to the Office of the Auditor General for the high level of professionalism and cooperative spirit by its staff auditors during the performance audit process.

Attached please find the Authority's final response to the Auditor General's draft report and recommendations.

Sincerely,

Paul Mortensen

Paul Mortensen
Executive Director

Arizona Automobile Theft Authority

Response to the Auditor General's Performance Audit Report June 26, 2001

Summary

The Arizona Automobile Theft Authority (Authority) has reviewed the Performance Audit Report prepared by the Office of the Auditor General. The Authority greatly appreciates the professionalism and positive suggestions of the Auditor General's staff during the performance audit process.

The Authority agrees with the findings and recommendations included in the Auditor General's report and will be making every effort to enhance and improve current administrative policies and program performance measurements guidelines while continuing our mission of combating vehicle theft in Arizona.

In addition to the agreed upon recommendations identified in the Auditor General's report, the Authority would like to provide some further additional clarification on the accomplishments of the Authority and its current short and long range goals.

In fiscal year 2000, the Authority was only able to fund two of its programs; the Arizona Vehicle Theft Task Force and Public Awareness. In that same year, the Authority corrected its revenue shortfall, which increased revenue from \$ 2.0 million in 1999 to \$3.5 million in 2002.

In fiscal year 2001, the Authority will increase its budget from \$2.6 million to \$3.8 million. In addition, the Authority will receive a federal grant of \$240,000 from the U.S. Department of Justice. Not only will the Authority increase its funding for the Arizona Vehicle Theft Task Force and Public Awareness, but six new program initiatives will be added which include:

1. Development of anti-vehicle theft curriculum for public schools
2. Implementation of Border Interdiction Program with U.S. Customs
3. Vehicle theft Prosecutors in 3 counties in Arizona
4. Grants to local law enforcement agencies for public awareness
5. Grants to local law enforcement for additional vehicle theft investigations, equipment or training
6. Statewide vehicle theft prevention mailing to every vehicle owner in the State

The Auditor General's report primarily focuses on some administrative weaknesses and does not acknowledge areas where the Authority is in compliance with Statute or where the Authority demonstrates progressive, measurable, and positive results in accomplishing its mission.

Mission Statement

The mission of the Arizona Automobile Theft Authority is to reduce vehicle theft through a statewide cooperative effort by supporting law enforcement investigation, prosecution, and public awareness programs.

Introduction

Under Arizona Revised Statutes 41-2952, the State of Arizona Office of the Auditor General conducts reviews under the “Sunset Law” for the purpose of providing the Arizona Legislature with information necessary “for determining if the merits of a program justify its continuation rather than termination.” The Arizona Automobile Theft Authority (Authority) acknowledges and appreciates the efforts of the Office of the Auditor General in conducting this performance review.

The Arizona Automobile Theft Authority further appreciates the recommendations for agency improvements in administrative efficiency and effectiveness as presented in this report, and is already proceeding with the implementation of recommendations.

While the Authority concurs with the findings and recommendations of the Auditor General’s report, **the report does not accurately reflect the Authority’s funding history or positive accomplishments in developing and implementing programs to combat vehicle theft in Arizona.**

Auditor General’s Report Omits Results

The Authority disagrees with the Auditor General’s statement on page 9 that, “Currently, the Authority has little information to determine the effect its programs are having on reducing auto theft.” The table below shows significant results from the efforts of the Arizona Vehicle Theft Task Force, which was created and funded by the Authority in 1997.

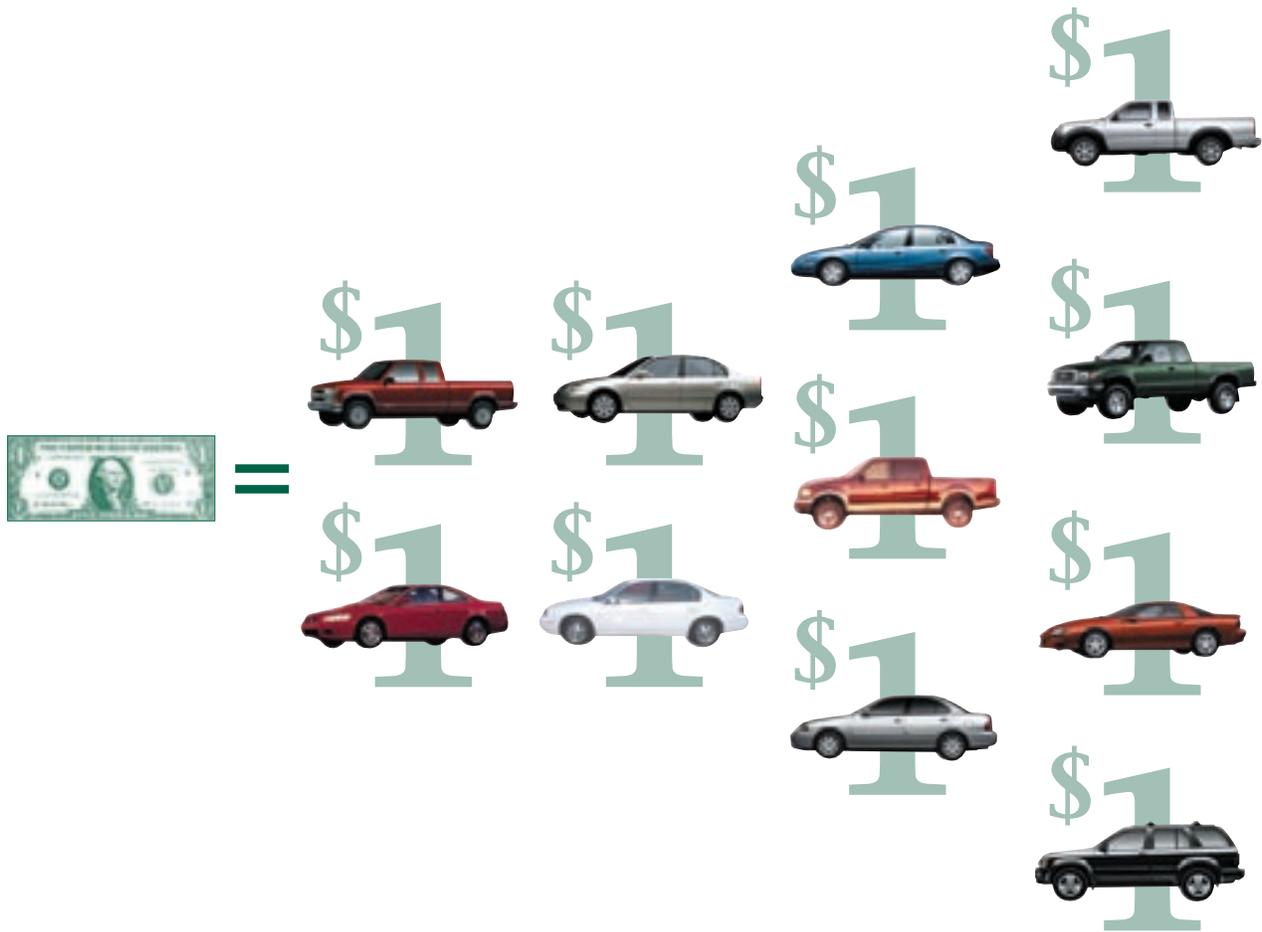
The Auditor General’s report omits the effective results of the Arizona Vehicle Theft Task Force since its inception:

Felony Arrests	1,013
Chop Shops Closed	121
Altered/Switched VINS	1,167
Insurance Fraud Cases	162
Vehicles Recovered	7,814
Value of Recoveries	\$70,256,000

Without funding of the statewide Task Force, dozens of chop shops, hundreds of criminals and scores of auto theft rings would still be in operation in communities throughout Arizona with over \$70 million dollars of stolen property lost to its residents. For every dollar that the Authority has funded, the Arizona Vehicle Theft Task Force has recovered over \$11 in stolen property for the citizens of Arizona.

ARIZONA AUTOMOBILE THEFT AUTHORITY

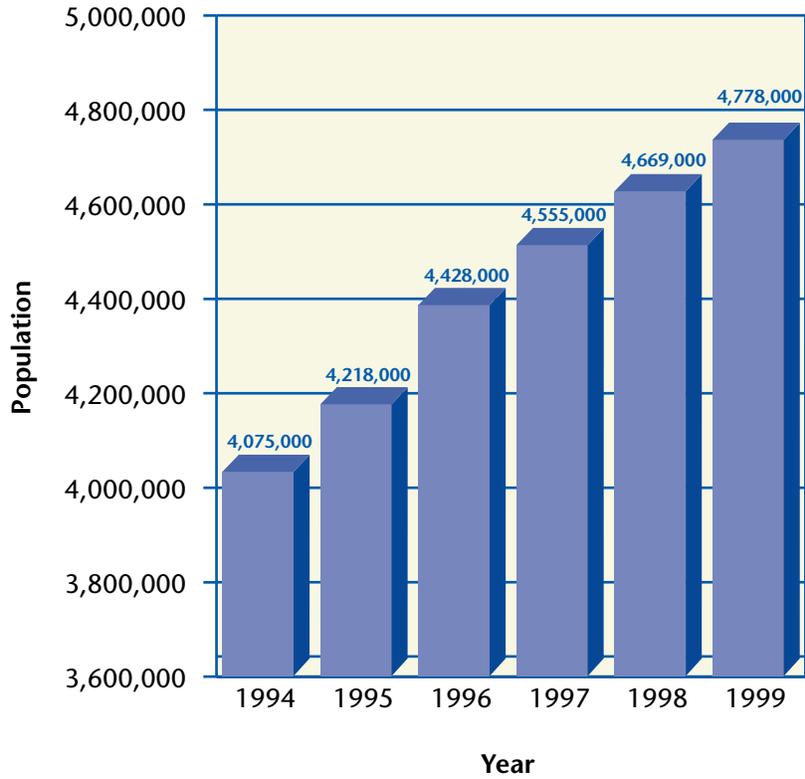
RETURN ON FUNDING



For every dollar that the AATA has funded, The Arizona Vehicle Theft Task Force has recovered over **\$11** in stolen property for the citizens of Arizona.

Arizona's Population

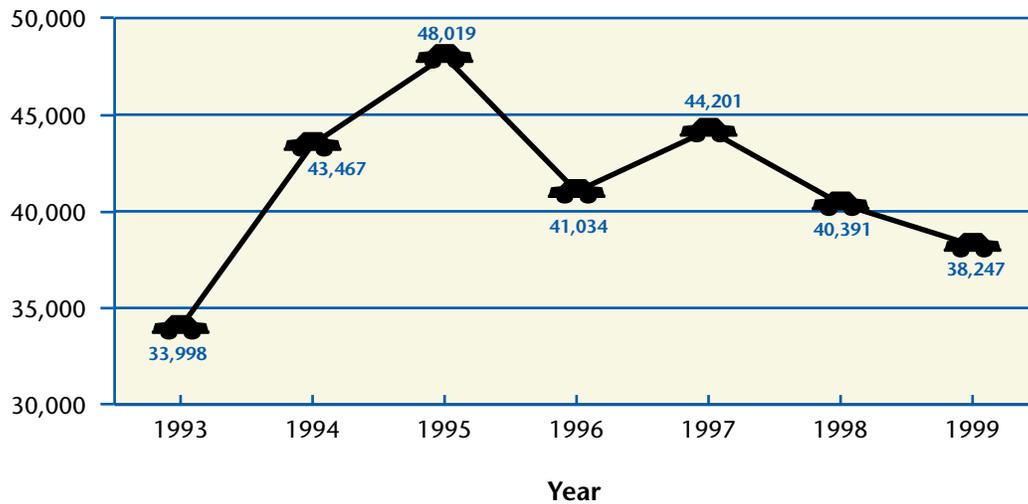
1994 - 1999



Information obtained from the U.S. Department of Justice Federal Bureau of Investigation "Crime in the United States" Uniform Crime Report

Arizona Vehicle Theft

1993 - 1999



Source: Arizona Vehicle Theft Task Force

The Auditor General's report fails to consider the fact that the theft rate in Arizona has declined from 1995 – 1999 by 20.3 percent while the population of the State grew significantly. **Although there has been proven progress, these statistics reinforce the importance of the Authority's efforts to continue to combat the State's vehicle theft rate.**

The theft of personal property, specifically vehicle theft, affects the quality of life for all citizens in the State of Arizona. In many cases, victims of vehicle theft are economically disadvantaged and cannot afford the loss of their vehicle, which may be a single means of transportation thereby causing serious hardship. The loss of one's vehicle in our vehicle dependent society can mean the loss of income for the owner who depends on his or her vehicle for their livelihood.

In many instances, stolen vehicles are used in the commission of more egregious crimes, i.e., armed robbery, drive by shootings, carjackings, transporting narcotics, etc. The reduction of vehicle theft can and should translate to a similar reduction of these other serious offenses.

Criminals are known to follow the path of least resistance. The elimination of the Authority would effectively send a message to this element that the State is again open game for rampant auto theft. This condition existed prior to 1996 when the State of Arizona reached its unfavorable and dubious distinction of being the number one state for auto theft crime. As vehicle theft is a property crime, it is the responsibility of all state law enforcement agencies (police departments) to investigate this infraction of the law. The reality is that the law enforcement community as well as county attorneys must operate within a set budget. In most, if not all instances, the budget is not sufficient to adequately address the investigation and prosecution of all criminal activity. Due to the definition of vehicle theft as a property crime it falls to the bottom of priority crimes list and does not receive the attention needed to reverse its affect on our State. In summary, local authorities (law enforcement and county prosecutors) do not have the means (funding) to focus on this insidious and far-reaching crime.

Background

The Arizona Automobile Theft Authority has been in existence since 1992, however, proper funding initially restricted its activities. In 1996, the Legislature enacted legislation requiring all insurance companies to pay an assessment to the Automobile Theft Authority Fund based on a pro-rata method based on earned car years. Effective July 1, 1997, the Legislature approved HB2070 and changed that method, requiring insurance companies to pay semi-annually \$.50 per vehicle insured. The Legislature also created a 9-member Board of Directors with members being appointed from the insurance industry, law enforcement, public prosecutors, and the general public. The Authority estimated revenue at approximately \$3 million in the fiscal year ending June 30, 1999, which was the first year the Authority was fully funded under the provisions of HB2070. However, only \$2 million was collected at that time.

In reviewing the assessment payments, the Authority discovered that most insurers were using the incorrect method to calculate their assessment. In fiscal year 2000, Authority staff had not only corrected the revenue shortfall, but had collected over \$1 million in past due assessments. However, the Authority was unable to receive additional spending authority from the Legislature to fund its programs until fiscal year 2001.

The full impact of the Arizona Automobile Theft Authority will not be realized until 2003.

In its present form, the Authority has only been in existence since July 1, 1997. Prior to 1997, a funding mechanism was all but non-existent and therefore the Authority did not realize its full potential in developing and funding AATA programs and initiatives.

Until year 2000, the revenue shortfall and two-year budget cycle forced the Authority to limit its programs. During fiscal year 2000, the Authority not only continued in the development of innovative programs to combat vehicle theft in Arizona, but it reviewed ways it could implement its programs with greater efficiency and cost savings.

The Auditor General's report fails to mention that the full impact of the Authority's programs will not be fully realized until 2003 when the Border Interdiction Program will be fully operational.

In 2002, the Authority is scheduled for a Sunset Review. It should also be noted that in year 2002, we may also experience our first rise in vehicle theft in Arizona in the last four years. This increase will be due to a national economic decline and significant population growth in the State. The Authority's budget of \$2.2 million in 2001 will increase to \$3.8 million in fiscal year 2002. The Auditor General's report fails to consider the impact of the increase in resources available to combat vehicle theft in the State or the impact of new programs to be funded in 2002 and future years.

The Arizona Automobile Theft Authority, with increased funding, has received approval from the Arizona Legislature to spend \$7.8 million of revenue collected from automobile insurance companies through the 2002/2003 budget cycle. In addition, the Authority was recently awarded a \$240,000 grant from the U.S. Department of Justice for public awareness and promotion of the Watch Your Car Program.

The Auditor General's report fails to recognize that the full impact of the Agency's program will not be realized until 2003.

The Auditor General's report fail to consider that the impact of the increase in resources and the effect new programs will have on reducing the vehicle theft rate in Arizona. These programs include:

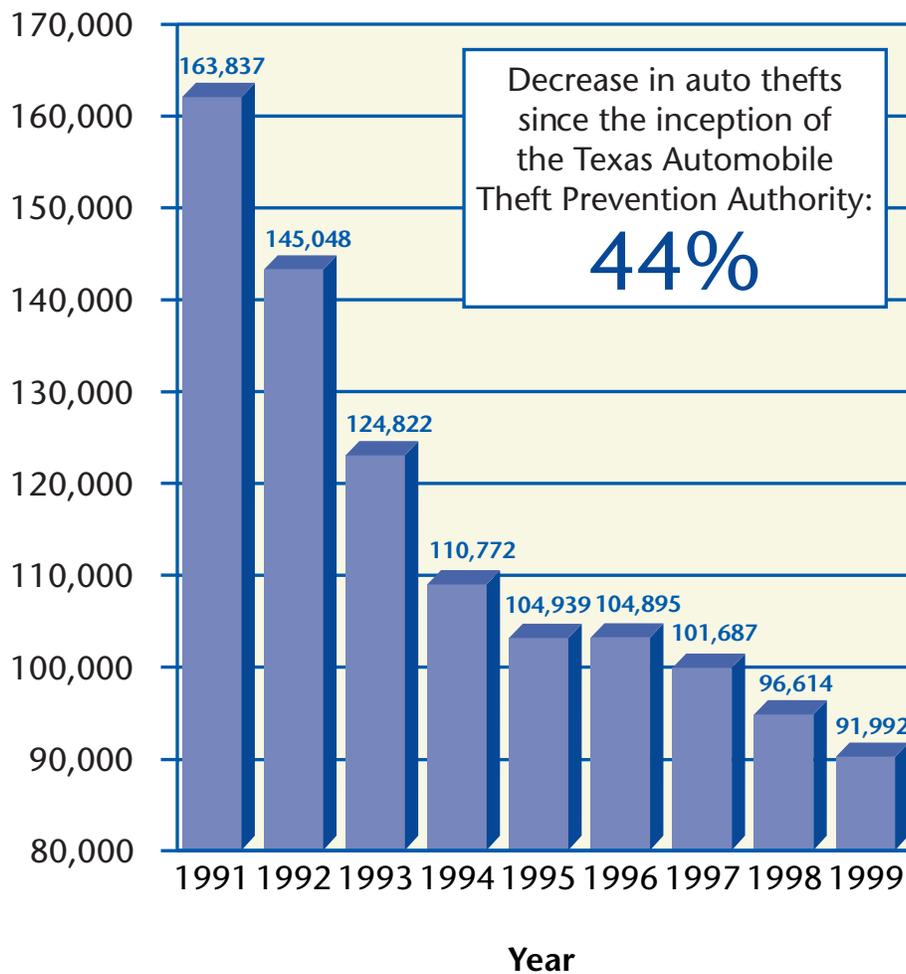
1. Development of anti-vehicle theft curriculum for public schools
2. Implementation of Border Interdiction Program with U.S. Customs
3. Vehicle theft Prosecutors in 3 counties in Arizona
4. Grants to local law enforcement agencies for public awareness
5. Grants to local law enforcement for additional vehicle theft investigations, equipment or training
6. Statewide vehicle theft prevention mailing to every vehicle owner in the State

Automobile Theft Authorities Success in other States.

While the Authority has not yet conducted a study of the specific impact it has had on the reduction of vehicle theft, studies and comparisons from other States show that ATAs such as the Arizona Automobile Theft Authority are having a positive impact on auto theft. For example, a study updating an evaluation of programs sponsored by the Maryland Vehicle Theft Prevention Council by the Schaefer Center for Public Policy at the University of Baltimore concluded that, "This update of the evaluation of the Vehicle Theft Prevention Council's programs has a report on three statistical analysis of motor vehicle theft data in Maryland. Two of the analyses, the "regression analysis" and the "statewide time series analysis," provided strong evidence that the programs of the Council have been effective. The third analysis, the "time series analysis" of monthly data in the State's largest jurisdictions, provided weaker evidence, but in general, corroborated the findings of the other two analyses. In short, the models generated by statistical analysis indicate a strong, continuing effect of the Vehicle Theft Prevention Council's program in preventing thefts. Together the three analyses provide highly persuasive evidence that the programs have been successful."

Motor Vehicle Thefts in Texas

1991 - 1999



Maryland's Vehicle Theft Prevention Program has been in effect, and as the above quoted study indicates, has been effective in combating the problem in that state. The vehicle theft prevention program in Texas was established in 1992, with a steady decline of auto theft rate reach 44% since that program began.

Taking the results in both Maryland and Texas and comparing them to the results in Arizona since the inception of the Authority, provides a reasonable basis for assuming a continued downward trend in Arizona will continue as a result of the programs the Arizona Automobile Theft Authority is implementing.

Auditor General's report fails to fully recognize significant analysis and innovations being developed and deployed by the Authority to combat the changing nature of vehicle theft.

The Auditor General's report fails to adequately discuss the Authority's current Border Interdiction Program. Over the last 10 years, vehicle theft rates in Arizona have risen to an alarming rate. Today, Arizona is listed as one of the highest states in the nation for stolen vehicles with Phoenix (#1) and Tucson (#12) listed as numbers 1 and 12, on the National Insurance Crime Bureau's (NICB) 2001 Top 15 list of the major cities in the United States for vehicle thefts.

The causes of the sudden rise in auto thefts in Arizona over the last few years include the rise of auto theft crime syndicates, increase in export markets, the high value of stolen cars, and the relatively low risk of being apprehended. The FBI estimates that vehicle theft is an \$8 billion dollar industry in the U.S. annually.

In Arizona in 1999, 38,247 vehicles were reported stolen. Approximately 64% of all stolen vehicles are recovered. Furthermore, according to the NICB, over 30% of stolen vehicles nationally are never recovered. The Authority has been analyzing the problem of un-recovered stolen vehicles in Arizona and has determined that there is a significant problem with regard to stolen vehicles crossing the Arizona/Mexico border. To address this issue, the Authority has formed partnerships with the U.S. Customs Service to purchase an automated License Plate Reader (LPR) manufactured by the Perceptics Corporation that is now being installed at all border crossing points along the United States southwest border. This system has the capability to:

1. Automatically identify the plate number and State in all weather conditions, 24 hours a day
2. Interface automatically (with no human involvement) with local, regional, and national databases
3. Provide immediate alerts to law enforcement when suspect vehicles are identified
4. Provide accurate statistics

These systems have already been installed at most of the inbound lanes at the different Ports of Entry (POE) in Arizona. Continued deployment is underway at the remaining Ports of Entry with special attention to the outbound lanes as well.

These automated LPRs offer the State of Arizona a valuable potential resource. With cooperation from the U.S. Customs Service, it will now be possible to make dual use of all the data captured by the LPR to quickly and accurately screen for stolen vehicles. Indeed, a pilot effort in California, which featured an LPR collecting data at an outbound lane in San Diego, had dramatic and unexpected success in detecting outbound stolen vehicles.

The development of this project over the last three years has been a major initiative of the Arizona Automobile Theft Authority. With the funding and implementation of this pilot program in partnership with U.S. Customs in 2002/2003, significant progress in decreasing the theft and exportation of vehicles is expected. This program is one of several that the Authority will be implementing to protect the safety and property of the residents of Arizona.

Legislative Intent Being Fulfilled

The Legislature established the Arizona Automobile Theft Authority in 1992 to combat and reverse a growing increase in vehicle theft throughout the State of Arizona. The statutes establish the following as objectives of the agency:

1. Determine the scope of the problem of automobile theft, including particular areas of the State where the problem is greatest
2. Analyze the various methods of combating the problem of motor vehicle theft
3. Develop and implement a plan of operation
4. Develop and implement a financial plan
5. Solicit and accept gifts and grants

The original legislative intent in establishing the Authority was to reduce vehicle theft through a statewide cooperative effort by supporting law enforcement investigation, prosecution and public awareness programs. It should be noted that the composition of the Board was intended to create a cross section of representation of law enforcement, auto insurance industry, prosecution, and the general public. This representation would represent both rural and metropolitan areas. House bill 2087, passed in April of 2000 expanded the Board from 9 members to 12 in an effort to broaden the rural representation.

The goals and objectives of the Authority reflects its mission statement, “To reduce vehicle theft through a statewide cooperative effort by supporting law enforcement investigation, prosecution and public awareness programs,” in the following manner:

Operational Procedures Manual Completed

The staff has completed a written Policies and Procedures Manual. At the August 24, 2000 Board of Directors meeting, a fourth full-time position was authorized. Immediately after hiring this staff person, the Authority’s Administrative Services Officer held meetings with the Director and other staff members to implement a draft outline policy for internal controls. Among other items, this policy specified that the responsibilities for the processing of receipts would be divided among three staff members. This outline was designed in accordance with the *Arizona State Accounting Manual*.

Prior to January 1, 2001 all processing of receipts and claims for the Authority was completed by the Central Services Bureau of the General Accounting Office. The Auditor General’s allegation on page 15 of the report claims that “The Authority lacks basic operational procedures and internal controls – At the time of our audit, the Authority lacked basic operational procedures. For example, it lacked procedures for opening mail, processing cash receipts, billing insurance companies, and processing outstanding invoices.”

What the report fails to mention is that while there were no written procedures until recently, there were policies in place that were followed by staff in opening mail, processing receipts and invoices. The Auditor General’s report fails to acknowledge that the Authority expanded its internal controls as the staff was expanded from 3 to 4 employees. At the time of the audit, all claims are reviewed and approved by both the Administrative Services Officer and the Executive Director, before the claim can be prepared. The Administrative Services Officer reviews the claim a second time before being sent to the General Accounting Office for processing.

The Auditor General’s report also ignores the fact that the Authority has developed and implemented a database for revenue billing and collection. This database was in place at the time the Authority assumed the processing of

revenues in-house in January 2001. The report also fails to mention that processing of receipts were handled by three staff, one to open the mail, a second to prepare the check log and reconcile to the data base, a third to prepare the actual deposit.

In response to questions from the staff auditor during her field work (which was conducted during a peak collection period), the Auditor General's Office was advised that the Authority was testing the internal controls for processing receipts and indicated that the policy would be written based on the test results so there would be no major omissions in that internal control policy. The same applied to the collection of past due receipts.

In March, the auditor staff was advised that the Authority was drafting its Policies and Procedures Manual. This manual was completed in May 2001, with an implementation date of July 1, 2001, which was two months prior to the issuing of the Auditor General's report. It should also be noted that this project included 31 written policies and procedures and was completed as expeditiously as the resources of the Agency permitted.

Contrary to statements in the report, the Authority considers its Procedures Manual complete and adequate in providing written guidelines on internal controls and other policies required of a State agency. This policy has been distributed to the Director, three staff employees and the Chairman of the Authority's governing Board. With the exception of a section on Board Procedures, which will require Board approval, the Authority considers the manual complete.

It will be the policy of the Authority to review, add, delete or modify its individual policies, as circumstances require.

Conclusions

As stated in the beginning of this response, the Authority wishes to point out that the Auditor General's finding and recommendations primarily focus on some administrative weaknesses and does not acknowledge areas where the Authority is in compliance with Statute or where the Authority demonstrates progressive, measurable, and positive results in accomplishing its mission. It is the belief of the Authority that the programs and initiatives it is currently funding and has plans on funding through fiscal year 2003, will continue to impact the auto theft rate in the State of Arizona therefore, improving the quality of life for its citizens.

The Arizona Automobile Theft Authority appreciates the efforts and professionalism of the Auditor General's staff during the 8-month performance audit.

Response of the Arizona Automobile Theft Authority to the specific recommendations of the Auditor General.

Finding I

Recommendations

1. The finding of the Auditor General is agreed to, and the recommendation will be implemented
2. The finding of the Auditor General is agreed to, and the recommendation will be implemented
3. The finding of the Auditor General is agreed to, and the recommendation will be implemented
4. The finding of the Auditor General is agreed to, and the recommendation will be implemented
5. The finding of the Auditor General is agreed to, and the recommendation will be implemented
(Completed May, 2001)
6. The finding of the Auditor General is agreed to, and the recommendation will be implemented

Arizona Automobile Theft Authority

Response to the Auditor General's Performance Audit Report

Sunset Factors

June 26, 2001

Sunset Factor 10: The extent to which termination of the agency would significantly harm the public health, safety or welfare.

The Auditor General's report states, "Terminating the Authority may not directly harm public health, safety, or welfare and further that some specific efforts previously existed to address automobile theft, including a multi-agency task force operating in Tucson and vehicle theft investigation units at both the Department of Public Safety and the Phoenix Police Department."

The Authority does not deny that a limited vehicle theft law enforcement component did exist prior to the formation and permanent funding of the Arizona Vehicle Theft Task Force by the Authority, but simply that this effort was inadequate and not at the coordinated and consistent level that it is currently due to the aggressive efforts of the Task Force.

And, as discussed earlier, the Auditor General's report omits the effective results of the Arizona Vehicle Theft Task Force since its inception:

Felony Arrests	1,013
Chop Shops Closed	121
Altered/Switched VINS	1,167
Insurance Fraud Cases	162
Vehicles Recovered	7,814
Value of Recoveries	\$70,256,000
Assist to Other Agencies	2,625

Without funding of the statewide Task Force, dozens of chop shops, hundreds of criminals and scores of auto theft rings would still be in operation in communities throughout Arizona with over \$70 million dollars of stolen property lost to its residents. For every dollar that the Authority has funded, the Arizona Vehicle Theft Task Force has recovered over \$11 in stolen property for the citizens of Arizona.

The Auditor General's report fails to consider the fact that the theft rate in Arizona has declined from 1995 – 1999 by 20.3 percent while the population of the State grew significantly. Although there has been proven progress, these statistics reinforce the importance of the Authority's aggressive law enforcement efforts to continue to combat the State's vehicle theft rate as well as continue to have the Task Force provide assistance to other agencies around the State at no cost.

While local communities would continue their individual law enforcement efforts in combating vehicle, their efforts would be limited due to funding limitations.

As stated earlier, the theft of personal property, i.e., vehicle theft, affects the quality of life for all citizens in the State of Arizona. In many cases, victims of vehicle theft are economically disadvantaged and cannot afford the

loss of their vehicle, which may be a single means of transportation thereby causing serious hardship. The loss of one's vehicle in our vehicle dependent society can mean the loss of income for the owner who depends on his or her vehicle for their livelihood.

In many instances, stolen vehicles are used in the commission of more egregious crimes, i.e., armed robbery, drive by shootings, carjackings, transporting narcotics, etc. The reduction of vehicle theft can and should translate to a similar reduction of these other serious offenses.

Criminals are known to follow the path of least resistance. The elimination of the Authority would effectively send a message to this element that the State is again open game for rampant auto theft. This condition existed prior to 1996 when the State of Arizona reached its unfavorable and dubious distinction of being the number one state for auto theft crime. As vehicle theft is a property crime, it is the responsibility of all state law enforcement agencies (police departments) to investigate this infraction of the law. The reality is that the law enforcement community must operate within a set budget. In most, if not all instances, the budget is not sufficient to adequately address the investigation of all criminal activity. Due to the definition of vehicle theft as a property crime it falls to the bottom of priority crimes list and does not receive the attention needed to reverse its affect on our State. In summary, local authorities do not have the means (funding) to focus on this insidious and far-reaching crime.

The full impact of the Arizona Automobile Theft Authority will not be realized until 2003.

The Arizona Automobile Theft Authority, with increased funding, has received approval from the Arizona Legislature to spend \$7.8 million of revenue collected from automobile insurance companies. In addition, the Authority was recently awarded a \$ 240,000 grant from the U.S. Department of Justice for public awareness and promotion of the Watch Your Car Program, with the increased resources now available to the Authority the citizens of both metropolitan and rural areas can expect significant progress in combating vehicle theft.

Without this effort, auto theft would continue and contrary to the conclusion of the Auditor General, terminating Arizona Automobile Theft Authority would harm and have a negative impact on public safety and welfare.

Other Performance Audit Reports Issued Within the Last 12 Months

00-16	Arizona Department of Agriculture— Pesticide Compliance and Worker Safety Program	01-04	Arizona Department of Corrections—Human Resources Management
00-17	Arizona Department of Agriculture— Sunset Factors	01-05	Arizona Department of Public Safety—Telecommunications Bureau
00-18	Arizona State Boxing Commission	01-06	Board of Osteopathic Examiners in Medicine and Surgery
00-19	Department of Economic Security— Division of Developmental Disabilities	01-07	Arizona Department of Corrections—Support Services
00-20	Arizona Department of Corrections— Security Operations	01-08	Arizona Game and Fish Commission and Department—Wildlife Management Program
00-20	Universities—Funding Study	01-09	Arizona Game and Fish Commission—Heritage Fund
00-21	Annual Evaluation—Arizona’s Family Literacy Program	01-10	Department of Public Safety— Licensing Bureau
01-01	Department of Economic Security— Child Support Enforcement	01-11	Arizona Commission on the Arts
01-02	Department of Economic Security— Healthy Families Program	01-12	Board of Chiropractic Examiners
01-03	Arizona Department of Public Safety—Drug Abuse Resistance Education (D.A.R.E.) Program	01-13	Department of Corrections—Private Prisons

Future Performance Audit Reports

Department of Real Estate

Department of Veterans Services