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AUDITOR GENERAL

STATE OF ARIZONA
OFFICE OF THE
AUDITOR GENERAL

WILLIAM THOMSON
DEPUTY AUDITOR GENERAL

November 6, 2006

The Honorable Laura Knaperek, Chair
Joint Legislative Audit Committee

The Honorable Robert Blendu, Vice Chair
Joint Legislative Audit Committee

Dear Representative Knaperek and Senator Blendu:

Our Office has recently completed a 24-month followup of the Arizona Department of Environmental Quality—Water Quality Division regarding the implementation status of the 7 audit recommendations (including sub-parts of the recommendations) presented in the performance audit report released in August 2004 (Auditor General Report No. 04-05). As the attached grid indicates:

- 2 have been implemented, and
- 5 are in the process of being implemented.

Unless otherwise directed by the Joint Legislative Audit Committee, this report concludes our follow-up work on the Department's efforts to implement the recommendations resulting from our August 2004 performance audit report.

Sincerely,

Debbie Davenport
Auditor General

DD:Acm
Attachment

cc: Stephen A. Owens, Director
Department of Environmental Quality

DEPARTMENT OF ENVIRONMENTAL QUALITY
Water Quality Division
24-Month Follow-Up Report To
Auditor General Report No. 04-05

FINDING 1: Division could improve its oversight of drinking water quality monitoring

Recommendation	Status of Implementing Recommendation	Explanation for Recommendations That Have Not Been Implemented
<p>1. The Division should research the costs and benefits of expanding its Monitoring Assistance Program to help small water systems carry out all of their testing requirements and come into compliance, thereby reducing the Division's compliance and enforcement workload.</p>	<p>Implemented at 12 Months</p>	
<p>2. After the Division decides whether to expand the Monitoring and Assistance Program, and any changes have taken effect, the Division should review its Drinking Water enforcement workload and staff levels to determine whether additional staff are needed.</p>	<p>Implementation in Process</p>	<p>Laws 2006, Ch. 32 expanded the scope of the Monitoring and Assistance Program (MAP) to include annual monitoring for nitrates and to encompass additional, non-community water systems. According to the Department, the assessment of whether additional MAP staff is needed must wait until monitoring contractors have completed their water system testing to determine the level of compliance with new requirements. Consequently, this staffing assessment likely will not occur until 2008.</p>

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FINDING 2: Division should charge fees for drinking water plan reviews

Recommendation	Status of Implementing Recommendation	Explanation for Recommendations That Have Not Been Implemented
1. To comply with A.R.S. §49-353 and lessen reliance on the State General Fund, the Division should establish, by administrative rule, fees for performing drinking water plan reviews.	Implementation in Process	The Department has opened a rule docket, but no rule has yet been promulgated. The Department has also hired a contractor to perform a preliminary fee assessment.
2. To establish the fees, the Division should begin tracking the hours it spends reviewing applications, and, in doing so, should consider using the forms and processes already used by other department plan review functions.	Implemented at 12 Months	

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FINDING 3: Division has made significant progress in processing APP applications

Recommendation	Status of Implementing Recommendation	Explanation for Recommendations That Have Not Been Implemented
This finding presents information only. Therefore, no recommendations are presented.		

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FINDING 4: Division could more accurately recover APP costs

Recommendation	Status of Implementing Recommendation	Explanation for Recommendations That Have Not Been Implemented
1. The Division should regularly recalculate its APP processing fees based on: <ul style="list-style-type: none"> a. Actual direct costs rather than on General Fund contributions; and b. Up-to-date estimates of direct costs and billable hours. 	Implementation in Process	APP processing fees are set by administrative rule, and a rule change is necessary to incorporate recalculated processing fees. The Department has opened a rule docket, but no rule change has yet been promulgated. The Department also hired a contractor to perform a preliminary fee assessment.
2. In light of generally accepted definitions of direct costs, the Division should charge for time traveling to permit sites.	Implementation in Process	See explanation for Recommendation 1.
3. Once the Division has set its fee levels to accurately recoup its direct costs to process APP applications, it should ensure that its future General Fund appropriation requests to the Legislature reflect the true indirect costs.	Implementation in Process	This recommendation will remain in process until recommendations 1 and 2 are implemented.