

STATE OF ARIZONA

Department of Revenue
Office of the Director
(602) 716-6090



October 5, 2005

Janet Napolitano
Governor

Gale Garriott
Director

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

Dear Mrs. Davenport:

The Department of Revenue has reviewed the September 29, 2005 Sunset Review Performance Report on the Department. As has been stated in our previous responses to the Audit, BRITS and Collections Reports, we want to extend our thanks to you and your staff for the understanding and professionalism displayed throughout this process. The reviews have been stringent but fair, and all discussions have been productive and mutually satisfactory.

The following comments are provided as our response to the Sunset Factor analysis contained in the Report.

1. The objective and purpose in establishing the Department.

The Department agrees with the analysis.

2. The effectiveness with which the Department has met its objectives and purposes and the efficiency with which it has operated.

The Department agrees with the analysis and would refer readers to the Department's response to each of the three performance audits for further explanation of that agreement and implementation of each recommendation.

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

The Department agrees with the analysis.

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

The Department agrees with the analysis and takes pride in our commitment to maintain the Administrative Code in Title 15. Taxpayers rely upon these rules for clear advise on tax policy matters and through vigorous monitoring for updates due to legislative or judicial changes, the public is better able to comply with the tax statutes.

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

The Department agrees with the analysis with the following comments. The Department takes the open meeting laws very seriously. Meetings for the committees subject to the open meeting law requirements were properly noticed by timely posting such notices at the Department of Administration. What the Department inadvertently failed to do was to file a statement with the Secretary of State which simply indicated where those public notices were posted. In the future the appropriate statement will be provided to the Secretary of State.

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

The Department agrees with the analysis.

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.

The Department agrees with the analysis. The Department values the working relationship with the Attorney General's Office, Civil and Criminal Divisions, and the excellent support they provide in all areas of tax law.

8. The extent to which the Department has addressed deficiencies in its enabling statutes, which prevent it from fulfilling its statutory mandate.

The Department agrees with the analysis and seeks to have a good working relationship with the Legislature, the public, private business, and other stakeholders in Arizona's tax structure.

9. The extent to which changes are necessary in the laws of the Department to adequately comply with the factors listed in this subsection.

The Department agrees with the analysis and will complete the necessary research, work with stakeholders, and pursue the appropriate legislation to implement the recommendations of the Auditor General from the 2005 Reports.

As to the unimplemented recommendations from the 1995 sunset report referred to in this report, the Legislature on several occasions elected to provide alternative remedies for enforcement, which the Department supported. The final two recommendations were not supported during exploratory discussions with key legislators.

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

The Department agrees with the analysis.

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

The Department agrees with the analysis.

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

The Department agrees with the analysis and continues to seek effective, efficient and practical areas for use of private contractors.

The Department appreciates the opportunity to respond to the sunset report.

Sincerely,

Gale Garriott
Director