



ARIZONA

Janice K. Brewer
Governor

Office of Pest Management

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December 29, 2009

The Honorable Debbie Davenport
Auditor General, State of Arizona
2910 North 44th Street, suite 410
Phoenix, Arizona 85018

Dear Madame Auditor General:

The attached document is the Office of Pest Management's response to the performance audit conducted by your office.

Please contact me if further information or clarification is needed.

Sincerely,

Ellis M. Jones, M.A.
Acting Director

OFFICE OF PEST MANAGEMENT
RESPONSE TO AUDITOR GENERAL'S REPORT

This is the response to the Auditor General's performance audit (Report) of the Office of Pest Management (Office) pursuant to Laws 2008, Ch. 309, §23 and Arizona Revised Statutes (A.R.S.) §41-1279.03.

The Office supports the Auditor General's recommendation of an operational move to the Department of Agriculture (DA) and merging all pesticide-related activities. However, the Office is concerned with some of the components contained within the recommendation.

The Report suggests a potential for some efficiency gains through a consolidation of similar functions, which would reduce overhead through reducing personnel and a physical move from the Office's present location and rent payments. The office is a self-sustaining 90/10 operation, capable of meeting all financial obligations, while contributing to the state's general fund. It is difficult to visualize any savings or increased efficiencies since the Office pays its own way.

Compliance and Enforcement

The Report concludes that cross-training inspectors to conduct both agricultural and structural pest management inspections would reduce the need for the number of inspectors currently on-board.

On the surface, this would appear to be accurate through an economy of scales. Conversely, the Office's inspectors/investigators are *specialists* and required by statute to be licensed in order to be employed as inspectors. Training the inspectors to be *generalists* will result in a loss of efficiency because of divided attention and constant adjustment to the agricultural, structural situation. An inspector could conduct a structural pest management inspection, shift paradigms, and go across town to conduct an agricultural inspection, and shift paradigms again to conduct an investigation. The laws of diminishing returns apply here. Additionally, the Office conducts inspections as well as investigations. After reviewing data from the previous three years and supervisor/management observations, the

Office concluded that it was more efficient to separate the inspection function from the investigation function.

The efficiency in **inspections** increased an average of 180% for inspections. During 2007, the Office performed 3,726 inspections, accomplished by 14 compliance / enforcement FTEs; with 220 working days in a year, this resulted in 1.20 inspections a day.

However, during FY2009, the Office performed 6,382 inspections, accomplished by 10 compliance / enforcement FTEs; with 220 working days in a year, this resulted in 2.90 inspections a day, which is a 140% increase from FY2007.

On July 1, 2009, the Office reorganized the compliance / enforcement team into 5 dedicated *inspectors* and 5 dedicated *investigators*.

From July 2009, to December 29, 2009, the Office performed 2022 inspections with the 5 *dedicated* inspectors; counting 6 months (or 120 working days; July to Dec) resulted in 3.37 inspections per inspector per day. The average inspection takes approximately one to two hours.

The efficiency in **investigations** increased an average of 400% for investigations. During 2007, the Office investigated 198 investigations with 14 compliance / enforcement staff members. This resulted in 1.17 investigations per inspector per month).

Still, during the 2009 Fiscal Year, the Office completed 273 investigations, accomplished by 10 compliance / enforcement FTEs; with 12 calendar months, this resulted in 2.27 investigations, per inspector, per month, which was a 94% increase in productivity from FY2007.

However, from July 2009 to December 29, 2009, utilizing 5 *dedicated* investigators, the Office has already conducted 188 investigations. Counting 6 months (or 120 working days; July to Dec) resulted in 6.26 investigations per investigator per month.

The average inquiry investigation takes 2 months to complete. The average complaint investigation takes 6 months to complete.

The inspectors/investigators also serve as instructors for the in-house training program and guest instructors when requested by the industry. This division is also responsible for the legal functions of the Office related to

hearings, notices, settlement conferences, civil penalties, and liaison with the Attorney General's office.

Finance and Administration

Consolidating the budgeting and human resources (HR) functions of DA and the Office as recommended by the Report may result in a slight savings. The HR function of the Office represents only 5% of the mission for the Finance and Administration Division. The HR function is handled by one FTE, who serves as the team lead for three FTE's, and includes customer service front desk operations, inventory control, sales and cash management, file maintenance. Responsibility also includes processing personnel and benefits actions in conjunction with ADOA benefits, payroll, and human resources departments, maintain personnel files, coordinate the employee Performance Evaluation Program, and liaison with DEMA for the Office's Swine Flu program.

The budgeting function prepares yearly budget documents in BUDDIES, AZIPS, and CLIFF as well as the year-end package for GAO. EPA yearly financial reports, yearly inventory submission for GITA in ISIS, Annual Survey of Government Employment for State Agencies report to the U.S. Census Bureau, annual Report of Indebtedness and Lease Purchase forms for the Department of Revenue, and annual reports to JLBC regarding Electronic Transaction and FTEs.

Additionally, processes all accounting transactions on a daily basis, which include entry into the deposit system; and processes claims, transfers, deposits, encumbrances, and web payment transfers into AFIS. The unit also prepares payroll documents for entry into HRIS, as well as travel reimbursements, and prepares monthly financial reports for internal use as well as weekly and monthly Cash Flow Reports for OSPB.

Finally, the Finance and Administration Division also enters TARFs submitted on paper into the database; sends letters to submitters when TARFs are incomplete, has incorrect information or if they are submitted late and require late fees. Document and follow up on TARF letters and works in conjunction with the Compliance & Enforcement Division with requests that are not addressed by the business that submitted the TARF; and educates industry on TARF related issues (fees, due dates, proper completion of

forms, etc.). A consolidation and reduction in personnel in the budgeting and HR function is not feasible without losing efficiency in this critical area.

Licensing

The licensing division oversees 9,445 licensees and their annual renewals, compared to DA's 2,916 licensees, some of whom are also licensed by this Office. The office has a three-tiered licensing system, which are the Business, Qualifying Party, and Applicator licenses. Within the two latter licenses are eight specialized categories, ranging from General & Public Health Pest Management to Fungi Inspections, which must be monitored. Currently, there is one FTE for business license holders, one FTE for Qualifying Party licensees and one FTE for Applicator license holders and all applicants with criminal convictions. These FTEs back up each other as needed. This division is responsible for criminal background checks, as required by statute, of all licensees, which includes fingerprinting and forwarding documents to the Department of Public safety. The FTE responsible for this activity also oversees the in-house testing program, and processes and maintains all statutorily required proof of financial security for all business licenses. Additionally, one FTE is responsible for the statutorily required continuing education (CE) program. This includes reviewing and recommending approval for all submitted CE content by outside vendors. It also includes monitoring, by visit, all training programs to ensure that the program is adhering to the submitted program of instructions, validating examination questions, and overseeing the in-house training program. A reduction in personnel would result in a severe loss of institutional knowledge and productivity because each FTE specializes in their area of responsibility.

Information Technology

The Information Technology unit presents a different set of challenges for consolidation. The current system between DA and the Office are not compatible. The Office recommends that the operating system used by the Office be maintained upon a move to DA and a single pest management entity is implemented.

The Office's system is designed to provide current information to the public and license holders concerning license status and the ability of the licensees

to renew their license online. In addition, consumers can check complaint history and other information relative to licensed/unlicensed pest management companies and licensed applicators. Even more critical is the Termite Action Report Form (TARF) activity system. Appropriate license holders must submit TARFs online or by paper copy along with applicable fees as required by law. This allows any interested party to view information concerning a residential or commercial structure. The system is capable of accepting online credit cards, electronic checks, and/or savings account transfer payments. There are two FTEs in this operation and a reduction would be counter-productive. The report did not indicate the undetermined data and telecommunication costs by AZnet.

Physical Move

A physical move would not result in any savings. In fact, it will necessitate considerable financial expenditures to affect a move. This is a state-owned building. The Office would still be required to pay rent until a new tenant moves in. The DA's pest management operation could be consolidated within this facility since there would be fewer people to move, 2 – 4 FTE's from DA, Compared to 25 – 28 FTE's from the Office. This type of move would increase the prospects of achieving higher levels of efficiency at an accelerated pace.

Pest Management Advisory Committee (PMAC)

The office supports the Report's recommendation to retain the PMAC. The Office also agrees that the number of PMAC members should increase. The PMAC plays a vital role in advising the Office.

Conclusion

The Report states that integrating the Office's pesticide regulatory activities into DA's Environmental Services Division (ESD) pesticide and non-pesticide functions may promote efficiencies, but may not create as great a focus on pesticide regulations and public protection as would creating a new, comprehensive pesticides program. Additionally, the Report states that 3 of the 5 Pest Management Representatives indicated that merging the Office into ESD was the least preferred option because it would potentially dilute both agriculture and the Office's staff expertise and knowledge, and the responsiveness to the structural pest management industry needs and concerns.

Therefore, the Office supports the Reports recommendation of an operational move to DA, with an emphasis of combining the Office and DA's pest management functions into a single operation. However, a reduction in personnel because of the collaboration would have dire consequences in the ability to accomplish the statutory mission, as well as what the public and the structural / agricultural community expects for safety and compliance. Both organizations are operating at reduced staffing levels because of budget cuts. A further reduction would make it extremely difficult to monitor the 12,361 licensees for compliance and appropriate civil action if required, effectively and efficiently cover 15 counties, 134 cities, 2600 schools, and an expansive agricultural community.

Currently, the Office is self-sustaining and does not require revenue from the general fund as is required by some elements of DA. The solution to being able to carry out the assigned mission is to retain the Office's 90/10 status, while amending the agricultural statute to include DA's pest management operation as a 90/10. The Report states that it may be easier to retain the 90/10 funding mechanism if the Office is kept intact within DA. This would alleviate any personnel reductions, since the combined operation would generate revenue through fees, remain self-sustaining, and contribute to the state's general fund while being able to accomplish a significant measure of the mission.

Combining the pest management operation at the Office's current location is the most practical. The operating infrastructure, including support personnel, are already in place and would require moving 4 FTE' compared to 28 FTEs. Only workstations and associated files would have to move. Therefore, minimal effort would be involved in integrating the incoming inspectors, hygienist, and licensing personnel into the system and being completely operational within 4 weeks. This action would negate the expense of the Office making a physical move.

JANICE K. BREWER
Governor

DONALD BUTLER
Director

Arizona Department of Agriculture

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December 29, 2009

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

Dear Ms. Davenport:

Thank you for the opportunity to review the preliminary draft of your office's findings relating to the Office of Pest Management (OPM). I appreciate you raising issues that are also of most concern to our agency relating to the potential move of the OPM into the Arizona Department of Agriculture (ADA). These issues include funding, the cost of relocation, the cost of moving and consolidation of IT capabilities, and the pay differentials within the two agencies.

Movement to the ADA makes efficiency sense in consolidating licensing functions and administrative functions. We will take additional time for inspection functions, should they be moved, to define what areas can be cross-trained and in what areas separate expertise needs to be maintained. The thought of creating a separate pesticide area would be a reverse in efficiency for our agency. We have efficiencies in the ability to send one inspector in to do all the non-food quality programs – feed, fertilizer, seed and pesticides. When seed had its own inspectors, our agency received complaints from stores asking why we had to send in more than one inspector. I also want to make clear, because it was not clear to me in the report, that the same inspection staff does the non-food quality program inspections, as does the pesticide compliance and worker safety inspection. These two programs work together seamlessly. The licensing section does as its name implies, but also provides exceptional customer service as our customer survey cards attest.

As to my areas of concern to echo what was mentioned in the report, there will be costs not only associated with the move but also with the set up in the 1688 W. Adam's Building. I believe keeping the current funding mechanism makes sense as well as looking at other options. This will take discussion with industry, which OPM staff may have already been looking into. One thing of importance is to look at their overall staffing levels. One would believe with the downturn in the housing sector that the number of businesses to regulate has declined as well. To correspond with this downturn, you would believe that OPM's staffing would have been reduced as well.

Ms. Debbie Davenport

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IT movement and consolidation is a big issue. What had been discussed when this possibility was looked at previously in the legislature, was maintaining two separate systems. The OPM system is open source freeware and the ADA is all Microsoft. These two do not merge. OPM has some good tools for licensing that we would hope to utilize. The two agencies have their own IT staff and pay scales. Pay scales with not only the IT staff, inspection staff, licensing, and managers appear to be inconsistent. They may well be within pay grades, but how does one reconcile to staff people doing similar jobs with less experience and yet getting paid more. We understand that job capability comes into play, but there are going to be differences and direction needs to be given to have DOA do a job analysis for job parity and a funding source that can be used if necessary. Without some attention given this issue, employee moral will suffer.

Finally as an agency director I have the ability to set up advisory committees. I would prefer the option of setting up this committee, which I believe is necessary for the merger to occur. If through time industry feels that this is not working they can always go back to the legislature and ask for a change.

I believe it makes sense to have one pesticide regulatory agency in the state. Although people may have concerns, in the long run having a one-stop shop will provide better and easier customer care. Should the legislature determine that we should be merged I stand ready to work to make it happen as smoothly as possible and to work with both the agriculture industry and the pest management industry to address their concerns.

Sincerely,

Donald Butler
Director

Cc: (electronically) ADA Advisory Council Members
Mike Anable, Governor's Office
Scott Smith, Governor's Office
Jack Peterson, Associate Director, ESD