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July 21, 2017

The Honorable Bob Worsley, Chair
Joint Legislative Audit Committee

The Honorable Anthony Kern, Vice Chair
Joint Legislative Audit Committee

Dear Senator Worsley and Representative Kern:

Our Office has recently completed a 48-month followup of the *Department of Environmental Quality—Compliance Management* regarding the implementation status of the 12 audit recommendations (including sub-parts of the recommendations) presented in the performance audit report released in March 2013 (Auditor General Report No. 13-01). As the attached grid indicates:

- 10 have been implemented;
- 1 has been partially implemented; and
- 1 is in the process of being implemented.

Unless otherwise directed by the Joint Legislative Audit Committee, this concludes our follow-up work on the Department of Environmental Quality's efforts to implement the recommendations from the March 2013 performance audit report.

Sincerely,

Dale Chapman, Director
Performance Audit Division

DC:ka
Attachment

cc: Misael Cabrera, Director
Department of Environmental Quality

Department of Environmental Quality—Compliance Management Auditor General Report No. 13-01 48-Month Follow-Up Report

Recommendation

Status/Additional Explanation

Finding 1: Department can more effectively target inspections to protect public health and the environment

1.1 The Department should request that the EPA collaborate with it to develop a framework for implementing a risk-based inspections approach to ensure that such an approach meets the terms of its EPA agreements. The framework may vary by environmental program.

Implemented at 36 months

1.2 For environmental programs where the Department and the EPA have developed a framework for implementing a risk-based inspections approach, and for those programs where there is no EPA oversight, the Department should:

a. Develop standard criteria for assessing individual facility risk, and average risk by facility type and environmental program;

Implemented at 48 months

b. Increase the inspection frequency of facilities identified as higher risk and decrease the inspection frequency of facilities identified as lower risk; and

Implemented at 48 months

c. Develop and implement policies and procedures for assessing the effectiveness of the risk-based inspections approach, including developing and implementing performance measures, establishing baselines, tracking facility compliance performance against the measures over time, and modifying the risk-based inspections approach as needed.

Implemented at 48 months

1.3 In order to enhance its implementation of a risk-based inspections approach, the Department should:

a. Conduct a small number of random inspections of facilities that have had inspection frequencies reduced or eliminated to continue to provide deterrence and monitor for possible violations among these facilities;

Partially implemented at 48 months

In fiscal year 2017, the Department's Water Quality Division (Division) conducted random inspections of facilities not originally on its annual inspections list for two of its EPA-delegated environmental programs—the Surface Water Program and the Safe Drinking Water Program. However, the Department reported that it does not plan to conduct random inspections in another of the Division's environmental programs, the aquifer protection permit (APP) program, to which this recommendation also applies. Specifically, at the time of the 2013 audit, the Department had an internal goal

Recommendation**Status/Additional Explanation**

- b. Use all available facility self-monitoring data to help assess the facilities' violations history;
- c. Continue its efforts to fix or replace the Wastewater Compliance and Enforcement Tracking System database to ensure accurate violations reports based on self-monitoring data in the wastewater programs; and
- d. Develop standardized data reports from its compliance and enforcement data to assist department staff in assessing risk as well as measuring the impact of its inspections and enforcement activities.

to inspect individually permitted APP facilities every 5 years. As of June 2017, the APP program has implemented a risk-based inspections approach requiring inspections for high-risk APP facilities. Although the Department reported that it does not plan to conduct inspections, including random inspections, of low-risk facilities, it will inspect a low-risk facility if a complaint is received. The Department reported that it made this decision because many of those low-risk facilities have not been inspected and, thus, have not had their inspection frequencies reduced or eliminated as outlined in the recommendation.

Implemented at 48 months

Implemented at 36 months

Implemented at 36 months

Finding 2: Department does not consistently take timely and effective enforcement actions

- 2.1 The Department should continue to assess and expand the use of field-issued enforcement for programs that do not require a detailed review of violations in order to issue enforcement actions in a timely manner. In addition, the Department should update its policies and procedures to ensure the process is effectively implemented.
- 2.2 The Department should develop and implement a corrective action plan that addresses the main barriers to providing effective assistance to noncompliant facilities, including reduced staff resources, and identifies the types of assistance it can provide to better assist noncompliant facilities return to compliance.

Implemented at 12 months

Implementation in process

The Department has made progress toward implementing this recommendation across all three of its divisions. The Air Quality Division has developed and implemented a corrective action plan and outlined steps to provide facilities with compliance assistance. The Waste Programs Division and Water Quality Division have also developed corrective action plans to provide facilities with compliance assistance but have not yet fully implemented those plans into their standard work procedures. The Waste Programs Division estimated that its plan will be implemented by October 2017 while the Water Quality Division reported its plan will be implemented by November 2017.

Recommendation**Status/Additional Explanation**

2.3 The Department should identify the root cause of violations for the small water systems, consult with other states that face similar issues to determine how they are addressing noncompliance and if it is working, and develop an effective plan to address the noncompliance.

Implemented at 48 months

2.4 The Department should make a determination on how best to handle escalation in Arizona and align its policies and procedures with that strategy. Further, the Department should then consistently adhere to its policies and procedures for escalated enforcement to help return facilities to compliance in a timely fashion and help ensure that public health and the environment are protected.

Implemented at 36 months