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Governor

ARIZONA DEPARTMENT OF ENVIRONMENTAL QUALITY

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Henry R. Darwin
Director

August 29, 2013

Debra K. Davenport
Auditor General
2910 N. 44th Street, Ste. 410
Phoenix, AZ 85018

Dear Ms. Davenport:

This letter provides the Arizona Department of Environmental Quality's response to the August 19, 2013 revised preliminary report draft of the Underground Storage Tanks Financial Responsibility performance audit. We appreciate the diligence and hard work of the Auditor General's staff in completing this performance audit and their consideration of our feedback on the previous draft.

1.1 The Department should continue its efforts to improve its financial responsibility program, including:

a. Recording UST owner and operator compliance with financial responsibility requirements in its database only after complete and accurate evidence of financial responsibility is received and following up with the owner, operator, or insurer to request the information when it is not provided;

Response: The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

b. Improving the database usefulness by modifying programming to capture financial responsibility provided by operators, allowing staff to update financial responsibility information by facility, tracking when financial responsibility documentation is received, and fixing the function that deletes records when USTs have been permanently closed and no longer require financial responsibility or when an error has been made, such as linking the wrong owner identification number to a UST;

Response: The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

c. Conducting outreach to educate stakeholders about financial responsibility requirements and mechanisms available to comply with requirements;

Response: The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

d. Ensuring department inspection and compliance staff have a clear understanding of the financial responsibility requirements and documentation needed to comply with them;

Response: The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

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e. Leveraging partnership opportunities to provide outreach to stakeholders and learn about strategies used in other states to improve financial responsibility compliance, which should be communicated to the Department's financial responsibility program manager; and

Response: The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

f. Developing and implementing a strategic plan for the program.

Response: The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

1.2 The Department should develop and implement updated policies and procedures that:

a. Specify that UST registration should not be approved without evidence of financial responsibility;

Response: The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

b. Define expectations for communication and coordination between the UST registration and UST financial responsibility functions;

Response: The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

c. Explain how to evaluate the evidence of financial responsibility to ensure it meets state and federal requirements;

Response: The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

d. Establish expectations and time frames for monitoring UST owner and operator compliance with financial responsibility requirements; and

Response: The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

e. Specify actions to be taken when a UST owner or operator does not meet the requirements.

Response: The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

1.3 The Department should ensure that its staff accurately determine whether financial responsibility evidence meets requirements and take appropriate and timely action when UST owners and operators do not submit evidence of financial responsibility, when the evidence does not meet requirements, or when financial responsibility needs to be updated by:

- a. Developing and implementing training for financial responsibility staff, including refresher training, and

Response: The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

- b. Developing and implementing supervisory review practices.

Response: The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

On behalf of ADEQ, we appreciate the opportunity to respond and look forward to continue working productively with the Auditor General's staff on completion of the Department's remaining performance audits.

Sincerely,

Henry R. Darwin
Director