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**STATE OF ARIZONA**  
OFFICE OF THE  
**AUDITOR GENERAL**

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DEPUTY AUDITOR GENERAL

April 27, 2015

The Honorable Judy Burges, Chair  
Joint Legislative Audit Committee

The Honorable John Allen, Vice Chair  
Joint Legislative Audit Committee

Dear Senator Burges and Representative Allen:

Our Office has recently completed an 18-month followup of the Water Infrastructure Finance Authority regarding the implementation status of the 9 audit recommendations (including sub-parts of the recommendations) presented in the performance audit report released in September 2013 (Auditor General Report No. 13-08). As the attached grid indicates:

■ 9 have been implemented.

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

Sincerely,

Jay Zsorey, Director  
Financial Audit Division

JZ:ss  
Attachment

cc: Sandra L. Sutton, Executive Director  
Water Infrastructure Finance Authority

Henry R. Darwin, Chair  
Water Infrastructure Finance Authority

# Water Infrastructure Finance Authority

## Auditor General Report No. 13-08

### 18-Month Follow-Up Report

Recommendation	Status/Additional Explanation
<b>Finding 1: WIFA provides below-market interest rate loans, but its process could reduce cost savings for some borrowers</b>	
1.1 To ensure equitable treatment among projects when setting loan interest rates, WIFA should develop an interest rate determination process, defined in its rules, that calculates the combined interest and fee rate independent of other projects. It should be determined as a fixed discount from the current Municipal Market Date Index or prime rate.	<b>Implemented at 18 months</b>
1.2 WIFA could further subsidize interest rates depending on the merits of the project. For instance, lower rates can be awarded for projects that:	
a. Serve communities whose median household income is lower than the state median household income;	<b>Implemented at 18 months</b>
b. Specifically address deficiencies identified by the Arizona Department of Environmental Quality;	<b>Implemented at 18 months</b>
c. Contain energy-efficient or environmentally innovative aspects; and	<b>Implemented at 18 months</b>
d. Assist smaller communities.	<b>Implemented at 18 months</b>
1.3 WIFA should modify its Disadvantaged Community designation to eliminate consideration of unrelated projects.	<b>Implemented at 18 months</b>
1.4 The revised process should be tested and evaluated prior to implementation to ensure that it allows WIFA to continue operating without State General Fund appropriations. Following implementation, WIFA should continue to monitor the interest and fee revenues received under the new interest rate determination process to ensure it remains self-sufficient.	<b>Implemented at 18 months</b>

**Recommendation****Status/Additional Explanation**

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**Sunset factor #2    The extent to which WIFA has met its statutory objective and purpose and the efficiency with which it has operated.**

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WIFA should:

- Document, review, and approve policies and procedures governing access to its computer systems; and **Implemented at 6 months**
  - Review and approve policies and procedures governing changes to its computer systems. **Implemented at 6 months**
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