

Arizona Department of Agriculture State Agricultural Laboratory

Department does not track the Lab's testing costs, limiting its ability to appropriately allocate costs to the Lab's funding sources, but adhered to State requirements in relocating the Lab

Audit purpose

To determine whether the Lab tracked its testing costs and how these costs are allocated to various funding sources, and whether the Department met State requirements when relocating the Lab to a privately owned facility in the City of Chandler.

Key findings

- The Department does not track all of the costs associated with each of the Lab's various testing services and, as a result, does not have the information needed to ensure Lab costs are appropriately allocated to its various funding sources.
- Without this cost information, the Department cannot determine whether monies from the various sources of funding the Lab receives fully covers the cost of the associated tests. In addition, it cannot determine the extent to which some of the Lab's funding sources, such as the State General Fund, may be subsidizing testing costs.
- Further, the Department cannot ensure that the fees it charges, such as those paid by tribal nations and seed manufacturers, are appropriate and cover the associated testing costs.
- The Department's relocation of its Lab adhered to State requirements for such a process.
- The Lab's relocation cost of approximately \$642,000 was paid from various funds associated with the Department's regulatory responsibilities, including Lab testing responsibilities.

Key recommendations

The Department should:

- Develop a formal process for tracking all costs associated with Lab testing services, including direct and indirect costs, ensuring its testing services are as efficient as possible, and comparing the cost of its Lab testing services with its various funding sources, including fees, to accurately determine the extent to which these funding sources and fees cover the costs of the associated testing services.
- Determine who benefits from Lab testing services, such as the public or a specific industry.
- Work with other Department divisions, the Legislature, and industry stakeholders to determine if the Lab's funding structure should be changed, including changes to its fees, and take appropriate action based on these determinations.