

The April 2020 Arizona Department of Agriculture performance audit found that the 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. We made 3 recommendations to the Department, and its status in implementing the recommendations is as follows:

Status of 3 recommendations

Implementation in process	2
Not yet applicable	1

We will conduct a 42-month followup with the Department on the status of the recommendations that have not yet been implemented.

Finding 1: Department does not track costs of specific Lab services, limiting its ability to appropriately allocate costs and set fees

1. The Department should develop a formal process for tracking and determining how to allocate Lab costs, including:
 - a. Tracking all costs associated with Lab testing services, including direct and indirect costs, ensuring that 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 various funding sources cover the costs of the associated testing services.

Implementation in process—The Department is implementing an electronic system to track staff time spent on specific Lab testing services and has implemented a process that uses procurement data to help track the costs of the various items it purchases to perform Lab services, such as microscopes and incubators. The Department is using these processes to collect cost information and reported that it would have sufficient cost information by the end of fiscal year 2023 to accurately compare Lab costs to its various funding sources and determine the extent to which these various funding sources cover the costs of the associated testing services.

- b. Determining who benefits from Lab testing services. For example, it should determine whether a specific testing service benefits the public or a specific industry.

Implementation in process—As reported in the initial followup, the Department completed an initial assessment to determine who benefits from the Lab's testing services and planned to solicit feedback on this assessment from various stakeholders when determining whether changes should be made to the Lab's funding structure. Although the Department scheduled a stakeholder meeting in March 2022 and planned to solicit feedback at the meeting, it reported canceling the meeting due to low stakeholder interest. The Department initially reported that it planned to hold a meeting in 2023 to solicit input, but the Department is undergoing a change in administration and reported that the new administration will determine if a meeting will be scheduled. We will further assess whether the Department holds a meeting to solicit stakeholder input or otherwise proceeds with the results of its assessment during our 42-month followup.

- c. In conjunction with the previous steps, working with other Department divisions, the Legislature, and industry stakeholders to determine whether changes should be made to the Lab’s funding structure, including any changes to its fees, and take appropriate action based on these determinations.

Not yet applicable—The Department reported that it is committed to pursuing this recommendation when sufficient data is available based on its implementation of Recommendations 1a and 1b.