

STATE OF COLORADO



DEPARTMENT OF REVENUE

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John W. Hickenlooper
Governor

Roxanne Huber
Executive Director

May 9, 2011

The Honorable Lois Tochtrop, Chairperson
Legislative Audit Committee
200 E. 14th Ave.
Denver, CO 80203

Dear Senator Tochtrop,

Thank you for the opportunity to provide the Office of the State Auditor (OSA) and the Legislative Audit Committee (LAC) a status update for the Vehicle Emissions Program Performance Audit, September 2010.

The attached status report addresses all of the recommendations to our department from the audit report. For additional detail, please see the attached information in the format requested by the OSA.

If you require additional information regarding your request, please contact Garry Brown at (303) 205-8420 or by email at gbrown@spike.dor.state.co.us.

Sincerely,

A handwritten signature in cursive script that reads "Roxanne Huber".

Roxy Huber
Executive Director
Department of Revenue

Attachment

cc: Roni White, Acting Senior Director, Division of Motor Vehicles
Rick Kiger, Director, Emissions
Georgine Zalesky, Director, Internal Audit

AUDIT RECOMMENDATION STATUS REPORT

AUDIT NAME: Vehicle Emissions Program

AUDIT NUMBER: 2062

DEPARTMENT/AGENCY/ENTITY: Department of Revenue/Division of Motor Vehicles/Vehicle Emissions Program

DATE: May 6, 2011

SUMMARY INFORMATION

Please complete the table below with summary information for all audit recommendations. **For multi-part recommendations, list each part of the recommendation SEPARATELY.** (For example, if Recommendation 1 has three parts, list each part separately in the table.)

Recommendation Number <i>(e.g., 1a, 1b, 2, etc.)</i>	Agency's Response <i>(i.e., agree, partially agree, disagree)</i>	Original Implementation Date <i>(as listed in the audit report)</i>	Implementation Status <i>(Implemented, Implemented and Ongoing, Partially Implemented, Not Implemented, or No Longer Applicable)</i> Please refer to the attached sheet for definitions of each implementation status option.	Revised Implementation Date <i>(Complete only if agency is revising the original implementation date.)</i>
1a	Agree	July 2011	Partially Implemented	
1b	Agree	July 2011	Partially Implemented	
2a	Agree	May 2011	Partially Implemented	May 2012
2b	Agree	July 2010	Implemented and Ongoing	
3a	Agree	May 2011	Partially Implemented	May 2012
3b	Agree	Ongoing	Partially Implemented	
4a	Agree	April 2011	Implemented and Ongoing	
4b	Agree	April 2011	Partially Implemented	May 2011

Recommendation Number <i>(e.g., 1a, 1b, 2, etc.)</i>	Agency's Response <i>(i.e., agree, partially agree, disagree)</i>	Original Implementation Date <i>(as listed in the audit report)</i>	Implementation Status <i>(Implemented, Implemented and Ongoing, Partially Implemented, Not Implemented, or No Longer Applicable)</i> Please refer to the attached sheet for definitions of each implementation status option.	Revised Implementation Date <i>(Complete only if agency is revising the original implementation date.)</i>
5a	Agree	December 2010	Implemented and Ongoing	
5b	Agree	March 2011	Implemented and Ongoing	
6a	Agree	September 2011 and ongoing	Partially Implemented	
6b	Agree	September 2011	Partially Implemented	
7	Agree	July 2010	Implemented	
11	Agree	September 2010	Implemented	
12	Agree	September 2010 and ongoing	Implemented and Ongoing	

DETAIL OF IMPLEMENTATION STATUS

Recommendation #: 1

Agency Addressed: Department of Revenue

Recommendation Text in Audit Report:

The Department of Revenue should improve the Vehicle Emissions Program's quality assurance function with respect to overt and covert performance audits by:

- a. Developing procedures that require auditors to document and enforce sanctions for all violations of program rules identified during overt and covert performance audits, providing periodic training on the procedures for audit staff, and monitoring staff to ensure that sanctions are issued for all violations.
- b. Determining whether some program rules are not necessary to ensure that inspectors perform proper tests and working with the Air Quality Control Commission to eliminate those rules.

Agency's Response (i.e., Agree, Partially Agree, or Disagree): **Agree**

Agency's Written Response in Audit Report:

- a. Agree. Implementation date: July 2011.

The Department will develop procedures to ensure that violations identified during overt and covert performance audits are documented and enforced. The current forms used in the audits will be reviewed and updated as necessary to provide a clear record of the violations encountered and the sanctions imposed. An ongoing training program will be developed by the Department that will provide procedures to follow and assistance in identifying violations. The training will be documented and maintained by the Department. Audit staff will be monitored and evaluated by program management for consistent application and to ensure that sanctions are appropriately issued for the violations identified during the audits.

- b. Agree. Implementation date: July 2011.

The Department will initiate a review of the program rules to determine what rules are obsolete, not enforceable, or add no value to the program. The Department will then pursue regulatory change to eliminate those rules that are determined to be unnecessary.

Agency's Current Comments on Implementation Status of Recommendation:

Partially Implemented

- a. The Department continues to develop new procedures to ensure that all violations are documented and enforced. The Department is in the process of modifying the overt performance audit to develop a uniform procedure that will produce the most effective approach regarding statutory compliance. The changes that have been implemented include, requiring the personnel conducting covert audits identify and enforce all observed violations. The staff performing overt performance audits are required to assess all the inspectors associated with a single vehicle inspection. The vehicle inspection report is being collected for additional evaluation. The training program is being updated to include periodic field rides by management. The final phase of implementation will include having emission audit staff issue onsite violations.

Partially Implemented

- b. In December 2010, the Department initiated a comprehensive review of the program's rules and identified numerous references and violations that were either obsolete, not enforceable, or added no value. The Department also identified the need for additional rules as a result of the audit changes and recommendations. The Department is preparing to submit the updated program rules to be promulgated and effective by the end of July 2011.

Recommendation #: 2

Agency Addressed: Department of Revenue

Original Recommendation in Audit Report:

The Department of Revenue should improve the effectiveness of Vehicle Emissions Program overt and covert performance audits by:

- a. Working with the Air Quality Control Commission and DPHE as necessary to modify the State Implementation Plan and seeking statutory change to eliminate the requirement that auditors select a particular lane within a station when conducting overt and covert performance audits. This change could include establishing audit coverage requirements based on facilities, instead of specific lanes.
- b. Developing a risk-based approach for scheduling covert performance audits that accounts for variations among stations, such as the number of lanes, the volume of vehicles inspected, the number of violations identified during previous audits, and the number of inspectors.

Agency's Response (*i.e., agree, partially agree, disagree*): **Agree**

Agency's Written Response in Audit Report:

- a. Agree. Implementation date: May 2011.

During the next Legislative Session, the Department will pursue statutory change to remove the requirement that auditors select a particular lane within a station when conducting overt and covert performance audits. The Department agrees to work with the Air Quality Control Commission and DPHE as necessary to modify the State Implementation Plan to coincide with these proposed legislative changes.

- b. Agree. Implementation date: Implemented, July 2010.

On July 1, 2010, the Department implemented a procedure that uses a risk based approach based on station size, inspection volume, and the number of inspectors for scheduling covert performance audits. The Department will continue to augment the procedure to include risk assessments of the numbers and types of previous violations, wait times, and consumer complaints.

Agency's Comments on Implementation Status of Recommendation:

Partially Implemented

- a. On November 15, 2010, the Emissions Director submitted a request to the Department's senior management to pursue legislative change in the 2011 legislative session. The Department was instructed to wait and address recommendations for statutory changes with the new Governor's staff once they were appointed. On March 9, 2011, the Emissions Director was notified that the Department did not receive permission from the Governor's staff to pursue a bill. The Emissions Section will pursue legislative change in the 2012 legislative session. A request to modify the State Implementation Plan will be made once the statute is changed.

Implemented and Ongoing

- b. On July 1, 2010, the Department implemented a risk based procedure for covert audits and continues to update the procedure on an ongoing basis. This procedure is designed for the scheduling of covert performance audits based on risk. This approach is used in conjunction with the statutory required minimum number of covert performance audits. Since implementation, this risk based approach identified 26 instances in which the station's performance indicated a need for additional covert performance audits. The additional covert performance audits resulted in 10 of the stations being sanctioned for the violations.

Recommendation #: 3

Agency Addressed: Department of Revenue

Original Recommendation in Audit Report:

To ensure adequate facility performance, the Department of Revenue should reassess the level of coverage needed for Vehicle Emissions Program equipment and overt performance audits. Specifically, the Department should:

- a. Seek changes to the State Implementation Plan and statute to align overt performance and equipment audit requirements with the EPA minimum of twice per year while still meeting requirements established by the EPA.
- b. Use the flexibility provided through the revisions in part "a" to determine the level of audit coverage that will ensure adequate station performance most cost-effectively. This could include piloting a reduction in the frequency of audits at some stations to determine whether reducing the number of performance and equipment audits would negatively impact station performance.

Agency's Response (i.e., agree, partially agree, disagree): **Agree**

Agency's Written Response in Audit Report:

a. Agree. Implementation date: May 2011.

During the next Legislative Session, the Department will pursue statutory change to align overt performance and equipment audits with the EPA requirements. The Department agrees to work with the Air Quality Control Commission and DPHE as necessary to modify the State Implementation Plan to coincide with these proposed legislative changes.

b. Agree. Implementation date: Ongoing.

The Department will implement the statute and State Implementation Plan changes upon the effective date and will use the flexibility provided through the revisions in part "a" to determine the appropriate level of audit coverage that will ensure adequate station performance most cost-effectively. Once the revisions in part "a" are in place, the Department may begin a pilot program to reduce the number of audits on a specified number of stations. The Department will then assess any possible deterioration in inspector performance or equipment reliability; this will include monitoring any increase or decrease in inspector violations or equipment failures.

Agency's Comments on Implementation Status of Recommendation:

Partially Implemented

a. On November 15, 2010, the Emissions Director submitted a request to the Department's senior management to pursue legislative change in the 2011 legislative session. The Department was instructed to wait and address recommendations for statutory changes with the new Governor's staff once they were appointed. On March 9, 2011, the Emissions Director was notified that the Department did not receive permission from the Governor's staff to pursue a bill. The Emissions Section will pursue legislative change in the 2012 legislative session. A request to modify the State Implementation Plan will be made once the statute is changed.

Partially Implemented

b. This recommendation will be completed to reflect any changes made to the State Implementation Plan and statutes as noted in part "a" above.

Recommendation #: 4

Agency Addressed: Department of Revenue

Recommendation Text in Audit Report:

The Department of Revenue should improve the effectiveness of Vehicle Emissions Program record audits by:

- a. Conducting record audits monthly as required by EPA regulations. Audits should include a review of electronic facility records to identify any unusual data patterns that would indicate fraud or incompetence and follow up as appropriate.
- b. Eliminating record audit procedures designed to monitor facility maintenance or incorporating them into other audits, if this can be accomplished without a negative impact on meeting other audit requirements.

Agency's Response (*i.e., Agree, Partially Agree, or Disagree*): **Agree**

Agency's Written Response in Audit Report:

- a. Agree. Implementation date: April 2011.

The Department will develop and implement procedural changes to expand its current record audit to include EPA requirements to review the electronic facility records and expand the Department's ability to identify unusual data patterns that would indicate fraud or incompetence and follow up as appropriate. The Department will analyze and investigate any anomalous test records found in the inspection database and take action as necessary.

- b. Agree. Implementation date: April 2011.

The Department will coordinate with the Air Quality Control Commission to move the facility maintenance portion of the record audit to the overt performance audit. This change will not compromise the auditor's ability to conduct the overt performance audit and will allow the auditor to focus on analyzing electronic data while conducting record audits.

Agency's Current Comments on Implementation Status of Recommendation:

Implemented and Ongoing

- a. In April 2011, the Department implemented a monthly electronic record audit to identify any unusual patterns that would indicate fraud or incompetence. The record audit consists of data analysis of the previous month's activities regarding vehicle test records, equipment calibration, document control, and emission inspector performance. The data from the previous month is analyzed and compared to historical averages. Any anomalies that may identify fraud or abuse are addressed through further investigation. The Department will continue to add methodologies to evaluate the performance of testing facilities as new concerns arise.

Partially Implemented

- b. The Department continues to perform a monthly facility maintenance audit to ensure contractual obligations are being met. Facility maintenance audits are important to ensure the contractor maintains a clean and safe environment for the vehicle owners of Colorado. The facility audit has been modified to include additional equipment items and will be performed in conjunction with equipment audits beginning May 2011. The Department has determined that combining the facility and equipment audits would be the most efficient use of meeting contractual and statutory requirements. Every 90 days, stations will receive the same number of facility and lanes audits. On May 1, 2011, the contractor is obligated, by contract, to implement new hardware and software related to the vehicle inspection database. This will allow the Emissions management to administer a training class involving the entire field staff regarding how to input and extract both the facility and 90 day audit information.

Recommendation #: 5

Agency Addressed: Department of Revenue

Recommendation Text in Audit Report:

The Department of Revenue should ensure that staff resources are used effectively in the Vehicle Emissions Program by:

- a. Accurately tracking and monitoring staff time and providing training to staff, including supervisors, to ensure that timesheets accurately reflect employees' use of work time.

- b. Periodically comparing timesheets to other sources, such as time stamps and other audit records, to ensure that time is reported accurately, analyzing the results, and taking action as appropriate.

Agency's Response (i.e., Agree, Partially Agree, or Disagree): **Agree**

Agency's Written Response in Audit Report:

- a. Agree. Implementation date: December 2010.

The Department will expand the current timekeeping mechanism for staff to accurately track and monitor emissions staff activities. An ongoing training program will be developed by the Department that will provide procedures to follow and assistance in accurate timekeeping. The training will be documented and maintained by the Department. Audit staff will be monitored and evaluated by management for consistency and accuracy in timekeeping records.

- b. Agree. Implementation date: March 2011.

The Department will implement procedures to periodically compare timesheets to other sources, such as electronic audit records, audit reports, and any other sources that management deems necessary to ensure that time is reported accurately. Management will analyze the results and take appropriate action as needed.

Agency's Current Comments on Implementation Status of Recommendation:

Implemented and Ongoing

- a. On December 1, 2010, the Department implemented internal timekeeping policies EMI-003 and EMI-005. Emissions staff attended training for the proper completion of weekly time sheets. To ensure uniformity amongst the staff, the timekeeping categories have been defined in relation to how they apply to the Department and the different job duties. The emissions staff is required to maintain daily logs of their activities to ensure that all working hours are accounted for and appropriate. In May 2011, the Denver based field staff will be centrally located at the Department of Revenue Pierce office. The move will help ensure the proper level of employee oversight is maintained, while increasing the efficiency and effectiveness of daily activities.

Implemented and Ongoing

- b. The Department has implemented periodic comparisons of time sheets to daily logs and time stamps located on audit reports. Field staff conducting performance audits are now required to obtain a copy of the vehicle inspection report. This information provides an

additional tool for data analysis to help identify, document, and enforce violations. It also provides a time stamp of when the performance audit was initiated and completed. Weekly time sheets verified by reviewing time stamps, daily logs and additional comments that are attached to the timesheet.

Recommendation #: 6

Agency Addressed: Department of Revenue

Recommendation Text in Audit Report:

The Department of Revenue should ensure that Vehicle Emissions Program staff are fully utilized and that budget requests reflect program needs by:

- a. Conducting a detailed analysis as soon as possible to determine program staffing needs and reassigning or reducing staff as necessary to ensure that all staff are fully utilized. The Department should suspend additional staff hires for the northern Front Range expansion area until the analysis is completed. This analysis and subsequent adjustments should be performed annually.
- b. Revising its budget request to the Governor’s Office and General Assembly, as necessary, if the analysis in part “a” indicates that the program has been appropriated more FTE than necessary to complete additional audits in the expanded AIR Program area.

Agency’s Response (i.e., Agree, Partially Agree, or Disagree): Agree

Agency’s Written Response in Audit Report:

- a. Agree. Implementation date: September 2011 and Ongoing.

The Department will conduct a detailed analysis of the program’s staffing needs as soon as possible. In July 2010, the Department initiated an assessment by its Internal Audit Division to analyze the current equipment, overt performance, and Rapid Screen audit procedures. Additional measures to assist in this analysis will be utilized, such as the timesheet changes as indicated in the response to Recommendation No. 5 and recommended changes to audit procedures. Upon the completion of a detailed analysis of the program’s staffing needs, the Department will determine staffing levels and reassign or adjust staff duties as necessary to ensure that all staff are fully utilized. The Department has suspended hiring for the northern Front Range expansion area until the analysis is completed. Subsequent analysis will be performed annually.

b. Agree. Implementation date: September 2011.

The Department will revise its budget request to the Governor's Office and the General Assembly for staffing needs in the northern Front Range expansion area based on the results of the analysis in part "a."

Agency's Current Comments on Implementation Status of Recommendation:

Partially Implemented

a. It was necessary for the Department to define and implement a new time keeping policy prior to determining the program's staffing needs. Currently, data samples are being collected, utilizing the new time keeping procedure, and will be analyzed when a sufficient and adequate data set is compiled, prior to September 2011. The Department has not hired any staff since the conclusion of the audit and has reassigned staff to cover the expansion to the Northern Front Range area. The job duties of the field staff have been expanded to ensure statutory audit requirements are being met as well as to ensure all staff is fully utilized. The Department has provided cross-training to diversify the duties performed by field staff. This diversification has improved staff efficiency and accountability.

Partially Implemented

b. The Department will revise its budget request after the analysis of part "a" of this recommendation is complete and before the end of September 2011.

Recommendation #: 7

Agency Addressed: Department of Revenue

Recommendation Text in Audit Report:

The Department of Revenue should improve controls over cash advances within the Vehicle Emissions Program by reducing the amount of cash advances provided to auditors to the minimum amount necessary for covering out-of-pocket costs incurred to complete covert performance audits.

Agency's Response (i.e., Agree, Partially Agree, or Disagree): Agree

Agency's Written Response in Audit Report:

Agree. Implementation date: Implemented, July 2010.

On July 1, 2010, the Department implemented a procedure that improves controls over cash advances and reduces the amount of cash provided to auditors to the minimum amount necessary to complete covert performance audits. The amount of funds distributed to staff performing covert operations is commensurate with the planned number of covert audits as determined by management. Staff has been trained on the proper cash handling procedure.

Agency's Current Comments on Implementation Status of Recommendation:

Implemented

On July 1, 2010, the Department completed staff training and implemented a cash handling policy EMI-001 addressing OSA's concerns for cash handling.

Recommendation #: 11

Agency Addressed: Department of Revenue

Recommendation Text in Audit Report:

The Department of Revenue should improve its enforcement of sanctions for all contractual wait-time violations identified by Vehicle Emissions Program management by establishing a written policy that provides an objective basis for evaluating wait-time violations.

Agency's Response (i.e., Agree, Partially Agree, or Disagree): Agree

Agency's Written Response in Audit Report:

Agree. Implementation date: Implemented, September 2010.

On September 1, 2010, the Department implemented a procedure that improves its enforcement of sanctions of contractual wait-time violations and provides an objective basis for evaluating wait-time violations. The procedure requires the use of verifiable measures such as labor reports, vehicle count reports, queue time reports, lane video, and other computer generated data records to evaluate false wait times.

Agency's Current Comments on Implementation Status of Recommendation:

Implemented

On September 1, 2010, the Department implemented a procedure to objectively enforce wait-time violations. On February 14, 2011, the Wait Time Violation Determination Procedure, EMI-002, was revised to accommodate contractual changes with Envirotest that allows for the Department to issue fines for both excessive "wait time" and "test time" violations. In the current contract, test time violations were added as a finable violation when excessive time was used for the testing portion of the inspection inside the facilities.

Recommendation #: 12

Agency Addressed: Department of Revenue

Recommendation Text in Audit Report:

The Department of Public Health and Environment and the Department of Revenue should work with Envirotest on an ongoing basis to improve inspectors' performance of emissions control system inspections and reduce the error rate identified through audits. As part of this process, the Department of Public Health and Environment and the Department of Revenue should consider increasing training requirements for inspectors, increasing fines when tests are not performed properly, or both.

Agency's Response (*i.e., Agree, Partially Agree, or Disagree*): **Agree**

Agency's Written Response in Audit Report:

Agree. Implementation date: Implemented, September 2010 and Ongoing.

Beginning in September 2010 the Department will provide DPHE the monthly reports currently submitted to Envirotest, which includes results of identified violations performed by inspectors in the overt and covert performance audits and consumer complaints, so that current training may be modified to address these deficiencies. The current fine structure is part of the contracts and the Department will seek to increase fines upon the expiration of the contracts on December 31, 2014.

Agency's Current Comments on Implementation Status of Recommendation:

Implemented and Ongoing

Every month since September 2010, the Department has been providing DPHE and Envirotest with a report of violations identified during that month. The report details the types of violations, the number of violations, and identifies the inspectors and stations that commit the violations. It is the intent that Envirotest, with oversight from DPHE, to adjust or increase their training curriculum to address these identified violations so improvements may be made to the overall inspection process. The Department will continue to provide these monthly reports on an ongoing basis.

STATE OF COLORADO

John W. Hickenlooper, Governor
Christopher E. Urbina, MD, MPH
Executive Director and Chief Medical Officer

Dedicated to protecting and improving the health and environment of the people of Colorado

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Colorado Department
of Public Health
and Environment

May 2, 2011

The Honorable Lois Tochtrop, Chairperson
Legislative Audit Committee
200 East 14th Avenue, 2nd Floor
Denver, CO 80203

Subject: Status of Implementation of the Colorado Department of the Public Health and Environment's Recommendations as Set Forth in the Vehicle Emissions Program Performance Audit, Dated September 2010

Dear Senator Tochtrop:

In response to the Office of the State Auditor's letter dated April 7, 2011, attached is the Colorado Department of Public Health and Environment's (the department's) status report of our implementation of the recommendations, as set forth in the Vehicle Emissions Program Performance Audit, dated September 2010.

The attached status report includes all of the auditor's recommendations to our department with our responses and implementation dates as presented in the audit report, together with the current implementation status of the auditor's recommendations.

Should you have any comments or questions regarding our responses, please contact our Internal Auditor, Scott Toland, at 303-692-2105.

Sincerely,

Christopher E. Urbina, MD, MPH
Executive Director and Chief Medical Officer

Attachment

cc: Martha Rudolph, Director, Environmental Programs, CDPHE
Paul Tourangeau, Director, Air Pollution Control Division (APCD), CDPHE
Chuck Bayard, Director, Administration and Financial Services Division, CDPHE
Doug Decker, Acting Program Manager, Mobile Sources, APCD, CDPHE
Garry Kaufman, Interim Administrator, Air Quality Control Commission, CDPHE
Karin McGowan, Director, Policy, External Affairs and Planning, CDPHE
Scott Toland, Internal Auditor, AFSD, CDPHE

AUDIT RECOMMENDATION STATUS REPORT

AUDIT NAME: Vehicle Emissions Program

AUDIT NUMBER: 2062

DEPARTMENT/AGENCY/ENTITY: Colorado Department of Public Health and Environment/Mobile Sources Program

DATE: May 2, 2011

SUMMARY INFORMATION

Please complete the table below with summary information for all audit recommendations. For multi-part recommendations, list each part of the recommendation SEPARATELY. (For example, if Recommendation 1 has three parts, list each part separately in the table.)

Recommendation Number <i>(e.g., 1a, 1b, 2, etc.)</i>	Agency's Response <i>(i.e., agree, partially agree, disagree)</i>	Original Implementation Date <i>(as listed in the audit report)</i>	Implementation Status <i>(Implemented, Implemented and Ongoing, Partially Implemented, Not Implemented, or No Longer Applicable)</i> Please refer to the attached sheet for definitions of each implementation status option.	Revised Implementation Date <i>(Complete only if agency is revising the original implementation date.)</i>
8a	Agree	March 2014	Not Implemented	
8b	Agree	March 2014	Partially Implemented	
9a	Agree	December 2011	Implemented and Ongoing	
9b	Agree	December 2011	Implemented and Ongoing	
10	Agree	July 2011	Partially Implemented	
12	Agree	Ongoing	Implemented and Ongoing	

DETAIL OF IMPLEMENTATION STATUS

Recommendation #: 8

Agency Addressed: Department of Public Health and Environment

Recommendation Text in Audit Report:

The Department of Public Health and Environment, in cooperation with the Department of Revenue, should ensure that when procuring an emissions testing contractor, it requires prospective contractors to provide adequate operating cost information sufficient to conduct a cost analysis to evaluate the contractors' bids and inform its assessment of an appropriate emissions testing fee. In connection with the next procurement, the Department of Public Health and Environment should:

- a. Analyze potential contractors' operating costs, utilizing the information provided, and determine if those costs and the contractors' proposed testing fees and estimated profit margins are reasonable.
- b. Consider the cost analysis, the procurement circumstances, and Colorado's emissions testing needs, and negotiate a testing fee that provides the contractor with a fair and reasonable profit margin, in accordance with the State Procurement Manual.

Agency's Response (*i.e., Agree, Partially Agree, or Disagree*): **Agree**

Agency's Written Response in Audit Report:

Agree. Implementation date: March 2014, unless an earlier procurement process occurs.

The DPHE agrees that efforts should be made to try to improve the process for procuring emissions testing contracts in order to benefit Colorado's citizens. While DPHE believes there is substantial information supporting the conclusion that the current test fees are reasonable and appropriate, it agrees with the assessment of the Office of the State Auditor that collecting and analyzing cost information from prospective emissions testing contractors as part of the procurement process could prove valuable. Accordingly, DPHE agrees to request and, as provided, analyze and use such cost information, as outlined in the recommendation above, during the next procurement process.

Agency's Current Comments on Implementation Status of Recommendation:

- 8a. The DPHE will fully implement Audit Recommendation 8a as part of the next procurement process.
- 8b. The DPHE has and will continue to collect information on emission testing fees from programs throughout the country for comparison purposes. The DPHE will utilize this plus contractor specific information as part of next procurement process.

Recommendation #: 9

Agency Addressed: Department of Public Health and Environment

Original Recommendation in Audit Report:

The Department of Public Health and Environment should ensure that the 2010 contractual provisions regarding wait times are successful in reducing wait times and provide reasonable wait-time standards by:

- a. Collecting wait-time data on the full customer wait time, including the time to complete the emissions test after the test begins.
- b. Using the data it collects to determine whether total wait times increase under the new contractual standards and whether 20 minutes is a reasonable standard for assessing the time emissions facilities need to complete the emissions test. If DPHE determines that total wait times increase under the new contract provisions or that 20 minutes is not a reasonable wait-time standard, it should seek to amend the contract to provide appropriate standards that reduce allowable wait times.

Agency's Response (*i.e., agree, partially agree, disagree*): **Agree**

Agency's Written Response in Audit Report:

Agree. Implementation date: December 2011.

DPHE agrees that it should collect data to assess whether the new contractual provisions are successful in keeping down the total time that the customer spends at the facility. DPHE further agrees that it should compare data for the initial wait-time period under the old and new systems to ensure that the new 20-minute time requirement does not result in a degradation of the contractor's performance in expeditiously processing vehicles. Based on its analysis of the shortcomings of the old wait-time system, DPHE believes that the new system will improve

customer convenience by reducing customers' overall time at the testing centers. If the data show, however, that total wait times have increased under the new system, DPHE will seek appropriate contractual amendments to reduce allowable wait times.

Agency's Comments on Implementation Status of Recommendation:

9a. The DPHE has and will continue to collect motorist wait-time along with overall inspection time as part of the Inspection and Maintenance program.

9b. Through data collection the DPHE has determined that the overall wait-time has gone down slightly since the contractual modification of the 15 to 20 minute standard. The inspection time has also decreased on average over 4 minutes per inspection.

Recommendation #: 10

Agency Addressed: Department of Public Health and Environment

Original Recommendation in Audit Report:

The Department of Public Health and Environment should ensure that customers have adequate information regarding wait times by working with Envirotest to consider ways to post additional information regarding current wait times on Envirotest's AIR Care Colorado website.

Agency's Response (*i.e., agree, partially agree, disagree*): **Agree**

Agency's Written Response in Audit Report:

Agree. Implementation date: July 2011.

Over the next year DPHE will work with the contractor and the Department to implement changes, where feasible, to the website, the hotline, or both so as to provide additional information to customers regarding wait times at individual stations.

Agency's Comments on Implementation Status of Recommendation:

Negotiations between the DPHE and the contractor are completed. The contractor is currently implementing the addition of station specific wait-times as part of the Air Care Colorado Web site.

Recommendation #: 12

Agency Addressed: Department of Public Health and Environment

Original Recommendation in Audit Report:

The Department of Public Health and Environment and the Department of Revenue should work with Envirotest on an ongoing basis to improve inspectors' performance of emissions control system inspections and reduce the error rate identified through audits. As part of this process, the Department of Public Health and Environment and the Department of Revenue should consider increasing training requirements for inspectors, increasing fines when tests are not performed properly, or both.

Agency's Response (i.e., agree, partially agree, disagree): Agree

Agency's Written Response in Audit Report:

Agree. Implementation date: Ongoing.

DPHE will work with the contractor and the Department to evaluate and implement methods designed to improve contractor performance in the area of emissions control system inspections.

Agency's Comments on Implementation Status of Recommendation:

Inspector training curriculum has been reviewed and the DPHE made several recommendations for areas of improvement, based on areas of weakness in inspector performance in the past. This will become a continuous update process based on quarterly inspector performance reports from the Department to the DPHE.