

The Office of Administrative Hearings

The Seventeenth Annual Report

to

Governor Janice K. Brewer

Senator Steve Pierce, President of the Senate

Representative Andy Tobin, Speaker of the House

Pursuant to A.R.S. § 41-1092.01(C)(5)

and

A.R.S. § 41-1092.01(C)(9)



Cliff J. Vanell, Director

November 1, 2012

Contents

| | |
|---|-----------|
| I. Introduction and Overview..... | 1 |
| II. Continued Development of the Office..... | 2 |
| 1. Planned Community and Condominium Disputes Returned to the OAH.... | 2 |
| 2. Prehearing Conference Calendar..... | 2 |
| 3. Ownership Spirit..... | 2 |
| III. Summary of Agency Use of OAH Services..... | 2 |
| 1. Case Management..... | 2 |
| a. Breakdown of Cases Filed by Agency | 2 |
| b. Number of Cases Concluded Versus Cases Filed | 3 |
| c. Timeline of Case Management | 4 |
| d. Incidence of Continuance..... | 5 |
| 2. Evaluation | 8 |
| a. Results of Public Evaluation | 8 |
| b. Incidence of Rehearing and Appeal..... | 10 |
| IV. Acceptance of Administrative Law Judge Decisions by Agencies..... | 11 |
| 1. Agency Action | 11 |
| 2. Agency Inaction With Subsequent OAH Certification of Finality..... | 14 |
| V. Motions for Change of Administrative Law Judge Granted Pursuant to A.R.S. § 41-1092.07..... | 15 |
| VI. Violations of A.R.S. § 41-1009 | 15 |
| VII. Recommendations for Changes in the Administrative Procedures Act..... | 15 |
| 1. Right to settlement conferences in “contested cases” | 15 |
| 2. Establish uniform standards for appeal rights notice. | 15 |
| 3. Establish uniform basis for rehearing..... | 15 |
| 4. Conform rehearing and appeal rules..... | 16 |
| VIII. Recommendation for Changes or Improvements in Agency Practice with Respect to the Administrative Procedures Act..... | 16 |
| Recoupment of Costs for Administrative Hearings | 16 |

I. Introduction and Overview

The Office of Administrative Hearings (OAH) was created pursuant to Laws 1995, Chapter 251, adding Arizona Revised Statutes § 41-1092 *et seq.*, and commenced operation on January 1, 1996. Administrative hearings previously provided by regulatory agencies (except those specifically exempted) were transferred to the OAH for independent proceedings. The Phoenix office currently has 17 full-time positions, including the Director, the Office Manager, 10 Administrative Law Judges, and 5 support staff. In addition to having conducted hearings in Phoenix, the OAH videoconferenced Registrar of Contractors hearings in Flagstaff, Kingman, Lake Havasu City, Show Low, and Yuma. Our statutory mandate is to “ensure that the public receives fair and independent administrative hearings.”

Responsibility:

The OAH understands its responsibility to create a system that is efficient and cost effective. The OAH statistics in FY 2012 indicate agency acceptance of Administrative Law Judge Decisions without modification was 77.19%. Agency acceptance of Findings of Fact and Conclusions of Law without modification was 86.28%. Rehearings (0.98%) and Appeals (1.8%) were rare. Evaluations by participants continue to indicate that Administrative Law Judges and the OAH were rated excellent or good in 95.39% of all responses.

Integrity:

The OAH takes its statutory mandate to provide fair, impartial and independent hearings seriously. Although part of the executive branch, together with its client agencies, the OAH maintains a conscious detachment from political issues and the missions of those agencies. Procedures, rulings, and case assignments are at all times kept free of outside pressures to ensure that the parties can be assured that hearings are impartial and independent.

Commitment:

The OAH views commitment as a willingness to advance its mission, including improving the quality of decision-writing. While the Administrative Law Judges must render decisions according to the evidence before them and using their independent judgment, the OAH requires that Administrative Law Judges review all decisions that have been modified or rejected by an agency in order to encourage them to identify any possible incorrect citations or other areas where quality can be improved. This commitment is in furtherance of the duty of the OAH to provide continuing education to its Administrative Law Judges.

Efficiency:

Through careful case management the completion rate for cases in FY 2012 was 92%.

II. Continued Development of the Office

1. Planned Community and Condominium Disputes Returned to the OAH

Laws 2011, Chapter 185, Section 4 (SB1148) restored the dispute process for planned community and condominium disputes to OAH, commencing July 20, 2011. Twenty-one cases were filed in FY 2012.

2. Prehearing Conference Calendar

The OAH implemented weekly prehearing conferences to handle high volume caseload.

3. Ownership Spirit

In preparation for implementation of personnel reform pursuant to HB2571, OAH disseminated copies of the book "Ownership Spirit," by Dennis Deaton, to encourage a higher level of accountability for employee work product. This ethos has provided employees with a greater sense of responsibility and accomplishment.

III. Summary of Agency Use of OAH Services

1. Case Management

a. Breakdown of Cases Filed by Agency (FY 2012):

5850 cases were filed with the OAH in FY 2012. The distribution among the agencies, boards, commissions, or political subdivisions (Agencies) are as follows (in descending order by number of cases filed):

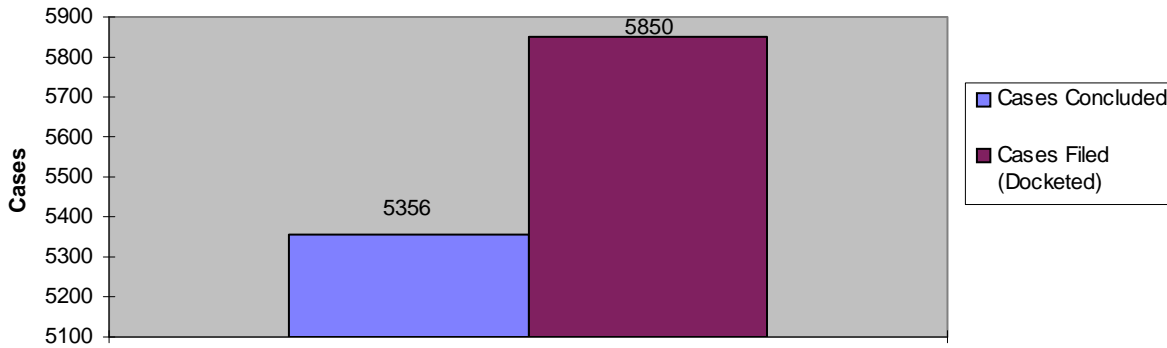
| | |
|--|------|
| Arizona Health Care Cost Containment System - 19 | 3029 |
| Registrar of Contractors | 779 |
| Department of Weights and Measures | 472 |
| Department of Health Services | 367 |
| Arizona Health Care Cost Containment System | 337 |
| Department of Economic Security - CPS | 149 |
| Department of Real Estate | 134 |
| Arizona Health Care Cost Containment System - 21 | 103 |
| State Board of Nursing | 77 |
| Arizona Department of Revenue | 57 |
| Department of Education - Special Ed | 56 |
| Department of Insurance | 42 |
| Board of Appraisal | 28 |
| Department of Fire, Building and Life Safety | 25 |
| Department of Fire, Building and Life Safety - H/C | 21 |
| State Board of Accountancy | 20 |
| Department of Environmental Quality | 19 |
| Arizona Department of Financial Institutions | 15 |

| | |
|---|-------------|
| Arizona State Retirement System | 13 |
| Department of Gaming | 12 |
| Arizona Medical Board | 10 |
| Peace Officers Standards and Training | 10 |
| State Board for Charter Schools | 8 |
| State Land Department | 8 |
| Department of Public Safety - Student Transportation | 6 |
| Department of Economic Security | 6 |
| Department of Public Safety - Criminal History Records | 6 |
| Liquor Licenses and Control | 6 |
| Secretary of State | 4 |
| Department of Education | 3 |
| Arizona Lottery | 3 |
| Board of Dental Examiners | 3 |
| Board of Technical Registration | 3 |
| Water Quality Appeals Board | 3 |
| Drexel Heights Fire District | 2 |
| Board of Behavioral Health Examiners | 2 |
| Arizona Commerce Authority | 2 |
| Arizona State Department of Housing | 1 |
| Board of Podiatry Examiners | 1 |
| Department of Administration | 1 |
| Radiation Regulatory Agency | 1 |
| State Schools for the Deaf and the Blind | 1 |
| City of Douglas | 1 |
| Department of Water Resources | 1 |
| Office of Pest Management | 1 |
| Arizona Commission for the Deaf and the Hard of Hearing | 1 |
| Verde Valley Fire District | 1 |
| Total | 5850 |

b. Number of Cases Concluded Versus Cases Filed:

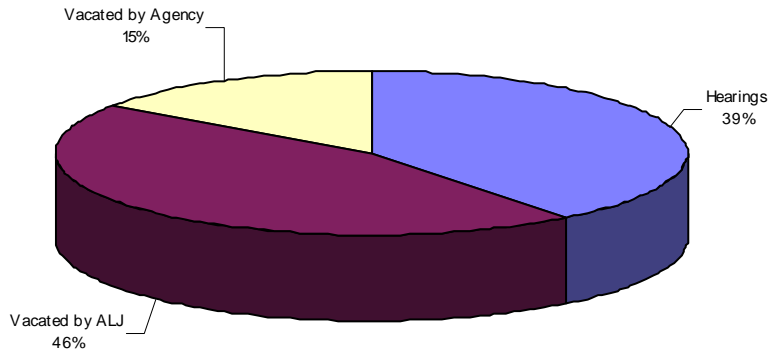
In FY 2012, the conclusion rate (defined as cases concluded divided by new cases filed) was 92%.

Comparison of Cases Filed v. Cases Concluded



The following diagram illustrates the proportion of cases that proceeded to full hearing:

Disposition of Concluded Cases FY 2012

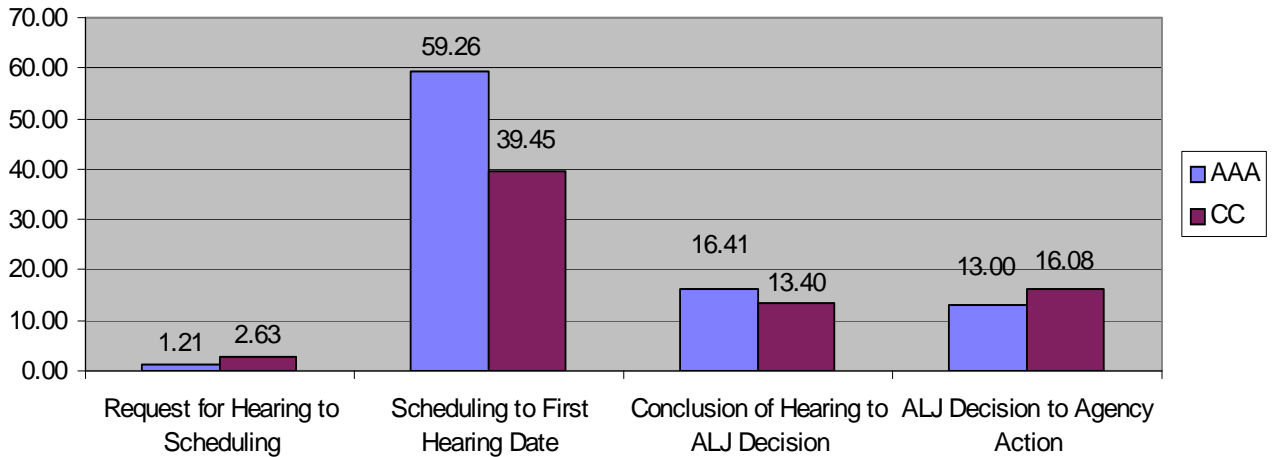


c. Timeline of Case Management:

A.R.S. § 41-1092.05(A) and § 41-1092.08(A) and (B) contemplate a rigorous timeline to expedite hearings and final agency actions. “Appealable agency actions” (defined as actions taken by an agency without a prior hearing) are required to be set for hearing within 60 days of a request by a party. “Contested cases” (defined as proposed actions for which a hearing is required) are required to be set within 60 days of an agency request. These requirements have been relaxed to allow cases to be set as soon as “reasonably possible.” See Laws 2009, Third Special Session, Chapter 7, § 37. Administrative Law Judge Decisions must be transmitted to the agencies within 20 days of the conclusion of the hearing. The agency heads are required to take final action within 30 days of receipt. Boards and Commissions generally must take final action within 5 days of their next scheduled meeting.

The following diagram illustrates the average timelines:

Average Days Between Selected Events - Appealable Agency Actions v. Contested Cases

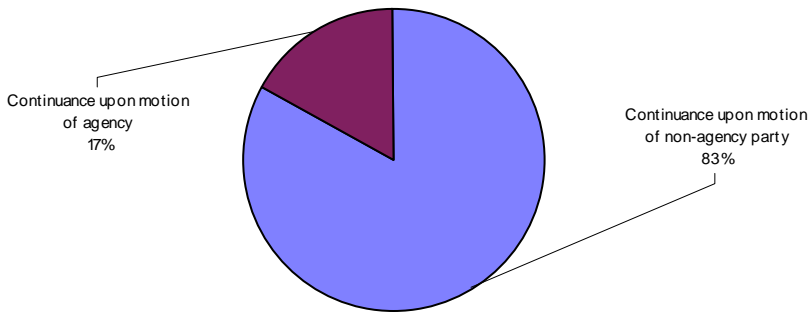


d. Incidence of Continuance:

A single continuance in FY 2012 added an average of 45.23 days to the total length of a case. Although 75.76% of all continuance requests were granted in FY 2012, the OAH has developed a well-deserved reputation for discouraging “convenience” continuances in favor of those based on “good cause.” This is especially important because of the decrease in the number of Administrative Law Judges due to budget constraints. The frequency of continuances, defined as the number of continuances granted (725*) divided by the total number of cases first scheduled (5,850), was 12.4%. The ratio of first hearing settings (5,115) to continued settings on the calendar (725*) was 1 to 0.14.

(*compare fig. 1, page 6 and fig. 2, page 7)

The following diagram illustrates the source of continuances:



The following chart is a breakdown of cases actually set for a continued hearing date on the FY 2012 calendar and their sources, by agency. (Note: the numbers in fig. 1, below, differ from those in fig. 2, page 7, because a motion for continuance granted in one fiscal year may result in the continued date being set in the following fiscal year.)

fig. 1

| AGENCY | Continued - Motion by non- agency party | Continued - Motion by agency party |
|--|--|---|
| Arizona Commerce Authority | - | 1 |
| Arizona Department of Financial Institutions | 3 | 1 |
| Arizona Department of Revenue | 9 | - |
| Arizona Health Care Cost Containment System | 176 | 54 |
| Arizona Lottery | 2 | - |
| Arizona Medical Board | - | 1 |
| Arizona State Retirement System | 1 | - |
| Board of Appraisal | 4 | 3 |
| Department of Economic Security - CPS | 23 | 11 |
| Department of Education | 2 | - |
| Department of Education - Special Ed | 26 | - |
| Department of Environmental Quality | 1 | - |
| Department of Fire, Building and Life Safety | 7 | - |
| Department of Fire, Building and Life Safety - H/C | 2 | 1 |
| Department of Gaming | 4 | - |

| | | |
|--|------------|------------|
| Department of Health Services | 49 | 16 |
| Department of Insurance | 13 | - |
| Department of Public Safety - Criminal History Records | 1 | - |
| Department of Real Estate | 6 | - |
| Department of Weights and Measures | 12 | 7 |
| Liquor Licenses and Control | 3 | 1 |
| Maricopa County Attorney's Office | - | 1 |
| Peace Officers Standards and Training | 4 | 2 |
| Registrar of Contractors | 154 | 4 |
| State Board for Charter Schools | 2 | - |
| State Board of Nursing | 4 | 2 |
| State Land Department | 3 | - |
| Total | 511 | 105 |

The following chart reflects the number of motions to continue that were entertained in FY 2012 and the percentage granted:

.....
fig. 2

| AGENCY | Continuance Granted | Continuance Denied | Total Motions | % Granted |
|--|--------------------------------|-------------------------------|----------------------|------------------|
| Arizona Commerce Authority | 1 | - | 1 | 100 |
| Arizona Department of Financial Institutions | 4 | - | 4 | 100 |
| Arizona Department of Revenue | 6 | - | 6 | 100 |
| Arizona Health Care Cost Containment | 330 | 72 | 402 | 82 |
| Arizona Lottery | 2 | - | 2 | 100 |
| Arizona Medical Board | 1 | 1 | 2 | 50 |
| Arizona State Retirement System | 2 | - | 2 | 100 |
| Board of Appraisal | 6 | 1 | 7 | 86 |
| Board of Behavioral Health Examiners | 2 | - | 2 | 100 |
| Department of Administration | - | 1 | 1 | 0 |
| Department of Economic Security - CPS | 46 | 7 | 53 | 87 |
| Department of Education - Special Ed | 20 | 5 | 25 | 80 |
| Department of Environmental Quality | 3 | - | 3 | 100 |
| Department of Fire, Building and Life Safety | 7 | 4 | 11 | 64 |
| Department of Fire, Building and Life - H/C | 7 | 2 | 9 | 78 |
| Department of Gaming | 2 | 6 | 8 | 25 |
| Department of Health Services | 71 | 20 | 91 | 78 |
| Department of Insurance | 12 | - | 12 | 100 |
| Department of Real Estate | 7 | 4 | 11 | 64 |
| Department of Weights and Measures | 13 | 2 | 15 | 87 |
| Liquor Licenses and Control | 4 | - | 4 | 100 |
| Maricopa County Attorney's Office | 1 | - | 1 | 100 |
| Office of Pest Management | - | 3 | 3 | 0 |
| Peace Officers Standards and Training | 3 | 0 | 3 | 100 |
| Radiation Regulatory Agency | - | 1 | 1 | 0 |
| Registrar of Contractors | 160 | 98 | 258 | 62 |
| State Board for Charter Schools | 3 | - | 3 | 100 |
| State Board of Nursing | 8 | 3 | 11 | 73 |
| State Land Department | 4 | 2 | 6 | 67 |
| Total | 725 | 252 | 957 | 75.76% |

2. Evaluation

a. Results of Public Evaluation:

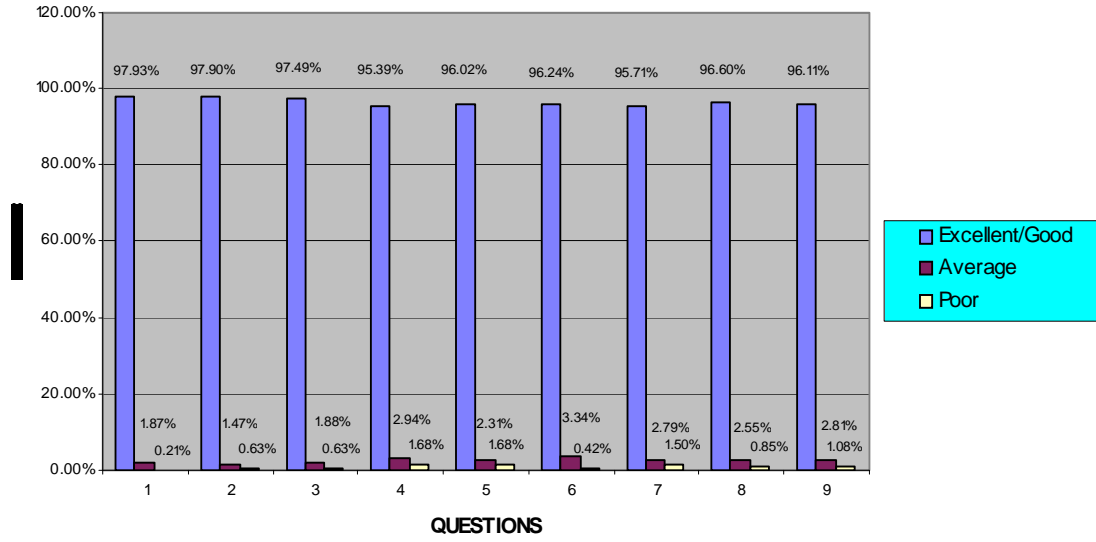
Since November 1996, the OAH has administered an evaluation procedure. A copy of the evaluation is provided to all participants before the hearing. The evaluation form is described in a video played before each hearing, or is otherwise addressed by the Administrative Law Judge. The results are not disclosed to the Administrative Law Judge. Hearing participants place completed evaluations in locked boxes located near the hearing rooms.

Those responding are asked to rate the following categories, on a scale of excellent, good, satisfactory, or poor:

1. Attentiveness of the Administrative Law Judge
2. Effectiveness in explaining the hearing process
3. Administrative Law Judge's use of clear and neutral language
4. Impartiality
5. Effectiveness in dealing with the issues of the case
6. Sufficient space
7. Freedom from distractions
8. Questions responded to promptly and completely
9. Treated courteously

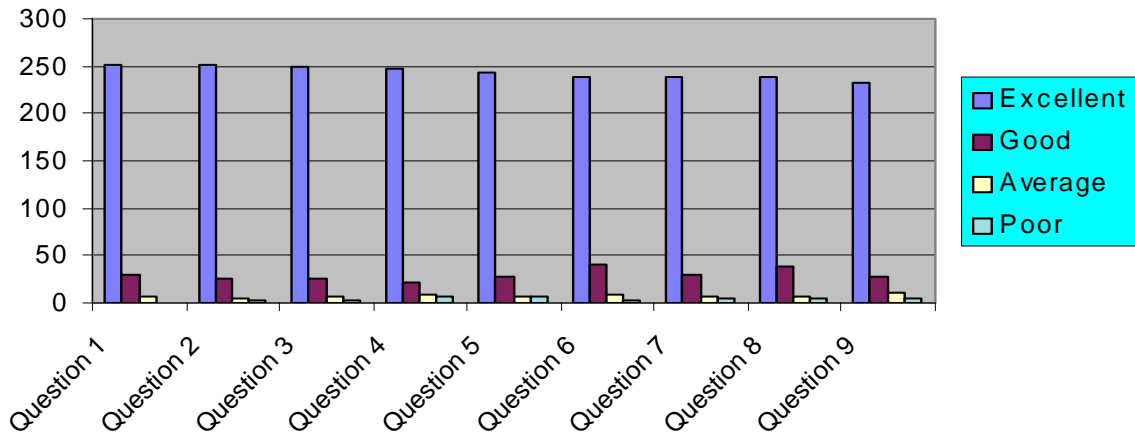
The results indicate that satisfaction is high among all groups, with those responding rating the OAH excellent to good in 95.39% to 97.93% of responses.

All Responses FY 2012



An analysis of the unrepresented parties indicates that even among the most vulnerable group, the OAH is seen to be functioning extremely well.

Unrepresented Responses

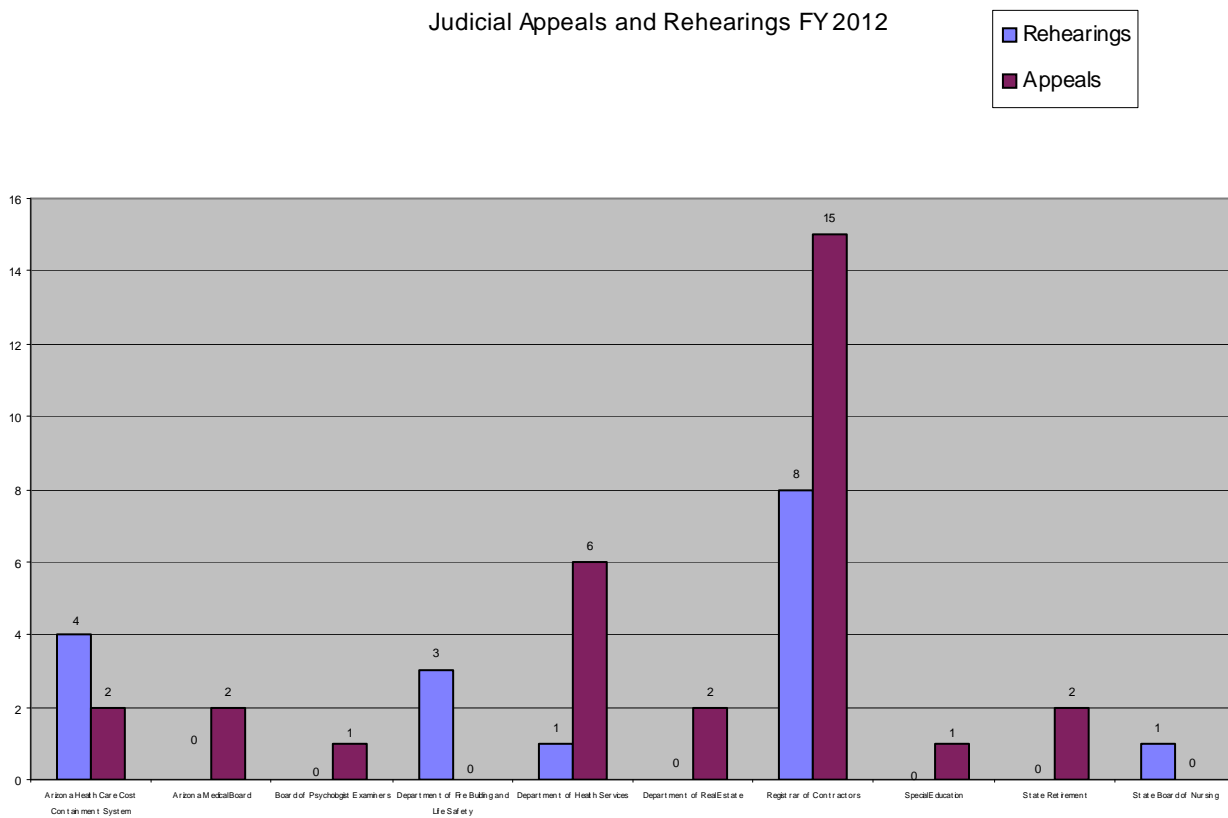


b. Incidence of Rehearing and Appeal:

Rehearings are permitted pursuant to A.R.S. § 41-1092.09 under certain conditions. In FY 2012, the rehearing rate (defined as rehearings scheduled divided by cases heard) was 0.98%.

Appeals to Superior Court are provided for pursuant to A.R.S. § 41-1092.08(H). In FY 2012, the judicial appeal rate (defined as judicial appeals taken divided by cases decided on the merits) was 1.8%. As reflected in the following diagram, rehearings and judicial appeals in FY 2012 were relatively rare. Both were concentrated at the Registrar of Contractor.

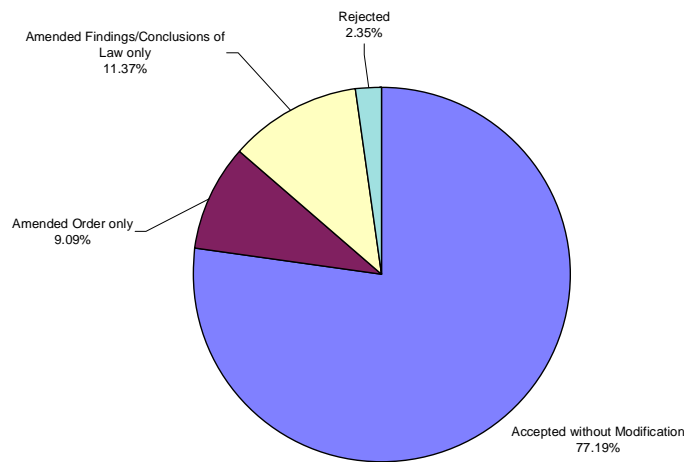
Judicial Appeals and Rehearings FY 2012



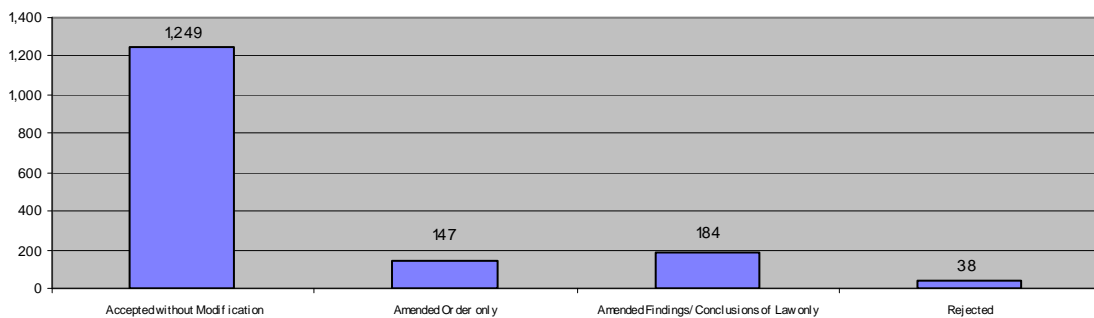
IV. Acceptance of Administrative Law Judge Decisions by Agencies

1. Agency Action

Agency acceptance of the Administrative Law Judge Decisions is high. 77.19% of all decisions acted upon by the agencies were accepted without modification. Agency acceptance was 86.28% if viewed from the vantage point of acceptance of Findings of Fact and Conclusions of Law, the core function of the Administrative Law Judge. 44.41% of modifications made by the agencies were in the Recommended Order (penalty portion).



The following chart reports the number of cases in the various categories of agency response.

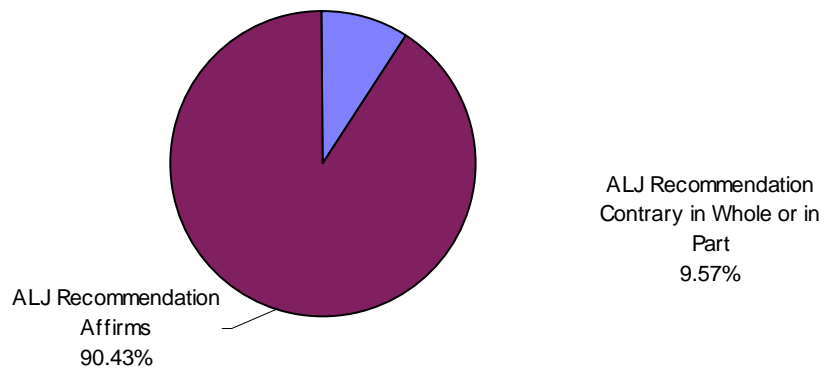


The following chart reports the breakdown of agency response by agency. This list further illustrates that amendments and rejections are few relative to the decisions accepted.

| | Accept | Amend Order | Amend Findings | Moot | Reject | Certified | Final | Total |
|------------------------------|---------------|------------------------|---------------------------|-------------|---------------|------------------|--------------|--------------|
| Accountancy | 5 | 6 | - | - | - | - | - | 11 |
| AHCCCS | 609 | 8 | 53 | 4 | 25 | 0 | - | 699 |
| Board of Appraisal | 26 | - | - | - | - | - | - | 26 |
| Board of Podiatry Examiners | 1 | - | - | - | - | - | - | 1 |
| City of Douglas | - | - | - | - | - | 1 | - | 1 |
| Department of Education | 2 | - | - | - | - | - | 2 | 4 |
| Department of Revenue | - | - | - | - | - | - | 34 | 34 |
| DES-APS | 1 | - | 1 | - | - | 0 | - | 2 |
| DES-CPS | 48 | - | 1 | - | - | - | - | 49 |
| DPS- Bus | 4 | - | - | - | - | - | - | 4 |
| DPS-Crim. History Rec. | 7 | - | - | - | - | - | - | 7 |
| Environmental Quality | - | - | - | - | - | 1 | - | 1 |
| Financial Institutions | 1 | - | - | - | - | - | - | 1 |
| Fire, Bldg, Life Safety | 7 | - | - | - | - | 4 | - | 11 |
| Fire, Bldg, Life Safety- HOA | - | - | - | - | - | 10 | - | 10 |
| Gaming | 4 | - | - | - | - | - | - | 4 |
| Health Services | 128 | 4 | 18 | 1 | 6 | - | - | 157 |
| Housing | 1 | - | - | - | - | 1 | - | 2 |
| Insurance | 11 | - | - | - | - | 7 | - | 18 |
| Land | 5 | - | - | - | - | - | - | 5 |
| Liquor Licenses | 2 | - | - | - | - | - | - | 2 |
| Lottery | 1 | - | - | - | - | - | - | 1 |
| Maricopa County Attorney | 1 | - | - | - | - | - | - | 1 |
| Medical Board | 2 | 7 | 1 | - | - | - | - | 10 |
| Secretary of State - Notary | 2 | 1 | - | - | - | - | - | 3 |
| Nursing | 14 | 3 | 1 | - | - | - | - | 18 |
| Office of Pest Management | 1 | - | - | - | - | - | - | 1 |
| Osteopathic Examiners | - | - | - | - | - | - | 2 | 2 |
| Radiation Regulatory | 1 | - | - | - | - | - | - | 1 |
| Real Estate | 25 | 3 | - | - | - | - | - | 28 |
| Registrar of Contractors | 335 | 115 | 106 | 14 | 5 | 1 | - | 576 |
| State Retirement | 5 | - | 1 | - | - | 2 | - | 8 |
| Weights and Measures | - | - | 2 | 1 | 2 | 23 | - | 28 |
| Total | 1249 | 147 | 184 | 20 | 38 | 50 | 38 | 1726 |

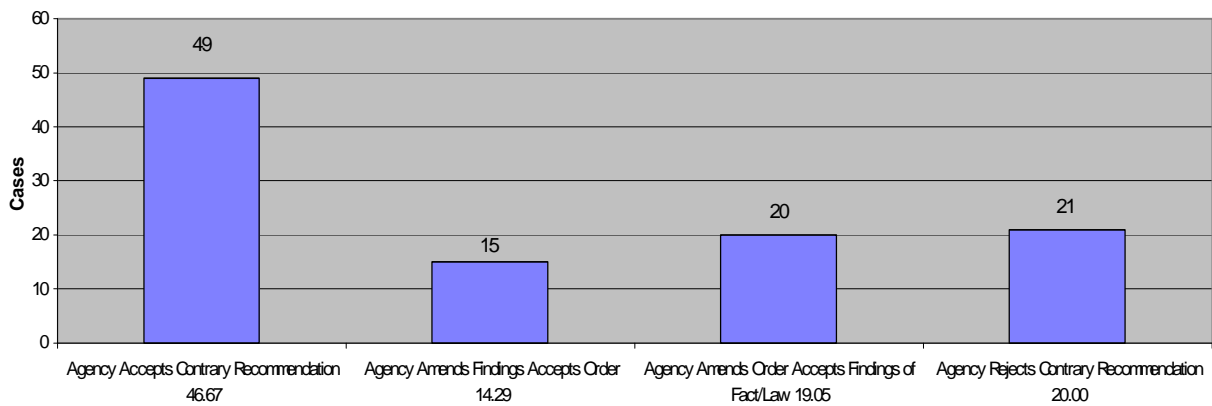
In FY 2012, Administrative Law Judges rendered decisions that were contrary in whole or contrary in part to agencies' original positions in 9.57% of cases.

Recommendations Contrary to Original Agency Action FY 2012



Agency acceptance of contrary decisions was high at 80.01%.

Agency Response to Contrary Recommendations FY 2012



The following chart reports the breakdown of agency responses to contrary decisions.

| Client | Accepted | Amended Order | Amended Findings | Rejected | Certified | Total |
|--------------------------------|-----------------|--------------------------|-----------------------------|-----------------|------------------|--------------|
| Accountancy | 2 | - | - | - | - | 2 |
| Department of Housing | 1 | - | - | - | 1 | 2 |
| AHCCCS | 19 | 10 | 14 | 15 | - | 58 |
| Arizona State Retirement Board | - | - | - | - | 1 | 1 |
| DPS-Bus | 1 | - | - | - | - | 1 |
| DPS-Crim. History Rec. | 1 | - | - | - | - | 1 |
| DES-CPS | 7 | - | - | - | - | 7 |
| Dept. of Environmental Quality | - | - | - | - | 1 | 1 |
| Health Services | - | 1 | 3 | 1 | - | 5 |
| Weights and Measures | - | - | 2 | 3 | 6 | 11 |
| Insurance | 1 | - | - | - | 1 | 2 |
| Liquor Licenses | 1 | - | - | - | - | 1 |
| Arizona Medical Board | - | 2 | - | - | - | 2 |
| Nursing | 1 | 1 | - | - | - | 2 |
| Real Estate | 3 | - | - | - | - | 3 |
| Fire, Bldg, Life Safety | - | - | - | - | 1 | 1 |
| Registrar of Contractors | 1 | 1 | 1 | 2 | - | 5 |
| Total | 38 | 15 | 20 | 21 | 11 | 105 |

2. Agency Inaction With Subsequent OAH Certification of Finality

Beginning August 21, 1998, the OAH was required to certify the Administrative Law Judge Decision as the final administrative decision if the OAH had not received the agency, board or commission's action accepting, modifying or rejecting the recommended decision within 30 days of transmission. Special rules apply if the board or commission meets monthly or less frequently. A.R.S. § 41-1092.08(D). In FY 2012, 51 Administrative Law Judge Decisions were certified by the OAH as final administrative decisions

| Agency | Certified |
|---|------------------|
| Arizona Health Care Cost Containment System | 4 |
| Arizona State Department of Housing | 1 |
| Arizona State Retirement System | 2 |
| Department of Environmental Quality | 1 |

| | |
|--|-----------|
| Department of Fire, Building and Life Safety | 4 |
| Department of Fire, Building and Life Safety - H/C | 9 |
| Department of Insurance | 5 |
| Department of Public Safety - Criminal History Records | 1 |
| Department of Weights and Measures | 23 |
| Registrar of Contractors | 1 |
| Total | 51 |

V. Motions for Change of Administrative Law Judge Granted Pursuant to A.R.S. § 41-1092.07

A.R.S. § 41-1092.01(C)(9)(b) requires that the OAH report the number of motions for change of Administrative Law Judge for bias, prejudice, personal interest or lack of necessary expertise which were filed and the number granted. In FY 2012, 6 motions were filed and no motion was granted.

VI. Violations of A.R.S. § 41-1009

Pursuant to A.R.S. § 41-1092.01(C)(9)(c), the OAH reports that it has no knowledge of violations of A.R.S. § 41-1009 by any agency.

VII. Recommendations for Changes in the Administrative Procedures Act

The regulated community has long complained about inconsistent procedures among the various agencies. The following recommendations point to the areas where uniformity or greater consistency can be accomplished:

1. Right to settlement conferences in “contested cases.”

A.R.S. § 41-1092.03 provides that appellants to “appealable agency actions” be entitled to settlement conferences with an agency representative. No such right exists for “contested cases,” which include most disciplinary proceedings. Such a conference may be beneficial in expediting informal disposition of contested cases.

2. Establish uniform standards for appeal rights notice.

Currently there are no standards for how, and with what degree of specificity, appeal rights to Superior Court should be communicated to parties once the agency has acted.

3. Establish uniform basis for rehearing.

Parties must research the specific rules of each agency, board or commission to determine the bases for rehearing since there is little uniformity. Standardizing and recapitulating possible bases in Title 41 would make the process easier, particularly for the unrepresented.

4. Conform rehearing and appeal rules.

Currently parties have 30 days from service of an agency's final action, which is presumed after 5 days of mailing to the party's last known address, to request a rehearing under A.R.S. § 41-1092.09(A)(1) and (C). However, under A.R.S. § 12-904(A), parties have 35 days to file an appeal to Superior Court upon service, presumed after 5 days of mailing to the party's last known address. Conforming the time limits for requesting rehearings and filing appeals will simplify the process by eliminating varying time limits for parties to act on final orders and will allow agencies to frame the effective dates of their final orders to a single date.

VIII. Recommendation for Changes or Improvements in Agency Practice with Respect to the Administrative Procedures Act

Recoupment of Costs for Administrative Hearings:

Billed costs to non-General Fund supported agencies, boards and commissions (ISA agencies), pursuant to A.R.S. § 41-1092.01(E) and (K), could be recouped by them by extending the statutory authority found in isolated statutes to all such ISA agencies.

An example of statutory authority for recoupment is found in A.R.S. § 32-128(H), which permits the Board of Technical Registration to recoup certain costs:

H. On its determination that a registrant or a home inspector has violated this chapter or a rule adopted pursuant to this chapter, the board may assess the registrant or the home inspector with its reasonable costs and expenses incurred in conducting the investigation and administrative hearing. All monies collected pursuant to this subsection shall be deposited, pursuant to sections 35-146 and 35-147, in the technical registration fund established by section 32-109 and shall only be used by the board to defray its expenses in connection with disciplinary investigations and hearings. Notwithstanding section 35-143.01, these monies may be spent without legislative appropriation.

To avoid any appearance of impropriety by the ISA agencies, such recoupment might be limited to particular circumstances, such as settlements, cases where the ISA agency prevails before the independent Administrative Law Judge, or only as incident to disciplinary orders.