



State of Arizona
Office
of the
Auditor General

PERFORMANCE AUDIT

**ARIZONA
GAME AND FISH
COMMISSION**

HERITAGE FUND

**Report to the Arizona Legislature
By Debra K. Davenport
Auditor General**

**May 2001
Report No. 01-09**

The Auditor General is appointed by the Joint Legislative Audit Committee, a bipartisan committee composed of five senators and five representatives. Her mission is to provide independent and impartial information and specific recommendations to improve the operations of state and local government entities. To this end, she provides financial audits and accounting services to the state and political subdivisions and performance audits of state agencies and the programs they administer.

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AUDITOR GENERAL

STATE OF ARIZONA
OFFICE OF THE
AUDITOR GENERAL

WILLIAM THOMSON
DEPUTY AUDITOR GENERAL

May 9, 2001

Members of the Arizona Legislature

The Honorable Jane Dee Hull, Governor

Mr. Duane Shroufe, Director
Arizona Game and Fish Department

Transmitted herewith is a report of the Auditor General, A Performance Audit of the Arizona Game and Fish Commission Heritage Fund conducted pursuant to Arizona Revised Statutes (A.R.S.) §17-298.01. This audit was conducted under the authority vested in the Auditor General by A.R.S. §41-1279.03. I am also transmitting with this report a copy of the Report Highlights for this audit to provide a quick summary for your convenience.

As outlined in its response, the Arizona Game and Fish Department agrees with all of the findings and will implement 11 of the 12 recommendations. The Department indicates that it will implement the recommendation to reconcile labor and related costs to cash expenditures for each Heritage Fund program in a different way.

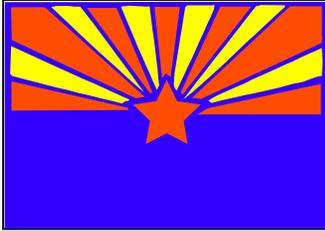
My staff and I will be pleased to discuss or clarify items in the report.

This report will be released to the public on May 10, 2001.

Sincerely,

Debbie Davenport
Auditor General

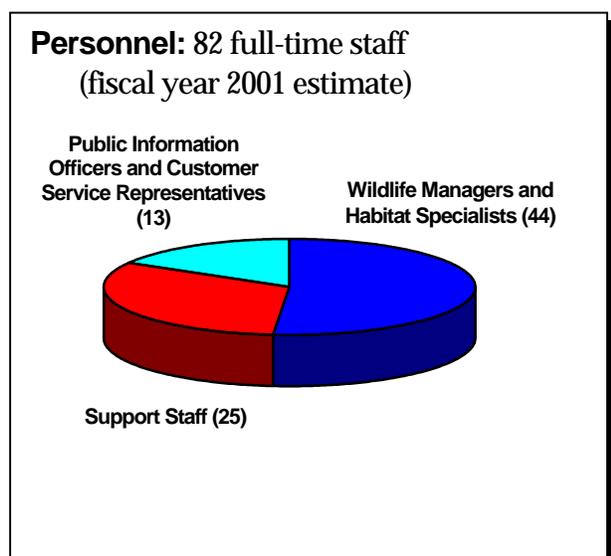
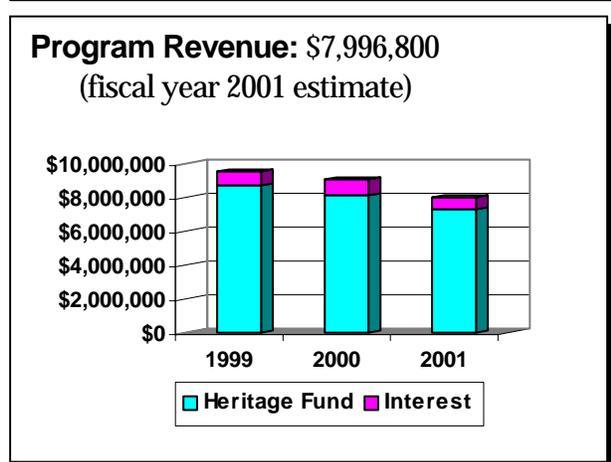
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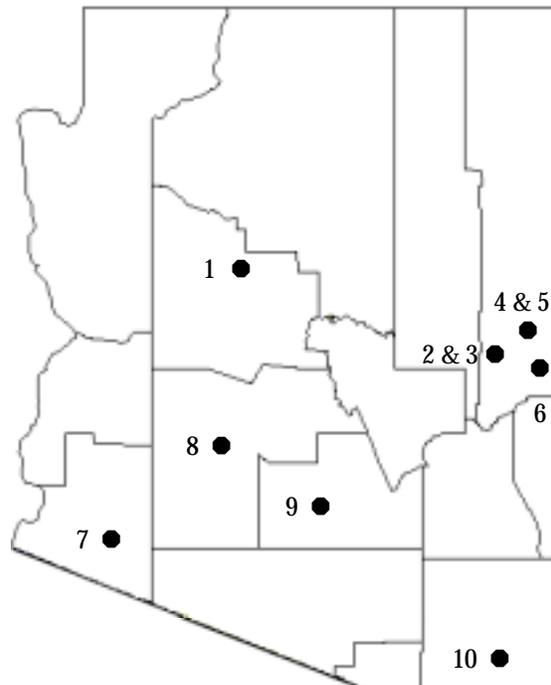
Program Fact Sheet

**Arizona Game and Fish Commission
Heritage Fund**

Services: Arizona Revised Statutes (A.R.S.) §17-298 specifies five program areas in which the Game and Fish Commission may spend its Heritage Fund monies. The statutorily prescribed Heritage Fund program areas are: 1) **Identification, Inventory, Protection, Acquisition, and Management**—For the monitoring, protection, acquisition, and management of endangered and threatened native Arizona wildlife, and candidates for such status; 2) **Habitat Evaluation and Protection**—For the assessment and conservation of the condition and ecological value of habitat; 3) **Urban Wildlife and Urban Wildlife Habitat**—For efforts related to wildlife and wildlife habitat in or near urban areas; 4) **Environmental Education**—For educational programs related to enhancing public awareness of natural resources; and 5) **Public Access**—For facilitating recreational access to publicly held land.



Heritage Fund-Purchased Properties:



- 1 Upper Verde River Wildlife Area
- 2 Grasslands Wildlife Area (Ocote Ranch)
- 3 Grasslands Wildlife Area (Cross L Ranch)
- 4 Wenima Wildlife Area
- 5 Wenima Wildlife Area (Slade Parcel)
- 6 Sipe White Mountain Wildlife Area
- 7 Quigley Wildlife Area (Marlatt Parcel)
- 8 Robbins Butte Wildlife Area (610-Acre Parcel)
- 9 Picacho Reservoir/McFarland
- 10 Whitewater Draw Wildlife Area (Kovacs Parcel)

Agency Mission:

To conserve, enhance, and restore Arizona's diverse wildlife resources and habitats through aggressive protection and management programs, and to provide wildlife resources and safe watercraft and off-highway vehicle recreation for the enjoyment, appreciation, and use by present and future generations."

Program Goals:

The Commission does not have goals specific to the Heritage Fund, but rather uses Heritage Fund monies to supplement the Game and Fish Department's mission, and formal program goals.

Equipment:

Heritage Fund monies have been used to purchase typical office equipment as well as more specialized equipment, including:

- 81 radios
- 63 trucks
- 11 global positioning systems (GPS)
- 11 firearms
- 9 boats
- 8 trailers
- 5 all-terrain vehicles
- 3 modular buildings
- 1 backhoe

SUMMARY

The Office of the Auditor General has conducted a performance audit of Heritage Fund programs at the Arizona Game and Fish Department (Department) pursuant to Arizona Revised Statutes (A.R.S.) §17-298.01. This audit was conducted under the authority vested in the Auditor General by A.R.S. §41-1279.03.

The Arizona Game and Fish Commission Heritage Fund resulted from a November 1990 voter initiative to set aside state lottery revenues each year to preserve, protect, and enhance Arizona's natural and scenic environment. The initiative allows the Department to receive up to \$10 million each year to be divided among five Heritage Fund programs. By statute, each program receives the following percentage of Heritage Fund monies:

- 5 percent for Environmental Education
- 5 percent for Public Access
- 15 percent for Habitat Evaluation and Protection
- 15 percent for Urban Wildlife and Urban Wildlife Habitat
- 60 percent for IIPAM—Identification, Inventory, Protection, Acquisition, and Management of sensitive habitat. Forty percent of this amount (or 24 percent of the total) is dedicated to acquiring sensitive habitat for endangered, threatened, and candidate species.

This audit includes three findings, some of which relate to concerns first identified in a 1996 performance audit that recommended that the Department improve its accountability to the public and Legislature for Heritage Fund expenditures and improve land acquisition efforts (see Auditor General Report No. 96-13).

Department Needs to Improve Accountability of Heritage Fund Expenditures (See pages 9 through 16)

Although the Department has received approximately \$92.7 million in Heritage Fund monies over the past ten years, it has yet to promulgate administrative rules or other formal criteria, such as substantive policy statements, to govern how most of these monies are spent. The only formal criteria currently governing Heritage Fund expenditures are administrative rules relating to grants awarded to outside parties. These grants make up only about 8 percent of all Heritage Fund expenditures. Without rules or other formal criteria to guide how the remaining 92 percent of the money should be spent, it is difficult to determine whether projects and expenditures are appropriate and are the best use of monies. For example, IIPAM, the largest Heritage Fund program, spent approximately \$225,000 over three years sponsoring a television program about the Sonoran Desert. It is not clear how this television program supports the statutory requirement that IIPAM monies be spent to identify, inventory, protect, monitor, acquire, and manage sensitive habitat.

In addition to adopting rules or substantive policy statements to govern expenditures, the Department needs to improve its annual Heritage Fund report so that the public and Legislature are adequately informed of how monies are being spent. Currently, the Heritage Fund annual report cannot be used to determine basic information, such as whether the Department is staying within statutory spending limits for Heritage Fund programs. Further, although the report highlights some of the various projects and activities that the Department has worked on during the year, it does not include any information about the costs of these efforts.

Additional Guidance Is Needed to Govern Acquisitions (See pages 17 through 23)

The Department also lacks guidance for ensuring that Heritage Fund property acquisitions are appropriate. Nearly one-fourth of all Heritage Fund monies are designated for acquiring property.

According to statute, Heritage Fund acquisitions should be within the geographical area currently or historically occupied by an endangered, threatened, or candidate species, and the area should have all of the features needed for the species' continued existence. In 1996 the Auditor General recommended that the Department develop a long-term plan to guide its acquisition efforts through identifying species and habitats most needing protection. The Department has not developed such a plan, nor has it developed rules that outline how it interprets Heritage Fund statutes. Without such criteria, it is unclear whether all Heritage Fund acquisitions are appropriate and clearly benefit qualifying species. For example, two Heritage Fund properties were purchased for the Little Colorado Spinedace and the Mountain Plover, but neither species has been shown to currently or historically occupy the acquired lands.

In addition, when the Department purchases property, it needs to ensure it addresses potential ownership issues and consistently obtains documents, such as water certificates, before making final payments.

**Heritage Fund
Accounting Is Inadequate
(See pages 25 through 28)**

The Department has not adequately accounted for Heritage Fund monies and ensured that monies are used for the purposes outlined in statute. Currently, the Heritage Fund balance totals more than \$20 million; however, poor recordkeeping, changes in computerized accounting systems, and inadequate accounting practices have resulted in uncertainties about the portion of the Fund balance that should be allocated to each of the five Heritage Fund programs. The Department should make a reasonable effort to determine program fund balances and then take steps to ensure that records are accurately maintained in the future.

In addition, the Department needs to ensure that unspent Heritage Fund monies earn interest revenue for Heritage programs as provided by statute. Over a three-year period, the Department had inappropriately lent Heritage Fund monies to other programs, and although the loan amounts were repaid, the Department only recently paid interest on these monies.



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INTRODUCTION AND BACKGROUND

The Office of the Auditor General has conducted a performance audit of Heritage Fund programs at the Arizona Game and Fish Department (Department) pursuant to Arizona Revised Statutes (A.R.S.) §17-298.01. This audit was conducted under the authority vested in the Auditor General by A.R.S. §41-1279.03.

Heritage Fund History and Purpose

The Heritage Fund ballot initiative, approved by voters in November 1990, earmarks up to \$20 million of lottery revenues annually for preserving, protecting, and enhancing Arizona's natural and scenic environment. The Heritage Fund monies are divided evenly between the Arizona Game and Fish Commission and the Arizona State Parks Board, with each receiving up to \$10 million.¹ The initiative divides the monies that the Arizona Game and Fish Commission receives among five general program areas, including a specific funding designation for property acquisitions. Descriptions of the Heritage Fund programs are as follows:

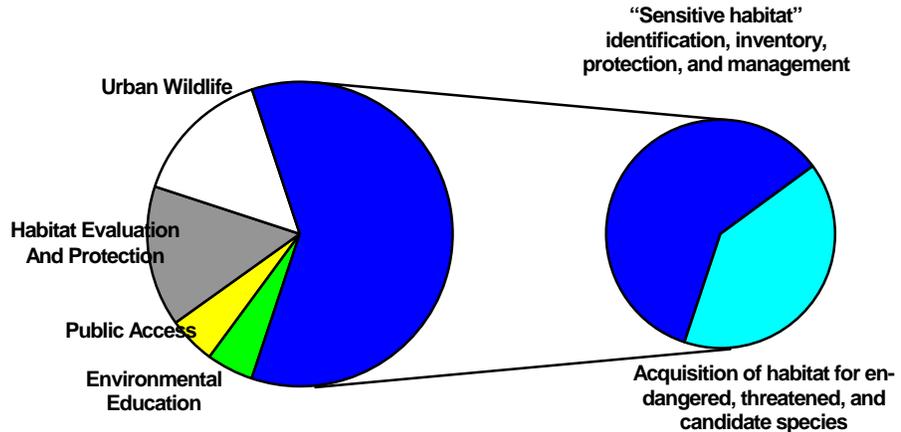
Department receives up to \$10 million of Heritage Fund monies annually.

- **IIPAM**—Sixty percent of the Arizona Game and Fish Commission's Heritage Fund monies are designated for identifying, inventorying, protecting, acquiring, and managing (IIPAM) sensitive habitat. At least 40 percent of this money (24 percent of the total Heritage Fund) must be spent for acquiring habitat used by endangered, threatened, and candidate species that are native to Arizona.

¹ The initiative requires State Parks to use its Heritage Fund monies primarily for developing state, local, and regional parks; developing natural areas; and preserving state historic sites.

Figure 1

**Arizona Game and Fish Department
Allocation of Arizona Game
and Fish Heritage Fund Monies**



Source: Auditor General staff summary of information contained in A.R.S. §17-298.

- **Habitat evaluation and protection**—Fifteen percent of Heritage Fund monies are designated to protect the quality, diversity, abundance, and serviceability of habitats for the purposes of maintaining or recovering populations of Arizona wildlife. This program works with other state and federal agencies and reviews land management plans or projects that may impact fish and wildlife. It also develops recommendations for mitigating or minimizing habitat losses and for enhancing habitats.
- **Urban wildlife**—Fifteen percent of Heritage Fund monies are to be used for conserving, enhancing, and establishing wildlife and wildlife habitat within, or in close proximity to, urban areas.
- **Environmental education**—Five percent of Heritage Fund monies are to be used for educational and public awareness programs dealing with 1) basic ecological principles, 2) the effects of man and natural processes on the environment, and 3) the importance of safeguarding natural resources.

- **Public access**—The Department is required to use 5 percent of Heritage Fund monies to provide increased access to publicly held lands for recreational uses. This can be accomplished through constructing or improving roads, trails, and fishing piers. Increased access might also be achieved by purchasing private land or entering into agreements with landowners to allow access through their properties.

Heritage Fund Accomplishments

Heritage Fund monies have been used for a wide variety of projects and activities. Highlighted below are examples of some of the Heritage Fund's accomplishments, as cited in the Department's Heritage Fund newsletter:

- **Cooperative efforts to increase native frog populations**—The Department has been a leader in studying the decline of native frogs in the Southwest and has developed and implemented innovative approaches for conserving important populations, such as the extremely rare Ramsey Canyon leopard frog. Through a partnership with the Phoenix Zoo, leopard frog eggs were reared to tadpoles and approximately 400 were released near Sierra Vista, Arizona, in September 1999. Although not listed as an endangered species, all native leopard frogs are protected by the Department.
- **Improving survival of endangered and threatened species**—The Department was instrumental in providing the conservation efforts necessary to remove the Peregrine Falcon from the federal endangered species list in August 1999. Additionally, the Department has gained recognition for successfully breeding and releasing 63 endangered Black-footed Ferrets into the wild.
- **Grants to schools for improving wildlife habitat**—The Heritage Fund Schoolyard Habitat projects received the Governor's Pride in Arizona Award from Arizona Clean and Beautiful for outstanding student projects. Schoolyard grants are awarded to Arizona schools wishing to restore or convert wildlife habitat on or adjacent to school properties. Seven schoolyard projects totaling almost \$46,000 were awarded

funding for the year 2000 grant cycle. Schoolyard projects included an arboretum, courtyard, and outdoor classrooms, and a project for the Grand Canyon Unified School District titled "Grand Canyon School to Work Restoration Project."

Budget and Staffing

*Heritage Fund monies
have been declining.*

Although the Department can receive up to \$10 million in Heritage Fund monies annually, as lottery revenues have declined, so too have Heritage monies. In fiscal year 2000, the Department received approximately \$8.1 million in lottery revenues to fund Heritage programs. The Department anticipates that lottery revenues will continue to decline based on lottery revenue projections. The amount of Heritage monies received and expended by each of the five programs for fiscal years 1996 through 2000 is shown in Table 1 (see page 5). The programs are not allowed to spend more than their statutory funding allocation, and any program that does not spend its full annual allocation can carry these monies forward to fund future projects.

The Heritage Fund has received approximately \$92.7 million in state lottery revenues since 1990. At the end of fiscal year 2000, the Fund balance was more than \$20 million (see Finding III, pages 25 through 28 regarding some Heritage Fund accounting problems).

In fiscal year 2001, the Department will use Heritage Fund monies to fund 82 full-time equivalent (FTE) positions, including wildlife supervisors and specialists, and administrative and technical support staff.

Table 1
Arizona Game and Fish Department
Heritage Fund
Schedule of Revenues, Expenditures, and Accumulated Fund Balance by Program Area
Years Ended June 30, 1996 through 2000
(Unaudited)

Fiscal Year	IIPAM Program ¹							Total
	Environmental Education	Public Access	Urban Wildlife	Habitat Evaluation	Land Acquisition	General	Administration	
1996	Fund balance, July 1, 1995	\$ 998,163	\$2,109,592	\$1,988,755	\$6,535,423	\$5,025,639	\$ 279,393	\$17,621,551
	Revenues ²	500,000	1,500,000	1,500,000	2,400,000	3,600,000	756,008	10,756,008
	Expenditures	(433,642)	(1,431,608)	(1,340,373)	(4,681,626)	(3,493,082)	(619,497)	(12,522,328)
	Net operating transfers out					(53,976) ⁴		(53,976)
1997	Fund balance, June 30, 1996	750,944	2,177,984	2,148,382	4,253,797	5,078,581	415,904	15,801,255
	Revenues ²	500,000	1,500,000	1,500,000	2,400,000	3,600,000	837,096	10,837,096
	Expenditures	(423,690)	(1,333,142)	(1,359,557)	(453,566)	(3,988,845)	(638,945)	(8,782,866)
	Net operating transfers in (out)				(237,794) ³	164,859 ⁴		(72,935)
1998	Fund balance, June 30, 1997	827,254	2,344,842	2,288,825	5,962,437	4,854,595	614,055	17,782,550
	Revenues ²	500,000	1,500,000	1,500,000	2,400,000	3,600,000	937,175	10,937,175
	Expenditures	(431,586)	(1,317,302)	(1,278,311)	(153,121)	(3,877,110)	(718,514)	(8,359,603)
	Net operating transfers out				(80,674) ³	(10,666) ⁴		(91,340)
1999	Fund balance, June 30, 1998	895,668	2,527,540	2,510,514	8,128,642	4,566,819	832,716	20,268,782
	Revenues ²	435,313	1,305,938	1,305,938	2,089,500	3,134,250	868,816	9,575,068
	Expenditures	(427,768)	(1,612,192)	(1,304,773)	(2,113,822)	(3,630,429)	(729,960)	(10,187,347)
	Net operating transfers out				(32,723) ³	(28,008) ⁴		(60,733)
2000	Fund balance, June 30, 1999	903,213	2,221,286	2,511,679	8,071,595	4,042,632	971,572	19,595,770
	Revenues ²	404,840	1,214,520	1,214,520	1,943,232	2,914,848	974,395	9,071,195
	Expenditures	(519,284)	(1,047,246)	(1,231,439)	(2,044,452)	(2,776,026)	(652,934)	(8,527,796)
	Net operating transfers out				(26,400) ³	(33,147) ⁴		(59,547)
	Fund balance, June 30, 2000	\$788,769	\$2,388,560	\$2,494,760	\$7,943,975	\$4,148,307	\$1,293,033	\$20,079,622

¹ Identification, Inventory, Protection, Acquisition, and Management program. Land Acquisition is part of the program; however, its amounts are presented separately for informational purposes.

² Revenues, except for administration, are lottery proceeds. Administration revenue is interest earned on investments.

³ IIPAM Land Acquisition reimbursements to IIPAM General.

⁴ Net amount after receipt of IIPAM Land Acquisitions reimbursements and transfers out to meet federal matching requirements for an endangered species grant.

Source: Arizona Game and Fish Department staff compiled this information from data recorded on the Department's Integrated Fund Accounting System.

1996 Report and Update

Auditor General staff revisited the concerns identified in a 1996 Heritage Fund performance audit (see Auditor General Report No. 96-13). That report contained two findings. The first recommended that the Department develop a long-term Heritage Fund acquisition plan to identify and prioritize lands needing protection and that the Department proactively seek to acquire these lands. The Department has not adopted these recommendations. Consequently, this report again recommends that the Department prepare a long-range acquisition plan and develop and implement administrative rules to more clearly define criteria for purchasing property (see Finding II, pages 17 through 23).

The second finding in the 1996 audit report recommended that the Department be required to report more comprehensive information about Heritage Fund expenditures, and that it use advisory committees to increase public involvement in Heritage programs. Although the Department's annual Heritage Fund report contains the minimum information required in statute, additional information is needed to enable the Legislature and the public to determine such things as whether Heritage Fund expenditures are within statutory limits; the amount of money expended for major activities; and what has been the impact of Heritage Fund programs. In addition, although the Commission established the Heritage Fund Public Advisory Committee in December 1996 to advise the Commission, the Department has not significantly included the Committee in Heritage Fund planning processes and could assign it a more active role (see Finding I, pages 9 through 16).

Audit Scope and Methodology

Audit work focused on the Department's accountability for Heritage Fund expenditures, including land acquisitions, and accounting practices used for Heritage Fund monies. This performance audit includes findings and recommendations as follows:

- The need for the Commission to adopt administrative rules or other formal criteria to guide and ensure that Heritage Fund monies are expended appropriately;
- The need for the Commission to adopt administrative rules that clearly define the criteria for property purchases and to adopt a long-range acquisitions plan; and
- The need for the Department to improve accounting for all Heritage Fund program monies.

Auditors used a number of research methods for this review. Specifically,

- To determine whether the Department is sufficiently accountable to the public for Heritage Fund program expenditures, auditors reviewed the Heritage Fund voter initiative, statutes, and administrative rules, as well as Department strategic plans, five-year project narratives, annual work plans, annual internal performance reports, and annual reports to the Legislature. Other documents reviewed included biological assessments of Heritage Fund properties, land management plans, and purchase agreements. Auditors also interviewed outside interest groups such as the Arizona Heritage Alliance.
- To determine whether the Department appropriately accounts for Heritage Fund monies and whether expenditures remain within statutory limits, auditors reviewed Heritage Fund statutes and the Department's internal accounting records and the methods for maintaining these records. Auditors also compared the information available in the Department's records with the statewide accounting system to identify potential discrepancies. Finally, auditors reviewed fund transfer documents to determine whether the Department had repaid monies to the Heritage Fund that had been used to fund other programs in fiscal years 1998, 1999, and 2000.

This audit was completed in accordance with government auditing standards.

Introduction and Background

The Auditor General and staff express appreciation to the Arizona Game and Fish Commission Chairman and members, the Director of the Arizona Game and Fish Department, and staff for their cooperation and assistance throughout the audit.

FINDING I

DEPARTMENT NEEDS TO IMPROVE ACCOUNTABILITY OF HERITAGE FUND EXPENDITURES

The Commission and the Department should improve accountability to the public and the Legislature for Heritage Fund expenditures. Although this voter-approved program has existed for ten years, the Commission has not adopted administrative rules or other formal criteria to govern the majority of Heritage Fund expenditures. As a result, it is unclear whether all Heritage Fund expenditures meet the statutory intent for the monies. To help ensure expenditures are appropriate, the Department needs to develop rules or other formal criteria, such as substantive policy statements, with the assistance of such resources as the Heritage Fund Public Advisory Committee. Further, the Department needs to improve its annual Heritage Fund performance report by including additional details about expenditures and progress toward goals.

Department Lacks Formal Criteria for Most Heritage Fund Expenditures

Although the voter-approved Heritage Fund has existed for approximately ten years, the Commission has failed to develop and adopt administrative rules or other formal criteria to guide most Heritage Fund expenditures. Currently, the Department has rules only for governing grants awarded to outside organizations, which make up only about 8 percent of Heritage Fund expenditures. Under the Identification, Inventory, Protection, Acquisition, and Management program (IIPAM), the largest Heritage Fund program with the broadest statutory mandate, the lack of formal criteria makes it particularly difficult to determine whether IIPAM expenditures are appropriate. For example, it is not clear why the Department decided to sponsor a television series rather than fund a project that directly protects wildlife. Likewise, reasons for funding activities under the Urban Wildlife and Urban Wildlife Habitat program are also unclear.

Ninety-two percent of Heritage Fund expenditures not governed by formal criteria.

Not all Heritage Fund expenditures governed by rules or other formal criteria—The Commission has not established administrative rules or other formal criteria, such as substantive policy statements, to govern how the Department spends the majority of Heritage Funds. While the Commission has adopted rules governing Heritage Fund grants to outside parties, the Commission has not developed similar standards for the approximately 92 percent of the Heritage Fund monies the Department spends internally. To better ensure accountability, the Commission should adopt formal criteria to guide how the Department spends all Heritage Fund monies. These criteria should clarify how the Department will interpret the broad statutory language for each Heritage program, define funding criteria, and outline processes similar to those in the existing Heritage Fund grants rules.¹

Statutes lack definitions for IIPAM program.

It is unclear whether all IIPAM projects are appropriate—Without rules or other formal criteria, it is particularly difficult to determine whether projects under IIPAM, the largest Heritage Fund program, are appropriate and are the best use of monies. Statute broadly mandates that 36 percent, or up to \$3.6 million, of Heritage Fund monies must be spent on the identification, inventory, protection, and management—including maintenance and operations—of sensitive habitat. However, the statutes define only sensitive habitat and habitat protection, not the other core elements of IIPAM, such as identification, inventory, and management. Monies spent under IIPAM have few statutory limitations, except that monies spent on acquisitions must be used to acquire sensitive habitat

<p>Sensitive habitat: “Specific areas within the geographical area historically or currently occupied by a species or community of species in which are found those physical or biological features essential to the establishment or continued existence of the species and which may require special management, conservation or protection considerations.” —A.R.S. §17-296</p>

¹ Administrative rules state how an agency applies its interpretation or implementation of statutes generally to the public or to particular groups. Substantive policy statements describe an agency’s approach to or opinion of statutes and the agency’s current practice. These statements are advisory only and therefore do not require the same level of public involvement as administrative rules. Substantive policy statements may be appropriate for most Heritage Fund expenditures, except for those relating to acquisitions (see Finding II, pages 17 through 23).

for endangered, threatened, and candidate species. Without rules or other formal criteria to further clarify appropriate program activities, it is not clear that all program activities are appropriate. For example:

- **Television series**—In fiscal years 1997, 1998, and 1999, the Department expended approximately \$75,000 annually in IIPAM monies to fund a University of Arizona public television series called “The Desert Speaks.” The series features animals, plants, people, and geology of the Sonoran Desert in Arizona, California, and Mexico. The Department indicated that funding the television show is appropriate under the “protection” component of IIPAM. However, statute defines protection as the process of protecting habitats to maintain or recover wildlife populations, and it is questionable whether the television show is in line with the statutory intent. Not only does using IIPAM monies to fund a project such as this reduce the monies available for activities that more directly impact wildlife, there are separate Heritage Fund monies available for environmental education.

- **Property management activities**— The Department expends IIPAM monies to manage properties purchased as Heritage acquisitions for endangered, threatened, and candidate species. However, IIPAM monies have contributed to property management activities that do not appear to directly address the needs of those species for which the property was acquired. For example, on the Sipe White Mountain and Wenima Wildlife Areas near Springerville, which were purchased for the Little Colorado Spinedace fish, the Department has spent a total of \$285,733 in IIPAM monies in fiscal years 1997, 1998, and 1999 to operate and maintain the properties. Some of these IIPAM monies, in conjunction with monies from other funding sources, have been used to improve these properties to accommodate visitors. For example, IIPAM monies contributed to expanding and surfacing a parking lot and converting a ranch house into a visitor center at the Sipe White Mountain Wildlife Area. While these activities have enhanced the property, it is unclear how these expenditures directly benefit the sensitive species that may inhabit the property, such as the spinedace. Further, there may be more appropriate funding sources for some of these activities, such as grants through Arizona State Parks.

Urban Wildlife program funding decisions also unclear—

Although statutory language regarding the Heritage Fund Urban Wildlife and Urban Wildlife Habitat program appears to be more straightforward than for IIPAM, it is still difficult to determine whether some activities funded under this program are appropriate. The Urban Wildlife and Urban Wildlife Habitat program receives 15 percent of Heritage Fund monies, or up to \$1.5 million each year, and the Department divides these monies between urban wildlife management and public information activities. Examples of urban wildlife management efforts include relocating bears and javelina that wandered into cities back into the wild, advocating wildlife considerations in land-use planning and development, and patrolling urban lakes for fishing violations.

Urban Wildlife:

“Wildlife that occurs within the limits of an incorporated area or in close proximity to an urban area that receives significant impact from human use.”

—A.R.S. §17-296

Urban Wildlife-funded positions perform non-urban wildlife activities.

However, approximately \$371,600, or about 50 percent of the Urban Wildlife program’s total payroll, is used to fund six regional public information officer and three customer service representative positions whose duties do not wholly focus on urban wildlife. For example, activities performed by the public information officers not focused on urban wildlife include coordinating classes related to hunting, fishing, and environmental education; compiling regional hunt information reference guides; and managing big game hunt permit application deadline days. In addition, customer service representatives also perform a number of activities that do not focus on urban wildlife, such as issuing hunting and fishing licenses and registering and inspecting watercraft. Although these employees must perform a variety of tasks to efficiently serve the public, it is not clear that they perform sufficient urban-wildlife related work to justify the current level of Urban Wildlife funding that they receive.

**Resources Exist for
Criteria Development**

The Department has resources that can assist in developing administrative rules or other formal criteria for Heritage Fund expenditures. The Department and the Commission can obtain ad-

vice and guidance from their two full-time Attorney General representatives and the Heritage Fund Public Advisory Committee. Following the Auditor General's 1996 Heritage Fund audit (see Report No. 96-13), the Commission created the Committee to increase public involvement in the Department's Heritage Fund programs and provide recommendations and advice for Commission consideration. Although the Commission has not significantly included the Committee in Heritage Fund planning processes to date, the Committee has sought more meaningful involvement. The Commission could assign the Committee a more active role than it currently serves and obtain valuable input to develop Heritage Fund expenditure criteria.

Lists of endangered, threatened, and candidate species exist.

In addition to these advisors, the Department can incorporate federal and state lists of sensitive species as criteria for prioritizing expenditures. The U.S. Fish and Wildlife Service actively maintains lists of species considered endangered and threatened, as well as lists of candidates for such status. Arizona has a similar list of wildlife of special concern, which identifies those wildlife species in the State whose existence or habitat is in jeopardy or could be in the future. If the Commission includes this state list in any formal criteria it develops, the Department should formally update the list, since the Commission has not approved it since 1988. Further, the Department should then update the list regularly to ensure that it reflects the most current information on sensitive species in Arizona. If the Commission does not use the state list as criteria for expenditures, the Commission should adopt the federal lists of endangered, threatened, and candidate species.

Once the Commission develops and adopts Heritage Fund rules or other formal criteria, the Department should reassess whether activities, such as those performed by urban public information officers, meet the criteria and make any necessary adjustments to ensure activities are appropriately funded.

Improved Reporting Needed

Along with establishing formal expenditure criteria, the Department needs to increase its accountability to the public by improving how it reports on Heritage Fund programs. Although the

Department provides very basic expenditure information in its annual report to the Legislature, such as the total amount each program spent for personal services and equipment, no expenditure data is detailed at the project level. In addition, despite providing the total dollars spent by each Heritage Fund program, the annual report fails to demonstrate that these amounts fall within the statutory spending limits.

To increase the quality and quantity of Heritage Fund information available to the public and Legislature, the Department should report information in the following areas:

Annual report should include projects' cost information.

- **Project-level information**—The Department should continue to include in its annual report highlights of projects under each Heritage Fund program; however, these highlights should consist of the projects that proportionally make up the bulk of Heritage Fund expenditures. The project descriptions should also cite the project's cost. Currently, the projects that it highlights in its annual report can mislead readers since these examples are not necessarily the activities that cost the most or required the greatest effort. For example, the 1999 annual report indicates that the Department participated in a species survival-planning meeting for the Thick-billed Parrot, a species it unsuccessfully attempted to reestablish in Arizona from 1986 to approximately 1994. The Department included this as an example in the report, even though it cost only \$66. On the other hand, it did not report funding "The Desert Speaks" television program, which cost approximately \$75,000.

Although describing every activity is unnecessary, the Department should include among the report highlights those projects that make up the great majority of each program's costs. For example, the report could highlight projects whose combined costs make up at least 50 percent or more of the program's total costs; individual projects costing \$50,000 or more; or the top ten most costly projects for each program.

- **Project and program expenditures**—To better comply with the statutory requirement to provide a summary of projects, activities, and expenditures, the report's appendices should include tables that list descriptive titles of all Heritage Fund projects and their corresponding costs. In addition,

these project expenditures should be aggregated to show the total amount spent on major categories of activities. For example, in its annual report the Department currently groups IIPAM activities relating to inventorying, monitoring, and managing sensitive habitat together but does not show the total cost of the combined activities.

*Report should explain
how new projects will
meet Heritage Fund goals.*

- **New and completed projects**—Finally, the Department’s annual report lacks information about what goals Heritage Fund projects aim to achieve or how long they will take to finish. When the Department adopts new projects, it should note these in the annual report, explaining how the new projects fit within the Department’s goals and objectives and noting a time frame for completion. Likewise, when a project is completed, the Department should describe what the project accomplished in terms of goals and objectives and cite the total cost of that achievement.

Recommendations

1. The Commission should develop and adopt administrative rules, or other formal criteria such as substantive policy statements, to interpret Heritage Fund statutes and describe how the Department will expend Heritage Fund monies. The Heritage Fund Public Advisory Committee could be involved in developing formal expenditure criteria.
2. In developing administrative rules or other formal expenditure criteria for the IIPAM program, the Commission should develop criteria that a species must meet to justify expending Heritage Fund monies, and a corresponding list of qualifying species. If the Commission determines that the state list of wildlife of special concern is the species list governing expenditures, it should ensure that this list is regularly updated and formally approved. Otherwise, the federal lists of endangered, threatened, and candidate species should be adopted.
3. Once the Commission establishes administrative rules or other formal criteria for all Heritage Fund programs, the Department should assess the activities and responsibilities of Heritage-funded projects and staff positions to determine whether these meet the requirements of the formal criteria and make necessary adjustments to correspond with the assessments.
4. The Department should modify the Commission's annual Heritage Fund report to the Legislature to include the following information:
 - Confirmation that the total expenditures for each Heritage Fund program meet the statutory spending limits;
 - Tables of project-level data in report appendices that are aggregated under major categories of activity and include a descriptive title of the project and its actual cost;
 - Descriptions and costs of highlighted projects, such as those that expend 50 percent or more of a program's total allocation, those funded at \$50,000 or more, or the top ten most costly projects;
 - New project information, including what each new project is designed to achieve and an estimated time frame for project completion; and
 - Outcomes of completed projects, particularly in terms of progress toward objectives and total cost.

FINDING II

ADDITIONAL GUIDANCE IS NEEDED TO GOVERN ACQUISITIONS

The Commission and the Department lack guidance for ensuring that Heritage Fund property acquisitions are appropriate. Nearly one-fourth of all Heritage Fund monies are designated for acquiring property for endangered, threatened, and candidate species. However, the Commission and Department have not developed administrative rules to ensure purchases meet statutory requirements, and have not created a long-term plan to guide acquisition efforts.

Heritage Fund Monies Used to Acquire Properties

A.R.S. §17-298(B) requires that at least 24 percent of the Game and Fish Heritage Fund, up to \$2.4 million each year, be used to acquire sensitive habitat used by endangered, threatened, and candidate species. The Arizona statutes define the species designations (see box at right), and these definitions are similar to those used by the U.S. Fish and Wildlife Service. Since the Heritage Fund was established in 1990, the Department has spent approximately \$13.5 million to acquire ten properties totaling approximately 7,500 acres. The Commission's policy is to secure habitats to ensure protection for as many endangered, threatened, and candidate species as possible. However, the Department indicates that there are relatively few qualifying species in Arizona that could benefit from property acquisitions. To date,

The Department has spent \$13.5 million for ten properties.

Species Designation Defined in A.R.S. §17-296

- **Endangered Species**—population in imminent danger of elimination or has been eliminated.
- **Threatened Species**—population not presently in imminent danger of being eliminated but likely to become an endangered species in the foreseeable future.
- **Candidate Species**—population threats are known or suspected but substantial declines from historic levels have not been documented.

Heritage Fund purchases have been made primarily for five species, including the endangered Yuma Clapper Rail bird; the threatened Bald Eagle, Spinedace fish, and Little Colorado Spinedace fish; and the candidate Mountain Plover¹ bird.

The Commission acquires Heritage Fund property from willing sellers, and does not pursue an acquisition unless a landowner approaches the Commission with an offer to sell. Once a seller offers property, the Department assesses whether the purchase could benefit a qualifying species.

Additional Guidance Is Needed for Acquisitions

The lack of formal criteria to govern purchases, coupled with the Commission's reactive acquisitions policy, make it difficult to determine whether the properties purchased with the Heritage Fund are appropriate and the best use of monies. Administrative rules are needed to help ensure purchases are appropriate. In addition, a long-term plan is needed to identify species and habitats that most need protection so that the Department can appropriately focus its acquisition efforts when properties are offered for sale. Finally, when the Department does purchase property, it needs to ensure that it obtains all required ownership documents before making final payments.

Administrative rules needed—The Commission needs to codify in administrative rules the criteria a property must meet to be purchased with Heritage Fund monies. Currently, A.R.S. §17-298(B) allows the Department to use Heritage Fund monies to purchase sensitive habitat used by endangered, threatened, and candidate species. Sensitive habitat is defined in A.R.S. §17-296(2) as the:

“. . . specific areas within the geographical area historically or currently occupied by a species or community of species in which are found those physical or biological

¹ The Mountain Plover was listed as a candidate species in 1996, and in February 1999 the U.S. Fish and Wildlife Service proposed upgrading its status to threatened.

features essential to the establishment or continued existence of the species and which may require special management, conservation or protection considerations. . . .”

Rules needed to clarify land purchase criteria.

However, several terms within the sensitive habitat definition, such as “specific areas,” “geographical areas,” “historically occupied,” and “currently occupied” are broad and undefined in statute or administrative rule. Without further clarification of these terms, it is difficult to evaluate whether Heritage Fund property purchases are appropriate. For example:

- The Department recently purchased two Heritage Fund properties totaling \$4 million. Documentation leading up to the purchases indicates that these properties benefit a large number of species, particularly elk, antelope, and waterfowl. Although biological information indicates that Heritage Fund qualifying species were not known to exist on the properties, the Department determined that the properties could be purchased to benefit the threatened Little Colorado Spinedace and the candidate Mountain Plover.

However, it is not clear how the Department reached its determination, since neither property is clearly historical or current habitat for either species. In fact, there appears to have been some confusion within the Department about the criteria a property must meet to qualify for purchase with Heritage Fund monies. While



Five Heritage Fund acquisitions have been directed toward protecting the threatened Little Colorado Spinedace, shown above.

the properties were being considered, Department staff raised concerns about the properties’ lack of streams, which are the natural habitat of spinedace. Staff also pointed out that the fish was not documented as historically occurring on the property. The Department has since indicated that the purchases are appropriate because the properties are located within the Little Colorado watershed, which is the broad geographical area the fish have historically occupied. The Department plans to raise spinedace in stock ponds that had

been used to water livestock on the properties; however, stock ponds are not natural habitat for the fish.

In addition, the Mountain Plover had not been documented as historically occurring on the property and none were found on the property during two surveys the Department conducted in May 1999. Again there appears to be some confusion about the criteria a property must meet to qualify for Heritage Fund purchase. A note relating to one of the biological surveys stated that the Department would be surveying for plover, and that plover were needed as part of the property management plan. Mountain Plover, however, were not found on the property. Some were sighted near the state grazing lease lands that the Department also acquired with the properties, and the Department indicates that the proximity of these sightings, as well as the types of habitat available on the properties, make the purchase acceptable. The Department indicates that it plans to manage the properties to create desirable plover habitat; however, no plover are known to reside there currently and there are no plans to introduce the birds to the properties.

To reduce confusion, and ensure that property purchases meet statutory requirements, the Commission needs to adopt administrative rules formalizing how the Heritage Fund statute is to be implemented. Rules are needed to ensure that purchases are appropriate and to inform property owners of the criteria the Department will use when considering a property purchase. Specifically, the rules should set out the criteria a property must meet to be considered for Heritage Fund purchase, and should include a definition of geographical area, perhaps by class of animal. For example, for a fish, “geographical area” could be the perennial streams that the fish historically or currently occupies, avoiding the claim that all of the land draining into the stream is the geographical area. For a bird, it might be the area historically or currently occupied and needed to sustain a nesting pair. There should also be some requirement as to the evidence necessary to show “historical or current occupation.” Further, the rules should also include an official state list of endangered, threatened, and candidate species that is updated periodically, or the federal list should be adopted.

The Department still lacks a long-term property acquisition plan.

Long-term plan is needed to direct efforts—In addition, the Department needs to develop a long-term acquisition plan to identify species and habitats in the State most needing protection. The Auditor General first recommended that the Department adopt an acquisitions plan in 1996, but the Department has yet to implement the recommendation (see Auditor General Report No. 96-13). A long-term plan is still needed to help the Department better evaluate properties that are offered to it and to identify areas where it can pursue protection efforts other than purchases.

The Commission and the Department have been reluctant to proactively pursue property purchases because of negative public feedback about a state agency purchasing private property. The Commission has directed the Department to wait for property owners to approach the Department with offers to sell property. This reactive policy requires the Department to attempt to justify purchasing property that is offered to it, rather than identifying habitats or properties that would offer the greatest benefit to the greatest number of qualifying species. Although the Commission appears unlikely to change its acquisition policy, developing a long-term acquisitions plan could benefit the Department by establishing habitat protection goals and providing a basis for evaluating whether properties that are offered to it meet these goals.

In addition, using a long-term plan as guidance, the Department could contact owners of sensitive habitat and assess their interest in protecting the habitat through other protection options. These other options include conservation easements, stewardship agreements, and leases. Conservation easements allow the Department to pay a landowner to restrict or limit the type and amount of development that may take place on the property. Stewardship agreements consist of a partnership between a landowner and the Department. Under the agreement, the Department agrees to help fund habitat enhancements. Leases involve contracts for the use of the property for a given period of time in exchange for rent payments.

The Department has the tools and expertise necessary to develop a long-term acquisitions plan. Since 1981 it has had the Heritage Data Management System (HDMS) that contains information about where endangered, threatened, and candidate species exist

in the State. Other Department resources include a Geographic Information System (GIS) that can generate maps of habitats. The Department also has biologists and wildlife managers on its staff who have expertise about various species and could provide valuable input into a plan. In addition, the Department has some experience in compiling information that could be used in a long-term plan. For example, Department staff helped The Nature Conservancy compile a detailed plan to identify and prioritize conservation sites in the Sonoran Desert.

All ownership issues need to be addressed before purchase— Finally, the Department's current land acquisition process does not specifically require that all potential ownership issues be addressed before final payments are made. For example, although the Department generally obtains surveys, it is not required to do so and there is not a clear process for ensuring that boundary discrepancies are resolved. In addition, the Department has not always ensured that it obtains other items, such as water rights determinations and certificates, and grazing lease assignments, before paying sellers. Once the Department makes a final payment to the seller, it may be less able to obtain final proof of ownership rights and interests. Therefore, it needs to take steps to ensure that these types of issues are resolved before making final payments.

Recommendations

1. The Commission should adopt administrative rules that more clearly define the criteria a property must meet to be considered for purchase with Heritage Fund monies. The rules should clarify how the Department interprets statutory terms such as “specific areas,” “geographical areas,” “historically occupied,” and “currently occupied.” The rules should also include an official list of endangered, threatened, and candidate species that is updated periodically, or the Commission should adopt the federal list.
2. The Department should ensure that future Heritage Fund property acquisitions meet criteria established through its rules.
3. The Department should prepare and implement a long-term plan to enable it to better evaluate whether potential Heritage Fund acquisitions meet its conservation goals. Such a plan should identify the species and habitats in the State most needing protection, and should be used to guide purchases and other protection efforts such as conservation easements, stewardship agreements, and leases.
4. The Department needs to revise its process for Heritage Fund land acquisitions to include steps for ensuring that all ownership issues are addressed, including such things as survey discrepancies and water rights issues, before final payments are made.



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FINDING III

HERITAGE FUND ACCOUNTING IS INADEQUATE

Changes are needed to ensure that Heritage Fund monies are properly accounted for and are used only for the purposes outlined in the statutes. Current procedures are insufficient to ensure that balances for the Fund's various programs are accurate and appropriately accounted for. The Department has used unspent fund balances for purposes other than Heritage Fund activities, depriving the Fund of interest revenue for programs authorized by statutes.

Accounting Improvements Needed

The Department needs to better account for the monies allocated to the five statutory Heritage Fund programs. As noted previously, the Department receives up to \$10 million each year to be allocated among five Heritage Fund programs. The programs are not allowed to spend more than their statutory funding allocation, and any program that does not spend its full annual allocation can carry these monies forward to fund future projects. However, the Department's accounting for these monies is not sufficient to ensure that the fund balances for each of these programs are accurate. The only available record of these carryforward monies is an informal spreadsheet that one Department employee voluntarily developed and began maintaining in 1998. Although the spreadsheet represents the best source of information currently available, its accuracy appears questionable for several reasons:

The accuracy of the program fund balance is questionable.

- **Department and state accounting records differ**—The Department's Heritage Fund spreadsheet is not reconciled to the statewide accounting system to verify the total Heritage Fund balance. At the end of fiscal year 2000, the statewide accounting system showed a total Heritage Fund Balance of

approximately \$21.3 million. The Department's spreadsheet showed \$20.1 million, a difference of approximately \$1.2 million. Variations in other recent years ranged between approximately \$697,000 and \$876,000.

- **Records lacking, possibly inaccurate**—Further, Department accounting records for the first few years of the Heritage Fund are unavailable, and some recent records may not be accurate. The Department changed its internal accounting system in 1996, and staff indicate that records from the old system are inaccessible; therefore, the spreadsheet's numbers cannot be verified against that system. Because information prior to 1996 was unavailable, the spreadsheet was based on unaudited numbers Auditor General staff compiled for a Heritage Fund performance audit completed in 1996 (Auditor General Report No. 96-13). Department staff manually extracted subsequent information from the Department's Integrated Fund Accounting System (IFAS), which maintains internal accounting records. However, staff indicate that software problems in the IFAS system may have resulted in some expenditures being improperly charged against various programs.

- **Internal accounting records not reconciled**—Finally, the Department does not reconcile the activity in IFAS to ensure that charges to each program are correct. IFAS has two separate functions: the first is to record cash expenditures; the second is a job costing function that records the specific projects that employees record on their time sheets and associated charges. The second function enables the Department to determine whether an employee who is normally paid from federal funds has worked on a Heritage Fund project, and allocate costs to the fund that received the work. However, the Department does not reconcile the cash expenditures, or general ledger, information with its job costing data to ensure any discrepancies are resolved. Further, because the Department does not fully reconcile its internal accounting system, any reconciliation it performs between its system and the statewide accounting system may not be complete.

The Department needs to take steps to improve its accounting for the Heritage Fund. First, it should determine the total amount of Heritage Fund carryforward monies available by resolving

Expanded use of the statewide accounting system could be beneficial.

discrepancies between its internal records and the statewide accounting system. Second, the Department should make a reasonable determination of how these carryforward monies should be divided among the individual programs. Once program balances are determined, the Department will need to formalize the process for maintaining accounting information about Heritage Fund programs and ensure that this information remains accurate.

Heritage Fund Used to Provide Financial Assistance to Other Programs

Heritage Fund lost \$30,200 in interest income.

In fiscal years 1998, 1999, and 2000, the Department borrowed some of the Heritage Fund's large balance of unspent money to assist other programs. Although there is no statutory provision for the Heritage Fund to be used as a lending source, the Department used approximately \$1.4 million from the Fund to cover such things as payroll expenses for federally funded projects and capital improvements. At least one of the loans was outstanding for more than one year. Although these monies were eventually repaid, the Department did not initially pay the Heritage Fund approximately \$30,200 in interest on the loans. Statute provides for the Heritage Fund to earn interest, which may be used to administer the Fund or divided among the Heritage programs.

Recommendations

1. The Department should determine the total amount of Heritage Fund carryforward monies available by reconciling discrepancies between its internal records and the statewide accounting system.
2. The Department should make a reasonable determination of how these carryforward monies should be allocated among the five Heritage Fund programs. In making this determination, the Department should take into consideration the feasibility and costs of obtaining accounting data from past years.
3. The Department should develop a comprehensive system to account for each Heritage Fund program's financial information. Any such system should include processes for reconciling labor and related costs to cash expenditures for each Heritage Fund program.
4. The Department should eliminate practices that may adversely impact Heritage Fund interest revenues, such as loaning Heritage Fund monies to other programs.

Agency Response



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April 30, 2001

Ms. Debra K. Davenport
Auditor General
2910 N. 44th Street, Suite 410
Phoenix, Arizona 85018

Dear Ms. Davenport:

We have reviewed the revised preliminary report draft of the performance audit of the Arizona Game and Fish Commission – Heritage Fund.

In reference to your letter of April 13, 2001, we have attached our written response regarding the audit findings as outlined in the report draft.

Our response includes the required statements regarding each audit recommendation in the report.

Our Department appreciates the time and effort involved in developing positive recommendations to assist us to continue to improve our management of the Arizona Game and Fish Commission – Heritage Fund.

Sincerely,

Duane L. Shroufe
Director

DSL:as

Attachment

**Department Response to the
Audit Report by the Auditor General's Office
of the Arizona Game and Fish Commission Heritage Fund**

Response To Recommendations

Finding I Page 16

- The finding of the Auditor General is agreed to and audit recommendation numbers 1 through 4 will be implemented.

Finding II Page 23

- The finding of the Auditor General is agreed to and audit recommendation numbers 1 through 4 will be implemented.

Finding III Page 28

- The finding of the Auditor General is agreed to and audit recommendation numbers 1, 2, and 4 have been implemented.
- The finding of the Auditor General is agreed to and a different method of dealing with the finding, other than the method indicated in audit recommendation no. 3, will be implemented.

Department Comments:

Page 6 1996 Report and Update, Paragraph 2

The report asserts that the annual Heritage Fund report does not contain sufficient information for the public or the Legislature to determine whether the Department has complied with statutory funding limits, how much was spent for various projects, and the impact of Heritage Fund programs. The subject report has never been considered a report to the public. Its sole purpose has been to appraise the Legislature (pursuant to statute), in general terms, of the Heritage funded activities for that specific year. Details about such activities, and assessments of progress toward goals and objectives, are contained in an extensive number of technical and performance reports that support the annual report. Over the ten years for which such reports have been generated, we have seldom received any indication from the Legislature that these reports were inadequate. The little feedback we did receive indicated only highly favorable comments along the lines of "This is the best annual report they receive".

Page 9 Paragraph 1 (Opening Paragraph)

We believe that guidance for the expenditure of funds has been adequately dealt with in the State's Financial Management Handbook and the Procurement Code. First and foremost it is important to remember that the Heritage Fund was created as a result of a voter initiative. The voters themselves in ARS § 17-297 (B) gave the Game and Fish Commission the authority to expend monies from the Fund without the need for outside approval. Since the inception of the Heritage Fund details associated with the Commission's programs and the budgets that implement those programs have been acted upon in public session. As a result, the Commission has taken approval for both the components of its programs and the associated expenditures directly to the people of Arizona. Also, we send the entire biennial budget package, including the Heritage component, in budget book format to the Legislature for their information.

Page 10 *Not all Heritage Fund Expenditures governed by rule or other formal criteria*

The only statute relevant to rule-making and the expenditure of Game and Fish funds is A.R.S. § 17-231(A)(7), which requires the Commission to “[p]rescribe rules for the expenditure, *by or under the control of the director*, of all funds arising from appropriation, licenses, gifts or other sources.” (Emphasis added). The Commission “administers” the Heritage Fund and “[a]ll monies in the [fund] shall be spent by the Arizona Game and Fish commission.” A.R.S. § 17-297(A) & (C). These provisions demonstrate that expenditure of the Heritage Fund is under the Commission's control, and therefore, the plain language of A.R.S. § 17-231(A)(7) that refers to expenditures by the Director makes A.R.S. § 17-231(A)(7) inapplicable to expenditures from the Heritage Fund. The Commission is under no separate statutory requirement specifying the adoption of rules for the expenditure of the Heritage Fund. However, we will implement the audit recommendation via Commission Policy.

Page 11 *Television series*

In order to be successful, wildlife management programs, especially those designed to protect and manage sensitive species and sensitive habitats, must involve an array of diverse approaches. Our Department believes outreach is an essential component that must be embedded in each and every management program for which we are responsible. In our view, our public trust responsibilities require us to ensure that Arizona's citizens understand our management programs for their resources and recognize the benefits they derive from our efforts. Given that television represents the most frequently cited mechanism used by Americans to gain information about wildlife, our perception of the appropriateness of the Game and Fish contribution of \$75,000 (which accounts for less than 12% of the total production costs of \$645,000) for “The Desert Speaks” is contrary to that of the Auditor General. Our partnership with KUAT allows us to reach millions of Arizona residents on an annual basis with important management information about sensitive wildlife and sensitive habitats. As such, we feel compelled to reiterate that we believe the expenditure is appropriate and that the public benefit gained far exceeds the level of expenditure.

Page 11 *Property management activities*

We feel that appropriate changes to the Management Plans, Land Protection Evaluation Process (LPEP), and upgrades to the Land Projects Database, procedures would resolve this concern. Included in the draft LPEP, and outlined in the revised Management Plan is a required 5-year Plan of Development for each wildlife area.

While some property management activities were funded with IIPAM monies, the Department believes these expenditures were appropriate. In addition, the primary source of funding for the conversion of the ranch house into a visitor center and the parking lot improvements were from a donation account and the building renewal fund, respectively. The Heritage Program FY2000 Report to the Arizona Legislature states on Page i under Project Funding that funding for this program was provided by the Arizona Game and Fish Department's Heritage Fund, enhanced by voluntary contributions from Arizona's Nongame Wildlife Checkoff, Arizona hunting and fishing license fees, various private contributions; and matching funds from a variety of federal sources, including contracts and other funding agreements with federal agencies, the Federal Aid in Wildlife Restoration Act (Pittman-Robertson Act), the Federal Aid in Sport Fish Restoration Act (Dingell-Johnson and Wallop-Breaux Acts), and Title VI (Section 6) of the Endangered Species Act.

Page 12 *Urban wildlife program funding decisions also unclear, Paragraph 2*

The Urban Wildlife funding source was used for the regional public information officers (RPIOs) because the majority of our customers live in urban areas and our outreach efforts are concentrated in these cities. The Urban Wildlife fund was selected because it was consistent with the objective of the regional public information officer position, which is to conduct information and education activities in urban project areas that are designed to increase public awareness and appreciation of wildlife and their habitat resources. Examples of eligible activities include the development and dissemination of publications, videos, press releases, interviews and public presentations largely to an urban dwelling public. Additional job functions include the backyard wildlife habitat program, educational activities that present wildlife and habitat concepts in schools and other educational settings and work related to Urban Heritage grants for Information and Education projects.

The audit asserts the following examples of activities performed by the public information officers are not focused on urban wildlife: coordinating classes related to hunting, fishing, and environmental education; compiling regional hunt information reference guides; and managing big game hunt permit application days. All of these activities are conducted within “. . .the limits of an incorporated area or in close proximity to an urban area that receives significant impact from human use” per A.R.S. § 17-296.6. As such, these activities provide significant benefits to the public inhabiting urban areas and contribute to their awareness and appreciation of wildlife and their habitat resources. For example, the curriculum of classes related to hunting, fishing and environmental education all include sections designed to increase public knowledge, awareness and subsequently appreciation of wildlife and their habitat requirements.

Hunt information guides not only include urban hunting opportunities, but direct hunters and other wildlife users into areas where interactions with game species are likely to occur. Big game hunt permit application days are often sponsored or also attended by a variety of wildlife conservation groups such as the Rocky Mountain Elk Foundation, Desert Bighorn Sheep Society, and local conservation groups. Such groups generally have educational booths or displays and interact with the public during these events, raising public awareness and appreciation for wildlife. The Department also has its own informational and educational displays for the public at these events. Additionally, these events often receive significant coverage from the local media that have included newspaper, television and radio coverage, including live remote broadcasts. All of which significantly enhance the Department's ability to increase public awareness and appreciation of wildlife and their habitats.

The audit also asserts that the following duties of three regional customer service representative (CSR) positions include duties that do not focus wholly on urban wildlife: issuing hunting and fishing licenses and registering and inspecting watercraft. The customer service program in the regional offices must provide a variety of services to both internal and external customers. Service to internal customers requires providing clerical and administrative support to all regional staff and includes purchasing supplies, payroll and accounting functions, and typing and document preparation. External services include handling public phone calls that request information and assistance; sale of hunting and fishing licenses, tags and stamps; and registering and inspecting watercraft.

Since the regional CSRs must perform a wide variety of tasks and services they are funded from several different funding sources including the following: Sportfish and Wildlife Restoration, state Watercraft fund, U.S. Coast Guard, Game and Fish fund and the Heritage Urban fund. The regional customer service program is intentionally designed to allow all the CSRs the ability and flexibility to perform all of the duties necessary to meet the needs of our internal and external customers. This allows for an efficient and effective use of our available resources and greatly enhances our ability to provide timely assistance to the public allowing CSRs to assist the public during times of peak visitation and perform other duties when public visitation is low. For example, a typical region may have four to five customer service representatives, but only one or two may be funded by a source that is eligible to register watercraft (e.g., state Watercraft fund or U.S. Coast Guard). If only those CSRs funded by an eligible source were allowed to register watercraft, it would result in long delays for the public during peak visitation periods with three to four CSRs unable to assist with this effort. Imagine the public perception issue that would be created if the public was forced to wait in long lines for the only two employees able to assist them while three CSRs tried to explain to the public that they were unable to assist because they were funded from an ineligible funding source.

There are currently 29.5 customer service representatives located throughout the six regional offices. Three (10%) of them are funded by the Heritage Urban fund. Many of these positions are "split funded" (ex. ½ Game and Fish fund, ½ Watercraft). One of the

Urban funded CSR positions has been vacant since January 4, 2000, and is scheduled to be abolished July 1, 2001 due to funding constraints. This will leave only two full-time Urban funded CSRs remaining in the regional offices. The Department monitors and makes reasonable efforts to ensure that the funding sources of CSRs proportionally match their workload. The Department works to achieve an equitable allocation of funding sources by conducting a semi-annual desk audit of the time spent by CSRs performing their different job functions and comparing this with funding sources. The current system works well by providing a maximum amount of flexibility in the jobs each CSR can perform while ensuring that overall funding for CSR staff is consistent with volume and type of jobs performed. It allows the Department to provide excellent customer service while maximizing available resources without violating the eligibility criteria of any funding source.

The Department does not agree with the assertion of the report that the CSRs and RPIOs do not perform sufficient urban-wildlife related work to justify the current level of Urban Wildlife funding that they receive. However, to ensure our expenditure of Heritage Funds is consistent with statutory intent and public expectations, the Department has agreed with Audit Recommendation Number 3. The Department will establish formal criteria for all Heritage Fund programs and assess the activities and responsibilities of Heritage funded projects and staff positions to determine whether these meet the requirements of the formal criteria. The Department will make any necessary adjustments to correspond with the assessments, if necessary.

Pages 12-13 Resources Exist for Criteria Development

The Commission relies upon sources other than the Department in formulating recommendations for criteria for expenditures of the Heritage Fund. The Commission, however, does not have authority to delegate the final decision to any such group. The Commission has the statutory duty to prescribe rules, and the Commission cannot delegate this authority.

We are very concerned that the audit is inadvertently setting the stage for conflict between Commission guidance and HPAC guidance for Heritage. The agency cannot serve “two masters.” Any HPAC involvement in rule development, or strategic or operational planning must be subordinate to Commission involvement. We must also ensure that delegation of authority, direct or indirect, is not at odds with Comprehensive Management System requirements regarding our federal funding, for which Heritage funds are often used as match. The lines of authority and control under Federal Aid guidelines are not highly flexible.

The Department accepts Audit Recommendation Number 1 to assign HPAC a more active role in developing expenditure criteria, but the Commission must retain final authority over any decision. The HPAC might perform a greater advisory role similar to that provided by the Habitat Partnership Committee. They will be included in the development of Commission policy regarding Heritage expenditures.

The list of Species of Special Concern would be entirely inappropriate as a list of Sensitive Elements for guiding Heritage Fund expenditures. Mixing the two would cause us to once again have a list of Species of Special Concern and a Biotic Communities of Special Concern list that includes species for which we merely lack sufficient information to document the extent of their “imperilment” or “non-imperilment,” and what to do to ensure they do not become, or remain, imperiled. Adoption of the federal Threatened & Endangered/Candidate list, which is rigid and not at all within our control, and often does not reflect Arizona priorities, would be even more problematic both biologically and politically.

Nonetheless, we agree to commit to adopting through formal process the Species of Special Concern and Biotic Communities of Special Concern lists as this would be consistent with our new wildlife strategic plan and the requirements of new and related federal funding.

Pages 13-15 Improved Reporting Needed

The report asserts that the annual Heritage Fund report does not contain sufficient information for the public or the Legislature to determine whether the Department has complied with statutory funding limits, how much was spent for various projects, and the impact of Heritage Fund programs. The subject report has never been considered a report to the public. Its sole purpose has been to appraise the Legislature (pursuant to statute), in general terms, of the Heritage funded activities for that specific year. Details about such activities, and assessments of progress toward goals and objectives, are contained in an extensive number of technical and performance reports that support the annual report. Over the ten years for which such reports have been generated, we have seldom received any indication from the Legislature that these reports were inadequate. The little feedback we did receive indicated only highly favorable comments along the lines of “This is the best annual report they receive”.

The example offered is not referenced to year, so we cannot address specifics. However, our current and long-standing approach to the annual report and the auditor’s stated objective of better informing the public suggest that both the parrot project and “The Desert Speaks” should have been included. The annual report is intended to provide information on all activities undertaken to accomplish the annual Heritage work plans. The public “values” such activities in ways not necessarily consistent with those of the auditors. Based on Responsive Management information, we can safely say that the public’s values for wildlife management (conservation) efforts are often not at all related to the costs of such activities. The public values the species themselves, efforts to conserve them, and opportunities to enjoy them or to know that they exist. In this sense, the parrot project is/was at least as important to the public, if not to the auditors in this context, as the television show.

Moreover, the cost figures offered by the auditors suggest that either they were provided with inaccurate information, or they did not ask the right question or pose it to the right people. We suspect the \$66 cost for the parrot project is tied to registration at the project

related meeting, or to travel costs associated with the meeting. If so, it fails to include the staff time spent on the parrot project, and perhaps expenditures from other funds that supplemented the Heritage expenditure.

Regarding the paragraph beginning near the bottom of page 14, "...the report could highlight projects whose combined costs make up at least 50 percent or more of the program's total costs", the issue of public values that are often not cost-based also argues against restricting the report to the "top 50." So does the reality that Heritage expenditures are not the only expenditures associated with activities conducted under the Heritage program.

The Department has been in compliance with the reporting requirements of A.R.S. § 17-298.G.1. thru 7. Also, the Department has never received any feedback from either the Legislature or the public indicating that more information should be provided. However, the Department will modify the Commission's annual report to the Legislature by providing the requested data.

Pages 17-18 Heritage Fund Monies Used to Acquire Properties

While it is a fact that Heritage Fund acquisitions have resulted in benefiting a small number of qualifying species, it is incorrect that the Department has focused or directed efforts towards those few species. The reason for this is because Commission direction limits land acquisitions to offers received by the Department from willing sellers. The Department cannot pursue an acquisition unless a landowner approaches the Commission with an offer to sell. The Department is looking at continued use of conservation easements as an additional tool or opportunity to purchase lands that would benefit more species.

Almost half of the forty-two wildlife species in Arizona listed as endangered, threatened, or candidate, are fish species. Purchasing lands to benefit many of these species would be impossible or impractical. Many of those fishes are "big river fishes" that typically inhabited long stretches of large rivers. Purchasing relatively small chunks of land would not benefit these species, because the underlying threats in those types of systems must be addressed on a much larger scale. Another large number of the listed fish species (8) historically only ever existed on the periphery of the state, due to the nature of the watersheds (Yaqui, Virgin, Sonoyta, and Magdalena river systems). Nearly all the permanent water within those historical distributions now exist on public lands (USFS, BLM, USFWS, National Parks) and very little opportunity exists to purchase lands to benefit these species. This leaves a small number of fish species left in which land purchases that would benefit those listed species would be realistic. Of these, it happens that the opportunities that have been presented to the Commission have only benefited spikedace and Little Colorado (LC) spinedace. In the case of spikedace, any land purchase that benefits that species also has the chance of benefiting the threatened loach minnow. It just happens that loach minnow are not currently present in that location(s). A recently published rule on critical habitat for spikedace and loach minnow by the U.S. Fish and Wildlife Service (April 25, 2000) states that the two species generally occur

together and habitat improvements or protections for one species would also benefit the other. Future reintroduction efforts would negate the current absence of one of the species.

Pages 18-20 *Administrative rules needed*

We disagree with the Auditor General's concerns regarding how the Department reached its determination for two recent Heritage Fund properties [Cross L and Ocote Ranches, now known as the Grassland Wildlife Area (GWA)].

The Auditor General's comments suggested that these acquisitions may not have been consistent within the definitions or intent of the Heritage statutes that pertain to land acquisition for sensitive species habitat. The report questioned whether or not the acquisitions actually provide benefit to the sensitive species described in the Department's justification and management plans for these acquisitions. We strongly believe that all Department acquisitions have been well within the provisions of the law, and that our purchases provide for direct benefit to several wildlife species identified in the Auditor General's comments, including the Little Colorado spinedace, mountain plover and quite possibly the Chiricahua leopard frog.

In addition, the acquisition of the GWA and subsequent development of its management plan provides the opportunity to accomplish many of the objectives outlined in the United States Fish and Wildlife Service's Recovery Plan for the Little Colorado spinedace. The draft management plan provides for the development of several spinedace refugia throughout the GWA, that are specifically designed to allow the Department to successfully raise, breed and re-introduce this federally Endangered fish species back into its original native habitat in the Little Colorado River Watershed. Furthermore, the rearing and propagation of the endangered spinedace at the GWA, as well as the planned subsequent releases of the spinedace back into its native habitats, will occur within the original known geographic distribution of this species. Therefore, the Department is not proposing to raise sensitive species for reintroduction purposes outside of their known geographic distribution, which eliminates or minimizes any risk of reintroductions into habitats outside of their known range.

The GWA is considered to fall within historical range of the species even though spinedace have not yet been documented there. Because of the paucity of historical fish collections within the watershed (none until 1930's), and the early use of the area by settlers, it is difficult to pinpoint every exact location for a now rare fish. Without a doubt, the property meets the requirement that the habitat has the features necessary to allow the Department to maintain its continued existence. Spinedace are separated into distinct populations by drainage (Recovery Plan, USFWS 1998). Some of these populations are maintaining themselves, while others are in clear danger of disappearing. The Silver Creek population is one of these. In fact, it was considered to be extirpated for 30 years, until several years ago. Because of the drastic alteration of most of this drainage, and lack of opportunities to expand their range or create refugia within historical range, the only viable alternative may be to create a refugia population for that

genetic stock to protect the population from extirpation. Production of fish within this refugia population would also allow possible efforts to expand or enhance the wild population to further prevent extirpation. These steps are clearly outlined in the recovery plan and the GWA would allow us to accomplish this.

The Auditor General's comments reference the mountain plover to suggest that there is confusion about the criteria a property must meet to qualify for Heritage Fund purchase. Although we do not have documentation of historic occurrences of mountain plovers on the Cross L and Ocote Ranches, the Department followed established criteria to determine if mountain plovers or other sensitive species are likely to occur in this area. This is the same procedure that the Department uses in evaluating other projects. The mountain plover surveys conducted on the properties are not intended to irrefutably document the absence of a particular species. Since they are rare and highly mobile, it is not realistic to guarantee finding these birds in just two surveys. The strategy employed by the Department in acquiring property for the benefit and potential recovery of rare species is entirely consistent with that practiced by conservation strategists worldwide (e.g. USFWS Implementation of Endangered Species Act). It is the standard practice of the profession.

Implementation of Audit Recommendation Numbers 1 and 2, through revision of the Land Protection Evaluation Process (LPEP), will include more stringent procedures such as property evaluation criteria ensuring that all acquisitions, including Heritage, are in compliance with the requirements of all appropriate statutes, rules and regulations. For example, the property evaluation criteria for Heritage funded acquisitions would include clear definitions of, and requirements for the identification of "sensitive habitat". For Heritage funded acquisitions, LPEP will place a higher priority on properties identified that contain the greatest, or the most diverse species listing of sensitive wildlife species as well as those species of greatest concern. LPEP will be modified to include property evaluation review forms that will require investigators to carefully and fully review all properties to ensure that all fund requirements will be met.

Pages 21-22 Long-term plan is needed to direct efforts

Because the Department will continue to revise the Land Protection Evaluation Process, which will completely address Audit Recommendation Numbers 1 and 2, we disagree with the need to develop another mechanism for prioritizing potential acquisitions. The Department believes that rather than build a rigid plan that details potential acquisition priorities, that all offerings of real property be evaluated and those that are currently offered are evaluated for potential purchase based on the current availability of property. Commission direction limits acquisitions to offers received from willing sellers. Although we believe that a long-term plan may imply the Department proactively targets properties for acquisition, which is not completely appropriate, we can implement Audit Recommendation Number 3 to enable us to better evaluate whether potential Heritage Fund acquisitions meet our conservation goals and criteria established through rules and policies. Although potential acquisitions will continue to be dependent on offers received

from willing sellers, this long-term plan could enable us to evaluate the appropriateness and value of potential acquisitions more efficiently.

Over the years the Department has pursued a number of conservation easements. Our rationale was based on the fact that fee title purchases are the most costly land tenure vehicles, in terms of operation and maintenance expenditures. We believe that conservation objectives can often be attained through the acquisition of only a portion of the bundle rights associated with land ownership. However, as of yet we have been unable to successfully complete such a transaction. To date, our experiences have been such that most landowners would rather sell out right than deal with the monitoring programs and validation processes inherent to conservation easements. Although we are somewhat discouraged, we continue to believe that deployment of conservation easements is a desired strategy to achieve our Heritage-related conservation objectives and will attempt their deployment as a function of our long-term conservation strategy.

Page 22 All ownership issues need to be addressed before purchase

In each instance where the Department has acquired real property through the expenditure of Heritage Funds, a specific contract or purchase agreement has been negotiated between the seller and the Department. These agreements document each valued element in the transaction. If, at the time of close of escrow, any unresolved issues arise involving valued elements of the transaction, such as associated water rights certificates or grazing leases, the Department would utilize the redress available to us under the terms of the contract to satisfy any deficiencies.

The Department feels that modifications to the Commission's Land Protection Evaluation Policy (LPEP) would ensure that all legal documents and necessary surveys have been obtained or satisfied prior to the close of escrow. We have already initiated a complete review and modification of LPEP. The Department's revision to its LPEP Policy will include steps for ensuring that all ownership issues as indicated in audit recommendation number 4 will be addressed.

Page 25 Accounting Improvements Needed, Paragraph 1

The Department has more than one available record of carryforward monies. In addition to the Department's Integrated Fund Accounting System (IFAS), carryforward balances were also available on the Statewide Accounting Financial Information System (AFIS). The Department implemented Audit Recommendation Number 2, as AFIS was able to assist in determining the allocation of these carryforward balances among the five Heritage Fund programs. An Addendum is attached that details Heritage activity from the fund's inception through FY2000.

Pages 25-26 Department and state accounting records differ

The audit recommendation has already been implemented as of February 28, 2001. As of fiscal year ending June 30, 2000, the Heritage Program carry forward balances have been

determined based on the Statewide Accounting Financial Information System (AFIS) records. AFIS records are cumulative. The Department's Integrated Fund Accounting System (IFAS) records are annual, resulting in the internal system being incapable of determining carry forward balances. The Department will research the availability of a budget version in the internal system that will automatically calculate the carry forward balance and disclosing the data both on line and in real time.

Page 26 Records lacking, possibly inaccurate

The audit recommendation has already been implemented as of February 28, 2001. AFIS accounting records exist back to the inception of the Heritage program. These records were used to determine a true carry forward balance in the Heritage Fund by program. The Department has reconciled the internal accounting system's IFAS General Ledger to the IFAS Job Cost Ledger for operating expenditures. The Department has run special reports and any errors have been corrected. The Department reconciles its IFAS General Ledger to the Statewide AFIS on a monthly basis.

Effective July 1, 2001 each job (Program Cost Account-PCA) that applies to the Heritage fund will be given a grant number and a phase that indicates the source program. The carry forward monies will be distributed among the individual programs. The exact cash balance in each of these programs will be available on the AFIS Cash Control Record Inquiry screen (Screen no. SO63).

Page 26 Internal accounting records are not reconciled

The Department will continue to reconcile its internal IFAS General Ledger to the Statewide AFIS on a monthly basis. The IFAS General Ledger reflects both Heritage actual expenditures and revenue processed through AFIS. The reconciliation of the IFAS Job Cost Ledger to AFIS is impossible because of the job costing of labor, a problem common to all of state government. The statewide payroll system, Human Resources Management System (HRMS) is not currently capable of allowing for job costing due to the high number of multiple jobs that are worked on during any pay period basis. It would entail reviewing approximately 234,000 entries for a five-year time frame to reconcile the actual labor charges to the IFAS Job Cost Ledger.

HRMS is being considered for replacement. Through initial meetings, various agencies have requested that the new system have the ability to job cost. If the new HRMS is designed in this manner, it could replace the IFAS Job Cost Ledger.

Page 27 Heritage Fund Used to Provide Financial Assistance to Other Programs

The loans to the Federal Revolving Fund had occurred only during the first month (July) for each of the three fiscal years noted in the finding. Effective July 1, 2000 the Department's leadership, upon learning of this past internal practice, eliminated the loaning of monies from the Heritage Fund to other programs. This decision was made prior to the Auditor General's Staff starting their audit fieldwork.

In each of the three fiscal years noted, the Department borrowed monies from the Heritage Fund to pay expenses for the Federal Revolving Fund that had occurred at year-end. Near fiscal year end Federally incurred expenditures are reimbursed to us in the following month (July). However, an Arizona Department of Administration policy will not allow us to pay these expenditures unless there is sufficient cash on hand within our Federal Revolving Fund to fully meet the June 30 obligations; thereby imposing a financial hardship on the Department. Federal law does not allow for an advance of Federal funds for our programs.

The Department has attempted to resolve this problem by establishing a Total Quality (TQ) team effort to analyze the process deficiencies and recommend improvements. In February 2001, the Department approved the TQ teams internal recommendations to maximize the Federal Revolving Fund balances both throughout the year and especially at year-end.

Addendum

Heritage Fund Activity FY1991 – FY2000

		Percent	Revenue From Lottery	Revenue Other	Expenditures	Cash Balance
FY90/91	Environmental Education	5%	295,000.00		29,509.11	265,490.89
FY91/92	Environmental Education	5%	500,000.00	1,912.47	250,544.63	516,858.73
FY92/93	Environmental Education	5%	500,000.00	1,645.00	335,309.67	683,194.06
FY93/94	Environmental Education	5%	500,000.00	1,177.29	428,186.65	756,184.70
FY94/95	Environmental Education	5%	500,000.00	1,584.90	515,122.18	742,647.42
FY95/96	Environmental Education	5%	500,000.00	1,071.90	452,970.25	790,749.07
FY96/97	Environmental Education	5%	500,000.00	2,551.46	401,259.99	892,040.54
FY97/98	Environmental Education	5%	500,000.00	0.00	444,277.14	947,763.40
FY98/99	Environmental Education	5%	435,312.50	0.00	434,235.18	948,840.72
FY99/00	Environmental Education	5%	404,840.00	107.04	526,895.21	826,892.55

FY90/91	Public Access	5%	295,000.00		28,971.10	266,028.90
FY91/92	Public Access	5%	500,000.00	5,164.44	151,437.37	619,755.97
FY92/93	Public Access	5%	500,000.00	0.00	281,889.65	837,866.32
FY93/94	Public Access	5%	500,000.00	0.00	297,374.06	1,040,492.26
FY94/95	Public Access	5%	500,000.00	0.00	372,047.63	1,168,444.63
FY95/96	Public Access	5%	500,000.00	9.00	454,990.60	1,213,463.03
FY96/97	Public Access	5%	500,000.00	0.00	490,429.67	1,223,033.36
FY97/98	Public Access	5%	500,000.00	186.78	611,028.57	1,112,191.57
FY98/99	Public Access	5%	435,312.50	2,070.00	321,499.68	1,228,074.39
FY99/00	Public Access	5%	404,840.00	5.00	378,955.14	1,253,964.25

FY90/91	Land Acquisition	24%	1,416,000.00	0.00	28,214.37	1,387,785.63
FY91/92	Land Acquisition	24%	2,400,000.00	5,783.18	779.83	3,792,788.98
FY92/93	Land Acquisition	24%	2,400,000.00	(3,903.54)	795,496.52	5,393,388.92
FY93/94	Land Acquisition	24%	2,400,000.00	0.00	3,095,665.14	4,697,723.78
FY94/95	Land Acquisition	24%	2,400,000.00	0.00	561,176.73	6,536,547.05
FY95/96	Land Acquisition	24%	2,400,000.00	0.00	5,068,156.21	3,868,390.84
FY96/97	Land Acquisition	24%	2,400,000.00	0.00	465,716.09	5,802,674.75
FY97/98	Land Acquisition	24%	2,400,000.00	0.00	389,341.49	7,813,333.26
FY98/99	Land Acquisition	24%	2,089,500.00	0.00	2,153,279.66	7,749,553.60
FY99/00	Land Acquisition	24%	1,943,232.00	0.00	2,110,295.42	7,582,490.18

Heritage Fund Activity FY1991 – FY2000

		Percent	Revenue From Lottery	Revenue Other	Expenditures	Cash Balance
FY90/91	IIPAM	36%	2,124,000.00		28,753.01	2,095,246.99
FY91/92	IIPAM	36%	3,600,000.00	8,867.28	1,434,366.66	4,269,747.61
FY92/93	IIPAM	36%	3,600,000.00	3,903.54	2,803,888.85	5,069,762.30
FY93/94	IIPAM	36%	3,600,000.00	0.00	3,569,312.21	5,100,450.09
FY94/95	IIPAM	36%	3,600,000.00	129,247.18	3,601,449.90	5,228,247.37
FY95/96	IIPAM	36%	3,600,000.00	4,394.32	3,505,927.62	5,326,714.07
FY96/97	IIPAM	36%	3,600,000.00	16,968.10	3,982,700.93	4,960,981.24
FY97/98	IIPAM	36%	3,600,000.00	693,400.34	4,747,756.57	4,506,625.01
FY98/99	IIPAM	36%	3,134,250.00	103,569.35	3,510,483.74	4,233,960.62
FY99/00	IIPAM	36%	2,914,848.00	69,206.22	2,562,335.46	4,655,679.38

FY90/91	Habitat Evaluation	15%	885,000.00		31,132.63	853,867.37
FY91/92	Habitat Evaluation	15%	1,500,000.00	1,250.87	719,140.45	1,635,977.79
FY92/93	Habitat Evaluation	15%	1,500,000.00	2,722.97	1,066,239.01	2,072,461.75
FY93/94	Habitat Evaluation	15%	1,500,000.00	0.00	1,407,214.44	2,165,247.31
FY94/95	Habitat Evaluation	15%	1,500,000.00		1,473,493.39	2,191,753.92
FY95/96	Habitat Evaluation	15%	1,500,000.00	0.00	1,313,891.74	2,377,862.18
FY96/97	Habitat Evaluation	15%	1,500,000.00	14,553.36	1,444,641.17	2,447,774.37
FY97/98	Habitat Evaluation	15%	1,500,000.00	9,034.74	1,362,564.81	2,594,244.30
FY98/99	Habitat Evaluation	15%	1,305,937.50	1,996.65	1,281,067.36	2,621,111.09
FY99/00	Habitat Evaluation	15%	1,214,520.00	2,053.35	1,304,880.16	2,532,804.28

FY90/91	Urban	15%	885,000.00		28,319.53	856,680.47
FY91/92	Urban	15%	1,500,000.00	13,105.98	647,837.29	1,721,949.16
FY92/93	Urban	15%	1,500,000.00	1,182.16	1,077,852.90	2,145,278.42
FY93/94	Urban	15%	1,500,000.00	250.00	1,253,027.78	2,392,500.64
FY94/95	Urban	15%	1,500,000.00	42,267.94	1,489,751.83	2,445,016.75
FY95/96	Urban	15%	1,500,000.00	13,256.00	1,509,198.19	2,449,074.56
FY96/97	Urban	15%	1,500,000.00	127,311.77	1,372,560.80	2,703,825.53
FY97/98	Urban	15%	1,500,000.00	21,011.06	1,339,533.17	2,885,303.42
FY98/99	Urban	15%	1,305,937.50	10,610.00	1,324,445.23	2,877,405.69
FY99/00	Urban	15%	1,214,520.00	139,552.19	1,022,468.83	3,209,009.05

FY90/91	Interest		173,540.82		0.00	173,540.82
FY91/92	Interest		395,270.82	578.99	391,738.71	177,651.92
FY92/93	Interest		745,665.52	135.00	592,208.40	331,244.04
FY93/94	Interest		476,851.11	1,892.37	559,902.15	250,085.37
FY94/95	Interest		711,405.23	7,092.39	630,501.25	338,081.74
FY95/96	Interest		756,008.12	327.57	595,365.58	499,051.85
FY96/97	Interest		837,095.76	0.00	651,454.25	684,693.36
FY97/98	Interest		937,173.74	1,510.56	725,619.62	897,758.04
FY98/99	Interest		868,815.74	0.00	742,498.09	1,024,075.69
FY99/00	Interest		974,395.09	113.88	618,168.10	1,380,416.56

Other Performance Audit Reports Issued Within the Last 12 Months

00-10	Arizona Department of Agriculture—Food Safety and Quality Assurance Program and Non-Food Product Quality Assurance Program	00-20	Department of Corrections—Security Operations
00-11	Arizona Office of Tourism	00-21	Universities—Funding Study
00-12	Arizona Department of Public Safety—Scientific Analysis Bureau	00-22	Annual Evaluation—Arizona’s Family Literacy Program
00-13	Arizona Department of Agriculture—Pest Exclusion and Management Program	01-01	Department of Economic Security—Child Support Enforcement
00-14	Arizona Department of Agriculture—State Agricultural Laboratory	01-02	Department of Economic Security—Healthy Families Program
00-15	Arizona Department of Agriculture—Commodity Development	01-03	Arizona Department of Public Safety—Drug Abuse Resistance Education (D.A.R.E.) Program
00-16	Arizona Department of Agriculture—Pesticide Compliance and Worker Safety Program	01-04	Department of Corrections—Human Resources Management
00-17	Arizona Department of Agriculture—Sunset Factors	01-05	Arizona Department of Public Safety—Telecommunications Bureau
00-18	Arizona State Boxing Commission	01-06	Board of Osteopathic Examiners in Medicine and Surgery
00-19	Department of Economic Security—Division of Developmental Disabilities	01-07	Department of Corrections—Support Services
		01-08	Arizona Game and Fish Commission and Department—Wildlife Management Program

Future Performance Audit Reports

Department of Public Safety’s Licensing Bureau

Arizona Commission on the Arts