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AUDITOR GENERAL

STATE OF ARIZONA
OFFICE OF THE
AUDITOR GENERAL

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November 5, 2009

The Honorable Thayer Verschoor, Chair
Joint Legislative Audit Committee

The Honorable Judy Burges, Vice Chair
Joint Legislative Audit Committee

Dear Senator Verschoor and Representative Burges:

Our Office has recently completed a 24-month followup of the Arizona State Land Department (Department) regarding the implementation status of the 15 audit recommendations (including sub-parts of the recommendations) presented in the performance audit report released in September 2007 (Auditor General Report No. 07-08). As the attached grid indicates:

- All 15 recommendations have been implemented.

Unless otherwise directed by the Joint Legislative Audit Committee, this concludes our follow-up work on the Department's efforts to implement the recommendations from the September 2007 performance audit report.

Sincerely,

Melanie M. Chesney, Director
Performance Audit Division

MMC:Mcv
Attachment

cc: Maria Baier, Commissioner
Arizona State Land Department

**ARIZONA STATE LAND DEPARTMENT
PERFORMANCE AUDIT AND SUNSET REVIEW
Auditor General Report No. 07-08
24-Month Follow-Up Report**

Recommendation	Status/Additional Explanation
Finding 1: Department uses comprehensive selling and leasing process, but should further enhance it	
1.1 The Department should establish time frames or ranges for each step within its state trust land selling and leasing process, monitor the performance of various steps within its process against these time frames or ranges, and analyze any discrepancies when time frames or ranges are not met.	Implemented at 18 Months
1.2 Once it establishes time frames or ranges and evaluates the timeliness of the steps within the process, the Department should identify steps that could be completed more quickly and modify its process to complete these steps more quickly.	Implemented at 18 Months
1.3 The Department should ensure that site study information is posted on its Web site as soon as studies are completed.	Implemented at 24 months
1.4 The Department should work with the Departments of Administration and Transportation to increase the number of appraisers on state contract that meet the Department's needs by:	
a. Issuing a new or supplemental solicitation and contract, and	Implemented at 12 Months
b. Communicating with all potential bidders to ensure that they understand all of the steps of the State's procurement and contracting process and the types of appraisals the Department needs.	Implemented at 6 Months

Recommendation	Status/Additional Explanation
<p>1.5 The Department should establish and implement policies for taking appropriate action when appraisals do not meet department requirements or USPAP standards. These policies should take into account the seriousness and frequency of problems, as well as the enforcement or penalty actions authorized by contract, such as termination of the appraiser's contract with the State and/or withholding payment to recover any costs resulting from nonperformance. The policy should also identify circumstances that would require the Department to report appraisers to the Arizona Board of Appraisal.</p>	<p>Implemented at 18 Months</p>
<p>1.6 The Department should ensure that it documents justification for each appraisal that is obtained from an appraiser that is not on the state-wide contract, as required by department procedures.</p>	<p>Implemented at 18 Months</p>
<p>FINDING 2: Department should further improve state trust land management</p>	
<p>2.1 As Risk Management identifies areas where leases can be improved, the Department should modify its leases to implement these recommendations.</p>	<p>Implemented at 12 Months</p>
<p>2.2 The Department should:</p> <ul style="list-style-type: none"> a. Revise the terms in its grazing and agricultural SLUPs to reflect similar insurance and environmental terms included in the Department's leases; and b. Incorporate environmental language into the mineral exploration permits, as well as develop and implement policies and procedures for when to require insurance coverage in these permits. 	<p>Implemented at 12 Months</p> <p>Implemented at 18 Months</p>
<p>2.3 The Department should develop and implement policies establishing a risk-based inspection approach that at a minimum:</p> <ul style="list-style-type: none"> a. Requires that all mineral and agricultural leases, SLUPs, and mineral exploration permits receive a field inspection before expiration; 	<p>Implemented at 12 Months</p>

Recommendation	Status/Additional Explanation
<ul style="list-style-type: none"> b. Requires that all identified high-risk wells receive an inspection in a timely manner; and 	<p>Implemented at 12 Months</p>
<ul style="list-style-type: none"> c. Specifies the factors that should be considered when determining the number, types, and frequency of well inspections. 	<p>Implemented at 12 Months</p>
<p>2.4 The Department should cross-train staff to ensure that critical inspections are conducted in a timely manner.</p>	<p>Implemented at 12 Months</p>
<p>2.5 The Department should establish and implement policies and procedures requiring all field inspections to be adequately documented and tracked.</p>	<p>Implemented at 12 Months</p>