

**REPORT HIGHLIGHTS**  
 PERFORMANCE AUDIT

**Our Conclusion**

The Arizona Game and Fish Commission (Commission) Heritage Fund was created by a 1990 voters' initiative for the purpose of preserving, protecting, and enhancing Arizona's natural environment. Although the Arizona Game and Fish Department (Department) has policies and procedures to direct the use of Heritage Fund monies, the Department should strengthen these policies and procedures to ensure that monies are used appropriately, particularly with regard to administrative costs, contracts, and escrow accounts. A major purpose of the Heritage Fund is to purchase land to conserve wildlife habitat, and the Department needs to improve the management of these properties.



2011

**Heritage Fund used to protect species and acquire sensitive habitat**

Statute establishes five Heritage Fund program areas and the specific allocation of monies to those areas. The largest part, 60 percent, is to be used for the identification, inventory, acquisition, protection, and management of sensitive habitat, including habitat for endangered and threatened wildlife species.

Heritage Fund monies have been used to restore the endangered Sonoran pronghorn, the California condor, and many other species around the State. The Heritage Fund is also used for

program areas that address education, urban wildlife, and habitat and to provide access to public lands.

**Heritage Fund program areas and statutory allocations**

- Identification, inventory, acquisition, protection, and management of sensitive habitat (IIAPM)—60 percent
- Urban wildlife and habitat—15 percent
- Habitat evaluation and protection—15 percent
- Environmental education—5 percent
- Public access—5 percent

**Policies need strengthening to ensure appropriate use of the Heritage Fund**

**Department policies and procedures help guide Heritage Fund expenditures**—The Department has policies to ensure that Heritage Fund monies are spent for the purposes prescribed by statute. For example, the Department has policies and procedures to ensure it pays only appropriate payroll costs to employees who perform Heritage Fund work and awards grants to entities such as the state universities for Heritage Fund purposes.

**Policies and procedures needed for allocating administrative and shared costs**—In fiscal year 2011, the Department used Heritage Fund monies to pay more than \$761,000 of the Department's administrative costs, including the salaries and benefits of 12 positions. In addition, the Department uses Heritage Fund monies to pay some shared costs. For example, in fiscal year 2010, the Department used Heritage Fund

monies to pay for \$15,389 of the \$82,227 used to publish its *Arizona Wildlife Views* magazine. Although this magazine featured articles on all Heritage Fund program areas, the Department used only public access and urban wildlife monies to pay the shared costs.

Although it may be appropriate to allocate administrative and shared costs to the Heritage Fund, the Department could not support the amounts allocated to the Heritage Fund or among its program areas for the expenditures reviewed.

**Procedures needed for monitoring contracts paid with Heritage Fund monies**—In one contract, the Department paid a private landowner \$6,700 to restore nearly 670 acres of grassland habitat and in another, the Department funded the position of an employee at the Department of Water Resources for Heritage Fund-related work. However, the

Department does not have procedures to monitor these contracts.

**Department should report accurate financial information and establish policies and procedures for managing land acquisition monies in escrow**—The Department deposits money into an escrow account held with a title company prior to purchasing property with Heritage Fund monies. The land acquisition process can take a long time. For example, monies were held in escrow from December 2009 until March 2011 for the purchase of one property.

At June 30, 2011, the Department held approximately \$5.3 million in escrow with a title company for a potential land acquisition. However, the Department recorded the monies as a capital expenditure on the State's accounting system instead of cash on deposit. The Department also lacks written policies and procedures for spending

and monitoring land acquisition monies held in escrow. Because expenditures of the monies held in escrow are not processed through the State's accounting system, such policies and procedures are important to safeguard these monies.

#### **Recommendations:**

The Department should:

- Implement policies and procedures for allocating administrative and shared costs to the Heritage Fund.
- Implement procedures to monitor all Heritage Fund-supported contracts.
- Appropriately record and/or report financial transactions pertaining to escrow accounts for land acquisitions.
- Implement policies and procedures for spending and monitoring land acquisition monies held in escrow.

## **Department should improve management of Heritage Fund properties**

**Commission has purchased several Heritage Fund properties**—Statute requires that at least 24 percent of the Heritage Fund monies be used to purchase sensitive habitat for endangered or threatened wildlife. As of June 30, 2011, the Commission had spent nearly \$31 million in Heritage Fund monies to purchase 24 properties comprising more than 14,000 acres. For example, the nearly 200-acre Horseshoe Ranch was purchased in March 2011 to protect and restore habitat that supports endangered species such as the yellow-billed cuckoo bird and the Gila chub fish.

**Some management plans not completed**—Although department policy requires management plans for each Heritage Fund property, this policy does not set time frames for completing these plans. In addition, as of October 2011, the Department had not yet completed plans for three properties.

**Management plan implementation and effectiveness not monitored**—The Department also does not have policies to monitor the implementation and effectiveness of its management plans. Although the Department indicated that it may be difficult to assess the

impact of specific land purchases on wildlife species because species restoration can take many years and because of circumstances such as flooding and disease, staff may already collect data that may be helpful in assessing the impact of its property management.

**Management plans not updated**—As of October 2011, management plans for 16 of the 24 Heritage Fund properties had not been updated for 8 to 15 years. Periodically reevaluating and updating management plans could help the Department consider changing property conditions. The Department's Lands Council has requested that all management plans be updated by April 2012.

#### **Recommendations:**

The Department should:

- Complete management plans for all Heritage Fund properties.
- Establish time frames for finalizing management plans for future properties.
- Monitor the implementation and effectiveness of management plans.
- Update management plans by April 2012.