

State of Arizona
Office
of the
Auditor General

PERFORMANCE AUDIT

**ARIZONA
GAME AND FISH
COMMISSION AND
DEPARTMENT**

**WILDLIFE MANAGEMENT
PROGRAM**

Report to the Arizona Legislature
By Debra K. Davenport
Auditor General
May 2001
Report No. 01-08

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DEBRA K. DAVENPORT, CPA
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 and Department—Wildlife Management Program. This report is in response to a June 16, 1999, resolution of the Joint Legislative Audit Committee. The performance audit was conducted as part of the Sunset review set forth in A.R.S. §41-2951 et seq. 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 agency agrees with all of the findings and recommendations.

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

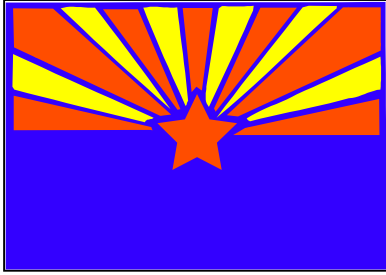
This report will be released to the public on May 10, 2001.

Sincerely,

A handwritten signature in black ink that reads "Debbie Davenport".

Debbie Davenport
Auditor General

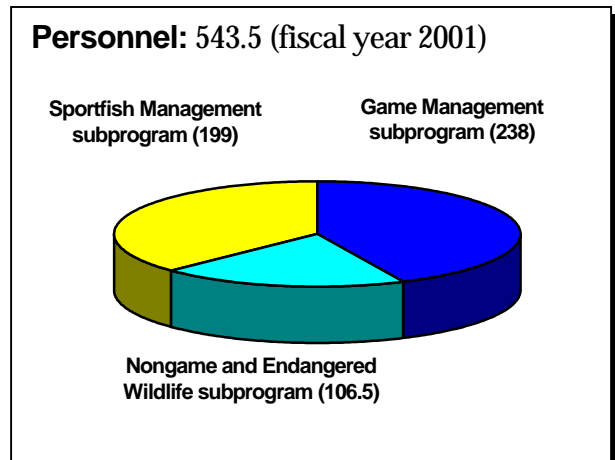
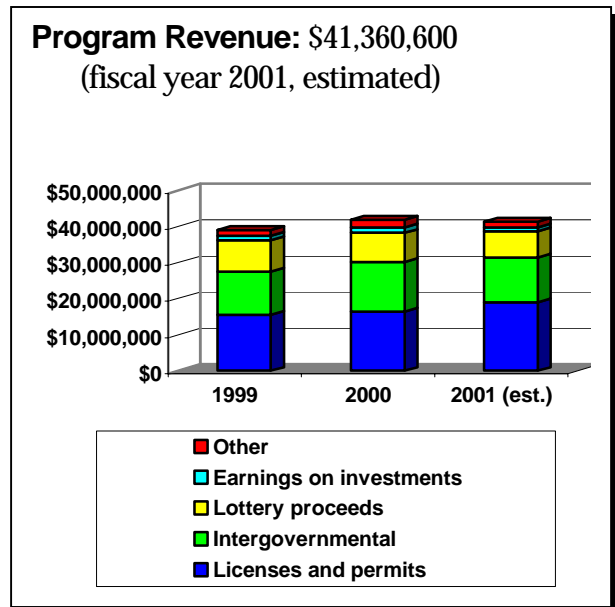
Enclosure



Program Fact Sheet

**Arizona Game and Fish Commission
and Department
Wildlife Management Program**

Services: The Wildlife Management Program, which consists of Game Management, Non-game and Endangered Wildlife, and Sportfish Management, offers the following services: **1) Providing wildlife hunting and recreational opportunities** to the public; **2) Assessing habitat conditions and enforcing regulations** to conserve and restore nongame and endangered wildlife populations; **3) Producing, stocking, and maintaining sportfish** in Arizona lakes and streams; **4) Issuing hunting and fishing licenses and tags**; and **5) Providing wildlife education programs** to the public.



Wildlife Management Program Mission:

“To provide fish and wildlife benefits and compatible public uses through diverse and cooperative wildlife management, while avoiding adverse impacts to habitat. To protect wildlife populations, habitats, and public safety, and to increase public awareness and understanding of wildlife resources and the Department.”

Equipment:

The Wildlife Management Program's assets total more than \$75.6 million. Included in this amount are the Program's six largest assets:



Trucks worth approximately \$8.9 million



Radios worth approximately \$1.3 million



Boats worth approximately \$1.2 million



Trailers worth approximately \$863,000



Tractors worth approximately \$561,000



Aircraft worth approximately \$399,000.

Other assets: all-terrain vehicles, generators, guns, microscopes, snowmobiles, and tools.

Summary of Program Goals (fiscal years 2000-2001):

1. To maintain and/or restore the natural diversity of Arizona's game, nongame, and endangered wildlife populations.
2. To maintain or enhance distribution/abundance of cold and warm water sportfish.
3. To increase public awareness of Arizona's sportfishing resources and nongame and endangered fish and wildlife.
4. To provide recreational opportunities.

Adequacy of Performance Measures:

The Wildlife Management Program's 18 performance measures appear to be reasonably aligned with its mission and goals. However, the Program currently does not have performance measures to address all aspects of its subprograms' mission statements. For example, new performance measures are needed to address:

- Game-wildlife habitat and diversity under the Game Management subprogram;
- Non-game wildlife and fish habitat and recreational opportunities under the Nongame and Endangered Wildlife subprogram; and
- Distribution, abundance, and diversity of cold and warm water sportfishes and their habitats under the Sportfish Management subprogram.

SUMMARY

The Office of the Auditor General has conducted a Sunset review of the Arizona Game and Fish Commission and Department and a performance audit of the Arizona Game and Fish Department's Wildlife Management Program pursuant to a June 16, 1999, resolution of the Joint Legislative Audit Committee. This audit was conducted as part of the Sunset review set forth in Arizona Revised Statutes §41-2951 et seq. This Sunset review of the Commission and Department was conducted in conjunction with a separate performance audit of the Commission Heritage Fund (Auditor General Report No. 01-09). The Heritage Fund provides a substantial amount of revenue to the Wildlife Management Program and these monies are used to support a number of activities, including endangered species protection and reintroduction efforts. Although the Heritage Fund itself is not subject to Sunset laws, Heritage Fund management is a critical Department function and was assessed as part of this Sunset audit. Therefore, this report includes information about the Heritage Fund in the Sunset Factors (see pages 25 through 34).

The Arizona Game and Fish Department (Department) and Commission were established in 1929 to set hunting and fishing regulations and manage wildlife. The Commission oversees the Department and is responsible for setting wildlife regulations and policies. The Department implements Commission policies and carries out day-to-day activities such as wildlife management and research, law enforcement, and public information and education.

This audit includes two findings, one with recommendations directed toward the Legislature, and the other with recommendations to improve Department operations.

**Specific Decisions Needed to
Help Address Elk Population
and Habitat Concerns
(See pages 9 through 17)**

Because no single agency is responsible for managing both elk population numbers and habitat in Arizona, conflicts arise over the number of elk the Department manages in the State, and the impact those animals have on lands owned and managed by others. Higher elk numbers can lead to increased hunting opportunities and license revenues. However, elk numbers concern ranchers because elk compete with cattle for available forage, or food, on federal, state, and private lands. In addition, when forage conditions are poor, the U.S. Forest Service, which manages most elk habitat in Arizona, can reduce or eliminate cattle on Forest lands, but cannot influence wildlife numbers. Private landowners also have concerns because elk can damage fences and crops.

Efforts by various interest groups to resolve these inherent conflicts have not yet resulted in a comprehensive approach for managing forage resources. Consequently, the Legislature should consider formally bringing together key decision-makers from all interest groups, and charging them with addressing critical problems and reaching consensus on specific decisions needed to manage the issues. This task force's activities should include:

- Developing comprehensive forage management plans that establish forage use objectives for wildlife and cattle in summer and winter habitats, and during drought conditions;
- Establishing forage measurement and monitoring methods that are acceptable to both land managers and the Department;
- Forging agreements for actions to take when there is insufficient forage;
- Developing a mechanism for cooperatively identifying areas that may need time to recover from either livestock or wild-

life use, and establishing responsibility for rehabilitating those areas; and

- Recommending to the Legislature appropriate tools to address depredation on private property, and feasible methods for addressing competition for forage between livestock and wildlife on federal and state trust lands.

Department Needs to Better Manage Dealer License Sales (See pages 19 through 24)

The Department needs to better manage retail sales of hunting and fishing licenses to ensure that it collects all monies owed to it in a timely manner. Retail sales of hunting and fishing licenses and hunting tags are a critical source of revenue for the Department, generating approximately 23 percent of its \$41 million Wildlife Management Program budget. However, the Department's procedures for managing retail, or license dealer sales, are inadequate in the following areas:

- **Recordkeeping**—The Department lacks comprehensive, readily available information about the amount license dealers owe or have paid the Department, and whether dealers have met statutory deadlines for reporting sales and returning unsold expired licenses. Further, the information the Department has is often conflicting. For example, depending on which of the billing records auditors reviewed for one dealer, he owed either \$171 or \$266. However, a manual payment log shows this dealer has a “zero balance,” but does not indicate how much was paid or when. To resolve these problems, the Department needs to develop a single source of accessible, up-to-date payment and billing information.
- **Year-end dealer audits**—The Department audits dealers annually to ensure that they pay for or return all licenses issued to them for sale. However, the Department allows some dealers to delay making final payments for months. For example, one dealer who owed \$10,000 in January 1999 was allowed to delay paying in full for eight months. To help ensure prompt reporting on both a monthly basis and at year-

end, the Department should seek enforcement options, such as penalties and late fees.

- **Collections**—When dealers do not pay, the Department is sometimes slow to initiate collection efforts. For example, one dealer should have returned approximately \$9,500 worth of licenses in January 1999. The dealer did not respond to an April 1999 request for payment, but the Department let seven months pass before sending a follow-up letter. In the meantime, the Department sent this dealer licenses to sell for the next license year, which the dealer also failed to return. When the Department finally initiated collections action in April 2000, this dealer owed more than \$15,600. To ensure timely collections in the future, the Department needs to establish a time frame for initiating collections action efforts against dealers who fail to return licenses or report sales, improve its ability to identify these dealers, and initiate collection actions in a timely manner.

Sunset Factors **(See pages 25 through 34)**

The Sunset Factors include some additional recommendations to improve Department operations, and also assess the Department's management of the Game and Fish Heritage Fund. The Heritage Fund provides substantial revenues to the Department to fund a variety of wildlife-related activities and projects. Consequently, the Department's management of the Fund is assessed in the Sunset Factors, even though the Fund itself is not subject to Sunset laws (see also Auditor General Report No. 01-09).

Recommendations to improve other Department operations include a listing of rules the Department should develop to help it better implement wildlife management, and off-highway vehicle and watercraft statutes. Also, the Department needs to ensure that it fully complies with its current administrative rule for issuing licenses to retail sales outlets in a timely manner.

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INTRODUCTION AND BACKGROUND

The Office of the Auditor General has conducted a Sunset review of the Arizona Game and Fish Commission and Department and a performance audit of the Arizona Game and Fish Department's Wildlife Management Program pursuant to a June 16, 1999, resolution of the Joint Legislative Audit Committee. This audit was conducted as part of the Sunset review set forth in Arizona Revised Statutes (A.R.S.) §41-2951 et seq.

In the early 1880s the Territorial Legislature established the Arizona Fish Commission in response to growing concerns over the unrestricted depletion of wildlife. The Arizona Fish Commission initially consisted of three commissioners charged with enforcing the few existing conservation laws as well as stocking desirable species of fish. At the time, the Territorial Legislature established fishing and hunting laws, as well as seasons and harvest limits. As these laws grew more complex, it became apparent that the State needed a specialized agency with the authority to establish hunting and fishing regulations and manage wildlife. Consequently, in 1929, the Legislature established the present-day Arizona Game and Fish Department (Department) and Commission.

Arizona Game and Fish Commission and Department Responsibilities

The Arizona Game and Fish Commission is the oversight body responsible for setting regulations and policies designed to provide Arizona's citizens with quality hunting, fishing, and wildlife-related recreational activities. The Department implements the Commission's policies, and assists the Commission in fulfilling its statutory responsibilities, including:

- Developing broad policies and long-range programs for wildlife management, preservation, and harvest;

- Establishing hunting, trapping, and fishing rules and methods for taking wildlife;
- Enforcing laws that protect wildlife;
- Establishing programs for the management of nongame, endangered, and threatened wildlife; and
- Providing educational programs for the general public.

The Commission and Department share a common 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.”

Organization and Staffing

The Commission is composed of five members appointed by the Governor pursuant to A.R.S. §38-211. Commissioners serve staggered five-year terms, set policy, and hire a director to supervise the Department and ensure that Commission policies are implemented. The Department is divided into three main program areas: Wildlife Management, Off Highway Vehicle/Watercraft Management, and Administration. This performance audit reviewed the Wildlife Management Program only, which employs approximately 91 percent of the Department’s 600 total full-time equivalent (FTE) employees.

The Wildlife Management Program has three subprograms:

- **Game Management (238 FTEs)**—This subprogram provides wildlife hunting and recreational opportunities to the public. In doing so, it manages animals that are actively hunted, such as deer, bear, elk, turkey, quail, and duck. Game management includes inventorying game populations, enforcing hunting rules and regulations, and assessing habitat conditions. Additionally, it is involved in evaluating for-

Wildlife Management Program employs approximately 544 FTEs.

merly occupied habitat for potential reintroduction of game species.

- **Nongame and Endangered Wildlife (106.5 FTEs)**—This subprogram’s activities include assessing habitat conditions and enforcing regulations to conserve and restore wildlife populations that are not typically hunted. These efforts serve reptiles, amphibians, mammals, birds, mollusks, and crustaceans. This subprogram also oversees Department projects for particular species that the U.S. Fish and Wildlife Service has determined require special protection. One ongoing non-game project involves re-establishing endangered Black-footed ferrets in Arizona. These animals were eliminated from the State in the 1930s.

Photo 1: Black-footed Ferret



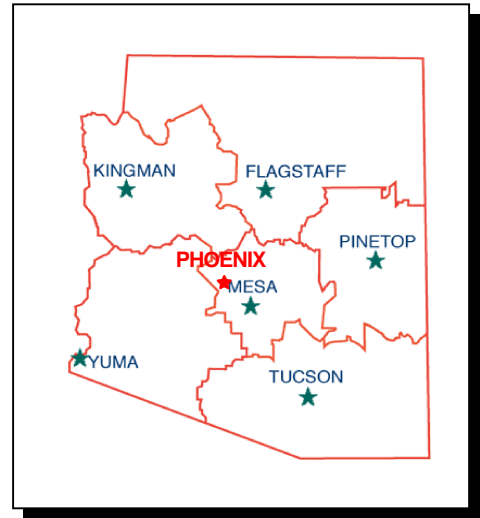
The U.S. Fish and Wildlife Service identifies species that require special protection efforts based on population threats. Designations include:

Candidate Species	Threatened Species	Endangered Species
A species with known or suspected habitat or population threats.	A species that is not in imminent danger of being eliminated from its range but is likely to become endangered in the foreseeable future.	A species that it is in imminent danger of elimination from its range.

- **Sportfish Management (199 FTEs)**—This subprogram serves an estimated 515,885 anglers each year by producing, stocking, and maintaining sportfish in Arizona lakes and streams. To help accomplish this, its seven hatcheries produce an estimated 2.5 million fish each year, including trout, bass, and catfish. In addition, it oversees an urban fishing

program that involves stocking and maintaining fish in urban lakes, such as those in city parks.

Wildlife Management staff, including approximately 150 commissioned peace officers, are located throughout the State in the Department's six regional offices and the central administrative office in Phoenix. Regional offices, at the locations shown on the map, enable staff to become familiar with the wildlife and habitat in specific areas, and to better enforce wildlife



and boating laws. In addition, these offices serve the public locally by selling hunting and fishing licenses, accepting and addressing complaints about issues such as nuisance wildlife, and providing information about regional recreational activities.

Follow-Up to 1991 Sunset Review

This audit includes an assessment of whether the Department has implemented recommendations made during the previous review of Wildlife Management Program activities (Auditor General Report No. 91-10). The 1991 report included recommendations for changes to wildlife management efforts in the following three areas:

- **Controversial wildlife management issues**—Auditors recommended that the Department strengthen its research on nongame species to increase the amount of information available to public land managers. The recommendation has been implemented. Currently, the Department maintains a database with information about special status nongame species that is used to help assess whether public, state, and private land projects need to include efforts to mitigate damage to those species. In addition, auditors recommended that the

Department increase its efforts to address controversial wild-life management issues. Although it has made efforts to resolve landowner and rancher concerns, conflicts relating to elk continue. Because the Department alone cannot resolve the issues, the Legislature should consider taking action to involve all concerned parties in developing solutions (see Finding I, pages 9 through 17).

- **Planning and evaluation**—At the time of the last audit, the Department was working to implement a comprehensive planning and evaluation process to govern its activities, and the audit recommended that these activities continue. Since then, the Department has worked to integrate its strategic and operational plans. It has also centralized responsibility for collecting and maintaining annual work plans developed by program and regional staff. In addition, the Department has implemented a Total Quality Leadership program that involves teams who work to address specific operational issues.
- **Staffing**—The 1991 audit also found that the Department regional supervisors were responsible for overseeing too many staff, and the Department implemented the recommendation to develop additional supervisor positions.

Funding and Budget

The Wildlife Management Program, like the Department as a whole, does not receive any General Fund monies. Instead, in fiscal year 2000 the program received approximately \$16.4 million, or nearly 40 percent, of its \$41.8 million in revenues from the sale of hunting and fishing licenses, tags, and stamps. A portion of these monies, as well as most of the \$13.7 million received predominately from federal grants, was used to fund game and sportfish management. Nongame projects receive funding mainly through the Heritage Fund. The Heritage Fund, which received approximately \$8.1 million in fiscal year 2000, is derived from state lottery revenues and is not appropriated. Other sources of revenue include donations and income tax check-off monies (see Table 1, page 6).

The program does not receive any General Fund monies.

Table 1

**Arizona Game and Fish Department
Wildlife Management Program ¹
Statement of Revenues and Expenditures
Years Ended or Ending June 30, 1999, 2000, and 2001
(Unaudited)**

	1999 (Actual)	2000 (Actual)	2001 (Estimated)
Revenues:			
Licenses and permits	\$15,631,766	\$16,407,582	\$18,940,000
Intergovernmental	11,810,061	13,733,304	12,403,900
Lottery proceeds to the Heritage Fund	8,706,250	8,096,800	7,340,600
Earnings on investments	1,337,334	1,523,392	1,100,400
Private gifts, grants, and donations	658,900	1,333,581	915,000
Sales and charges for goods and services	358,307	447,116	270,500
Fines and forfeits	200,849	154,162	166,000
Other	<u>312,937</u>	<u>145,835</u>	<u>224,200</u>
Total revenues	<u>39,016,404</u>	<u>41,841,772</u>	<u>41,360,600</u>
Expenditures:			
Personal services	18,228,729	18,169,729	18,629,400
Employee related	5,097,518	4,797,968	4,857,600
Professional and outside services	2,837,997	2,143,900	1,682,500
Travel, in-state	800,619	711,063	725,800
Travel, out-of-state	197,270	198,665	142,200
Other operating	7,341,871	7,302,939	12,667,100
Equipment	<u>7,215,507</u>	<u>7,150,862</u>	<u>2,144,100</u>
Total expenditures	<u>41,719,511</u>	<u>40,475,126</u>	<u>40,848,700</u>
Excess of revenues over expenditures	(2,703,107)	1,366,646	511,900
Net operating transfers in	<u>781,863</u>	<u>562,312</u>	<u> </u>
Excess of revenues and transfers in over (under) ex- penditures and transfers out	(1,921,244) ²	1,928,958	511,900
Fund balance, beginning of year	<u>25,707,310</u>	<u>23,786,066</u>	<u>25,715,024</u>
Fund balance, end of year ³	<u>\$23,786,066</u>	<u>\$25,715,024</u>	<u>\$26,226,924</u>

¹ The Department does not entirely account for revenues and expenditures by program. Consequently, amounts for 1999, 2000, and 2001 includes Departmental administration costs (Administrative Program) and a portion of the Off-Highway Vehicle/Watercraft Management Program. Revenues and expenditures for the Administration Program are estimated to be \$1,240,400; \$1,362,600; and \$1,590,200 for 1999, 2000, and 2001, respectively, and the portion of Off-Highway Vehicle Watercraft Management Program revenues and expenditures included in the Statement is estimated to be \$867,100; \$1,893,300; and \$1,942,100, respectively.

² In 1999 the Department used nearly \$2 million of the available fund balance in the Game and Fish Fund to pay for 1999 operations; consequently, the Department experienced a significant excess of expenditures over revenues for that year.

³ Includes the Heritage Fund, which accounted for over \$20 million of the ending fund balance for all years presented.

Source: Auditor General staff analysis of the Arizona Financial Information System (AFIS) *Revenues and Expenditures by Fund, Program, Organization, and Object* and *Trial Balance by Fund* reports for the years ended June 30, 1999 and 2000, and the Department's fiscal year 2002 and 2003 *Budget Request* for the 2001 estimates.

Audit Scope and Methodology

During the course of this audit, auditors assessed several Wildlife Management Program activities before focusing on two areas involving elk management and retail license and tag sales. Other activities reviewed included such things as the Department's current efforts to process big game tag applications, enforce wildlife laws, conduct research, and manage its fisheries program. These activities appear to be well managed, based on a preliminary review. However, auditors did identify several issues associated with the Department's management of the Heritage Fund, and these are reported in a separate audit (Auditor General Report No. 01-09).

This audit report includes two findings:

- The need for the Legislature to establish a small formal task force to help address concerns about the State's elk population (see Finding I, pages 9 through 17); and
- The need for the Department to more effectively and efficiently manage retail license sales to ensure that it collects all monies owed to it in a timely manner (see Finding II, pages 19 through 24).
- In addition, this report presents responses to the 12 statutory Sunset factors (see pages 25 through 34), including information about the Department's management of the Heritage Fund. Information about Heritage Fund management is included as part of the Department's Sunset Review since the Fund provides substantial revenues to the Department and pays for a number of wildlife-related activities and projects. The Heritage Fund itself, however, is not subject to Sunset laws.

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

- **To research issues and concerns relating to the State's elk population**—Auditors interviewed Department management and staff to assess how the number of elk in the State is estimated, and what it has done to mitigate concerns

of land managers, private property owners, and interest groups. Auditors also received input from legislators and spoke with numerous outside interest groups and committees, including the U.S. Forest Service; Arizona State Land Department; the legislative Natural Resources Discussion Group; the Governor's Rangeland Technical Advisory Council; and the Arizona Cattle Growers about their elk management concerns. In addition, information was obtained from the Rocky Mountain Elk Foundation. Auditors also reviewed statutes and rules from Arizona and other surrounding states, including Colorado, New Mexico, Nevada, and Utah. Finally, auditors contacted wildlife managers in some of these states about their efforts to address land manager and interest groups' concerns.

- **To determine whether the Department was appropriately managing retail license sales**—Auditors interviewed Department staff responsible for managing and monitoring retail license sales through license dealers. Auditors also reviewed statutes, rules, policies, and procedures governing dealers, and reviewed records for a random sample of 29 dealers to determine whether these dealers had met these requirements. In addition, to assess the accuracy of payment records and the Department's efforts to collect monies, auditors reviewed available records for another 20 dealers who appeared to either owe the Department money or be due a refund for 1998 license sales, the most recent year for which complete information was available.

This audit was conducted in accordance with government auditing standards.

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

SPECIFIC DECISIONS NEEDED TO HELP ADDRESS ELK POPULATION AND HABITAT CONCERNS

During the course of this audit, there was legislative and public interest regarding the Department's management of the State's elk population. The Department is responsible for managing thousands of elk that inhabit federal, state, and private lands. The number of elk in the State has been a long-time concern because of their impact on private property and forage, or food, that is also used by cattle and other wildlife, such as deer. In an attempt to address these concerns, numerous studies have been conducted, and discussion groups and committees have been established, but consensus has not been reached on key issues.

Consequently the Legislature should consider establishing a small, formal task force with a mandate to address specific resource management issues.

Photo 2: Rocky Mountain Elk



Arizona was originally inhabited by Merriam's elk, which became extinct in the late 1800s. A close relative, the Rocky Mountain elk, was successfully introduced in 1913, and now roams the State's higher elevations.

Efforts to establish elk herds in Arizona began in 1913 when an initial herd of 86 Rocky Mountain elk were transplanted from Wyoming to the Sitgreaves National Forest. By 1935, the State's elk herd was successfully established and could support regular elk hunts. Since then, the elk herd has continued to grow. According to Department estimates, in the late 1980s elk inhabited approximately 3.8 million acres. Since then, the Department estimates that elk have expanded their range to include approximately 5 million acres of federal, state, and private land in Arizona. Population estimates following the 1999 hunts ranged between 25,300 and 28,300 elk, not including calves. The total population of elk prior to the 2000 hunts was estimated at approximately 38,000, which is reduced from a high of approximately 48,000 in 1994, based on information provided by the Department's regional offices.

approximately 38,000, which is reduced from a high of approximately 48,000 in 1994, based on information provided by the Department's regional offices.

Competing Interests Lead to Conflicts over Elk

No single agency is responsible for managing both elk population numbers and habitat, and this contributes to conflicts over the number of elk in the State and their use of federal, state, and private lands. For example, the Department is responsible for managing the elk population and does this through public hunts. However, other agencies and individuals manage and use elk habitat, and they indicate that fewer elk could result in less damage to private property and reduced competition between elk, cattle, and other wildlife for forage on federal and state trust lands.

Larger elk herds benefit sportsmen—The Department is responsible for managing the State’s elk population through setting hunting quotas and regulations. Currently, there is a high level of interest in elk hunting in Arizona, and the Department receives a substantial amount of revenue from hunters. Between 1990 and 1999, the number of elk hunting permits available to sportsmen increased by approximately 10,000; however, demand still far exceeds the number of permits available. In 1999, approximately 95,000 sportsmen sought to obtain one of the 23,345 elk hunting permits issued that year. Elk permit sales and associated application fees generated approximately \$1.9 million for the Department in 1999. Each permit allows hunting in one or more designated parts of the State, called management units. Most of the units where elk hunting is allowed, shown at left in blue, are concentrated in the Apache-Sitgreaves, Coconino, and Tonto National Forests.



Elk compete with other land users’ interests—Although the Department is responsible for managing the elk population, it does not manage most of the State’s elk habitat. This results in conflicts between the Department and other groups such as U.S. Forest Service land users and private landowners because of the negative impacts elk can have. For example, ranchers who use U.S. Forest Service lands to produce livestock find that the size of their herds is restricted when the amount of forage is not sufficient to feed both the elk and livestock. The amount of available

forage is impacted by a number of variables, including such things as drought and the needs of endangered species.

When the Forest Service determines that available forage is low, Forest Service managers direct ranchers to reduce the number of cattle on the range, but cannot control the number of elk that also use the land. Ranchers have expressed frustration with this situation because they perceive that they are required to take action when forage is in poor condition, but the Department is not required to take action to reduce the elk population. For example, in certain areas of the Tonto National Forest drought conditions have caused cattle numbers to be reduced by 50 percent or more in recent years. In other areas, cattle have been excluded entirely; however, some of these areas still show heavy use, which is attributed to elk.

Elk can damage property.

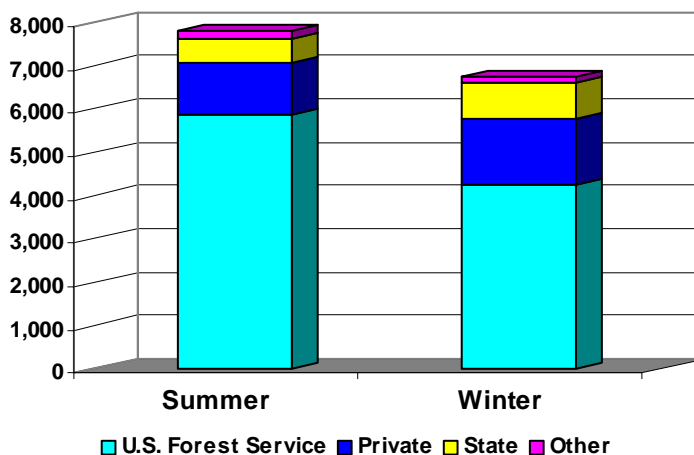
Private landowners have also expressed concerns about the damage elk cause to such things as fences, crops, and gardens. Although most elk habitat is managed by the Forest Service, there is the potential for significant elk numbers on state and private lands that border or are interspersed with federal forest lands. This is particularly the case in the winter, when snow forces elk to move to lower elevations where a greater percentage of elk habitat is privately owned (see Figure 1, page 12). In addition, numerous elk spend the summer on reservation land, and the reservations may manage these elk herds with different population goals than the Department. When these management goals conflict, such as when reservation authorities manage for higher elk populations, surrounding landowners may be adversely affected.

Despite Efforts of Department and Others, Key Issues Still Not Resolved

In recent years numerous efforts have been made to address elk-related concerns; however, these efforts have not yet resulted in a comprehensive approach to managing forage. Over the past 12 years, the Legislature, the Department, the Governor, the Arizona State Land Department, and others have initiated a

Figure 1

Elk Habitat Ownership
(Estimated)



Source: Auditor General staff summary of information provided by the Department from its Geographic Information System. The Department indicates that numbers are based on 1988 mapping efforts.

number of committees and activities focused on elk and habitat issues. However, consensus has not yet been reached on issues such as how to measure or allocate forage in the State. To resolve these types of broad-based issues, key interest groups need to reach a consensus on specific management goals and objectives for areas heavily impacted by elk use.

Efforts have been made to address concerns—Since 1989, a number of studies have been conducted, and committees and groups have been established to address habitat management and elk-related concerns. The Department has been an active participant in many of these groups, and has also established projects of its own. Some studies and committees have been established to address specific issues, and examples of these efforts include:

- The Big Game Ranching Study Committee, which was statutorily established in 1989 to study the feasibility of establishing a program to help ranchers and landowners recover costs

associated with big game on their property. The Committee recommendations specific to its charge included such things as compensating landowners for setting aside habitat for big game and establishing a special fund to help pay for fencing or other items to prevent property damage by big game. These recommendations have not been fully implemented, and may require further study or legislative action;

- The Department is currently working in cooperation with the U.S. Forest Service to study forage usage on 3 of the 29 elk management units in the State. In one of these units, a formal agreement has been established to allocate available forage between cattle and wildlife. The Department is responsible for managing wildlife numbers based on their use of allocated forage;
- The Governor's Rangeland Technical Advisory Council, established in 1999, was charged with assessing how the Forest Service measures and allocates forage throughout the State. The report was completed in January 2001, and recommended increased consistency in measuring and monitoring forage usage on U.S. Forest Service lands;
- The Forage Resource Study Group, lead by the State Land Department, has ongoing studies of forage availability on approximately 450,000 acres of land that serve as elk winter habitat. The State Land Department indicates that winter elk habitat in Arizona is limited and is more likely to be privately or state owned, and these factors need to be considered when determining elk population goals; and,
- The University of Arizona has received limited funding to assess Arizona's plant production via satellite to help determine how much forage is available in the State.

In addition to efforts to address specific concerns, committees have been formed to discuss broader-based habitat issues. For example, the Department has established Habitat Partnership Committees to identify and discuss local habitat concerns. Local landowners and users can also use the committees as a forum to provide input into the Department's hunt recommendations. Although the committees have identified several habitat improve-

ment projects, they do not generally appear to focus on issues such as forage measurement and monitoring. Another group created to address habitat issues is the Natural Resources Discussion Group, which was informally established in the mid 1990s by the Speaker of the House. The group includes members of land management agencies, land users, the Department, and sportsmen. While the group brings together key interest groups, its discussions still indicate that there is distrust among these groups about issues such as how the elk population in Arizona is estimated.

Specific issues need to be resolved.

Current efforts are important, but key issues remain unresolved—Although various groups have worked to address particular elk-related issues and have made progress in some areas, conflicts over how to manage forage and depredation, or wildlife damage, continue. One reason may be that although some of the current study groups and committees represent various interests, they may have a limited focus. In other cases, they may lack the ability or authority to affect both elk and elk habitat management. In addition, existing groups or committees have either not been mandated to address key issues, or they have not successfully fulfilled their mandate. Key issues that still need to be resolved include:

- **Comprehensive forage resource management**—None of the groups have been charged with reaching consensus on how to manage the State’s forage resources. To manage forage comprehensively, land management agencies, land users, and the Department need to agree on matters such as how to measure and monitor forage in both summer and winter habitats, and during drought conditions. Specifically, these groups need to set measurable objectives for managing forage and reach agreements about actions ranchers and the Department will take when there is insufficient forage. In addition, key interest groups need to agree on how to identify areas that may need time to recover from livestock or wildlife use and who should be responsible for rehabilitating those areas.
- **Depredation on private property**—Committee efforts have not significantly increased options for addressing wildlife depredation on private property. One of the few existing options is a statutory provision that allows for a special depre-

dation hunt to remove animals in areas where they are causing problems. However, during the past ten years the Commission has not successfully launched such a hunt. Further, the Department's ability to provide materials that may benefit landowners, such as fencing to protect crops from wildlife, is limited. This issue was discussed in the Big Game Ranching Study Committee's recommendations, but it is not clear whether the Committee considered how materials could be provided in compliance with the Arizona Constitution.

The Constitution prohibits gifts of state money or property, so materials such as fencing can only be provided to landowners if the Department identifies a corresponding benefit to wildlife, or if it retains the title to the materials. For example, in some cases, the Department has lent fencing materials to landowners to protect crops for a limited time, but the materials must be returned. In addition, when a project can be shown to benefit wildlife, the Department has helped landowners to develop water sources and has provided such things as fertilizer to improve habitats.

Although the Constitution limits the types of compensation the Department can offer landowners, this issue could be revisited to determine whether other states' programs could be modified and adopted here. For example, Colorado, Nevada, New Mexico, and Utah each allow landowners who have experienced problems with elk on their private property to receive hunting permits as compensation. Nevada's elk incentive tag program could potentially be adapted for Arizona. Nevada landowners agree to "tolerate" a particular number of elk on their property in exchange for one or more hunting permits. One option for landowners, which would not require a legislative change nor involve a gift, would be to increase the quality or quantity of wildlife on their property and then charge sportsmen a fee to hunt there.

- **Forage competition**—A more comprehensive approach to forage management may reduce the conflict of competition between livestock and wildlife for forage on federal and state trust lands. As part of any comprehensive management plan, strategies that would enable livestock and wildlife to complement rather than compete with one another should be

considered. For example, Colorado has begun a project on one state grazing allotment where cattle are used to improve the habitat for elk. The study involves using a rotational grazing plan where cattle are allowed to graze portions of the allotment early in the spring to remove old, dry forage that the elk are unlikely to eat. Cattle are then moved to another pasture, leaving the newly exposed plant growth available to elk. This practice is designed to benefit cattle by allowing them access to the range earlier, and to benefit elk by making new plant growth more accessible and by encouraging new plant growth. Another possibility that could be explored is whether ranchers who agree to defer grazing on federal and state trust lands could receive hunting permits as compensation.

Consensus on critical habitat management issues is needed—

Interest group representatives, including those with ongoing projects, agree that a formal legislative task force could help to effectively resolve concerns about habitat and forage if it can reach a consensus on key issues. These representatives indicate that to be most effective, the task force should be kept small and include key decision-makers so that agreements and commitments can be made. In addition, any plans or formal recommendations that the task force develops should incorporate the results of recent or ongoing studies where applicable. In addition, the task force should obtain input from the interest groups that are also working to address elk-related issues.

Task force members should include legislators and representatives from the State Land Department, the Department, landowners, ranchers, sportsmen, and scientists. In addition, participation by key Forest Service decision-makers is critical to developing comprehensive, effective solutions. Another important consideration would be to assign an Assistant Attorney General to the task force to assess recommendations and advise members. To perform its duties, the task force could also utilize the services of legislative staff and agency staff in appropriate fields. Finally, to give the task force sufficient time to reach consensus and to address long-term issues, the Legislature should consider establishing it on an ongoing basis.

Legislative task force should include key representatives.

Recommendations

The Legislature should consider establishing a small, formal, on-going task force mandated with developing a comprehensive plan for managing forage with specific agreed-upon objectives, and for recommending methods for mitigating private property damages and forage competition between wildlife and cattle. The task force's membership could include legislators, representatives from the U.S. Forest Service, the State Land Department, the Department, landowners, ranchers, sportsmen, and scientists. The task force could also utilize the services of an Assistant Attorney General, legislative staff, and agency staff in appropriate fields, as well as the efforts of existing studies, groups, and committees to complete its duties, which should include developing and reaching consensus on the following key issues:

- Comprehensive forage management plans that establish forage use objectives for wildlife and cattle on summer and winter habitats, and during drought conditions;
- Forage measurement and monitoring methods that are acceptable to both land managers and the Department;
- Agreements for actions to take when there is insufficient forage;
- A mechanism for cooperatively identifying areas that may need time to recover from either livestock or wildlife use, and establishing responsibility for rehabilitating those areas;
- Recommendations to the Legislature about adopting the appropriate tools to address depredation on private property; and
- Recommendations to the Legislature about feasible methods for addressing competition for forage between livestock and wildlife on federal and state trust lands.

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FINDING II

DEPARTMENT NEEDS TO BETTER MANAGE DEALER LICENSE SALES

The Department needs to better manage its process for issuing fishing and hunting licenses, and hunting tags through retail outlets. Retail sales are a critical source of revenue for the Department, generating approximately 23 percent of its \$41 million Wildlife Management Program budget. However, the Department's recordkeeping and other procedures for managing retail outlet sales do not adequately ensure that the Department collects all monies owed to it in a timely manner.

License Dealers Generate Significant Revenues

The Department receives a substantial portion of its annual revenues from license, tag, and stamp sales to sportsmen. Most of those sales are through approximately 400 retail outlets known as license dealers. These dealers include large sporting goods stores as well as small "mom-and-pop" convenience stores. Together, these dealers collect about \$9.4 million for the Department each year by selling hunting and fishing licenses and stamps and tags for particular big game species, including bear and mountain lion.¹

- **License**—Required to hunt or fish. Some, such as urban fishing licenses, are for specific locations or times.
- **Tag**—Required, in addition to a license, to harvest big game animals, including antelope, bear, big-horn sheep, buffalo, deer, elk, javelina, mountain lion, and turkey.
- **Stamp**—Validates a license for particular purposes, such as hunting waterfowl, or fishing with two poles.

¹ The Department's offices also sell licenses, and are the exclusive source of big-game tags except for bear, mountain lion, and archery deer and turkey. The Department's offices annually collect over \$5 million.

To receive and sell hunting and fishing licenses to the public, dealers must apply for and receive a Department dealer license. As part of their licensing agreement with the Department, dealers receive a 5 percent commission on sales and must report sales and remit monies monthly. In addition, dealers must return all unsold, expired licenses by January 10th for the previous license year, or pay the Department for the value of those licenses. Hunting and fishing licenses are generally valid for one calendar year, but the Department sends licenses to dealers in August to allow for advance sales.

Efforts to Manage Retail Sales and Collect Revenue Are Inadequate

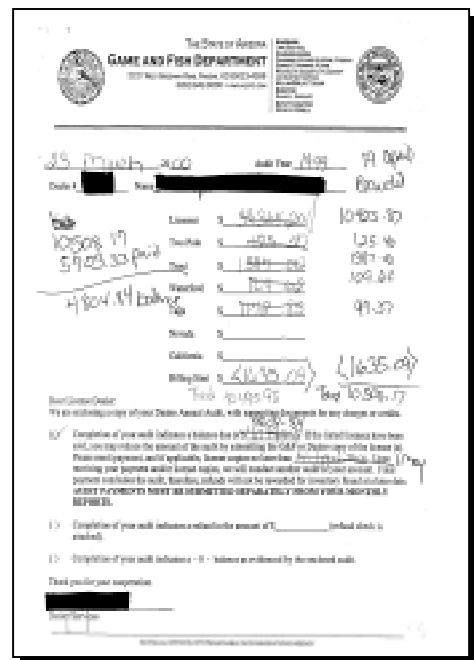
The Department does not efficiently manage sales through dealers although they contribute a significant portion of the Wildlife Management Program's revenues. Records indicating the amounts that dealers owe or have paid are inadequate. In addition, the Department is slow to finalize its year-end audit process, which can result in dealers delaying payments for several months. Finally, when dealers are slow to pay, the Department does not consistently initiate efforts through the Attorney General's Office to collect monies.

Payment records are inadequate—Based on the Department's records, it is difficult to determine whether dealers have met statutory reporting deadlines and whether they owe the Department money. License dealers are statutorily required to remit sales revenues to the Department by the 10th of each month, and must return any unsold licenses annually. If unsold licenses cannot be located, the dealer must treat them as if they were sold and pay the Department for them. The Department keeps multiple records of dealers' sales, payments, and monies owed, but there is not a single source of comprehensive information. Further, each of the Department's records is problematic:

- **Computerized data must be manually compiled into annual billing statements**—Usefulness of the Department's computerized data of the amount and type of license stock sent to dealers and monthly payment records is limited. Specifically, the system does not enable managers to identify

which dealers have failed to report monthly sales. Staff compile and maintain this information manually. In addition, the system cannot compile a comprehensive year-end billing statement for each dealer. Instead, the system produces two separate statements: one showing how much dealers owe for unreturned license stock; and a second showing how much is due, or should be refunded, because dealers incorrectly reported monthly sales or miscalculated payments. The Department staff must manually compile both of these pieces of information into a year-end billing statement for approximately 400 dealers.

- **Annual billing statements do not clearly show payments or monies due**—The Department’s annual billing statements are compiled manually and can be confusing. For example, as shown at right, when a dealer makes a partial payment, or returns some license stock, Department staff recalculate the new amount due and write it on the original statement and send it back to the dealer.



- **Handwritten payment log lacks payment dates and amounts**—During the year-end billing process, Department staff record payment information on a manual log. Staff indicate that during the year-end process, this log is the most up-to-date payment record available. However, this log appears to be of little value since staff often do not record the dates and amounts of payments in it.

Auditors reviewed records for 49 license dealers and identified numerous recordkeeping problems and discrepancies. Some problems were less serious, such as Department staff failing to date-stamp monthly reports to show whether a dealer had re-

ported on time, or an out-of-business dealer still being listed as active in the database. Other, more serious problems involved cases where records were not sufficient to determine which dealers still owed the Department money and how much was due. For example, one dealer's file showed a balance due of \$266 for 1998 license sales. A computerized billing statement, which does not include monies owed for unreturned licenses, showed that the dealer owed \$171. However, the manual payment log contradicts both of these records, showing that this dealer has a "zero balance." The log's accuracy cannot be verified, however, since it does not include an amount paid or a payment date.

To resolve these problems, the Department needs to develop a single source of accessible, up-to-date payment and billing information. The Department's computer system currently appears to contain all of the information necessary to do this, but some additional programming is needed to produce comprehensive billing reports. In addition, it needs to ensure that it appropriately date-stamps and maintains any necessary manual records, such as monthly dealer reports.

Dealers allowed to delay year-end payments—Although the Department audits dealers annually to ensure that they either return or pay for all licenses they receive, some dealers have been allowed to delay making final payments for several months. After the January 10th deadline for returning unsold licenses, the Department begins its audit process and bills those dealers for the value of all unreturned licenses. When a dealer returns a portion of the unsold licenses or makes a partial payment, the Department issues another bill and allows the dealer an additional 30 days to respond. Because the Department does not limit the number of times that it recalculates and resubmits bills, some dealers have delayed payments for several months. For example:

- One dealer who owed \$10,000 in January 1999 was allowed to delay paying in full for eight months. The dealer returned unsold licenses and made partial payments until September 1999, when the audit process was finally completed.
- Another dealer who should have paid or returned licenses worth \$6,921 in January 1999 delayed making a final payment for at least ten months.

By statute, dealers' license-selling privileges are automatically canceled if they do not return all unsold and expired licenses within 30 days of reporting deadlines. However, this statutory provision does not provide a practical solution for late reporting. To help ensure prompt reporting on both a monthly basis and at year-end, the Department should seek amendments to A.R.S. §§17-338 and 17-339 to allow for enforcement options, such as penalties and late fees. In addition, the Department needs to implement a policy limiting the total amount of time, or the number of opportunities to respond, that a dealer will be allowed before formal collection or revocation efforts are initiated.

Department does not always act quickly to collect monies due—

When dealers do not pay, the Department does not always refer these cases in a timely manner to the Attorney General's Office for collection. One reason is that the Department has not established deadlines for referring cases to the Attorney General's Office. Another reason appears to be because the Department's computerized database does not enable staff to efficiently identify dealers who have not reported monthly sales or who have not made final year-end payments or returned unsold licenses. Instead, staff must review the dealers' paper files to determine whether an account is current. This manual process may not identify all delinquent dealers and can result in costly delays. For example:

- One dealer who failed to pay continued to receive licenses to sell. The dealer should have returned approximately \$9,500 worth of licenses in January 1999. The dealer did not respond to an April 1999 request for payment, but the Department let seven months pass before sending a follow-up letter. In the meantime, the Department sent this dealer licenses to sell for the next license year, which the dealer also failed to return. When the Department finally initiated collections action in April 2000, this dealer owed more than \$15,600.

- Another dealer's file indicates that the dealer still owes the Department \$324 for 1998 license sales. There is no evidence of payment, and the only documented effort to collect the money was a September 1999 letter the Department sent to the dealer.

To help ensure collections efforts are initiated in a timely manner, the Department needs to establish a time frame for initiating collections efforts against dealers who fail to return licenses or report sales, and improve its ability to identify these dealers. Finally, the Department needs to ensure that it initiates collection actions in a timely manner through the Attorney General's Office.

Recommendations

1. The Department should further develop its computerized licensing database into a comprehensive, accessible source of up-to-date payment and billing information.
2. The Department should ensure that needed manual records, such as dealers' monthly sales reports, are appropriately date-stamped and maintained.
3. The Department should seek amendments to A.R.S. §§17-338 and 17-339 to establish enforcement options, such as penalties and late fees, to be assessed against dealers who do not meet deadlines for reporting sales, remitting monies, or returning unsold licenses.
4. The Department should establish and implement a policy stating the total amount of time, or the number of opportunities, that a dealer will be allowed to submit unsold licenses or payments before being referred to the Attorney General's Office for collection of outstanding monies.
5. To help ensure delinquent dealers are identified quickly, the Department should program its computerized licensing database to identify dealers who have not submitted timely monthly sales reports and who have not responded in a timely manner to annual audits.

SUNSET FACTORS

In accordance with A.R.S. §41-2954, the Legislature should consider the information contained in the following 12 factors in determining whether the Arizona Game and Fish Commission and Department should be continued or terminated. These 12 factors include information derived from this audit of the Arizona Game and Fish Department (Department) Wildlife Management Program, as well as information from a separate performance audit of the Game and Fish Heritage Fund (see Auditor General Report No. 01-09). Information about Heritage Fund management is included as part of the Department's Sunset Review since the Fund provides substantial revenues to the Department and pays for a number of wildlife-related activities and projects. The Heritage Fund itself, however, is not subject to Sunset laws.

1. The objective and purpose in establishing the agency.

The Arizona Game and Fish Commission and Department were established in 1929 to oversee the management, preservation, and harvest of wildlife in Arizona. The Commission, which consists of five members, sets wildlife management policies and hires a Department director to supervise the Department and ensure that Commission policies are implemented. In carrying out the Commission's directives, the Department performs a number of activities, including:

- Assisting the Commission with establishing hunting and fishing seasons and determining the number of public hunting permits to be issued each year;
- Enforcing hunting and fishing laws;
- Managing game, nongame, and fisheries programs;

- Performing wildlife research and managing habitat programs;
- Providing wildlife information to the public through education programs and outreach efforts; and
- Enforcing watercraft and off-highway vehicle laws and registering boats.

In addition, the Department administers the Arizona Game and Fish Commission Heritage Fund, which is divided into five programs: public access; urban wildlife; environmental education; habitat evaluation and protection; and identification, inventory, protection, acquisition, and management (IIPAM) of sensitive habitats. The Heritage Fund was established by voter initiative in 1990 and generates up to \$10 million each year to benefit wildlife and their habitats (for further information, see Auditor General Report No. 01-09).

2. The effectiveness with which the agency has met its objective and purpose and the efficiency with which the agency has operated.

The Commission, through the Department, has generally met its overall objectives and purposes. The Commission manages wildlife that are considered big game animals through public hunts that involved almost 131,000 sportsmen in 2000. The Commission and Department are also involved in protecting and managing endangered and threatened species. For example, the Department reintroduced the endangered Gila trout to Dude Creek near Payson, Arizona. The Department also gained recognition for successfully breeding and releasing 63 endangered Black-footed ferrets into the wild.

However, this Sunset review identified some areas where the Department's operations could be made more effective and efficient, including:

- **License Sales**—The Department could more efficiently manage its process for issuing hunting and

fishing licenses and permits through its retail outlets. The Department sells hunting and fishing licenses and permits through approximately 400 retailers, known as license dealers. These dealers collect a substantial amount of revenue for the Department. However, the Department's recordkeeping and other procedures for managing retail outlet sales do not adequately ensure that it can determine how much money it is owed and collect it in a timely manner (see Finding II, pages 19 through 24).

- **License Time Frames**—Although the Department appears to generally comply with its licensing time frame rules, it needs to ensure that it renews dealer licenses in a timely manner. These licenses allow retail sales outlets to sell fishing and hunting licenses, and hunting tags, and should be issued by the Department within 30 days of receiving a completed application. However, auditors reviewed a random sample of 29 dealer files and found that year 2000 renewal licenses were issued late in 17 cases. In 7 other cases, timeliness could not be determined because staff did not date-stamp the license applications.

3. The extent to which the agency has operated within the public interest.

Although the Commission and Department have generally operated in the public interest, they need to be more accountable to the public and the Legislature for Heritage Fund expenditures and management. The Commission and Department are responsible to the general public, and also serve a large number of special interest groups, including hunters, anglers, conservation and environmental organizations, and other government agencies. To gauge its progress, the Department regularly surveys the general public, as well as hunters and anglers.

Projects that the Department and Commission have developed to serve the public include a variety of recreation, information and education, and public safety programs. Recreation and education programs include the Depart-

ment's Urban Fishing Program, wildlife viewing seminars, fishing clinics, and its nationally recognized Hunter Education Program. In addition, the Department helps to ensure public safety by enforcing hunting laws and removing potentially dangerous wildlife, such as bears, from urban areas. The Department has also established a watercraft registration, enforcement, and boating safety program.

The Department and Commission need to take steps to ensure that the Heritage Fund is managed in the public's interest (see Auditor General Report No. 01-09). Specifically, the Commission needs rules to guide its Heritage Fund property acquisition program. It also needs to adopt rules or other formal criteria, such as substantive policy statements, to ensure the expenditure of other Heritage Fund monies is appropriate. Since the Heritage Fund was established in 1990, the Department has received approximately \$92.7 million, but has written rules for spending only a small portion of these monies. Without rules or other formal criteria, it is difficult to determine whether expenditures meet the intent of the Heritage Fund. For example, it is not clear whether a Department-funded television program is an appropriate use of monies designated to identify, inventory, protect, acquire, and manage sensitive habitat.

In addition, the Department does not adequately account for Heritage Fund monies. Currently, the Heritage Fund has a total balance of approximately \$20 million but the amount of monies belonging to each of the five Heritage Fund programs is uncertain. Further, the Department has used these monies to pay for activities that should have been paid for from other funding sources. Although these loans have since been repaid, there is no statutory provision that allows Heritage Fund monies to be lent.

Finally, the Department could better enable the public and Legislature to assess its efficiency and effectiveness by increasing the amount of information presented in its annual Heritage Fund report. The annual report currently does not contain sufficient information to enable the pub-

lic and Legislature to determine whether the Department has complied with statutory spending limits, how much was spent for various projects, and whether progress has been made toward goals or objectives.

4. The extent to which rules adopted by the agency are consistent with the legislative mandate.

According to the Governor's Regulatory Review Council (GRRC), the Commission has promulgated most, but not all, of the rules necessary to carry out its statutory responsibilities. GRRC determined that the following additional rules are needed:

- Rules that clarify what proof of age and residency is required for applicants requesting a lifetime license or trout stamp pursuant to A.R.S. §17-335.01(E). According to GRRC, even though the Commission has not experienced difficulties regarding proof of age and residency, since Department employees routinely ask applicants for identification that indicates age and address, a rule covering clarification of type of proof should be initiated.
- Rules that outline the requirements to obtain a fishing license.
- Rules regarding the Commission's decision to enter into agreements with landowners or agencies. According to the Department, the only rule regarding the expenditure of funds is R12-4-123, which is a general rule applicable to the numerous funds under the Department's control.
- Rules that prescribe procedures for use of Department personnel, facilities, equipment, supplies, and other resources in assisting search or rescue operations at the request of the Director of the Division of Emergency Management.

- Rules that provide directions for ensuring that a watercraft owner's certificate of registration number bears the holder's correct address.
- Rules that determine which criteria the Department will use to decide whether to revoke the numbers and decals issued to a watercraft involved in a violation or any other watercraft owned by a convicted person.
- Rules that prescribe grades, qualifications, and salary schedules for Department employees.

Further, as mentioned previously, the Department should promulgate rules or develop other formal criteria to guide how it spends Heritage Fund monies.

5. **The extent to which the agency has encouraged input from the public before promulgating its rules and regulations, and the extent to which it has informed the public as to its actions and their expected impact on the public.**

According to Commission and Department officials, the agency has encouraged public input in revising and developing its rules. For example, Commission meeting agenda notices are mailed to individuals, groups, the media, and other government agencies. The public is also notified through print and electronic media such as news releases, articles in publications such as *Arizona Wildlife Views*, and through the Department's Internet Web site. During Commission meetings, time is also provided for public input on proposed rules and other actions. Additionally, special public meetings are occasionally held statewide to allow public input on specific issues.

6. **The extent to which the agency has been able to investigate and resolve complaints that are within its jurisdiction.**

The Commission and Department have the authority to investigate and resolve complaints that are within its ju-

jurisdiction. Complaints involving serious violations, such as wildlife poaching, are directed to Operation Game Thief (OGT), a 24-hour telephone hotline. OGT has a computerized complaint tracking system that enables the Department to track the complaint from the initial phone call to its final disposition. According to Department officials, this hotline has developed into one of the most successful programs of its type in the nation. In 1999, according to Department officials, OGT received 811 calls regarding wildlife violations, with the majority of calls reporting violations against big game animals, migratory birds, aquatic and other wildlife, and small game animals. Further, the Department reports that in 1999, OGT paid 32 cash rewards totaling \$7,780. Department officials believe that OGT is successful because of its 24-hour availability, the caller's ability to speak with someone immediately, and the fact that Arizona's border states can also use the hotline to report wildlife violations occurring in Arizona.

The Department also receives a large variety of other calls, including concerns about bears in urban areas or inquiries about how to remove nuisance wildlife, such as skunks or javelinas. According to Department officials, the Department accepts and handles these calls at the lowest level possible throughout the agency.

7. **The extent to which the attorney general or any other applicable agency of state government has the authority to prosecute actions under the enabling legislation.**

The Department and Commission are currently represented by two full-time Assistant Attorneys General who assist with enforcing the provisions of A.R.S. Title 17. Under A.R.S. Title 17, the Commission can revoke hunting and fishing privileges and can assess fines and civil penalties for persons convicted of violating its statutes. In addition, County attorneys' offices prosecute criminal actions outlined in A.R.S. Titles 5, 17, and 28, such as boating while intoxicated, poaching, and misusing firearms. These titles also prescribe penalties for criminal actions.

8. The extent to which the agency has addressed deficiencies in the enabling statutes that prevent it from fulfilling its statutory mandate.

Several legislative changes made over the past two years have enabled the agency to better carry out its mission. For example, legislation passed in 1999 and 2000 enabled the Department to better compensate and retain staff through salary increases and changes in retirement rules. Other changes to statutes have included allowing parents to transfer a hunting permit or tag to a child, license fee increases, and provisions for protecting jaguars.

Legislative issues currently being studied by the Department include:

- Amending A.R.S. §5-349(C) and (E) to provide a minimum value of property damage before a watercraft incident report must be filed with the Department; and
- Amending A.R.S. §5-321(E) to allow outside vendors to charge service fees for renewing watercraft registrations by telephone and the Internet.

9. The extent to which changes are necessary in the laws of the agency to adequately comply with the factors listed in the Sunset Laws.

This Sunset review and the Heritage Fund performance audit identified several statutory changes that the Legislature should consider. This audit recommends that the Legislature consider establishing a formal resource management task force to develop comprehensive management objectives for wildlife, particularly elk, and wildlife habitat. During the course of the audit, legislators and outside interest groups indicated that the Department's efforts to manage the number of elk in the State through public hunts have not addressed land manager and land user concerns. Issues generally relate to the Department being responsible for managing wildlife populations but not their habitat. Those who manage or own land, or who

share habitat with wildlife, have expressed concerns about damage that elk cause to fences and crops, and about competition between elk, cattle, and other species for available feed. A formal legislative task force that represents these interests, as well as the Department, could help address these issues (see Finding I, pages 9 through 17).

In addition, the Department should seek amendments to A.R.S. §§17-338 and 17-339 to establish enforcement options, such as penalties and late fees, to be assessed against dealers who do not meet deadlines for reporting sales, remitting monies, or returning unsold licenses.

Finally, a 1991 Auditor General Report (No. 91-10) recommended that the Legislature consider amending A.R.S. Title 5 to require that watercraft be titled and to establish a fee to cover the cost. Although this change was not implemented, it still should be considered since titling establishes proof of ownership, discourages theft, and allows for liens to be recorded. Currently, 36 states title watercraft.

10. The extent to which termination of the agency would significantly harm the public health, safety, or welfare.

Terminating the Commission and Department could pose some harm to the public's safety and welfare. The Commission and Department conduct a number of activities designed to manage wildlife populations and regulate watercraft. By eliminating the Commission and Department, the State would have no other entity to oversee wildlife management, preservation, and harvest. Without such an entity, wildlife may become overpopulated, or, alternately, the viability of wildlife for hunting, fishing, and other recreational activities, such as bird watching, may be threatened.

In addition, no other agency regulates watercraft operation, with the exception of some limited county watercraft enforcement. The Department currently registers boats,

which helps protect owners' interests. In addition, the Department provides boater education courses, and its officers patrol lakes to help ensure boater safety.

- 11. The extent to which the level of regulation exercised by the agency is appropriate and whether less or more stringent levels of regulation would be appropriate.**

The audit found that the current level of regulation exercised by the Department and Commission is appropriate.

- 12. The extent to which the agency has used private contractors in the performance of its duties and how effective use of private contractors could be accomplished.**

The Department uses private sector contractors for a variety of services. According to Department officials, the Department contracts for maintenance and janitorial services, major construction, security system monitoring, heavy equipment repair, engineering and land surveys, personal computer and copier maintenance, temporary staff, printing and publications, mail services, fleet maintenance, and many other services. Auditors randomly selected and reviewed six contracts, and these appeared to have been properly developed, awarded, and renewed in compliance with the Arizona State Procurement Code. However, one of the contracts, which is for shooting range management, has not been properly monitored according to the contract's provisions. This ten-year contract is valid through 2006, and requires the Department to conduct annual performance audits beginning in 1997. However, auditors were able to locate only one such audit that was completed in 1998.

Agency Response

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April 20, 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 draft report of the performance audit of the Wildlife Management Program at Arizona Game and Fish Department.

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

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

Should you have any questions or comments, please contact Steve Ferrell at (602) 789-3276 or me at (602) 789-3278.

Sincerely,

Duane L. Shroufe
Director

DLS:bt

Attachment

**Department Response to the
Report by the Auditor General's Office
of the Wildlife Management Program at Arizona Game and Fish Department**

RESPONSE TO RECOMMENDATIONS

FINDING:

BECAUSE NO SINGLE AGENCY IS RESPONSIBLE FOR MANAGING BOTH ELK POPULATION NUMBERS AND HABITAT IN ARIZONA, CONFLICTS ARISE OVER THE NUMBER OF ELK THE DEPARTMENT MAINTAINS IN THE STATE, AND THE IMPACT THOSE ANIMALS HAVE ON LANDS OWNED AND MANAGED BY OTHERS

RECOMMENDATION:

The Legislature should consider establishing a small, formal, ongoing task force mandated with developing a comprehensive plan for managing forage with specific agreed-upon objectives, and for recommending methods for mitigating private property damages and public land forage competition between wildlife and cattle. The task force's membership could include legislators, representatives from the U.S. Forest Service, the State Land Department, the Department, landowners, ranchers, sportsmen, and scientists. The task force could also utilize the services of an Assistant Attorney General, legislative staff and agency staff in appropriate fields to complete its duties.

RESPONSE:

Since this finding and recommendation is to the Legislature the Department has no response. If the Task Force is established the Department is prepared to participate in whatever capacity is necessary. If the Task Force is established the Department recommends that their first task be to evaluate all of the past work that has been accomplished so that they are "up to speed" on all successes to date.

FINDING:

EFFORTS TO MANAGE RETAIL SALES AND COLLECT REVENUE ARE INADEQUATE

RECOMMENDATIONS:

The Department should further develop its computerized licensing database into a comprehensive, accessible source of up-to-date and billing information. The audit finding is agreed to and the audit recommendation will be implemented. The Department will have a program written to combine all the records for each dealer into a comprehensive source of up-to-date payment and billing information. The Department has the ability to run monthly billing reports to determine if a dealer has not reported on a monthly basis.

The Department should ensure that needed manual records, such as dealers' monthly sales reports, are appropriately date-stamped and maintained. The audit finding is agreed to and the audit recommendation will be implemented. Effective 07/01/00, the Department date stamps all incoming documents and each manual dealer file is maintained properly.

The Department should seek amendments to A.R.S.§§17-338 and 17-339 to establish enforcement options, such as penalties and late fees, to be assessed against dealers who do not meet deadlines for reporting sales, remitting monies, or returning unsold licenses. The audit finding is agreed to and the audit recommendation will be implemented. The Department will seek amendments to A.R.S. § 17-338 and 17-339 to impose penalties to be assessed against dealers who do not meet deadlines for reporting sales, remitting monies or returning unsold inventory. The amendment should include a specific time period for the completion of audits.

The Department should establish and implement a policy stating the total amount of time, or the number of opportunities, that a dealer will be allowed to submit unsold licenses or payments before referring to the Attorney General's Office for collection of outstanding monies. The audit finding is agreed to and the audit recommendation will be implemented. The Department now follows A.R.S.§ 17-338, 17-339 and A.A.C. 12-4-105 procedures and time frames for handling delinquent dealers. If the dealer does not comply with the time frames set forth and the amount owed is \$500 or more, the account is sent to the Attorney General's Office. If the dealer owes less than \$500, a consumer credit report is filed with Credit Data Southwest.

To help ensure delinquent dealers are identified quickly, the Department should program its computerized licensing database to identify dealers who have not submitted timely monthly sales reports and who have not responded in a timely manner to annual audits. The audit finding is agreed to and the audit recommendation will be implemented. The Department will have a program written to generate a consolidated informational report showing the licenses outstanding and the monies owed to the Department. The Department has the ability to run monthly billing reports to determine if a dealer has not reported on a monthly basis. The Department will program the computerized licensing system to identify dealers who have not responded in a timely manner to annual audits.

Sunset Factors

The Department would also like to comment on the quality and completeness of the Sunset Factors.

Sunset Factor 2

Our response to the first bullet in this factor has been answered in the findings and recommendations above.

The Department agrees with the recommendation in the second bullet. All applications for renewing license dealer licenses will be date stamped when they arrive and the date of the renewal will be entered on the application. The Department will ensure that the 30-day deadline is met.

Sunset Factor 3

Our response to the comments in this factor is contained in our response to the Heritage audit.

Sunset Factor 4

Rules that clarify what proof of age and residency is required for applications requesting a lifetime license or trout stamp pursuant to A.R.S. § 17-335.01(E). According to GRRC, even though the Commission has not experienced difficulties regarding proof of age and residency, since the Department employees routinely ask applicants for identification that indicates age and address, a rule covering clarification of type of proof should be initiated. The Department agrees with this recommendation. GRRC suggested that the Commission should initiate rulemaking to clarify what information is required from an applicant. A suitable model appears to already exist in Article 2. Miscellaneous Licenses and Permits. Specifically, R12-4-201 (B). Pioneer license. The next 5 Year Rule Review process involving Article 2. begins in July 2002, with the report due to GRRC in December 2003. Potentially, the new rule that the Auditor General report is recommending could be in place and effective on or about December 2004.

Rules that outline the requirement to obtain a fishing license. The Department does not agree with this recommendation. The only requirements to obtain a fishing license are to pay the fee and claim state of residency, which are already provided in rule and statute. Another rule would be redundant.

Rules regarding the Commission's decision to enter into agreements with landowners or agencies. According to the Department, the only rule regarding the expenditure of funds is R12-4-123, which is a general rule applicable to the numerous funds under the Department's control. The Department does not agree with this recommendation. Agreements are not subject to rulemaking. Each agreement is unique with special features. Required uniform provisions are already described by Statute; therefore, a special rule is not necessary to reiterate statutory requirements.

Rules that prescribe procedures for use of Department personnel, facilities, equipment, supplies, and other resources in assisting search or rescue operations at the request of the Director of the Division of Emergency Management. The Department does not agree with this recommendation. This issue involves the interaction with another state agency, and would more appropriately be handled in the form of an Intergovernmental Agreement describing the provisions of the agreement.

Rules that provide directions for ensuring that watercraft owner's certificate of registration number bear the holder's correct address. The Department does not agree with this recommendation. All of the requirements are delineated in Statute (A.R.S. 5-321(G) and any rule would be duplicative. Department procedures for watercraft registration do not place additional requirements on the public.

Rules that determine which criteria the Department will use to decide whether to revoke the numbers and decals issued to a watercraft involved in a violation or any other watercraft owned by a convicted person. The Department agrees with this recommendation.

The enabling statute is A.R.S. § 5-391(H). Administrative rules that relate to this general subject matter are R12-4-505 and 506. The Governor's Regulatory Review Council, by written memorandum on or about September 20, 2000, concluded that the Arizona Game & Fish Commission has not made a rule on this subject. It may be important to note that GRRC did not conclude that additional rulemaking was necessary. However, the way in which the language in the statute is currently written (use of the word "may") allows the Commission discretion in revoking a watercraft's numbers and decals. According to the Arizona Secretary of State, any requirement or interpretive opinion that directly and substantially affects the public should be in a rule. We feel this can best be accomplished as part of the ongoing Article 5. Boating and Water Sports rulemaking activities that were presented to the Commission March 24, 2001. Potentially, a new or amended rule section could be in place and effective on or about July 1, 2002.

Rules that prescribe grades, qualifications, and salary schedules for Department employees. The Department does not agree with this recommendation. We feel this would be unnecessary and a duplicative process. The Commission has made the decision to rely on the Administrative Rules of DOA for personnel and in this way has complied with Statute. There has not been any support from the Legislature or Governor's Office for independent personnel rules. Moreover, agency policies on internal management are exempt from rulemaking.

Sunset Factor 9

Please see the responses to elk issues above.

In regards to the recommendation for legislation requiring watercraft titling, as in 1991, the Department questions the merits of watercraft titling as listed in the report recommendation. As has been the case in the past, such legislation would create additional bureaucracy and regulation upon watercraft ownership. The Department found there to be little receptivity in the legislature for adding additional government regulation at the expense of the public when we offered this recommendation in 1991. Additionally, such legislation would be subject to Proposition 108 requirements. Based on constituent feedback, our current watercraft registration system serves the watercraft owners of Arizona well.

COMMENTS

PAGE 2 OF REPORT HIGHLIGHTS

At the top of the first column an interested party needs to be added as a fourth bullet under "CONFLICTS". The new bullet should read, "Hunters have expressed a need for a larger elk population so that more permits can be issued".

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The desire for recreational users of elk, either for viewing or hunting, is not adequately considered. The monetary benefit to the State of Arizona from elk is tremendous. For instance, in 2000 there were 24,996 elk permits sold which resulted in 110,988 elk hunter days (the number of days that all hunters spent in the field elk hunting). Using a conservative economic multiplier of \$60/day the economic benefit to the State of Arizona (excluding tag fees) is

\$6,660,000. In addition to this precise data the 1996 National Survey of Fishing, Hunting, and Wildlife-Associated Recreation gives some general values associated with “Wildlife Watching”. In Arizona resident and nonresident “Wildlife Watchers” annually spent over \$681 million. Certainly, only a small portion of this was spent specifically on elk but it is important to our overall economy.

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When conducting the research for this Audit too few recreational user groups were contacted resulting in an unbalanced analysis. The only recreational user group contacted was the Rocky Mountain Elk Foundation (RMEF). RMEF is a national organization with state chapters in Arizona. Most of the recreational users of elk in the state of Arizona will not be represented in RMEF. There are in excess of 95,000 elk hunters in Arizona. Groups such as the Arizona Wildlife Federation, Yuma Valley Rod and Gun Club, Arizona Sportsman’s Alliance, etc. should have been contacted in order to gather a more accurate reflection of the Statewide needs and conflicts. Without this data the Audit findings fall short of reflecting the entire resource issues, and fails to illustrate the dichotomy/or full range of the issues surrounding elk management.

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When the auditor report discusses forage allocations the reader may get the impression that the only issues surround cattle and other ungulate use. The following discussion of factors involved in determining forage allocation on the Apache-Sitgreaves National Forest would be useful to the reader.

The Apache-Sitgreaves National Forests and the Arizona Game and Fish Department have cooperatively established an herbaceous forage distribution between domestic livestock and wild ungulates on National Forest System lands in Game Management Unit 4A, and are presently coordinating to conduct similar analyses in Game Management Unit 4B and a portion of 3C.

Prior to establishing the herbaceous forage distribution, the Forest Service determines the total herbaceous forage production for the analysis area based on Jameson-Thill regression analyses. These analyses relate forest type (ponderosa pine) and canopy closure to estimated herbaceous forage production. The production estimates are validated in the field and modifications are made if necessary. Then, appropriate allowable use levels are identified based on current range conditions. For example, if an Interdisciplinary Team identifies an allowable use level of 25% for a particular livestock pasture, this means that only 25% of the annual herbaceous forage production is available for use by all grazing ungulates (wild and domestic). The remaining 75% of available forage is unavailable for grazing ungulates, and represents the residual forage production that must remain on the ground to meet other resource needs, such as non-ungulate wildlife habitat needs (e.g., turkeys, black bears, prey species for raptors), including special status species (threatened and endangered species and Forest Service sensitive species), plant physiology needs, soils and watershed health.

The forage distribution analysis affects only a small portion of the total herbaceous forage production in an area. For example, in GMU 4A, the allowable use level was 25%, so the distribution affected only 25% of the total herbaceous forage production. The 50:50 forage distribution resulted in half of the 25% allowable use, or 12.5% of the total herbaceous forage

production, being distributed to wild ungulates (i.e., elk). Likewise, the other half of the 25% allowable use, or 12.5% was distributed to domestic livestock. The remaining 75% was unavailable for all grazing ungulates, wild or domestic.

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Following is some additional information that was not available for the auditors but may be of value in understanding how the Department and Commission are continuing to deal with elk issues.

Subsequent to the fall 2000 hunting seasons, Arizona Game & Fish Department wildlife managers began evaluating the effect of elk harvest objectives throughout Arizona. Additionally, the Department was receiving stakeholder feedback on the current distribution and abundance of elk in various areas of the state. As an example, the Department had received concerns from the Forage Resource Study Group in Flagstaff of expanding resident elk herds in areas of traditional winter range. The Department also heard from local farmers and sportsmen concerning the presence of elk in Game Management Units 28 and 31. These exploratory herds were becoming established as resident elk populations.

On January 3, 2001, the Commission conducted a special meeting in Holbrook to take testimony from private landowners concerning damage to their private property due to the presence of elk. Department wildlife managers were finding that previous harvest strategies designed to reduce some of these exploratory and establishing resident herds were not meeting objectives. Some isolated, local elk populations were continuing to grow since hunter harvest was not meeting annual recruitment.

Therefore, in January 2001, the Director ordered an internal team of experienced elk managers to be established. The Team was comprised of veteran elk managers from the Pinetop, Flagstaff, Kingman, Mesa, and Yuma regional offices, as well as Game Branch personnel. Collectively, there were over two centuries of elk management experience from the members of the team. The Team was charged with two objectives. First, they were to look at existing rules and Department systems, then develop harvest strategies that could be brought to the Commission for the fall 2001/02 public review process that would begin to meet management objectives for these non-traditional elk herd management areas. Second, the Team was to develop long-term strategies that may require amendment to Commission rules or Department systems to meet management objectives on expanding elk herds and that would have minimal impact on Arizona's elk hunters.

Non-traditional elk herds, defined as those that were either expanding into previously unoccupied habitat, establishing resident populations in winter range, or becoming mostly reliant on private land, account for less than 5% of the state's elk population. In addition, the large amount of time spent managing these isolated elk herds was not commensurate with the overall value these small populations contribute to the integrity of traditional, statewide elk populations. It had become obvious that the need to develop both short and long-term harvest management strategies for these non-traditional elk herds was immediate. The Team also recognized that not only did the management need exist, but also the need to ensure that the Department's and Commission's public review process be followed to determine the social acceptance of any short or long-term management proposal.

The Team developed both short and long-term management recommendations, which were presented by the Department to the Commission at the March Commission meeting. These recommendations consisted, in the short term, of developing "Limited Elk Population Hunts." These hunts will take place in areas of low density, expanding elk herds where hunt success is expected to be low. Many of these hunt areas have existed in previous hunt structures. However, to better inform sportsmen of the conditions of these hunt areas, the "Limited Population Hunt" will be displayed separately from traditional elk hunt areas in the annual hunt proclamations and regulations booklet. In addition, because of the probability of low hunter success and the difficulty of the hunt, they will not be included in the weapons hunt allocation formulas or be considered for "Junior Only" hunts.

The Department also recommended that the Commission consider raising the bag limit on elk to two per year, if permit tags were available after the second draw and first-come, first-serve when permit tags become available over the counter. The Commission authorized the Department to include these harvest strategies in the 2001/02 hunt recommendations that will be presented at the April 21-22, 2001, Commission meeting where public comment could be taken and the recommendations acted on in public session.

The Team also developed recommendations for long-term strategies to provide maximum flexibility for elk management in Arizona to meet the challenges of traditional elk management and improve our ability to manage herds expanding into non-traditional habitats. These recommendations include developing standardized habitat descriptions that would place elk populations into one or more management zones. These include a Standard Elk Management Zone, a Winter Elk Management Zone, and a Limited Elk Management Zone. The Standard Elk Management Zone consists of the traditional forest and meadow habitats where the vast majority of Arizona's elk herds are found. These are traditional hunt areas and would receive traditional harvest strategies. The Winter Range Elk Management Zone is an area within the Standard Elk Management Zone that is occupied primarily by wintering elk herds. These habitats would be managed for winter elk, and resident, yearlong elk herds would be reduced through specific harvest strategies. The Limited Elk Population Zones are defined as areas of non-traditional elk habitat where priority wildlife management is not "elk use" as defined by the team report.

Each elk management zone will have to be defined and have specific management objectives, as well as harvest alternatives that can be selected from to meet management objectives. Harvest objectives that are proposed within the report range from traditional permit tag allocation, to spring permit tag draws, to unlimited non-permit tags in some areas to meet management objectives. These long-term recommendations will require evaluation of Commission rules and will involve considerable public involvement in determining management zone areas, appropriate management objectives, and harvest alternatives.

The Team also developed an "Outreach Plan" designed to inform all constituents of the rationale behind these recommendations. The net results of these proposals will be a reduction in substantiated elk depredation complaints and enhanced management for other wildlife species, while maintaining the top-quality elk herds for which Arizona has become famous.

Other Performance Audit Reports Issued Within the Last 12 Months

00-9	Arizona Naturopathic Physicians Board of Medical Examiners	00-19	Department of Economic Security—Division of Developmental Disabilities
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
		01-07	Department of Corrections—Support Services

Future Performance Audit Reports

Arizona Game and Fish Commission—Heritage Fund

Department of Public Safety’s Licensing Bureau