



DEBRA K. DAVENPORT, CPA
AUDITOR GENERAL

STATE OF ARIZONA
OFFICE OF THE
AUDITOR GENERAL

WILLIAM THOMSON
DEPUTY AUDITOR GENERAL

May 3, 2004

The Honorable John Huppenthal, Chair
Joint Legislative Audit Committee

The Honorable Robert Blendu, Vice Chair
Joint Legislative Audit Committee

Dear Representative Huppenthal and Senator Blendu:

Our Office has recently completed a 30-month follow-up of the Arizona Game and Fish Commission—Heritage Fund regarding the implementation status of the 16 audit recommendations (including sub-parts of the recommendations) presented in the performance audit report released in May 2001 (Auditor General Report No. 01-09). As the attached grid indicates:

- 10 of the 16 recommendations have been implemented;
- 5 of the 16 recommendations are in the process of being implemented; and
- 1 recommendation has not been implemented.

Unless otherwise directed by the Joint Legislative Audit Committee, this report concludes our follow-up work on the Department's efforts to implement the recommendations resulting from the May 2001 performance audit report.

Sincerely,

Debbie Davenport
Auditor General

DD:jw
Attachment

cc: Mr. Duane Shroufe, Director
Arizona Game and Fish Department

ARIZONA GAME AND FISH COMMISSION
Heritage Fund
30-Month Follow-Up Report To
Auditor General Report No. 01-09

FINDING I: Department Needs To Improve Accountability of Heritage Fund Expenditures

Recommendation	Status of Implementing Recommendation	Explanation for Recommendations That Have Not Been Implemented
<p>1. The Commission should develop and adopt administrative rules, or other formal criteria such as substantive policy statements, to interpret Heritage Fund statutes and describe how the Department will expend Heritage Fund monies. The Heritage Fund Public Advisory Committee could be involved in developing formal expenditure criteria.</p>	<p>Implemented at 18 months</p>	
<p>2. In developing administrative rules or other formal expenditure criteria for the IIPAM program, the Commission should develop criteria that a species must meet to justify expending Heritage Fund monies and a corresponding list of qualifying species. If the Commission determines that the state list of wildlife of special concern is the species list governing expenditures, it should ensure that this list is regularly updated and formally approved. Otherwise, the federal lists of endangered, threatened, and candidate species should be adopted.</p>	<p>Implemented at 30 months</p>	

ARIZONA GAME AND FISH COMMISSION
Heritage Fund
30-Month Follow-Up Report To
Auditor General Report No. 01-09

FINDING I: Department Needs To Improve Accountability of Heritage Fund Expenditures (Cont'd)

Recommendation	Status of Implementing Recommendation	Explanation for Recommendations That Have Not Been Implemented
3. Once the Commission establishes administrative rules or other formal criteria for all Heritage Fund programs, the Department should assess the activities and responsibilities of Heritage-funded projects and staff positions to determine whether these meet the requirements of the formal criteria and make necessary adjustments to correspond with the assessments.	Implementation in Process	

ARIZONA GAME AND FISH COMMISSION
Heritage Fund
30-Month Follow-Up Report To
Auditor General Report No. 01-09

FINDING I: Department Needs To Improve Accountability of Heritage Fund Expenditures (Concl'd)

Recommendation	Status of Implementing Recommendation	Explanation for Recommendations That Have Not Been Implemented
<p>4. The Department should modify the Commission's annual Heritage Fund report to the Legislature to include the following information:</p> <ul style="list-style-type: none"> ■ Confirmation that the total expenditures for each Heritage Fund program meet the statutory spending limits; ■ Tables of project-level data in report appendices that are aggregated under major categories of activity and include a descriptive title of the project and its actual cost; ■ Descriptions and costs of highlighted projects, such as those that expend 50 percent or more of a program's total allocation, those funded at \$50,000 or more, or the top ten most costly projects; ■ New project information, including what each new project is designed to achieve and an estimated time frame for project completion; and ■ Outcomes of completed projects, particularly in terms of progress toward objectives and total cost. 	<p style="text-align: center;">Not Implemented</p> <p style="text-align: center;">Implementation in Process</p> <p style="text-align: center;">Implementation in Process</p> <p style="text-align: center;">Implemented at 30 months</p> <p style="text-align: center;">Implemented at 30 months</p>	<p>The annual Heritage Fund Report for Fiscal Year 2002 states that total expenditures did not exceed statutory limits; however, the report information is incomplete. Spending limits are defined in statute as a percentage of revenue, and revenue figures are not included in the annual Heritage Fund Report.</p>

ARIZONA GAME AND FISH COMMISSION
Heritage Fund
30-Month Follow-Up Report To
Auditor General Report No. 01-09

FINDING II: Additional Guidance Is Needed To Govern Acquisitions

Recommendation	Status of Implementing Recommendation	Explanation for Recommendations That Have Not Been Implemented
<p>1. The Commission should adopt administrative rules that more clearly define the criteria a property must meet to be considered for purchase with Heritage Fund monies. The rules should clarify how the Department interprets statutory terms such as "specific areas," "geographical areas," "historically occupied," and "currently occupied." The rules should also include an official list of endangered, threatened, and candidate species that is updated periodically, or else the Commission should adopt the federal list.</p>	<p>Implemented at 30 months</p>	
<p>2. The Department should ensure that future Heritage Fund property acquisitions meet criteria established through its rules.</p>	<p>Implementation in Process</p>	

ARIZONA GAME AND FISH COMMISSION
Heritage Fund
30-Month Follow-Up Report To
Auditor General Report No. 01-09

FINDING II: Additional Guidance Is Needed To Govern Acquisitions (Concl'd)

Recommendation	Status of Implementing Recommendation	Explanation for Recommendations That Have Not Been Implemented
3. The Department should prepare and implement a long-term plan to enable it to better evaluate whether potential Heritage Fund acquisitions meet its conservation goals. Such a plan should identify the species and habitats in the State most needing protection and should be used to guide purchases and other protection efforts such as conservation easements, stewardship agreements, and leases.	Implemented at 30 months	
4. The Department needs to revise its process for Heritage Fund land acquisitions to include steps for ensuring that all ownership issues are addressed, including such things as survey discrepancies and water rights issues, before final payments are made.	Implemented at 30 months	

ARIZONA GAME AND FISH COMMISSION
Heritage Fund
30-Month Follow-Up Report To
Auditor General Report No. 01-09

FINDING III: Heritage Fund Accounting Is Inadequate

Recommendation	Status of Implementing Recommendation	Explanation for Recommendations That Have Not Been Implemented
1. The Department should determine the total amount of Heritage Fund carryforward monies available by reconciling discrepancies between its internal records and the state-wide accounting system.	Implemented at 6 months	
2. The Department should make a reasonable determination of how these carryforward monies should be allocated among the five Heritage Fund programs. In making this determination, the Department should take into consideration the feasibility and costs of obtaining accounting data from past years.	Implemented at 6 months	
3. The Department should develop a comprehensive system to account for each Heritage Fund program's financial information. Any such system should include processes for reconciling labor and related costs to cash expenditures for each Heritage Fund program.	Implementation in Process	
4. The Department should eliminate practices that may adversely impact Heritage Fund interest revenues, such as lending Heritage Fund monies to other programs.	Implemented at 6 months	