

Arizona Game and Fish Commission

Heritage Fund

(Report Highlights)

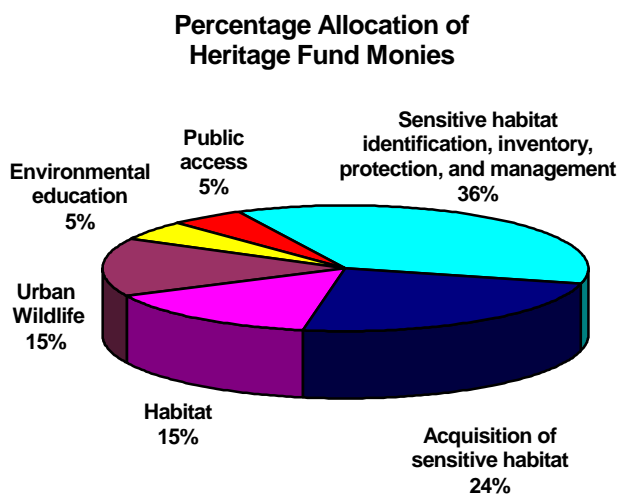
May 2001

A 1990 voter initiative sets aside up to \$10 million in lottery revenues in the Game and Fish Heritage Fund for several programs. The law designates most of this money to identify, inventory, protect, acquire, and manage sensitive habitat used by threatened and endangered Arizona species.

Our Conclusions: The Commission needs to adopt rules and a long-term plan to guide land acquisitions. The Commission also needs to adopt rules or other formal criteria to ensure that other Heritage Fund monies are used appropriately. Finally, the Department needs to improve its accounting of Heritage Fund money.

Improved Accountability over Expenditures Needed

Game and Fish's Heritage Fund has received about \$92.7 million since 1990. It received \$8.1 million in fiscal year 2000. However, these funds can be used only for specified purposes.



Expenditure criteria needed—Game and Fish lacks formal criteria for how it spends most Heritage Fund monies. It has:

- Only developed rules for parties receiving Heritage Fund grants (8% of monies).
- Not developed rules for the way *it* spends Heritage Fund money (92% of monies).

Administrative Rules

- Explain an agency's interpretation of statutes
- Establish criteria that ensure consistency in implementation
- Provide for public input.

Unclear whether all expenditures are appropriate—Without rules or other criteria for the Department's Heritage Fund spending, it is difficult to determine whether some expenses are appropriate. For example:

- The Department spent \$75,000 annually of IIPAM money on a public television

series called “The Desert Speaks” about the animals, plants, people, and geology of the Sonoran Desert in Arizona, Mexico, and California. It is not clear how this directly relates to identifying, acquiring, managing, or protecting sensitive habitat.

- Over \$285,000 of IIPAM money has contributed to property improvements to accommodate visitors at the Sipe White Mountain and Wenima Wildlife Areas. Although the areas were ostensibly purchased to protect the



Little Colorado Spinedace (*Lepidomeda vittata*)

Little Colorado Spinedace fish, it is not clear how these projects directly benefit the spinedace.

- Fifty percent of the Urban Wildlife program’s total payroll pays six regional public information officers and three customer service representatives. Many of their duties have little to do with urban wildlife, focusing mainly on hunting and fishing services.

Criteria should incorporate lists of sensitive species—When Game and Fish develops formal criteria for its Heritage Fund spending, it should incorporate lists of the sensitive species to be protected. It could:

- Adopt the U.S. Fish and Wildlife Service’s lists; or,
- Update and incorporate its own list—a list that has not been updated since 1988.

Improved reporting would also increase accountability—The Department does not provide enough detail in its annual report about how it spends Heritage Funds. The report highlights

some projects, but gives no context for these projects. For example, the 1999 annual report highlighted a meeting for the survival of the Thick-billed Parrot that cost \$66, but did not highlight the “Desert Speaks” TV program that cost \$75,000.

Game and Fish should:

- ✓ Develop and adopt rules or other formal criteria such as substantive policy statements interpreting Heritage Fund laws and how to spend Heritage money.
- ✓ Determine whether projects meet such criteria.
- ✓ Adopt a state list of endangered, threatened, or candidate species.
- ✓ Revise its annual Heritage Fund report to include information about statutory spending limits, project-level cost data, and descriptions of the most costly projects, such as those costing more than \$50,000 or the top ten projects.

Habitat Acquisition Process Needs More Guidance

At least 24 percent of the Heritage Fund must be spent on acquiring sensitive habitat used by species that are endangered, threatened, or candidate species.

Habitat acquired since 1990:

- 10 properties
- About 7,500 acres
- Cost about \$13.5 million
- Purchased mainly for 5 qualifying species of birds and fish

Game and Fish lacks:

- A plan identifying species most needing protection and their habitats,
- Administrative rules to ensure that acquisitions are appropriate.

Purchases may not meet the Heritage Fund’s intent—The statute requires that the habitat purchased must:

- Be within the area historically or currently occupied by the species, and
- Possess the features necessary to establish or maintain the species.

Some purchases do not appear to meet these requirements:

- The Little Colorado Spinedace fish and Mountain Plover were used to justify the purchase of two properties for \$4 million, although there is no evidence that the properties were historically or are currently the habitat for either species. In fact, Department staff questioned the appropriateness of the purchases for the spinedace because the properties lack streams, which are native habitat for the fish. However, the Department pursued the purchases and intends to grow spinedace



Mountain Plover

in stock ponds. The Department also determined that the properties could potentially benefit the Mountain Plover, even though there is no evidence that the properties are now or ever have been plover habitat.

Game and Fish takes no action unless a seller approaches it with an offer to sell.

Rules needed to govern acquisitions—Game and Fish needs to adopt rules:

- Identifying the criteria a property needs to meet to be considered.
- Listing the endangered, threatened, and candidate species to be assisted.

Long-term plan needed—To be most effective, the Department needs to develop a long-term plan for acquiring sensitive habitats. We first recommended the Department develop such a plan in 1996, but it has not done so. A long-term plan should:

- Evaluate the species and habitats most needing protection;
- Identify where options other than purchases, such as conservation easements, could be pursued.

Acquisition process needs to address ownership issues—The Department should revise its land acquisition process to ensure all ownership issues are addressed before final payments are made. For example, before closing, the process should require the Department to obtain:

- Surveys
- Water certificates; and
- Grazing lease assignments.

Game and Fish should:

- ✓ Adopt rules clarifying the criteria for acquiring property and the Department’s interpretation of terms such as “specific areas,” “geographical areas,” “historically occupied,” and “currently occupied”;
- ✓ Purchase property using such criteria;
- ✓ Prepare and implement a long-term plan to direct Heritage Fund acquisitions; and
- ✓ Revise its land acquisition process to ensure all ownership issues are addressed before final payments are made.

**Heritage Money
Not Adequately
Accounted For**

The Department needs to improve its accounting for the Heritage Fund.

Fund balances—Statute dictates the percentage of lottery revenue the Department can use in each of five Heritage programs. Spending cannot exceed the percentage, but money not spent can be carried over for future projects. However, the only record of these carryforward monies is an informal spreadsheet voluntarily developed and maintained by an employee since 1998. While this spreadsheet is the best information available, its accuracy is questionable.

- State and Department accounting records differ by as much as \$1.2 million.
- Records for the first few years are unavailable, and current records may not be accurate.
- The Department does not reconcile records in its accounting system to ensure program expenditures are accurate.

Loaned money—In fiscal years 1998 through 2000, the Department borrowed Heritage money to assist other programs. While not authorized, this “lending” also deprived the Fund of \$30,000 in interest. The Department has since stopped the practice and repaid the interest.

Game and Fish should:

- ✓ Resolve discrepancies between its records and the State’s accounting system;
- ✓ Make a reasonable allocation of carryforward monies among the five Heritage programs;
- ✓ Once these numbers are determined:
 - Maintain a record of these balances;
 - Reconcile the Department’s accounting system internally; and
 - Reconcile that system to the State’s accounting system.

To Obtain More Information

- A copy of the full report can be obtained by calling (602) 553-0333 or by visiting our Web site at:

www.auditor.gen.state.az.us
- The contact person for this report is **Melanie Chesney**.