

**REPORT
 HIGHLIGHTS**
 PERFORMANCE AUDIT

Subject

A 1990 voter initiative sets aside up to \$10 million annually from Lottery revenues for the Arizona State Parks Board's Heritage Fund. The Board uses these monies for several programs, which are designed to preserve, protect, and enhance Arizona's natural and scenic environment, and its historical and cultural heritage.

Our Conclusion

Although the Parks Board has sound property acquisition processes, it needs to ensure that these processes are followed and develop procedures for evaluating and prioritizing future purchases. The Board has also established a comprehensive process for awarding grants, but needs to do a better job of monitoring the grants it awards. Finally, the Board needs to more accurately track the time staff spend on Heritage Fund activities and allocate expenditures accordingly.



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**Heritage Acquisition
 Process Can Be
 Improved**

Depending on Lottery revenues, statute allows the Board to receive up to \$3.4 million annually that it can use to acquire park and natural areas. Using these monies, the Board has acquired 11 properties since fiscal year 1999 at a cost of nearly \$14.5 million.

Heritage Fund Acquisitions
 Since Fiscal Year 1999

- 4 properties totaling 156 acres for the Verde River Greenway
- 5 acres to protect Kartchner Caverns State Park
- 3 properties totaling 111 acres to protect and preserve Sonoita Creek Natural Area
- 1 property totaling 0.3 acres to acquire a private property within a state park's boundary
- 21,131 acres to preserve the San Rafael Ranch
- 2,134 acres to protect the area at Spur Cross Ranch near Cave Creek

Two of the acquisitions, those at San Rafael Ranch and Spur Cross Ranch, involved conservation easements.

A conservation easement allows the Board to block the use of the property in ways that would be detrimental to its environmental, historical, or related aspects. It limits the owner's ability to develop the property while at the same time permitting the owner to continue to enjoy the current use of the land, such as farming or cattle ranching.



Sonoita Creek

The Board was able to protect a large portion of the San Rafael Ranch in southern Arizona by purchasing a conservation easement of 17,574 acres along with its purchase of an additional 3,557 acres.

The Board generally has a sound acquisition process

Key components of the acquisition process include:

- Feasibility studies;
- Cultural, biological, and natural resource reviews;
- Due diligence (appraisals, title reports, surveys, contracts); and
- Board and advisory committee approvals.

The Board's processes are similar to the basic acquisition procedures used by the National Parks Service and several other organizations we contacted.

Need to strengthen review steps—

The Board's process has specific steps for management reviews during the acquisition process, and for advisory committees to assess the appropriateness of acquisitions.



However, there is limited evidence in acquisition files that these management and committee reviews occur.

The Board should also use qualified reviewers for key acquisition steps and set the thresholds or triggers that would require acquisitions to undergo these reviews. For example, several states and the National Parks Service indicated that they use independent reviewers to evaluate all property appraisals or appraisals over a certain dollar value.

Need To Plan for Future Acquisitions

While the Board has identified land to acquire for natural areas and parks, it lacks an adequate process for evaluating and prioritizing these properties. For example, a list of potential natural area acquisitions was developed in the early 1990s, but it has not been evaluated or prioritized. Similarly, although the Board has identified sites that it wants to purchase to complete its parks, it has not evaluated or prioritized them.

Recommendations

The Board should:

- Ensure it follows its acquisition process.
- Add to its process a review of key studies and reports by qualified reviewers and set the thresholds that require acquisitions to undergo these reviews.
- Develop procedures for evaluating and prioritizing parcels for future acquisitions.

The Board Has a Comprehensive Grants Program

A substantial amount of Heritage Fund monies are distributed as grants. Depending on Lottery revenues, up to \$5.7 million annually can be used for local, regional, and state parks; trails; and historical preservation. In fiscal year 2002 the Board awarded 30 grants totaling \$3.7 million.

The Board has thorough policies and procedures for its grants process. These are described in the Board's grant manuals, guidelines, and application packets. Although slightly over half of the entities that apply for a grant receive an award, even unsuccessful applicants are satisfied with the process.

The one shortcoming of the grants program is that the Board does not always

follow its procedures for monitoring grants. Grantees are supposed to file quarterly

Heritage Fund Grants Fiscal Year 2002

Program	Grants Awarded	Amounts Awarded
• Local, regional, state parks	14	\$2,978,216
• Trails	7	333,536
• Historic preservation	9	370,068
Total	30	\$3,681,820

reports that detail a project's status. However, in several of the grant files we reviewed, these quarterly reports were missing, and there was no evidence that Board staff followed up.

Finally, although the Board has internal policies governing its grants process, it has not adopted any rules describing its process. The Governor's Regulatory Review Council recommends adopting such rules and we found that the Arizona Game and Fish Commission has adopted such rules for its Heritage Fund grant programs.

Glendale Saguaro Ranch



\$74,000 grant historic preservation

Recommendations

The Board should:

- Follow its grant monitoring procedures.
- Adopt rules for the grants process.

Better Allocation of Expenditures Needed

The Board can use Heritage Fund monies only for expenditures that are directly related to Heritage Fund activities. However, the Board does not accurately track and report how much time its employees spend on Heritage Fund activities. While the Board allocates the full cost of 38.5 employees to the Heritage Fund, some of these employees do not actually spend all of their time on Heritage Fund activities.

On the other hand, other employees who spend time on Heritage activities are not allocated to the Heritage Fund; however, the Board does not know if this balances out the

time for those employees who it overcharged to the Fund. Therefore, the Board should develop reliable estimates of the time employees spend on Heritage Fund activities and allocate expenditures accordingly.

New statewide system may resolve problem—It appears that the Department of Administration's new statewide Human Resource Information Solution (HRIS) will have a feature that will allow state agencies to track employee time and activity. Although this component will not be available until late 2003, it may satisfy the Board's needs.

Recommendations

The Board should:

- Develop reliable estimates of the time employees spend on Heritage Fund activities and allocate expenditures accordingly.
- Evaluate whether the new statewide payroll system will allow it to track employee time spent on various activities and, if so, implement that component.

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