

Arizona State Parks Board

Board developed standardized State Park system operations guidance and multilevel grant award review process but did not comply with some State cash-handling and conflict-of-interest requirements and lacked comprehensive capital project management and grant timeliness policies

Performance Audit and
Sunset Review

August 2022
Report 22-107

A Report to the Arizona Legislature

Lindsey A. Perry
Auditor General





The Arizona Auditor General's mission is to provide independent and impartial information and specific recommendations to improve the operations of State and local government entities. To this end, the Office provides financial audits and accounting services to the State and political subdivisions, investigates possible misuse of public monies, and conducts performance audits and special reviews of school districts, State agencies, and the programs they administer.

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Audit Staff

Dale Chapman, Director
Jeff Gove, Deputy Director
Paul Solding, Manager

Robin Hakes, Team Leader

Contact Information

Arizona Auditor General
2910 N. 44th St., Ste. 410
Phoenix, AZ 85018-7271

(602) 553-0333

contact@azauditor.gov

www.azauditor.gov



LINDSEY A. PERRY
AUDITOR GENERAL

ARIZONA
AUDITOR GENERAL

MELANIE M. CHESNEY
DEPUTY AUDITOR GENERAL

August 26, 2022

Members of the Arizona Legislature

The Honorable Doug Ducey, Governor

Mr. Bob Broscheid, Executive Director
Arizona State Parks Board

Transmitted herewith is the Auditor General's report, *A Performance Audit and Sunset Review of the Arizona State Parks Board*. This report is in response to a December 17, 2020, resolution of the Joint Legislative Audit Committee. The performance audit was conducted as part of the sunset review process prescribed in Arizona Revised Statutes §41-2951 et seq. I am also transmitting within this report a copy of the Report Highlights to provide a quick summary for your convenience.

As outlined in its response, the Arizona State Parks Board agrees with all the findings and plans to implement all the recommendations. My Office will follow up with the Board in 6 months to assess its progress in implementing the recommendations.

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

Sincerely,

Lindsey A. Perry

Lindsey A. Perry, CPA, CFE
Auditor General

cc: Arizona State Parks Board members

Arizona State Parks Board

Board developed standardized State Park system operations guidance and multilevel grant award review process but did not comply with some State cash-handling and conflict-of-interest requirements and lacked comprehensive capital project management and grant timeliness policies

Audit purpose

To determine if the Board complied with State requirements for safeguarding cash receipts, review its practices related to park operations, grants administration, capital projects management, and State conflict-of-interest law compliance, and provide responses to the statutory sunset factors.

Key findings

The Board:

- Manages the State Parks system comprising 33 State Parks and more than 61,000 acres of land with approximately 3.1 million visitors and \$22 million in State Park revenues in fiscal year 2022.
- Developed standardized guidance for park operations and a multilevel review process for awarding monies from 15 grant programs it administers, including grants to improve recreation opportunities and preserve/restore historic lands or property; in fiscal year 2022, the Board awarded more than \$9 million consistent with statutory requirements for 2 grant programs we reviewed.
- Relies on State Park revenues to pay for State Park system operations and estimated it annually collects \$5 million in cash, but had not implemented policies for complying with some State requirements to help prevent and detect loss and theft of cash.
- Lacked comprehensive policies for capital project management and tracking grant project completion and closeout, impacting its ability to report on capital project status to stakeholders such as the Legislature and make unspent grant monies available for use on other grant projects.
- Did not comply with some State conflict-of-interest requirements and is at risk that employees and public officers had not disclosed and refrained from participating in matters relating to substantial interests that might influence their official conduct.

Key recommendations

The Board should:

- Develop and implement policies for complying with State cash-handling requirements.
- Complete development of and implement project management guidance documents.
- Develop and implement policies and procedures for tracking grant project completion timeliness and closeout.
- Develop and implement conflict-of-interest policies and procedures to help ensure compliance with State conflict-of-interest requirements.



TABLE OF CONTENTS

Introduction	1
Finding 1: Board did not protect public monies, increasing risk of loss or theft	9
Board has not implemented State requirements and recommended practices for protecting public monies State Park revenues, which are public monies, at increased risk of theft or loss	
Lack of policies and procedures contributed to noncompliance, and Board did not implement compensating controls to mitigate risks	
Recommendations	
Sunset factors	12
Summary of recommendations: Auditor General makes 10 recommendations to the Board	24
Appendix A: State Park acquisition/lease date, acreage, and visitation	a-1
Appendix B: Scope and methodology	b-1
Board response	
Figures	
1 Arizona State Parks locations and types As of May 2022	2
2 Tubac Presidio State Historic Park	3
3 Sonoita Creek State Natural Area	3
4 Lyman Lake State Park	3
Tables	
1 Schedule of revenues, expenditures, and changes in fund balance Fiscal years 2020 through 2022 (Unaudited)	7
2 SLIF awarded grant recipients, amounts, and descriptions Fiscal year 2022 (Unaudited)	13
3 Heritage Fund categories and required percentages and fiscal year 2022 awarded grant amounts, number of awards, grant recipients, and project descriptions, by grant category Fiscal year 2022 (Unaudited)	14



TABLE OF CONTENTS

4	Concession contract usage by Arizona, Colorado, Nevada, and Utah As of April 26, 2022	22
5	Administrative service contract usage by Arizona, Colorado, Nevada, and Utah As of April 26, 2022	23
6	Arizona State Parks' acquisition/lease date, acreage, and fiscal year 2022 visitation, by State Park type (Unaudited)	a-1



The Arizona Auditor General has completed a performance audit and sunset review of the Arizona State Parks Board (Board). This performance audit and sunset review determined if the Board complied with *State of Arizona Accounting Manual (SAAM)* requirements for safeguarding cash receipts and assessed its practices related to grant administration, park operations, capital projects management, complying with the State's conflict-of-interest and open meeting laws, and complaint handling, and provides responses to the statutory sunset factors.¹

History, purpose, and mission

The Legislature established the Board in 1957. According to Arizona Revised Statutes (A.R.S.) §41-511.03, the Board's purposes and objectives are to "select, acquire, preserve, establish, and maintain areas of natural features, scenic beauty, historical and scientific interest, and zoos and botanical gardens, for the education, pleasure, recreation, and health of the people, and for such other purposes as may be prescribed by law." The Board's mission is "managing and conserving Arizona's natural, cultural, and recreational resources for the benefit of the people, both in our parks and through our partners."

Arizona State Parks System

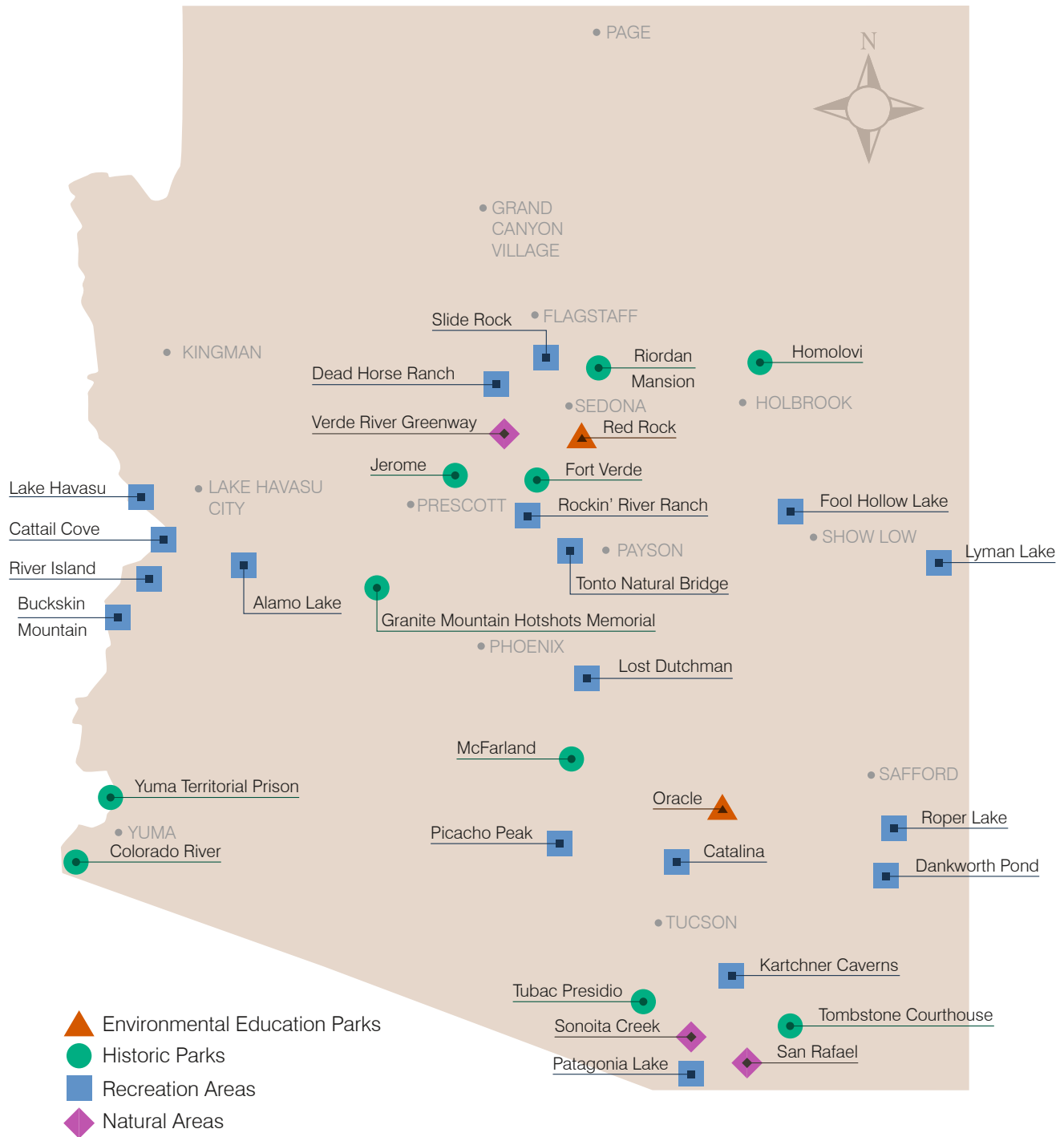
Consistent with statute and its mission, the Board manages the State Parks system consisting of 33 State Parks located throughout the State (see Figure 1, page 2, for a map of State Park locations and types). These 33 State Parks comprise more than 61,200 acres of land, of which 41 percent is owned by the Board, and 59 percent is either leased or used pursuant to land-use agreements with various entities, including federal government agencies, such as the Bureau of Land Management and U.S. Forest Service; and State agencies, such as the Arizona State Land Department. The State Parks include the following 4 general site classifications:

- **Environmental education parks**—These State Parks provide environmental education related to the sites' natural resources. The State Parks system has 2 environmental education parks: Oracle State Park, a designated wildlife refuge that offers visitors and school groups educational opportunities to learn about habitat and the interrelationships between plants, animals, and people; and Red Rock State Park, a nature preserve with a diverse riparian habitat for both plants and wildlife that includes hiking trails and an environmental education center.²
- **Historic parks**—These State Parks preserve cultural resources, including archaeological, prehistoric, and historic resources. The State Parks system has 10 historic parks, including Colorado River State Historic Park, Jerome State Historic Park, Riordan Mansion State Historic Park, and Tubac Presidio State Historic Park. Many of these historic parks include visitor centers and museums where visitors can learn about the State's history. For example, Figure 2, page 3, shows an exhibit of the printing press at Tubac Presidio State Historic Park, which was used to print the first newspaper in Arizona on March 3, 1859.
- **Natural areas**—These State Parks consist of mostly undeveloped land or water areas that are set aside to conserve the area in its natural state. The State Parks system has 3 natural areas: San Rafael State Natural Area, Sonoita Creek State Natural Area, and the Verde River Greenway State Natural Area. Figure 3, page 3,

¹ The SAAM contains the State's accounting policies and procedures and is published by the Arizona Department of Administration's (ADOA) General Accounting Office in accordance with statute.

² Riparian areas are lands that occur along edges of rivers, streams, and lakes.

Figure 1
Arizona State Parks locations and types
As of May 2022



Source: Auditor General staff depiction of information from the Board's website and reported by Board staff, as of May 2022.

shows a view of the Sonoita Creek State natural area, which offers scenic hiking and equestrian trails, a visitor center with topographical exhibits, and picnic areas.

- **Recreation areas**—These State Parks provide recreational opportunities such as hiking, boating, and camping. The State Parks system has 18 recreation areas, including Catalina State Park, Lake Havasu State Park, Lyman Lake State Park, and Slide Rock State Park. Figure 4 shows a view of Lyman Lake State Park, which offers hiking, camping, fishing, swimming, boating, and watersports, such as waterskiing.

The Board reported that more than 3 million people visited State Parks in fiscal year 2022 (see Appendix A, Table 6, pages a-1 through a-2, for information about State Parks' acquisition/lease date, acreage, and fiscal year 2022 visitation). The Board charges various fees for State Park entry, tours, and recreational activities, such as camping sites and cabin rentals.³ Entrance fees range from \$2 to \$10 per person over 6 years of age or between \$5 and \$30 per vehicle for up to 4 persons, depending on the State Park and seasonal demand. Nightly camping fees range from \$15 to \$50, and cabin rentals range from \$50 to \$300 per night.

Other Board responsibilities

In addition to managing the State Parks system, the Board's other statutory responsibilities include:

- **Grants administration**—The Board administers various grant programs.⁴ This grant administration involves receiving and reviewing grant applications, approving grant awards of millions of dollars annually for grant projects, and monitoring the grant projects' status and budgets through project completion. The grant monies the Board awards come from various federal and State sources, including the Land and Water Conservation Fund (LWCF), the Arizona State Parks Board's Heritage Fund, and the State Lake Improvement Fund (SLIF).^{5,6,7} See Sunset Factor 2, pages 12 through 13,

³ Information about park entrance or other fees are listed on the Board's website, on each specific park's webpage.

⁴ As of February 2022, the Board administered 15 grant programs with various purposes such as improving recreation opportunities in the State, preserving/restoring historic lands or property, and providing environmental education.

⁵ According to the National Parks Service's website, the LWCF is a federal fund established to provide monies to states and the federal government to safeguard natural areas, water resources, and cultural heritage, and to provide recreation opportunities for all Americans.

⁶ The Heritage Fund was established by A.R.S. §41-502, and according to the Board, it was created to protect and promote Arizona's natural, cultural, and historic resources. For more information on the Heritage Fund, see page 5 and Sunset Factor 2, page 14.

⁷ The SLIF was established by A.R.S. §5-382 to fund projects on waters where gasoline-powered boats are permitted. SLIF monies' statutorily allowed uses include public launching ramps, marinas, or piers; and campgrounds, picnic tables, sanitation/toilet facilities, lake construction or improvement, and watercraft/boats/other safety facilities. Statute also allows SLIF monies to pay for Board staff support to plan and administer the SLIF. See Sunset Factor 2, page 13, for information on our review of SLIF grant awards the Board approved in fiscal year 2022.

Figure 2
Tubac Presidio State Historic Park



Source: Board-provided photograph.

Figure 3
Sonoita Creek State Natural Area



Source: Board-provided photograph.

Figure 4
Lyman Lake State Park



Source: Board-provided photograph.

for information on the Board’s grant award process and Sunset Factor 2, page 16, for recommendations we made to improve the Board’s process for tracking and monitoring the timeliness of grant projects.

The Board receives assistance from several advisory groups for the review of grant project applications. Depending on the type of grant project, one of the advisory groups will review and discuss the project applications and make recommendations to the Board on whether to approve a grant award (see textbox for advisory groups that review Board grant applications).

- Off-highway Vehicle (OHV) Recreation Fund administration**—A.R.S. §28-1176 requires the Board to administer the OHV Recreation Fund and to designate, construct, maintain, repair, or connect OHV routes and trails. In addition, the Board is required to designate, manage, and acquire land for access roads, OHV recreation facilities, and OHV use areas. Finally, the Board is responsible for reviewing applications for OHV Recreation Fund projects, including grant projects, to determine project eligibility and the amount of project funding it will award for projects it approves. See Sunset Factor 2, pages 12 through 17, for information on the Board’s grant award process and recommendations we made to improve the Board’s process for tracking and monitoring the timeliness of grant projects.

Advisory groups that review Board grant applications

Name	Examples of grant applications reviewed
Arizona Historical Advisory Commission	Project applications related to historical preservation, such as rehabilitation of the 1908 Vail Post Office.
Arizona Outdoor Recreation Coordinating Commission	Project applications related to outdoor recreation and lake improvement plans, such as purchasing rescue or water safety boats.
Arizona State Committee on Trails	Project applications related to nonmotorized recreation, such as maintenance or construction of recreational trails.
Off-Highway Vehicle Advisory Group	Project applications related to off-highway recreation, such as motorized trail cleanup, dust mitigation, and signage projects.

Source: Auditor General staff review of the Board’s website and Board and advisory group documents.

- State Historic Preservation Office assistance and Arizona register of historic places administration**—Statute requires the Board to plan, coordinate, and administer a State historic preservation program, pursuant to requirements in the National Historic Preservation Act.^{8,9} The Board also houses the State Historic Preservation Office, which is responsible for assisting private citizens, private institutions, local governments, tribes, and State and federal agencies in the identification, evaluation, protection, and enhancement of significant historic and archaeological properties.¹⁰ In addition, A.R.S. §41-511.04(A)(9) requires the Board to keep and administer an Arizona register of historic places composed of districts, sites, buildings, structures, and objects that are significant to the State’s history, architecture, archaeology, engineering, and culture. The Board is also required to advise, assist, and cooperate with federal and State agencies, State political subdivisions, and other persons in identifying and preserving properties of historic or prehistoric significance.

⁸ A.R.S. §41-511.04(A).

⁹ The National Historic Preservation Act is outlined in 54 U.S.C. §300101 et seq.

¹⁰ According to the Board’s website, the State Historic Preservation Office provides technical assistance to federal and State agencies in meeting their preservation responsibilities as defined by federal and State historic preservation laws. As part of their compliance with these statutes, State and federal agencies must consult with the State Historic Preservation Office on a variety of aspects involving the identification and evaluation of cultural properties that are eligible for or listed on the Arizona or National Registers of Historic Places, as well as assessing project effects on historic properties and consulting on appropriate measures to avoid, minimize, or mitigate adverse effects to historic properties.

- Capital project management**—The Legislature appropriates monies to the Board to perform capital projects for the benefit of the State (see textbox). These capital projects are required to be reviewed by the Joint Committee on Capital Review (JCCR) if the capital project is receiving monies from the SLIF or the State Parks Revenue Fund. In addition, a capital project must receive JCCR review if the project costs more than \$250,000 or if JCCR selects a project for review.¹¹ The Board is responsible for managing the capital projects for which it receives appropriations and is assigned as manager.¹² See Sunset Factor 2, pages 15 through 16, for information on the Board’s project management practices for capital projects we reviewed.
- Capital projects**—Statute defines capital projects as buildings, structures, facilities, and areas constructed for the use or benefit of the State.
- Source: A.R.S. §41-790(3)
- State-wide parks and recreation program**—A.R.S. §41-511.04(A) requires the Board to plan and administer a State-wide parks and recreation program. The Board is also required to initiate and carry out studies to determine the State’s recreational needs.¹³ The Board publishes the Statewide Comprehensive Outdoor Recreation Plan (SCORP), which serves as a guide for all public outdoor recreation in the State, and the Board is required to update it every 5 years for the State to be eligible for federal LWCF monies.

Heritage Fund

Laws 2019, Ch 304, reestablished the Heritage Fund, which the Legislature repealed at the end of fiscal year 2011.¹⁴ A.R.S. §41-504 requires our Office to audit the Heritage Fund when conducting a performance audit of the Board. However, between fiscal years 2019 and 2021, the Heritage Fund did not receive any appropriations. In fiscal year 2022, the Heritage Fund received a \$5 million appropriation to be used for 4 categories of Heritage Fund grants (for more information regarding our review of Heritage Fund grant awards, see Sunset Factor 2, page 14).

Board organization and staffing

The Board has 7 members including the State Land Commissioner and 6 Governor-appointed members who serve 6-year terms. A.R.S. §41-511(A) requires that the appointed Board members be selected based on their knowledge of and/or interest in outdoor activities, multiple use of lands, archaeology, natural resources, Arizona’s historical aspects, and the conservation of natural resources. Additionally, this statute requires that the appointed Board members include at least 1 representative from each of the following industries: livestock/cattle, general recreation, and tourism. As of June 2022, all 7 Board member positions were filled. The Governor is also responsible for appointing an executive director to oversee Board operations and staff. As of May 2022, the Board reported it had 250 full-time equivalent (FTE) positions, of which 14 positions were vacant. The Board also uses volunteers at State Parks (see page 6 for more information).

The Board is organized into the following 3 divisions:

- Administration Division (30 FTE, 2 vacancies)**—This division provides the Board with financial, human resources, and information technology (IT) services.

¹¹ A.R.S. §41-1252 requires JCCR to review the State capital improvement plan and make recommendations to the Legislature for funding capital projects. A.R.S. §41-793(B) requires ADOA to annually prepare the State capital improvement plan for the State building system that includes proposals for State spending on capital projects. Statute also allows the JCCR to review any capital project regardless of its cost.

¹² ADOA can be assigned to manage some Board capital projects.

¹³ A.R.S. §41-511.04(A).

¹⁴ When the Heritage Fund was reestablished in 2019, its statutorily authorized uses excluded any land purchases. Land purchases had been previously allowed before the repeal of the Heritage Fund in fiscal year 2011.

- **Park Development and Operation Division (181 FTE, 12 vacancies)**—This division manages and operates the State Parks.¹⁵ Specifically, the division is responsible for acquiring, planning, developing, managing, and maintaining State Parks. Other division responsibilities include protection of historical and cultural sites, addressing environmental and science issues confronting State Park resources, and developing comprehensive long-range plans for State-wide recreational and cultural issues.

In addition to full-time staff, the Board reported that it used more than 168,000 volunteer hours at State Parks in fiscal year 2021, an estimated value of nearly \$4.8 million in hourly wages. According to the Board, volunteers provide services such as fundraising, archaeological preservation, ecological monitoring, and reenacting historical events. In addition, the Board reported that because of previous reductions in agency staffing, volunteers also assist with park maintenance, provide tours and other customer services, and collect State Park fees (see Finding 1, pages 9 through 11, for more information on issues we identified with the Board's processes for handling cash payments for State Park fees).¹⁶

- **Partnerships and Grants Division (25 FTE, 0 vacancies)**—This division oversees numerous State-wide programs, such as historic preservation, grants, research, and marketing, and, according to Board staff, relies on partnerships with other entities to accomplish Board goals, such as partnering with the Arizona Game and Fish Department to create and implement outdoor safety programs. The division also includes the State Historic Preservation Office.

Budget

As shown in Table 1 (see pages 7 through 8), the Board has various revenue sources, including State Park user fees, motor vehicle fuel taxes, and licensing and registration fees from OHV and watercraft users. The Board's revenues also included restricted funds, such as federal monies and pass-through grant monies. For example, the Board received more than \$4 million in federal monies in fiscal year 2021 for various federal grant programs such as the Federal Recreational Trails Program. In fiscal years 2020 and 2021, the Board received more than \$318,000 and \$35,000 in federal pandemic aid, respectively. Finally, in fiscal year 2022, the federal pandemic aid the Board received included more than \$5 million in American Rescue Plan Act (ARPA) monies to provide grants to (1) nonprofit and public entities with historic and/or recreational facilities to replace or upgrade their heating, ventilation, and air conditioning (HVAC) and air filtration systems and (2) local, regional, and state entities to promote travel and tourism through activities such as development, restoration, or renovation of outdoor recreation and open spaces.¹⁷

As also shown in Table 1 (see pages 7 through 8), the Board's expenditures included payroll and related benefits; other operating expenses such as rent, utilities, and IT-related costs; and capital and noncapital purchases such as costs related to building projects and other improvements. In fiscal year 2022, the Board estimated it spent more than \$4.4 million on aid to organizations, which were monies passed through to other organizations in the form of grants. Additionally, in fiscal year 2022, the Board approved 13 ARPA grant project awards totaling approximately \$3.8 million. Grantees for these projects have up to 2 years after they are approved to seek reimbursement from the Board. In fiscal year 2022, the Board reimbursed 1 ARPA grantee approximately \$7,800.

¹⁵ The Board contracts with the City of Yuma for the operation of the Colorado River State Historic Park and the Yuma Territorial Prison State Historic Park; the Town of Florence for the operation of McFarland State Historic Park; and Santa Cruz County for the operation of Tubac Presidio State Historic Park.

¹⁶ Effective September 24, 2022, Laws 2022, Ch. 47, authorizes but does not compel the Board to require volunteers who collect fees or interact with children or vulnerable adults in a State Park to submit a full set of fingerprints to the Board for the purpose of obtaining State and federal criminal records checks. According to Board staff, as of April 2022, it was working with the Federal Bureau of Investigation and the Arizona Department of Public Safety to implement a process to obtain State and federal criminal records checks for its volunteers. Additionally, according to Board staff, prior to the passage of this law, the Board already required all of its volunteers to undergo a background check.

¹⁷ According to the Board's agreement with the Governor's office to administer the grants, the HVAC/air filtration system upgrades are intended to provide a safe and healthy environment for visitors during the current and post-pandemic environment.

Table 1
Schedule of revenues, expenditures, and changes in fund balance
Fiscal years 2020 through 2022
(Unaudited)

	2020 (Actual)	2021 (Actual)	2022 (Estimate)
Revenues			
Park-generated			
Park user fees ¹	\$19,225,969	\$20,552,437	\$20,389,888
Gift shop, net of sales taxes	942,551	1,030,528	1,463,994
Concessions and vending machine commissions	402,965	610,114	580,209
Motor vehicle fuel taxes ²	9,932,069	9,493,933	10,312,808
Intergovernmental			
State and local ³	2,786,350	2,916,639	4,407,735
Federal grants ⁴	3,595,172	4,007,875	4,349,150
Federal pandemic aid ⁵	318,771	35,745	5,180,000
State General Fund appropriations ⁶			
Arizona State Parks Heritage Fund			5,000,000
State Lake Improvement Fund			4,000,000
Licensing and registration fees			
OHV user indicia ⁷	2,507,355	3,294,494	3,190,337
Watercraft ⁸	309,248	452,076	328,979
Investment income	715,151	217,262	232,661
Donations	157,026	145,407	356,081
Park ranger housing rent	64,961	52,381	96,385
Other	18,437	40,292	91,102
Total revenues	40,976,025	42,849,183	59,979,329
Expenditures and transfers			
Payroll and related benefits	15,340,441	16,412,624	17,238,768
Professional and outside services ⁹	1,609,697	1,276,041	1,147,641
Travel	61,316	18,962	28,785
Aid to organizations ¹⁰	2,415,580	2,733,096	4,457,130
Other operating ¹¹	9,943,384	11,711,476	9,945,343
Capital and noncapital purchases ¹²	3,791,582	2,427,115	4,657,925
Total expenditures	33,162,000	34,579,314	37,475,592
Transfers to the other agencies ¹³	2,594,755	1,631,416	1,569,197
Total expenditures and transfers	35,756,755	36,210,730	39,044,789
Net change in fund balance	5,219,270	6,638,453	20,934,540
Fund balance, beginning of year	42,966,253	48,185,523	54,823,976
Fund balance, end of year¹⁴	\$48,185,523	\$54,823,976	\$75,758,516

¹ Park user fees include admission, permit, tour, cabin rental, education, and reservation fees and are net of credit card fees. These revenues exclude revenues that were collected by and returned to outside organizations that operate 4 State Parks on behalf of the Board. The Board entered agreements with outside organizations to operate certain State Parks and receive revenues generated at the State Park for continued park operations.

² As authorized by A.R.S. §28-5927, a portion of motor vehicle fuel taxes were transferred to the Board.

³ Over 85 percent of the State and local intergovernmental revenues consisted of monies received from the Arizona Department of Transportation for State Park road improvements. These State and local monies also included monies the Board received from a surcharge assessed on

Table 1 continued

recipients of Land Conservation Fund grants in accordance with A.R.S. §41-511.04(B). Further, the fiscal year 2020 revenues included monies the Board received from a partnership agreement with the Arizona Department of Transportation that provided a 1-year subscription to the *Arizona Highways Magazine* with each annual State Park pass purchased.

- ⁴ Federal grants revenues primarily consisted of grants received from U.S. Departments of Transportation and the Interior federal programs either directly or passed through other State agencies. For example, in fiscal years 2020 and 2021, the Board received approximately \$1.4 million and \$1.8 million, respectively, from the U.S. Department of Transportation's Recreational Trails Program (see footnote 10 for additional information).
- ⁵ Federal pandemic aid revenues consisted of federal grants received to combat the effects of the COVID-19 pandemic and are composed of monies received from the U.S. Department of Treasury's Coronavirus Relief Fund. Funding for the Coronavirus Relief Fund was provided through the federal Coronavirus Aid, Relief, and Economic Security Act to pay for expenditures incurred due to the public health emergency caused by COVID-19, which Board staff reported was used for park rangers' salaries for law enforcement work during the pandemic and items such as hand sanitizer, cleaning products, gloves, and face masks.
- ⁶ State General Fund appropriations in fiscal year 2022 consisted of one-time transfers of \$5 million to the Arizona State Parks Heritage Fund and \$4 million to the SLIF (see Sunset Factor 2, pages 13 through 14, for more information on these appropriated monies).
- ⁷ OHV user indicia revenues were the portion of these fees collected by the Arizona Department of Transportation and Arizona Game and Fish Department that the Board received in accordance with A.R.S. §28-1177(D).
- ⁸ As authorized by A.R.S. §5-323, a portion of watercraft licenses and fees were transferred to the Board.
- ⁹ Professional and outside services consisted of various services the Board acquired such as engineering and architectural services, and services related to a contract for the construction, maintenance, and repair of motorized and nonmotorized recreations trails.
- ¹⁰ Aid to other organizations' expenditures primarily consisted of assistance provided to other organizations such as Arizona cities, towns, counties, other State agencies, and nonprofit corporations through the Board's grants programs. The largest grant programs were the federal Recreational Trails Program and State OHV Recreation Fund, and in fiscal year 2022, the Board received a one-time appropriation of \$5 million to provide awards for Heritage Fund grants.
- ¹¹ Other operating expenditures consisted of various expenditures such as rent; utilities, including telecommunication; repair and maintenance; information technology-related costs, including software support and maintenance; subscriptions and publications; advertising; and supplies, including items for resale. It also included interest paid for an installment loan for cabins the Board purchased at various State Park locations. According to the Board, these expenditures can vary from year to year based on inflation and repair and maintenance needs. For example, the Board paid approximately \$1.7 million more in fiscal year 2021 for repair and maintenance and utilities than it did in fiscal year 2020.
- ¹² Capital and noncapital purchases expenditures primarily consisted of costs related to building and other improvements and vehicle purchases. For example, in fiscal year 2020, the Board expended nearly \$1 million for prefabricated restroom shower facilities at a State Park and over \$1.3 million for resurfacing services for Cattail Cove Road, and in fiscal year 2021, the Board expended approximately \$1 million that, according to the Board, was for paving projects at multiple parks.
- ¹³ Transfers to other agencies were made for various purposes, including to comply with statutory requirements and intergovernmental agreements. For example, in fiscal years 2020 and 2021, the Board transferred approximately \$901,900 and \$1.4 million, respectively, to the Arizona State Land Department and Arizona Game and Fish Department in accordance with A.R.S. §28-1176; this statute authorizes these 2 agencies to spend a portion of the monies in the Off-Highway Vehicle Recreation Fund administered by the Board for purposes including paying for educational programs related to safety and enforcement of OHV laws. In addition, the Board transferred approximately \$1.3 million to ADOA for the demolition of the existing pedestrian bridge and construction of a new pedestrian bridge at the Tonto Natural Bridge State Park in accordance with Laws 2019, Ch. 264, §12.
- ¹⁴ Ending fund balance for fiscal year 2022 is estimated to be \$75,758,516, of which \$36,566,291 is estimated to be restricted for specific purposes.

Source: Auditor General staff analysis of the Arizona Financial Information System (AFIS) *Accounting Event Transaction File* and the State of Arizona Annual Financial Report for fiscal years 2020 and 2021, and Board-provided estimates for fiscal year 2022.



Board did not protect public monies, increasing risk of loss or theft

Board has not implemented State requirements and recommended practices for protecting public monies

The SAAM classifies cash and cash equivalents (cash) collected by State agencies as public monies that should be protected (see footnote 1, page 1, for more information on the SAAM).¹⁸ The SAAM specifies several requirements for handling cash that all State agencies are required to follow to protect public monies and reduce the risk of loss or theft. The Board collects millions of dollars of cash each year from park visitors for admission fees, gift shop purchases, camping and common area reservations, and donations. However, we found that the Board lacked some cash-handling controls required by the SAAM and had not implemented related recommended practices. Specifically, in April 2022, we visited 3 State Parks and found that the Board:¹⁹

- **Did not ensure all transactions and totals were locked in**—The SAAM requires that when State agencies use cash registers to record cash receipts, transactions and totals must be locked in, meaning that individuals collecting cash should not be able to alter transaction information after a transaction occurs. However, the Board did not comply with and/or implement recommended practices related to this requirement. Specifically:
 - **Board staff and volunteers could alter transactions after transactions occurred**—Board staff and volunteers at 2 of the 3 State Parks we visited could edit transaction information in the Board's cash receipt system after cash had been collected from State Park visitors and recorded in the system for as long as 24 hours or more after the original sale—meaning the transactions and totals were not locked.²⁰ Specifically, we observed Board staff open a recorded transaction in the Board's cash receipt system and demonstrate the ability to change the total cash amount received and the number of days for which the customer was charged for a camping reservation.
 - **Board staff and volunteers did not always provide receipts for cash payments**—To help ensure cash payments are recorded and locked in registers or other cash receipt systems, recommended practices for cash handling indicate that customers should always be provided a receipt for cash payments.²¹ However, contrary to this recommended practice, Board staff and volunteers at all 3 State Parks we visited did not provide receipts to State Park visitors for all cash payments.

¹⁸ According to the SAAM, cash equivalents include monies received in various forms, such as checks, money orders, warrants, electronic fund transfers, and payment cards.

¹⁹ We visited Catalina, Lost Dutchman, and Tonto Natural Bridge State Parks in April 2022.

²⁰ Two of the 3 State Parks we visited offer camping accommodations, and staff at these 2 State Parks had the ability to edit the transaction amounts after cash had been collected and recorded in the system. According to Board staff, the transactions are eventually locked either the next day or after the last day of a visitor's camping stay.

²¹ University of Utah. (n.d.). *Best practices for cash control*. Salt Lake City, UT. Retrieved 5/26/2022 from <https://fbs.admin.utah.edu/training/train-alpha/best-practices-for-cash-control>.

- **Did not reconcile cash deposits to detailed receipt logs**—The SAAM requires receipt logs, prenumbered receipts, and register tapes to be reconciled to the deposits with the State Treasurer. At the 3 State Parks we visited, Board staff performed daily and weekly reconciliations by reconciling cash deposits to summarized daily and weekly cash receipt system reports that included the total amounts of cash received at the State Park per day and week, but did not list individual, prenumbered transactions. Additionally, the Board’s central office staff performed some reconciliations, including using the same summarized weekly cash receipt system reports used at the State Parks we visited to reconcile cash to deposits made with the State Treasurer. However, neither of these reconciliation processes involved reconciling deposits to individual, prenumbered transactions or receipt logs recorded in the Board’s cash receipt system.

State Park revenues, which are public monies, at increased risk of theft or loss

Although we did not identify any theft or loss during our review, the Board’s noncompliance with SAAM requirements and not implementing related recommended practices increases the risk of theft or loss of State Park revenues. These State Park revenues include cash payments and are public monies that pay for more than half of the Board’s costs for operating the State Parks system.²² Specifically:

- **Failure to lock transactions and provide receipts increases risk of errors and theft**—When transactions are recorded but not locked in the system after a sale, Board staff and volunteers could inadvertently or deliberately alter transactions in the system, such as by changing the number of camping days or the total transaction amount by accident or to conceal theft. Additionally, not requiring staff to provide receipts to State Park visitors for all cash transactions allows Board staff and volunteers to not record all cash transactions, increasing the risk that cash is lost or stolen without detection.
- **Failure to reconcile cash receipts to prenumbered and detailed transaction receipt logs increases risk that errors and theft are not detected**—Without reconciling deposits to individual, prenumbered transactions or receipt logs, the Board lacks the ability to identify and further investigate instances of potential loss or theft of cash. For example, because the Board’s reconciliation processes do not include review of individual transactions, it may not be able to detect indications of theft that should be investigated, such as a large number of cash refunds processed within a short time period.

Preventing and/or detecting theft and loss of cash is particularly important because the Board’s State Park revenues pay for a significant portion of its costs for operating the State Parks system. In fiscal year 2021, the Board collected \$20.5 million in revenues from State Park user fees, and it estimated that it annually collects approximately \$5 million in cash.²³

Lack of policies and procedures contributed to noncompliance, and Board did not implement compensating controls to mitigate risks

The Board lacked policies and procedures for complying with some SAAM requirements despite similar cash-handling issues our Office previously identified, which may have contributed to the issues previously discussed. Specifically, our 2012 procedural review of the Board made several recommendations to improve its cash-handling procedures, including use of prenumbered and detailed cash receipts.²⁴ Although the Board had implemented some policies, procedures, and staff training related to our recommendations, such as requiring at least 2 Board staff and/or volunteers to count and verify cash collections, it lacked policies

²² A.R.S. §35-302 defines public money as including bonds and evidence of indebtedness, and money belonging to, received by, or held by State, county, district, city, or town officers in their official capacity.

²³ According to Board staff, the \$5 million in cash it annually collects includes cash, checks, wire transfers, and automated clearinghouse transactions, such as debit cards, but does not include credit cards.

²⁴ See Arizona Auditor General report *Procedural Review: Arizona State Parks Board, as of January 31, 2012*.

and/or procedures requiring staff to provide receipts to State Park visitors, lock transaction totals and transaction items in the cash receipt system, and reconcile deposits to prenumbered receipt logs or tapes. Written policies and procedures help employees better understand their duties and responsibilities regarding the use and management of public monies and can help mitigate against monies being lost, stolen, or misused. As a result, this lack of policies and procedures likely contributed to noncompliance with the SAAM and not implementing related recommended practices. For example, in the absence of a requirement to provide receipts to State Park visitors for cash payments, State Park staff indicated they rarely provided receipts to visitors unless specifically asked for a receipt or unless a larger purchase was made, such as for a \$75 annual pass.

Board staff also reported that the Board provided the ability for staff to change transaction information in the cash receipt system after a sale so they could provide same-day refunds and/or adjust camping reservation stays rather than processing separate refund transactions to help provide timely customer service to State Park visitors. However, this practice does not comply with SAAM requirements to lock transactions, and the Board had not worked with ADOA's General Accounting Office to either obtain an exception to the SAAM requirement or implement compensating controls to mitigate the risks associated with this practice.²⁵ In addition, Board staff reported various limitations in the Board's cash receipt system that impacted its ability to comply with the SAAM reconciliation requirement, including an inability to generate reports listing all voided transactions and/or all transactions edited after the sale. As of July 2022, the Board had procured and reported it had begun using a new cash receipt/reservation system. According to Board staff, the Board is working with the vendor providing the new system to make system improvements to help it better comply with the SAAM requirements, including incorporating our recommendations.

Recommendations

The Board should:

1. Comply with SAAM requirements and implement recommended practices for recording cash transactions and reconciling cash deposits, including developing and implementing policies and procedures for:
 - a. Requiring Board staff and volunteers who receive cash to provide a receipt to customers for all transactions.
 - b. Locking transactions after a sale, including processing refunds as separate transactions rather than editing transaction information after a sale.
 - c. Reconciling detailed and prenumbered receipt logs and register tapes to deposits with the State Treasurer during its daily and weekly reconciliation processes.
2. Work with its cash receipt system vendor to ensure its new cash receipt system locks transactions after sales are completed and that the system can generate reports to facilitate the Board's reconciliation of deposits in compliance with SAAM requirements.

Board response: As outlined in its [response](#), the Board agrees with the finding and will implement the recommendations.

²⁵ According to the SAAM, exceptions to GAO policies and procedures may be granted by only the State Comptroller, the ADOA Director, or 1 of their delegates.



Pursuant to A.R.S. §41-2954(D), the legislative committees of reference shall consider but not be limited to the following factors in determining the need for continuation or termination of the Board. The sunset factor analysis includes additional findings and recommendations not discussed earlier in the report.

Sunset factor 1: The objective and purpose in establishing the Board and the extent to which the objective and purpose are met by private enterprises in other states.

According to A.R.S. §41-511.03, the Board's objective and purpose includes acquiring, preserving, and maintaining areas of natural features, scenic beauty, and historic and scientific significance for the education, pleasure, recreation, and health of Arizona's citizens. The Board is statutorily responsible for managing the State Park system, comprising 33 State Parks located throughout Arizona. In addition, the Board houses the State Historic Preservation Office that coordinates and administers a State historic preservation program, as required by federal law.

We did not identify any states that met a similar objective and purpose through private enterprise. According to the National Association of State Park Directors' website, all 50 states have a state agency responsible for managing state parks. In addition, we reviewed management of state parks in 3 states—Colorado, Nevada, and Utah—and found that none used private enterprises to meet the Board's objective and purpose.

Sunset factor 2: The extent to which the Board has met its statutory objective and purpose and the efficiency with which it has operated.

The Board has established various processes related to the statutory responsibilities we reviewed. Specifically, the Board:

- **Has established a grant application and award process that includes multiple levels of review—**
The Board has developed a grants manual for use by Board staff and potential grant applicants. The Board's grants manual provides information for prospective grantees who are considering applying for a grant. For example, the Board's grants manual includes descriptions of Board-administered grant programs, including project-eligibility requirements and allowable uses of grant monies for each grant type, and information prospective grantees will need to submit if they begin the application process. The Board's grants manual also outlines the grant application and award process that includes multiple levels of review. Specifically:
 - Board staff hold workshops with prospective grantees to help ensure that they apply for the appropriate grant program and understand the grant requirements before starting the application process. Attending a workshop is mandatory before submitting a grant application for the first time.
 - The applicant submits the grant application to the Board, and Board staff review and score the grant application using scoring criteria outlined in the Board's grants manual. Board staff score each grant application on several aspects, including whether all required documents have been submitted, the ability of the applicant to start and complete the project in a timely manner, the cost of the project, and how the project will benefit the public. Once this step is complete, the application documents are forwarded to the applicable Board advisory group for review (see Introduction, page 4, for information on Board advisory groups).
 - The applicable Board advisory group meets in a public meeting to review and discuss the grant project information and grant application scores forwarded by Board staff. The advisory group then votes whether to recommend that the Board approve the award of grant monies for the project.

- The Board meets in a public meeting to review and discuss projects. It also makes the final decision whether to approve grant awards for projects.²⁶
- If a project is approved for an award, the Board enters into a legal agreement with the grantee.²⁷

The Board reported that in fiscal year 2021, it approved 54 grant projects and awarded a total of \$17.9 million to these projects.

To assess if the Board awarded grant monies consistent with statutory requirements, we reviewed awards for 2 of the Board’s statutorily established funds, the SLIF and the Heritage Fund, that received increased appropriations in fiscal year 2022, resulting in increased grant project award activity (see Introduction, pages 3 and 5, for more information on the SLIF and Heritage Fund). We found the Board awarded SLIF and Heritage Fund monies consistent with statutory requirements related to these 2 funds, as follows:

- **Board awarded \$4.33 million from SLIF for statutorily allowable purposes**—In fiscal year 2022, the Board received a one-time appropriation of \$4 million for the SLIF.²⁸ As shown in Table 2, in fiscal year 2022, the Board awarded 10 SLIF grants totaling over \$4.33 million.²⁹ The grant projects that received these awards were to purchase public safety rescue boats and to improve water safety facilities, which are statutorily allowable uses of SLIF monies.³⁰

Table 2
SLIF awarded grant recipients, amounts, and descriptions¹
Fiscal year 2022
(Unaudited)

Awarded grant recipients	Awarded amounts	Project description
La Paz County Sheriff	\$30,128	Water safety center HVAC
Timber Mesa Forest and Medical District	53,280	Rescue boats
Bullhead City Fire Department	275,000	Rescue fireboat
Coconino County	387,200	Rescue boats
Bullhead City Police	391,900 ²	Public safety boats and jet skis
Maricopa County	620,791	Boater wind warning system replacement ³
Lake Havasu City	800,000	Public safety boats and equipment
Mohave County Sheriff	800,000	Enforcement/rescue boats
Arizona Game and Fish Department	978,089	Boat launch improvement project
Total awarded	\$4,336,388⁴	

¹ The Board did not deny any SLIF grant applications it received in fiscal year 2022.

² This amount comprises 2 separate award approvals for Bullhead City Police.

³ According to its website, Maricopa County uses a wind warning system to warn boaters of windy conditions on Lake Pleasant for boating safety.

⁴ As of June 30, 2022, the Board had distributed more than \$30,000 to reimburse 1 grantee for costs related to an approved SLIF project.

Source: Board-reported grant project information for SLIF grants awarded in fiscal year 2022.

²⁶ After the Board approves a project award, the grantee must pay for project expenses and then submit reimbursement requests to the Board to receive grant award monies. Reimbursement requests must include invoices, receipts, and proof of payment, such as a credit card or bank statement.

²⁷ The legal agreement, called the project agreement, documents the project’s required beginning and ending dates, scope, and budget. The end date documented in the project agreement indicates the date all grant work must be completed. According to Board staff, any requests by project grantees for reimbursement of expenses after the grant end date are denied.

²⁸ As discussed in the Introduction (see footnote 7, page 3), statute authorizes SLIF monies to be spent for some administrative purposes. However, according to the Board, the \$4 million appropriation was intended to be used primarily for grants.

²⁹ According to the Board, in June 2022, the Board reallocated \$900,000 from 2 capital projects to be used for SLIF grants. The Board also reported that the additional \$900,000 became available because ADOA plans to pay for a portion of the 2 capital projects with ARPA monies.

³⁰ A.R.S. §5-382(C).

- **Board awarded \$4.9 million from Heritage Fund for statutorily allowable purposes**—In fiscal year 2022, the Board received an appropriation of \$5 million for the Heritage Fund. As shown in Table 3, in fiscal year 2022, the Board awarded 29 Heritage Fund grants totaling more than \$4.9 million. A.R.S. §41-503 establishes 4 categories of Heritage Fund grants and requires certain percentages of the Heritage Fund to be used for each grant category, while also limiting the amount that any 1 grantee may be awarded within each grant category.^{31,32} We found that the Board’s fiscal year 2022 Heritage Fund grant awards were consistent with these statutory requirements. Specifically, the awarded amounts for each Heritage Fund grant category shown in Table 3 were equal to or less than the statutorily required percentage of the \$5 million available for awards in fiscal year 2022. Additionally, no 1 grantee received more than 20 percent of the monies available in any category.

Table 3
Heritage Fund categories and required percentages and fiscal year 2022 awarded grant amounts, number of awards, grant recipients, and project descriptions, by grant category¹
Fiscal year 2022

(Unaudited)

Heritage Fund grant category	Statutorily required percentage	Awarded amount	No. of awarded grants	Grant recipients	Examples of grant projects
Outdoor and environmental education projects	10 percent	\$442,514	11	Nonprofit organizations or local governments ²	Promotion of environmentally safe use of trails by various nonprofit groups, such as high school mountain bike clubs
Historic preservation projects	30 percent	\$1,489,600	6	Nonprofit organizations or local governments	Preserving or restoring historic buildings, such as restoring classrooms in the 1918 Dunbar School
Local, regional, and State parks	50 percent	\$2,500,000	6	Local governments	Various park improvements including constructing restrooms, ramadas, and sport fields or courts
Nonmotorized trails	10 percent	\$475,344	6	Nonprofit organizations or local governments	Constructing or improving various nonmotorized trails, such as making existing trails Americans with Disabilities Act (ADA) accessible
Total awarded		\$4,907,458^{3,4}	29		

¹ In fiscal year 2022, the Board denied 2 Heritage Fund grant applications it received. One of the proposed projects did not meet the Heritage Fund grant eligibility requirements. For the second project it denied, the Board lacked funding for the project because it had already awarded the statutory maximum percentage of monies available in the grant category.

² Local governments consist of cities, towns, or county governments.

³ According to the Board, as of June 30, 2022, it had distributed more than \$426,000 to reimburse grantees for costs related to the Heritage Fund projects approved in fiscal year 2022.

⁴ According to the Board, \$92,542 of the \$5 million appropriated for Heritage Fund grants in fiscal year 2022 was not awarded and will be available for Heritage Fund grant use in fiscal year 2023.

Source: Auditor General staff review of A.R.S. §41-503 and Board-reported grant project information for Heritage Fund grants awarded in fiscal year 2022.

³¹ According to A.R.S. §41-503(C), an entity that receives Heritage Fund monies may not receive more than 20 percent of the monies available in each category in any fiscal year.

³² For more information about the Heritage Fund, see Introduction, footnote 6 on page 3, and page 5.

- **Developed standardized guidance documents for State Park operations**—In October 2020, the Board began a project to develop a collection of standardized guidance documents related to operations for each State Park. The project’s goal was to develop comprehensive guidance for State Park operations for each of its State Park’s managers and to help ensure continuity of operations in the event of any future staff turnover. Board leadership reported that they plan to use the guidance documents when conducting site visits to assess whether the State Parks’ staff are utilizing them to guide State Park management decisions in accordance with the responsibilities and policies and procedures included in the guidance documents. For example, during a site visit, leadership may select some policies from the guidance documents and ask staff at the State Parks to show them how the procedures have been implemented to assess if each park is implementing the policies in a standardized way.

We reviewed guidance documents developed for 3 State Parks and found they included consistent information applicable to all State Parks, including statutes, rules, and regulations that govern State Park operations; Board policies and procedures related to public safety, resource inventory, and spending for fleet vehicles; and guidance for tracking budgeted versus actual expenditures.³³ In addition, the guidance documents included information specific to individual State Parks; the scheduled activities that managers needed to be aware of, such as legal and/or contractual obligations; and requirements for federal and State lease and permit renewals. The Board reported that its State Park managers began using the guidance documents in January 2022 and that as of May 2022, the Board is in the process of gathering feedback from State Park managers to help identify any additional improvements/adjustments to the guidance documents, as needed.

However, we also identified some areas where the Board can better meet its statutory objectives. Specifically, the Board:

- **Lacked comprehensive project management practices for capital projects we reviewed**—The Board undertakes capital projects when it receives appropriations to do so, such as adding more camping or recreational vehicle sites to its State Parks, providing water and electrical services to camping sites, and making major repairs to State Park facilities. However, its project management practices for 2 capital projects we reviewed may not have ensured that the projects were completed on time or within budget. Specifically, we reviewed available project documentation for 2 capital projects that have remained open since 2018 and 2019, respectively, to determine potential reasons why these capital projects have remained open for several years, such as whether they had experienced any delays.³⁴ Our review found the Board’s project documentation for the 2 projects lacked project management information that would help identify why the project took more than 3 or 4 years to complete. For example, the project documents lacked planned project timelines, a list of major steps to be completed, or any tracking of the projects’ actual completion time frames and steps compared to what was planned. As a result, it was unclear if and when these projects had suffered delays and, if so, what caused those delays. Without this documentation, Board staff, who were hired as recently as December 2021, were unsure whether these 2 projects had progressed as planned. In addition, the Board lacked information needed to explain the status and progress of these capital projects to oversight entities and other stakeholders, such as the Governor’s Office, Legislature, or JCCR.

According to Board staff, at the time these 2 projects were started, the Board lacked a standardized project management process for its project managers to follow, including how to track projects’ time frames and scope; what documentation to retain; and how or where to store project documents.³⁵ However, during the audit, as of May 2022, the Board had begun to develop a standardized project management process. For example, the Board has begun developing a project management tool (project tracker) to track key

³³ We reviewed the guidance documents for Lake Havasu State Park, Red Rock State Park, and Tombstone Courthouse State Historic Park.

³⁴ We judgmentally selected 2 of the Board’s 4 capital projects opened between 2017 and 2019 that remained open as of July 2021. We reviewed capital projects for Buckskin Mountain State Park (2019) and Roper Lake State Park (2018).

³⁵ The Board’s project managers oversee the capital projects and are ultimately responsible for planning, tracking, and ensuring the completion of an assigned capital project.

information for all capital projects, including start and end dates; dates for necessary reviews or approvals, such as State Historic Preservation Office or JCCR reviews or required environmental or cultural studies; weekly status updates; funding sources and amounts spent; and several other key project details. In addition, the Board had begun to develop written project management policies/procedures that outline expectations and responsibilities for its project managers. The draft policies and procedures include standardized methods for storing project documents according to steps included in the project tracker. Further, the Board plans to provide weekly trainings for project managers on several topics related to project management, including training on its new policies and procedures.

- **Has not developed policies and procedures for tracking grant project completion timeliness or establishing project completion time frames**—To assess the timeliness of the Board’s grant projects, we reviewed all 112 grant projects approved after January 1, 2017, and closed as of February 28, 2022. All but 1 of the 112 grant projects we reviewed were completed within the time frame specified in the project agreement.³⁶ However, the Board lacks policies and procedures that require Board staff to track project completion time frames or to report information on project completion timeliness to the Board. In addition, prior to May 2022, Board staff established each project completion time frame on a project-by-project basis, but lacked policies, procedures, guidance, or criteria for doing so. Although nearly all the projects we reviewed were completed timely, policies and procedures are important for ensuring continuity of operations when an agency experiences staff turnover because new staff do not have a plan to follow for ensuring grant completion timeliness. Because much of the information about the Board’s process for establishing and tracking grant project time frames was verbally reported by 1 Board staff member, this information could be lost if the employee left Board employment.
- **Has not consistently ensured grantees submit all closeout documents to the Board within 90 business days, as required by Board policy**—According to the Board, a grantee must submit required closeout documents within 90 business days, which indicates that the project has been closed.^{37,38} For example, closeout documents include the closeout letter indicating the project work and closeout have been completed, a final project status report, and any documents that support that the project was completed, such as maps, photos, videos, or surveys. To assess whether the Board’s grant projects were closed within 90 business days, we reviewed all 99 grant projects approved after January 1, 2017, and with a project end date at least 90 business days before February 28, 2022, the date we began our review. We found that for 63 of 99 grant projects (nearly 64 percent) we reviewed, grantees had not submitted the required closeout documents within 90 business days. Additionally, for those 63 projects, 16 grantees had not submitted the required documentation as of February 28, 2022. Further, these 16 grantees exceeded the 90-business-day requirement by between 61 and 1,440 days. According to Board staff, until a grant project is closed out, the Board does not make available any unspent monies for use on other grant projects.

The Board reported it was not tracking grantees’ compliance with the 90-day closeout requirement because it was understaffed. As of January 2022, the Board reported it had hired a new staff person who will begin tracking grant closeout timeliness. Additionally, as of May 2022, the Board began developing a written procedure that requires Board staff to track and monitor closeout time frames for 5 of the Board’s 15 grant programs.

- **Did not protect public monies increasing risk of loss or theft**—The Board collects millions of dollars of cash each year from State Park visitors for admission fees and other services; however, the Board lacked

³⁶ One grant was not completed before the project agreement end date. It was completed 55 days after the project end date specified in the project agreement.

³⁷ The Board’s guidelines for awarded grants state that the Board’s grant closeout process should begin either when the project is completed or when the grant’s project end date has passed, whichever occurs first.

³⁸ Between fiscal years 2018 and 2022, the Board’s closeout time frame requirement was 30 business days in fiscal years 2020 and 2021 and 90 business days in the other 3 fiscal years. However, the Board’s grants manual did not specify how these closeout requirements applied to multiyear grants that may have started and ended in fiscal years with different closeout requirements. As a result, we assessed closeout timeliness using the 90-day business requirement.

some important cash-handling controls required by the SAAM and had not implemented recommended practices to reduce the risk of loss or theft. Specifically, the Board:

- Did not lock transactions in its cash receipt system, as required by the SAAM, allowing Board staff and volunteers to alter transactions after the sale, and did not implement a recommended practice to require Board staff to provide State Park visitors with receipts for all transactions, resulting in an increased risk of errors or theft.
- Did not reconcile cash deposits to detailed, prenumbered receipts or receipt logs, as required by the SAAM, resulting in an increased risk that errors and theft are not detected.

Although we did not identify any theft or loss during our review, the Board's noncompliance increases the risk of loss or theft of State Park revenues, which pay for a significant portion of the Board's operating costs. We found the Board lacked policies and procedures for complying with some SAAM requirements despite similar issues we found in our 2012 procedural review of the Board.³⁹ Finally, we made several recommendations, including that the Board develop and implement policies and procedures requiring its staff to comply with SAAM requirements and recommended practices (see Finding 1, pages 9 through 11).

Recommendations

The Board should:

3. Complete development of and implement its project tracker and project management policies and procedures. The policies and procedures should outline specific steps project managers should follow to manage capital projects, including planning, regularly tracking the status of, and documenting key project information and dates in a standardized way.
4. Implement its weekly project management trainings for project managers, including providing training on its project tracker and project management policies and procedures.
5. Develop and implement policies and procedures that:
 - a. Require Board staff to track grantees' compliance with project completion time frames outlined in project agreements, including procedures for reporting time frame compliance information to the Board.
 - b. Describe how Board staff should establish project start and end dates, including criteria for doing so.
 - c. Require Board staff to track grantee compliance with the 90-business day closeout requirement for all of the Board's grant programs.

Board response: As outlined in its [response](#), the Board agrees with the findings and will implement the recommendations.

Sunset factor 3: The extent to which the Board serves the entire State rather than specific interests.

The Board serves the entire State by managing the State Parks system comprising 33 State Parks located throughout the State that provide opportunities for environmental education, historic information, exploring natural areas, and recreation, such as hiking, camping, boating, and fishing (see Figure 1, page 2, for a map of the 33 State Parks). In addition, the Board administers grant programs that help pay for construction, preservation, and other projects that benefit entities such as Arizona communities and agencies around the State. For example, in fiscal year 2021, the Board reported it awarded 54 grants totaling \$17.9 million. Finally, the Board is responsible for evaluating and protecting Arizona's historic resources through the State Historic Preservation Office.

³⁹ See Arizona Auditor General report *Procedural Review: Arizona State Parks Board, as of January 31, 2012*.

However, the Board had not complied with some State conflict-of-interest requirements, and its conflict-of-interest process was not fully aligned with recommended practices designed to help ensure that public officers comply with State requirements. Specifically, statute requires employees of public agencies and public officers, including Board and advisory group members, to avoid conflicts of interest that might influence or affect their official conduct.⁴⁰ These laws require employees and public officers to disclose substantial financial or decision-making interests in a public agency's official records, either through a signed document or the agency's official minutes. Statute further requires that employees/public officers who have disclosed conflicts refrain from participating in matters related to the disclosed interests. To help ensure compliance with these statutory requirements, ADOA's *State Personnel System Employee Handbook* and conflict-of-interest disclosure form (disclosure form) require State employees to disclose if they have any business or decision-making interests, secondary employment, and relatives employed by the State at the time of initial hire and anytime there is a change. The ADOA disclosure form also requires State employees to attest that they do not have any of these potential conflicts, if applicable, also known as an "affirmative no." In addition, statute requires public agencies to maintain a special file of all documents necessary to memorialize all disclosures of substantial interest and to make this file available for public inspection.⁴¹

In addition, in response to conflict-of-interest noncompliance and violations investigated in the course of our work, such as employees/public officers failing to disclose substantial interests and participating in matters related to these interests, we have recommended several practices and actions to various school districts, State agencies, and other public entities.⁴² Our recommendations are based on guidelines developed by public agencies to manage conflicts of interest in government and are designed to help ensure compliance with State conflict-of-interest requirements by reminding employees/public officers of the importance of complying with the State's conflict-of-interest laws.⁴³ Specifically, conflict-of-interest recommended practices indicate that all public agency employees and public officers complete a disclosure form annually and that the form include a field for the employee/public officer to provide an "affirmative no," if applicable. These recommended practices also indicate that agencies develop a formal remediation process and provide periodic training to ensure that identified conflicts are appropriately addressed and help ensure conflict-of-interest requirements are met.

Although the Board complied with 1 State conflict-of-interest requirement we reviewed by requiring its staff to complete the ADOA disclosure form when hired, it did not maintain a special file documenting all disclosures of substantial interest or make this file available for public inspection upon request, as required by statute.⁴⁴ Additionally, the Board's conflict-of-interest process did not fully align with recommended practices. Specifically, the Board did not require its Board and advisory group members, who are public officers, to complete disclosure forms upon appointment, including attesting that no conflicts exist, if applicable; however, in May 2022, during the audit, 3 of 7 Board members completed signed disclosure forms that included an affirmative no. The Board also did not remind employees/public officers at least annually to update their disclosure form when their circumstances change. Further, the Board lacked a formal remediation process and did not provide periodic training to most of its advisory groups to help ensure that conflict-of-interest requirements are met.⁴⁵ Finally, the Board had not developed any conflict-of-interest policies and procedures.

⁴⁰ A.R.S. §38-503.

⁴¹ A.R.S. §38-509.

⁴² For example, see Auditor General Reports 21-402 *Higley Unified School District—Criminal Indictment—Conspiracy, Procurement Fraud, Fraudulent Schemes, Misuse of Public Monies, False Return, and Conflict of Interest*, 19-105 *Arizona School Facilities Board—Building Renewal Grant Fund*, and 17-405 *Pine-Strawberry Water Improvement District—Theft and misuse of public monies*.

⁴³ Recommended practices we reviewed included: Organization for Economic Cooperation and Development (OECD). (2022). *Recommendation of the council on OECD guidelines for managing conflict of interest in the public service*. Paris, France. Retrieved 8/20/2022 from <https://legalinstruments.oecd.org/public/doc/130/130.en.pdf>; Ethics & Compliance Initiative (ECI). (2016). *Conflicts of interest: An ECI benchmarking group resource*. Arlington, VA. Retrieved 2/11/2022 from <https://www.ethics.org/wp-content/uploads/2021-ECI-WP-Conflicts-of-Interest-Defining-Preventing-Identifying-Addressing.pdf>; and Controller and Auditor General of New Zealand (2020). *Managing conflicts of interest: A guide for the public sector*. Wellington, New Zealand. Retrieved 3/4/2021 from <https://oag.parliament.nz/2020/conflicts/docs/conflicts-of-interest.pdf>.

⁴⁴ Although 1 of the employee disclosure forms we reviewed included a disclosed conflict, Board staff reported that all completed conflict-of-interest forms were stored in the individual employee files.

⁴⁵ One advisory group received conflict-of-interest training, but the Board and the remainder of the Board's advisory groups did not.

Recommendations

The Board should:

6. Develop and implement conflict-of-interest policies to help ensure compliance with State conflict-of-interest requirements and recommended practices including:
 - a. Requiring public officers, including all Board and advisory group members, to complete a conflict-of-interest disclosure form upon appointment, including attesting that no conflicts exist, if applicable.
 - b. Reminding all employees and public officers at least annually to update their disclosure form when their circumstances change.
 - c. Storing all substantial interest disclosures, including disclosure forms, in a special file available for public inspection.
 - d. Establishing a process to review and remediate disclosed conflicts.
7. Provide periodic training on its conflict-of-interest requirements, process, and disclosure form, including providing training to all employees and Board/advisory group members on how the State's conflict-of-interest requirements relate to their unique program, function, or responsibilities.

Board response: As outlined in its [response](#), the Board agrees with the finding and will implement the recommendations.

Sunset factor 4: The extent to which rules adopted by the Board are consistent with the legislative mandate.

Our review of the Board's statutes and rules found that the Board had adopted rules when statutorily required to do so.⁴⁶

Sunset factor 5: The extent to which the Board has encouraged input from the public before adopting its rules and the extent to which it has informed the public as to its actions and their expected impact on the public.

As of May 2022, the Board had not initiated any rulemaking within the last 5 years.⁴⁷ Therefore, it has not needed to encourage input from the public before adopting rules in the past 5 years.

We also observed 2 Board and 2 Arizona Outdoor Recreation Coordinating Commission (Commission) meetings held in March and May 2022 and found that both the Board and Commission complied with the open meeting law requirements we reviewed, with one exception.^{48,49} For example, the Board and Commission both posted meeting notices and agendas on the Board's website at least 24 hours in advance, and Board staff provided written meeting minutes and/or video links to recordings on its website within 3 working days after the meetings. However, the Board has not developed policies and procedures related to open meeting law requirements. Written policies and procedures can help employees understand their duties and responsibilities regarding open meeting law requirements, thus helping to ensure the Board's compliance with these requirements.

⁴⁶ In conducting this assessment, we relied, in part, upon Board-reported information.

⁴⁷ Although the Board revised some of its fees established in its rules in December 2018, A.R.S. §41-1005 exempts the Board's fees from the statutory rulemaking process.

⁴⁸ The Commission serves in an advisory capacity to the Board in several areas, including establishing criteria and policies for the equitable distribution of monies, reviewing applications for eligible projects, and determining the amount of funding for each project for various grant programs.

⁴⁹ We found that the March and May Commission meeting minutes did not include the meeting location, as required by A.R.S. §38-431.01(B)(1). We reported this issue to the Board, and, as of June 2022, it reported that it plans to include this requirement in all future meeting minutes.

Recommendation

The Board should:

8. Develop and implement open meeting law policies and procedures to help ensure its compliance with open meeting law requirements.

Board response: As outlined in its [response](#), the Board agrees with the finding and will implement the recommendation.

Sunset factor 6: The extent to which the Board has been able to investigate and resolve complaints that are within its jurisdiction and the ability of the Board to timely investigate and resolve complaints within its jurisdiction.

Although the Board does not have statutory responsibility for investigating and resolving complaints, it has established some practices for addressing complaints it receives from the public, including (1) complaints received by email and phone calls, (2) complaints and information requests made through the Board's public information officer, and (3) complaints or comments posted on the Board's social media channels. In fiscal year 2021, the Board received 107 complaints through emails and phone calls that were generally related to State Park operations, such as State Park rules that allow a maximum of only 5 people per boat; facility complaints, such as restrooms not in working order; and COVID-related restrictions at the State Parks, such as the requirement to wear masks while hiking. The Board has established a goal to respond to complaints from members of the public within 24 hours. We reviewed all 107 complaints from the Board's tracking log for complaints it received via email or phone in fiscal year 2021 and found that Board staff responded to and resolved 99 of 107 complaints, or 93 percent, within 24 hours. The Board resolved 7 of the other 8 complaints within 3 days, and the remaining 1 complaint took 97 days to resolve.⁵⁰

However, we identified 2 areas where the Board's complaint-handling process can be improved. Specifically, the Board:

- **Does not document resolution dates for complaints received through its public information officer or through social media**—In fiscal year 2021, the Board received a total of 124 comments or complaints through its public information officer or through its social media, which are monitored by Board staff.⁵¹ Our review of the Board's 2 tracking logs for these types of comments or complaints found that Board staff did not document a resolution date for any of the public information officer or social media complaints.⁵² As a result, we could not determine how timely the Board responded to these comments or complaints. As of June 1, 2022, the Board reported that it had implemented a new tracking log for all complaint types that includes the resolution date for all complaints received.
- **Lacks policies and procedures for investigating and resolving complaints**—The Board does not have policies and procedures that reflect the Board's complaint-handling practices and/or staff roles to investigate and resolve complaints. During the audit, the Board developed and reported it had begun implementing a complaint-handling policy and procedure, effective June 1, 2022.

⁵⁰ Board staff reported that in the complaint that took 97 days to resolve, a State Park pass that was purchased online by a member of the public had not been received. According to Board staff, new passes were repeatedly mailed out and returned by the post office to the agency as address unknown. However, once the correct mailing address was received by Board staff, the complainant received the State Park pass.

⁵¹ The Board tracks both comments and complaints in tracking logs: 1 for the public information officer and 1 for social media. It seeks to respond to them within 1 day.

⁵² In our review of its logs, the Board consistently tracked the date the complaint or comment was received, the nature of the complaint or comment, and the description of actions it took to either resolve the complaint or handle the comment. Many comments did not require any action, and those decisions were documented in the log as "no response necessary." However, dates of Board staff resolutions to complaints or decisions made for "no response necessary" were not documented in the log.

Recommendations

The Board should:

9. Document complaint resolution dates for all complaint types, including those received through its public information officer or its social media.
10. Implement its complaint-handling policy and procedure.

Board response: As outlined in its [response](#), the Board agrees with the finding and will implement the recommendations.

Sunset factor 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.

According to A.R.S. §41-192(A)(1), the Attorney General serves as the Board's legal advisor and provides legal services as the Board requires.

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

According to the Board, there are no deficiencies in its enabling statutes that prevent it from fulfilling its statutory mandate.

Sunset factor 9: The extent to which changes are necessary in the laws of the Board to adequately comply with the factors listed in this sunset law.

This audit did not identify any needed changes to the Board's statutes.

Sunset factor 10: The extent to which the termination of the Board would significantly affect the public health, safety, or welfare.

Terminating the Board could harm the public health and welfare if its responsibilities were not transferred to another entity. The Board is responsible for managing the State Parks system, comprising 33 State Parks that provide educational and recreational opportunities for members of the public. In addition, a June 2021 University of Arizona study reported that Arizona's State Parks are a key component of the State's outdoor recreation and tourism-based economy.⁵³ Specifically, the study estimated that the State-wide economic impact of Arizona State Parks' visitor spending was \$449 million in sales and that through visitor spending in local economies, Arizona's State Parks supported an estimated 4,200 jobs State-wide.

In addition, eliminating the Board without transferring its responsibilities to another State agency would likely result in the State's noncompliance with federal regulations. For example, A.R.S. §41-511.04(A)(7) requires the Board to plan, coordinate, and administer a State historic preservation program in accordance with federal regulations in the National Historic Preservation Act. Also, the Board administers federal grants that are paid for by LWCF monies, and the completed projects are required to remain open for the public's recreation in perpetuity. To comply with federal LWCF requirements, the Board reported that it annually performs approximately 150 site visits to ensure that the completed LWCF projects remain open to the public for recreational use.

Finally, as of May 2022, the State Parks system consisted of more than 61,200 acres of land, approximately 41 percent of which is Board-owned and approximately 59 percent of which the Board uses either through leases or land-use agreements. The Board also owns other assets, such as buildings, recreation equipment, and vehicles. If the Board were terminated, its responsibilities related to the land it owns and uses and its assets

⁵³ Duval, D., Bickel, A.K., & Frisvold, G. (2021). *Economic contribution & impacts of Arizona's State Parks: FY2020*. Tucson, AZ: University of Arizona. Retrieved 6/13/2022 from <https://economics.arizona.edu/economic-contribution-and-impacts-arizonas-state-parks>.

would likely need to be transferred to another entity or otherwise addressed, such as by legally terminating or renegotiating lease agreements and/or selling assets.

Sunset factor 11: The extent to which the level of regulation exercised by the Board compares to other states and is appropriate and whether less or more stringent levels of regulation would be appropriate.

This factor does not apply because the Board is not a regulatory agency.

Sunset factor 12: The extent to which the Board has used private contractors in the performance of its duties as compared to other states and how more effective use of private contractors could be accomplished.

Although the Board has contracted with 2 cities and 1 county to operate 4 of its State historic parks, it does not use private contractors to operate State Parks.⁵⁴ However, the Board uses private contractors for other services, including for various concessions and administrative services. We compared the Board’s use of private contractors for these services with the use of private contractors in 3 western states—Colorado, Nevada, and Utah—and found them to be generally similar, as follows:

- **Concession contracts**—Similar to the Board, as shown in Table 4, all of the states had concessions contracts for services, such as food/snack bars/restaurants and canoe or jet ski rentals. All but 1 state also had contracts for overnight accommodations, such as lodging, camping, or cabins; sporting goods rentals; vending machines; boat rides; and firewood sales. However, unlike Arizona, the 3 other states also had concession contracts for park tours and programs or events.

Table 4
Concession contract usage by Arizona, Colorado, Nevada, and Utah
As of April 26, 2022

	Arizona	Colorado	Nevada	Utah
Food/snack bars/restaurants	✓	✓	✓	✓
Canoe/jet ski rentals	✓	✓	✓	✓
Overnight accommodations	✓	✓	✗	✓
Sporting goods rentals	✓	✓	✗	✓
Vending machines	✓	✓	✗	✓
Boat rides	✓	✓	✗	✓
Firewood sales	✓	✓	✗	✓

Source: Auditor General staff review of Arizona’s concession contracts and information provided by Arizona, Colorado, Nevada, and Utah State Parks staff, as of April 26, 2022.

- **Administrative service contracts**—As shown in Table 5, page 23, similar to the Board, all the states had contracts for administrative services such as sanitation, general construction, and uniforms, and 2 of the states also had contracts for other services such as reservation systems, environmental testing, maintenance, and temporary employment, similar to the Board.

We did not identify any additional areas where the Board should consider using private contractors.

⁵⁴ The Board contracts with the City of Yuma for the operation of the Colorado River State Historic Park and the Yuma Territorial Prison State Historic Park; the Town of Florence for the operation of McFarland State Historic Park; and Santa Cruz County for the operation of Tubac Presidio State Historic Park. Of the 3 states we contacted, only Utah contracted with private nonprofit organizations for the operations of 2 of its state parks.

Table 5**Administrative service contract usage by Arizona, Colorado, Nevada, and Utah
As of April 26, 2022**

	Arizona	Colorado	Nevada	Utah
Sanitation (portable toilet rentals, wastewater management, septic pumping services, etc.)	✓	✓	✓	✓
General construction	✓	✓	✓	✓
Uniforms (for volunteers or staff)	✓	✓	✓	✓
Reservation system	✓	✓	✗	✓
Environmental testing ¹	✓	✓	✗	✓
Maintenance (electrical, plumbing, pest control, landscaping, etc.)	✓	✓	✗	✓
Temporary employment agency	✓	✓	✓	✗

¹ According to Board staff, contracted entities often perform environmental testing in areas where park improvement projects are planned to determine, and attempt to alleviate, any potential negative effects that the project may have on the environment.

Source: Auditor General staff review of Arizona’s administrative service contracts and information provided by Arizona, Colorado, Nevada, and Utah State Parks staff, as of April 26, 2022.



SUMMARY OF RECOMMENDATIONS

Auditor General makes 10 recommendations to the Board

The Board should:

1. Comply with SAAM requirements and implement recommended practices for recording cash transactions and reconciling cash deposits, including developing and implementing policies and procedures for:
 - a. Requiring Board staff and volunteers who receive cash to provide a receipt to customers for all transactions.
 - b. Locking transactions after a sale, including processing refunds as separate transactions rather than editing transaction information after a sale.
 - c. Reconciling detailed and prenumbered receipt logs and register tapes to deposits with the State Treasurer during its daily and weekly reconciliation processes (see Finding 1, pages 9 through 11, for more information).
2. Work with its cash receipt system vendor to ensure its new cash receipt system locks transactions after sales are completed and that the system can generate reports to facilitate the Board's reconciliation of deposits in compliance with SAAM requirements (see Finding 1, pages 9 through 11, for more information).
3. Complete development of and implement its project tracker and project management policies and procedures. The policies and procedures should outline specific steps project managers should follow to manage capital projects, including planning, regularly tracking the status of, and documenting key project information and dates in a standardized way (see Sunset Factor 2, pages 12 through 17, for more information).
4. Implement its weekly project management trainings for project managers, including providing training on its project tracker and project management policies and procedures (see Sunset Factor 2, pages 12 through 17, for more information).
5. Develop and implement policies and procedures that:
 - a. Require Board staff to track grantees' compliance with project completion time frames outlined in project agreements, including procedures for reporting time frame compliance information to the Board.
 - b. Describe how Board staff should establish project start and end dates, including criteria for doing so.
 - c. Require Board staff to track grantee compliance with the 90-business day closeout requirement for all of the Board's grant programs (see Sunset Factor 2, pages 12 through 17, for more information).
6. Develop and implement conflict-of-interest policies to help ensure compliance with State conflict-of-interest requirements and recommended practices including:
 - a. Requiring public officers, including all Board and advisory group members, to complete a conflict-of-interest disclosure form upon appointment, including attesting that no conflicts exist, if applicable.

- b. Reminding all employees and public officers at least annually to update their disclosure form when their circumstances change.
 - c. Storing all substantial interest disclosures, including disclosure forms, in a special file available for public inspection.
 - d. Establishing a process to review and remediate disclosed conflicts (see Sunset Factor 3, pages 17 through 19, for more information).
7. Provide periodic training on its conflict-of-interest requirements, process, and disclosure form, including providing training to all employees and Board/advisory group members on how the State's conflict-of-interest requirements relate to their unique program, function, or responsibilities (see Sunset Factor 3, pages 17 through 19, for more information).
 8. Develop and implement open meeting law policies and procedures to help ensure its compliance with open meeting law requirements (see Sunset Factor 5, pages 19 through 20, for more information).
 9. Document complaint resolution dates for all complaint types, including those received through its public information officer or its social media (see Sunset Factor 6, pages 20 through 21, for more information).
 10. Implement its complaint-handling policy and procedure (see Sunset Factor 6, pages 20 through 21, for more information).



State Park acquisition/lease date, acreage, and visitation

Table 6
Arizona State Parks’ acquisition/lease date, acreage, and fiscal year 2022 visitation, by State Park type
 (Unaudited)

State Parks	Acquisition/ Lease date	Number of acres	FY2022 visitation
Environmental Education Parks			
Oracle State Park	1986	4,170	8,601
Red Rock State Park	1981	286	92,803
Historic Parks			
Colorado River State Historic Park	1969	10	11,433
Fort Verde State Historic Park	1970	11	10,214
Granite Mountain Hotshots Memorial	2015	322	13,711
Homolovi State Park	1986	4,480	37,888
Jerome State Historic Park	1962	4	48,762
McFarland State Historic Park	1974	2	6,735
Riordan Mansion State Historic Park	1978	6	16,606
Tombstone Courthouse State Historic Park	1959	1	42,892
Tubac Presidio State Historic Park	1957	9	7,051
Yuma Territorial Prison State Historic Park	1960	21	56,293
Natural Areas			
San Rafael State Natural Area	1999	21,131	0 ¹
Sonoita Creek State Natural Area	1993	7,888	0 ²
Verde River Greenway State Natural Area	1986	641	0 ³
Recreation Areas			
Alamo Lake State Park	1969	2,858	72,686
Buckskin Mountain State Park	1965	948	80,551
Catalina State Park	1981	5,525	269,084
Cattail Cove State Park	1965	2,375	89,590
Dankworth Pond State Park	1975	100	0 ⁴
Dead Horse Ranch State Park	1973	320	215,648
Fool Hollow Lake State Recreation Area	1991	686	139,458
Kartchner Caverns State Park	1988	718	142,871
Lake Havasu State Park	1965	378	547,186
Lost Dutchman State Park	1977	320	203,272
Lyman Lake State Park	1960	920	53,394
Patagonia Lake State Park	1975	2,659	196,174
Picacho Peak State Park	1966	3,758	99,365

Table 6 continued

State Parks	Acquisition/ Lease date	Number of acres	FY2022 visitation
River Island State Park	1965	0 ⁵	28,755
Rockin' River Ranch State Park	2008	209	0 ⁶
Roper Lake State Park	1974	239	65,031
Slide Rock State Park	1985	55	462,865
Tonto Natural Bridge State Park	1990	193	122,810
Total		61,243	3,141,729

¹ According to Board staff, San Rafael State Natural Area is on the U.S.-Mexico border and is not open to the general public but may be available with certain special-use permits.

² Sonoita Creek State Natural Area's estimated visitation is included in the estimated visitation total for Patagonia Lake State Park.

³ Verde River Greenway State Natural Area's estimated visitation is included in the estimated visitation total for Dead Horse Ranch State Park.

⁴ Dankworth Pond State Park's estimated visitation is included in the estimated visitation total for Roper Lake State Park.

⁵ River Island State Park's acreage is included in the number of acres reported for Buckskin Mountain State Park.

⁶ As of July 2022, Rockin' River State Park has not yet opened to the public.

Source: Board reported information on State Park acquisition dates, acreage, and fiscal year 2022 visitation.



Scope and methodology

The Arizona Auditor General has conducted a performance audit and sunset review of the Board pursuant to a December 17, 2020, resolution of the Joint Legislative Audit Committee. The audit was conducted as part of the sunset review process prescribed in A.R.S. §41-2951 et seq.

We used various methods to address the audit's objectives. These methods included reviewing the Board's statutes, website, policies and procedures, and reports, and interviewing Board staff. In addition, we used the following specific methods to meet the audit objectives:

- To determine whether the Board recorded and reconciled cash or cash equivalents it received in accordance with SAAM requirements and recommended practices, we visited 3 judgmentally selected State Parks and observed Board staff's cash-handling and reconciliation procedures and reviewed Board-provided daily and weekly summary reports and corresponding deposit records for the 3 State Parks we visited on April 19 and 27, 2022.⁵⁵ We also reviewed Board-provided information regarding the Board's previous and new cash receipt systems and recommended practices for handling cash.⁵⁶
- To evaluate the Board's grant award process for the grant programs it administers, we reviewed the Board's fiscal year 2022 grants manual and attended 4 Board and advisory group meetings held between March and May 2022 to observe the discussion/presentation of potential and awarded grant projects. We also reviewed 4 project agreements for Board-approved grant projects from January 2017, June 2017, April 2018, and July 2020. In addition:
 - To determine whether SLIF grants the Board awarded in fiscal year 2022 met statutory requirements, we reviewed information for all 10 SLIF awarded grants and compared these project descriptions to statutorily allowable expenses.⁵⁷
 - To determine whether Heritage Fund grants the Board awarded in fiscal year 2022 complied with statutory requirements, we reviewed and analyzed information for all 29 Heritage Fund grants awarded in fiscal year 2022 to determine if the Board awarded grants according to the statutorily required grant category percentages and that no grantee received more than 20 percent of the monies available in each grant category, as required by statute.⁵⁸
- To provide information on the Board's State Parks standardized guidance documents related to operations for each State Park, we reviewed guidance documents for 3 State Parks that were provided as examples by the Board.⁵⁹

⁵⁵ We visited Catalina, Lost Dutchman, and Tonto Natural Bridge State Parks.

⁵⁶ University of Utah. (n.d.). *Best practices for cash control*. Salt Lake City, UT. Retrieved 5/26/2022 from <https://fbs.admin.utah.edu/training/train-alpha/best-practices-for-cash-control>.

⁵⁷ A.R.S. §5-382(C).

⁵⁸ A.R.S. §41-503(B) and (C).

⁵⁹ We reviewed the guidance documents for Lake Havasu State Park, Red Rock State Park, and Tombstone Courthouse State Historic Park.

- To determine why 2 of the Board’s capital projects have remained open since 2018 and 2019 and identify reasons for any project delays, we reviewed available Board-provided project documents.⁶⁰ We also reviewed the Board’s project tracker, draft policies and procedures, and planned training topics for its project managers that were developed as of May 2022.
- To determine whether the Board’s grant projects were completed within time frames required by project agreements, we reviewed project agreements and Board-provided information for all 112 closed grant projects approved after January 1, 2017, and closed as of February 28, 2022.
- To determine whether the Board’s grant projects were closed within 90 business days as required by Board policy, we reviewed Board-provided information for all 99 grant projects approved after January 1, 2017, and with a project end date at least 90-business days before February 28, 2022.
- To assess the Board’s compliance with State conflict-of-interest requirements and alignment with recommended practices, we reviewed statute and ADOA requirements, recommended practices, and the Board’s conflict-of-interest process and signed disclosure forms for Board staff hired between June 1, 2021 and May 31, 2022.^{61,62}
- To assess the Board’s compliance with the State’s open meeting law requirements, we reviewed the Attorney General’s Office’s Arizona Agency Handbook and Arizona Attorney General opinions, attended 4 meetings held by the Board and the Arizona Outdoor Recreation Coordinating Commission in March and May 2022, and reviewed the meeting notices, agendas, and minutes from these 4 meetings.
- To evaluate the Board’s processes for resolving public complaints, including the timeliness of complaint resolutions, we reviewed all of the Board’s complaint-tracking logs for fiscal year 2021, consisting of 231 public complaints and comments received by email, phone call, public information request, and social media, and the subsequent resolutions.
- To obtain additional information for the sunset factors, we judgmentally selected 3 states—Colorado, Nevada, and Utah—to compare to the Board’s use of private contractors for various operations, concessions, and administrative services.
- To obtain information for the Introduction, we reviewed Board-provided staffing information and compiled and analyzed unaudited information from the AFIS *Accounting Event Transaction File* and the State of Arizona *Annual Financial Report* for fiscal years 2020 and 2021, and Board-provided information for fiscal year 2022.

Our work on internal controls included reviewing the Board’s policies, procedures, and processes for cash handling, grants administration, capital project management, complying with the State’s conflict-of-interest and open meeting laws, and complaint handling and, where applicable, testing the Board’s compliance with its policies and procedures, the SAAM, and statute. We reported our conclusions on applicable internal

⁶⁰ We judgmentally selected 2 of the Board’s 4 capital projects opened between 2017 and 2019 that remained open as of July 2021. We selected capital projects for Buckskin Mountain State Park (2019) and Roper Lake State Park (2018).

⁶¹ Recommended practices we reviewed included: Organization for Economic Cooperation and Development (OECD). (2022). *Recommendation of the council on OECD guidelines for managing conflict of interest in the public service*. Paris, France. Retrieved 8/20/2022 from https://legalinstruments.oecd.org/public/doc/130/130_en.pdf; Ethics & Compliance Initiative (ECI). (2016). *Conflicts of interest: An ECI benchmarking group resource*. Arlington, VA. Retrieved 2/11/2022 from <https://www.ethics.org/wp-content/uploads/2021-ECI-WP-Conflicts-of-Interest-Defining-Preventing-Identifying-Addressing.pdf>; and Controller and Auditor General of New Zealand (2020). *Managing conflicts of interest: A guide for the public sector*. Wellington, New Zealand. Retrieved 3/4/2021 from <https://oag.parliament.nz/2020/conflicts/docs/conflicts-of-interest.pdf>.

⁶² In response to conflict-of-interest noncompliance and violations investigated in the course of our work, we have recommended several practices and actions to various school districts, State agencies, and other public entities. Our recommendations are based on guidelines developed by public agencies to manage conflicts of interest in government and are designed to help ensure compliance with State conflict-of-interest requirements. See, for example, Auditor General Reports 21-402 *Higley Unified School District—Criminal Indictment—Conspiracy, Procurement Fraud, Fraudulent Schemes, Misuse of Public Monies, False Return, and Conflict of Interest*, 19-105 *Arizona School Facilities Board—Building Renewal Grant Fund*, and 17-405 *Pine-Strawberry Water Improvement District—Theft and misuse of public monies*.

controls including any internal control deficiencies we identified in Finding 1 (see pages 9 through 11) and our responses to the statutory sunset factors (see pages 12 through 23).

We selected our audit sample(s) to provide sufficient evidence to support our findings, conclusions, and recommendations. Unless otherwise noted, the results of our testing using these samples were not intended to be projected to the entire population.

We conducted this performance audit and sunset review in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

We express our appreciation to the Board Director, members, and staff for their cooperation and assistance throughout the audit.

BOARD RESPONSE



Doug Ducey
Governor

ARIZONA STATE PARKS BOARD

Bob Broscheid
Executive Director



August 19, 2022

Lindsey A. Perry
Auditor General
Office of the Auditor General
2910 North 44th Street, Suite 410
Phoenix, Arizona 85018

Dear Ms. Perry,

Thank you for the opportunity to respond to the recent audit from your office. We have appreciated the opportunity to work with your team over these past several months. As we have discussed, a recently implemented new statewide Integrated Parks Reservations system will address a number of issues regarding financial processes and reports. We have attached our responses to the audit outcome and look forward to the benefits that the agency will experience as a result of implementing the changes identified.

A handwritten signature in black ink, appearing to read "Bob Broscheid".

Robert Broscheid
Executive Director
Arizona State Parks and Trails

Finding 1: Board did not protect public monies, increasing risk of loss or theft

Recommendation 1: The Board should comply with SAAM requirements and implement recommended practices for recording cash transactions and reconciling cash deposits, including developing and implementing policies and procedures for:

Recommendation 1a: Requiring Board staff and volunteers who receive cash to provide a receipt to customers for all transactions.

Board response: The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

Response explanation: ASPT will work with the General Accounting Office to ensure that agency specific policies are created to address cash handling processes and that controls are put in place to ensure cash receipts are being appropriately recorded and issued in compliance with SAAM.

Recommendation 1b: Locking transactions after a sale, including processing refunds as separate transactions rather than editing transaction information after a sale.

Board response: The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

Response explanation: [SAAM 20:10 Cash and Cash Receipts Section 21 & 21.1: When a cash register is used to record the receipt of cash, the following controls should be in place: SAAM Sec 21.1: Transactions and totals must be locked in] **Currently** all transactions are recorded. Cash receipts and refunds are shown separately but may be recorded in the same invoice. The folio 'invoice' of the customer can be edited but a log of all transactions and the individuals who conducted the transactions are recorded in the system. However, there is no systematic process in place to conduct reviews of irregular transactions. Parks implemented a new reservation and reporting system in July of this year. The new system will record and lock each transaction in separate invoices to ensure the integrity of the transaction data.

Recommendation 1c: Reconciling detailed and prenumbered receipt logs and register tapes to deposits with the State Treasurer during its daily and weekly reconciliation processes.

Board response: The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

Response explanation: [SAAM 20:10 Cash and Cash Receipts Section 3 & 12: SAAM Sec 3: The receipt of cash should be appropriately controlled. (The use of pre-numbered receipts or cash register tapes by an individual designated to receive cash are two examples of how cash may be controlled; other reports exist for credit card receipts, electronic funds transfers, etc.) SAAM Sec 12: Receipt logs, pre-numbered receipts and register tapes must be reconciled with the deposits with the State Treasurer] **The State Treasurer** currently accepts ongoing weekly cash receipts and reconciliation documents (CR Documents in AFIS) from the Parks Board which provides their acknowledgement of the Parks Board's compliance with SAAM processes and

procedures. The new system will provide improved detailed transaction reports to be reviewed on a regular basis by park staff.

Recommendation 2: The Board should work with its cash receipt system vendor to ensure its new cash receipt system locks transactions after sales are completed and that the system can generate reports to facilitate the Board's reconciliation of deposits in compliance with SAAM requirements.

Board response: The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

Response explanation: ASPT will work with new vendor to ensure compliance with SAAM and statewide reporting requirements and update written policies and procedures that encompass all necessary changes.

Sunset Factor 2: The extent to which the Board has met its statutory objective and purpose and the efficiency with which it has operated.

Recommendation 3: The Board should complete development of and implement its project tracker and project management policies and procedures. The policies and procedures should outline specific steps project managers should follow to manage capital projects, including planning, regularly tracking the status of, and documenting key project information and dates in a standardized way.

Board response: The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

Response explanation: ASPT Development has now implemented a new project tracking tool. It was initiated at the end of April 2022. This tracking tool monitors project budgets, status, start and projected end dates as well as dates for key project steps. A significant amount of other project-related information is provided in the tracking tool for quick reference as well; however, it is not intended to be a full project system. ASPT Development is also working on a more standardized project filing system. New standardized processes are being implemented starting July 2022 and will progress throughout the year. The new processes will continue to be evaluated/modified as they are implemented to refine their effectiveness

Recommendation 4: The Board should implement its weekly project management trainings for project managers, including providing training on its project tracker and project management policies and procedures.

Board response: The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

Response explanation: ASPT Development started providing weekly training sessions in July 2022. Training sessions are approximately 2-3 hours long each week and cover project-related topics. Initial training sessions are focused on developing project budgets to consultant selection and will continue until project completion / closeout. These training sessions were started in July (at the beginning of the new fiscal year) to correlate

with new budgeted projects and subsequent training sessions are planned to be in alignment (and in advance) of where the majority of the new projects are currently in progress. Each session is documented as to the subject matter, date of the training and attendees. Some of the training sessions entail outside subject matter experts (SMEs) to both provide a higher level of training and also to establish and build a good working relationship with those other agencies/work units.

Recommendation 5: The Board should develop and implement policies and procedures that:

Recommendation 5a: Require Board staff to track grantees' compliance with project completion time frames outlined in project agreements, including procedures for reporting time frame compliance information to the Board.

Board response: The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

Response explanation: Board grant staff has addressed compliance with all of our grants in our online system. Once a project agreement is in place, all required reporting is set up in online system with automatic alerts to the subrecipient prior to any due dates. This includes required quarterly status reports and final project report. These status reports include milestones for the work to be performed and staff follows up with sponsors who do not meet these milestones. Grant staff will provide the State Parks Board a quarterly update on all active projects including final close out documents. Board grant staff will also review all active grants on a monthly basis to ensure all reporting is complete.

Recommendation 5b: Describe how Board staff should establish project start and end dates, including criteria for doing so.

Board response: The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

Response explanation: Unless the start and end date are required by program requirements, there now will be two project end dates. Depending on when the project agreement is signed (project start date), the end date of projects will be either June 30 or December 31. Board grant staff now have a dedicated position that will track all active projects with these end dates. All agreements (except those with programs with required set end dates) will have a minimum of 2 ½ years and up to 3 years to complete their projects and those dates will be documented. There is also an amendment process in place to extend the end date of a project if needed.

Recommendation 5c: Require Board staff to track grantee compliance with the 90-business day closeout requirement for all of the Board's grant programs.

Board response: The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

Response explanation: Board grant staff has a dedicated position who checks all open projects on a monthly basis and notifies a subrecipient 60 days prior to project end date and follow up with that subrecipient until the project is closed out with final close out documents submitted no later than 90 days after the project agreement expires.

Sunset Factor 3: The extent to which the Board serves the entire State rather than specific interests.

Recommendation 6: The Board should develop and implement conflict-of-interest policies to help ensure compliance with State conflict-of-interest requirements and recommended practices including:

Recommendation 6a: Requiring public officers, including all Board and advisory group members, to complete a conflict-of-interest disclosure form upon appointment, including attesting that no conflicts exist, if applicable.

Board response: The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

Response explanation: ADOA Arizona State Personnel System Disclosure Statement conflict of interest statements will be distributed annually in January upon the election/confirmation of new officers

Recommendation 6b: Reminding all employees and public officers at least annually to update their disclosure form when their circumstances change.

Board response: The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

Response explanation: Annual training regarding conflict-of-interest requirements and the conflict-of-interest disclosure form will be created and available to all employees and the successful completion will be monitored and tracked on an annual basis. State Parks Board of Directors' standard work has been updated to include a semi-annual reminder to Members that they are required to disclose any conflict of interest changes to their superior authority.

Recommendation 6c: Storing all substantial interest disclosures, including disclosure forms, in a special file available for public inspection.

Board response: The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

Response explanation: Copies of all employee and Board Member's Arizona State Personnel System Disclosure of conflict of interest forms will be available for review by the General Public. Physical copies of forms that include disclosure of substantial conflict of interest will be kept at the Central Office of State Parks and Trails and made available to the public.

Recommendation 6d: Establishing a process to review and remediate disclosed conflicts.

Board response: The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

Response explanation: Written policies and procedures will be established to review the forms and to remediate any substantial interest disclosed. Once reviewed and approved the forms are stored and made available to the public upon request.

Recommendation 7: The Board should provide periodic training on its conflict-of-interest requirements, process, and disclosure form, including providing training to all employees and Board/advisory group members on how the State's conflict-of-interest requirements relate to their unique program, function, or responsibilities.

Board response: The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

Response explanation: Training regarding conflict-of-interest requirements and the conflict-of-interest disclosure form will be created and available to all employees and the successful completion will be monitored and tracked on an annual basis. Training for the unique roles of the Board of Directors and Advisory group members will also be implemented.

Sunset Factor 5: The extent to which the Board has encouraged input from the public before adopting its rules and the extent to which it has informed the public as to its actions and their expected impact on the public.

Recommendation 8: The Board should develop and implement open meeting law policies and procedures to help ensure its compliance with open meeting law requirements.

Board response: The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

Response explanation: Currently the Board adheres to all open meeting laws, however, ASPB does not have a specific policy and procedures document that has been implemented to help ensure compliance with open meeting law requirements. ASPB will implement a policy and procedures document.

Sunset Factor 6: The extent to which the Board has been able to investigate and resolve complaints that are within its jurisdiction and the ability of the Board to timely investigate and resolve complaints within its jurisdiction.

Recommendation 9: The Board should document complaint resolution dates for all compliant types, including those received through its public information officer or its social media.

Board response: The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

Response explanation: A document log for all complaints, including those received through a variety of sources (public information officer, social media, direct email, phone calls) was implemented on June 1, 2022. This document is available to everyone who

handles complaints to enter as they are received, showing the steps to resolve and resolution date.

Recommendation 10: The Board should implement its complaint handling policy and procedure.

Board response: The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

Response explanation: A complaint handling policy and procedure was implemented on June 1, 2022. Please see Policy A-22-1, Administrative

