

State of Arizona Office of the Auditor General

PERFORMANCE AUDIT

**ARIZONA
STATE PARKS
BOARD**

**Report to the Arizona Legislature
By Douglas R. Norton
Auditor General
December 1997
Report # 97-23**



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OFFICE OF THE
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December 19, 1997

Members of the Arizona Legislature

The Honorable Jane Dee Hull, Governor

Mr. Ken Travous, Executive Director
Arizona State Parks Board

Transmitted herewith is a report of the Auditor General, A Performance Audit of the Arizona State Parks Board. This report is in response to a May 29, 1995, resolution of the Joint Legislative Audit Committee. The performance audit was conducted as part of the Sunset review set forth in A.R.S. §§41-2951 through 41-2957.

The report addresses several aspects of the Board's duties including the need to improve efforts to acquire, protect, and manage natural areas, the need to identify new park sites, and how the Board can improve its fiscal administration. The Board has only acquired two natural areas since 1991, leaving an uncommitted balance of \$8.8 million of Heritage Fund monies designated for the acquisition, protection, and management of natural areas. In addition, the Board has yet to develop formal processes to identify and select future park sites. As part of a new park site identification process, the Board should, where possible, pursue partnerships with other government entities, in which the park site is provided to the State and the State will develop and manage the park. Finally, the Board needs to develop a time accounting system to help ensure Heritage Fund and Off-Highway Vehicle Fund monies are spent appropriately, improve controls over concession revenues and fee collections, and continue toward full compliance with financial accounting requirements for recording fixed assets.

As outlined in its response, the Arizona State Parks Board agrees with all but one recommendation. Our report recommends that the Board comply with statutory requirements for funding personnel with Heritage Fund interest and Off-Highway Vehicle revenues and that the Board develop a system for apportioning staff time to ensure compliance with these requirements. The Board disagrees with developing a system to apportion staff time.

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

This report will be released to the public on December 22, 1997.

Sincerely,

Douglas R. Norton
Auditor General

Enclosure

SUMMARY

The Office of the Auditor General has conducted a performance audit and Sunset review of the Arizona State Parks Board pursuant to a May 29, 1995, resolution of the Joint Legislative Audit Committee. The audit is part of the Sunset review set forth in Arizona Revised Statutes §§41-2951 through 41-2957.

The Arizona State Parks Board was established by the Legislature in 1957, and consists of seven members, including six members appointed by the Governor for six-year terms and the State Land Commissioner. The Board's general mission is

“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.”

To accomplish its mission, the Board appoints an Executive Director to oversee the 25 open state parks, programs, and activities it administers. In fiscal year 1997, the Board employed 246.5 FTEs, including seasonal employees.

The Arizona State Parks Board Needs to Improve Efforts to Acquire and Protect Natural Areas (See pages 9 through 13)

The State Parks Board's efforts to meet the Heritage Fund mandate to acquire, protect, and manage natural areas have been limited, leaving more than \$8.8 million in uncommitted monies as of June 30, 1997. Beginning in fiscal year 1991, the Board annually receives \$1.7 million in Heritage Fund revenues to acquire natural areas, but to date it has purchased only two sites. For one of the two sites, the Sonoita Creek State Natural Area, purchased in fiscal year 1994, the Board has yet to secure additional properties and conservation easements needed to protect the creek area. The Board has begun work to correct some of these issues; however, more effort is needed to address the remaining issues.

In addition, the Board also receives \$400,000 annually from the Heritage Fund to operate and manage natural areas. From 1992 to 1994, the Natural Areas Advisory Committee identified natural area sites within five existing state parks. However, Board staff have not completed required management guidelines, although the project has been pending since at least 1993. Until these guidelines are completed, the sites will be ineligible to receive Heritage Fund

natural areas operation and management monies, and consequently, will remain unprotected.

Overall, the Board's lack of action has resulted in more than \$8.8 million in uncommitted Heritage Fund natural areas monies. Unless the Board improves its efforts to acquire and protect natural areas, the Heritage Fund balance will continue to grow by approximately \$1.9 million annually in uncommitted monies. The Board could better fulfill its natural areas acquisition and protection responsibilities by providing additional staff resources to support the Natural Areas Program. The Heritage Fund could provide resources to fund the needed positions.

Process Needed to Identify New Park Sites (See pages 15 through 17)

The Board should improve its efforts to identify new state parks. Historically, the Board has generally pursued only those sites that were brought to its attention by external parties. In contrast, by developing a current inventory of desirable sites, the Board could better focus on areas that best meet its needs, including sites that can be acquired without purchase. This will first require the Board to develop procedures for selecting sites to be considered in the inventory, then evaluating them to determine if they meet the criteria to become a state park. Once sites are identified, the Board should, where possible, pursue partnerships, which are a less costly and more timely way to expand parks. For example, in 1992, the Board entered into a partnership with the U.S. Forest Service, the Arizona Game and Fish Department, and the City of Show Low to develop and operate the Fool Hollow Lake Recreation Area without purchasing the land.

The Arizona State Parks Board Can Improve Fiscal Administration (See pages 19 through 23)

The Board can improve its fiscal administration. The audit found 13 positions inappropriately funded with either Heritage Fund or Off-Highway Vehicles Fund monies that were being used in ways that were not prescribed by either Fund's statutes. Although the Board maintains that some of these expenditures are offset by time other staff spend on Heritage Fund activities which are not charged to the Heritage Fund, the Board does not have a means of apportioning staff time and funding. In addition, the Board needs to improve controls over its concession revenues and fee collections, and continue its efforts toward full compliance for recording fixed assets.

Other Pertinent Information
(See pages 25 through 31)

During the audit other pertinent information was obtained regarding Kartchner Caverns State Park construction cost growth and completion delays, and the use of credit cards, a reservation system at state parks, and staffing.

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INTRODUCTION AND BACKGROUND

The Office of the Auditor General has conducted a performance audit and Sunset review of the Arizona State Parks Board, pursuant to a May 29, 1995, resolution of the Joint Legislative Audit Committee. This review is part of the Sunset review set forth in Arizona Revised Statutes §§41-2951 through 41-2957.

The Board was established by the Legislature in 1957. According to A.R.S. §41-511.03, the Board's general mission is

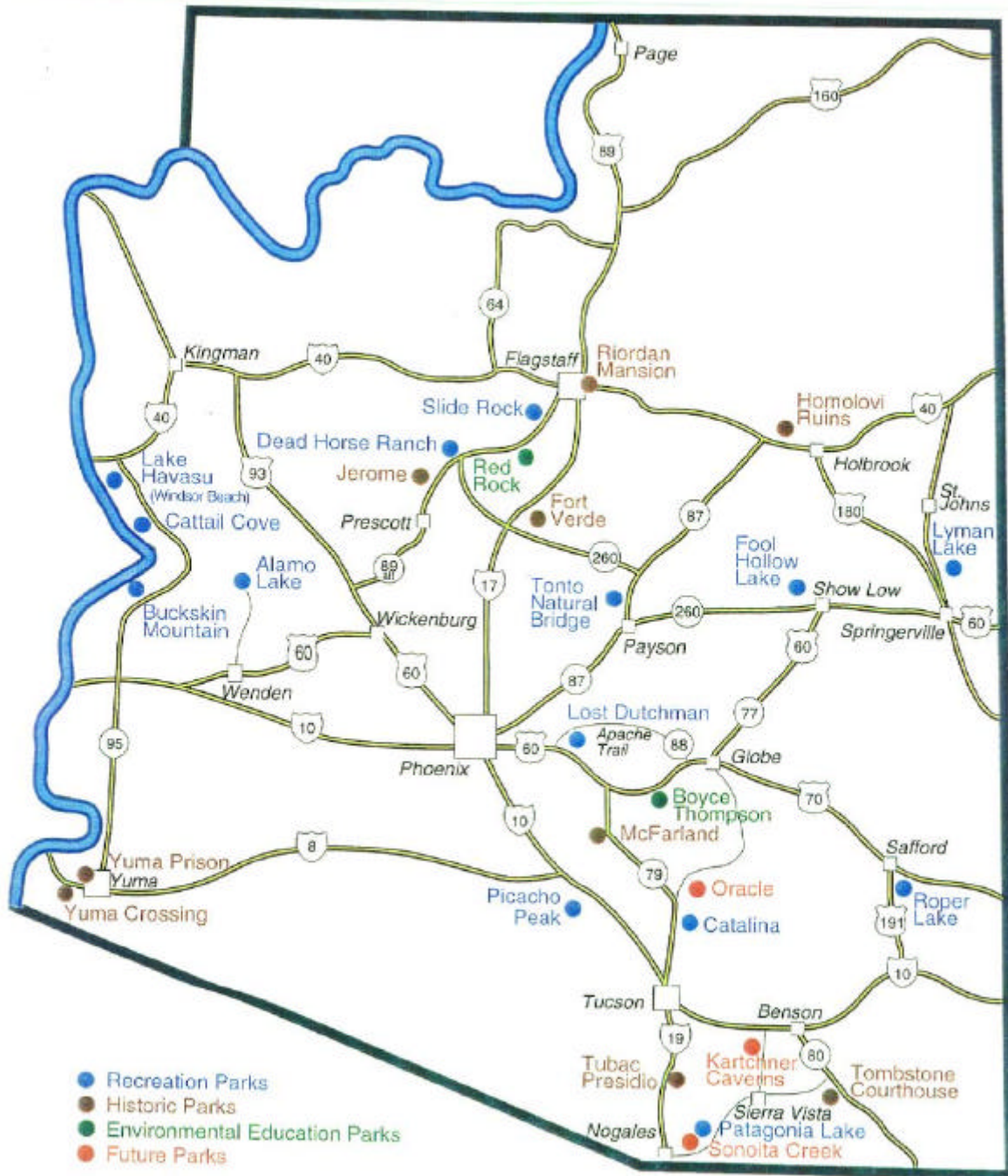
“to select, acquire, preserve, establish and maintain areas of natural features, scenic beauty, historical and scientific interest, and zoos and botanical gardens, for the education, pleasure, recreation, and health of the people, and for such other purposes as may be prescribed by law.”

This audit is the second Sunset review of the State Parks Board. The 1987 audit found that the state park system was small compared to other states and recommended that the agency seek other funding for system expansion. Since 1987, the State has added five sites to the park system and has expanded an existing site. In addition, a 1990 voter initiative created the Heritage Fund, which among other things provides \$1.7 million for state park acquisition and development. To date, Heritage Fund Acquisition and Development monies for recreational parks have been used to further develop existing parks and to complete Kartchner Caverns.

State Parks Overview

The Board manages 28 parks, comprised of 40,239 acres, through ownership, leases, and management agreements. Park lands are categorized into 4 classifications: recreational, historic, environmental education, and future parks. The 14 recreation parks provide recreational opportunities such as fishing, boating, and camping. The 9 historic parks preserve cultural resources, including archaeological, prehistoric, and historic resources. The 2 environmental education parks provide interpretation and environmental education of the site's natural resources and limited recreational opportunities. Additionally, there are three state parks that have been acquired but as yet are not open to the general public. Figure 1 (see page 2), illustrates the state parks' locations and current classifications.

Figure 1
Arizona State Parks Board
State Park Classification



Source: Arizona State Parks Board.

State Parks Board Organization

The Arizona State Parks Board has seven members, including six members appointed by the Governor for six-year terms and the State Land Commissioner. The Board appoints a Director to oversee Board operations. As of fiscal year 1997 the Board had 246.5 full-time equivalent positions (FTEs), including seasonal employees, and is organized into 5 divisions. In addition, the Board uses a number of voluntary commissions and committees. These include the Arizona Archaeology Advisory Commission, the Arizona Outdoor Recreation Coordinating Commission, the Arizona State Committee on Trails, the Historic Preservation Advisory Committee, the Historic Sites Review Committee, the Natural Areas Advisory Committee, and the Off-Highway Vehicle Advisory Group.

State Parks Board Revenues and Expenditures

The Board receives both appropriated and nonappropriated monies. In fiscal year 1997, the Board expended nearly \$30 million. The Board expends monies for agency operations; park acquisition, construction, development and maintenance; and awards grants and other monies to other entities for park, historic preservation, and other statutorily mandated programs. The Legislature appropriates monies to the Board from both the General Fund and the State Parks Enhancement Fund. The Board also receives revenues and disburses monies from several nonappropriated funds including the Arizona Heritage Fund, the State Lake Improvement Fund, and the Off-Highway Vehicle Fund. These funds provide for a variety of state recreational and other needs.

- **Enhancement Fund**—In 1991 the Kartchner Caverns Acquisition and Development Fund was modified and renamed the State Parks Enhancement Fund. Park revenues are placed into the Enhancement Fund, with 50 percent of the revenues going to Kartchner Caverns and the purchase of Tonto Natural Bridge, and 50 percent to support park operations. In fiscal year 1997, the Enhancement Fund had \$4.3 million in revenue from fee collections, commission sales, and concession revenues. Prior to the Enhancement Fund all revenues were deposited in the State General Fund rather than allocated to the agency.
- **The Arizona Heritage Fund**—The Heritage Fund was established through a ballot initiative in 1990 to provide monies for preserving, protecting, and enhancing Arizona's natural and scenic environment. The Board receives \$10 million annually in Heritage Fund revenues from lottery ticket sales. By law, these monies must be spent in specific percentages on state park acquisition and development, state park natural areas acquisition, natural areas operation and management, historic preservation, environmental education, trails development, and local, regional, and state parks. Three of these func-

tions support grant programs, from which approximately \$3.8 million was spent in fiscal year 1997.

- **The State Lake Improvement Fund (SLIF)**—In 1984 the Board assumed responsibility for SLIF. SLIF’s purpose is to enhance boating opportunities within the State. In fiscal year 1997, approximately \$8.6 million was available in new SLIF revenues from motor vehicle fuel taxes and a portion of water craft license fees and investment interest. In addition to amounts spent on Board projects, the Board awarded \$9.2 million in SLIF grants in fiscal year 1997.¹
- **The Off-Highway Vehicle (OHV) Fund**—Established in 1989, this Fund is supported by a portion of motor fuel taxes that are used to provide off-road recreational programs and opportunities. In fiscal year 1997, the OHV Fund received approximately \$1.7 million in new revenues. In addition to Board projects, the Board spent \$931,592 on OHV grants awarded in fiscal year 1996.

Table 1 (see page 6) summarizes the Board’s actual revenues and expenditures for fiscal years 1995 through 1997.

1987 Report and Follow-up

As part of the current audit, some concerns previously identified in the Auditor General’s 1987 performance audit of the Arizona State Parks Board (Report No. 87-1) were reviewed.

- **State parks system too small**—The 1987 audit reported Arizona’s state parks system was not large enough to meet the needs of the State’s growing population. It was one of the smallest state park systems in the nation, and Arizona ranked 49th in the number of state parks. The system was small, in part, because previous Boards did not pursue expansion and development.

Follow-up—The Board has added five sites to the park system: Kartchner Caverns State Park, Tonto Natural Bridge State Park, Fool Hollow Lake Recreation Area, Yuma Crossing, and Sonoita Creek State Natural Area. In addition, the Board has expanded Dead Horse Ranch State Park through acquisitions of parcels along the Verde River. The Board should, however, begin developing procedures to identify potential new park sites, and should also pursue park sites that can be acquired without purchase.

- **Board needs to pursue additional funding sources for acquisition and development**—The Board should pursue funding sources in addition to the General Fund for fi-

¹ The \$9.2 million awarded in SLIF grants in fiscal year 1997 includes monies available from previous years.

nancing the expansion of the state parks system. Between fiscal years 1983 and 1987, only 13 percent of the Board's requests for land, building, and improvement projects were funded.

Follow-up—In 1990 a ballot initiative was passed establishing the Arizona Heritage Fund. Each year, the Heritage Fund provides \$1.7 million for state park acquisition and development and an additional \$1.7 million for state park natural areas acquisition. In addition, the Heritage Fund provides \$400,000 annually for the operation and management of natural areas. Furthermore, in 1991 legislation was passed allowing 50 percent of the State Parks Enhancement Fund to be spent on Kartchner Caverns development and Tonto Natural Bridge acquisition.

Audit Scope and Methodology

Audit work focused on evaluating the Board's performance in managing the state park system and explored methods to ensure proper fiscal administration. The report presents findings and recommendations in three areas:

- Fully implementing the Natural Areas Program to ensure that Heritage Fund natural area monies are fully used and the Board is adequately protecting the State's natural areas.
- Developing a park acquisition process and increasing use of partnerships to help acquire new state parks.
- Improving the Board's fiscal administration.

Table 1
Arizona State Parks Board
Statement of Revenues, Expenditures,
and Other Changes in Fund Balance
Years Ended June 30, 1995, 1996, and 1997
(Unaudited)

	1995	1996	1997
Revenues:			
Lottery appropriations	\$10,000,000	\$10,000,000	\$10,000,000
State General Fund appropriations	6,534,800	9,967,800 ¹	6,103,400
Taxes:			
Motor vehicle	8,286,310	8,706,731	8,828,181
Other in-lieu of property	849,196	877,809	898,903
Intergovernmental	2,690,361	2,101,663	874,996
Licenses, fees, and permits	1,869,164	2,015,633	2,138,107
Admissions, concessions, and other sales	1,763,642	2,132,456	2,145,048
Interest on investments	1,675,026	2,349,405	2,716,539
Other	<u>186,620</u>	<u>304,134</u>	<u>412,772</u>
Total revenues	<u>33,855,119</u>	<u>38,455,631</u>	<u>34,117,946</u>
Expenditures:			
Personal services and employee related	8,271,492	7,846,558	7,831,583
Professional and outside services	850,480	1,761,947	1,056,173
Travel	207,600	229,855	193,211
Aid to individuals and organizations	7,066,643	9,057,666	9,109,869
Food	13,488	8,216	
Other operating	3,221,487	3,548,728	3,915,953
Capital outlay	<u>2,447,728</u>	<u>4,264,966</u>	<u>7,656,079</u>
Total expenditures	<u>22,078,918</u>	<u>26,717,936</u>	<u>29,762,868</u>
Excess of revenues over expenditures	11,776,201	11,737,695	4,355,078
Other financing sources (uses) ²	<u>174</u>	<u>(66,058)</u>	<u>5,645</u>
Excess of revenues and other sources over expenditures and other uses	11,776,375	11,671,637	4,360,723
Fund balance, beginning of year	<u>38,981,913</u>	<u>50,758,288</u>	<u>62,429,925</u>
Fund balance, end of year	<u>\$50,758,288</u>	<u>\$62,429,925</u>	<u>\$66,790,648</u> ³

¹ Includes a \$3.5 million appropriation to complete construction at Kartchner Caverns State Park.

² Includes net operating transfers for all years and reversions to the State General Fund of \$77,185 for the year ended June 30, 1996.

³ Fund balance at June 30, 1997, includes the following: \$22.9 million in the State Lake Improvement Fund designated for park projects and grants; \$33 million in the Heritage Fund, including \$16.6 million designated for grants, \$9.6 million designated for natural area acquisitions, operations, and management, and \$2.4 million from investment earnings designated for administration; \$4.7 million in the Off-Highway Vehicle Fund designated for alternatives such as law enforcement, environmental education programs, environmental damage, land acquisitions, and administration; and \$3.8 million in the State Parks Enhancement Fund designated for a park lease purchase, the development of Kartchner Caverns, and park operations. For the State Parks Enhancement Fund, the Board may expend only that portion of fund balance appropriated by the Legislature.

Source: The Uniform Statewide Accounting System *Revenues and Expenditures by Fund, Program, Organization, and Object and Trial Balance by Fund* reports and the *State of Arizona Appropriations Report* for the years ended June 30, 1995, 1996, and 1997.

A variety of procedures was used to develop the findings and recommendations in this report.

- Evaluation of the state park system included visiting 8 Arizona state parks. Interviews were conducted with 13 park rangers and park managers, officials from contiguous states' parks departments, national organizations, Joint Legislative Budget Committee staff, and the Arizona State Comptroller's Office.
- Analysis of the Board's Natural Areas Program involved review of acquisition plans, data, policies, and procedures, and selected Board and Natural Area Advisory Committee minutes from fiscal years 1991 to the present. Interviews were conducted with Board members and staff, and the Heritage Alliance.
- Evaluation of the Board's fiscal administration included review of past and present concession contracts, supporting documentation, payment records, relevant statutes, Board position descriptions, 11 fee collection audits, and *Arizona Accounting Manual* requirements. Interviews were conducted with Board staff and the contiguous states' park departments.

This audit was conducted in accordance with government auditing standards.

The Auditor General and staff express appreciation to the Arizona State Parks Board, the Natural Areas Advisory Committee, the Director, and staff for their cooperation and assistance during the audit.

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FINDING I

THE ARIZONA STATE PARKS BOARD NEEDS TO IMPROVE EFFORTS TO ACQUIRE AND PROTECT NATURAL AREAS

Since 1991 the Heritage Fund has provided the Arizona State Parks Board with millions of dollars annually to acquire and protect the State's important natural features, but the Board's efforts to fulfill this Heritage mandate have been limited, resulting in over \$8.8 million in uncommitted monies as of June 30, 1997. The Board could better fulfill the Heritage mandate if it used available resources to support the Natural Areas Program.¹

Each fiscal year, the Heritage Fund provides the State Parks Board with \$1.7 million to acquire natural areas, and an additional \$400,000 to operate and manage them. Following passage of this initiative, the Board approved a natural areas program to:

“establish a system of State Natural Areas . . . through acquisition and designation of lands having primarily global, but also national or state significance with regard to plant or animal species, habitats/communities, or geologic/hydrologic features.”

To assist in fulfilling the Heritage mandate, the Board established the Natural Areas Advisory Committee², and approved a process for the advisory committee to recommend potential state natural areas.

Board's Efforts to Protect Natural Areas Have Been Limited

Since the Board began receiving Heritage Fund monies in 1991 to acquire and protect natural areas, it has purchased only two sites, and has yet to address problems that impact protecting

¹ On November 20, 1997, the Board approved the expenditure of an additional \$850,000 to pursue potential acquisitions.

² The Natural Areas Advisory Committee is comprised of volunteer members representing scientific expertise in the fields of botany, ecology, geology, hydrology, zoology, wildlife biology, and preserve management, or other related subjects or persons actively involved in conservation, scientific, or preservation fields.

the significant natural feature at one of those sites. In addition, the Board has not completed an effort initiated over five years ago to protect natural areas within the existing park system. As a result, the Board is not fulfilling its mandate to preserve and protect Arizona's natural heritage, and has accumulated over \$8.8 million in uncommitted Heritage Fund monies as of June 30, 1997.

Only two sites acquired and protecting one of those sites may not be possible—Since the Board began receiving Heritage Fund monies in fiscal year 1991, it has acquired only two natural areas, and one site has problems that impede the Board's ability to protect its significant natural features. In fiscal year 1993, the Board purchased approximately 29 acres of private land along the Verde River Greenway for approximately \$459,000 to establish a natural area at Dead Horse Ranch State Park. In addition, in fiscal year 1994 the Board purchased 4,914 acres of private land near Patagonia Lake State Park for over \$2.8 million to create the Sonoita Creek State Natural Area.

Although the Sonoita Creek property was a significant purchase, the Board has yet to address the issues that impede its ability to adequately protect it. The Board acquired this property to protect its natural features, particularly a riparian area along Sonoita Creek that serves as habitat to a number of rare species. However, because the creek crisscrosses much of the area's southern boundary, the Board is unable to fence off the riparian area to protect it from livestock grazing, and recreational activities. To accomplish this, the Board needs to obtain additional acquisitions, conservation easements, or other agreements from at least 13 landowners owning parcels that border the creek's south side. Although the parcel was purchased over three years ago, the Board has yet to secure any agreements with other landowners. The Board has recently completed appraisals on three of the properties; however, more effort is needed to address the remaining issues.

Natural areas within the existing park system remain undesignated—While the Natural Areas Program also aims to protect natural features within the existing park system, the Board has not completed efforts to protect natural features that they have identified. From 1992 to 1994 the Natural Areas Advisory Committee identified sites within five existing state parks, and recommended that the Board designate them as State Natural Areas, thus authorizing Board staff to protect them. However, to date the Board has not formally designated the sites as State Natural Areas because management guidelines describing how the sites will be protected have not been completed by Board staff. As a result, the parks are not eligible to receive Heritage Fund natural area operation and management monies, and the sites remain unprotected.

Heritage Fund natural area balance exceeds \$8.8 million—Due to limited efforts to acquire and protect natural areas the total uncommitted balance for Heritage Fund natural area monies exceeded \$8.8 million as of June 30, 1997. Because the Board will continue to receive approximately \$1.9 million in uncommitted monies annually to acquire, protect, and manage natural areas, these balances will continue to grow unless the Board improves its efforts to acquire, protect, and manage more natural areas.

Additional Staff May Be Needed to Fully Implement Natural Areas Program

The Board's efforts to acquire and protect the State's natural areas have stalled because it has not assigned enough staff to administer the Natural Areas Program. The Board could improve program implementation if it hired additional staff to administer the Program. Currently, the Heritage Fund provides monies for staff positions needed to administer any Heritage Fund programs, including the Natural Areas Program.

Too few staff assigned to administer program—The Board has not assigned enough staff to fully implement the Natural Areas Program, therefore hampering its ability to fulfill the Heritage mandate. Currently, only two staff positions are assigned Natural Area Program responsibilities, but neither position works exclusively on the Program's activities. Board staff acknowledge that the existing staff resources are insufficient to implement all aspects of the Natural Areas Program, including efforts to acquire new natural areas and protect natural areas within the existing park system.

Specifically, Board staff have been unable to provide needed support to the Natural Areas Advisory Committee to assist in evaluating potential natural areas for the Board to consider purchasing. The Board relies on the advisory committee to recommend potential acquisitions that are eligible to become State Natural Areas. In 1992 the advisory committee identified 12 potentially important sites to acquire; however, it has not completed site evaluations to determine whether they meet program criteria. To date, the advisory committee has evaluated only 8 of the 12 sites it identified, and recently the advisory committee warned that some parcels within the identified areas may not possess features that meet the natural area criteria. According to the advisory committee members, the advisory committee has been deficient in its evaluation efforts primarily because it receives little support from Board staff.

In addition, the Board cannot protect the natural areas within the existing park system until staff complete management statements describing how it will protect them. According to the program policy and guidelines the Board adopted, before the Board will formally designate the sites as State Natural Areas, Board staff need to first develop management statements describing the specific natural features and how they will be protected. This project has been pending since at least 1993. As mentioned earlier, from 1992 to 1994, the advisory committee identified sites within five state parks that meet criteria to become a State Natural Area. However, since the advisory committee's first recommendation in 1992, Board staff have not yet developed the needed management statements because staff have been focusing on other Board priorities. Although staff intend to hire a private consultant to assist in developing the management statements, as of April 1997, nothing had been done to procure consulting services.

Board could improve program implementation by hiring additional staff—The Board could improve program implementation without detracting from its other priorities by hiring additional staff to administer the Natural Areas Program. This will first require the agency to determine how many staff are needed to fully administer the Program, including 1) providing staff support to the advisory committee to facilitate its efforts to evaluate and rank potential new acquisitions, and 2) developing management statements for natural areas within existing parks.

The additional staff could also develop feasibility criteria and apply them to all natural areas prior to recommending that the Board acquire them. For example, in California, staff must first assess the most suitable method for protecting the property. This involves analyzing any encumbrances, such as access and utility easements associated with the site that may impede protection efforts. Using this information, the site is evaluated and scored based on both ecological values and administrative criteria, such as management constraints. Once scored, the site is compared with other sites that have been approved as suitable natural areas, but not yet acquired. This information helps establish priorities before an acquisition is recommended.

Heritage Fund provides resources to employ needed staff—Currently, monies are available from two sources to fund positions needed to administer the Natural Areas Program. As mentioned earlier, the Heritage Fund provides the Board with \$400,000 annually to manage and operate natural areas. As of June 30, 1997, this Fund had an uncommitted balance of over \$1.2 million. In addition, the Board is authorized to use Heritage Fund interest to employ staff needed to administer Heritage Fund programs. As of June 30, 1997, this Fund had an uncommitted balance of approximately \$665,000.

Recommendations

1. The Board should consider using available Heritage Fund resources to hire additional staff to administer the Natural Areas Program. This will first require the Board to determine how many staff are needed to fully administer the Program, including:
 - a. Addressing problems that impact the Board's ability to fully protect the Sonoita Creek Natural Area,
 - b. Providing staff support to the Natural Areas Advisory Committee to facilitate its efforts to evaluate potential new acquisitions,
 - c. Developing management plans for natural areas within existing state parks, and
 - d. Developing and applying feasibility criteria to sites considered for potential acquisition.
2. Once the Board provides additional staff support:
 - a. The Natural Areas Advisory Committee needs to complete its efforts to evaluate, prioritize, and make recommendations for the 12 potential natural area sites under consideration by the Committee; and
 - b. The Board needs to complete management guidelines for protecting natural features identified within five existing state parks.
3. The Board should ensure that Board staff analyze the feasibility of protecting a natural area prior to purchasing it.

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FINDING II

PROCESS NEEDED TO IDENTIFY NEW PARK SITES

The Board should improve its efforts to identify potential new park sites. To begin, the Board needs to develop an inventory of potential state park sites that would best meet the park system's needs. This effort should also include consideration of partnerships as an alternative to purchasing land because they provide a less costly way for the Board to expand the system.

Board Should Proactively Identify Potential State Parks

The Board needs to establish an inventory of desirable park sites to consider acquiring. Establishing a site inventory will first require the Board to develop and implement procedures for selecting sites to include in the inventory. The Board needs to begin these efforts now so it is better prepared to fulfill its long-term goal of expanding the state park system.

Potential park site inventory needed—Although the Board adopted a plan for acquiring new parks, the Board cannot implement the plan until it establishes an inventory of desirable park sites. In 1990 the Board adopted the Six 2000 Plan, a comprehensive plan to guide park system management, including acquiring new parks. The plan was designed to “*establish long-range goals and objectives, incorporate user needs, and include a prioritized inventory of potential park sites with regular updates and revisions.*” For example, the plan established the long-term goal of adding 18 new recreational parks to the park system, and placed a high priority on acquiring water-based sites, and sites located in the State's higher elevations. In addition, the plan included a set of criteria to use in evaluating a proposed site to determine whether it is eligible and suitable, and if it is feasible to consider it for a state park.¹

¹ The criteria used to evaluate and prioritize potential park sites are based on consideration of three main factors. Eligibility criteria are used to determine a proposed site's role, size, significance, and theme. In addition, these criteria can be used to identify what types of resources are inadequately represented in the system. Suitability criteria are used to examine the physical characteristics and location of a proposed park site. Feasibility criteria are used to judge the relative ease or difficulty in acquiring, developing, and operating a proposed site.

However, the Board does not have a current inventory of potential state park sites, an important first step toward implementing the plan. Instead, the Board has generally pursued potential acquisitions only when sites were brought to its attention by external parties such as a landowner, legislator, or member of the general public. By continuing to rely on these external sources, the Board cannot be sure it is focusing on areas that best meet the system's needs. In contrast, by maintaining a current site inventory, the Board can better focus its limited acquisition resources on sites that best meet the park system's needs.

Procedures needed to guide identification efforts—Establishing a site inventory will first require the Board to develop and implement procedures for selecting sites to include in the inventory. For example, similar to California, Board staff could be assigned responsibility for identifying land parcels that meet the park system's needs. Alternatively, the Board could appoint an advisory committee to identify sites, similar to the process it uses to inventory potential state natural areas. Once sites are identified, they should be evaluated and scored using the criteria described in the plan. Those sites meeting the requirements needed to become state parks can be included in the inventory. In addition, based on the evaluation scores, the Board can establish priorities among properties maintained in the site inventory. Moreover, the inventoried sites could be compared to any land purchase opportunities brought to the Board's attention by external parties.

Selection efforts should begin soon—The Board needs to begin establishing a site inventory of potential new state park locations. Over the next five years, the Board plans to focus available acquisition and development resources on completing development at ten existing state parks. However, according to the Board's executive director, if a potentially desirable state park site becomes available, the Board could redirect monies for it. Therefore, it is important that park site identification procedures are in place to assist in evaluating a potential site. Similarly, site identification procedures could assist in instances where the Board pursues partnerships with other recreation providers such as the federal government, who can provide potential park sites without cost if the State develops and operates the park.

Efforts Should Include Consideration of Partnerships

In its efforts to identify potential park sites, the Board should also select sites that can be acquired without purchase. Establishing partnerships with other recreation providers can be a much less costly and more timely means of expanding state parks because the Board would not have to necessarily purchase the land, and could share the costs of developing or operating the park. The Board has already established a partnership to add Fool Hollow Lake Recreation Area to the park system, without acquiring the land. Specifically:

- In 1992, the Arizona State Parks Board obtained a special use permit to operate Fool Hollow Lake Recreation Area on approximately 580 acres of land belonging to the U.S. Forest Service north of Show Low, Arizona. The Forest Service also assumed responsibilities such as preparing plans, working drawings, specifications, and cost estimates to develop the park. The City of Show Low agreed to install and maintain sewer lines, and apply for grants to provide supplemental funding for development needs. In return, the Board agreed to pay both the Forest Service and the City of Show Low 5 percent of park revenues. The Board also contributed \$1 million toward development, and provides staff and funding to operate the park each year. In addition, the Arizona Game and Fish Department agreed to provide services such as law enforcement.

Although the Board's contribution to a partnership will vary from one partnership to another, the Board may need to contribute some monies to develop or operate any new park acquired through a partnership agreement. If the Board actively identified potential park sites, as mentioned earlier, and negotiated partnerships with other entities whenever possible, the Board could then decide to use a portion of its resources to institute a new state park through a partnership agreement.

Recommendation

1. The Board should develop and implement procedures to establish a current inventory of potential park sites, and regularly update and revise the inventory. This inventory should include sites that can be acquired without purchase.

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FINDING III

THE ARIZONA STATE PARKS BOARD CAN IMPROVE FISCAL ADMINISTRATION

The Arizona State Parks Board can improve its fiscal administration. The Board should comply with statutory requirements when funding personnel with the Heritage and Off-Highway Vehicle (OHV) Funds. Further, the Board should adopt additional policies and procedures to improve the oversight of its concession, fee collection, and fixed assets.

Personnel Funding Should Comply with Statutes

The Board is not in statutory compliance regarding the funding of some personnel with Heritage and OHV funds. This audit identified 13 positions improperly funded with these revenues, because primary duties performed are not specific to Heritage and OHV programs. These revenues should only be used to directly support the programs' specific projects.

Heritage Fund interest may not be spent correctly—The Board does not comply with Heritage Fund statutory requirements for funding some personnel. A.R.S. §5-503(I) provides that all interest earned on Heritage Fund revenues can only be used for administering the Fund or spent directly on Heritage Fund projects in statutorily specified percentages. Since the Heritage Fund was created in 1990, the number of positions funded with Heritage Fund interest has grown to 18.5. In fiscal year 1997, there was an uncommitted fund balance of approximately \$665,000 in this account. Several positions appear directly related to the Heritage Fund, such as 2 natural resource planners; 4.5 grant oversight staff; and 2 fiscal services technicians. However, an Auditor General staff review of jobs by description and related interviews revealed that the remaining 10 positions are incorrectly supported by Heritage Fund interest. These positions perform activities not primarily supporting Heritage Fund programs. For example:

- **Fiscal Services Unit Manager, Administrative Services Division**—Manages *all* fiscal activity, including cash management investments and federal fund reporting and expenditures from 14 different funds. Heritage Fund revenues account for only one-third of total revenues.

- **Network Specialists I and II, Administrative Services Division**—The Computer Support section's 2 employees are responsible for providing both hardware and software services, both at the central office and 28 remote locations. While these staff support those working on Heritage Fund projects, they support non-Heritage Fund efforts as well.
- **Administrative Assistant II, Administrative Services Division**—Coordinates several central office functions including telecommunications, centralized gift shop inventory, motor pool management, building services, and office equipment repair.

The Board should comply with Heritage Fund statutes by ensuring all revenues are spent in support of fund projects. In fiscal year 1996, the Board spent nearly \$500,000 of Heritage Fund interest on personnel. However, according to the Board, other personnel not funded with Heritage Fund interest do perform some Heritage Fund administrative duties. For example, Board staff estimated in December 1997 that 55 percent of the Executive Director's time is spent on Heritage Fund-related activities. Further, Board staff estimate that the staff time spent on Heritage Fund activities, which is not charged to the Heritage Fund, offsets the questioned Heritage Fund expenditures described previously. However, the Board does not have a system for apportioning time to ensure compliance with funding requirements. In order to comply with Heritage Fund statutory requirements, the Board should establish a means to apportion staff funding. For example, the Arizona Game and Fish Department currently has staff account for the time by project to ensure all employees working on Heritage Fund and other funded projects are compensated from that revenue source.

OHV revenues not spent correctly—The Board also does not comply with statutory requirements for employees funded with OHV revenues. The Off-Highway Vehicle Recreation Fund, A.R.S. §28-2805, was established in 1989 to provide off-road recreational programs and opportunities. Staff paid from this Fund must support OHV activities only. Currently, the Board funds 5.5 FTEs with OHV monies. An Auditor General staff review of position descriptions and related interviews revealed that 3 employees' job duties are not primarily related to OHV projects. For example:

- **Recreation Planner III, Partnerships Division**—Responsibilities include developing statewide comprehensive plans for the State Historic Preservation Office, OHV, Trails, and Heritage Funds.
- **Administrative Assistant I, Partnerships Division**—Responsibilities include tracking and preparing quarterly reports on expenditures from ten different fund sources.

As with Heritage Fund revenues, the Board should comply with OHV statutes and ensure all revenues are spent in support of OHV projects. In fiscal year 1996, the Board spent \$118,405

in OHV revenues to fund personnel. In order to comply with state law and ensure OHV revenues are spent appropriately, the Board should apportion staff compensation by project.

Board Can Improve Fiscal Oversight

In addition to complying with funding statutes, the Board can improve fiscal administration by enhancing oversight of concessions, and fee collection. For concessions and fee collection, the Board should adopt additional internal control policies and procedures and perform audits to better account for park revenues. Finally, the Board should comply with requirements for recording fixed assets.

Administrative rules allow the Board to enter into agreements with private or public agencies or persons for the operation and development of concession facilities in areas under its jurisdiction. Currently, the Board oversees six concessions operating in six parks. These concessions provide services such as boat rentals, general stores, and gas stations at state parks.

Concession oversight needed—The Board can improve concession management in three ways. First, the Board should develop a form to ensure consistent gross receipt reporting. Second, administrative staff should review concessionaires' records. Finally, late fees should be imposed to encourage concessionaires to make prompt payments.

The Board should develop a form to improve gross receipt reporting. Currently, concessionaires pay a percentage of their gross receipts to the Board. The supporting documentation they submit varies by concessionaire and does not provide enough information to analyze reported gross revenues. In contrast, California and New Mexico both obtain more detailed information, including cumulative receipts for comparative purposes. Four of Arizona's five contiguous states require gross receipt data in a specific format on their own forms. This ensures the necessary data is captured in a complete and consistent format.

The Board should also do more to ensure it receives proper concessionaire revenues. Currently, the Board relies on annual financial compilations as supporting documentation of a business' revenues. These documents do not confirm the accuracy of reported revenues. To better ensure accurate revenues, the Board's financial staff should review concessionaire business records when they perform annual park fee audits. A.R.S. §35-214 requires contractors to submit accounts and records for inspection and audit.

Finally, the Board does not impose fees for late payments. Between fiscal years 1994 and 1996, four of six concessionaires made late payments between 50 and 75 percent of the time. Some payments were as much as two months late. All five of Arizona's contiguous states and Maricopa County impose late fees of up to 10 percent of revenues.

Fee collection oversight can be improved—In order for the Board to collect all possible fees, it should adopt additional internal control policies and procedures and improve its audit function to ensure compliance. This is important because entrance and camping fees make up the majority of the State Parks Enhancement Fund. These fees generated over \$4 million in fiscal year 1996.

An Auditor General staff review of the Board's fee collection policies and procedures determined that it lacks adequate internal controls. To ensure compliance with the *Arizona Accounting Manual (Manual)*, and to ensure all revenues are collected, the Board needs to adopt additional procedures. First, the Board should require manual fee receipts to be secured and allocated to employees by number. The *Manual* recommends manual receipts be assigned by employee and that the remainder be secured. This helps ensure that revenues are collected for each receipt issued. Second, the Board should require that two people account for the self-pay collections, if possible. These are fees paid by visitors via envelope when rangers are not available to collect from patrons directly. The *Manual* recommends that, if possible, two state employees be present when mail is opened. Third, the Board should develop prenumbered receipts for donations. Current Board procedures recommend a thank-you letter as a receipt. The *Manual* recommends prenumbered receipts for all cash transactions, and the Board could still send letters expressing gratitude on Board letterhead at a later date. Adopting these additional measures will provide more protection against potential loss or theft.

To further ensure that all fees are collected properly, the Board must improve its fee collection audit function. Currently, administrative staff audit each park's fee collection practices annually. However, a review of the completed audits indicates that the questions asked did not address whether proper policies and procedures were followed by park staff and all the questions were not answered completely. The audits, therefore, did not provide information to park managers as to what internal control improvements could be made. A new form should be developed that allows the auditor to record whether each fee collection procedure is properly implemented. Proper fee collection ensures that every possible dollar is available to the State Parks Enhancement Fund.

Board should comply with fixed asset requirements—The 1994 and 1995 Auditor General statewide single audit reports for the year ended June 30, 1994, of the State of Arizona found the Board did not meet the *Manual's* requirements for recording fixed assets. Board officials say they are making efforts toward compliance, but have not completed the project to date. The Board should continue its efforts toward full conformance. Compliance helps to ensure public assets are safeguarded against loss or theft.

Recommendations

1. The Board should comply with statutory requirements for funding personnel with Heritage Fund interest and OHV revenues.
2. The Board should improve concessions oversight by:
 - a. developing a form for gross receipt reporting to ensure consistent and useful information is reported;
 - b. performing an annual review of each concession's accounts and records; and
 - c. ensuring that all new, amended, and renewed contracts allow late fees to be imposed.
3. The Board should improve fee collection oversight by:
 - a. adopting additional policies and procedures to safeguard assets; and
 - b. revising and implementing an audit function that can determine whether policies and procedures are executed correctly.
4. The Board should continue its efforts toward full compliance with *Arizona Accounting Manual* requirements for recording fixed assets.

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OTHER PERTINENT INFORMATION

During the audit other pertinent information was obtained regarding Kartchner Caverns State Park, credit card use, reservations, and staffing.

Kartchner Caverns

Due to construction delays and increased costs, Kartchner Caverns will not be open to the public for at least another year. The Board does not anticipate an opening date prior to April 1998. Construction costs and time frames have exceeded original estimates primarily due to unanticipated conditions encountered during construction.

The park comprises 550 acres located in the eastern foothills of the Whetstone Mountains near the community of Benson in southeastern Arizona.¹ The park's focus is a limestone cavern in pristine condition, considered by experts to be the premier cavern in Arizona. The cavern is over two miles long with spacious rooms, one as long as a football field. It is a wet, "live" cavern into which water still percolates from the surface and whose calcium carbonate features are still growing. In fact, the variety of multicolored cavern formations are among the best examples of such formations in the world. In addition to the cavern, the park will include a visitor center, picnic sites, and a campground. One Board estimate predicts 150,000 visitors annually and approximately \$1.3 million in revenues.

Completion date unknown—As of May 1997 Board staff would not predict Kartchner Caverns' opening date. In a January 1997 letter to the JLBC and the Governor's Office of Strategic Planning and Budgeting, the Board said the park's opening would be delayed beyond the November 1997 target date and did not anticipate an opening date prior to April 1, 1998. The Board attributed most of the delay to the soft rock encountered when tunneling, which is less stable than hard rock and increases the time and cost of tunneling. The Board does not anticipate a new opening date to be announced until time frames for trail construction can be predicted.

Construction costs exceeding estimates—Construction costs for completed projects and those currently under construction have been greater than planned. As of June 30, 1995, the Board's budget plan to complete the development project by November 1997 totaled \$21,681,800. A variety of funding sources have been used for the project, including the State Parks En-

¹ Prior to acquisition, the park's land was owned by the Kartchner family and appraised at approximately \$1.86 million. In 1988, negotiations between the Kartchner family, State Parks, and the Legislature were completed and the property was acquired for approximately \$1.6 million.

hancement Fund, Heritage Fund acquisition and development monies, and a \$3.5 million General Fund supplemental appropriation. In addition, the Arizona Department of Transportation oversees road construction improvements. Due to various circumstances, the Board recently estimated that an expenditure increase between approximately \$2.6 and \$4.3 million would be required to complete the project. This increase is in addition to previous expenditure increases, and would bring the total project expenditure to an estimated \$24.6 to \$26.4 million. To help cover cost overruns, some projects were cut from the original budget; for example, campground shade structures, shade over the amphitheater, a rock facade at the visitor center, and a park staff dormitory.

Due to the complexity involved with developing this cavern, many factors have impacted projected costs and contributed to cost growth. Examples of these include:

- **Tunnels**—Mining operation costs for tunneling have risen from an estimated \$2.8 million to an estimated \$4 million and the job has taken longer than anticipated. Originally, the Board estimated tunneling would cost approximately \$2.8 million and take 16 months to complete. However, due to numerous tunneling problems, the estimate rose to \$4 million and tunneling has taken nearly 2 years to complete. For example, excavation proved to be more difficult and time-consuming than expected, primarily due to soft rock encountered in the tunneling operations. As materials are excavated from the tunnels, loose dirt and rock fall into excavated portions. Consequently, reinforced concrete forms are required to shore up the tunnels and tunnel construction has proceeded slowly at times. The cost of shoring up the tunnels is approximately \$9,000 per linear foot. While tunnel excavation has been essentially completed, additional work, such as permanent air locks, cave lighting, tunnel flooring, and tunnel reinforcement, still needs to be completed.
- **Trail System**—Trail design and construction costs will significantly increase. In March 1995, the Joint Committee on Capital Review (JCCR) approved approximately \$200,000 for hiring a consultant to design and develop the cavern's interpretive tour, trails, tunnels, utilities, communications, air locks, and climate controls. In December of 1995, JCCR approved an additional \$544,000 for trail system design and construction. This expenditure includes the initial construction of the cavern's trail system and support improvements such as the interpretive tour plan; the cavern's trails, lighting, water, and telephone; climate and atmospheric control; and visitor safety and security systems.

In January 1997, the Board estimated that an additional \$781,000 to \$2.1 million would be needed to complete trail construction. As of February 1997, trail routes were being laid out within the cavern. The Board claims that only after the trail crews have worked unimpeded for a length of time will they be able to estimate the completion date for trail construction.

- **Aboveground Construction**—Construction costs for many aboveground facilities have been greater than expected. Several aboveground improvements are being constructed as part of Kartchner Caverns, including a visitor center, ranger residences, and roads.

VISITOR CENTER—Visitor Center construction costs, including exhibits, have risen by over \$1 million. The 1992 aboveground master plan estimated the visitor center construction cost, including furnishings and exhibits, at \$3.1 million; however, the price increased by \$400,000 when the Board confirmed, in 1996, a \$3.5 million award for visitor center construction. In a February 1997 update, the Board reported that the project appears to be on schedule and the original contract price had risen by \$37,039. The visitor center should be substantially completed by the end of August 1997.

In addition, exhibits at the visitor center have cost more than anticipated. These exhibits were estimated to cost approximately \$600,000 and then increased to approximately \$1 million. Due in part to bidding specifications and a noncompetitive bidding environment, the Board recently approved an additional \$650,000 for visitor center exhibits. A majority of the exhibits should be completed by the end of March 1998.

RESIDENCES—Ranger residences' construction costs have exceeded cost estimates by approximately \$320,000. The 1992 aboveground master plan estimated two staff residences would cost \$200,000. In April of 1994, JCCR approved the release of \$390,000 for the construction of two staff residences, utility extensions, and site work. Since this time, two 1,600-square foot residences have been completed, each costing approximately \$260,000. Board staff attributed cost overruns to items such as the site's remote location, utility connections, and design costs.

ROADS, BRIDGES, AND PARKING LOTS—Design and construction costs for roads, bridges, and parking lots have exceeded estimates by approximately \$1.3 million. The 1992 aboveground master plan estimated roads, parking lots, and a bridge would cost approximately \$2.2 million. As of April 1997, the Arizona Department of Transportation had spent nearly \$2.8 million on these improvements. A bridge, originally estimated to cost \$300,000, has yet to be completed and will cost approximately \$1 million since it has been modified from a pedestrian bridge to a vehicle bridge.

- **Cavern Studies**—Cavern studies have been more costly than anticipated. Before construction could begin, both underground and aboveground cavern studies needed to be completed and bat behavior needed to be studied. A \$454,000 contract was awarded to perform the underground study. The completed report was released in 1992 and cost \$467,021. In addition to the underground study, the Board estimated the aboveground study and master planning would cost \$100,000. However, the aboveground study was expanded to include items such as archaeological and hydrologic components; and subsequently, a total of \$141,000 was spent for the aboveground master plan.

In addition to these cavern studies, bat studies have been and are being conducted at the cavern. The underground study found that bats living in the cave provide an important link between the cavern's ecosystem and the surface. In fiscal years 1996 and 1997 the Board spent nearly \$19,000 for these studies. Furthermore, in January of 1997, an additional \$60,000 from the Heritage Fund Natural Areas Operating and Maintenance Fund was approved by the Board for a three-year bat study to help ensure that the bats continue to return to the cavern.

Credit Card and Reservation Systems

Results from an Arizona State Parks survey indicate that visitors are interested in using credit cards and a camping reservation system. During 1995 and 1996, the Board performed a park visitation survey of 14,020 visitors regarding desired services. Two areas addressed in the survey were the ability to pay with credit cards and the opportunity to reserve camp sites. The question asked was, "Which of these services would you be likely to use?" As shown in Table 2, most visitors said they may or would definitely use credit cards and/or a reservations system.

Table 2

**Arizona State Parks Board
Visitor Preferences for Selected Services
1995-96**

Potential Services	<u>Environmental Education Parks</u>		<u>Historic Parks</u>		<u>Recreation Parks</u>	
	May Use	Definitely Use	May Use	Definitely Use	May Use	Definitely Use
Payment by credit cards	46.4%	38.7%	40.9%	47.7%	43.7%	37.2%
Reservations for camping	47.5	18.8	45.7	21.9	45.9	33.7

Source: Arizona State Parks Board survey of 14,020 visitors to Arizona State Parks during 1995 and 1996.

- **Credit Cards**—The Board is considering allowing credit cards to be used at its gift shops, but there are no plans to accept credit cards for park fees. Currently, the Board does not accept credit cards for either entrance fees or gift shop purchases, but this may soon change. At the March 20, 1997, State Parks Board Meeting, Board staff made a presenta-

tion regarding plans for credit card implementation for gift shop purchases only. Implementation for the five gift shop sites is anticipated following the 1998 budget approval. Accepting credit cards requires infrastructure installation costs for additional phone lines, equipment, etc. These costs are expected to be borne by the State Parks Board Publications and Souvenir Revolving Fund, where profits from the sales will be placed. In addition, banks will charge the Board an estimated 2 to 4 percent service fee if credit cards are accepted.

Because of these service charges and other costs, the Board does not currently plan to accept credit cards for entrance fees, which range from \$1 to \$7. The Board is currently reviewing the applicability of credit cards, but has concerns regarding the benefit of credit card use for entrance fees weighed against the expense and administrative effort. For example, accepting credit cards for entrance fees would require infrastructure expenses for each park as well as additional staff time and training. Currently, many parks lack the personnel to provide this service.

Other states have had mixed results with credit card use. Utah accepts credit cards for both gift shop purchases and entrance fees. Accepting credit cards has led to a significant increase in high dollar sales for Utah's gift shops. The state pays for the cost of credit cards with operational dollars. People rarely use credit cards for entrance fees, and Utah did increase entrance fees in part to cover service costs. California's legislature recently mandated that its Parks Department accept credit cards, but the Parks Department is attempting to exempt itself from that requirement. The officials feel that the cost of accepting credit cards is not cost-effective for entrance fees.

- **Reservations**—Although there are plans for a reservations system for Kartchner Caverns, the Board is hesitant to implement a systemwide reservations system. Arizona State Parks has had a statutorily created fund to establish a campsite reservations system since 1993, but has not implemented one to date. The Board plans to develop a stand-alone reservation system for Kartchner Caverns due to the expected high demand. The Board is hesitant to implement a statewide reservation system for all the parks for three reasons:

First, Arizona has a small number of campsites (1,200), which makes a reservation system less cost-effective;

Second, Arizona parks are very seasonal. State Parks is conducting a carrying capacity study to determine actual camping nights available. This should provide more information on the feasibility of a reservation system; and

Third, the Board has learned that other states are dissatisfied with their contracts with reservation system providers. State Parks does not have the resources to implement reservations internally at this time.

Other states have had some success with reservation systems, but are not comparable with Arizona's smaller state park system. For example, California has a reservation system for 18,000 campsites, and Utah has a reservation system for approximately 2,000 campsites. Utah used to contract its reservation system, but now uses in-house staff. This proved more successful than contracting because the state employees' knowledge base enables them to steer customers to less-used parks. Utah reports that the benefits of the system are increased camping, partially due to the opportunity to market less popular parks. Utah also charges a \$5 booking fee in addition to the campsite charge. Officials there caution that a successful reservation system requires a significant amount of training.

Staffing Shortages May Exist at State Parks

It appears the current number of field staff may be insufficient to effectively accommodate the number of annual visitors to state parks. As a result, both the Board and the public may be negatively impacted.

The number of visitors to the state parks has consistently increased. In fiscal year 1992, there were approximately 1.8 million visitors at the state parks. By fiscal year 1996, visitation at the state parks increased by approximately 26 percent, to approximately 2.3 million. However, permanent field staff during this period increased from 123.5 to 129, an increase of only approximately 4 percent systemwide, resulting in a steady rise in the number of visitors per employee.

Understaffing at state parks may affect visitor services and the Board's revenue collection. Because the Board has not created specialized positions, a large variety of duties performed by field personnel are included within just a few job descriptions. This is typically described as "wearing many hats." For example, the staffing shortage can impact the ability of state park employees to perform duties including law enforcement, emergency medical response, water quality testing, facility care, and fee collection, many of which could impact the public's health and safety. Moreover, dependence on a self-pay system for fee collection results in decreased revenue because staff are not available to collect fees when visitors enter the park. Further, staffing shortages limit park staff's ability to complete maintenance work at park facilities and conduct ranger-led hikes, tours, and interpretative programs.

To address problems with staffing, Board staff analyzed staffing needs at all state parks and completed a proposed staffing analysis that is awaiting Director and Board consideration. The draft staffing analysis estimates 18 additional permanent field staff are required to staff existing state parks.¹ The staffing analysis identifies 13 factors that represent the duties per-

¹ This number includes staffing needs for Oracle State Park, which is currently not open to the general public.

formed by state park staff. Staffing factors include visitation, weekly operations, campground, busy season months, fee collection, building and facility maintenance, grounds maintenance, interpretative programming, law enforcement, lake and water resources, souvenir sales, curatorial needs, and utility and special certification requirements. Each state park in the system was evaluated on the staffing needs at the specific park. Based on the draft staffing analysis, the Northern Region requires 5 additional permanent staff, the Southern Region requires 7 additional permanent staff, and the Western Region requires 6 additional permanent staff. The cost for 18 additional field staff would be approximately \$378,000 annually. Moreover, each region needs additional seasonal state park staff.

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SUNSET FACTORS

In accordance with A.R.S. §41-2954, the Legislature should consider the following 12 factors in determining whether the Arizona State Parks Board should be continued or terminated.

1. The objective and purpose in establishing the Board.

The Legislature established the Arizona State Parks Board in 1957:

“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 responsibilities also include planning and administering a statewide parks and recreation program, preparing a comprehensive plan for the enhancement of the State’s outdoor recreation resources, administering the State Historic Preservation Office, and administering \$10 million of Heritage Fund monies annually.

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

Although the Board has generally met its prescribed objectives and purpose, our review identified several areas where it could improve its effectiveness and efficiency in fulfilling its responsibilities.

Specifically, the Board needs to improve administration of the Natural Areas Program by hiring additional staff and identifying potential natural areas for the Board to consider pursuing (see Finding I, pages 9 through 13). In addition, the Board should develop and implement procedures to establish a current inventory of potential park sites, including sites that can be acquired without purchase (see Finding II, pages 15 through 17).

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

Generally, the Board has operated within the public interest by operating and maintaining the state parks system, evaluating and protecting Arizona’s prehistoric and historic heritage resources, and managing a grants program benefiting entities such as communities and agencies in Arizona. However, the Board has acquired few proper-

ties with Heritage Fund monies as required by statute (see Finding I, pages 9 through 13). Also, the Board can improve fiscal administration by ensuring statutory compliance regarding personnel funding with Heritage Fund and Off-Highway Vehicle Fund monies (see Finding III, pages 19 through 23).

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

According to the Governor's Regulatory Review Council, all rules appear consistent with the Board legislative mandate. As part of the rulemaking process, the Board annually reviews park user fees. However, the Board is exempt from the rulemaking process when setting user fees. This allows them to review and change park fees without engaging in the rule process. The Board uses regional meetings to inform the public about fee revisions.

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.

The Board adequately encourages public input when developing or amending regulations such as fees. Deadlines and grant information are communicated to the public via sources such as the Internet. Finally, the Board has complied with the Open Meeting Law.

The Board also keeps the public informed of its actions by maintaining a Web page on the Internet and employing a public information officer. This officer assists with performing a variety of activities, including producing press releases, brochures, and photographs.

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

The Board does not have regulatory authority; however, it has a designated ombudsman, who is authorized to respond, investigate, and resolve the public's complaints. According to the ombudsman, the Board receives approximately one complaint a month from park visitors. Typically, these complaints involve concerns with fees and the camping experience.

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.**

This factor is not applicable to the Board.

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

The Board has sought numerous technical and administrative changes to Board statutes over the years. For example, in 1988 legislation was passed allowing park system revenues to be placed in an acquisition and development fund instead of going into the State's general fund. In 1990, the Heritage Fund was established providing the Board with \$10 million annually for preserving, protecting, and enhancing Arizona's natural and scenic environment. In 1992, legislation was passed allowing one-half of the State Lake Improvement Fund to be used for the operation of water-based state parks. In 1993, a State Parks Board Publications and Souvenir Revolving Fund was established and a State Parks Board Reservation Surcharge Revolving Fund was approved, allowing the Board to use the Reservations Fund to administer a visitor reservations system. In 1994, the Legislature authorized the Board to develop and manage the Fool Hollow Recreation Area. In 1996, the Legislature exempted the Board from certain sections of the State Procurement Code for the remaining Kartchner Caverns State Park development.

9. **The extent to which changes are necessary in the laws of the Board to adequately comply with the factors listed in this subsection.**

The Legislature should consider the following statutory and other changes related to the Board's laws:

- The Legislature should consider amending A.R.S. §41-503 to require more comprehensive reporting of Heritage programs including an annual performance report by the Board identifying the projects and activities carried out to meet Heritage objectives, and the cost of these efforts, as was recently required with the Arizona Game and Fish Commission's Heritage Fund monies.
- The Legislature should consider requiring a performance audit of the Heritage program every ten years, timed to be conducted in conjunction with the Board's Sunset review, as was recently required with the Arizona Game and Fish Commission's Heritage Fund monies.

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

Termination of the Board would not significantly harm public health, safety, or welfare. However, according to A.R.S. 41-511.03, the Board's primary responsibility 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 people. In fact, according to a 1994-1995 general population telephone and mail survey, 99 percent of the respondents agreed that it is important to preserve the resources that the Board manages. If the Board was terminated, another state agency would need to execute its duties in its absence. In addition, according to the Board, unregulated use of state park lands could result in legal problems and financial losses.

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

Since the Board is not a regulatory body, this factor does not apply.

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

The Board relies on private contractors to assist in performing several important duties, such as environmental studies, development projects, and a majority of construction projects. The Board also contracts with private concessionaires to provide services such as boat rentals and general stores at state parks. The Board should improve concessions oversight by annually reviewing concession records, developing a form for gross receipt reporting, and imposing a late fee (see Finding III, pages 19 through 23). Finally, several parks hire private firms to provide services, such as trash collection, on the park properties.

Agency Response

Mr. Douglas Norton
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December 16, 1997

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Mr. Douglas Norton
Auditor General
2910 North 44th Street, Suite 410
Phoenix, AZ 85018

Dear Mr. Norton:

Arizona State Parks has received the report of the performance audit conducted by the Office of the Auditor General. On behalf of the Arizona State Parks Board and staff, I would like to thank you for identifying areas in which we can improve our business of managing and conserving Arizona's natural, recreational and cultural resources.

When comparing this audit to the audit performed 10 years ago, we must acknowledge the efforts and successes made by and on behalf of the Board to accomplish our goals and objectives. It is apparent that the findings included in the report are enhancements to our processes currently in place, not findings of omission, inaction, or irregularity.

While we understand that an audit report, in the traditional sense, doesn't provide ample opportunity to examine an agency's success, we believe that some key indicators of performance should be noted. They include:

- Our average net cost per visitor in FY 1992 was \$1.17. In FY 1996, that figure was reduced to \$0.57 per visitor.
- Our volunteer advisory committees and volunteer staff log

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thousands of hours annually and provide an invaluable service to the public.

- Our grants and recreation programs provide enormous opportunities for communities statewide. State Parks is a recognized leader in outdoor recreation and conservation in the State.

- In our most recent visitor survey, fully 96% of our park visitors rated their experience good or excellent.

As requested, included herein is the Agency's response to each recommendation contained in the audit.

Finding I: The Arizona State Parks Board needs to improve efforts to acquire and protect natural areas.

Overall, we agree with this finding. We acknowledge that any program can always be improved.

The Parks Board has taken a more long-term and prudent approach to acquisitions so when appropriate parcels become available, funds will also be available to acquire them. It is also important to note that acquisitions take both time to settle and a substantial amount of money. The Board seeks partnerships in these projects frequently, which can greatly enhance their outcome, but also take time to align successfully.

Recommendation #1 The Board should use available Heritage Fund resources to hire additional staff to administer the Natural Areas Program. This will first require the Board to determine how many staff are needed to fully administer the program.

We concur with this recommendation to consider hiring additional staff. Currently, we are filling acquisition staff vacancies. Once they are filled, we will assess the need and determine if or how many additional staff need to be hired for a more effective natural areas program. We would also consider contracting out services to enhance acquisitions versus hiring permanent staff.

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Recommendation #2 Once the Board provides additional staff support, the Natural Areas Advisory Committee should complete its efforts to evaluate, prioritize and make recommendations for the 12 potential natural area sites under consideration by the Committee, and complete management guidelines for protecting natural features identified within five existing State parks.

We concur with this recommendation.

Recommendation #3 The Board should ensure that staff analyze the feasibility of protecting a natural area prior to purchasing it.

We concur with this recommendation. The feasibility of protecting property is an issue for all of our land purchases. This is a matter of course when reviewing a property for purchase.

Finding II and Recommendation #1: The Board should develop and implement procedures to establish a current inventory of potential park sites, and regularly update and revise the inventory. This inventory should include sites that can be acquired without purchase.

We agree with this recommendation and have an extensive confidential inventory of more than 150 potential sites that was provided to the Staff of the Auditor General. We will continue to update and revise it. In the past, the State Parks' staff worked with advisory committees made up of individuals from the various land management agencies, and private citizens to identify sites for consideration as potential parks.

State Parks is pleased that the auditors recognize the benefits of partnerships, permits and such other means as viable alternatives to purchase. In fact, State Parks has followed this practice since 1965. Several other parks in the system not mentioned in the report operate very successfully within these type of agreements. These parks include Boyce Thompson Arboretum, Slide Rock, Yuma Crossing, Catalina, Lyman Lake, Roper Lake and Alamo Lake State Parks. The inventory of potential park sites includes areas where

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partnerships could be utilized instead of purchase of the land.

Finding III: The Board can improve fiscal administration.

Once again, while we agree with this finding, it is important to note that we continually attempt to improve all of our business processes.

Recommendation #1 The Board should comply with statutory requirements for funding personnel with Heritage Fund interest and OHV revenues.

We agree that we should comply with statutes and believe that we always have. State Parks has not only maintained that we are in compliance with statutes, we have demonstrated and satisfied the requirement of apportionment to ensure that all funds managed by State Parks are spent appropriately.

Recommendation #2 The Board should improve concessions oversight by developing a form for gross receipt reporting; performing an annual review of each concession's accounts and records; and ensuring that all new, amended and renewed contracts allow late fees to be imposed.

The Board concurs with the recommendation. The concessionaire gross receipt form has been created and is going through final review and new contracts will include a provision for the imposition of late fees. Due to staffing shortages, the only process that cannot be implemented at the current time is the annual review of the concessionaires' accounts and records.

Recommendation #3 The Board should improve fee collection oversight by adopting additional policies and procedures to safeguard assets and revising and implementing an audit function that can determine whether policies and procedures are executed correctly.

The Board agrees with the recommendation. Improved procedures for ticket distribution already have been established and new audit

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procedures have been drafted.

Recommendation #4 The Board should continue its efforts toward full compliance with *Arizona Accounting Manual* requirements for recording fixed assets.

The Board will continue its efforts to include additional information in the fixed assets system. This information will be limited to new acquisitions and new construction items.

Thank you for the opportunity to respond to the report.

Sincerely,

Kenneth E. Travous
Executive Director