

Arizona State Land Department Performance Audit and Sunset Review

Department did not develop long-range plans for State trust land, risking difficulties demonstrating land sales benefit trust beneficiaries, or inspect land used for mineral mining/exploration to protect public safety, and made purchases for employee-recognition purposes using unauthorized monies

Audit purpose

To determine whether the Department developed statutorily required disposition plans for State trust land and inspected State trust land leased/permitted for mineral purposes consistent with Department requirements and to respond to the statutory sunset factors.¹

Key findings

- ▶ Department manages approximately 9.2 million acres of State trust land and generated approximately \$352 million in revenue in fiscal year 2024 for trust beneficiaries, such as K-12 public schools, from land sales, leases, and use permits.
- ▶ Department sold more than 48,000 acres of State trust land for nearly \$2.6 billion between June 2016 and October 2024 but did not develop statutorily required disposition plans for this land since 2016; absent a disposition plan, it risks not demonstrating its sales were transparent and in trust beneficiaries' best interest.
- ▶ Department did not inspect State trust land used for mineral extraction/exploration to ensure the land was restored for leases/permits we reviewed, increasing public safety risk.
- ▶ Department spent approximately \$3,000 from funds prohibited for employee-recognition purposes for employee recognition items including gift cards and party decorations, and lacked documentation demonstrating a public purpose for these transactions.

Key recommendations to the Department

- ▶ Develop a 5-year disposition plan for all State trust land, as required by statute.
- ▶ Conduct inspections of State trust land that has been used for mineral extraction/exploration in accordance with Department policies and procedures.
- ▶ Discontinue using prohibited funds to pay for employee-recognition purchases and instead use only funds allowed by the State of Arizona Accounting Manual and State law, and determine whether and how to reimburse the prohibited funds.

¹ The Arizona Auditor General conducted this performance audit and sunset review of the Department pursuant to a November 21, 2022, resolution of the Joint Legislative Audit Committee. This audit was conducted as part of the sunset review process prescribed in Arizona Revised Statutes §41-2951 et seq.