

# Performance Audit and Sunset Review

## Arizona State Land Department

---

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



# Arizona Auditor General's mission

---

The Arizona Auditor General's mission is to provide independent and impartial information, impactful recommendations, and stakeholder education to improve Arizona government for its citizens. To this end, the Office conducts financial statement audits and provides certain accounting services to the State and political subdivisions, investigates possible criminal violations involving public officials and public monies, and conducts performance audits and special reviews of school districts, State agencies, and the programs they administer.

## The Joint Legislative Audit Committee

The Joint Legislative Audit Committee consists of 5 Senate members appointed by the Senate President and 5 House members appointed by the House Speaker. The Committee is responsible for overseeing the Office, including (1) overseeing all audit functions of the Legislature and State agencies, including sunset, performance, special, and financial audits; special research requests; and the preparation and introduction of legislation resulting from audit report findings; (2) requiring State agencies to comply with audit findings and recommendations; (3) receiving status reports regarding the progress of school districts to implement recommendations; and (4) scheduling hearings to review the status of State agencies and school districts.

Senator **Mark Finchem**, Chair

Senator **Flavio Bravo**

Senator **Tim Dunn**

Senator **David C. Farnsworth**

Senator **Catherine Miranda**

Senator **Warren Petersen** (ex officio)

Representative **Matt Gress**, Vice Chair

Representative **Michael Carbone**

Representative **Michele Peña**

Representative **Stephanie Stahl-Hamilton**

Representative **Betty Villegas**

Representative **Steve Montenegro** (ex officio)

## Audit staff

**Jeff Gove**, Director


**Jessika Hallquist**, Manager

**Timmy Sutton**, Team Leader

**Otto Brink**

**Logan Johnson**

## Contact information

 **(602) 553-0333**

 [contact@azauditor.gov](mailto:contact@azauditor.gov)

 [www.azauditor.gov](http://www.azauditor.gov)

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



## ARIZONA AUDITOR GENERAL

Lindsey A. Perry, Auditor General

Melanie M. Chesney, Deputy Auditor General

July 9, 2025

Members of the Arizona Legislature

The Honorable Katie Hobbs, Governor

State Land Commissioner Sahid  
Arizona State Land Department

Transmitted herewith is a report of the Auditor General, *A Performance Audit and Sunset Review of the Arizona State Land Department*. This report is in response to a November 21, 2022, resolution of the Joint Legislative Audit Committee. The performance audit and sunset review 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 Department agrees with all the findings and plans to implement or implement in a different manner all but 1 of the recommendations. The Department indicated that it would not implement 1 recommendation related to developing and implementing written policies, procedures, and/or guidance for selling State trust land at the Commissioner's initiative. My Office will follow up with the Department in 6 months to assess its progress in implementing the recommendations. I express my appreciation to State Land Commissioner Sahid and Department staff for their cooperation and assistance throughout the audit.

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

## 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.<sup>1</sup>

### 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.

---

<sup>1</sup> 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.

# TABLE OF CONTENTS

## INTRODUCTION

1

- ▶ Mission and responsibilities
- ▶ Organization and staffing
- ▶ Revenues and expenditures

## FINDING 1

10

**Department failed to develop statutorily required 5-year disposition plans, risking difficulties demonstrating State trust land sales were transparent and in trust beneficiaries' interest**

- ▶ Despite having sold State trust land, Department has not developed long-range plans for the disposition of State trust land as required by statute
- ▶ Lack of a disposition plan increases the risk that the Department's decisions to sell State trust land lack transparency and that it will have difficulty demonstrating the highest and best use of land for trust beneficiaries
- ▶ Department lacks policies and procedures to update its disposition plan and to determine whether to sell State trust land at the Commissioner's initiative

## Recommendations to the Department

15

## FINDING 2

16

**Department did not inspect land or release bonds for some mineral-related leases and permits, and released bonds for some uninspected permits, placing public safety at risk and potentially not returning bond monies to some lessees and permittees who restored land**

- ▶ Department procedures require staff to inspect land leased or permitted for mineral and/or mineral material extraction or exploration to determine if land was restored before releasing reclamation bonds
- ▶ Department has not inspected land for some mineral and/or mineral material leases and permits it closed, delaying the release or use of reclamation bonds, and released some reclamation bonds without inspections, increasing public safety risk and potential financial losses for lessees, permittees, and the Department

- ▶ Department’s failure to timely close some leases in its IT system, comply with procedures or lease provisions, provide consistent guidance for conducting permit reclamation inspections, and sustain implementation of our prior inspection recommendation may have contributed to it not inspecting State trust land or appropriately releasing associated reclamation bonds

<b>Recommendations to the Department</b>	<b>24</b>
------------------------------------------	-----------

<b>SUNSET FACTORS</b>	<b>26</b>
-----------------------	-----------

<b>SUMMARY OF RECOMMENDATIONS</b>	<b>49</b>
-----------------------------------	-----------

The Arizona Auditor General makes 51 recommendations to the Department

<b>APPENDIX A</b>	<b>a-1</b>
-------------------	------------

Department-reported revenues generated for trust beneficiaries in fiscal year 2024

<b>APPENDIX B</b>	<b>b-1</b>
-------------------	------------

Department State trust land sale auctions completed from June 2016 to October 2024 without a disposition plan

<b>APPENDIX C</b>	<b>c-1</b>
-------------------	------------

Department maintains a State trust land parcel viewer that presents information on parcels of State trust land

<b>APPENDIX D</b>	<b>d-1</b>
-------------------	------------

Objectives, scope, and methodology

## **DEPARTMENT RESPONSE**

## **FIGURES**

▶ <b>Figure 1</b>	<b>11</b>
-------------------	-----------

Department sold approximately 48,000 acres of State trust land, with winning bids totaling approximately \$2.6 billion, between June 2016 and October 2024 without a disposition plan



▶ <b>Figure 2</b>	a-2
Department distributes/transfers revenues generated from State trust land to trust beneficiaries and the State Treasurer monthly	
▶ <b>Figure 3</b>	c-2
Department's parcel viewer shows the location of State trust land parcels across the State	
▶ <b>Figure 4</b>	c-3
Department's parcel viewer provides information on the types of leases for State trust land, including in the Phoenix metropolitan area	

## TABLES

▶ <b>Table 1</b>	7
Schedule of revenues, expenditures, and changes in fund balances Fiscal years 2023 through 2025 (Unaudited)	
▶ <b>Table 2</b>	20
Department has not complied with all Department policy and procedure requirements or lease provisions for the 18 mineral-related leases and permits we reviewed	
▶ <b>Table 3</b>	a-3
Department reported it generated approximately \$352 million for the 13 trust beneficiaries in fiscal year 2024 (Unaudited)	
▶ <b>Table 4</b>	b-2
Department sold approximately 48,000 acres of State trust land, with winning bids totaling approximately \$2.6 billion, at public auctions from June 2016 to October 2024 (Unaudited)	

# INTRODUCTION

The Arizona Auditor General has released the second in a series of 2 audit reports of the Arizona State Land Department (Department) as part of the Department's sunset review. The first audit, a special audit completed pursuant to a November 21, 2022, resolution of the Joint Legislative Audit Committee, addressed whether the Department's process for determining agricultural rental rates is aligned with peer states and best practices; appropriate reporting mechanisms for groundwater pumping, especially by foreign leases; whether the contracts between Fondomonte Arizona, LLC (Fondomonte) and the Department provide lease costs for land and water below market rates; and whether the contracts between Fondomonte and the Department adequately address the issue of protecting water levels in the basin.<sup>1</sup> This performance audit and sunset review determined whether the Department developed long-range plans for the disposition of State trust land, as required by statute, and inspected State trust land leased or permitted for mineral purposes, consistent with Department policy and procedure and lease/permit provisions. This sunset review report also includes responses to the 10 statutory sunset factors.

## Mission and responsibilities

The Department was established in 1915 to manage and control 10.9 million acres of State trust land that was granted to the State by the Arizona-New Mexico Enabling Act of 1910 (Enabling Act) to financially support the public services provided by the trust beneficiaries (see textbox, page 2, for more information on State trust land beneficiaries). According to the Department, as of fiscal year 2024, it managed approximately 9.2 million acres of State trust land.

Arizona Revised Statutes (A.R.S.) §37-131 establishes the State Land Commissioner (Commissioner) as the Department's executive officer. A.R.S. §37-132 emphasizes that the State Land Commissioner should administer State trust land in the best interest of trust beneficiaries (see textbox for the Department's mission). Statute also authorizes the Commissioner and the Department to engage in several activities that can generate revenues for the trust (see Appendix A, pages a-1 through a-4, for more information on trust revenues).

### Department mission

To responsibly manage the assets of a multi-generational perpetual trust in alignment with the interests of the beneficiaries and Arizona's future.

Source: Auditor General staff review of the Department's website.

<sup>1</sup> See Arizona Auditor General report 24-101 *Arizona State Land Department—Assessment of Department's agricultural leasing process, groundwater reporting mechanisms, and Fondomonte's leases*.



For example, the Department is authorized to:

▶ **Sell State trust land**

The Department is responsible for selling State trust land to the highest and best bidder at a public auction, and for no less than the appraised true value of the land.<sup>2,3</sup>

▶ **Lease and issue permits for using State trust land for various purposes**

The Department is responsible for leasing State trust land for grazing, agricultural, commercial, and other purposes, and issuing permits for the short-term use of State trust land.<sup>4</sup>

For example, statute authorizes the Department to issue leases for State trust land for the purpose of extracting common variety mineral material such as stone, pumice, sand, or gravel (mineral material leases), and noncommon variety minerals, such as metallic ore and industrial minerals (mineral leases).<sup>5</sup> Statute also authorizes the Department to issue mineral exploration permits granting permittees the exclusive right to explore for minerals on the permitted State trust land.<sup>6</sup> Additionally, the Department retains the mineral rights to all subsurface resources on all State trust land that it has sold since March 1968 and may issue mineral leases and permits on these lands (see Finding 2, pages 16 through 25, and Sunset Factors, pages 27 through 28, for more

## State trust land beneficiaries as of fiscal year 2025<sup>1</sup>

- ▶ Arizona Department of Corrections, Rehabilitation and Reentry
- ▶ Arizona Department of Juvenile Corrections
- ▶ Arizona Pioneers' Home
- ▶ Arizona State Schools for the Deaf and the Blind
- ▶ Arizona State Hospital
- ▶ Arizona State University
- ▶ K-12 public schools
- ▶ Northern Arizona University
- ▶ State Legislative, Executive and Judicial Buildings
- ▶ The University of Arizona

<sup>1</sup> This list represents the contemporary names of the trust beneficiaries originally specified by the Enabling Act. See Appendix A, pages a-1 through a-4, for more information on trust beneficiaries.

Source: Auditor General staff review of the Department's website.

<sup>2</sup> Statute establishes some restrictions on the sale of State trust land according to the resources present on the land. For example, A.R.S. §37-231(D) prohibits selling State trust land known to contain certain resources, such as hydrocarbons, coal, metals, minerals, and fossils; and State trust land adjacent to certain resources, such as hydrocarbons.

<sup>3</sup> A.R.S. §37-132(A)(7) requires Board of Appeals approval prior to the sale of State trust land by the Department (see page 6 for more information on the Board of Appeals).

<sup>4</sup> For information on the Department's leases for agricultural purposes, see Arizona Auditor General report 24-101 *Arizona State Land Department—Assessment of Department's agricultural leasing process, groundwater reporting mechanisms, and Fondomonte's leases*.

<sup>5</sup> A.R.S. §§27-271, 27-272, 27-231, 27-234.

<sup>6</sup> A.R.S. §27-251.

information about the Department's processes related to mineral leases and permits).<sup>7,8</sup>

The Department reported that it also leases and permits State trust land to branches of the United States Armed Forces and the Arizona Department of Emergency and Military Affairs for various military purposes, such as training, landing strips, and artillery ranges.

According to the Department's fiscal year 2024 annual report, the Department generated approximately \$352 million in revenue for trust beneficiaries consisting of approximately \$272 million in revenue from the sale of land and royalties and approximately \$80 million from other sources, such as interest and lease payments in fiscal year 2024.

The Department has several statutory responsibilities related to administering State trust land, including:

► **Long-range planning of State trust land use**

As part of its responsibility to administer State trust land in the trust's best interest, the Department is required to develop long-range plans for the future use of State trust land, including 5-year disposition plans for all State trust land projected to be sold, leased, or otherwise disposed of in a 5-year period.<sup>9</sup> Further, A.R.S. §37-132 requires the Department to promote the orderly development of State trust lands in areas beneficial to the trust and prevent urban sprawl or leapfrog development on State trust land (see Finding 1, pages 10 through 15, for more information about the Department's planning requirements).<sup>10</sup>

► **Selling and leasing State trust land for conservation purposes**

Statute authorizes the Department to classify, sell, and lease certain State trust land for conservation purposes.<sup>11</sup> Specifically, the Department may classify State trust land as suitable for conservation purposes after providing a period of public comment, and lease or sell the land at public auction for conservation purposes when it is in the best interest of the trust. As of October 2024, the Department reported it had classified approximately 13,000 acres of State trust land as suitable for conservation purposes. However, the last sale of State trust land for conservation purposes occurred in January 2015.<sup>12</sup> Additionally, as of October 2024, the Department's practice is not to sell or lease State trust land for conservation purposes due to concerns regarding the constitutionality of such sales

---

<sup>7</sup> In addition to lease rental payments, mineral lessees are also required to pay the Department a production royalty of at least 2% of the gross value of all minerals produced and sold from the mineral lease. The royalty rate must be determined by an appraisal of the State's interest in the minerals produced by the lessee, established in accordance with the appraisal standards prescribed by A.R.S. §27-234(C).

<sup>8</sup> A.R.S. §37-231(E).

<sup>9</sup> A.R.S. §§37-132(A)(3), 37-331.03.

<sup>10</sup> A.R.S. §37-101(20) defines "urban sprawl" as the development of lands in a manner requiring the extension of public facilities and services on the periphery of an existing urban area that is not provided for in the existing plans of the local governing body responsible for providing facilities and services to these lands. A.R.S. §37-101(12) defines "leapfrog development" as the development of lands in a manner requiring the extension of public facilities and services through intervening undeveloped areas that are scheduled for development at a later time.

<sup>11</sup> A.R.S. §§37-312 through 37-314.

<sup>12</sup> Laws 1998, Ch. 204, established a grant program within the Land Conservation Fund administered by the Arizona State Parks Board for the purchase or lease of State trust land classified as suitable for conservation purposes. According to a December 2013 State Senate research brief, constitutional concerns were raised in 2003 because State trust land sold for conservation purposes included restrictions on the development of the land, which may have decreased the number of potential bids and lowered bid prices at auction. Although no legal action was taken, the Department temporarily halted auctions for conservation lands. The Department resumed sales of State trust land for conservation purposes in 2007 but reported that the last monies appropriated to the grant program were expended in calendar year 2015.

or leases.<sup>13</sup> The Department reported that bidders can purchase State trust land at a competitive auction and later utilize the land for conservation if they so choose.

### ► Issuing recreational permits

According to Arizona Administrative Code (AAC), the Department may issue permits for the use of State trust land, including for recreational purposes.<sup>14</sup> According to Department data, as of January 2025, the Department had approximately 32,000 active recreational permits for activities such as bicycling, camping, hiking, and off-highway vehicle usage on State trust land. The Department reported that, as of October 2024, it does not identify or designate specific State trust lands for recreational use.<sup>15</sup> However, the Department does not allow recreation on State trust lands leased for agriculture, mining, commercial, or military purposes.<sup>16</sup>

The Department is also statutorily responsible for administering all laws relating to lands owned by, belonging to, and under the State's control.<sup>17</sup> For example, the Commissioner is statutorily responsible for appraising and classifying State trust lands and closing State trust land from consideration for sale or lease.<sup>18</sup> Additionally, statute establishes a Resource Analysis Division within the Department that includes the Office of the State Cartographer (see page 5 for more information on this division's responsibilities).<sup>19</sup>

## Organization and staffing

As of February 2025, the Department reported having 114 full-time equivalent (FTE) positions and 25 vacancies and is organized into the following 6 divisions:

### ► Commissioner's Office (9 FTE, 2 vacancies)

Responsible for overseeing the Department and includes the Commissioner; a deputy commissioner responsible for overseeing the Department's Real Estate Division; a deputy commissioner responsible for overseeing the Department's Natural Resources Division; a chief administrative officer responsible for overseeing the Department's Administration Division; an executive staff assistant; a legislative liaison; a rules development coordinator; a human resources manager; and an administrative assistant.<sup>20</sup>

---

<sup>13</sup> According to the Department, requiring that State trust land be limited to use for conservation purposes would reduce the number of bids at auction, not put the land to its highest and best use, and not generate the most revenue for beneficiaries. The Department reported it believes that this practice would violate the State Constitution, which requires the sale of State trust land to occur at public auction to the highest and best bidder for not less than the appraised value of the land. See Arizona Constitution (Ariz. Const.) Art. 10, §§3 and 4.

<sup>14</sup> AAC R12-5-1101(A).

<sup>15</sup> We did not identify a statutory requirement in the Department's enabling statutes requiring it to identify and designate specific State trust land for recreational use.

<sup>16</sup> According to the Department's website, the Department does not allow recreation on lands that have been closed to the public. The Department reported that lands may be closed due to hazardous conditions or dust abatement, in coordination with the Arizona Game and Fish Department, or based on State, county, or local laws and ordinances.

<sup>17</sup> A.R.S. §37-102(A).

<sup>18</sup> A.R.S. §37-132.

<sup>19</sup> A.R.S. §37-172.

<sup>20</sup> As of February 2025, the positions of deputy commissioner responsible for overseeing the Natural Resources Division and human resources manager were vacant.

► **Real Estate Division (27 FTE, 7 vacancies)**

Responsible for the Department's real estate administration and management for State trust lands, including sale and lease auctions, commercial real estate planning and development, and rights-of-way management.<sup>21,22</sup>

► **Internal Services Division (14 FTE, 3 vacancies)**

Responsible for administering processes related to the management and disposition of State trust land, including archeology and cultural resource issues, property appraisal processes, and compliance with lease contracts.

► **Information Systems and Resource Analysis Division (16 FTE, 4 vacancies)**

Responsible for providing information technology (IT) system management, data management, and land records within the Department's geographic information system (GIS). Additionally, this division includes the Office of the State Cartographer, is statutorily responsible for managing State-wide GIS activities, and works with a variety of organizations, including the Arizona Geographic Information Council (see page 6 for more information on this council).<sup>23</sup>

► **Administration Division (20 FTE, 2 vacancies)**

Responsible for administrative duties related to title and contracts management, administrative procedures, public information management, as well as budget, finance, and procurement. This includes the Public Records Office and the management of the Board of Appeals administrative processes.

► **Natural Resources Division (28 FTE, 7 vacancies)**

Responsible for carrying out the responsibilities related to the ongoing management and protection of State trust land and its natural resources, such as minerals and water resources. For example, the Natural Resources Division is responsible for managing agreements such as leases and permits for agricultural, grazing, and mineral purposes.

Additionally, statute establishes a council and a committee within the Department, and a board for which the Department is required to provide administrative support, as follows:

---

<sup>21</sup> According to A.R.S. §§37-236 and 37-281.02, the Department is required to hold public auctions for the sale of State trust land and the lease of State trust land for commercial purposes for terms over 10 years. Additionally, per A.R.S. §§27-235 and 27-272, the Department may offer mineral leases, mineral material leases, and mineral exploration permits at public auction.

<sup>22</sup> Rights-of-way grant the right to pass over or through property owned by someone else. According to A.R.S. §37-461, the Department may grant rights-of-way for any purpose it deems necessary on and over State lands. Specifically, statute allows the Department to grant rights-of-way to federal and State agencies, political subdivisions of the State, and people for nonexclusive uses. If the grant of a right-of-way amounts to the sale or perpetual right to use the surface of the land, such as for freeways or roads, the Department must grant the right-of-way at a public auction.

<sup>23</sup> A.R.S. §37-173 requires the Information Systems and Resource Analysis Division, which includes the Office of the State Cartographer, to provide GIS services and geospatial data for the Department and other public agencies in the State, as well as to facilitate the sharing of GIS data and services among all public agencies to address the needs of the State. The Department maintains a GIS that includes information on parcels of State trust land, including whether the parcels are leased (see Sunset Factors, pages 27 through 28, for more information about the Department's GIS). The Department's State trust land parcel viewer can be accessed at <http://gis.azland.gov/webapps/parcel/> (see Appendix C, pages c-1 through c-3, for more information about the parcel viewer).

### ► **Arizona Geographic Information Council (Council)**

The Council is responsible for advising the Department on matters related to geospatial data sharing; facilitating interagency geospatial data sharing to enhance federal, State, and local government business systems; and collecting information related to geographic information systems (GIS).<sup>24</sup> Statute requires the Council to consist of 35 members appointed by the Governor, and as of March 2025, 22 Council positions were filled and 13 were vacant.<sup>25,26</sup> The Council holds public meetings on at least a quarterly basis. The Department reported that 1 FTE position has responsibilities that include providing administrative support to the Council.

### ► **Urban Land Planning Oversight Committee (Committee)**

The Committee is responsible for recommending procedures and strategies to the Department to efficiently create conceptual land use plans for urban State trust land, provide advice on the studies that are needed to create the plans, and review and make recommendations to the Commissioner for approval of both final conceptual land use plans and 5-year State trust land disposition plans.<sup>27,28</sup> Statute requires the Committee to consist of 5 members appointed by the Governor.<sup>29</sup> However, all 5 Committee member positions have been vacant since at least January 2018 (see Sunset Factors, page 34, for further information about the vacancies on the Committee).

### ► **Board of Appeals (Board)**

The Board is responsible for approving sales of State trust land and commercial leases of State trust land for terms longer than 10 years and hearing appeals of final decisions of the Commissioner related to the classification or appraisal of State trust land.<sup>30</sup> Statute requires the Board to consist of 5 members, and as of February 2025, the Board's 5 positions were filled.<sup>31</sup> The Board holds public meetings on at least a monthly basis. The Department reported that 1 FTE position has responsibilities that include providing administrative support to the Board.

---

<sup>24</sup> A.R.S. §37-177.

<sup>25</sup> According to A.R.S. §37-177(A), the Council's 35 members must include 18 representatives of State agencies, 6 representatives of federal agencies, 6 representatives of GIS consortia or local governments, 1 representative of a State-wide association of county governments, 1 representative of a State-wide association of municipal governments, 1 representative of an Arizona Indian tribal nation, 1 representative of a professional geospatial organization, and 1 representative of the private sector.

<sup>26</sup> As of March 2025, the vacant Council positions included 8 representatives of State agencies, 3 representatives of federal agencies, 1 representative of a State-wide association of municipal governments, and 1 representative of an Arizona Indian tribal nation.

<sup>27</sup> A.R.S. §37-331.02.

<sup>28</sup> Per A.R.S. §37-331.03, the Department must create conceptual land use plans for all urban State trust land that identify appropriate land uses, transportation corridors and infrastructure requirements, and all constraints and opportunities associated with the land.

<sup>29</sup> According to A.R.S. §37-331.02(A), the Committee's 5 members must include 1 member with experience in drainage, hydrologic, or infrastructure engineering; 1 member with experience in urban and community planning; 1 member with experience in contracting for planning studies related to residential, commercial, or industrial real estate development; 1 member with experience in open space or natural resource planning; and 1 public member.

<sup>30</sup> A.R.S. §§37-132(A)(7), 37-215(A).

<sup>31</sup> According to A.R.S. §37-213(A), the Board's 5 members must include 1 Governor-appointed member from each of the 3 districts established by statute and 2 at-large members appointed by the Governor. Additionally, no more than 3 members of the Board can be appointed from the same political party.

## Revenues and expenditures

The Department receives State and other monies, including fees and reimbursements related to the sale and use of State trust land. As shown in Table 1 (see pages 7 through 9), during fiscal year 2024, the Department's revenues totaled approximately \$379 million and are estimated to total approximately \$390 million in fiscal year 2025. The Department's fiscal year 2024 expenditures and transfers totaled approximately \$421 million and are estimated to total approximately \$417 million in fiscal year 2025. Most of the Department's expenditures were distributions of monies to beneficiaries from the sale, lease, and permitting of State trust land.

**Table 1**

### Schedule of revenues, expenditures, and changes in fund balances

Fiscal years 2023 through 2025

(Unaudited)

	2023 (Actual)	2024 (Actual)	2025 (Estimate)
<b>Beginning fund balance</b>	<b>\$74,968,202</b>	<b>\$69,757,600</b>	<b>\$27,565,399</b>
<b>Revenues and monies generated for beneficiaries</b>			
<b>Revenues</b>			
State General Fund appropriations <sup>1</sup>	\$13,777,097	\$12,371,952	\$12,411,300
Trust land management fees <sup>2</sup>	8,611,801	10,653,164	6,205,000
Licensing, fees, and charges for services	166,174	164,946	146,000
Motor vehicle and fuel tax	146,310	164,850	178,000
Reimbursements <sup>3</sup>	1,791,370	2,670,488	1,980,100
Environmental specialty plates	223,186	237,078	324,000
Other revenues <sup>4</sup>	273,510	5,920,246	85,000
Federal aid	7,500	11,000	-
<b>Gross revenues</b>	<b>\$24,996,948</b>	<b>\$32,193,724</b>	<b>\$21,329,400</b>
<b>Monies generated for beneficiaries<sup>5</sup></b>			
Net credit fees/revenues	28,611	30,795	30,000
Prior year reimbursement - City of Phoenix <sup>6</sup>	(19,000,000)		
Remittances to the State General Fund <sup>7</sup>	(167,847)	(5,823,213)	(126,700)
<b>Total net revenues</b>	<b>\$461,940,596</b>	<b>\$378,588,187</b>	<b>\$389,521,500</b>



**Table 1 continued**

**Expenditures and transfers**

**Expenditures**

Payroll and related benefits	\$10,136,404	\$10,360,434	\$11,099,000
Professional and outside services <sup>8</sup>	6,955,016	5,582,038	6,133,000
Travel	212,909	237,877	91,000
Aid to organizations and individuals <sup>9</sup>	566,900	569,400	569,400
Other operating <sup>10</sup>	4,987,835	4,281,351	3,600,000
Capital equipment	296,961	69,423	32,100
Noncapital equipment	108,779	97,696	40,000
<b>Total expenditures</b>	<b>\$23,264,804</b>	<b>\$21,198,219</b>	<b>\$21,564,500</b>

**Transfers**

Transfers to other agencies	-	5,268	5,000
State mandated legislative sweep <sup>11</sup>	-	34,367,000	-
Distributions to beneficiaries <sup>5</sup>	443,886,394	365,209,900	395,000,000
<b>Total transfers</b>	<b>\$443,886,394</b>	<b>\$399,582,168</b>	<b>\$395,005,000</b>

<b>Total expenditures and transfers</b>	<b>\$467,151,198</b>	<b>\$420,780,387</b>	<b>\$416,569,500</b>
-----------------------------------------	----------------------	----------------------	----------------------

<b>Ending fund balance</b>	<b>\$69,757,600</b>	<b>\$27,565,399</b>	<b>\$517,399</b>
----------------------------	---------------------	---------------------	------------------

<b>Net change in fund balance</b>	<b>- \$5,210,602</b>	<b>- \$42,192,201</b>	<b>- \$27,048,000</b>
-----------------------------------	----------------------	-----------------------	-----------------------

(Difference between revenues and expenditures and transfers)

<sup>1</sup> Laws 2022, Ch. 313, §54, appropriated \$13.5 million in State General Fund monies to the Department for fiscal year 2023 to pay for operating costs, Natural Resource Conservation Districts, Central Arizona Project water user fees, State trust land due-diligence work, and streambed navigability litigation (see Finding 1, pages 11 through 12, for more information about the Department's due-diligence work). An additional \$1.1 million in State General Fund monies was authorized pursuant to Laws 2022, Ch. 313, §§123 and 124, totaling approximately \$14.6 million for fiscal year 2023, to pay for State-wide employee salary increases and other adjustments. Additionally, Laws 2023, Ch. 133, §54, appropriated approximately \$13.2 million in State General Fund monies to the Department for fiscal year 2024 to pay for operating costs, Natural Resource Conservation Districts, Central Arizona Project user fees, and streambed navigability litigation. The Department used approximately \$13.8 million and \$12.4 million of the monies appropriated to it in fiscal years 2023 and 2024, respectively.

<sup>2</sup> A.R.S. §37-527 establishes the Trust Land Management Fund, which consists of up to 10% of the annual proceeds of each beneficiary's trust lands and up to 10% of the annual proceeds of all sales of timber, mineral, gravel, or other natural products or property from each beneficiary's trust lands. The Commissioner is responsible for determining the percentage of trust land proceeds to be deposited in the Trust Land Management Fund each fiscal year, and the monies in the Trust Land Management Fund must be used to manage State trust land. According to the Department, it deposited 3% of the revenues it generated in fiscal years 2023 and 2024 into the Trust Land Management Fund.

<sup>3</sup> Reimbursements primarily consist of monies reimbursed to the Department by winning bidders at auctions of State trust land, such as the cost of appraisals and due-diligence work paid for by the Department (see Finding 1, pages 10 through 12, and Appendix B, pages b-1 through b-10, for more information about the Department's land sale auctions).

## Table 1 continued

- <sup>4</sup> According to the Department, other revenues include revenues from selling maps and revenues related to the Arizona Geographic Information Council's annual education and training symposium, such as attendance fees and the sale of conference shirts at the symposium. Additionally, the Department had an increase of \$5.7 million in other revenues in fiscal year 2024 due to a payment from the Central Arizona Project. Specifically, the Department reported that it transferred part of its water rights for land in North Phoenix to the City of Phoenix and received approximately \$5.7 million from the Central Arizona Project after the water rights were transferred.
- <sup>5</sup> The Department generates revenues for the trust beneficiaries, including from selling, leasing, and issuing permits for use of State trust land. The Department distributes the monies generated to the beneficiaries or the Office of the Arizona State Treasurer (State Treasurer) 1 month after the revenue is earned, causing some timing differences between when the revenues are generated and when the distribution of the monies occurs. See Appendix A, pages a-1 through a-4, for more information about distributions to the State Treasurer and trust beneficiaries.
- <sup>6</sup> The Department recorded these monies as negative revenues because the Department reimbursed the City of Phoenix using revenues it received from the sale of State trust land in a prior fiscal year. Specifically, the Department required the winning bidder of State trust land the Department sold in April 2018 to pay an additional \$19 million for flood control improvements to be completed by the City of Phoenix, and the Department recorded the proceeds from the sale as revenue. In fiscal year 2023, the Department reimbursed the City of Phoenix \$19 million for the flood control improvement project pursuant to an intergovernmental agreement between the Department and the City of Phoenix, and the Department recorded the reimbursement as a negative revenue.
- <sup>7</sup> The Department's remittances to the State General Fund consisted primarily of Central Arizona Project-related remittances. Specifically, pursuant to A.R.S. §37-526, the Department can use monies in the Central Arizona Project Municipal and Industrial Repayment Fund to make payments to pay for the purchase and delivery of Central Arizona Project water for use on State trust land, and A.R.S. §§37-106.01(G) and 37-526(B) require any monies remaining in this fund after all required payments are made to be remitted to the State General Fund. Additionally, the Department reported that in fiscal year 2024, it remitted the approximately \$5.7 million it received from the Central Arizona Project to the State General Fund (see footnote 4, pages 8 through 9, for more information about the Department's receipt of revenues from the Central Arizona Project).
- <sup>8</sup> According to the Department, professional and outside services primarily consist of appraisal services, land title and zoning activities, and infrastructure-planning to bring land to auction.
- <sup>9</sup> According to the Department, aid to organizations and individuals primarily consists of disbursements to Natural Resource Conservation Districts. A.R.S. §41-6054 authorizes the Natural Resource Conservation Districts to provide local conservation assistance and education. Laws 2022, Ch. 313, §54; Laws 2023, Ch. 133, §54; and Laws 2024, Ch. 209, §61, appropriated the Department monies for Natural Resource Conservation Districts from the State General Fund and the revenues from environmental specialty plates. However, per Laws 2024, Ch. 258, §30, the Department's oversight and responsibilities to the Natural Resource Conservation Districts expired as of December 2024. According to the Joint Legislative Budget Committee's Baseline Book for fiscal year 2026, the Department intended to disburse its full appropriation for fiscal year 2025, prior to the expiration of its oversight and responsibilities to the Natural Resource Conservation Districts. According to the Department, it disbursed these monies before the end of calendar year 2024.
- <sup>10</sup> Other operating expenditures primarily consist of annual office rent, IT software and hardware, and payments for the purchase and delivery of Central Arizona Project water for use on State trust land, pursuant to A.R.S. §37-106.01.
- <sup>11</sup> Pursuant to Laws 2024, Ch. 209, §133, approximately \$34.4 million of the Department's fund balance was transferred to the State General Fund to cover the State's fiscal year 2024 budget deficits.

Source: Auditor General staff analysis of the Arizona Financial Information System/AZ360 Accounting Event Transaction File, the State of Arizona annual financial reports for fiscal years 2023 and 2024, the Department's internal beneficiary reports, and Department-prepared estimates for fiscal year 2025.

### **Department failed to develop statutorily required 5-year disposition plans, risking difficulties demonstrating State trust land sales were transparent and in trust beneficiaries' interest**

#### **Despite having sold State trust land, Department has not developed long-range plans for the disposition of State trust land as required by statute**

Since the Department's last disposition plan expired in 2016, it has generally sold parcels of State trust land on a case-by-case basis and has not developed a 5-year disposition plan for State trust land, as required by statute. As discussed in the Introduction (see page 3), A.R.S. §37-331.03 requires the Department to create 5-year disposition plans (disposition plan) for all State trust land to identify the trust land projected to be sold, leased, reclassified for conservation purposes, master planned, or zoned during the next 5 years and to update the plans each year, as needed.<sup>1,2,3</sup> However, as of November 2024, the Department last adopted a disposition plan in May 2011, covering the 5-year time period of May 2011 through May 2016, and reported that it had not updated the plan since that time. Additionally, since its last disposition plan expired in May 2016, according to Department data, the Department completed 97 land sale auctions of State trust land with winning bids totaling approximately \$2.6 billion without having a disposition plan (see Figure 1, page 11, for more information; see Appendix B, pages b-1 through b-10, for the full list of the Department's land sale auctions).<sup>4</sup>

The Department's May 2011 disposition plan categorized selected parcels of State trust land based on when the Department expected the parcels could be sold or leased considering several factors, such as the parcel's location, market supply and demand, and available infrastructure.<sup>5</sup> From May 2011 to May 2016, before the Department's disposition plan expired, the Department sold some State trust land consistent with the May 2011 disposition plan. For example, according to Department data, in December 2011, the Department sold to the City of Scottsdale approximately 1,900 acres of State trust land its disposition plan had categorized for disposition within 3 years.

<sup>1</sup> According to statute, at a minimum, disposition plans must be based on market demand and anticipated transportation infrastructure.

<sup>2</sup> A.R.S. §9-835(O)(1) defines "master-planned community" as development by 1 or more developers of real estate that consists of residential, commercial, education, healthcare, open space, and recreational components and that is developed pursuant to a long-range, multiphase master plan providing comprehensive land use planning and staged implementation and development.

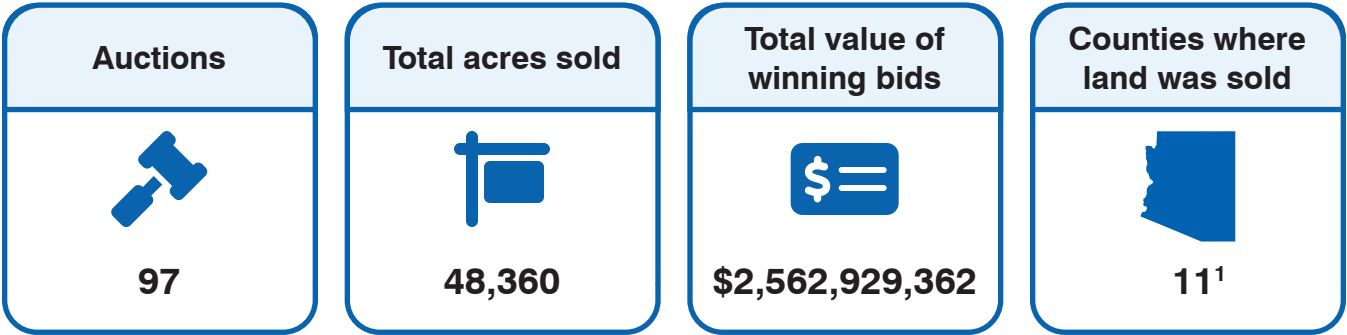
<sup>3</sup> A.R.S. §37-331.03 also requires the Department to submit disposition plans to the Urban Land Planning Oversight Committee (Committee) to ensure conformity with conceptual land use plans (see Sunset Factors, pages 36 through 37, for more information about conceptual land use plans). The Committee is responsible for reviewing and making recommendations to the Commissioner for the approval of disposition plans, and its members are appointed by the Governor. However, all seats on the Committee have been vacant since at least January 2018 (see Sunset Factors, page 34, for more information about the vacancies on the Committee).

<sup>4</sup> From June 2016 through October 2024, the Department's completed land sale auctions comprised approximately 48,000 acres of State trust land located in 11 counties.

<sup>5</sup> The Department's May 2011 disposition plan categorized approximately 126,000 acres of State trust land across the State for potential sale or lease. For more information about the Department's leasing of State trust land, see Arizona Auditor General report 24-101 *Arizona State Land Department—Assessment of Department's agricultural leasing process, groundwater reporting mechanisms, and Fondomonte's leases*.

**Figure 1**

**Department sold approximately 48,000 acres of State trust land, with winning bids totaling approximately \$2.6 billion, between June 2016 and October 2024 without a disposition plan**



<sup>1</sup> The Department sold State trust land in Apache, Cochise, Coconino, Graham, La Paz, Maricopa, Mohave, Pima, Pinal, Yavapai, and Yuma Counties.

Source: Auditor General staff review of Department auction history data.

Conversely, since the Department’s disposition plan expired in May 2016, and as of November 2024, the Department has generally determined whether to sell State trust land on a case-by-case basis by:

► **Responding to applications to purchase State trust land from potential buyers, such as from private developers**

The Department reported that it receives applications to purchase State trust land through its website.<sup>6</sup> According to the Department, it reviews all applications to purchase State trust land and approves applications based on its determination that sale of the State trust land subject to the application is in the best interest of the trust.<sup>7,8</sup> The Department uses appraisals to determine the value of State trust land subject to applications and establishes a minimum bid based on the appraised value of the State trust land.<sup>9</sup> For example, in December 2021, the Department received an application to purchase State trust land to build multifamily and mixed-use developments in the City of Phoenix. Based on the appraised value of the land, the Department established a minimum bid of

<sup>6</sup> The Department reported that it does not provide physical purchase applications or accept applications via mail or email.

<sup>7</sup> The Department reported that it meets with developers and other parties interested in State trust land at their request to inform them of applications to purchase State trust land the Department has received and other lands available for sale. According to the Department, these meetings typically occur once every 3 months.

<sup>8</sup> According to the Department, the majority of applications it approves for the purchase of State trust land are for lands in or adjacent to urban development.

<sup>9</sup> For appraisals of State trust land, the Department selects appraisers from the State Approved Appraisal Vendor List maintained by the State Procurement Office. According to the Department, the appraised value of the land is the minimum value it can and will set as the minimum bid. However, the Department also reported it may establish a higher minimum bid on a case-by-case basis as determined by the Commissioner.

approximately \$6.6 million, and in June 2024, the Department sold this State trust land to the applicant at a public auction for the minimum bid amount.<sup>10,11,12</sup>

► **Identifying State trust land for sale at the Commissioner's initiative, including for economic development projects facilitated by the Arizona Commerce Authority**

The Department reported that the Commissioner may determine a piece of State trust land is appropriate for sale, and the Department will bring the property to auction if the Commissioner believes the sale will benefit the trust.<sup>13,14</sup> For example, in February 2020, the Department brought approximately 10 acres of State trust land underlying a hospital in Phoenix to auction. The Department established a minimum bid of \$6.7 million based on the appraised value of the land, and in June 2021, it sold the property to a developer at public auction for \$7.8 million.<sup>15,16,17</sup> According to Department-reported data, from June 2016 to October 2024, 24 of 97 Department land-sale auctions were Commissioner initiated, comprising approximately 3,600 acres and \$977 million in winning bids. Of the 24 Commissioner-initiated land sales completed from June 2016 to October 2024 we reviewed, none were completed under the tenure of the Department's current Commissioner as of April 2025, who the Governor appointed in September 2023.

According to the Department, it may engage in Commissioner-initiated land sales for economic development projects facilitated by the Arizona Commerce Authority. According to Department-reported data, from June 2016 to October 2024, the Department collaborated with the Arizona Commerce Authority on 4 of 24 Commissioner-initiated land sales, comprising approximately 1,200 acres and \$201 million in winning bids (see Appendix B, pages b-1 through b-10, for more information on the Department's collaboration with the Arizona Commerce Authority). However, the Department reported that it does not have a formal agreement with the Arizona Commerce Authority. According to the Department, the Arizona Commerce Authority informs the Department of potential buyers of State trust land.<sup>18,19</sup>

---

<sup>10</sup> Applicants are responsible for procuring the due-diligence work necessary to bring the State trust land to public auction, such as land title, environmental, and archeological surveys. Additionally, the winning bidder at auction is responsible for reimbursing the cost of the due-diligence work and the Department's appraisal. In this case, the Department required the applicant to procure land title, environmental, and cultural resource surveys as part of the due-diligence work.

<sup>11</sup> The applicant was the only bidder at this auction and made only 1 bid at the minimum bid amount.

<sup>12</sup> The winning bidder reimbursed the Department approximately \$3,800 for the appraisal.

<sup>13</sup> A.R.S. §37-132(A)(7) authorizes the Commissioner to sell all land owned or held in trust by the State, subject to approval by the Board of Appeals (see Introduction, page 2, for more information about the sale of State trust land).

<sup>14</sup> The Department reported that it pays for the due-diligence work necessary to bring land to auction at the Commissioner's initiative, and at auction, the winning bidder reimburses the Department for expenses associated with that due-diligence work.

<sup>15</sup> Two bidders made a total of 12 bids at this auction.

<sup>16</sup> The Department paid for due-diligence work to be completed on the parcel, including an environmental survey and a land title survey.

<sup>17</sup> The winning bidder reimbursed the Department approximately \$19,000 for the due-diligence work the Department performed and the appraisal.

<sup>18</sup> The Department reported that outside of its work with the Arizona Commerce Authority, as of February 2025, it does not work with any other State agencies or the Governor's Office to facilitate Commissioner-initiated sales.

<sup>19</sup> According to the Department, it did not collaborate with the Arizona Commerce Authority on the June 2021 Commissioner-initiated land sale auction for the State trust land underlying a hospital (see Appendix B, pages b-1 through b-10, for more information on projects the Department reported the Commissioner initiated in collaboration with the Arizona Commerce Authority).

## **Lack of a disposition plan increases the risk that the Department's decisions to sell State trust land lack transparency and that it will have difficulty demonstrating the highest and best use of land for trust beneficiaries**

By not creating long-range disposition plans for State trust land and instead making State trust land disposition decisions on a case-by-case basis, the Department increases the risk that it will have difficulty demonstrating that its decisions to sell State trust land were the highest and best use of the land and in the interest of the trust beneficiaries.

Specifically, without a disposition plan, the Department increases the risk that it:

### **▶ Will have difficulty determining the highest and best use of State trust land in the interest of the trust beneficiaries**

Recommended practices from the Lincoln Institute of Land Policy, a nonprofit organization that researches and recommends approaches to land policy, indicate that managers of state trust land can produce larger, more reliable revenues for trust beneficiaries and improve decision making by using land disposition plans and large-scale planning processes, especially in fast-growing areas.<sup>20</sup> According to the Lincoln Institute for Land Policy, this approach to state trust land management incorporates an assessment of trade-offs between different land dispositions and helps ensure state trust land managers, such as the Department, make the most cost-effective disposition decisions. As a result, the Department's practice of deciding to sell State trust land without a long-range disposition plan increases the risk that it will not achieve the highest and best use for State trust land. Further, because the Department does not proactively plan the disposition of State trust land, it may have difficulty demonstrating whether potential State trust land sales initiated by external stakeholders are in the best interest of the trust beneficiaries.

Conversely, the Department's May 2011 disposition plan indicates it was developed through an analysis of market demand for State trust land based on factors such as adjacent land uses, patterns of residential and commercial development, and available infrastructure. Further, the May 2011 disposition plan presented potential time frames for the Department to bring specific parcels of State trust land to auction based on an assessment of market demand for each parcel. As such, the Department's May 2011 disposition plan provided guidance on where and when the Department should sell State trust land to receive the highest value for the land consistent with nearby land uses.

### **▶ Lacks the transparency to demonstrate that its decisions to bring State trust land to auction are consistent with long-range goals for the land and are in the best interest of the trust beneficiaries**

Recommended practices from the Lincoln Institute of Land Policy suggest that disposition plans decrease the risk that projects are driven by external stakeholders or that dispositions will not be timed to yield the highest possible returns. As a result, absent proactive planning for the disposition of State trust land, including through the

---

<sup>20</sup> Culp, P.W., et.al. (2015). *State Trust Lands in the West: Fiduciary duty in a changing landscape*. Lincoln Institute of Land Policy. Retrieved 2/19/2025 from <https://www.lincolnst.edu/publications/policy-focus-reports/state-trust-lands-in-west-updated-edition/>



statutorily required disposition plan, the Department increases the risk that it will have difficulty demonstrating that its decisions to sell State trust land are in the interest of the trust beneficiaries and not only in the interest of external stakeholders, such as when a developer or other external party is the only bidder for the land. For example, as previously discussed (see pages 11 through 12), the Department typically decides to sell land in response to external stakeholders such as developers and the Arizona Commerce Authority. Additionally, according to Department-reported data from June 2016 to October 2024, the time period during which the Department lacked a disposition plan, 69 of 97 Department land-sale auctions had only 1 bidder, comprising approximately 42,000 acres sold and \$1.3 billion in winning bids (see Appendix B, pages b-1 through b-10, for more information about the Department's completed land sale auctions, including the number of bidders).<sup>21</sup>

### ► **Sells State trust land that could lead to less orderly development**

The Department's lack of disposition plans for State trust land increases the risk of disorderly growth and development on State trust land, which is contrary to its statutory responsibilities to promote the infill and orderly development of State trust land in areas beneficial to the trust and prevent urban sprawl or leapfrog development on State trust land (see Introduction, page 3, for more information on the Department's responsibilities related to promoting orderly development).<sup>22</sup>

Recommended practices from the Lincoln Institute of Land Policy indicate that agency-driven actions that are reasonably transparent can provide local communities and other stakeholders with better information to make decisions, leading to better planning for growth and development.<sup>23</sup> Additionally, the federal government requires land use plans for its federal lands. Specifically, federal law requires the United States Bureau of Land Management to develop land use plans for federal lands it administers, and these land use plans include goals, objectives, and management actions for disposal of federal lands, including sales.<sup>24,25</sup> Finally, the legislation that established the Department's statutory requirement to develop disposition plans, which the Department has failed to comply with, was intended to provide Department land use planning reforms to further the best interests of the State's citizens, protect natural heritage, and wisely manage the growth of the State's communities.<sup>26</sup>

---

<sup>21</sup> As discussed in Appendix B, pages b-1 to b-10, on average, auctions with more than 1 bidder had winning bids approximately 68% higher than the land's appraised value, and auctions with 1 bidder, on average, only had winning bids approximately 0.04% higher than the land's appraised value.

<sup>22</sup> A.R.S. §37-132(A)(4).

<sup>23</sup> Additionally, according to the May 2011 disposition plan, the disposition plan allowed the Department to take an active role in future dispositions of State trust land and served as a database of parcel information for the Department to use to create market demand for future land dispositions by proactively marketing State trust land.

<sup>24</sup> 43 USC 1712.

<sup>25</sup> For example, BLM's September 2012 Lower Sonoran Approved Resource Management Plan outlines specific acreages available for sale and includes an appendix with legal descriptions of these lands.

<sup>26</sup> Laws 1998, Ch. 204, §1, outlined the legislative intent for the Department's statutory requirement to develop disposition plans.

## Department lacks policies and procedures to update its disposition plan and to determine whether to sell State trust land at the Commissioner's initiative

The Department does not have policies and procedures that outline a process for when and how its staff should develop disposition plans or to determine whether State trust land should be sold at the Commissioner's initiative. When asked in November 2024 why the Department's disposition plan had not been updated since 2011, the Department reported it was unaware why the plan had not been updated, and we were unable to identify a documented reason for the Department's lack of a disposition plan. However, the Department lacks policies and procedures for creating and annually reviewing and updating the statutorily required long-range disposition plans, which likely contributed to the Department not updating its May 2011 disposition plan or developing a new plan when the previous plan expired. Specifically, without a documented process for annually reviewing and updating its disposition plans as necessary, the Department and its staff lack guidance regarding when and how the plans should be developed. Additionally, the Department does not have policies, procedures, or guidance for determining whether State trust land should be sold at the Commissioner's initiative, including when the Arizona Commerce Authority informs the Department of potential buyers.

The Department's fiscal year 2025 to fiscal year 2029 strategic plan includes an objective to establish a working group to begin the process of updating the Department's disposition plan. The Department reported that it plans to establish this working group by the end of fiscal year 2025. According to the Department, this working group will develop policies and procedures for updating the disposition plan. Additionally, the Department reported that it intends to make its updated disposition plan publicly available.

## Recommendations to the Department

1. Develop and implement an updated 5-year disposition plan for all State trust land, as required by statute.
2. Develop and implement written policies and procedures for developing 5-year disposition plans for State trust land, including reviewing and updating the plans annually as needed, as required by statute.
3. Develop and implement written policies and procedures for using its updated 5-year disposition plan to make determinations regarding whether to sell State trust land, including for application-driven land sales.
4. Develop and implement written policies, procedures, and/or guidance for selling State trust land at the Commissioner's initiative, such as using its updated 5-year disposition plan to guide the Commissioner's decision making process.

**Department response:** As outlined in its [response](#), the Department agrees with the finding, and will implement in a different manner all but 1 of the recommendations.

### **Department did not inspect land or release bonds for some mineral-related leases and permits, and released bonds for some uninspected permits, placing public safety at risk and potentially not returning bond monies to some lessees and permittees who restored land**

---

According to the Department, in May 2020, a juvenile driving an all-terrain vehicle (ATV) on a recreational trail on State trust land in Maricopa County fell approximately 50 feet into an abandoned open mineshaft when they strayed 5 to 6 feet off the trail. The Department reported that the ATV landed on top of the juvenile, who suffered injuries as a result of the accident. The juvenile's parents sued the State for damages, and the State agreed to a \$1.8 million settlement. In response to this incident, the Department reported it paid to have the mineshaft and another mineshaft nearby backfilled.

At the time of the incident, the Department had issued a right-of-way to the Maricopa County Parks and Recreation Department for a recreational trail. However, the land had previously been associated with various mineral leases dating back to at least 1935, according to the Department. The Department reported that after the most recent mineral lease on this land ended in 1993, it did not inspect the land to determine if it had been properly restored, such as ensuring the mineshaft was not a safety risk.<sup>1</sup>

This incident demonstrates the public safety risk associated with mining features in the State that have not been properly reclaimed, increasing the risk of millions of dollars of potential financial liability to the State.<sup>2</sup>

### **Department procedures require staff to inspect land leased or permitted for mineral and/or mineral material extraction or exploration to determine if land was restored before releasing reclamation bonds**

As discussed in the Introduction (see pages 2 through 3), the Department is authorized to issue leases and permits for exploring for or extracting minerals and/or mineral materials on State trust land.

Consistent with statute, Department policies and procedures outline the following requirements and processes for ensuring mineral and mineral material lessees and mineral exploration permittees (mineral-related lessees and permittees) restore State trust land after conducting these activities:

---

<sup>1</sup> According to Department data, this lease expired in September 1992 and was closed in the Department's IT system in July 1993.

<sup>2</sup> Mining features include mineshafts, rock quarries, gravel piles, and pits.

► **Lessees/permittees required to provide reclamation bonds to guarantee land restoration**

Consistent with statutory requirements, Department procedures require mineral-related lessees and permittees to furnish a reclamation bond to provide a financial guarantee that the lessee will restore the land's surface (see the textbox for key terms related to the reclamation process).<sup>3,4,5</sup> Lessee/permittee restoration of the land may include measures such as resloping mining features to be less steep, planting vegetation on disturbed land, or constructing fencing around the openings of mines.

► **Department staff required to conduct reclamation inspections when leases/permits expire or are canceled**

When a mineral-related lease or permit expires or is canceled, Department procedures require its staff to conduct reclamation inspections to determine if the lessee/permittee has appropriately restored the land.<sup>6,7</sup>

► **Department authorized to use bond proceeds to restore land but must release bonds if lessees/permittees have restored land**

According to statute, on default of a mineral-related lease or permit, the Commissioner can use the proceeds of the associated reclamation bond for the

### Key terms

- **Reclamation bond:** Financial security in the form of a cash deposit, certificate of deposit, or surety bond, secured by lessees and permittees and provided to the Department to guarantee the restoration of the leased/permitted land.<sup>1</sup>
- **Reclamation inspection:** Department inspection of land associated with an expired or canceled mineral-related lease or permit used to determine if the lessee/permittee has appropriately restored the land.
- **Reclamation bond release:** Upon the Department's determination that leased or permitted land has been restored appropriately, the Department allows the lessee/permittee to retrieve their provided financial security, such as their cash deposit.

<sup>1</sup> According to A.R.S. §§27-273 and 27-235, reclamation bonds for mineral leases and mineral material leases may also be in the form of a financial assurance acceptable to the State Land Commissioner.

Source: Auditor General staff review of A.R.S. §§27-231 through 27-272 and Department policies, procedures, and lease provisions.

<sup>3</sup> A.R.S. §§27-235 and 27-273 require the Department to obtain reclamation bonds for mineral and mineral material leases, and A.R.S. §27-255 authorizes the Department to obtain reclamation bonds from mineral permittees.

<sup>4</sup> A.R.S. §§27-235 and 27-273 require that mineral and mineral material lessees provide a reclamation bond on the condition that they reclaim the land's surface to a reasonable condition in accordance with Commissioner-approved reclamation measures. Similarly, A.R.S. §27-255 authorizes the Department to require that mineral exploration permittees provide a reclamation bond on the condition that the permittee restore the surface of the land to its former condition.

<sup>5</sup> According to Department policies and procedures, if a Department mineral permittee holds 5 or more mineral exploration permits, the permittee can obtain 1 bond to cover all of their permits.

<sup>6</sup> According to A.R.S. §§27-276 and 27-239, the Department is authorized to perform inspections of the land leased for mineral and mineral material leases.

<sup>7</sup> As of September 2024, the Department had procedures with conflicting provisions for mineral exploration permit reclamation inspection requirements (see page 23 for more information about the conflicting procedures).

restoration of the land to its former condition for permits, or to a reasonable condition for leases.<sup>8,9</sup> However, according to Department procedures, if Department staff determine after a reclamation inspection that a lessee/permittee has appropriately restored the land, the Department must release the reclamation bond to the lessee/permittee.

## **Department has not inspected land for some mineral and/or mineral material leases and permits it closed, delaying the release or use of reclamation bonds, and released some reclamation bonds without inspections, increasing public safety risk and potential financial losses for lessees, permittees, and the Department**

As shown in Table 2, pages 20 through 21, our review of a random sample of 4 mineral leases, 5 mineral material leases, and 9 mineral exploration permits that the Department closed in its IT system between fiscal years 2014 and 2024 found the Department did not conduct most required inspections and has inconsistently released or held reclamation bonds for uninspected leases/permits.<sup>10,11</sup>

Specifically, as of March 2025, for the 18 leases/permits we reviewed, the Department:

### **▶ Did not conduct reclamation inspections for 14 of 18 leases/permits we reviewed, increasing the risk that public safety and environmental hazards are not mitigated**

The Department did not conduct reclamation inspections for 14 of 18 leases/permits we reviewed—4 mineral leases, 2 mineral material leases, and 8 mineral exploration permits.<sup>12</sup> Absent these inspections, the Department could not ensure the lessees/permittees properly restored the approximately 3,775 acres of land associated with these leases/permits, increasing the risk that safety and environmental hazards are not identified and addressed. For example, unrestored mining features pose a threat to the public's safety and a financial liability to the State, as demonstrated in the case described on page 16. Additionally, as discussed in our 2007 audit of the Department, environmental risks associated with mining activities that may affect public health and safety include acid drainage, contamination of ground and surface water, erosion, and abandoned equipment, trash, and debris.<sup>13</sup> The 14 uninspected mineral-related leases and permits we reviewed had been closed in the Department's IT system between October 2013 and May 2021.

---

<sup>8</sup> A.R.S. §§27-235(E), 27-255(C), 27-273(D).

<sup>9</sup> Nonpayment of rent or a royalty could result in a lessee/permittee defaulting on the Department's mineral-related lease and/or permit provisions.

<sup>10</sup> We randomly sampled 4 of 28 mineral leases, 5 of 14 mineral material leases, and 9 of 2,117 mineral exploration permits closed in the Department's IT system between fiscal years 2014 and 2024.

<sup>11</sup> Although we reviewed a sample of mineral-related leases and permits that the Department closed in its IT system between fiscal years 2014 and 2024, the date the Department closed each lease/permit in its IT system may differ from the lease/permit expiration or cancellation date. For example, 1 mineral lease we reviewed expired in October 1999, and the Department did not close this lease in its IT system until November 2018. For more information on the delay between the expiration or cancellation of a lease and its closure in the Department's IT system, see page 22.

<sup>12</sup> See Table 2, pages 20 through 21, Mineral Leases 1 through 4, Mineral Material Leases 3 through 4, and Mineral Exploration Permits 1 through 8.

<sup>13</sup> Arizona Auditor General report 07-08 *Performance Audit and Sunset Review of the Arizona State Land Department*.

► **Did not release bonds for most mineral-related leases and permits because it had not inspected them, potentially resulting in financial implications for lessees, permittees, and the Department**

As of March 2025, the Department had not released associated reclamation bonds for 8 of the 14 uninspected mineral-related leases and permits we reviewed, including 1 mineral lease, 2 mineral material leases, and 5 mineral exploration permits, totaling at least \$130,000.<sup>14,15</sup> The Department's failure to inspect these mineral-related leases/permits for up to 25 years delayed the Department from either releasing or using the associated reclamation bonds, potentially negatively impacting mineral-related lessees, permittees, and the Department.<sup>16</sup>

Specifically, without timely inspecting expired and canceled mineral-related leases/permits, the Department:

● **Has not allowed mineral-related lessees and permittees to retrieve bond monies**

When the Department has not released a reclamation bond, former lessees and permittees who may have restored the land have not been able to recover their bond monies. These reclamation bond monies cannot be appropriately released to mineral-related lessees and permittees until the Department has performed the necessary reclamation inspections.

● **Risks incurring restoration costs or leaving unsafe conditions unaddressed if reclamation bonds become inaccessible before land is restored**

If a reclamation bond is not accessible to the Department when it determines that land needs to be restored, such as if the bond has expired, it must either incur the cost of restoring the land or leave potentially unsafe or hazardous conditions unaddressed.<sup>17</sup> For example, the Department identified an instance in which a certificate of deposit reclamation bond was inaccessible to the Department, and as of October 2024, the Department reported it was unable to use the reclamation bond for necessary restoration activities.<sup>18</sup> As of March 2025, the Department reported that it was in the process of preparing the mineral lease and its associated unrestored land for auction.<sup>19</sup>

---

<sup>14</sup> See Table 2, pages 20 through 21, Mineral Lease 1, Mineral Material Leases 3 and 4, and Mineral Exploration Permits 1, 2, and 5 through 7.

<sup>15</sup> The Department did not have documentation that it had obtained or released a reclamation bond for an additional 3 mineral leases (see Table 2, pages 20 through 21, Mineral Leases 2 through 4). Additionally, some mineral exploration permits in our sample were held under the same reclamation bond. See Table 2, pages 20 through 21, for more information on which mineral exploration permits are held under the same reclamation bond.

<sup>16</sup> Due to a lack of Department documentation, we were unable to determine the date that some mineral-related leases/permits expired or were canceled, and as such there could be mineral-related leases/permits that have been closed and uninspected for more than 25 years (see page 22 for more information about the number of mineral-related leases/permits for which we could identify cancelation or expiration dates).

<sup>17</sup> The Department reported that surety bonds can expire, and certificate of deposit bonds can be canceled by the bond holder.

<sup>18</sup> The Department reported that this reclamation bond was inaccessible because the bank that held the reclamation bond denied the Department's request for account information.

<sup>19</sup> The Department reported that it planned to auction a lease associated with this land. A.R.S. §27-235(A) allows the Department to offer mineral leases at public auction for State lands on which a mineral lease has been canceled, terminated, or not renewed by the lessee.






- Released 3 reclamation bonds without conducting required reclamation inspections to determine land had been restored, forfeiting the Department's access to bond monies to pay for potentially necessary reclamation work

The Department released reclamation bonds for 3 mineral exploration permits without conducting required reclamation inspections.<sup>20</sup> The 3 released reclamation bonds totaled \$45,000. As mentioned in the prior bullet, without conducting reclamation inspections, the Department cannot determine if permitted State trust land has been appropriately restored. If the Department later determines that the originally uninspected State trust land needs to be restored, the returned bond monies would not be available to the Department to conduct the reclamation work.

**Table 2**

**Department has not complied with all Department policy and procedure requirements or lease provisions for the 18 mineral-related leases and permits we reviewed**




Lease/Permit	Department documentation indicated:		
	Department received reclamation bond for this lease/permit <sup>1</sup>	Department performed a reclamation inspection	Department released/used reclamation bond monies <sup>2</sup>
Mineral Lease 1	✓	✗	✗
Mineral Lease 2	✗ <sup>3</sup>	✗	✗
Mineral Lease 3	✗ <sup>3</sup>	✗	✗
Mineral Lease 4	✗ <sup>3</sup>	✗	✗
Mineral Material Lease 1	✓	✓	✓
Mineral Material Lease 2	✓	✓	✓
Mineral Material Lease 3	✓	✗	✗
Mineral Material Lease 4	✓	✗	✗
Mineral Material Lease 5	✓	✓	✓ <sup>4</sup>

 Completed
 Completed but noncompliant
 Not completed

<sup>20</sup> These 3 mineral exploration permits covered a total of approximately 1,400 acres of land in Coconino, Graham, and Pima Counties. According to Department documentation, these mineral exploration permits were issued to explore for minerals such as uranium, lithium, and copper.

**Table 2 continued**

Lease/Permit	Department documentation indicated:		
	Department received reclamation bond for this lease/permit <sup>1</sup>	Department performed a reclamation inspection	Department released/used reclamation bond monies <sup>2</sup>
Mineral Exploration Permit 1	✓ <sup>5</sup>	✗	✗
Mineral Exploration Permit 2	✓	✗	✗
Mineral Exploration Permit 3	✓	✗	⚠ <sup>6</sup>
Mineral Exploration Permit 4	✓	✗	⚠ <sup>6</sup>
Mineral Exploration Permit 5	✓ <sup>5</sup>	✗	✗
Mineral Exploration Permit 6	✓ <sup>7</sup>	✗	✗
Mineral Exploration Permit 7	✓ <sup>7</sup>	✗	✗
Mineral Exploration Permit 8	✓	✗	⚠ <sup>6</sup>
Mineral Exploration Permit 9	✓	✓	✓

 Completed
  Completed but noncompliant
  Not completed

<sup>1</sup> According to A.R.S. §§27-235 and 27-273, the Department is required to obtain reclamation bonds for mineral and mineral material leases, and A.R.S. §27-255 allows the Department to obtain reclamation bonds for mineral exploration permits. Additionally, the Department's procedures require reclamation bonds to be obtained for all 3 of these lease/permit types.

<sup>2</sup> We did not identify any leases/permits for which the Department used the full reclamation bond amount for reclamation purposes. However, the Department did use a portion of associated reclamation bond monies to conduct reclamation work for Mineral Material Lease 5.

<sup>3</sup> These lease agreements' provisions specifically required reclamation bonds. However, the Department reported it was unable to identify documentation that a bond had been required. See pages 22 through 23 for more information on these 3 leases' reclamation bonds.

<sup>4</sup> The Department used a portion of this lease's reclamation bond monies to conduct restoration work and subsequently released the remaining monies to the lessee after the conclusion of the work.

<sup>5</sup> According to Department documentation, these permits have the same reclamation bond.

<sup>6</sup> The Department released this reclamation bond to the permittee without conducting a reclamation inspection, as required by some Department policy (see pages 23 through 24 for information on conflicting provisions for mineral exploration permit reclamation inspection requirements).

<sup>7</sup> According to Department documentation, these permits have the same reclamation bond.

Source: Auditor General staff review of Department documentation, such as leases, permits, bonds, and Department correspondence for the 18 sampled leases and permits.

**Department's failure to timely close some leases in its IT system, comply with procedures or lease provisions, provide consistent guidance for conducting permit reclamation inspections, and sustain implementation of our prior inspection recommendation may have contributed to it not inspecting State trust land or appropriately releasing associated reclamation bonds**

We identified various factors that contributed to the Department not completing inspections and to having inconsistent practices for reclamation bonds associated with uninspected land, including:

▶ **Department took as long as 19 years to close expired or canceled leases in its IT system and lacks guidance for staff on closing mineral-related leases and permits in its IT system**

For the 2 mineral leases and 3 mineral material leases for which we were able to identify an expiration or cancellation date, the Department took 19 years and up to 3 years, respectively, to close the leases in its IT system.<sup>21,22</sup> The Department reported that it determines whether leases and permits are expired or canceled based on whether there is a closure date in its IT system indicating to Department staff that a reclamation inspection should be conducted before a reclamation bond is released. However, the Department lacks policies and procedures requiring staff to enter the closure date after lease expiration/cancellation into the IT system within a specified time frame. Without a closure date in the IT system and Department staff not reviewing additional documentation to determine if a lease has expired or been canceled, necessary Department reclamation inspections are not occurring. Finally, most of the Department's policies and procedures are outdated, such as not including guidance for how its staff should use the Department's updated IT system.<sup>23</sup>

▶ **Department did not follow its mineral-related lease provisions and policies**

Department staff did not follow mineral-related lease provisions and policies related to reclamation inspections and bonds.

Specifically, Department staff:

● **Erroneously determined that reclamation inspections were not required for some leases**

Department staff erroneously determined that reclamation inspections were not required for 3 of 9 leases we reviewed, inconsistent with Department policies.<sup>24</sup> The Department reported that it was unaware of why staff determined that these

---

<sup>21</sup> Due to the quality of the Department's documentation, for 2 of 4 mineral leases and 2 of 5 mineral material leases we reviewed, we were unable to determine the date the lease expired or was canceled.

<sup>22</sup> For 6 of 9 mineral exploration permits, the Department entered the closure dates in its IT system within 70 days. For 3 of 9 mineral exploration permits, we were unable to determine the date the permit expired or was canceled.

<sup>23</sup> According to the Department, it transitioned to a new IT system in July 2024.

<sup>24</sup> The Department determined that a reclamation inspection was not required for 2 mineral leases and 1 mineral material lease.

reclamation inspections were not necessary; however, as a result of our audit, the Department reported that it subsequently determined that a reclamation inspection should be conducted for all 3 of these leases.<sup>25</sup>

- **Did not have reclamation bonds for some leases**

The Department lacked documentation that it received reclamation bonds associated with 3 of the mineral leases we reviewed, inconsistent with lease provisions.<sup>26</sup> For all 3 mineral leases where a reclamation bond could not be identified, the Department reported that it did not have digital documentation of a reclamation bond or whether a reclamation bond was required for the lease.<sup>27</sup> However, provisions in the Department's lease agreements for all 3 of the leases required a reclamation bond. The Department reported the leases' provisions did not specify an amount for the reclamation, and it could not locate documentation indicating that a bond was required or submitted for these leases.

- ▶ **Inconsistent reclamation inspection procedures for mineral exploration permits**

The Department's procedures include inconsistent requirements and guidance for whether a reclamation inspection is required for mineral exploration permits. For example, although the Department developed a procedure in March 2022 that requires an inspection to occur prior to releasing a mineral exploration permit reclamation bond, another Department procedure developed in July 2020 indicates that a satellite review of the land should be conducted to determine if a reclamation inspection is necessary.<sup>28</sup> Further, although the Department's procedures require it to conduct reclamation inspections of all mineral-related leases and permits, it reported that it does not conduct inspections for all mineral exploration permits and instead determines if a reclamation inspection is necessary on a case-by-case basis.<sup>29</sup> For example, Department documentation related to permit cancellation/expiration and bond release indicated that the Department would not conduct reclamation inspections for 6 of the 9 mineral exploration permits we reviewed, including the 4 mineral exploration permits for which it released associated reclamation bonds.<sup>30,31</sup>

---

<sup>25</sup> See Table 2, pages 20 through 21, Mineral Material Lease 4 and Mineral Leases 2 and 3.

<sup>26</sup> See Table 2, pages 20 through 21, Mineral Leases 2, 3, and 4.

<sup>27</sup> See Table 2, pages 20 through 21, Mineral Leases 2, 3, and 4.

<sup>28</sup> The Department did not have documentation indicating that a satellite review was conducted for any of the 18 mineral-related leases or permits we reviewed, including those that the Department determined did not require an inspection.

<sup>29</sup> The Department's procedures do not include criteria for determining if a reclamation inspection is necessary.

<sup>30</sup> Although Department documentation indicated that the Department would not conduct a reclamation inspection for 1 of these permits, according to Department documentation, it did complete a reclamation inspection.

<sup>31</sup> The Department reported that for the remaining 3 of 9 mineral exploration permits we reviewed, no work was conducted on the land that would require restoration. However, the Department did not provide documentation of a decision that an inspection was not required for these 3 permits.

► **Department has not sustained implementation of prior audit recommendation to cross-train staff, and only 3 staff have been trained to conduct reclamation inspections**

As of December 2024, the Department had not sustained implementation of our 2007 audit recommendation to cross-train staff to ensure that critical inspections were completed in a timely manner.<sup>32,33,34</sup> Specifically, the Department reported that as of December 2024, only 3 Department staff in its Natural Resources Division were trained to conduct mineral-related reclamation inspections. In addition to conducting inspections, these 3 staff are also responsible for reviewing and approving mineral-related lease and permit applications, and determining the amount to bill mineral-related lessees and permittees.<sup>35</sup>

## Recommendations to the Department

5. Identify and conduct reclamation inspections for closed mineral leases, mineral material leases, and mineral exploration permits, in accordance with Department policies and procedures.
6. Release reclamation bonds only after the Department has determined that the land has been restored, such as by conducting a reclamation inspection.
7. Implement our 2007 audit recommendation to cross-train staff on conducting reclamation inspections.
8. Obtain and document reclamation bonds for all mineral leases, mineral material leases, and mineral exploration permits.

Revise and implement changes to its reclamation inspection policies and procedures that establish:

9. An updated process for documenting reclamation inspections in the Department's updated IT system.
10. A process for Department staff to close leases and permits in the Department's system upon their expiration or cancellation.
11. A process for periodically ensuring that all active mineral and mineral material leases and permits have associated bonds that are accessible by the Department.

---

<sup>32</sup> Arizona Auditor General report 07-08 *Performance Audit and Sunset Review of the Arizona State Land Department*.

<sup>33</sup> Although this recommendation was not specifically for reclamation inspections, the continued implementation of this recommendation could have helped the Department to ensure its compliance with statute and Department policy.

<sup>34</sup> The Department had implemented this recommendation at the time of our 24-month followup in November 2009. The Department reported that as of April 2025, it had not maintained implementation of this recommendation because other Department sections are not familiar with mining and exploration activities, and the Department does not have the resources to train staff to perform these inspections.

<sup>35</sup> The Department's tracking information related to reclamation inspections is inconsistent, and as such, we were unable to determine the number of mineral-related leases and permits that required inspection as of February 2025.

12. A required reclamation inspection for all mineral exploration permits or a process for determining and documenting when an inspection is not necessary.
13. A process for periodically reviewing and updating policies and procedures to ensure that inspection guidance is consistent.

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



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

In addition to the recommendations in this report, the Department should address the recommendations directed to it in the other performance audit report we issued as a part of this sunset review (see Auditor General report 24-101).

## **Sunset factor 1: The key statutory objectives and purposes in establishing the Department.**

---

The Department was established in 1915 to manage and control 10.9 million acres of State trust land that was established by the Arizona-New Mexico Enabling Act of 1910 to financially support the public services provided by the trust beneficiaries (see Introduction, pages 1 through 2, for more information about the trust beneficiaries).

The Department's key statutory responsibilities include:

- ▶ Administering all laws relating to lands owned by, belonging to, and under the control of the State, including State trust lands. For example, the Commissioner is statutorily responsible for appraising and classifying State trust lands and closing State trust land from consideration for sale or lease.
- ▶ Having charge and control of all lands and products of the lands owned by the State, including State trust lands, except lands under the specific use and control of State institutions and the products of such lands. For example, the Department has the statutory authority to sell and lease State trust land for various purposes, such as agricultural, mining, and commercial uses to generate revenues for the trust beneficiaries.
- ▶ Making long-range plans for the future use of State lands; promoting the infill and orderly development of State lands, including State trust lands; and classifying and appraising State trust land for the purpose of sale, lease, or rights-of-way.

# Sunset factor 2: The Department’s effectiveness and efficiency in fulfilling its key statutory objectives and purposes.

We identified some areas where the Department could better meet its statutory objectives and purposes and/or improve its effectiveness and efficiency.

Specifically, the Department:

- ▶ **Has not entered some State trust land records into its geographic information system (GIS), increasing the risk of Department sharing inaccurate information with other public entities and the public and making erroneous land use decisions**

The Department has not entered some State trust land records into its GIS, which could result in it providing erroneous information and making uninformed land use decisions. The Department maintains a GIS that it uses as part of its process to assess applications it receives for buying, leasing, and/or obtaining a permit to use State trust land as well as a public-facing State trust land parcel viewer (parcel viewer) that is updated based on the geospatial data included in the GIS (see textbox for definitions of GIS key terms). The Department uses its GIS to make decisions related to land use. For example, the Department uses its GIS to review the physical and legal characteristics of parcels subject to purchase, lease, and permitting when it determines whether to proceed with selling, leasing, or issuing permits for State trust land. The Department’s parcel viewer also provides the public with information about specific parcels of State trust land, such as parcel locations and whether the parcels are leased and, if so, for what purpose (see Appendix C, pages c-1 through c-3, for more information about the parcel viewer).

### State trust land GIS key terms

- **Geographic information system:** Computer-based technologies for storing, manipulating, and analyzing geospatial data.
- **Geospatial data:** Digital data using map coordinate values, identification codes, and associated descriptive data to locate and describe boundaries or features on, above, or below the surface of the Earth, or characteristics of the Earth’s inhabitants or its natural or human-constructed features.
- **Physical and legal characteristics:** Information defining the location, boundaries, and status of parcels of State trust land, such as a parcel’s acreage and classification.

Source: Auditor General staff review of A.R.S. §37-171 and Department GIS procedures.

The Department reported that in January 2023, it determined that it would increase the scope of State trust land records that it plans to include in its GIS and parcel viewer to improve its GIS process, including by reducing the time required for Department staff to answer questions regarding the use and availability of State trust land. However, as of October 2024, the Department had approximately 68,000 records with information regarding the physical and legal characteristics of State trust land that had not been entered into its GIS, such as the boundaries of closure orders, permits, and completed

sales of State trust land. As a result, the information on some State trust land parcels in the Department's GIS may be outdated and inaccurate, increasing the risk of the Department approving applications to purchase, lease, or obtain a permit for State trust land that conflict with current land uses. Additionally, the Department reported that in some instances, it was unable to provide information regarding the current use and availability of State trust land to its customers and other public entities in a timely manner (see textbox for Department-reported examples of issues that occurred related to missing records in its GIS).

### Department-reported examples of issues that occurred related to missing and outdated information in its GIS:

- ▶ In calendar year 2020, the U.S. Forest Service contacted the Department during a forest fire in the Tonto National Forest to ask whether the Department had closed parcels of State trust land adjacent to the area the U.S. Forest Service had closed due to the fire. The Department reported it was unable to provide this information to the U.S. Forest Service because its GIS does not include closure orders, and the Department would have had to research paper documents to determine whether the State trust land had been closed.<sup>1</sup> The Department's inability to provide this information to the U.S. Forest Service may have put public safety at risk.<sup>2</sup>
- ▶ In the area of Bagdad, Arizona, the Department had previously sold State trust land but retained the mineral rights under these lands. However, when the Department later issued a mineral exploration permit in the area in October 2022, it used outdated GIS information that did not reflect the updated land ownership. As a result, the Department did not provide the landowner with the opportunity to acquire the mineral exploration permit on their land prior to issuing the permit to another party, as required by statute.<sup>3</sup> The Department discovered the error in calendar year 2023, and in November 2024, it sent a letter to the landowner notifying them of the opportunity to acquire other additional permits the other party applied for on another part of their land.<sup>4</sup> This error deprived the landowner of their statutory first right of refusal to acquire a permit to explore for minerals on some of the parcels of State trust land they purchased from the Department.

<sup>1</sup> According to the Department, State trust land must be closed by order of the State Land Commissioner or the Arizona Game and Fish Commission. State trust land may be closed due to hazardous conditions, dust abatement, in coordination with the Arizona Game and Fish Department, or based on State, county, or local laws and ordinances.

<sup>2</sup> The Department lacked documentation related to this incident and reported it was unaware of what the U.S. Forest Service did after not receiving the Department's closure information.

<sup>3</sup> A.R.S. §37-231(E)(2).

<sup>4</sup> In November 2024, the landowner indicated to the Department that they would exercise their right to acquire the mineral exploration permits.

Source: Auditor General staff review of Department-reported information and provided documentation.

The Department reported that it has been unable to enter these outstanding records into its GIS due to a lack of staff. According to the Department, as of October 2024, it had been working on potential solutions for entering the outstanding records into its GIS, such as contracting with a third party and hiring 1 additional staff member.<sup>1</sup> The Department's fiscal year 2026 IT strategic plan also identifies reducing the number of outstanding records as a priority, and the Department reported that it intends to enter all of the records into its GIS by June 2027.

<sup>1</sup> The Department reported that as of March 2025, its GIS section had been working on filling a key vacancy that has delayed the implementation of its plans to enter the outstanding records in its GIS, and it had not decided on the potential solution it intends to pursue.

► **Did not timely deposit checks or bill customers for amounts due as required by the State of Arizona Accounting Manual (SAAM)**

Contrary to the SAAM, the Department reported that, in July 2023, it returned 2 checks it had received from a mineral lessee in June 2023 totaling approximately \$180,000. The SAAM requires the Department to deposit cash totaling \$1,000 or more, including checks, with the State Treasurer by the end of the business day.<sup>2</sup> According to the Department, it returned the 2 checks the following month because its accounting staff requested an invoice from the Department's minerals section and did not receive one and because it could not otherwise identify the appropriate amount that the lessee should have been billed; however, the SAAM does not include an exception for the requirement to deposit cash and checks of this size by the end of the business day, even if the appropriate billing amount has not been confirmed. Further, although the SAAM requires the Department to bill for amounts due on a timely basis or within 30 days after the amount due is known and collectable, the Department failed to issue an invoice to the lessee for the amounts due related to the 2 checks until April 2024, approximately 9 months later.<sup>3,4</sup> The lack of Department-wide policies and procedures for billing may have contributed to its noncompliance with the SAAM requirements.

► **Lacks some policies and procedures for its well-inspection process**

Although the Department reported that it has established a well-inspection program, it lacks some policies and procedures for well inspections, including how often wells should be inspected and how they should be prioritized. The Department reported that the primary goal of its well-inspection program is to determine the exact locations of wells on State trust land, and that it is responsible for conducting well inspections to confirm if lessees are complying with lease provisions related to wells, such as if the wells are located in the approved location on leased land. The Department also reported that well-inspection data provides it with information necessary to update and maintain the Department's records.<sup>5</sup> In addition, the Department reported that, as of December 2024, it prioritized inspecting wells in groundwater basins experiencing groundwater decline to better understand future impacts to existing leaseholders and the trust. Although the Department's fiscal year 2025 through fiscal year 2029 strategic plan includes a goal to improve the management of groundwater in transportation basins, including a metric for the number of well inspections the Department conducts, the Department has no documented policy or procedure for the inspection of wells that include how often they should be inspected, what wells should be prioritized, or which staff are responsible for conducting inspections, putting the Department at risk of not achieving its strategic plan goal.<sup>6,7</sup>

<sup>2</sup> Arizona General Accounting Office (AZ GAO). (2022). State of Arizona Accounting Manual (SAAM) 0510-4.2.1. *Arizona Department of Administration*. Retrieved 11/21/2024 from <https://gao.az.gov/sites/default/files/2022-04/0510%2520Internal%2520Controls%2520by%2520Process%2520-%252020220404.pdf>

<sup>3</sup> Arizona General Accounting Office (AZ GAO). (2015). State of Arizona Accounting Manual (SAAM) 2020-3.3.1.2. *Arizona Department of Administration*. Retrieved 11/21/2024 from <https://gao.az.gov/sites/default/files/2022-05/2020%2520Accounts%2520Receivable%2520and%2520Billing%2520151223.pdf>

<sup>4</sup> The Department issued a \$122,720 invoice to this mineral lessee in April 2024.

<sup>5</sup> The Department reported that its well records include well information such as the type of well, pump size, and if a well is abandoned. The Department also reported that upon request, it provides well information to the Arizona Department of Water Resources related to its responsibilities, such as permitting for the drilling of wells.

<sup>6</sup> Groundwater may be transported out of transportation basins for use in initial active management areas (AMAs). A.R.S. §45-402, defines an AMA as a geographical area that has been designated as requiring active management of groundwater. According to A.R.S. §§45-411 and 45-411.03, the 5 initial AMAs are the Tucson AMA, Phoenix AMA, Prescott AMA, Pinal AMA, and Santa Cruz AMA (see Arizona Auditor General report 24-101 *Arizona State Land Department—Assessment of Department's agricultural leasing process, groundwater reporting mechanisms, and Fondomonte's leases*).

<sup>7</sup> The Department has some guidance for staff regarding performing well inspections, including templates that instruct staff to record their observations of the well, such as the well's depth, location, power source, and steps to take when a well that does not have a pump or cap is identified.

► **Did not always use purchasing cards or a central travel account, or make travel reimbursements consistent with the SAAM and Department policies and procedures**

Our review of 54 of 296 fiscal years 2023 and 2024 Department purchasing card and central travel account transactions and travel reimbursements (transactions/reimbursements), totaling approximately \$20,500, found that 3 of the 54 transactions/reimbursements, totaling approximately \$1,400, lacked supporting documentation that demonstrated the transactions complied with the SAAM's allowable expense limits or did not follow Department policies for approving transactions within limits allowed by the SAAM.<sup>8,9,10</sup> Although Department procedures require supervisory review and all 3 transactions/reimbursements were reviewed by supervisory staff, for 2 of these 3 transactions/reimbursements, totaling approximately \$500, the Department could not demonstrate that the reimbursements related to airport parking and mileage, respectively, were within SAAM-allowable travel-related expense limits.<sup>11,12</sup> For example, the SAAM allows State employees to be reimbursed for base parking charges, taxes, and other nonoptional fees for airport parking and requires an itemized receipt detailing these amounts for reimbursement.<sup>13</sup> However, for the airport parking reimbursement, the Department lacked an itemized receipt to support its reimbursement of \$54 to an employee for 4 days of parking at Phoenix Sky Harbor International Airport, as required by the SAAM.<sup>14</sup> The Department's travel policies do not include relevant details related to the SAAM's requirements for calculating and supporting reimbursements, including requiring itemized receipts for airport parking and calculating mileage in accordance with the SAAM, which likely contributed to these issues. Without supporting documentation for transactions, the Department risks that its transactions may exceed the SAAM-allowable limits.

---

<sup>8</sup> We judgmentally selected a sample of 29 of 238 Department fiscal years 2023 and 2024 purchasing card transactions. These 238 transactions totaled approximately \$87,800. We selected the 29 transactions based on risk of noncompliance with State requirements, fraud, waste, and abuse. Specifically, these transactions had high-risk characteristics such as vendor type, potential purchase of gift cards, and potential duplicate purchases.

<sup>9</sup> We judgmentally selected a sample of 13 of 29 Department fiscal years 2023 and 2024 central travel account transactions. These 29 transactions totaled approximately \$12,400. For each fiscal year, we selected the highest dollar amount transaction for each vendor.

<sup>10</sup> We judgmentally selected a sample of 12 of 29 Department fiscal years 2023 and 2024 Department leadership travel reimbursements. These 29 reimbursements totaled approximately \$5,400. We selected the 12 transactions based on risk of noncompliance with State requirements, waste, and abuse. Specifically, these reimbursements had high-risk characteristics such as larger dollar amounts compared to other reimbursements, multiple reimbursements on the same date, and reimbursements for lodging.

<sup>11</sup> These 2 transactions may have exceeded the SAAM-allowable limit by a total of approximately \$45.

<sup>12</sup> For the 1 remaining transaction, although the Department's travel policies require Department staff to abide by the SAAM limits related to lodging, Department staff inadvertently approved 1 approximately \$900 lodging transaction that exceeded the SAAM-allowable limit by approximately \$12.

<sup>13</sup> Arizona General Accounting Office (AZ GAO). (2023). State of Arizona Accounting Manual (SAAM) 5095-3. *Arizona Department of Administration*. Retrieved 2/8/2025 from <https://gao.az.gov/sites/default/files/2023-03/5095%20Reimbursement%20Rates%20%20230109a.pdf>

<sup>14</sup> According to SAAM 5095-3, for airport parking in Phoenix, a State employee may park wherever it is convenient but will only be reimbursed the lesser of the actual amount incurred or \$6.50 per day base parking charges. Although the Department had a receipt showing the total amount the employee paid for parking, the receipt did not include information on base parking charges, taxes, and other nonoptional fees. This information would have helped the Department ensure that it complied with the SAAM requirements for airport parking, such as only reimbursing the employee up to the SAAM-allowable limit for daily base parking charges.

► **Inappropriately used Trust Land Management Fund and State General Fund monies to pay for some activities it reported were for employee recognition and could not demonstrate the public purpose for these expenditures**

Contrary to statute and the SAAM, in fiscal years 2023 and 2024, the Department inappropriately paid for and lacked documentation demonstrating a clear public purpose for expenditures it reported were related to employee-recognition activities. Specifically, 10 of 29 Department fiscal years 2023 and 2024 purchasing card transactions totaling approximately \$3,000 we reviewed were for Department-reported “employee-recognition” expenditures, including purchasing gift cards for employee awards and holiday parties.

However, contrary to the SAAM and/or State law, the Department:

● **Inappropriately used at least \$3,000 from its Trust Land Management Fund and the State General Fund for expenditures it reported were for employee recognition instead of using monies from its employee-recognition fund**

The Department used its Trust Land Management Fund to pay for 8 of 10 reported “employee-recognition” transactions we reviewed, totaling approximately \$2,400, and used State General Fund monies to pay for the remaining 2 of 10 transactions, totaling approximately \$600. However, the SAAM prohibits expenditures for employee recognition from any source that does not specifically contemplate or explicitly allow such an expenditure, and statute does not specifically contemplate and/or explicitly allow employee-recognition expenditures from the Trust Land Management Fund or State General Fund.<sup>15,16,17</sup> As of February 2025, the Department reported it intends to use its employee-recognition fund to support all future employee-recognition activities.<sup>18</sup>

● **Lacked documentation demonstrating a public purpose for all reported “employee-recognition” transactions we reviewed**

All 10 Department-reported “employee-recognition” transactions that we reviewed lacked clear documentation of a public purpose, such as 5 transactions totaling approximately \$1,800 for purchases of décor and chair and table rentals that did not have documentation supporting how a holiday party served a public purpose. Although the SAAM does not provide a comprehensive list of all allowable employee-recognition awards, holiday parties are not one of the examples included in the SAAM.<sup>19,20</sup>

---

<sup>15</sup> Arizona General Accounting Office (AZ GAO). (2019). State of Arizona Accounting Manual (SAAM) 5559-2. *Arizona Department of Administration*. Retrieved 2/8/2025 from <https://gao.az.gov/sites/default/files/2022-05/5559%2520Employee%2520Awards%2520from%2520Other%2520than%2520Employee%2520Recognition%2520Funds%2520190805.pdf>

<sup>16</sup> A.R.S. §37-527(C)(2) requires monies in the Trust Land Management Fund to be used exclusively to manage State trust land.

<sup>17</sup> A.R.S. §35-141 requires monies in the State General Fund to be used to pay for the salaries of State officers and employees and expenses incident to the offices thereof.

<sup>18</sup> According to the Department, it did not actively use its employee-recognition fund until March 2024 because the fund lacked sufficient monies to pay for employee-recognition activities.

<sup>19</sup> The SAAM outlines some specific instances in which employee-recognition awards are appropriate, including to recognize an employee's length of service, noteworthy performance, public service, professional achievement, and/or retirement.

<sup>20</sup> Arizona General Accounting Office (AZ GAO). (2018). State of Arizona Accounting Manual (SAAM) 5557-3.8. *Arizona Department of Administration*. Retrieved 2/8/2025 from <https://gao.az.gov/sites/default/files/2024-10/5557%20Employee%20Recognition%20Activities%20180409a.pdf>



Additionally, although the Department developed a policy related to its employee-recognition fund, its policy does not indicate that the Department is limited to using its employee-recognition fund to pay for employee-recognition expenditures, how Department staff should document the public purpose of employee-recognition expenditures, or how the Department makes decisions regarding the distribution of employee-recognition awards.<sup>21</sup>

► **Did not distribute gift cards used for reported “employee-recognition” purposes in compliance with the SAAM**

In addition to inappropriately paying for and lacking clear documentation demonstrating a public purpose for its reported “employee-recognition” activities, the Department did not distribute the gift cards it purchased for these reported purposes in compliance with the SAAM, increasing the risk of loss, waste, and abuse related to its “employee-recognition” activities (see pages 31 through 32 for more information regarding the monies the Department used to pay for these transactions, including the improper funds from which the Department expended them).

Specifically, 5 of 10 reported “employee-recognition” transactions previously mentioned (see page 31) included the purchase of 45 gift cards, totaling \$1,125, and our review of these transactions found that the Department:

- Did not appropriately record the distribution of gift cards on a log or equivalent record (log), as required by the SAAM.<sup>22</sup>
- Did not perform monthly reconciliation of gift cards, as required by the SAAM, such as by comparing gift card logs to supporting documentation to identify and resolve discrepancies.<sup>23</sup>
- Did not report 8 of 45 gift card awards it made to employees as taxable income, as required by the SAAM.<sup>24,25</sup>

The Department lacks agency-specific policies and procedures for distributing gift cards in compliance with the SAAM, which may have contributed to these issues.

---

<sup>21</sup> During the audit, in February 2025, the Department discovered its employee recognition fund policy. The Department’s employee-recognition fund policy does not include the date that it was established.

<sup>22</sup> Arizona General Accounting Office (AZ GAO). (2019). State of Arizona Accounting Manual (SAAM) 8005-4.1.3. *Arizona Department of Administration*. Retrieved 2/8/2025 from <https://gao.az.gov/sites/default/files/2022-05/8005%2520The%2520Purchase%2520and%2520Distributi%2520of%2520Gift%2520Cards%2520190520.pdf>

<sup>23</sup> Arizona General Accounting Office (AZ GAO). (2019). State of Arizona Accounting Manual (SAAM) 8005-5.4.1. *Arizona Department of Administration*. Retrieved 2/8/2025 from <https://gao.az.gov/sites/default/files/2022-05/8005%2520The%2520Purchase%2520and%2520Distributi%2520of%2520Gift%2520Cards%2520190520.pdf>

<sup>24</sup> Arizona General Accounting Office (AZ GAO). (2019). State of Arizona Accounting Manual (SAAM) 8005-2.2. *Arizona Department of Administration*. Retrieved 2/8/2025 from <https://gao.az.gov/sites/default/files/2022-05/8005%2520The%2520Purchase%2520and%2520Distributi%2520of%2520Gift%2520Cards%2520190520.pdf>

<sup>25</sup> The Department reported the remaining 37 gift cards it awarded to employees as taxable income to its payroll unit, as required by the SAAM.



▶ **Did not comply with some State information technology (IT) policy requirements or develop required procedures**

Although the Arizona Department of Homeland Security (ADOHS) requires State agencies to establish IT security and data procedures consistent with ADOHS's State-wide policies, as of April 2025, the Department has not developed all ADOHS-required IT security and data procedures or complied with all ADOHS' State-wide policies.<sup>26</sup> For example, as of April 2025, the Department has not tested, reviewed, and revised its contingency plans annually or developed and implemented policies and procedures for testing its contingency plan, as required by ADOHS.<sup>27,28</sup> The purpose of the Department's IT contingency plan is to maintain a minimum level of service while restoring IT functions for the Department in the event of a disaster, and without regular review, testing, and revision, the Department is at increased risk for being unable to ensure the availability and functionality of critical IT systems and data. In April 2025, the Department reported that the process to develop written policies and procedures for testing its contingency plan and tracking its testing was ongoing and would take place over the following 12 to 18 months, through calendar year 2026.

▶ **Failed to adjust rental rates for its agricultural leases, including with Fondomonte Arizona, LLC, resulting in more than \$3.4 million less in potential revenue in calendar year 2023**

On November 21, 2022, the Joint Legislative Audit Committee (JLAC) authorized a special audit to address specific JLAC-directed questions including whether the Department's process for determining agricultural rental rates is aligned with peer states' and best practices; appropriate reporting mechanisms for groundwater pumping, especially by foreign leases; whether the contracts between Fondomonte Arizona, LLC (Fondomonte) and the Department provide lease costs for land and water below market rates; and whether the contracts between Fondomonte and the Department adequately address the issue of protecting water levels in the basin. Our February 2024 special audit of the Department found that it failed to conduct a mass appraisal at least once every 10 years as required by statute; did not adjust agricultural rental rates over a 17-year period, including for Fondomonte Arizona, LLC; and incorrectly charged some agricultural lessees, resulting in more than \$3.4 million less in potential revenue for trust beneficiaries in calendar year 2023. Additionally, although the Department's process for setting agricultural rental rates included some components of recommended practices we reviewed, its processes did not fully align with all recommended practices, such as providing discounts based on the actual costs of lessee improvements. We recommended that the Department consider and identify ways to align its processes to recommended practices, conduct a mass appraisal of agricultural State trust land that complies with statute, and develop policies and procedures to ensure its agricultural lessees, including Fondomonte Arizona, LLC, are charged the correct rental rates. See Arizona Auditor

---

<sup>26</sup> ADOHS's policies are intended to help State agencies implement recommended IT security procedures and to protect the State's IT infrastructure and the data contained therein.

<sup>27</sup> ADOHS requires that State agencies review and test contingency plans annually and revise the contingency plan to address changes to the agency, information systems, operational environment, or problems encountered during contingency plan implementation, execution, or testing.

<sup>28</sup> As of March 2025, the last revision of the Department's contingency plan occurred in April 2024, and it included outdated information, such as references to the Department's old IT system instead of the Salesforce system the Department transitioned to in July 2024.

General report 24-101 *Arizona State Land Department—Assessment of Department’s agricultural leasing process, groundwater reporting mechanisms, and Fondonmonte’s leases* for additional information and recommendations. As of October 2024, at the time of our initial follow-up report, the Department was in the process of implementing 6 of 8 recommendations, and the 2 remaining recommendations were not yet applicable.

Finally, we identified an issue that could prevent the Department from meeting some of its statutory responsibilities. As discussed in the Introduction, page 6, statute establishes the Urban Land Planning Oversight Committee (Committee) within the Department, and the Committee is responsible for reviewing and making recommendations to the Commissioner for the approval of both final conceptual land use plans (use plans) and disposition plans (see Sunset Factor 3, pages 36 through 37, for more information about the Department not developing use plans).<sup>29</sup> As also discussed in the Introduction, page 6, the Committee members include subject matter experts in land use planning, such as engineers and urban planners. Additionally, the legislation that established the Committee stated it was intended to wisely manage the growth of the State’s communities.<sup>30</sup> However, all 5 positions on the Committee, which are Governor-appointed, have been vacant since at least January 2018. Absent a Committee with sufficient members to have a quorum, the Department will not be able to implement our recommendations to develop and implement disposition and use plans in a manner that would be consistent with statutory requirements (see Finding 1, pages 10 through 11, for more information about disposition plans, and Sunset Factor 3, pages 36 through 37, for more information about use plans). Specifically, if the Department creates use and disposition plans, it cannot submit its use or disposition plans to the Committee for review, as required by statute.<sup>31</sup> Additionally, the Department is unable to receive input or recommendations for Commissioner approval of these plans from the Committee, including its subject matter experts, without the Committee’s statutorily required review.<sup>32</sup> As of June 2025, the Department reported that it intends to seek statutory changes to eliminate the Committee because it believes the Committee’s primary purpose is to guide the Department in the development of use plans, which the Department reported that it has not developed since at least calendar year 2011 because it considers them duplicative of municipal general plans (see Sunset Factor 3, page 36, for more information about the Department’s use plans).<sup>33</sup>

## Recommendations to the Department

### 14. Identify and implement a solution to enter all outstanding State trust land records into the GIS.

Develop and implement Department-wide policies and procedures for the billing of lessees and permittees that establish:

### 15. The assignment of responsibilities to each division that conducts billing, such as requirements to generate invoices.

<sup>29</sup> Per A.R.S. §37-331.03, the Department must create use plans for all urban State trust land that identify appropriate land uses, transportation corridors and infrastructure requirements, and all constraints and opportunities associated with the land.

<sup>30</sup> Laws 1998, Ch. 204, §1, outlined the legislative intent for the Committee.

<sup>31</sup> A.R.S. §37-331.03.

<sup>32</sup> A.R.S. §37-331.02.

<sup>33</sup> The Department reported it plans to seek statutory changes to A.R.S. §37-331.02 to eliminate the Committee.

16. A process for sending billing statements for the amount due on a timely basis.
17. A process for depositing cash received by the end of the business day if it totals \$1,000 or more.
18. Develop policies and procedures for the well-inspection program that include well-inspection goals and the prioritization process for which wells to inspect, in accordance with the goals.
19. Develop and implement policies and procedures for travel reimbursements that require staff to provide itemized receipts and calculate mileage in accordance with the SAAM to support that reimbursements are within the SAAM-allowable limits.
20. Train staff who use purchasing cards and central travel accounts and submit travel reimbursements, and supervisory staff responsible for reviewing related transactions and reimbursements on a periodic basis, to ensure that these transactions and reimbursements comply with the SAAM and Department policies and procedures, and have staff and supervisors acknowledge understanding of the policies and procedures.
21. Discontinue the use of prohibited funds to pay for employee-recognition expenditures and instead use only funds allowed by the SAAM and State law.
22. Conduct a review to identify all expenditures for employee-recognition purposes paid for using monies from prohibited funds in addition to the 10 transactions we identified, and, in consultation with its Assistant Attorney General, determine whether and how to seek reimbursement from employees and/or reimburse the prohibited funds, such as the State General Fund and Trust Land Management Fund, and take any actions as decided.
23. Develop and implement an employee-recognition policy that requires staff to use only the Department's employee-recognition fund to pay for employee-recognition expenditures, and outlines the factors to be used for decisions regarding employee-recognition reward distributions, and the required documentation to demonstrate the public purpose of employee-recognition expenditures.

Develop and implement policies and procedures to help ensure compliance with the SAAM requirements for gift cards that establish:

24. A process for documenting the distribution of gift cards on a log or equivalent record.
25. A process for performing monthly reconciliations of gift cards to the gift card logs.
26. A process for reporting gift card awards as taxable income.
27. Develop and implement a written plan that outlines key steps it will take to develop and implement all required IT security procedures in line with ADOHS requirements, including outlining associated completion deadlines and assigned staff responsibilities.
28. If the Department believes that statutory changes are needed to remove the requirement for the Urban Land Planning Oversight Committee to review its use and disposition plans, it

should work with the Governor's Office to seek approval to pursue statutory changes and if approved, work with the Legislature to modify statute accordingly.

29. If statutory changes are not enacted pursuant to Recommendation 28, work with the Governor's Office to fill the vacancies on the Urban Land Planning Oversight Committee to ensure that the Committee can review the Department's use and disposition plans for State trust land as required by statute.

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

### **Sunset factor 3: The extent to which the Department's key statutory objectives and purposes duplicate the objectives and purposes of other governmental agencies or private enterprises.**

---

Our review did not identify any key Department statutory objectives that duplicate those of other governmental agencies or private enterprises. However, the Department reported a potential duplication of the objectives of other governmental agencies. Specifically, as part of its responsibility for making long-range plans for the future use of State trust land, A.R.S. §37-331.03 requires the Department to develop use plans for urban State trust land and consult with the city, town, or county (local entity) where the land is located regarding integrating the use plan into the local entity's general land use plan. The Department reported that it has not developed use plans since at least calendar year 2011 because it believes the use plans are duplicative of municipal general plans. Instead of developing use plans for urban State trust land as required by statute, the Department works directly with municipalities and counties to plan the use of State trust land within those local entities' planning areas. However, statute does not provide any exceptions to the Department's responsibility to develop use plans. Additionally, statute requires municipalities to incorporate the Department's use plans into municipal general plans, so municipal plans should inherently reflect the content of Department use plans.<sup>34,35</sup> By not creating use plans for urban State trust land as required by statute, the Department may not be consistently providing the information local entities need to conduct their own required land use planning. Further, because the Department does not have its own plans that identify the appropriate use of urban State trust land, it may be planning reactively in response to local entity general land use plans and have difficulty determining whether State trust land uses established in local entity plans are in the best interest of the trust beneficiaries. As of June 2025, the Department reported that it intends to seek statutory changes to remove the requirement in A.R.S. §37-331.03 that it develop use plans for urban State trust land.

---

<sup>34</sup> A.R.S. §9-461.05.

<sup>35</sup> A.R.S. §11-805 also requires counties to integrate Department use plans into county comprehensive plans.

Additionally, we identified 1 area where the Department has a similar responsibility to the Arizona Office of the State Mine Inspector (State Mine Inspector). As discussed in Finding 2, pages 16 through 17, the Department is authorized to perform inspections of mineral leases and mineral material leases on State trust land, and the Department's lease terms allow the Department to conduct inspections of mineral leases and mineral material leases to determine compliance with lease terms.

The State Mine Inspector is responsible for inspecting all active mines in the State and is authorized to inspect any abandoned or inactive mines to determine whether dangerous conditions exist that may affect public health and safety.<sup>36</sup> Although the Department and the State Mine Inspector both perform inspections of mines, the Department's inspections are limited to determining compliance with the terms of its leases, whereas the State Mine Inspector's inspections review the health and safety conditions of mines (see Finding 2, pages 16 through 25, for more information about the Department's reclamation inspections). Additionally, as of February 2025, the Department is in the process of negotiating a memorandum of understanding with the State Mine Inspector to coordinate the agencies' duties regarding mitigating the risks associated with abandoned mines, such as information-sharing regarding mining and closure activities on State trust land. According to the Department, as of February 2025, the draft agreement was with the State Mine Inspector for comment.

## Recommendations to the Department

- 30.** If the Department believes that statutory changes are needed to remove the requirement to develop conceptual land use plans for urban State trust land, it should work with the Legislature to modify statute.
- 31.** If statutory changes are not enacted pursuant to Recommendation 30, develop conceptual land use plans for urban State trust land and consult with the city, town, or county (local entity) where the land is located regarding integrating the use plan into the local entity's general land use plan, as required by statute.
- 32.** Continue to work with the State Mine Inspector to finalize its draft memorandum of understanding.

**Department response:** As outlined in its [response](#), the Department agrees with all of the findings, and will implement or implement in a different manner the recommendations.

---

<sup>36</sup> A.R.S. §27-124.

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

---

Our review of the Department's statutes and rules found that the Department has not adopted rules required by 1 statute and adopted some rules that did not meet all criteria established in 2 statutes.

Specifically:

- ▶ A.R.S. §37-615 requires the Department to adopt rules governing the application and procedure for exchange of road rights-of-way over State trust land. The Department adopted a rule addressing this requirement in September 1978 that expired in July 2017. As of April 2025, the Department did not have an active rule addressing this requirement. The Department reported that it is not aware of any entity that has expressed interest in a right-of-way exchange and that if an exchange presented itself, the Department would first adopt rules. Although statute allows the Department to exchange road rights-of-way, it does not require these exchanges.<sup>37</sup>
- ▶ A.R.S. §37-107 requires the Commissioner to prescribe by rule application, permit, transaction, appraisal, service, filing, and document fees for transactions related to the selling, leasing, annexation, conveyance, exchange, right-of-way, and use of State trust land or products of State trust land managed by the Department. As of April 2025, the Department had adopted some of the required rules but had not adopted rules for annexation or exchange of land fees.<sup>38</sup> The Department reported that it had not adopted a rule with a fee for exchange of lands because it does not participate in land exchanges. Additionally, the Department reported that it does not charge a fee for annexation, and if it changed this practice, it would conduct rulemaking.
- ▶ A.R.S. §37-604 requires the Department to adopt rules governing the application and procedure for the exchange of State land, including rules for the payment of fees and rules for required elements of applications. The Department adopted rules addressing some of these requirements, but did not adopt rules that applications include the applicant's telephone number, mailing address, and any relevant affiliations, as required by statute. Additionally, the rules the Department adopted do not address the payment of fees for exchange of State land. The Department reported that it last participated in a land exchange in 1988 and that it finds its rules to be sufficient.

Additionally, the Department is required to review its rules and submit a report to the Governor's Regulatory Review Council (GRRC) every 5 years summarizing its findings as to whether any of its rules should be amended or repealed with any proposed course of action. The report must include an analysis of whether the rules are authorized by, and consistent with, statute. On November 1, 2022, GRRC returned the Department's 5-year review report to the Department.<sup>39,40</sup>

---

<sup>37</sup> A.R.S. §37-615.

<sup>38</sup> A.A.C. R12-5-1201.

<sup>39</sup> The Department's 5-year review report was for A.A.C. Title 12, Chapter 5, Articles 7-9 and 11.

<sup>40</sup> According to A.R.S. §41-1056, GRRC must return an agency's 5-year review report if it did not meet all the statutory requirements, inform the agency of the manner in which its report is inadequate, and, in consultation with the agency, schedule submission of a revised report.



In its December 2022 meeting, GRRC voted to require the Department to resubmit its 5-year review report and to conduct and submit a review of its remaining rules. According to GRRC, although the Department identified rules that were inconsistent with statute, the Department did not propose a course of action to address the problematic rules it had identified. Subsequently, the Department reviewed all of its rules and submitted 3 revised 5-year review reports to GRRC between October 2023 and April 2024. According to the Department's 5-year review reports, it identified 23 rules that were inconsistent with statute, and the Department proposed specific changes for 9 of these rules, and as of August 2024, the Department had completed changes for 7 of these rules. For 15 of the remaining 16 rules that the Department identified as inconsistent with statute, the Department reported that as of March 2025, it was working on a process-improvement project for its mineral-related applications and leases, including a continued evaluation of applicable rules and statutes. The Department reported that it intends to amend these rules by December 2027. For the 1 additional rule the Department identified as inconsistent with statute, the Department reported that as of May 2025, it intends to amend the rule in the fall of 2025.

## Recommendations to the Department

- 33.** Adopt rules as required by A.R.S. §§37-107, 37-604, and 37-615. If the Department believes the rules are not necessary, it should work with the Legislature to modify statute to remove the rulemaking requirements.
- 34.** Continue its process-improvement project to amend the rules it identified as inconsistent with statute.

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

## Sunset factor 5: The extent to which the Department has provided appropriate public access to records, meetings, and rulemakings, including soliciting public input in making rules and decisions.

The Department has provided public access to its rulemakings, including soliciting public input when making rules. Specifically, our review of the Department's 2 most recent rulemakings finalized in January 2021 and August 2024, related to general provisions, auctions, rights-of-way, land exchanges, and special use permits, found that the Department informed the public of the rulemakings and provided opportunities for public input. For example, for these 2 rulemakings, the Department published a notice of its proposed rulemakings in the Arizona Administrative Register and provided the contact information for Department staff who could receive public input about the proposed rulemakings. The Department also allowed the public to submit written comments on proposed rule changes for at least 30 calendar days after it published the first notice of proposed rulemaking.<sup>41</sup>

<sup>41</sup> According to the Department's *Notice of Final Rulemaking* published in the Arizona Administrative Register, for the proposed rulemaking it finalized in August 2024, the Department received comments from 55 members of the public through email and an online public comment repository. The Department reported that it made changes to 5 rules based on the public comments, including making the proposed changes more consistent with statute and removing some of its proposed changes. The Department reported that it did not receive any comments for the proposed rulemaking it finalized in January 2021.



However, our review of the Board's and Council's compliance with open meeting law requirements for 8 public meetings held between September 2024 and February 2025—6 board meetings and 2 Council meetings—found that the Board and Council did not consistently comply with open meeting law requirements we reviewed.

Specifically:

- ▶ As of May 2025, the Council had not posted a disclosure statement on its website identifying where meeting notices will be posted. As a result, for the 2 Council meetings we reviewed, the Council did not post meeting notices at least 24 hours in advance in all locations identified in its disclosure statement, as required by A.R.S. §38-431.02.<sup>42</sup> In response to our audit, as of June 2025, the Council had posted a disclosure statement on its website identifying where meeting notices will be posted.
- ▶ For all 3 Board meetings we reviewed, meeting notices were posted 24 hours in advance in all locations identified by the Board's disclosure statement.<sup>43</sup>
- ▶ For 1 Board meeting, the Board failed to provide meeting minutes or a recording within 3 working days upon request, as required by statute.<sup>44</sup> For the 2 Council meetings we reviewed, the Council provided meeting minutes within 3 working days.
- ▶ For 5 Board meetings and 1 Council meeting, the meeting minutes or recordings did not include all elements required by statute.<sup>45,46</sup> Specifically, for all 5 Board meetings, the recordings did not include the location of the meeting. Additionally, for 1 Council meeting, the minutes did not identify the name of a Council member who proposed a motion and did not describe changes to motions that passed, as required by statute.
- ▶ For 1 Council meeting, the Council did not follow its agenda or provide specific matters to be discussed, considered, or decided at the meeting in its agenda, as required by statute.<sup>47</sup> Specifically, the Council's February 2025 meeting agenda included an agenda item for discussion of updates regarding the Council's Public Safety Committee, but during the meeting, the Council voted to dissolve its Public Safety Committee.

The Department has not developed policies and procedures related to open meeting law requirements for the Council. As of February 2025, the Department had developed some policies and procedures related to open meeting law for the Board. However, the Department's policy lacked guidance for staff regarding elements for complying with requirements, such as the

---

<sup>42</sup> Although the Council does not have a posted disclosure stating where notices and agendas will be posted, its meeting notices and agendas available online indicate that meeting agendas will be posted at the Department's office. However, for the 2 Council meetings we reviewed, the Council did not post the agenda physically at the Department's office.

<sup>43</sup> We reviewed this requirement for 3 of 6 Board meetings. Specifically, we did not review the Board's October 2024, December 2024, and January 2025 meetings for this requirement.

<sup>44</sup> We reviewed this requirement for 5 of 6 Board meetings. Specifically, we did not review the Board's December 2024 meeting for this requirement.

<sup>45</sup> A.R.S. §38-431.01.

<sup>46</sup> As of September 2024, the Department changed its process to post recordings of Board meetings on its website instead of creating written meeting minutes.

<sup>47</sup> A.R.S. §38-431.02.

requirement that the minutes/recordings must include the location of the meeting. Written policies and procedures can help employees understand their duties and responsibilities regarding open meeting law requirements, thus helping to ensure the Board's and Council's compliance with these requirements.

Further, in September 2024, the Maricopa County Superior Court found that the Board violated open meeting law by withholding information from a December 2022 meeting agenda that was reasonably necessary to inform the public about an issue to be discussed and decided. Specifically, the December 2022 meeting agenda included an item to review, discuss, and take possible legal action on a valuation for a right-of-way that would include 2 water pipelines. However, according to court documents, the right-of-way was actually intended to include a total of 6 water and mine tailings pipelines.<sup>48</sup> According to court documents, in December 2022, Department staff indicated in correspondence with the applicant for the right-of-way that the correct number of pipelines and their use did not need to be included in the agenda because the number of water pipelines does not affect the value of the land. The Maricopa County Superior Court found that the exclusion of the mine tailing pipelines from the agenda was inherently misleading, the Board and the public could not accurately evaluate the valuation without knowing that the use of the right-of-way would include up to 6 pipelines carrying mine tailings and other substances, not only water, and that the open meeting law violations denied plaintiffs the opportunity to voice their concerns and injured the plaintiffs' interest in government accountability and transparency. The Maricopa County Superior Court declared the Board's December 2022 valuation of the right-of-way to be null and void.<sup>49</sup>

Finally, our review of 20 of 1,368 public records requests the Department received from September 2022 to September 2024 found that Department staff appropriately responded to 11 requests, such as requesting additional information and providing timely and complete information. However, for 9 requests, Department staff did not comply with Department policies and procedures and/or recommended practices.<sup>50</sup>

Specifically:

- ▶ For 6 of 10 open requests we reviewed, there was no evidence that the Department took any action to respond to the requests or communicate a resolution to the requestor, inconsistent with its policies and procedures.<sup>51</sup> As of September 2024, these public record requests had been open for 49 to 707 days.
- ▶ For 1 of 10 open requests we reviewed, the Department provided an anticipated date for completing the request to the requestor but did not complete the request by the anticipated date and did not inform the requestor of the delay, as recommended by the

---

<sup>48</sup> Mine tailings are a waste product of ore processing and consist of finely ground rock, water, and other byproducts of the copper extraction process, often containing arsenic, lead, and other heavy metals.

<sup>49</sup> In November 2024, the Board's October 2024 ratification of the valuation of the right-of-way from its December 2022 meeting was appealed to the Maricopa County Superior Court. As of April 2025, the appeal was ongoing.

<sup>50</sup> For the public records requests the Department received from September 2022 to September 2024, we judgmentally reviewed the 5 oldest open requests as of September 2024. We also reviewed a random sample of 5 of the remaining 82 open public records requests and 10 of 1,281 closed requests as of September 2024.

<sup>51</sup> The Department's online portal provides requestors an automatic acknowledgement that the request has been received. However, the receipt does not include an expected time for the Department to respond to the request.

Arizona Agency Handbook.<sup>52,53</sup> As of September 2024, this public records request had been open for 622 days.

- ▶ For 2 of 10 closed requests we reviewed, the Department closed the requests inconsistent with its policies and procedures. Specifically, for 1 request, the Department provided some, but not all, of the requested documentation to the requestor, and for the other request it did not provide any of the documentation that was requested. The Department reported that the documents it did not provide in response to these 2 requests were not available. However, there was no evidence that the Department indicated that these documents were unavailable to the requestors before closing the requests.

Additionally, the Department reported that its practice is to provide status updates to requestors within 30 days of receipt of a public records request. However, the Department did not provide requestors with status updates for 9 of 9 requests we reviewed that were open for more than 30 days as of September 2024.

Although the Department's policies and procedures include a process for monitoring requests received and address some requirements and recommended practices related to the provision of public records, as of March 2025, the Department had not established internal time frames for completing requests and providing requestors with anticipated request fulfillment dates, as recommended by the Arizona Agency Handbook and the Arizona Ombudsman Citizens'-Aide Office.<sup>54</sup> Additionally, although our review did not identify an instance where the Department needed to provide an index of records or categories of confidential records that it withheld from a request, as required by statute, as of March 2024, the Department had not developed policies and procedures to help it comply with this statutory requirement.<sup>55</sup> Lastly, as of January 2025, although the Department had posted the name and phone number of the section responsible for responding to public records requests on its website, it had not posted an email address of the section or an employee responsible for responding to requests on its website, as required by statute.<sup>56</sup>

## Recommendations to the Department

Comply with open meeting law requirements, including:

- 35.** Ensuring that meeting minutes and recordings include all elements required by statute, including meeting location and date, as well as the name of individuals who propose a motion.
- 36.** Ensuring all actions are properly agendized and that meetings follow the agenda.

---

<sup>52</sup> The requestor contacted the Department 38 days later to inquire about the status of the request, and the Department reported that a different staff member was fulfilling the request due to a leave of absence. However, there was no evidence that the Department took further action on the request.

<sup>53</sup> Arizona Office of the Attorney General (AAG). (2018). *Arizona agency handbook*. Retrieved 3/18/2025 from <https://www.azag.gov/office/publications/agency-handbook>

<sup>54</sup> AAG, 2018; Arizona Ombudsman-Citizens' Aide. (2023). *Arizona public records law*. Retrieved 11/7/2024 from <https://www.azoca.gov/wp-content/uploads/Public-Records-Law-Booklet-2023.pdf>

<sup>55</sup> A.R.S. §39-121.01.

<sup>56</sup> A.R.S. §39-171(A).

37. Consult with its Assistant Attorney General to determine whether any actions should be taken regarding the Council's vote to dissolve its Public Safety Committee and implement any needed actions.
38. Develop and/or update and implement open meeting law policies and procedures for the Board and the Council to help ensure their compliance with open meeting law requirements.
39. Post the email of an employee or section that is authorized to respond to public records requests on its website, as required by statute.
40. Review all open public records requests and determine the appropriate response to each open request.

Update and implement its public records law policies and procedures to help ensure it complies with public records law, including:

41. Documenting its determination of the appropriate response to open public records requests.
42. Providing an anticipated date for completing public records requests.
43. Providing an index of records or categories of confidential records that were withheld when requested.

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

## **Sunset factor 6: The extent to which the Department timely investigated and resolved complaints that are within its jurisdiction.**

---

The Department does not have a statutory responsibility to investigate and resolve complaints. However, the Department is responsible for administering all laws relating to State trust land and has developed a process to receive and resolve inquiries and complaints it receives from the public regarding State trust land. Specifically, the Department receives inquiries and complaints, which include reports of trespassing on State trust land. For example, the Department received complaints regarding alleged homeless encampments and dumping on State trust land. Our review of a random sample of 8 complaints of 9,385 inquiries and complaints the Department received between October 2022 and October 2024 found that as of October 2024, all 3 closed complaints had been closed within 15 days, and the 5 open complaints had been open between 18 to 165 days.<sup>57</sup> Further, for all 3 closed complaints, the Department either provided a response

---

<sup>57</sup> As of November 2024, the Department did not have a specific category for complaints in its public information portal and instead included these complaints under the categories of inquiries or trespass reports. As such, we selected a random sample of 40 of 9,385 inquiry and trespass reports the Department received between October 2022 and October 2024 and judgmentally selected the oldest open case as of October 2024 to determine whether the cases were complaints. We determined that a case was a complaint if it alleged potential safety hazards on State trust land, trespassing or another violation of law, or wrongdoing on the part of the Department. For example, our sample included complaints alleging trespassing on State trust land. Using a stop-and-go approach, we reviewed the first 5 open and first 3 closed complaints we identified. See Appendix D, pages d-3 through d-4, for more information about our methodology for reviewing the Department's complaint-handling.

to the complainant or resolved the complaint. Additionally, we determined that all 8 complaints were related to alleged issues on or regarding State trust land.

## **Sunset factor 7: The extent to which the level of regulation exercised by the Department is appropriate as compared to other states or best practices, or both.**

---

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

## **Sunset factor 8: The extent to which the Department has established safeguards against possible conflicts of interest.**

---

The Department has not implemented some of its conflict-of-interest policy requirements, and its policies also do not include provisions for some of the State's conflict-of-interest requirements. The State's conflict-of-interest requirements exist to remove or limit the possibility of personal influence from impacting a decision of a public agency employee or public officer. Specifically, statute requires employees of public agencies and public officers, including Board and Council members, to avoid conflicts of interest that might influence or affect their official conduct.<sup>58</sup> These laws require employees/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 requirements, the Arizona Department of Administration's (ADOA) 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.<sup>59</sup> 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." Finally, A.R.S. §38-509 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.

Additionally, 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.<sup>60</sup> Our recommendations are based on recommended practices for managing conflicts of interest

---

<sup>58</sup> A.R.S. §38-503; AAG, 2018.

<sup>59</sup> Arizona Department of Administration (ADOA). (2024). *State personnel system: Employee handbook*. Retrieved 3/18/2025 from [https://drive.google.com/file/d/12uumNZLSBkfp33AaL9uHym0K9e6l9\\_II/view](https://drive.google.com/file/d/12uumNZLSBkfp33AaL9uHym0K9e6l9_II/view)

<sup>60</sup> See, for example, Arizona Auditor General reports 24-211 *Concho Elementary School District*, 21-404 *Wickenburg Unified School District—Criminal indictment—Conflict of interest, fraudulent schemes, and forgery*, 19-105 *Arizona School Facilities Board—Building Renewal Grant Fund*, and 17-405 *Pine-Strawberry Water Improvement District—Theft and misuse of public monies*.

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.<sup>61</sup> Specifically, conflict-of-interest recommended practices indicate that all public agency employees and public officers complete a disclosure form annually. Recommended practices also indicate that the form include a field for the individual to provide an "affirmative no," if applicable.<sup>62</sup> 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. Finally, recommended practices indicate that publicly disclosing board members' interest as the reason for refraining from participating in decisions is important for fully disclosing and memorializing the disclosure of interest as they relate to those decisions.

Although the Department's conflict-of-interest policy aligns with some State conflict-of-interest requirements and recommended practices, the Department has not implemented its conflict-of-interest policy. Specifically, the Department's conflict-of-interest policy requires employees to complete conflict-of-interest disclosure forms annually and that the Department maintain a special file of substantial conflict-of-interest disclosures. However, as of October 2024, the Department reported that it did not require employees to complete an annual conflict-of-interest disclosure form, and it did not have a special file because it had not received any disclosures of substantial conflicts of interest.<sup>63</sup> The Department reported that as of March 2025, it was not aware of why it had not implemented its policy related to disclosure forms. Further, Department policy requires employees to complete Department conflict-of-interest training upon hire and annually thereafter. However, as of February 2025, the Department reported that it does not provide Department-specific conflict-of-interest training upon hire or annually, inconsistent with its policy and recommended practices. In response to our audit, the Department reported that as of April 2025, it intended for staff to submit conflict-of-interest disclosure forms annually starting in April 2025.<sup>64</sup>

Additionally, our review of 13 conflict-of-interest disclosure forms completed by Department employees found that for 10 of 13 disclosure forms we reviewed, the disclosure forms did not address all State requirements and/or recommended practices.<sup>65</sup>

---

<sup>61</sup> Recommended practices we reviewed included: The World Bank, Organization for Economic Cooperation and Development (OECD), & United Nations Office on Drugs and Crime (UNODC). (2020). *Preventing and managing conflicts of interest in the public sector: Good practices guide*. Retrieved 3/18/2025 from <https://www.unodc.org/documents/corruption/Publications/2020/Preventing-and-Managing-Conflicts-of-Interest-in-the-Public-Sector-Good-Practices-Guide.pdf>; Ethics & Compliance Initiative (ECI). (2021). *Conflicts of interest: An ECI benchmarking group resource*. Retrieved 3/18/2025 from <https://www.ethics.org/wp-content/uploads/mdocs/2021-ECI-WP-Conflicts-of-Interest-Defining-Preventing-Identifying-Addressing.pdf>; and New York State Authorities Budget Office (NYS ABO). (n.d.). *Conflict of interest policy for public authorities*. Retrieved 3/18/2025 from <https://www.abo.ny.gov/recommendedpractices/ConflictofInterestPolicy.pdf>

<sup>62</sup> As previously discussed, the ADOA disclosure form includes a field for the individual to provide an "affirmative no."

<sup>63</sup> Although our review of 13 conflict-of-interest disclosure forms completed by Department employees identified 2 disclosures of potential interests, including 1 disclosure of secondary employment and 1 disclosure of an employee's relative who previously worked for a beneficiary, we did not identify any disclosures that appeared to be substantial financial or decision-making interests that would be required to be placed in a special file.

<sup>64</sup> The Department also reported that it intended to implement an automated system that reminds staff to complete annual conflict-of-interest training by May 2025. However, this automated training is not Department-specific.

<sup>65</sup> We judgmentally selected and reviewed conflict-of-interest disclosure forms for 7 employees/public officers with decision-making authority, including the Commissioner and division directors. Additionally, we also selected and reviewed a random sample of conflict-of-interest disclosure forms for 6 of the remaining 88 Department employees as of October 2024.



Specifically of the 13 disclosure forms we reviewed:

- ▶ Ten did not include a question or field to disclose whether employees had any substantial decision-making interests, as required by statute.
- ▶ Three did not include a question or field to disclose whether employees had any substantial financial interests, as required by statute.
- ▶ Three did not include an “affirmative no” attestation, inconsistent with recommended practices and ADOA’s disclosure form.
- ▶ Three did not include a question or field for outside employment, inconsistent with recommended practices and ADOA’s disclosure form.
- ▶ Two were not completed upon the employees’ hire by the Department, and those employees did not submit a disclosure form until 2 to 6 years after they were hired, inconsistent with ADOA State Personnel System employee handbook requirements and recommended practices.

As of March 2025, the Department’s procedures require staff to use the ADOA State personnel disclosure form for conflict-of-interest disclosures. Ten of 13 disclosures we reviewed were completed prior to June 2020, when ADOA updated its disclosure form to align with recommended practices and statutory requirements.<sup>66,67</sup>

Further, the Department’s conflict-of-interest policy and processes for the Board of Appeals (Board) align with some State conflict-of-interest requirements and recommended practices, such as requiring Board members to recuse themselves from agenda items for which they have a conflict, requiring Board members to submit a disclosure form when they have a conflict with an item on an agenda, and maintaining a special file of substantial disclosures. We reviewed the 2 Board member disclosure forms for specific Board meetings in the Department’s special file and found that the 1 Board member who submitted both disclosure forms recused themselves from both applicable Board meeting agenda items. However, the Board member did not publicly disclose the conflicts of interest when recusing themselves, inconsistent with recommended practices. Additionally, the Department’s conflict-of-interest policy for the Board does not require Board members to file disclosure forms at appointment or annually, and as of October 2024, the Department reported it does not provide conflict-of-interest training for Board members.

Lastly, as of October 2024, the Department reported that it does not have a conflict-of-interest policy, procedure, or process for the Council. As of March 2025, the Department reported that it was not aware of any conflict-of-interest disclosure forms submitted by Council members. For example, the Department did not have a disclosure form for Council members and did not require Council members to complete a disclosure form at appointment, annually, or for specific meeting agenda items. Further, the Department reported it did not provide conflict-of-interest training for Council members. According to the Department, Council members are appointed by the Office

---

<sup>66</sup> ADOA updated its disclosure form in June 2020 to include decision-making disclosures and to require an affirmative statement indicating whether or not a conflict exists.

<sup>67</sup> Seven of these were older versions of the ADOA disclosure form, and 3 were the Department’s specific form signed from 2003 to 2005.



of Boards and Commissions, and it was not aware that a conflict-of-interest policy for the Council was necessary. As of March 2025, the Department reported that it intended to develop and implement a conflict-of-interest policy for the Council that requires Council members to submit conflict-of-interest disclosure forms at appointment and annually.<sup>68</sup>

## Recommendations to the Department

- 44.** Ensure staff complete conflict-of-interest disclosure forms upon hire and annually, as required by Department policy.
- 45.** Ensure all staff complete updated conflict-of-interest disclosure forms that address all State requirements and recommended practices.
- 46.** Establish a special file available for public inspection and store all substantial interest disclosures in it.

Update and implement Board conflict-of-interest disclosure policies and procedures to help ensure compliance with State conflict-of-interest requirements and recommended practices, including:

- 47.** Requiring Board members to complete a conflict-of-interest disclosure form upon appointment and reminding them at least annually to update their form when their circumstances change, including attesting that no conflicts exist, if applicable.
- 48.** Requiring Board members to publicly disclose conflicts of interest when refraining from participating in meeting decisions, consistent with recommended practice.

Develop and implement Council conflict-of-interest disclosure policies and procedures to help ensure compliance with State conflict-of-interest requirements and recommended practices, including:

- 49.** Requiring Council members to complete a conflict-of-interest disclosure form upon appointment and reminding them at least annually to update their form when their circumstances change, including attesting that no conflicts exist, if applicable.
- 50.** Requiring Council members to publicly disclose conflicts of interest when refraining from participating in meeting decisions, consistent with recommended practice.
- 51.** Develop and provide periodic training on its conflict-of-interest requirements, process, and disclosure form, including providing training to employees, Board members, and Council members on how the State's conflict-of-interest requirements relate to their unique programs, functions, or responsibilities.

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

---

<sup>68</sup> As of April 2025, the Department had not implemented this policy or requested disclosure forms from Council members and had not provided an expected date for when it would do so.

## **Sunset factor 9: The extent to which changes are necessary for the Department to more efficiently and effectively fulfill its key statutory objectives and purposes or to eliminate statutory responsibilities that are no longer necessary.**

---

We did not identify any changes needed to the Department's statutes to help it more efficiently and effectively fulfill its key statutory objectives and purposes or to eliminate statutory responsibilities.

However, in response to the statutory noncompliance we identified concerning the Department's use plans (see Sunset Factor 3, page 36, for more information about use plans), the Department reported it intended to pursue statutory changes to:

- ▶ Revise A.R.S. §37-331.02 to eliminate the Urban Land Planning Oversight Committee (see Sunset Factor 2, page 34, for more information about the Committee and its responsibilities).
- ▶ Revise A.R.S. §37-331.03 to eliminate the requirement that the Department develop use plans for urban State trust land.

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

---

Terminating the Department could affect public safety and welfare if its responsibilities were not transferred to another entity. The Department's responsibilities include administering all laws relating to lands owned by, belonging to, and under the control of the State, including State trust land, and generating revenues from the sale or use of State trust lands for the trust beneficiaries, including K-12 public schools and State universities. According to the Department's fiscal year 2024 annual report, it collected approximately \$336 million for educational beneficiaries and approximately \$16 million for noneducational beneficiaries, such as the Arizona State Hospital and Arizona Department of Corrections, Rehabilitation and Reentry (see Appendix A, pages a-1 through a-4, for more information on the revenues the Department collected for the trust beneficiaries).

## The Arizona Auditor General makes 51 recommendations to the Department

Click on a finding, recommendation, or its page number to the right to go directly to that finding or recommendation in the report.

### Recommendations to the Department

<b>FINDING 1</b>	<b>10</b>
1. Develop and implement an updated 5-year disposition plan for all State trust land, as required by statute.	<b>15</b>
2. Develop and implement written policies and procedures for developing 5-year disposition plans for State trust land, including reviewing and updating the plans annually as needed, as required by statute.	<b>15</b>
3. Develop and implement written policies and procedures for using its updated 5-year disposition plan to make determinations regarding whether to sell State trust land, including for application-driven land sales.	<b>15</b>
4. Develop and implement written policies, procedures, and/or guidance for selling State trust land at the Commissioner’s initiative, such as using its updated 5-year disposition plan to guide the Commissioner’s decision making process.	<b>15</b>
<b>FINDING 2</b>	<b>16</b>
5. Identify and conduct reclamation inspections for closed mineral leases, mineral material leases, and mineral exploration permits, in accordance with Department policies and procedures.	<b>24</b>
6. Release reclamation bonds only after the Department has determined that the land has been restored, such as by conducting a reclamation inspection.	<b>24</b>
7. Implement our 2007 audit recommendation to cross-train staff on conducting reclamation inspections.	<b>24</b>
8. Obtain and document reclamation bonds for all mineral leases, mineral material leases, and mineral exploration permits.	<b>24</b>

Revise and implement changes to its reclamation inspection policies and procedures that establish:

- 9.** An updated process for documenting reclamation inspections in the Department’s updated IT system. **24**
- 10.** A process for Department staff to close leases and permits in the Department’s system upon their expiration or cancellation. **24**
- 11.** A process for periodically ensuring that all active mineral and mineral material leases and permits have associated bonds that are accessible by the Department. **24**
- 12.** A required reclamation inspection for all mineral exploration permits or a process for determining and documenting when an inspection is not necessary. **25**
- 13.** A process for periodically reviewing and updating policies and procedures to ensure that inspection guidance is consistent. **25**

**SUNSET FACTORS** **26**

- 14.** Identify and implement a solution to enter all outstanding State trust land records into the GIS. **34**

Develop and implement Department-wide policies and procedures for the billing of lessees and permittees that establish:

- 15.** The assignment of responsibilities to each division that conducts billing, such as requirements to generate invoices. **34**
- 16.** A process for sending billing statements for the amount due on a timely basis. **35**
- 17.** A process for depositing cash received by the end of the business day if it totals \$1,000 or more. **35**
- 18.** Develop policies and procedures for the well-inspection program that include well-inspection goals and the prioritization process for which wells to inspect, in accordance with the goals. **35**
- 19.** Develop and implement policies and procedures for travel reimbursements that require staff to provide itemized receipts and calculate mileage in accordance with the SAAM to support that reimbursements are within the SAAM-allowable limits. **35**

- 20.** Train staff who use purchasing cards and central travel accounts and submit travel reimbursements, and supervisory staff responsible for reviewing related transactions and reimbursements on a periodic basis, to ensure that these transactions and reimbursements comply with the SAAM and Department policies and procedures, and have staff and supervisors acknowledge understanding of the policies and procedures. **35**
  - 21.** Discontinue the use of prohibited funds to pay for employee-recognition expenditures and instead use only funds allowed by the SAAM and State law. **35**
  - 22.** Conduct a review to identify all expenditures for employee-recognition purposes paid for using monies from prohibited funds in addition to the 10 transactions we identified, and, in consultation with its Assistant Attorney General, determine whether and how to seek reimbursement from employees and/or reimburse the prohibited funds, such as the State General Fund and Trust Land Management Fund, and take any actions as decided. **35**
  - 23.** Develop and implement an employee-recognition policy that requires staff to use only the Department's employee-recognition fund to pay for employee-recognition expenditures, and outlines the factors to be used for decisions regarding employee-recognition reward distributions, and the required documentation to demonstrate the public purpose of employee-recognition expenditures. **35**
- Develop and implement policies and procedures to help ensure compliance with the SAAM requirements for gift cards that establish:
- 24.** A process for documenting the distribution of gift cards on a log or equivalent record. **35**
  - 25.** A process for performing monthly reconciliations of gift cards to the gift card logs. **35**
  - 26.** A process for reporting gift card awards as taxable income. **35**
  - 27.** Develop and implement a written plan that outlines key steps it will take to develop and implement all required IT security procedures in line with ADOHS requirements, including outlining associated completion deadlines and assigned staff responsibilities. **35**
  - 28.** If the Department believes that statutory changes are needed to remove the requirement for the Urban Land Planning Oversight Committee to review its use and disposition plans, it should work with the Governor's Office to seek approval to pursue statutory changes and if approved, work with the Legislature to modify statute accordingly. **35**

<b>29.</b> If statutory changes are not enacted pursuant to Recommendation 28, work with the Governor’s Office to fill the vacancies on the Urban Land Planning Oversight Committee to ensure that the Committee can review the Department’s use and disposition plans for State trust land as required by statute.	<b>36</b>
<b>30.</b> If the Department believes that statutory changes are needed to remove the requirement to develop conceptual land use plans for urban State trust land, it should work with the Legislature to modify statute.	<b>37</b>
<b>31.</b> If statutory changes are not enacted pursuant to Recommendation 30, develop conceptual land use plans for urban State trust land and consult with the city, town, or county (local entity) where the land is located regarding integrating the use plan into the local entity’s general land use plan, as required by statute.	<b>37</b>
<b>32.</b> Continue to work with the State Mine Inspector to finalize its draft memorandum of understanding.	<b>37</b>
<b>33.</b> Adopt rules as required by A.R.S. §§37-107, 37-604, and 37-615. If the Department believes the rules are not necessary, it should work with the Legislature to modify statute to remove the rulemaking requirements.	<b>39</b>
<b>34.</b> Continue its process-improvement project to amend the rules it identified as inconsistent with statute.	<b>39</b>
Comply with open meeting law requirements, including:	
<b>35.</b> Ensuring that meeting minutes and recordings include all elements required by statute, including meeting location and date, as well as the name of individuals who propose a motion.	<b>42</b>
<b>36.</b> Ensuring all actions are properly agendized and that meetings follow the agenda.	<b>42</b>
<b>37.</b> Consult with its Assistant Attorney General to determine whether any actions should be taken regarding the Council’s vote to dissolve its Public Safety Committee and implement any needed actions.	<b>43</b>
<b>38.</b> Develop and/or update and implement open meeting law policies and procedures for the Board and the Council to help ensure their compliance with open meeting law requirements.	<b>43</b>
<b>39.</b> Post the email of an employee or section that is authorized to respond to public records requests on its website, as required by statute.	<b>43</b>
<b>40.</b> Review all open public records requests and determine the appropriate response to each open request.	<b>43</b>

Update and implement its public records law policies and procedures to help ensure it complies with public records law, including:

- 41.** Documenting its determination of the appropriate response to open public records requests. **43**
- 42.** Providing an anticipated date for completing public records requests. **43**
- 43.** Providing an index of records or categories of confidential records that were withheld when requested. **43**
- 44.** Ensure staff complete conflict-of-interest disclosure forms upon hire and annually, as required by Department policy. **47**
- 45.** Ensure all staff complete updated conflict-of-interest disclosure forms that address all State requirements and recommended practices. **47**
- 46.** Establish a special file available for public inspection and store all substantial interest disclosures in it. **47**

Update and implement Board conflict-of-interest disclosure policies and procedures to help ensure compliance with State conflict-of-interest requirements and recommended practices, including:

- 47.** Requiring Board members to complete a conflict-of-interest disclosure form upon appointment and reminding them at least annually to update their form when their circumstances change, including attesting that no conflicts exist, if applicable. **47**
- 48.** Requiring Board members to publicly disclose conflicts of interest when refraining from participating in meeting decisions, consistent with recommended practice. **47**

Develop and implement Council conflict-of-interest disclosure policies and procedures to help ensure compliance with State conflict-of-interest requirements and recommended practices, including:

- 49.** Requiring Council members to complete a conflict-of-interest disclosure form upon appointment and reminding them at least annually to update their form when their circumstances change, including attesting that no conflicts exist, if applicable. **47**
- 50.** Requiring Council members to publicly disclose conflicts of interest when refraining from participating in meeting decisions, consistent with recommended practice. **47**



51. Develop and provide periodic training on its conflict-of-interest requirements, process, and disclosure form, including providing training to employees, Board members, and Council members on how the State's conflict-of-interest requirements relate to their unique programs, functions, or responsibilities.

47

## Department-reported revenues generated for trust beneficiaries in fiscal year 2024

---

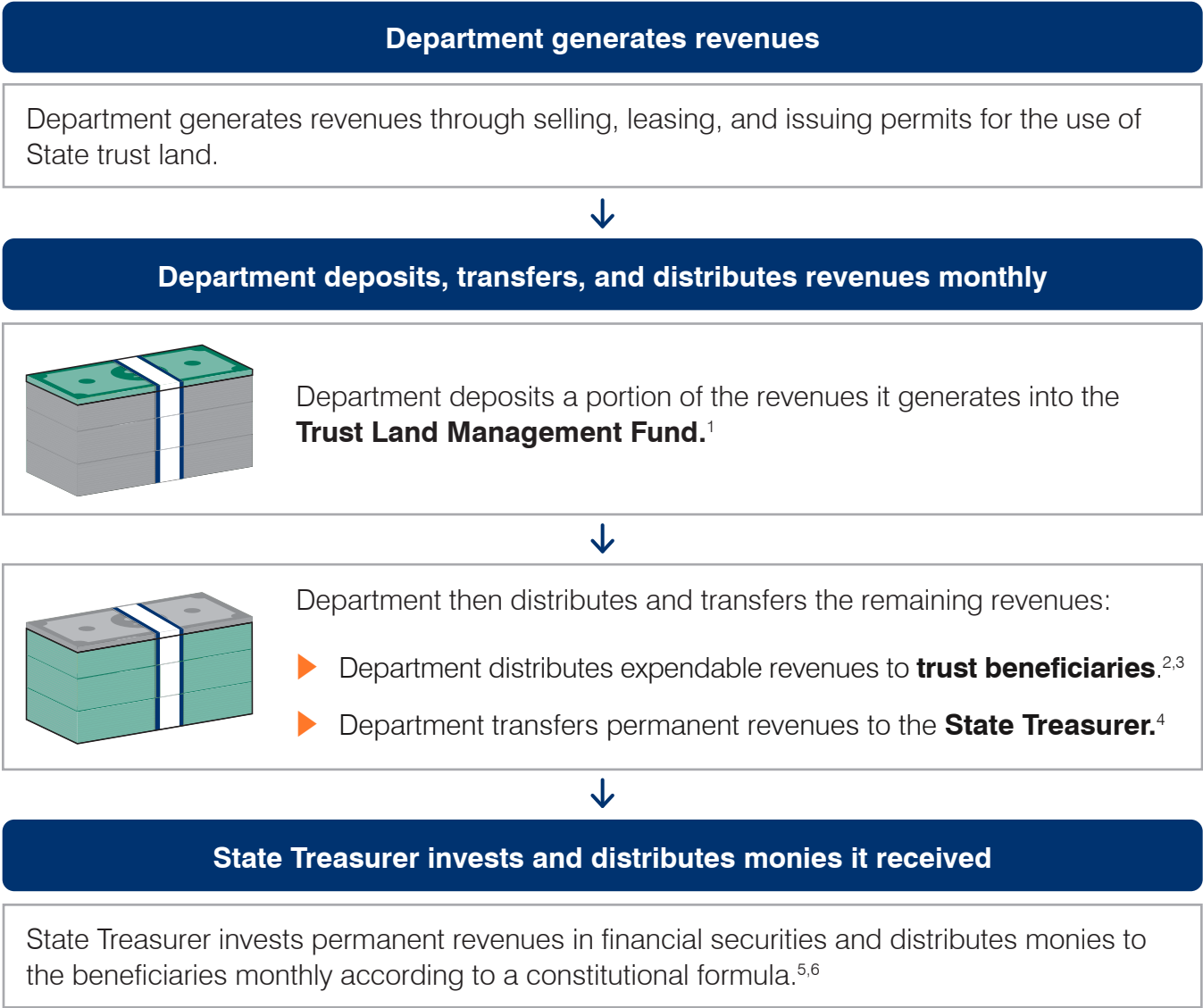
As discussed in the Introduction (see page 1), the Department was established to manage and control State trust land to financially support the public services provided by the trust beneficiaries. Pursuant to the Arizona-New Mexico Enabling Act of 1910 (Enabling Act), the trust beneficiaries were granted specific parcels of State trust land. According to the State Constitution and statute, revenues generated from these lands must be deposited into the permanent trust fund of the applicable beneficiary, the Trust Land Management Fund, and trust beneficiary accounts, depending on the activity that generated the revenues (see Figure 2, page a-2, for more information about where revenues generated from trust land must be deposited and how monies are distributed to the trust beneficiaries).<sup>1</sup> According to the Department's fiscal year 2024 annual report, the Department collected approximately \$335.8 million in revenue for educational trust beneficiaries, such as K-12 public schools and the State universities, and approximately \$16.4 million in revenues for noneducational trust beneficiaries, such as the Arizona State Hospital and the Arizona Department of Corrections, Rehabilitation and Reentry. Table 3, pages a-3 through a-4, provides Department-reported information on the revenues it generated for trust beneficiaries in fiscal year 2024.

---

<sup>1</sup> Ariz. Const. Art. 10, §7; A.R.S. §§35-142(A)(2), 37-527.

**Figure 2**

**Department distributes/transfers revenues generated from State trust land to trust beneficiaries and the State Treasurer monthly**



<sup>1</sup> Per A.R.S. §37-527, the Department may deposit up to 10% of the annual proceeds of each beneficiary's trust lands and all sales of natural products or property from State trust land into the Trust Land Management Fund. According to statute, the Commissioner is responsible for determining the percentage of trust land proceeds to be deposited in the Fund each fiscal year, and the monies in the Fund must be used exclusively to manage State trust land. According to the Department, it deposited 3% of the revenues it generated in fiscal year 2024 into the Trust Land Management Fund.

<sup>2</sup> Expendable revenues consist of monies generated from State trust land rentals and interest from financed sales of State trust land.

<sup>3</sup> A.R.S. §35-142(A)(2) requires rental, interest, and other expendable monies received as income from State trust land to be deposited in trust beneficiary accounts. The Department reported that its historical practice for complying with this statute has been to distribute these expendable monies to the beneficiaries.

<sup>4</sup> Permanent revenues consist of monies generated from the sale of State trust land and mineral royalties.

<sup>5</sup> Ariz. Const. Art. 10, §7(A), and A.R.S. §§37-521 through 37-525 require the State Treasurer to deposit permanent revenues in the trust beneficiaries' permanent trust funds. Further, Ariz. Const. Art. 10, §7, requires the State Board of Investment to manage the beneficiaries' permanent trust funds, including determining how to invest the monies within conditions set out in the State Constitution. A.R.S. §35-311 establishes the State Treasurer as the chair of the State Board of Investment.

<sup>6</sup> Ariz. Const. Art. 10, §7(G), establishes the formula for distributing permanent fund monies to the beneficiaries.

Source: Auditor General staff review of Ariz. Const. Art. 10 §7; A.R.S. §§35-142, 37-521 through 37-525, and 37-527; and Department- and State Treasurer-reported information.

**Table 3****Department reported it generated approximately \$352 million for the 13 trust beneficiaries in fiscal year 2024***(Unaudited)*

Beneficiary fund <sup>1</sup>	Contemporary trust beneficiary <sup>2</sup>	Expendable revenues	Permanent revenues <sup>3</sup>	Total collected
<b>Education</b>				
Common Schools	K-12 Public Education	\$67,355,045	\$248,152,208	<b>\$315,507,253</b>
University Land Code	University of Arizona	2,910,033	10,545,377	<b>13,455,410</b>
University of Arizona (Act of 2/18/1881)	University of Arizona	1,092,146	1,391,069	<b>2,483,215</b>
Normal Schools	Arizona State University, Northern Arizona University, University of Arizona	637,449	1,353,422	<b>1,990,871</b>
Agricultural & Mechanical Colleges	Arizona State University, Northern Arizona University, University of Arizona	1,294,697	155,911	<b>1,450,608</b>
School of Mines	University of Arizona	269,927	331,856	<b>601,783</b>
School for the Deaf & Blind	Arizona State Schools for the Deaf and the Blind	194,325	54,421	<b>248,746</b>
Military Institutes	Arizona State University, Northern Arizona University, University of Arizona	63,024	-	<b>63,024</b>
<b>Total education</b>		<b>\$73,816,646</b>	<b>\$261,984,264</b>	<b>\$335,800,910</b>
<b>Non-education</b>				
State Hospital	Arizona State Hospital	\$332,415	\$6,732,904	<b>\$7,065,319</b>
State Charitable, Penal & Reformatory	Arizona Department of Juvenile Corrections	1,322,307	2,151,448	<b>3,473,755</b>
Miners' Hospital	Arizona Pioneers' Home	2,270,283	738,109	<b>3,008,392</b>
Penitentiaries	Arizona Department of Corrections, Rehabilitation and Reentry	2,029,846	601,364	<b>2,631,210</b>
Legislative, Executive & Judicial Buildings	Legislative, Executive and Judicial Buildings	123,810	83,484	<b>207,294</b>
<b>Total non-education</b>		<b>\$6,078,661</b>	<b>\$10,307,309</b>	<b>\$16,385,970</b>
<b>Total</b>		<b>\$79,895,307</b>	<b>\$272,291,573</b>	<b>\$352,186,880</b>

## Table 3 continued

- <sup>1</sup> The Department's fiscal year 2024 annual report uses the names of the trust beneficiaries specified by the Enabling Act to label each of the trust funds.
- <sup>2</sup> The Department reported the contemporary names of the trust beneficiaries as of March 2025.
- <sup>3</sup> The Department transfers the permanent revenues to the State Treasurer, and the State Treasurer invests those permanent revenues and distributes monies to the beneficiaries according to a constitutional formula established in Ariz. Const. Art. 10, §7(G) (see Figure 2, page a-2 for more information about this process). As of May 2025, the State Treasurer had various resources available on its website regarding its distributions to the trust beneficiaries, including information about its investment strategy, monthly performance reports on the investments, and fiscal year distributions to trust beneficiaries (for more information about the State Treasurer's monthly distributions to trust beneficiaries, see the State Treasurer's website at <https://www.aztreasury.gov/>).

Source: Auditor General staff review of the Department's fiscal year 2024 annual report and Department-reported information.

### Department State trust land sale auctions completed from June 2016 to October 2024 without a disposition plan

---

As discussed in the Introduction (see page 2), the Department has the authority to sell State trust land at public auction.<sup>1</sup> According to Department-provided information, during the period when the Department sold State trust land without a disposition plan, from June 2016 through October 2024, the Department completed 97 land sale auctions for State trust land with winning bids totaling approximately \$2.6 billion, encompassing approximately 48,000 acres sold across 11 counties (see Finding 1, pages 10 through 15, for more information about the Department selling State trust land without a disposition plan).<sup>2,3</sup> For 69 of 97, or 71%, of completed State trust land sale auctions, the auction had a single bidder. Additionally, 24 of 97 land sales were Commissioner-initiated sales, with the land identified and brought to auction by the Department (see Finding 1, page 12, for more information about Commissioner-initiated land sales). Table 4, pages b-2 through b-10, provides Department-reported information for these 97 State trust land sale auctions, including each auction's number of bidders and bids, minimum bid amount, winning bid amount, and the name of the winning bidder.

---

<sup>1</sup> The Department can only sell State trust land with approval from the Board of Appeals to the highest and best bidder at public auction, and for no less than the appraised value of the land (see Introduction, page 2, for more information about the Department's responsibility to sell State trust land). According to the Department, the highest and best bidder is the bidder who both bids the highest amount and meets all requirements the Department establishes for the auction, such as the terms of sale.

<sup>2</sup> According to Department data, the Department did not complete a land sale auction in June or July 2016.

<sup>3</sup> According to Department data, the Department did not complete a land sale auction in Gila, Greenlee, Navajo, or Santa Cruz Counties.



**Table 4**

**Department sold approximately 48,000 acres of State trust land, with winning bids totaling approximately \$2.6 billion, at public auctions from June 2016 to October 2024**

*(Unaudited)*

<b>Auction date</b>	<b>Classification at time of application</b>	<b>Classification at time of sale</b>	<b>County</b>	<b>Acres</b>	<b>Number of bidders<sup>1</sup></b>	<b>Appraised value<sup>2</sup></b>	<b>Winning bid<sup>2,3</sup></b>	<b>Successful bidder</b>	<b>Number of bids</b>	<b>Commissioner-initiated<sup>4</sup></b>
08/17/2016	Commercial	Commercial	Coconino	54	1	\$1,950,000	\$1,950,000	Abbott-Rhoton Investments, LLC	1	No
09/21/2016	Grazing	Commercial	Maricopa	294	1	\$28,200,000.	\$28,200,000	City of Scottsdale	1	No
09/21/2016	Grazing	Commercial	Maricopa	121	1	\$2,172,600	\$2,172,600	City of Scottsdale	1	No
10/19/2016	Commercial	Commercial	Coconino	220	1	\$5,300,000	\$5,300,000	Coconino County	1	No
10/27/2016	Commercial	Commercial	Apache	18	1	\$65,000	\$65,000	Town of Eagar	1	No
11/16/2016	Commercial	Commercial	Maricopa	8	1	\$2,625,000	\$2,625,000	Westworld 15, LLC	1	Yes
05/25/2017	Commercial	Commercial	Maricopa	14	2	\$3,225,000	\$3,730,000	D.R. Horton, Inc.	38	Yes
06/14/2017	Commercial	Commercial	Maricopa	389	1	\$2,686,000	\$2,686,000	Buckeye Pollution Control Corporation	1	No
07/12/2017	Commercial	Commercial	Maricopa	84	4	\$20,000,000	\$23,900,000	Phoenix Retail Co., LLC	24	No
11/21/2017	Commercial	Commercial mixed use	Maricopa	58	2	\$14,000,000	\$14,000,000	Power 202 Mixed-Use, LLC	2	No
02/13/2018	Commercial	Commercial mixed use	Maricopa	66	1	\$31,000,000	\$31,000,000	Princess Hayden, LLC	1	No
04/25/2018	Commercial	Commercial	Maricopa	306	4	\$54,000,000	\$79,000,000	Dr. Horton, Inc.	152	No
06/06/2018	Commercial	Commercial mixed use	Maricopa	93	6	\$18,000,000	\$26,500,000	Sunbelt Land Holdings LP	37	Yes

**Table 4 continued**

<b>Auction date</b>	<b>Classification at time of application</b>	<b>Classification at time of sale</b>	<b>County</b>	<b>Acres</b>	<b>Number of bidders<sup>1</sup></b>	<b>Appraised value<sup>2</sup></b>	<b>Winning bid<sup>2,3</sup></b>	<b>Successful bidder</b>	<b>Number of bids</b>	<b>Commissioner-initiated<sup>4</sup></b>
07/17/2018	Commercial	Commercial	Maricopa	125	2	\$31,350,000	\$31,350,000	D.R. Horton, Inc.	1	Yes
07/23/2018	Grazing	Commercial	Pinal	7,391	1	\$5,827,934	\$5,827,934	ASARCO, LLC	1	No
08/08/2018	Suitable for planning	Commercial	Pima	210	1	\$10,625,000	\$10,625,000	KB Home tucson, Inc.	1	Yes
09/04/2018	Commercial	Commercial mixed use	Maricopa	229	1	\$83,000,000	\$83,000,000	Nationwide Realty Investors, Ltd., LLC	1	No
09/24/2018	Commercial	Commercial mixed use	Maricopa	23	5	\$4,620,000	\$7,200,000	Pederson Group, Inc.	18	No
11/07/2018	Commercial	Commercial	Maricopa	51	3	\$14,000,000	\$25,800,000	FAE Holdings 492096R, LLC	71	Yes
12/04/2018	Commercial	Commercial	Maricopa	140	1	\$22,575,000	\$22,575,000	Lennar Arizona, Inc.	1	Yes
12/05/2018	Commercial	Commercial	Maricopa	6	1	\$900,000	\$900,000	Pilot Travel Centers, LLC	1	No
12/06/2018	Commercial	Commercial	Maricopa	40	2	\$5,340,000	\$6,410,000	Desert Vista 100, LLC	40	Yes
02/26/2019	Agriculture	Commercial	Cochise	321	1	\$963,200	\$963,200	Sequoia Farm Foundation	1	No
05/22/2019	Commercial	Commercial	Pima	84	1	\$6,500,000	\$6,500,000	Vail School District #20	1	No
06/13/2019	Commercial	Commercial	Mohave	195	1	\$1,948,200	\$1,948,200	Mohave County Airport Authority	1	No
06/20/2019	Grazing	Commercial	Maricopa	54	1	\$10,250,000	\$10,250,000	FAE Holdings 503962R, LLC	1	Yes
09/04/2019	Grazing	Commercial	Pima	614	1	\$6,450,255	\$6,450,255	Robson Ranch Quail Creek, LLC	1	No

**Table 4 continued**

<b>Auction date</b>	<b>Classification at time of application</b>	<b>Classification at time of sale</b>	<b>County</b>	<b>Acres</b>	<b>Number of bidders<sup>1</sup></b>	<b>Appraised value<sup>2</sup></b>	<b>Winning bid<sup>2,3</sup></b>	<b>Successful bidder</b>	<b>Number of bids</b>	<b>Commissioner-initiated<sup>4</sup></b>
09/09/2019	Grazing	Commercial	Cochise	6	1	\$17,000	\$17,000	Enclave St. David, LLC	1	No
10/29/2019	Commercial	Commercial	Maricopa	80	1	\$22,400,000	\$22,400,000	FAE Holdings 507512R, LLC	1	Yes
01/06/2020	Grazing	Commercial	Yavapai	16,671	1	\$13,578,000	\$13,578,000	Freeport McMoRan Bagdad, Inc.	1	No
04/02/2020	Commercial	Commercial	Mohave	12	1	\$2,470,000	\$2,470,000	Gary Wells	1	No
09/10/2020	Commercial	Commercial	Maricopa	74	2	\$31,710,000	\$49,100,000	Axon Enterprise, Inc.	27	Yes <sup>5</sup>
10/22/2020	Commercial	Commercial	Coconino	405	1	\$10,536,000	\$10,536,000	STL405, LLC	1	No
10/27/2020	Commercial	Commercial	Maricopa	26	1	\$3,775,000	\$3,775,000	Vestar LPST, LLC	1	No
10/29/2020	Commercial	Commercial	Maricopa	1	1	\$60,475	\$60,475	D.R. Horton, Inc.	1	No
11/04/2020	Grazing	Commercial	Pinal	2,898	4	\$68,000,000	\$245,500,000	D. R. Horton, Inc.	118	No
12/09/2020	Grazing	Commercial	Maricopa	1,279	1	\$89,000,000	\$89,000,000	TSMC Arizona Corporation	1	No
12/16/2020	Commercial	Commercial	Maricopa	415	1	\$46,770,000	\$46,770,000	Shea Proctor Valley LLC	1	No
12/17/2020	Commercial	Commercial	Mohave	270	2	\$1,520,000	\$2,410,000	CSQ H95, LLLP	35	No
12/28/2020	Commercial	Commercial	Maricopa	10	1	\$4,600,000	\$4,600,000	City of Scottsdale	1	Yes
12/28/2020	Commercial	Commercial	Maricopa	7	4	\$1,150,000	\$1,150,000	City of Scottsdale	1	Yes
12/28/2020	Commercial	Commercial	Maricopa	2	1	\$1,230,000	\$1,230,000	City of Scottsdale	1	No

**Table 4 continued**

<b>Auction date</b>	<b>Classification at time of application</b>	<b>Classification at time of sale</b>	<b>County</b>	<b>Acres</b>	<b>Number of bidders<sup>1</sup></b>	<b>Appraised value<sup>2</sup></b>	<b>Winning bid<sup>2,3</sup></b>	<b>Successful bidder</b>	<b>Number of bids</b>	<b>Commissioner-initiated<sup>4</sup></b>
01/06/2021	Commercial	Commercial	Maricopa	328	4	\$46,925,000	\$72,600,000	Ashton Woods Arizona L.L.C.	257	Yes
02/04/2021	Commercial	Commercial	Pinal	26	2	\$2,350,000	\$2,350,000	BYPG Holdings, LLC	1	No
03/30/2021	Consistent with development plan	Commercial	Maricopa	224	2	\$55,080,000	\$65,000,000	DV Qof I, LLC	2	Yes <sup>5</sup>
03/31/2021	Grazing	Commercial	Pima	81	1	\$222,000	\$222,000	Tucson Trap & Skeet Club	1	No
04/12/2021	Commercial	Commercial	Maricopa	4	1	\$927,088	\$927,088	Arizona Public Service Company	1	No
06/02/2021	Consistent with development plan	Consistent with development plan	Maricopa	10	2	\$6,700,000	\$7,800,000	Sunbelt Skyway 202 L.P.	12	Yes
06/07/2021	Commercial	Commercial	Maricopa	374	4	\$105,000,000	\$175,500,000	Reserve 100, LLC	328	Yes
06/09/2021	Commercial	Commercial	Maricopa	105	1	\$10,000,000	\$10,250,000	CN Associates A, LLC	1	Yes
07/21/2021	Grazing	Commercial	Pima	185	3	\$14,500,000	\$44,000,000	AMH Escalera Development TRS, LLC	38	No
07/27/2021	Agriculture	Commercial	Pinal	6	1	\$257,000	\$257,000	Electrical District No. 3 of Pinal County	1	No
08/18/2021	Commercial	Commercial	Maricopa	65	2	\$10,545,000	\$13,500,000	Bela Flor Holdings, LLC	14	No

**Table 4 continued**

<b>Auction date</b>	<b>Classification at time of application</b>	<b>Classification at time of sale</b>	<b>County</b>	<b>Acres</b>	<b>Number of bidders<sup>1</sup></b>	<b>Appraised value<sup>2</sup></b>	<b>Winning bid<sup>2,3</sup></b>	<b>Successful bidder</b>	<b>Number of bids</b>	<b>Commissioner-initiated<sup>4</sup></b>
09/02/2021	Commercial	Commercial	Pima	1	3	\$180,000	\$520,000	Kevin F. Kinghorn	39	No
11/03/2021	Grazing	Commercial	Maricopa	110	1	\$2,410,000	\$2,410,000	TSMC Arizona Corporation	1	Yes <sup>5</sup>
12/01/2021	Commercial	Commercial	Maricopa	416	1	\$83,500,000	\$83,500,000	D. R. Horton, Inc.	1	No
12/01/2021	Commercial	Commercial	Maricopa	3	1	\$2,400	\$2,400	D. R. Horton, Inc.	1	No
12/15/2021	Commercial	Commercial	Maricopa	26	2	\$5,745,000	\$10,145,000	Pederson Group, Inc.	29	No
12/15/2021	Multi-classifications	Multi-classifications	Maricopa	358	1	\$139,750,000	\$139,750,000	Mayo Clinic Arizona	1	Yes
02/23/2022	Commercial	Commercial	Maricopa	194	1	\$33,100,000	\$33,100,000	64th and Mayo Bidder LLC	1	Yes
03/02/2022	Commercial	Commercial	Maricopa	1	1	\$4,800	\$4,800	ZT 56th Street at 101 NE Owner, LLC	1	No
03/07/2022	Multi-classifications	Commercial	Maricopa	127	4	\$58,580,000	\$125,000,000	MREG 101 Bell LLC	38	Yes
03/30/2022	Grazing	Commercial	Maricopa	3,508	1	\$49,110,000	\$49,110,000	BNSF Railway Company	1	No
04/13/2022	Commercial	Commercial	Maricopa	99	1	\$61,850,000	\$61,850,000	Hayden Loop 101 Investors, LLC	1	No
04/19/2022	Grazing	Commercial	Pinal	826	1	\$84,444,000	\$84,444,000	ES America, LLC	1	Yes <sup>5</sup>
05/04/2022	Commercial	Commercial	Mohave	19	1	\$1,540,000	\$1,540,000	Legacy Commercial Real Estate LLC	1	No

**Table 4 continued**

<b>Auction date</b>	<b>Classification at time of application</b>	<b>Classification at time of sale</b>	<b>County</b>	<b>Acres</b>	<b>Number of bidders<sup>1</sup></b>	<b>Appraised value<sup>2</sup></b>	<b>Winning bid<sup>2,3</sup></b>	<b>Successful bidder</b>	<b>Number of bids</b>	<b>Commissioner-initiated<sup>4</sup></b>
06/01/2022	Grazing	Commercial	Pinal	410	1	\$510,000	\$510,000	Arizona Department of Emergency and Military Affairs	1	No
06/01/2022	Commercial	Commercial	Pinal	388	1	\$1,975,000	\$1,975,000	Arizona Department of Emergency and Military Affairs	1	No
06/02/2022	Commercial	Commercial	Maricopa	165	1	\$62,700,000	\$62,700,000	NOVVA Holdings, LLC	1	No
06/06/2022	Grazing	Commercial	Graham	3	1	\$3,400	\$3,400	Page Giacin	1	No
08/02/2022	Grazing	Commercial	Pinal	2	1	\$325,000	\$325,000	Golder Ranch Fire District	1	No
10/12/2022	Commercial	Commercial	Maricopa	80	1	\$23,710,000	\$23,710,000	Rose Garden East LLC	1	No
11/01/2022	Commercial	Commercial	Maricopa	41	1	\$44,100,000	\$44,100,000	Garden Deer Valley LLC	1	Yes
11/02/2022	Commercial	Commercial	Coconino	8	1	\$1,420,000	\$1,420,000	Wanderland Flagstaff	1	No
11/03/2022	Grazing	Commercial	Cochise	40	1	\$64,544	\$64,544	Coronado Farms LLP dba Riverview LLP	1	No
11/16/2022	Consistent with development plan	Consistent with development plan	Maricopa	48	2	\$56,950,000	\$84,000,000	HonorHealth	80	No
11/22/2022	Commercial & unclassified	Commercial	Maricopa	1	1	\$2,750,000	\$2,750,000	1st & Farmer, LLC	1	No



**Table 4 continued**

<b>Auction date</b>	<b>Classification at time of application</b>	<b>Classification at time of sale</b>	<b>County</b>	<b>Acres</b>	<b>Number of bidders<sup>1</sup></b>	<b>Appraised value<sup>2</sup></b>	<b>Winning bid<sup>2,3</sup></b>	<b>Successful bidder</b>	<b>Number of bids</b>	<b>Commissioner-initiated<sup>4</sup></b>
12/21/2022	Commercial	Commercial	Maricopa	116	1	\$29,400,000	\$29,400,000	Vestar DRM-OPCO, LLC	1	No
12/27/2022	Consistent with development plan	Consistent with development plan	Maricopa	35	1	\$29,425,000	\$29,425,000	Halle Properties, LLC	1	No
03/08/2023	Commercial	Commercial	Maricopa	21	1	\$28,070,000	\$28,070,000	Legacy 76 LLC	1	No
03/29/2023	Consistent with development plan	Consistent with development plan	Maricopa	19	1	\$11,000,000	\$11,000,000	J&R Holdings XII, LLC	1	No
08/29/2023	Commercial	Commercial	Maricopa	165	1	\$62,700,000	\$62,700,000	NOVVA Holdings, LLC	1	No
09/26/2023	Consistent with development plan	Consistent with development plan	Maricopa	10	1	\$5,465,000	\$5,465,000	QuikTrip Corporation	1	No
09/28/2023	Commercial	Commercial	Mohave	169	4	\$7,400,000	\$24,000,000	FalconEye Ventures, LLC	23	No
11/21/2023	Multi-classifications	Commercial	Yavapai	2,284	1	\$6,255,000	\$6,255,000	City of Prescott	1	No
12/06/2023	Commercial	Commercial	La Paz	3	1	\$830,000	\$830,000	Wyatt McMurray	1	No
01/03/2024	Commercial	Commercial	Maricopa	80	4	\$15,700,000	\$32,300,000	Lennar Arizona, LLC	164	No
04/30/2024	Grazing	Commercial	Yavapai	40	1	\$366,100	\$366,100	Kay Mine USA Corp	1	No
05/29/2024	Multi-classifications	Commercial	Maricopa	2,341	1	\$56,280,000	\$56,280,000	Biscuit Flats Dev, LLC	1	No

**Table 4 continued**

Auction date	Classification at time of application	Classification at time of sale	County	Acres	Number of bidders <sup>1</sup>	Appraised value <sup>2</sup>	Winning bid <sup>2,3</sup>	Successful bidder	Number of bids	Commissioner-initiated <sup>4</sup>
06/03/2024	Commercial	Commercial	Coconino	522	4	\$11,378,000	\$17,500,000	Life Style Asset Management, LLC	27	No
06/04/2024	Commercial	Commercial	Maricopa	100	1	\$28,300,000	\$28,300,000	101 & Scottsdale, LLC	1	No
06/06/2024	Grazing	Commercial	Pinal	408	1	\$551,000	\$551,000	Gold Bond Building Products, LLC	1	No
06/11/2024	Suitable for planning	Consistent with development plan	Yuma	20	1	\$1,070,000	\$1,070,000	City of San Luis	1	No
06/26/2024	Commercial	Commercial	Maricopa	54	1	\$6,616,365	\$6,616,365	ZT 56th Street at 101 NW FS Owner, LLC	1	No
08/29/2024	Grazing	Commercial	Cochise	7	1	\$36,000	\$36,000	Barney Properties I, LLC	1	No
10/15/2024	Commercial	Commercial	Maricopa	48	1	\$20,900,000	\$20,900,000	6th & Mayo, Inc.	1	No
10/17/2024	Commercial	Commercial	Maricopa	275	4	\$46,275,000	\$63,000,000	Pulte Home Company, LLC	38	No
<b>Total</b>				<b>48,360</b>			<b>\$2,562,929,362</b>			

<sup>1</sup> The number of bidders in this column represents the number of individuals who registered with the Department to bid at each auction. However, not all registered individuals may have placed bids.

<sup>2</sup> The appraised value represents the value of the land at auction as determined by the Department's engaged appraiser, and the winning bid represents the bid amount at which the land was sold. According to the Department, the appraised value of the land is the minimum value it can and will set as the minimum bid. The appraised value and winning bid may not always be the same when there is only 1 bidder at an auction because the bidder can submit a higher bid than the minimum bid.

<sup>3</sup> On average, auctions with more than 1 bidder had winning bids approximately 68% higher than the land's appraised value, and auctions with 1 bidder, on average, only had winning bids approximately 0.04% higher than the land's appraised value.

## Table 4 continued

- <sup>4</sup> The Department reported that Commissioner-initiated sales are sales where the Commissioner determined that a piece of State trust land was appropriate for sale and believed the sale was in the best interest of the trust. Other sales are driven by the Department's receipt of applications from potential buyers (see Finding 1, pages 11 through 12, for more information about application-driven and Commissioner-initiated sales).
- <sup>5</sup> The Department reported that this Commissioner-initiated land sale was the result of collaboration with the Arizona Commerce Authority.

Source: Auditor General staff review of the Department's auction history data.

### Department maintains a State trust land parcel viewer that presents information on parcels of State trust land

---

As discussed in the Sunset Factors, page 27, the Department maintains a public-facing parcel viewer that provides the public with information about State trust land, such as parcel locations, parcel acreage, and the types of leases for State land parcels as applicable. Because the Department has not entered all State trust land records into its GIS, which serves as the basis for its parcel viewer, the maps presented in this appendix may contain some inaccuracies regarding the status of State trust land (see Sunset Factors, pages 27 through 28, for more information on the records the Department has not entered into its GIS).

The Department's parcel viewer displays the following classification statuses of State trust land:

▶ **Unleased**

State trust land not leased for any purpose.

▶ **Agricultural**

State trust land leased for agricultural purposes, such as for the growing of crops.

▶ **Commercial**

State trust land leased for commercial purposes, such as for office or retail buildings.

▶ **Grazing**

State trust land leased to graze livestock animals.

▶ **Homesites**

Permits for personal residences on State trust land.

▶ **United States Government Exclusive Use**

State trust land leased to the federal government for its exclusive use.

▶ **Institutional**

State trust land leased to an organization for a specific institutional purpose, such as schools and prisons.

▶ **Mineral Surface**

Permits for the use of the surface of State trust land for mining purposes when the Department does not control the subsurface rights.

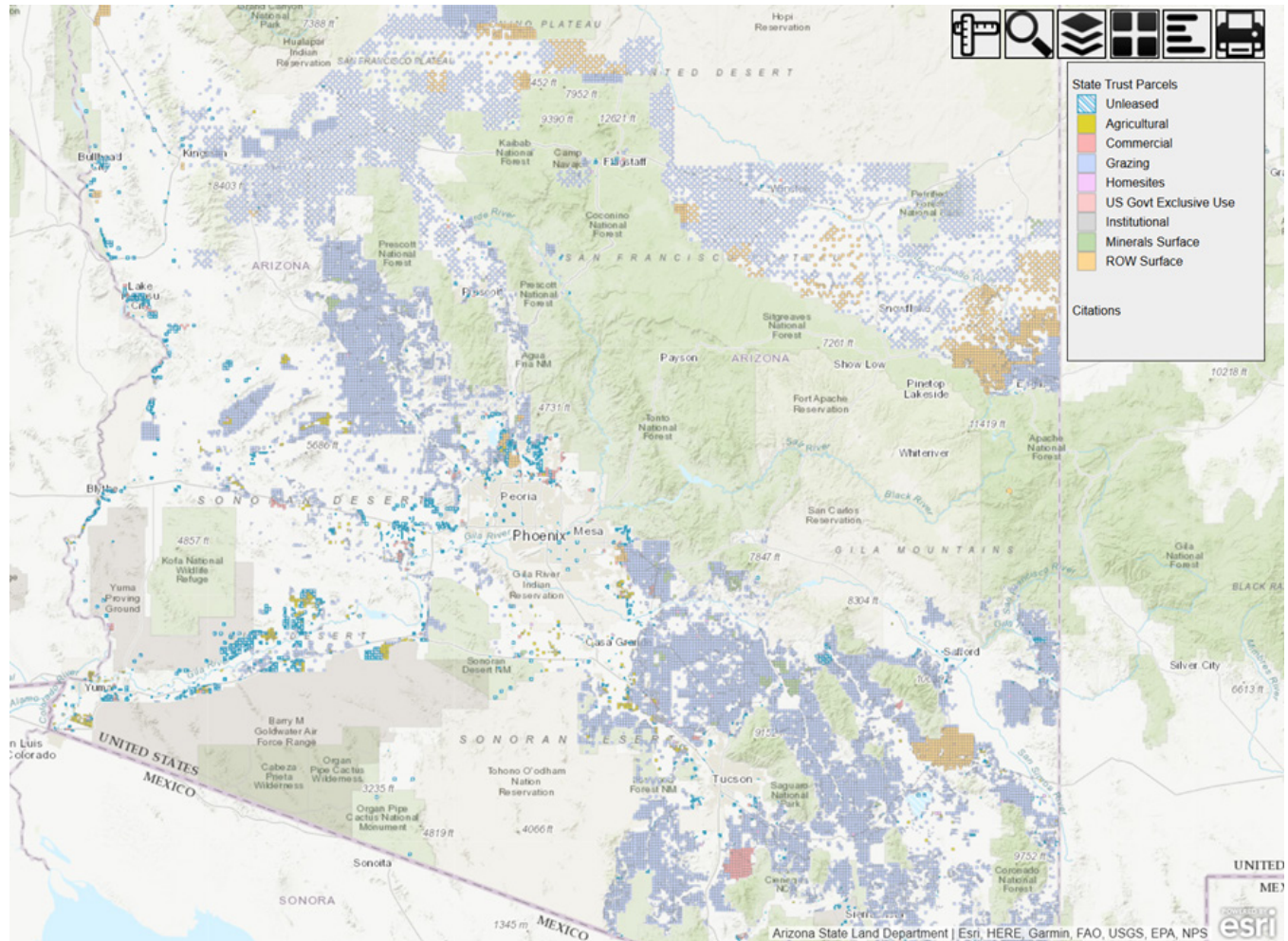
▶ **Right-of-Way (ROW) Surface**

Permits for temporary access to State trust land associated with another lease or permit, such as for conducting studies of the physical characteristics of State trust land.

This appendix presents a map of the location of State trust land in the State from the Department's parcel viewer (see Figure 3) and a map showing the classifications for various parcels of State trust land in the Phoenix metropolitan area and its surroundings from the Department's parcel viewer (see Figure 4, page c-3).

**Figure 3**

**Department's parcel viewer shows the location of State trust land parcels across the State**

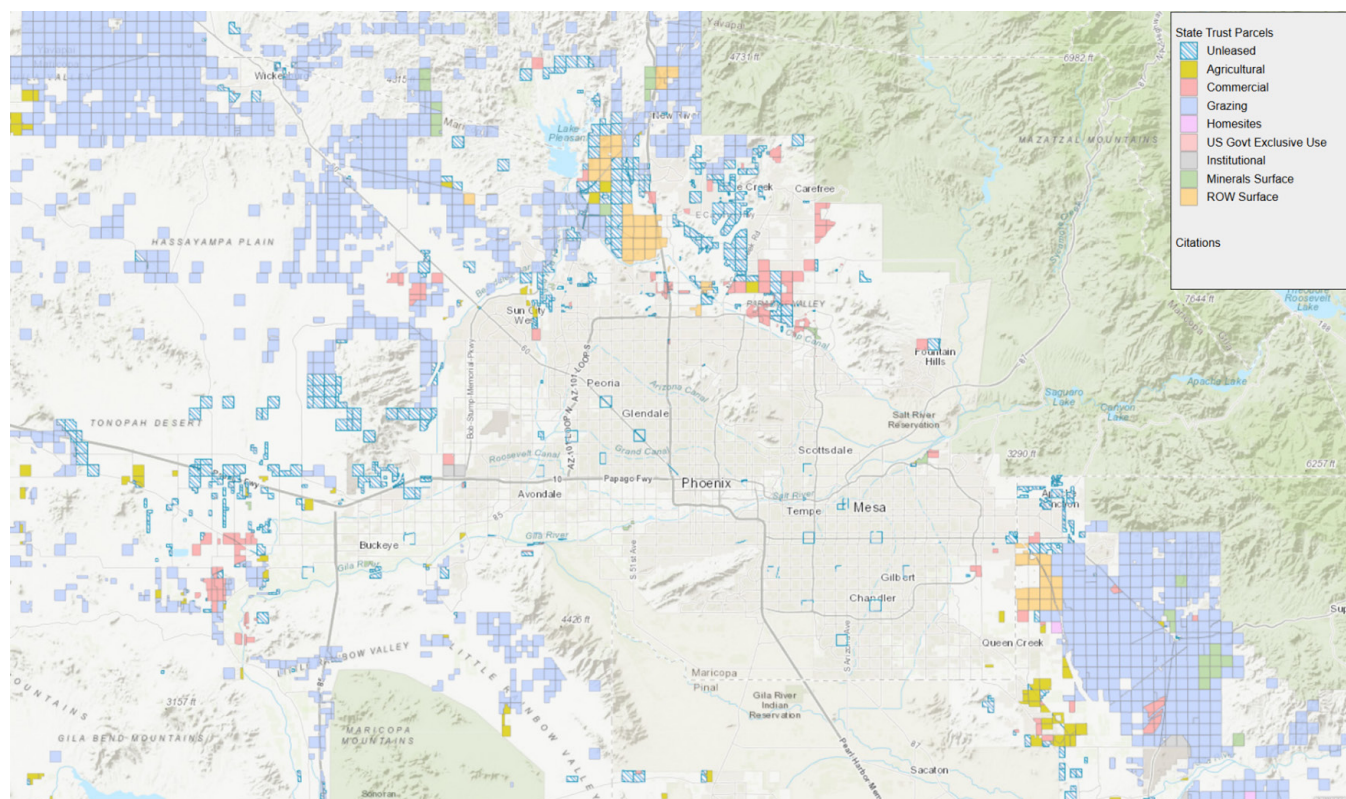


Source: The Department's parcel viewer obtained from the Department's website.



## Figure 4

Department's parcel viewer provides information on the types of leases for State trust land, including in the Phoenix metropolitan area<sup>1</sup>



<sup>1</sup> Each parcel in the parcel viewer can be selected to provide additional parcel-specific information, such as the lease number and lessee name if the parcel is leased.

Source: The Department's parcel viewer obtained from the Department's website.



## Objectives, scope, and methodology

---

The Arizona Auditor General has conducted this performance audit and sunset review of the Department pursuant to a November 21, 2022, 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 Department's statutes, rules, and policies and procedures; interviewing Department staff; and reviewing Department records and information from the Department's annual report and website.

In addition, we used the following specific methods to meet the audit objectives:

- ▶ To assess whether the Department developed statutorily required 5-year disposition plans for all State trust land and sold land with a disposition plan, we reviewed the Department's May 2011 disposition plan, auction history information and documentation, and fiscal years 2025 through 2029 strategic plan. Additionally, to gather information about the Department's current process for selling State trust land we reviewed documentation associated with completed Department land sale auctions, including applications, letters to applicants, and appraisals. Further, we reviewed recommended practices for state trust land planning from the United States Bureau of Land Management and the Lincoln Institute of Land Policy.<sup>1</sup>
- ▶ To assess whether the Department has conducted reclamation inspections and released associated reclamation bonds for mineral-related leases and permits in compliance with its policies, procedures, and lease provisions, we reviewed a random sample of 5 of 14 mineral material leases, 4 of 28 mineral leases, and 9 of 2,117 mineral exploration permits that were closed in the Department's IT system between fiscal years 2014 and 2024. For these mineral-related leases and permits, we reviewed documentation associated with the lease/permit, such as inspection documentation, Department correspondence with lessees/permittees, and lease/permit provisions.
- ▶ To assess the impact of the Department not entering some State trust land records into its GIS, we reviewed the Department's public-facing parcel viewer and documentation regarding the records it had not entered into its GIS, including its fiscal year 2026 IT strategic plan.
- ▶ To assess the Department's compliance with the SAAM's requirements related to timely billing and depositing monies, we reviewed Department documentation related to an

---

<sup>1</sup> Culp, P.W., et.al. (2015). *State Trust Lands in the West: Fiduciary duty in a changing landscape*. Lincoln Institute of Land Policy. Retrieved 2/29/2025 from <https://www.lincolnst.edu/publications/policy-focus-reports/state-trust-lands-in-west-updated-edition/>; U.S. Bureau of Land Management (2012). *Lower Sonoran record of decision and approved resource management plan*. Retrieved 2/26/2025 from [https://eplanning.blm.gov/public\\_projects/lup/11856/40127/42156/01-LSDA\\_ROD-ARMP\\_FINAL\\_2012-09-19\\_web-with-Links\\_sans-map-pages.pdf](https://eplanning.blm.gov/public_projects/lup/11856/40127/42156/01-LSDA_ROD-ARMP_FINAL_2012-09-19_web-with-Links_sans-map-pages.pdf)

incident in which the Department returned a check, such as Department emails, billing documentation, and a related public records request.<sup>2,3</sup>

- ▶ To assess the Department's well-inspection program, we reviewed the Department's fiscal years 2025 through 2029 strategic plan and Department documentation relating to the program.
- ▶ To assess whether the Department used purchase cards, a central travel account, and made travel reimbursements consistent with the SAAM and Department policies and procedures, we reviewed 54 of 296 fiscal years 2023 and 2024 Department purchasing card and central travel account transactions and travel reimbursements totaling approximately \$20,500.
- ▶ To assess whether the Department complied with the SAAM and State law when paying for employee recognition activities, including purchasing and distributing gift cards, we reviewed Department documentation associated with 10 Department fiscal years 2023 and 2024 purchasing card transactions related to employee recognition activities, including the purchase of gift cards for employee awards and holiday parties, comprising approximately \$3,000.
- ▶ To assess whether the Department has developed Arizona Department of Homeland Security (ADOHS)-required IT security and data procedures or complied with ADOHS' State-wide policies, we reviewed the Department's IT security policy and procedure documents.
- ▶ To assess whether the Department may be unable to meet some of its statutory responsibilities related to State trust land planning, we reviewed information related to the membership of the Urban Land Planning Oversight Committee.
- ▶ To assess the extent to which the Department's key statutory objectives and purposes duplicate the objectives and purposes of other governmental agencies or private enterprises, we reviewed the State of Arizona Master List of Government Programs, the Department's statutory responsibilities related to developing use plans and performing inspections of mineral leases, and the Department's drafted memorandum of understanding with the State Mine Inspector.<sup>4</sup>
- ▶ To assess the extent to which rules the Department adopted are consistent with the legislative mandate, we identified 10 Department statutes that require rules and reviewed the Department's corresponding rules.

---

<sup>2</sup> Arizona General Accounting Office (GAO). (2022). State of Arizona Accounting Manual (SAAM) 0510. *Arizona Department of Administration*. Retrieved 11/21/2024 from <https://gao.az.gov/sites/default/files/2022-04/0510%2520Internal%2520Controls%2520by%2520Process%2520-%2520220404.pdf>

<sup>3</sup> Arizona General Accounting Office (GAO). (2015). State of Arizona Accounting Manual (SAAM) 2020. *Arizona Department of Administration*. Retrieved 11/21/2024 from <https://gao.az.gov/sites/default/files/2022-05/2020%2520Accounts%2520Receivable%2520and%2520Billings%2520151223.pdf>

<sup>4</sup> State of Arizona. (2024). *Master list of State government programs State agencies' five year strategic plans and cabinet agencies' strategic plan summaries*. Retrieved 1/9/2025 from <https://www.azospb.gov/documents/2025/FY%202026%20Master%20List.pdf>

- ▶ To assess the Department's compliance with the State's open meeting law requirements, we observed 6 Board public meetings and 2 Council public meetings held between September 2024 and February 2025 and reviewed these meeting's notices, agendas, and minutes.
- ▶ To assess the Department's compliance with the State's public records law, we reviewed statutes and recommended practices from the Arizona Ombudsman-Citizens' Aide Office and the Arizona Attorney General's Arizona Agency Handbook.<sup>5</sup> Additionally, to assess the Department's compliance with public records law and Department policy, and whether it implemented recommended practices, we reviewed a stratified random sample of 15 of 1,368 open and closed public records requests the Department received between September 2022 and September 2024 and a judgmentally selected sample of the 5 oldest open public records requests as of September 2024.<sup>6</sup>
- ▶ To assess the Department's compliance with State conflict-of-interest requirements and alignment with recommended practices, we reviewed statute and State requirements, recommended practices, the Board's special disclosure file, and the Department's and the Board's conflict-of-interest disclosure forms.<sup>7,8,9,10</sup> We also reviewed a judgmental sample of conflict-of-interest disclosure forms for 7 employees who are all division directors and all positions in the Commissioner's office with decision-making authority, and a random sample of conflict-of-interest disclosure forms for 6 of the remaining 88 Department staff employed as of October 2024. Further, we reviewed all 2 conflict-of-interest disclosure forms in the Board's special file.
- ▶ To assess the Department's processes for handling complaints, we reviewed a stratified random sample of 40 of 9,385 inquiry and complaint cases the Department received between October 2022 and October 2024 and judgmentally selected the oldest open case

<sup>5</sup> Arizona Ombudsman-Citizens' Aide. (2023). *Arizona public records law*. Retrieved 11/7/2024 from <https://www.azoca.gov/wp-content/uploads/Public-Records-Law-Booklet-2023.pdf>; Arizona Office of the Attorney General (AAG). (2018). *Arizona agency handbook*. Retrieved 11/7/2024 from <https://www.azag.gov/outreach/publications/agency-handbook>

<sup>6</sup> Specifically, we randomly selected 5 of 82 open cases, excluding the 5 open cases we judgmentally selected, and 10 of 1,281 closed cases as of September 2024.

<sup>7</sup> A.R.S. §38-503; AAG, 2018.

<sup>8</sup> Recommended practices we reviewed included: The World Bank, Organization for Economic Cooperation and Development (OECD), & United Nations Office on Drugs and Crime (UNODC). (2020). *Preventing and managing conflicts of interest in the public sector: Good practices guide*. Retrieved 3/18/2025 from <https://www.unodc.org/documents/corruption/Publications/2020/Preventing-and-Managing-Conflicts-of-Interest-in-the-Public-Sector-Good-Practices-Guide.pdf>; Ethics & Compliance Initiative (ECI). (2021). *Conflicts of interest: An ECI benchmarking group resource*. Retrieved 3/18/2025 from <https://www.ethics.org/wp-content/uploads/mdocs/2021-ECI-WP-Conflicts-of-Interest-Defining-Preventing-Identifying-Addressing.pdf>; and New York State Authorities Budget Office (NYS ABO). (n.d.). *Conflict of interest policy for public authorities*. Retrieved 3/18/2025 from <https://www.abo.ny.gov/recommendedpractices/ConflictofInterestPolicy.pdf>

<sup>9</sup> Arizona Department of Administration (ADOA). (2024). *State personnel system: Employee handbook*. Retrieved 3/18/2025 from [https://drive.google.com/file/d/12uumNZLSBkfp33AaL9uHym0K9e6l9\\_II/view](https://drive.google.com/file/d/12uumNZLSBkfp33AaL9uHym0K9e6l9_II/view)

<sup>10</sup> 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. Our recommendations are based on recommended practices for managing conflicts of interest in government and are designed to help ensure compliance with State conflict-of-interest requirements. See, for example, Arizona Auditor General reports 24-211 *Concho Elementary School District*, 21-404 *Wickenburg Unified School District—Criminal indictment—Conflict of interest, fraudulent schemes, and forgery*, 19-105 *Arizona School Facilities Board—Building Renewal Grant Fund*, and 17-405 *Pine-Strawberry Water Improvement District—Theft and misuse of public monies*.

as of October 2024 to determine whether the cases were inquiries or complaints.<sup>11,12</sup> We determined that a case was a complaint if it alleged potential safety hazards on State trust land, alleged trespass or another violation of law, or alleged wrongdoing on the part of the Department. We reviewed the first 5 open and first 3 closed complaints we identified.

- ▶ To obtain additional information for the Sunset Factors, we reviewed Department rulemakings finalized between January 2021 and August 2024, the Department's 5-year review reports submitted to GRRC between October 2023 and April 2024, and GRRC's meeting minutes approving those reports between March 2024 and August 2024.
- ▶ To obtain information for Appendix A, we reviewed information from the Office of the Arizona State Treasurer, the State Board of Investment's March 2025 monthly report, the Department's fiscal year 2024 annual report, Department financial documentation used to develop its annual report, and the Department's monthly distribution summary reports from fiscal year 2024.
- ▶ To obtain information for Appendix B, we reviewed the Department's auction history information and documentation from July 1, 2016 through October 8, 2024. Specifically, we selected a random sample of 10 of 95 land sale auctions the Department completed between July 1, 2016 and October 8, 2024, and reviewed documentation associated with each sampled land sale auction, including auction notices, bid tabulation sheets, bidder lists, and documentation related to winning bidders to determine the reliability of the Department's data.<sup>13</sup>
- ▶ To obtain information for Appendix C, we reviewed the Department's public-facing parcel viewer.
- ▶ To obtain information for the Introduction, we reviewed Department-prepared information regarding staffing and vacancies, the Department's fiscal year 2024 annual report, the Arizona-New Mexico Enabling Act of 1910, the State Constitution, session laws, and State Senate research. In addition, we compiled and analyzed unaudited information from the Arizona Financial Information System/AZ360 Accounting Event Transaction File, the State of Arizona Annual Financial Report for fiscal years 2023 and 2024, the Department's internal beneficiary reports, and Department-prepared estimates for fiscal year 2025.
- ▶ Our work on internal controls, including information system controls, included reviewing the Department's policies and procedures and, where applicable, testing Department compliance with these policies and procedures, and assessing compliance with State statutes and State and federal regulations.

---

<sup>11</sup> As of November 2024, the Department did not have a specific category for complaints in its public information portal and instead included these complaints under the categories of inquiries or trespass reports.

<sup>12</sup> Specifically, we randomly selected 20 of 603 remaining open cases and 20 of 8,781 closed cases as of October 2024.

<sup>13</sup> The Department reported that for each land sale, it determined how State trust land was classified at the time of application and at the time of sale using information in its OASIS system. However, the Department further reported that, as of December 2024, its OASIS system had been decommissioned.

Our work included reviewing the following components and associated principles of internal controls:

- Risk assessment and the development of risk responses.
- Control activities including the design of control activities and proper execution of financial transactions.
- Internal control system monitoring.

We reported our conclusions on applicable internal controls in Findings 1 and 2, and Sunset Factors 2, 5, and 8.

We selected our audit samples 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 of the Department 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 Commissioner and Department staff for their cooperation and assistance throughout the audit.

## DEPARTMENT RESPONSE

**The subsequent pages were written by the Department to provide a response to each of the findings and to indicate its intention regarding implementation of each of the recommendations resulting from the audit conducted by the Arizona Auditor General.**

---



Katie Hobbs  
Governor



Robyn Sahid  
Commissioner

July 1, 2025

Lindsey A. Perry  
Auditor General  
2910 N. 44<sup>th</sup> Street, Suite 410  
Phoenix, Arizona 85018

Dear Ms. Perry,

Thank you for providing us with a final report draft of the Arizona State Land Department Sunset Review Report. We appreciate the opportunity to respond. Attached, please find our final response to the audit findings and recommendations.

Please feel free to contact me with any questions.

Sincerely,

A handwritten signature in blue ink that reads "Robyn Sahid".

Robyn Sahid  
Commissioner

**Finding 1:** Department failed to develop statutorily required 5-year disposition plans, risking difficulties demonstrating State trust land sales were transparent and in trust beneficiaries' interest.

Department response: The Auditor General's finding is agreed to.

Response explanation: We agree to the first statement, but not the conclusion drawn here.

**Recommendation 1:** Develop and implement an updated 5-year disposition plan for all State trust land, as required by statute.

Department response: The audit recommendation will be implemented in a different manner.

Response explanation: The Urban Land Planning Oversight Committee is not currently constituted and the Department may pursue changes to statute.

**Recommendation 2:** Develop and implement written policies and procedures for developing 5-year disposition plans for State trust land, including reviewing and updating the plans annually as needed, as required by statute.

Department response: The audit recommendation will be implemented in a different manner.

Response explanation: The Department may pursue changes to statute.

**Recommendation 3:** Develop and implement written policies and procedures for using its updated 5-year disposition plan to make determinations regarding whether to sell State trust land, including for application-driven land sales.

Department response: The audit recommendation will be implemented in a different manner.

Response explanation: Although not required by statute the Department will implement written policies and procedures for evaluating applicant driven sales.

**Recommendation 4:** Develop and implement written policies, procedures, and/or guidance for selling State trust land at the Commissioner's initiative, such as using its updated 5-year disposition plan to guide the Commissioner's decision-making process.

Department response: The audit recommendation will not be implemented.

Response explanation: This is not required by statute and may conflict with the judgment of the Commissioner.

**Finding 2:** Department did not inspect land or release bonds for some mineral-related leases and permits, and released bonds for some uninspected permits,

placing public safety at risk and potentially not returning bond monies to some lessees and permittees who restored land.

Department response: The Auditor General's finding is agreed to.

**Recommendation 5:** Identify and conduct reclamation inspections for closed mineral leases, mineral material leases, and mineral exploration permits, in accordance with Department policies and procedures.

Department response: The audit recommendation will be implemented.

Response explanation: The Department's standard work for canceling permits/leases and conducting associated reclamation inspections and bond releases are being updated within Salesforce.

**Recommendation 6:** Release reclamation bonds only after the Department has determined that the land has been restored, such as by conducting a reclamation inspection.

Department response: The audit recommendation will be implemented.

Response explanation: The Department's standard work for canceling permits/leases and conducting associated reclamation inspections and bond releases are being updated within Salesforce.

**Recommendation 7:** Implement our 2007 audit recommendation to cross-train staff on conducting reclamation inspections.

Department response: The audit recommendation will be implemented.

Response explanation: The Department will train Field Services staff so they may conduct reclamation inspections.

**Recommendation 8:** Obtain and document reclamation bonds for all mineral leases, mineral material leases, and mineral exploration permits.

Department response: The audit recommendation will be implemented.

Response explanation: The Department has implemented a new method of documenting and providing status updates for reclamation bonds within Salesforce.

**Recommendation 9:** Revise and implement changes to its reclamation inspection policies and procedures that establish an updated process for documenting reclamation inspections in the Department's updated IT system.

Department response: The audit recommendation will be implemented.

Response explanation: The Department's standard work for canceling permits/leases and conducting associated reclamation inspections and bond releases are being updated within Salesforce.

**Recommendation 10:** Revise and implement changes to its reclamation inspection policies and procedures that establish a process for Department staff to close leases and permits in the Department's system upon their expiration or cancellation.

Department response: The audit recommendation will be implemented.

Response explanation: The Department's standard work for canceling permits/leases and conducting associated reclamation inspections and bond releases are being updated within Salesforce.

**Recommendation 11:** Revise and implement changes to its reclamation inspection policies and procedures that establish a process for periodically ensuring that all active mineral and mineral material leases and permits have associated bonds that are accessible by the Department.

Department response: The audit recommendation will be implemented.

Response explanation: The new method mentioned in Recommendation 8 allows the Department to track bonds and their associated permit/leases, as well as track the expiration dates of surety bonds more easily.

**Recommendation 12:** Revise and implement changes to its reclamation inspection policies and procedures that establish a required reclamation inspection for all mineral exploration permits or a process for determining and documenting when an inspection is not necessary.

Department response: The audit recommendation will be implemented.

Response explanation: The Department's standard work for reclamation inspections and bond releases are being updated within Salesforce.

**Recommendation 13:** Revise and implement changes to its reclamation inspection policies and procedures that establish a process for periodically reviewing and updating policies and procedures to ensure that inspection guidance is consistent.

Department response: The audit recommendation will be implemented.

Response explanation: The Department's standard work for canceling permits/leases and conducting associated reclamation inspections and bond releases are being updated within Salesforce.

**Sunset factor 2:** The Department's effectiveness and efficiency in fulfilling its key statutory objectives and purposes.

**Department has not entered some State trust land records into its geographic information system (GIS), increasing the risk of Department sharing inaccurate information with other public entities and the public and making erroneous land use decisions.**

Department response: The Auditor General's finding is agreed to.

Response explanation: There is no policy or statute that requires trust land records be entered into a GIS system. However, the Department has decided it is in its best interest to have these records digitized.

**Recommendation 14:** Identify and implement a solution to enter all outstanding State trust land records into the GIS.

Department response: The audit recommendation will be implemented.

Response explanation: The Department is compiling a plan to address the GIS backlog and will seek additional resources as needed.

**Department did not timely deposit checks or bill customers for amounts due as required by the State of Arizona Accounting Manual (SAAM).**

Department response: The Auditor General's finding is agreed to.

**Recommendation 15:** Develop and implement Department-wide policies and procedures for the billing of lessees and permittees that establish the assignment of responsibilities to each division that conducts billing, such as requirements to generate invoices.

Department response: The audit recommendation will be implemented.

Response explanation: Policies and Procedures will be established and implemented.

**Recommendation 16:** Develop and implement Department-wide policies and procedures for the billing of lessees and permittees that establish a process for sending billing statements for the amount due on a timely basis.

Department response: The audit recommendation will be implemented.

Response explanation: Policies and Procedures will be established and implemented.

**Recommendation 17:** Develop and implement Department-wide policies and procedures for the billing of lessees and permittees that establish a process for depositing cash received by the end of the business day if it totals \$1,000 or more.

Department response: The audit recommendation will be implemented.

Response explanation: The Department will add this to both the current deposit process as well as the current deposit approval process to ensure adherence.

**Department lacks some policies and procedures for its well-inspection process.**

Department response: The Auditor General's finding is agreed to.

**Recommendation 18:** Develop policies and procedures for the well-inspection program that include well-inspection goals and the prioritization process for which wells to inspect, in accordance with the goals.

Department response: The audit recommendation will be implemented.

**Department did not always use purchasing cards or a central travel account or make travel reimbursements consistent with the SAAM and Department policies and procedures.**

Department response: The Auditor General's finding is agreed to.

Response explanation: The Department's travel policy will be revamped with added details to ensure users and approvers have specific guidelines to follow for travel purposes. Payroll staff and approvers will also be retrained on the travel policy to limit possibilities of overpayment.

**Recommendation 19:** Develop and implement policies and procedures for travel reimbursements that require staff to provide itemized receipts and calculate mileage in accordance with the SAAM to support that reimbursements are within the SAAM-allowable limits.

Department response: The audit recommendation will be implemented.

Response explanation: This will be implemented in tandem with the previous response.

**Recommendation 20:** Train staff who use purchasing cards and central travel accounts and submit travel reimbursements, and supervisory staff responsible for reviewing related transactions and reimbursements on a periodic basis, to ensure that these transactions and reimbursements comply with the SAAM and Department policies and procedures, and have staff and supervisors acknowledge understanding of the policies and procedures.

Department response: The audit recommendation will be implemented.

Response explanation: PCard/ CTA users, Payroll staff, and approvers will be trained on the revamped travel policy to mitigate possible overpayments.

**Department inappropriately used Trust Land Management Fund and State General Fund monies to pay for some activities it reported were for employee recognition and could not demonstrate the public purpose for these expenditures.**

Department response: The Auditor General's finding is agreed to.

Response explanation: The Department is now aware of the appropriate funding source for employee engagement activities and has already implemented changes.

**Recommendation 21:** Discontinue the use of prohibited funds to pay for employee-recognition expenditures and instead use only funds allowed by the SAAM and State law.

Department response: The audit recommendation will be implemented.

Response explanation: The Department has discontinued the use of prohibited monies for gift card or holiday party activities.

**Recommendation 22:** Conduct a review to identify all expenditures for employee-recognition purposes paid for using monies from prohibited funds in addition to the 10 transactions we identified, and, in consultation with its Assistant Attorney General, determine whether and how to seek reimbursement from employees and/or reimburse the prohibited funds, such as the State General Fund and Trust Land Management Fund, and take any actions as decided.

Department response: The audit recommendation will be implemented.

Response explanation: The Department will conduct the review and consult with the Attorney General's office for guidance.

**Recommendation 23:** Develop and implement an employee-recognition policy that requires staff to use only the Department's employee-recognition fund to pay for employee-recognition expenditures and outlines the factors to be used for decisions regarding employee-recognition reward distributions, and the required documentation to demonstrate the public purpose of employee-recognition expenditures.

Department response: The audit recommendation will be implemented.

Response explanation: The employee recognition policy will be updated to include appropriate use as well as highlight prohibited uses to avoid future confusion. Appropriate documentation will be required and retained on file for all employee recognition expenses.

### **Department did not distribute gift cards used for reported "employee-recognition" purposes in compliance with the SAAM.**

Department response: The Auditor General's finding is agreed to.

Response explanation: The Department agrees with the finding and will utilize gift cards in accordance with the SAAM.

**Recommendation 24:** Develop and implement policies and procedures to help ensure compliance with the SAAM requirements for gift cards that establish a process for documenting the distribution of gift cards on a log or equivalent record.

Department response: The audit recommendation will be implemented.

Response explanation: A procedure in compliance with SAAM will be developed and will require review by the Department Chief Financial Officer on a consistent basis.

**Recommendation 25:** Develop and implement policies and procedures to help ensure compliance with the SAAM requirements for gift cards that establish a process for performing monthly reconciliations of gift cards to the gift card logs.



Department response: The audit recommendation will be implemented.

Response explanation: Policies and procedures will be developed to ensure the Department remains in compliance with SAAM.

**Recommendation 26:** Develop and implement policies and procedures to help ensure compliance with the SAAM requirements for gift cards that establish a process for reporting gift card awards as taxable income.

Department response: The audit recommendation will be implemented.

Response explanation: The aforementioned policies and procedures to be developed will include a process for reporting and documenting gift cards as taxable income to employees.

**Department did not comply with some State information technology (IT) policy requirements or develop required procedures.**

Department response: The Auditor General's finding is agreed to.

Response explanation: The Department has been actively working to address this

**Recommendation 27:** Develop and implement a written plan that outlines key steps it will take to develop and implement all required IT security procedures in line with ADOHS requirements, including outlining associated completion deadlines and assigned staff responsibilities.

Department response: The audit recommendation will be implemented.

Response explanation: As part of its response to annual financial audits, the Department has a plan it is currently implementing to address non-compliance with state security policies. This plan includes key steps and assigned staff.

**All 5 positions on the Urban Land Planning Oversight Committee, which are Governor-appointed, have been vacant since at least January 2018.**

Department response: The Auditor General's finding is agreed to.

**Recommendation 28:** If the Department believes that statutory changes are needed to remove the requirement for the Urban Land Planning Oversight Committee to review its use and disposition plans, it should work with the Governor's Office to seek approval to pursue statutory changes and if approved, work with the Legislature to modify statute accordingly.

Department response: The audit recommendation will be implemented.

**Recommendation 29:** If statutory changes are not enacted pursuant to Recommendation 28, work with the Governor's Office to fill the vacancies on the Urban Land Planning

Oversight Committee to ensure that the Committee can review the Department's use and disposition plans for State trust land as required by statute.

Department response: The audit recommendation will be implemented.

**Sunset factor 3:** The extent to which the Department's key statutory objectives and purposes duplicate the objectives and purposes of other governmental agencies or private enterprises.

**Department reported that it has not developed use plans since at least calendar year 2011.**

Department response: The Auditor General's finding is agreed to.

Response explanation: Since 2011, the Department has worked with local jurisdictions to develop future land use plans through the local General Plan process.

**Recommendation 30:** If the Department believes that statutory changes are needed to remove the requirement to develop conceptual land use plans for urban State trust land, it should work with the Legislature to modify statute.

Department response: The audit recommendation will be implemented.

**Recommendation 31:** If statutory changes are not enacted pursuant to Recommendation 30, develop conceptual land use plans for urban State trust land and consult with the city, town, or county (local entity) where the land is located regarding integrating the use plan into the local entity's general land use plan, as required by statute.

Department response: The audit recommendation will be implemented in a different manner.

Response explanation: The statutory requirement for local jurisdictions to create General Plans and update them on a 10-year cycle is redundant to the requirement that the Department develop State Conceptual Land Use Plans. ASLD plans to continue working with local jurisdictions during their General Plan updates and to seek legislative relief from this redundant statutory requirement.

**Department is in the process of negotiating a memorandum of understanding with the State Mine Inspector to coordinate the agencies' duties regarding mitigating the risks associated with abandoned mines.**

Department response: The Auditor General's finding is agreed to.

**Recommendation 32:** Continue to work with the State Mine Inspector to finalize its draft memorandum of understanding.

Department response: The audit recommendation will be implemented.

Response explanation: The Department will continue outreach to the State Mine Inspector to obtain final concurrence on, and execution of, the draft memorandum of understanding.

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

**Department has not adopted rules required by 1 statute and adopted some rules that did not meet all criteria established in 2 statutes.**

Department response: The Auditor General's finding is agreed to.

Response explanation: The Department agrees that there are rules which do not meet criteria as prescribed by statute. Until recent history, the Department has been outside of compliance relative to rules. The Department now has a team in place who is systemically reviewing all rules and applicable statutes and additionally creating applicable internal policies and procedures to ensure the Department does not fall behind in compliance with statutory and rule mandates in the future.

**Recommendation 33:** Adopt rules as required by A.R.S. §§37-107, 37-604, and 37-615. If the Department believes the rules are not necessary, it should work with the Legislature to modify statute to remove the rulemaking requirements.

Department response: The audit recommendation will be implemented.

Response explanation: The Department concurs with these findings and intends to either amend the rules or work toward amendments to legislation.

**Recommendation 34:** Continue its process-improvement project to amend the rules it identified as inconsistent with statute.

Department response: The audit recommendation will be implemented.

Response explanation: The Department agrees with this finding and is confident that the rules team will continue work on this vital process-improvement initiative which will ensure short-term and long-term compliance with statutory, rule review, and rulemaking obligations.

**Sunset factor 5:** The extent to which the Department has provided appropriate public access to records, meetings, and rulemakings, including soliciting public input in making rules and decisions.

**Board of Appeals (Board) and Arizona Geographic Information Council (Council) did not consistently comply with open meeting law requirements we reviewed.**

Department response: The Auditor General's finding is agreed to.

**Recommendation 35:** Comply with open meeting law requirements, including ensuring that meeting minutes and recordings include all elements required by statute, including meeting location and date, as well as the name of individuals who propose a motion.

Department response: The audit recommendation will be implemented.

Response explanation: The Department will encourage the Council to create a position that will oversee the Council's compliance with Open Meeting Law. The Department will also work with the Council to ensure that its policies are aligned with Open Meeting Law. The Department will work with the Board to ensure that its policies are aligned with Open Meeting Law.

**Recommendation 36:** Comply with open meeting law requirements, including ensuring all actions are properly agendaized and that meetings follow the agenda.

Department response: The audit recommendation will be implemented.

Response explanation: The Department will encourage the Council to create a position to oversee the Council's compliance with Open Meeting Law. The Department will also work with the Council to ensure that its policies are aligned with Open Meeting Law. The Department will work with the Board to ensure that its policies are aligned with Open Meeting Law.

**Recommendation 37:** Consult with its Assistant Attorney General to determine whether any actions should be taken regarding the Council's vote to dissolve its Public Safety Committee and implement any needed actions.

Department response: The audit recommendation will be implemented.

Response explanation: The Department will consult with the Attorney General's office to determine if any actions should be taken regarding this vote.

**Recommendation 38:** Develop and/or update and implement open meeting law policies and procedures for the Board and the Council to help ensure their compliance with open meeting law requirements.

Department response: The audit recommendation will be implemented.

Response explanation: The Department will also work with the Board and Council to ensure policies are aligned with Open Meeting Law

**Department staff did not comply with Department policies and procedures and/or recommended practices for 9 public records requests we reviewed.**

Department response: The Auditor General's finding is agreed to.

**Recommendation 39:** Post the email of an employee or section that is authorized to respond to public records requests on its website, as required by statute.

Department response: The audit recommendation will be implemented.

Response explanation: The Department will post the email of an employee or section on its website, as required by statute. The Department currently responds immediately after submission of a public records request and the Department's online portal generates an email acknowledging receipt of the request and provides a newly assigned case number for reference.

**Recommendation 40:** Review all open public records requests and determine the appropriate response to each open request.

Department response: The audit recommendation will be implemented.

**Recommendation 41:** Update and implement its public records law policies and procedures to help ensure it complies with public records law, including documenting its determination of the appropriate response to open public records requests.

Department response: The audit recommendation will be implemented.

**Recommendation 42:** Update and implement its public records law policies and procedures to help ensure it complies with public records law, including providing an anticipated date for completing public records requests.

Department response: The audit recommendation will be implemented.

**Recommendation 43:** Update and implement its public records law policies and procedures to help ensure it complies with public records law, including providing an index of records or categories of confidential records that were withheld when requested.

Department response: The audit recommendation will be implemented.

**Sunset factor 8:** The extent to which the Department has established safeguards against possible conflicts of interest.

**Department has not implemented some of its conflict-of-interest policy requirements, and its policies also do not include provisions for some of the State's conflict-of-interest requirements.**

Department response: The Auditor General's finding is agreed to.

**Recommendation 44:** Ensure staff complete conflict-of-interest disclosure forms upon hire and annually, as required by Department policy.

Department response: The audit recommendation will be implemented.

Response explanation: Although State Statute does not require annual completion of disclosure forms, the Department has adopted a more stringent annual policy and will implement this policy as recommended.

**Recommendation 45:** Ensure all staff complete updated conflict-of-interest disclosure forms that address all State requirements and recommended practices.

Department response: The audit recommendation will be implemented.

**Recommendation 46:** Establish a special file available for public inspection and store all substantial interest disclosures in it.

Department response: The audit recommendation will be implemented.

Response explanation: To date, the Department has not received any substantial interest disclosures from its staff. In the event a substantial interest disclosure is received, the Department will store it in an established special file for public inspection.

**Recommendation 47:** Update and implement Board conflict-of-interest disclosure policies and procedures to help ensure compliance with State conflict-of-interest requirements and recommended practices, including requiring Board members to complete a conflict-of-interest disclosure form upon appointment and reminding them at least annually to update their form when their circumstances change, including attesting that no conflicts exist, if applicable.

Department response: The audit recommendation will be implemented.

**Recommendation 48:** Update and implement Board conflict-of-interest disclosure policies and procedures to help ensure compliance with State conflict-of-interest requirements and recommended practices, including requiring Board members to publicly disclose conflicts of interest when refraining from participating in meeting decisions, consistent with recommended practice.

Department response: The audit recommendation will be implemented.

**Recommendation 49:** Develop and implement Council conflict-of-interest disclosure policies and procedures to help ensure compliance with State conflict-of-interest requirements and recommended practices, including requiring Council members to complete a conflict-of-interest disclosure form upon appointment and reminding them at least annually to update their form when their circumstances change, including attesting that no conflicts exist, if applicable.

Department response: The audit recommendation will be implemented.

Response explanation: The Department will work with the Attorney General's Office and the Council to implement a conflict-of-interest policy and procedure.

**Recommendation 50:** Develop and implement Council conflict-of-interest disclosure policies and procedures to help ensure compliance with State conflict-of-interest requirements and recommended practices, including requiring Council members to publicly disclose conflicts of interest when refraining from participating in meeting decisions, consistent with recommended practice.

Department response: The audit recommendation will be implemented.

Response explanation: The Department will work with the Attorney General's Office and the Council to implement a conflict-of-interest policy and procedure.

**Recommendation 51:** Develop and provide periodic training on its conflict-of-interest requirements, process, and disclosure form, including providing training to employees, Board members, and Council members on how the State's conflict-of-interest requirements relate to their unique programs, functions, or responsibilities.

Department response: The audit recommendation will be implemented.

Response explanation: The Department will utilize Arizona Department of Administration (ADOA) Developed Statewide Training to meet this recommendation.