

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.