STATE OF ARIZONA
OFFICE OF THE
AUDITOR GENERAL

A PERFORMANCE AUDIT
OF THE

# ARIZONA OFFICE OF ECONOMIC PLANNING AND DEVELOPMENT

FEBRUARY 1981

A REPORT TO THE
ARIZONA STATE LEGISLATURE

REPORT 81-3

DOUGLAS R. NORTON, CPA
AUDITOR GENERAL

STATE OF ARIZONA
OFFICE OF THE
# AUDITOR GENERAL

February 13, 1981

Members of the Arizona Legislature
The Honorable Bruce Babbitt, Governor
Mr. Lawrence D. Landry, Executive Director,
Office of Economic Planning and Development

Transmitted herewith is the second of two reports of the Auditor General concerning A Performance Audit of the Office of Economic Planning and Development. This report is in response to the June 19, 1979, resolution of the Joint Legislative Budget Committee.

The blue pages present a summary of the report; a response from the Executive Director is found on the yellow pages preceding the appendices.

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

Respectfully submitted,

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Enclosure

OFFICE OF THE AUDITOR GENERAL

# A PERFORMANCE AUDIT OF THE ARIZONA OFFICE OF ECONOMIC PLANNING AND DEVELOPMENT

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ARIZONA STATE LEGISLATURE

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## SUMMARY

The Department of Economic Planning and Development (DEPAD) was created by State law in 1968. The forerunner of DEPAD was the Arizona Development Board, which was established in 1954. The 1968 legislation: 1) created DEPAD, and 2) replaced the Arizona Development Board with the advisory Economic Planning and Development Board. As a result of 1972 amendments, DEPAD was designated as the Office of Economic Planning and Development (OEPAD) within the Office of the Governor.

State law defines two divisions, Planning and Development, within OEPAD. The functions of these divisions are broadly defined in statute to include economic planning, economic research, scientific and technological planning, industrial development, advertising, publications and low-income housing development. Additional responsibilities for energy programs and manpower planning coordination were established through gubernatorial action.

OEPAD activities are funded through State General Fund appropriations and various Federal funds.

The results of our review are presented in two reports. The first report, issued Octobr 9, 1980, concerns the activities of:

- Industrial development,
- Personnel administration,
- International trade, and
- Motion picture development.

This second report includes:

- Economic planning,
- Data and research,
- Scientific and technological planning,
- The State Clearinghouse,
- Planning councils,
- Joint Funding Project,
- Accounting functions,
- Contracting procedures,
- Inappropriate expenditures,
- Community planning assistance,
- Economic planning survey responses, and
- Commemorative items.

Our review of the Office of Economic Planning and Development revealed that since 1968 OEPAD's efforts to develop an overall economic plan or growth strategy have been characterized by unfinished or abandoned projects and frequent administrative redirections. Local governments surveyed expressed satisfaction with OEPAD's numerous planning reports and analyses. As a result, OEPAD has fulfilled only partially its responsibility for economic planning and the agency has not developed an overall economic growth strategy for the State. (page 17)

Our review also disclosed that, since its inception in 1968, OEPAD has not fulfilled consistently its intended statutory role of providing research and information services. OEPAD staff resources have been applied to experimental research projects and short-term analyses at the expense of statutorily mandated basic research for planning and development use. As a result, research efforts frequently have been diverted from those areas apparently intended by the Legislature. OEPAD research and data efforts were redirected in 1979 and 1980 toward achieving research objectives identified originally in 1967. (page 39)

In addition, our review revealed that OEPAD has not met its statutory responsibility for scientific and technological planning. A related advisory Council has not met since 1970. Several OEPAD activities have been indirectly related to scientific and technological planning, and members for a reactivated council were appointed in April 1980. However, the overall direction for OEPAD's scientific and technological planning remains unresolved. (page 53)

Our review disclosed that the effectiveness of the OEPAD State Clearinghouse has been significantly impaired because: 1) grant applicants frequently do not submit information in a timely manner, 2) State agencies do not comply with an Executive Order requiring Clearinghouse review of all, not just Federally mandated, grant proposals, and 3) representatives of programs that may be impacted by or duplicative of requests for Federal funds provide only cursory, if any, reviews of grant proposals. As a result, the Clearinghouse's overall effect is impaired and the Governor and the Legislature cannot monitor accurately the Federal aid requested or received by Arizona agencies. (page 63)

Our review revealed that OEPAD is responsible for supporting and directing councils for planning coordination among state agencies. However, the operation of these planning councils is characterized by overlapping or ill-defined purposes, sporadic activity and lack of leadership. (page 85)

In addition, our review disclosed that the Arizona Joint Funding Project (JFP), begun by OEPAD as an experiment in 1975 to attempt to streamline the administration of selected Federal grants-in-aid, has, according to participants, failed to reduce administrative time and costs associated with Federal grants. Therefore, the first Project objective, administrative simplification, has not been realized. Furthermore, participants disagree as to progress made towards the second goal, improved planning coordination. (page 95)

Our review also revealed OEPAD payroll-claims documentation is inadequate as a management tool and does not provide reasonable assurance of equitable usage of State and Federal funds. Some funds have been misused and present practices provide the opportunity for large-scale misuse of funds. In addition, State in-kind match of Federal monies cannot be verified because of inadequate payroll-claims documentation. (page 103)

Our review revealed OEPAD does not maintain sufficient control over its contracting process. Although OEPAD has established some contracting procedures, they have not been followed consistently, resulting in noncompliance with State law, poor managerial control over contracts, inadequate contract records and nonadherence to contract terms. (page 129)

Our review also revealed several inappropriate OEPAD expenditures. (page 143)

Our review also revealed that OEPAD has been active in providing planning services and other technical assistance to many local governments. In a survey of Arizona's incorporated cities and towns, most communities indicated that such assistance was useful. However, more than half the survey respondents claimed their communities were not knowledgeable or aware of the range of services OEPAD can provide. (page 147)

In addition, as part of our review, we surveyed regional Councils of Government, industrial developers, cities and towns and chambers of commerce regarding the need for State goals and objectives for growth and/or land-use planning. Industrial developers and Councils of Government supported planning guidelines; cities and towns and chambers of commerce did not indicate significant needs in this area; and State agency responses were mixed. (page 149)

Finally, during the course of our audit we also discovered several hundred silver and bronze commemorative items with appraised value of $6,304 that were not safeguarded or inventoried properly. (page 156)

RECOMMENDATIONS

It is recommended that consideration be given to the following:

The Governor and the Legislature, in conjunction with general public and special interest groups, determine:

A. If written guidelines are needed for State development and, if so, what kind. Consideration should be given to documenting:
   1. Alternative economic futures for Arizona,
   2. Appropriate State government goals, policies and strategies,
   3. Future problem areas and what can be done by the general public and State government to resolve them,
   4. Current governmental development programs and their expected results,

B. If economic planning should be on a Statewide or regional basis or both, and

C. Which group or agency should be responsible for developing such guidelines.

The Legislature establish legislative intent regarding economic planning formally

A. Establishing in statute specific economic planning responsibilities,
B. Identifying resources for economic planning and assigning planning parties responsible for this, and
C. Providing for:
   1. Adequate funding,
   2. Broad citizen awareness and participation,
   3. Development of specific implementation strategies,
   4. Wide dissemination of planning results, and
   5. Regular reviews and updates of planning guidelines.

The Legislature revise A.R.S. §41-503.B regarding OEPAD's research/data role in order to:

A. Clarify the meaning of "central repository," "clearinghouse" and "inventory of resources."

B. Express explicitly its intent concerning the primary responsibility for, and balance between: 1) basic research to support economic planning and development and 2) special-issue analyses.

OEPAD pursue the objectives of the State Data Coordination Network. Consideration should be given to combining the effort with those of a continuing interagency planning council.

The Legislature consider separate budget line items for OEPAD research and its data responsibilities to ensure that sufficient staff is devoted to basic research efforts to meet legislative intent.

OEPAD expand its current effort to inventory and catalog data sources by including data produced by local governments, private agencies and other non-State sources.

OEPAD update and refine data catalogs referred to in the recommendation above at regular intervals and increase their usefulness by including definitions of data collected and such characteristics as frequency of data collection manner in which collected and statistical computations used.

OEPAD develop the capability to refer outsiders to appropriate data sources quickly. Consideration should be given to establishing and staffing a telephone inquiry service for the purpose.

OEPAD exert more effort to inform State agencies, local governments and appropriate private-sector agencies of its research and information services.

Legislative review of the appropriateness and feasibility of a statutory role for OEPAD to use scientific and technological planning in solving development problems or to attract new growth areas of industry.

If the Legislature determines scientific and technological planning is appropriate and feasible, A.R.S §41-501.B should be amended to outline more specifically OEPAD's role in scientific and technological planning.

The OEPAD Clearinghouse staff -

A. Educate State agency personnel who seek Federal aid on the requirements and procedures of the review and monitoring processes,

B. Regularly compare Federal grant application and award information in order to identify instances of noncompliance.

C. Regularly analyze grant applications submitted to the Clearinghouse to identify agencies that are late habitually.

SPCC be reactivated and directed to report to the Governor and the Legislature by June 30, 1981, regarding the following:

A. Means to reduce the volume of proposals that require Statewide review. SPCC should determine specifically the level of review desirable for each category and type of grant application.

B. Means to enforce compliance with Executive Orders regarding the Clearinghouse.

C. The role of SPCC, if any, on a continuing basis.

The Legislature, after review of the SPCC report -

A. Consider alternatives for monitoring, control and/or review of Federal funds.

B. Establish by law the Clearinghouse or other mechanism to coordinate the review of Federal funding proposals.

C. Establish by law the membership and duties of coordinative councils, if any.

D. Establish enforcement and penalty provisions to encourage State agencies to submit appropriate information to the Clearinghouse promptly.

A.R.S. §41-505 be amended to specify the role of an interagency planning council. Consideration should be given to including tasks such as:

A. provision of gubernatorial advice and analysis on administrative matters in State government (e.g., personnel, government, transportation),

B. assessment of the impact of State governmental programs and actions on the economy, its growth and development, and

C. review of plans and programs in connection with the economic development strategy of OEPAD.

2. The Governor provide leadership and direction to such council.

3. Based on a review of Finding IV of this report, the role for SPCC, if any, and its relationship with IAECC should be defined and distinguished clearly in statute to prevent duplication and confusion. Memberships of both councils should be determined carefully so that appropriate numbers and levels of agency administrators are involved.

OEPAD assess carefully JFP's total benefits and costs to OEPAD, other State agencies and local governmental units, and make a recommendation to the Governor and the Joint Legislative Budget Committee by October 1, 1981, regarding JFP's continuation in Federal fiscal year 1982-83.

The Governor and the Legislature consider whether or not to continue the JFP after Federal fiscal year 1981-82, based on OEPAD's assessment of benefits and costs.

OEPAD implement and pay salaries based on a revised, adequate time record-keeping system.

OEPAD implement the multifund source payroll system started by the Department of Administration for appropriate employees.

OEPAD adopt a cost allocation plan for persons regularly doing work attributable to several Federal and State fund sources.

OEPAD review present and past personnel payments and reallocate monies to Federal and State accounts as necessary to re-establish equity.

OEPAD improve its budget-forecasting techniques for personal services monies to attempt to avoid future shortages in budget amounts.

In cases of shortages in personal services monies of State accounts, OEPAD request the Joint Legislative Budget Committee to transfer State monies among budgeted amounts to alleviate the deficiency.

OEPAD follow its contracting procedures and comply with State laws regarding: a) professional and outside services costing more than $5,000, and b) intergovernmental agreements.

OEPAD procedures be amended to identify specifically persons assigned to manage each contract and the fund source for each contract.

OEPAD staff review contracts at least quarterly to verify: a) that contract managers are current staff and still appropriate for assignments, and b) that contract terms are met.

OEPAD contracting procedure be amended to include guidelines for valuating and selecting bidders, monitoring contract programs for compliance to contract terms and authorizing payment.

OEPAD institute necessary changes to prevent future inappropriate uses of funds.

OEPAD consult with the Accounts and Controls Section of the Division of Finance when questions arise regarding the propriety of expenditures to ensure that these expenditures are appropriate.

## INTRODUCTION AND BACKGROUND

The Office of the Auditor General has conducted a performance audit of the Office of Economic Planning and Development (OEPAD), in accordance with Arizona Revised Statutes (A.R.S.) §41-1279, and in response to a June 19, 1979, resolution of the Joint Legislative Budget Committee. This is the second half of a two-part report on the performance audit.

OEPAD's forerunner, the Arizona Development Board, was created in 1954. The primary purpose of the Board was to attract tourists, new residents and new industries to Arizona and to explore and publicize Arizona's facilities and resources in order to attract new capital and industry to the State. The Board had limited funding to perform these functions.

In April 1967 the Governor appointed the Arizona Joint Economic Development Committee (AJEDC). The Governor declared by Executive Order 67-3 that the Committee was to "...produce a preliminary analysis of Arizona's specific role in the economic development process..." and to make recommendations "...for the means through which the State should conduct its activity in the field of economic development." The Committee submitted its analysis and recommendations to the Governor on December 4, 1967. AJEDC acknowledged that the Development Board was underbudgeted and understaffed and recommended the Board be reorganized as a State agency and its functions expanded. A bill based on the Committee's recommendations was passed by the Arizona Legislature in 1968, which: 1) replaced the Arizona Development Board with the Economic Planning and Development Board, and 2) created the Department of Economic Planning and Development (DEPAD) as of July 1, 1968.

Initially, the Economic Planning and Development (EPAD) Board established policy for DEPAD and selected an Executive Director with the approval of the Governor. The Board relinquished its policy-making and appointive powers and became an advisory board to the Governor on June 30, 1971.*

* The Office of the Auditor General issued a performance audit of the Economic Planning and Development Board on September 12, 1979, in accordance with the Sunset Law, A.R.S. §§41-2351 through 41-2374.

In 1972, as a result of legislation, DEPAD was designated as the Office of Economic Planning and Development (OEPAD) within the Office of the Governor.

State law* defines two divisions, Planning and Development, within OEPAD. Generally an administrative unit or division has also existed. The functions of the planning and development divisions are broadly defined in A.R.S. §41-501.B:

> "The planning division shall, in addition to other functions assigned by the executive director, be responsible for economic planning, economic research and scientific and technological planning. The development division shall, in addition to other functions assigned by the executive director, be responsible for industrial development, advertising and publications".** (Emphasis added)

Since its inception, OEPAD has had numerous reorganizations and major changes in responsibilities. Four examples are the areas of: energy, tourism, manpower coordination and low-income housing development assistance.

In January 1974 the Governor issued an Executive Order creating the Arizona State Fuel and Energy Office. The Governor attached the Fuel and Energy Office to OEPAD for administrative and technical support. In July 1979 the Fuel and Energy Office was integrated into the development division, but again was separated as a division (Energy) within OEPAD in September 1979.

During 1975, the Governor issued Executive Order 75-3 establishing the Arizona State Office of Tourism. All OEPAD tourism programs were transferred to the new office. However, OEPAD performed administrative duties for the Office of Tourism until 1978, when legislation established and statutorily recognized a separate Office of Tourism.

* Appendix I contains the text of applicable State laws.

** The 1968 version of this statute included responsibility for tourism development.

In the fall of 1976, the Governor transferred Comprehensive Employment and Training Act (CETA) manpower-planning coordination from the Department of Economic Security to OEPAD.

In the 1980 Legislative session, OEPAD was designated as responsible for providing advice, consultation, planning, training and educational assistance for development of low and moderate income housing.

OEPAD has changed dramatically from its initial 1968-1969 budget of $550,000 to a 1980-81 fiscal year budget of nearly $7 million, including both State and Federal funding.

Table 1 summarizes the actual and estimated expenditures for OEPAD from fiscal years 1975-76 through 1980-81.

TABLE 1

ACTUAL FULL-TIME EQUIVALENT EMPLOYEES, SOURCE OF FUNDS AND EXPENDITURES FROM FISCAL YEAR 1975-76 THROUGH FISCAL YEAR 1978-79, AND ESTIMATED FULL-TIME EQUIVALENT EMPLOYEES, SOURCE OF FUNDS AND EXPENDITURES FOR FISCAL YEARS 1979-80 AND 1980-81

| | ACTUAL | | | | ESTIMATED | |
|---|---|---|---|---|---|---|
| | 1975-1976* | 1976-1977* | 1977-1978* | 1978-1979** | 1979-1980** | 1980-1981** |
| Full-time equivalent positions (FTE) | 93 | 84.5 | 85 | 102.5 | 109 | 95.5 |
| Source of funding: | | | | | | |
| General Fund | $1,059,100 | $1,106,900 | $1,371,500 | $1,478,747 | $1,716,000 | $2,353,700 |
| Federal funds | 869,900 | 774,400 | 1,597,000 | 2,311,100 | 7,273,800 | 4,436,500 |
| | $1,929,000 | $1,881,300 | $2,968,500 | $3,789,847 | $8,989,800 | $6,790,200 |
| Expenditures: | | | | | | |
| Personal services | $1,056,800 | $1,180,900 | $1,270,800 | $1,683,806 | $2,082,100 | $1,961,500 |
| Employee-related | 149,300 | 164,100 | 214,400 | 294,524 | 362,400 | 362,900 |
| Professional and outside services | 184,900 | 62,600 | 177,400 | 1,104,524 | 5,561,400 | 3,613,300 |
| Travel: | | | | | | |
| In-State | 58,200 | 66,300 | 53,500 | 49,024 | 117,700 | 83,800 |
| Out-of-State | 41,900 | 43,700 | 42,000 | 50,360 | 42,600 | 40,600 |
| Other operating | 261,600 | 289,400 | 931,100 | 307,181 | 512,800 | 370,600 |
| Equipment | 5,700 | 8,600 | 2,700 | 10,792 | 19,600 | 6,500 |
| Media advertising | 31,200 | 36,300 | 46,300 | 49,731 | 50,000 | 55,000 |
| State matching funds | | | 230,300 | 239,905 | 200,000 | 220,000 |
| Energy matching funds | | | | | 41,200 | 76,000 |
| Governor's Voluntary Action | | 29,400 | | | | |
| Pass-through funds | 139,400 | | | | | |
| | $1,929,000 | $1,881,300 | $2,968,500 | $3,789,847 | $8,989,800 | $6,790,200 |

* Source: Executive Budget volumes for 1977-78, 1978-79 and 1979-80.

** Source: 1980-81 Appropriations Report (JLBC) and 1980-81 Federal Programs (Executive Budget Office).

It should be noted that total Federal funds and staff traditionally are understated in OEPAD's budget prepared for the Executive Budget Office. For example, OEPAD estimated in its 1978-79 budget request that 1.3 million Federal dollars would be received in 1978-79, whereas actual Federal receipts for that year were $2.3 million (a 74 percent increase). OEPAD estimated 77 full-time equivalent (FTE) employees in its 1979-80 budget request, whereas the revised estimate shown in Table 1, as of December 1979, was 109 FTEs. The additional FTEs were supported by substantial increases (386 percent) in Federal monies not included in the original 1979-80 estimate.

All major OEPAD activities were examined in this audit with the exception of two areas - CETA manpower planning and energy programs. CETA activities are funded entirely by Federal CETA grants. Energy programs also are largely Federally funded. During preliminary review, no substantial problems with the CETA area were revealed. All energy programs and staff within OEPAD, other than fuel allocation activities, are relatively recent additions, thus making trend and comparative analysis difficult.

This is the second of two Auditor General reports on OEPAD and includes:

- Economic planning,
- Data and research,
- Science and technology planning,
- The State Clearinghouse,
- Planning councils,
- Joint Funding Project,
- Accounting functions,
- Contracting procedures,
- Inappropriate expenditures,
- Community planning assistance,
- Economic planning survey responses, and
- Commemorative items.

The first report on OEPAD, Auditor General Report No. 80-4.1, which was issued on October 9, 1980, included the areas of:

- Industrial development,
- Personnel administration,
- International trade, and
- Motion picture development.

The Office of the Auditor General expresses gratitude to present and former employees of OEPAD, officials of participating State agencies, regional Councils of Governments, Arizona cities and counties and numerous survey respondents in the private sector for their cooperation, assistance and consideration during the course of our audit.

## FINDING I

### OEPAD NEEDS CLARIFICATION OF ITS ECONOMIC PLANNING RESPONSIBILITIES.

Since 1968 the Office of Economic Planning and Development (OEPAD) has had statutory responsibility for economic planning. Our review of OEPAD's economic planning activity revealed that numerous planning reports, analyses and instances of planning assistance by OEPAD have been useful to governmental entities. However, efforts to develop an overall growth economic strategy have been characterized with unfinished or abandoned projects and administrative redirections. As a result, OEPAD has not developed an overall economic growth strategy for the State, and OEPAD's economic planning efforts in this area: 1) appear to be below average in contrast to those of 26 other western and southeastern states, and 2) are deficient when compared to effectiveness characteristics developed by the Council of State Planning Agencies.

Arizona Revised Statutes (A.R.S.) §41-501 states, in part, that OEPAD shall conduct "economic planning."

According to the Senate Majority Leader at the time A.R.S. §41-501 was enacted, the absence of economic planning by the State was a concern to the Legislature at the time OEPAD (formerly DEPAD) was created.*

> "The basic feeling of the legislature at that time really fell into six categories of concern, those being:
>
> . . . . . .
>
> "5. that very little planning existed as a basis for an Arizona economic development policy;
>
> "6. that a state policy in the field of economic development was virtually nonexistent.
>
> . . . . . .
>
> " ...and a far improved planning effort should be developed as a base for establishment of policy for the state, with strong emphasis toward an economic development strategy to carry out such policy." (Emphasis added)

* Appendix II is the full text of this statement.

A 1967 Arizona Joint Economic Development Committee (AJEDC) report also stressed the need for economic planning.

> "...Arizona state government as a whole does not have a clear, easily understood sense of the directions in which it is moving...Arizona lacks a continuing formal process of determining and making public the directions in which governmental actions are leading development of the state...State economic planning is simply a formalized process of clarifying the directions in which state government is moving so that:
>
> "1. These directions can be more easily altered by the Governor and Legislature if they desire to do so,
>
> "2. Ongoing and proposed state programs can be evaluated in terms of how well they promote state progress in the approved directions, and
>
> "3. The electorate can more easily identify and approve or disapprove of the directions in which state government is moving and evaluate the major departmental programs..." (Emphasis added)

The AJEDC report included a definition of a planning process:

> "The planning process...consists of the following elements:
>
> "1. Evaluation of present conditions and predictions of future conditions,
>
> "2. The determination of goals or directions in which to move...
>
> "3. The determination of objectives...and decision on programs to attain the objectives,
>
> "4. Executi(on) of programs (and)
>
> "5. A feedback system permitting modification of goals, objectives and programs."

The AJEDC report identified the participants involved in determining overall State goals and direction as the Governor and the Legislature with, perhaps, a joint resolution as a vehicle.

The techniques identified in the report to formalize planning goals and objectives were:

> "1) preparation and periodic revision of a long range state economic plan
>
> "2) preparation and annual revision of a six year state program budget
>
> "3) annual preparation of the state budget..."

The report recommended that priorities should be developed for potential growth:

> "...the economic planning and development organization will have to develop a long-range program plan. This plan must be based on a comprehensive analysis of Arizona's economic development potential. Priority economic targets must be identified from these fields of development that offer the greatest potential...to the state. These priorities must then be attached through an ordered development program with specific objectives spelled out on a ten year, five year, and annual basis."

Lastly, the AJEDC report specifically recommended OEPAD use Federal funds related to economic planning and development to facilitate economic planning.

> "The committee recommends that the urban planning program authorized by section 701 of the Housing act of 1954,...the programs authorized by the Public Works and Economic Development Act of 1965,...and the Programs authorized by the State Technical Services Act of 1965,...be coordinated in Arizona through the...responsible state agency...for the administration and coordination of these and other programs related to economic development."

Of particular note is the AJEDC report's mention of §701 of the Housing Act of 1954's use of monies for State comprehensive economic planning:

> "Over 40 states have received matching grants for state comprehensive planning under the same Act. These grants typically support a phased program of initial grants for program design, (inventories of resources, basic population and economic projections, and identification of problems or opportunities) followed by a long range program of identification of goals and objectives by existing responsible agencies, and translation of these into operational plans and organizations throughout the various agencies of state government. With the leadership of the Department of Economic Planning and Development and the Inter-agency Economic Coordinating Council, such comprehensive economic planning could be instituted in Arizona." (Emphasis added)

Therefore, the original legislative intent for economic planning was: 1) the creation of a planning process to guide State government in its economic development efforts, 2) analysis of the State's economy and identification of economic development priorities, and 3) use of Federal funds to support planning and development.

However, OEPAD's efforts to develop and implement an economic planning process have been fraught with incomplete projects, confusion and frequent administrative redirections. As a result, Arizona does not have a formal economic development plan or strategy.

OEPAD Often Reaffirms Its Responsibilities for Economic Planning and Guided Development

From 1970 through 1980 OEPAD has stated repeatedly it is the agency responsible for economic planning of State governmental programs and economic development of the State.

In 1971 OEPAD issued a report entitled Goals and Objectives of State Government, which was described in OEPAD's 1970-71 annual report as:

> "...a first attempt in Arizona to assemble, in a comprehensive fashion, the goals and objectives of major state agencies. The primary purpose was to develop a framework upon which state government policies and goals could be built..." (Emphasis added)

OEPAD's 1971-72 annual report promised OEPAD efforts to develop a State-growth policy would be expanded:

> "An extensive revision and expansion of this work element has been designed in response to demonstrated need and a directive from the Governor to conduct a planning program for the orderly growth of Arizona. The project is designed to describe the issues of growth in the state, analyze the elements of the growth process, identify state growth objectives, and suggest alternative ways of implementing growth policies." (Emphasis added)

In 1972 the Economic Planning and Development Board (an advisory board to the Governor and OEPAD) endorsed* planned growth for the State as follows:

1. Concentrate on areas in which needs are most severe and assess benefits of growth versus risks.

2. Encourage location in less-congested areas.

3. Stimulate desirable growth to halt environmental deterioration of congested areas.

4. Direct development of the State by design, not accident.

* Appendix III contains the full text of these statements.

OEPAD's 1972-73 annual report summarized the 12-month period.

> "...a milestone year with respect to laying the foundation for a state growth policy. The Arizona Trade-Off Model (ATOM) was completed and put into operation....A preliminary study of large scale remote subdivisions was completed....The first phase of a natural areas study (and)...a study of existing legal controls of private land use (were) completed..."

It should be noted that ATOM is the acronym for Arizona Trade-Off Model, a computer model designed to assess and evaluate the impact of economic growth on the State's environment. ATOM was abandoned in 1975 as unworkable and a less ambitious project called Economic Demographic Projection Model (EDPM), which projects State population, replaced it.*

Annual reports from 1975 to 1978 vacillated in stating that either an economic development planning process or a State growth strategy was forthcoming.

1975 "Objective is to begin definition of a coordinated state-wide economic growth policy for Arizona and to establish the process for defining such a policy

. . . . . .

"New policy directions and different priorities established. During 1976 the office will bring all of its resources to bear upon a single over arching objective - the creation and implementation of an Economic Development Strategy for the State of Arizona."

1976 "The purpose of an economic development planning process is to provide a mechanism for the formulation of a statewide economic growth policy for Arizona.

. . . . . .

"During 1977, statewide public meetings will culminate in a policy statement for the Governor's consideration."

. . . . . .

* See page 46 for a further discussion of ATOM.

"Strategies to identify and implement local development plans will be provided and such plans shall become part of the statewide plan."

1977 "The objective for the coming year is to prepare a synthesis of existing state policies which impact growth and development, to identify inconsistencies and other needs related to these policies, and to propose needed actions. The result should include overall goals, objectives and policies for development, implementation measures, and a coordination system."

1978 "The purpose of the growth and development strategy planning is to provide decision-makers information and alternative policies on the future growth and development of the state.

. . . . . .

"Work on an overall growth and development strategy for Arizona has built upon the products of last year's program which identified the roles and responsibilities of state and federal agencies.

. . . . . .

"The objective for the coming year is to (refine)...goals and objectives, provide for (their) public discussion...formulate and refine implementation measures, and provide for (their) use...in the decision-making process." (Emphasis added)

Since 1978, the Governor and OEPAD staff have issued a number of statements regarding a "balanced growth strategy" and maintaining quality of Arizona life:

January 5, 1979, Gubernatorial Address

"Beyond restoring the credibility of government, we must also begin to plan seriously for the future. As Arizonans we must develop a clear vision of who we are, of what we ought to be, and how we want to grow.

"Arizona's destiny is inextricably mixed with questions of growth, not whether we grow - as we must - but how we grow...

"The basic challenge is to accommodate more people, attract new industry, and build new cities, without destroying the values that drew us here in the first place. Arizona is especially favored with both natural values and human values...We must strive to live in balance with our environment.

"First, I believe we must formulate our proposals with the objective of stimulating balanced growth for Arizona. For thirty years, Arizona's growth has been lopsided pouring 80% of our population into two metropolitan areas, making Arizona one of the most urbanized states in America. We must channel growth throughout the state." (Emphasis added)

January 8, 1979, Opening Message to Thirty-fourth Legislature, First Regular Session:

"Economic Development. Between now and the year 2000 we will need to create almost 800,000 jobs to keep pace with the State's projected growing population. We will have to pursue an ambitious strategy to absorb this anticipated rate of growth and the expanded needs for services that will accompany it...it is critical that we recommit to the overall economic development of the state."

"It is essential that we take steps to insure that adequate employment opportunities also are available in rural areas. People in small towns should share in the prosperity which will come to the State as a whole. A balanced growth strategy means that the State will encourage the right kind of growth to those locations." (Emphasis added)

Fall 1979 OEPAD Goals and Objectives

"Develop a state balanced growth strategy

"Prepare state economic development process and policies plan which will include:

- overall state development goals and strategies
- criteria for targeting state and federal resources to areas of greatest need or potential
- development of incentives for private sector investment in rural areas
- development of a project selection process to identify the most desirable and fundable projects drawn from state and local development plans."

January 14, 1980, Opening Message to the Thirty-fourth Legislature, Second Regular Session:

> "Rapid change and sustained economic and population growth are the norm; Arizona has registered a 70 percent increase in population in this last decade.
>
> "This growth will continue unabated in the coming decade as Arizona continues to attract thousands who each week move here seeking to escape both the weather and the urban problems of other states
>
> . . . . . .
>
> "In the coming years we must begin to deal with the problems associated with our rapid growth and plan accordingly. The challenge is to accommodate growth without destroying the environmental values that attracted people here in the first place.
>
> . . . . . .
>
> "The State must have an ambitious strategy to continue to attract diversified, quality industry to Arizona and insure that industry locates not only in Phoenix and Tucson but in the smaller communities of the state." (Emphasis added)

OEPAD Statements and Results Of Efforts to Develop a Growth Plan Do Not Coincide

Since its inception OEPAD has initiated a sizable number of economic planning efforts. While numerous reports and analyses have been produced and instances of planning assistance to local communities have been documented that have been useful to State and local governmental agencies,* OEPAD has not produced a coordinated or comprehensive plan for economic growth in Arizona.**

* Appendices XIII, XIV, XV and XVI contain survey responses regarding the value of OEPAD's assistance. Comments and survey results are discussed on pages 147 and 148.

** Appendix III catalogs major activities and reports related to overall economic planning.

According to OEPAD staff, early attempts to coordinate economic planning at all levels of Arizona government were overly ambitious and unfeasible and gradually were abandoned.

An OEPAD report on growth strategy, issued in 1978, noted confusion in defining its own role in economic planning:

> "By 1970 it became apparent that the agency's responsibilities for preparing and implementing growth and development plans lacked focus, largely because the statute creating the agency did not provide a clear definition of roles, or adequate means for dealing with the complex issues involved." (Emphasis added)

Activities or plans related to planning for economic development announced by OEPAD between 1968 and 1974 but not implemented on a continuing basis included:

1. Examination and correlation of existing state agency goals and translation into policy objectives;

2. Orderly development of plans for translation into action proposals;

3. Issuance of an OEPAD planning concept paper and work program; and

4. Design of a study completed for a State planning process.

During the mid-1970s, the Legislature considered numerous approaches to address the proper State role in land-use planning. Considerable OEPAD staff resources were devoted, directly and indirectly, to developing land-use plans. However, no land-use legislation has been enacted.

According to a 1978 OEPAD report, the repeated legislative defeat of land-use planning, and a change in governors and OEPAD executive directors, precipitated a redirection of OEPAD planning efforts:

> "Because of successive failures over an extended period of time to legislate land-use planning, it became apparent that no such statewide planning program would succeed in the immediate future. Efforts have therefore been redirected to develop consistent policies to guide the operation of state programs that impact on land use, growth and development, and to improve existing programs."

From 1975 through 1979 OEPAD efforts in economic planning* concentrated on: 1) analysis of State policies and issues, 2) staff support to committees, commissions and task forces, and 3) technical assistance to or preparing plans to obtain Federal funds and allocate them.

Annual reports of OEPAD claim provision of staff assistance to such commissions and committees as the Governor's Commission on the Arizona Environment; State Multiple Use Advisory Board, Bureau of Land Management; Urban Lands Task Force (State-owned lands); and Power Plant and Transmission Line Siting Committee.

* OEPAD staff members have twice attempted to participate directly in State budgeting. The first attempt, to define State agency programs, goals and service measurements, was abandoned in fiscal year 1975-76. The second attempt, in 1979, consisted of policy analysis by planner/budget analyst teams, an effort ceased after the 1979 legislative session.

In addition, OEPAD has obtained Federal funds for required State planning activities and/or to allocate monies. Activities and their fund sources include:

| Activity/Project | Federal Fund Source |
|---|---|
| Arizona portion of Four Corners Regional Plan | Four Corners Regional Commission |
| Overall Economic Development Plan (OEDP)* committees and process for allocating funds to counties | Economic Development Administration (EDA) 302 and 304 |
| Housing studies | Housing and Urban Development (HUD) 701 Program |
| Copper community impact analysis | Title IX - EDA |
| Local community planning assistance | HUD 701 Program |
| Indian planning | HUD 701 Program |
| Southern Arizona public investment and development | Title V - EDA through Southwest Border Regional Commission |
| Water quality management planning | Environmental Protection Agency (EPA) 208 |

Financed, in part, by HUD 701 funds, OEPAD produced a series of publications in 1977 and 1978 related to the development of a proposed State growth policy. Titles include:

Roles and Responsibilities of State and Federal Agencies Involved In Growth Policy Elements,

Existing Arizona Policies Related To Growth and Development,

Toward a State Growth Policy: Existing Conditions,

Toward a State Growth Strategy: Issues and Policies, and

Summary of Selected Issues, Goals and Policies.

* See page 147 for a discussion of community planning assistance by OEPAD staff.

Four years of effort culminated in this detailed five-publication proposal for developing a State growth strategy. However, a change in OEPAD administration in May 1979 resulted in abandonment of the project.

According to OEPAD's Executive Director on February 4, 1980:*

> "The state growth strategy, as originally adopted, is not being pursued because of a change in political philosophy. The Governor has also made a conscious choice not to have public hearings on this subject. Instead of a formal, overall growth strategy, OEPAD has a number of strategies relating to growth which, when taken as a whole, define a statewide growth strategy.
>
> "These several strategies are:
>
> "1. incentives for (metro and) non-metro area growth
>
> "2. environmental oversight
>
> "3. coordinating responses to issues for the Governor, (for the State Legislature and other State agencies)
>
> "4. using Federal and State money to 'leverage' as many economic development projects as possible throughout the state
>
> "5. transportation alternatives task force
>
> "6. (energy strategies.)
>
> "The Governor has decided that OEPAD will not have a regulatory focus**, but instead will rely on incentive to encourage growth.
>
> "Output of OEPAD work in the growth area will be a series of 'intervention strategies'." (Emphasis added)

* Appendix V contains the full text.

** Examination of formerly proposed State growth strategy does not include legal provisions for OEPAD regulation of any agency or government. The intent of the strategy was "directed towards using existing mechanisms, with an intent to develop consistent policies to guide the operation of state programs that impact on land-use growth and development. These influences occur in the planning and operation of the various functional programs of state agencies."

The Executive Director elaborated in a letter dated February 29, 1980:*

> "The important point being made there is that the change in political philosophy was not a change in what we need, i.e., overall quality growth of the state, but rather, a philosophy of how it is to be done. This philosophy means working with communities more personally on helping them help themselves. Public hearings were judged, in this case, to be a less effective way to make results occur."
>
> "Several strategies are mentioned...The caveat is that we are not limited to the strategies listed. There are others(.) I did not take the time to list them all, but rather highlighted a few. (Emphasis added)

On February 14, 1980, the Executive Director responded to the question, "How does OEPAD determine which projects will receive funds and which will not?" (regarding Federal grants):

> "OEPAD uses several general criteria to judge the priority of projects or select grantees. Such criteria are:
>
> > How well does the project conform to the overall strategy? How much leverage can OEPAD get out of a particular grant? What is the probability of success? That is, how well thought out is the project, what is the community's attitude and commitment?
>
> "However, a written overall strategy that includes such criteria will not be forth-coming. The components will always be changing, some dropping out while others are added as economic conditions change. A 'very macro strategy' leading to balanced state growth will be used."

* Appendix VI contains full text.

Paradoxically, the Executive Director clarified this by saying on February 29, 1980, that some documents are needed to tie multiple elements together:

> "There will be a blueprint principally coming from the 302 written plan which has criteria on how we award grants, and we do have criteria now on what we use in judging the 304 process. What is meant is that there will be no blueprint that will forever cast in concrete(,) that will definitely map out something that should be rigidly adhered to. <u>However, it is critical that there be some written documents that attempt to tie the many facets and forces together</u>." (Emphasis added)

<u>Arizona Economic Planning Is Substandard</u>

<u>Compared to Other Western and Southeastern States</u>

In May 1980, audit staff surveyed 26 western* and southeastern states to determine the status of economic planning efforts. The survey was limited to western and southeastern states because these states are similar to Arizona in topography and/or growth potential and problems. Based on the surveys, telephone conversations and examination of these states' planning documents, four general economic planning status categories were identified: 1) Major economic development planning was attempted but stopped, 2) Economic development planning is restricted to that required to obtain Federal funds, 3) Major economic development planning is starting or being restarted, and 4) An ongoing economic development planning process is used.

Table 2 summarizes responses** within each category for the 26 western and southeastern states and explains briefly the type of planning effort involved, if any.

* Includes Alaska and Hawaii.

** Appendix VII contains a detailed description of each state's response.

TABLE 2

SUMMARY* OF 26 WESTERN AND SOUTHEASTERN STATES' CLAIMED EFFORTS IN ECONOMIC DEVELOPMENT PLANNING AS OF MAY 31, 1980

| | Category | Number of States | States | Type of Economic Development Planning |
|---|---|---|---|---|
| I | Major economic development** planning attempted but stopped | 7 | Georgia, Kansas, Montana, Nebraska, Oklahoma, South Carolina and Washington | Not applicable |
| II | Economic development planning is restricted to that required to obtain Federal funds | 2 | Alabama and New Mexico | Minimum to obtain Federal funds |
| III | Major economic planning is started or being restarted | 7 | Arkansas | State development plan |
| | | | Idaho | State comprehensive economic development strategy |
| | | | Mississippi | Coordinated planning and policy statement |
| | | | North Carolina | Balanced growth policy |
| | | | South Dakota | State comprehensive development plan |
| | | | Texas | Texas 2000 Project |
| | | | Utah | Growth management strategy |
| IV | An Ongoing Economic Development Planning Process Is Being Used | 10 | Alaska | Growth goals |
| | | | California | Environmental goals for urban land-use plans |
| | | | Colorado | Land-use and housing plan; defining preferable future for "Front Range Colorado" |
| | | | Florida | State comprehensive plan |
| | | | Hawaii | Integrated state/county comprehensive plan |
| | | | Louisiana | Priorities for the Future*** |
| | | | Nevada | State comprehensive plan and growth management plan |
| | | | North Dakota | Economic development investment plan |
| | | | Oregon | Land-use goals |
| | | | Wyoming | State land-use plan |
| | Total | 26 | | |

* Appendix VII contains a detailed summary of each state's experiences, including reasons for stopping or Federal minimum approach, type of products developed, types of citizen participation used and utilization of results.

** Although the states in this category did not classify their efforts as the Federal minimum level, no inference should be made that states do not meet the Federal minimum.

*** In 1978, the Louisiana governor and legislature sponsored this project that addressed the development of goals in six areas. The project report recommended legislative and administrative changes.

As demonstrated in Table 2, 17 (65 percent) of the western and southeastern states appear to have implemented or are beginning to implement a form of statewide economic development planning. Efforts have included 1) state government goal and objective identifications, 2) compilations of state government policy statements concerning economic development, 3) documents examining alternative futures for the state, 4) land-use planning and 5) economic development goal and objective setting for the state and/or its regions.

It should be noted that the two states claiming only to meet the Federal minimum in economic development planning cited the lack of sufficient state monies or state initiative as reasons for the lack of more than the minimum effort needed to obtain Federal funds.

As of July 1, 1980, OEPAD's efforts in economic development planning did not appear to measure up to the claimed efforts of 26 other western and southeastern states. According to the states' responses, most of these states have or are implementing some form of overall economic development planning, and all claim to use some type of citizen participation in doing so. Some of the characteristics of the economic planning process of these other states include:

1. Directly addressing economic development planning in a generally comprehensive manner,

2. Presenting a finished project of these efforts for use by the general public, developers and government; a product that includes one or more of the following:
   a. state goals and objectives,
   b. policy statements,
   c. "futures" analysis, or
   d. a comprehensive development plan.

3. Using citizen participation rather than that of governmental officials only.

## Council of State Planning Agencies Defines Effective Economic Planning

The Council of State Planning Agencies (CSPA)* in 1977 published a report entitled Evaluation of State Planning. The CSPA report categorizes state planning office efforts and lists characteristics of effective operations. Two CSPA categories - comprehensive development planning and economic resource planning - appear to be most closely related to OEPAD's efforts in planning for orderly growth.

The following summarizes the comprehensive development planning and economic resource planning characteristics identified by CSPA and indicates which of those characteristics OEPAD meets:

| | OEPAD Meets Characteristics | |
|---|---|---|
| | Yes | No |
| **Comprehensive Development Planning Characteristics** | | |
| 1. The state planning agency maintains a statewide agenda of goals and objectives based upon a continuous or periodic process of citizen participation. | | x |
| 2. There exists a document or set of documents that is officially recognized as the state development plan. | | x |
| 3. The state development plan contains a set of recommended priorities for public action that should be undertaken in order to achieve state goals. | | x |
| 4. The state development plan is actively used by the planning agency, the Governor and department heads to guide and coordinate the activities of state government. | | x |
| 5. The state development plan is used as a criterion for evaluating projects proposed by state, local and federal agencies. | | x |

* Affiliate of the National Governors Association.

| | OEPAD Meets Characteristics | |
|---|---|---|
| | Yes | No |
| Comprehensive Development Planning Characteristics (Concl'd) | | |
| 6. The state planning agency regularly surveys current social and economic conditions or trends and updates the development plan to accommodate emerging issues. | | x |
| 7. The state planning agency takes affirmative action to insure that interested legislators are involved in the formation and revision of the development plan and that the legislature is acquainted with its contents and its purpose. | | x |
| Economic Resource Planning Characteristics | | |
| 1. The state planning director is a principal advisor to the Governor on matters of economic policy. | x | |
| 2. The state planning agency maintains and periodically updates a document or set of documents or policies which are designated as the state plan for economic development. | | x |
| 3. The state planning agency participates in selection of economic development actions designed to implement the economic development plan or policy. | | x |
| 4. The state planning agency maintains a comprehensive economic data base that is used to monitor trends and new developments. | | x |
| 5. The state planning agency generates periodic forecasts of economic activity. | | x |
| 6. State planning personnel regularly assist local communities that are interested in planning for economic growth and development. | x | |
| 7. The state economic development plan or policy is used as a criterion for the conduct of state and federal programs, such as manpower or public works, that affect economic performance. | | x |
| 8. The state planning agency frequently initiates research and analysis dealing with special economic problems and is assured that such special studies will receive serious consideration by the Governor, the legislature or heads of appropriate departments." | x | |

As demonstrated above, OEPAD's economic planning efforts are deficient when compared to effectiveness characteristics developed by the Council of State Planning Agencies.

## Reasons for OEPAD's Below-average Economic Development Planning

The reasons for OEPAD's below-average performance in overall economic planning are numerous and include: 1) an undefined and unspecified role in economic planning, 2) frequent administrative redirections of staff efforts, 3) increased availability of Federal funds during OEPAD's existence and consequent concentration on Federal requirements, 4) possible adverse political reactions from developing economic plans.

## Recent OEPAD Efforts Might Be A Basis for State Guidelines

Recent OEPAD planning activity could, if expanded and coordinated, establish a basis for developing state goals and policy towards economic development.

One is a response to the Carter Administration's Small Community and Rural Development Policy*. In February 1980 OEPAD staff informed the reactivated Interagency Economic Coordinating Council (IAECC),** an organization of State agency representatives, of the Administration policy to "translate generalized concerns about rural problems into a set of specific goals, principles, programs and mechanisms for effective implementation." The policy, aimed primarily at Federal agencies, included an invitation to governors to establish state rural development councils to help ensure Federal-state cooperation. OEPAD advised IAECC that the President was pressing agencies to develop rural investment plans according to states' priorities, and requested the Council to:

1. Review the policy and action items related to their departments' responsibilities,

2. Identify high-priority items and opportunities to cooperate in Federal initiatives, and

3. Describe high priorities not involved with the policy but which require Federal-state cooperation.

* Since the November 1980 election results, status of this policy may be subject to change.

** See page 85 for a discussion of sporadically active planning councils.

An OEPAD memorandum dated February 5, 1980, comments that agencies' responses would be a step towards preparing a "State economic development guide."

A second effort concerns the Governor's Rural Development Advisory Council. Staffed by OEPAD, the council was formed in 1979 with a Farmer's Home Administration grant. The council issued a report in March 1980 that examined some problems of economic development, housing and community facilities in nonmetropolitan Arizona and which listed strategy options for resolving them. The council is comprised of 24 members, more than half of whom are government officials, and is chaired by a gubernatorial assistant.

Both of these efforts could be expanded to approximate the average economic planning level of other western and southeastern states' economic planning if:

1. There is opportunity for general public input and reaction towards results,

2. Specific implementation strategies are developed,

3. Both the urban and rural considerations of the public and private sectors are included.

CONCLUSION

Since 1968 OEPAD's efforts to develop an overall economic plan or growth strategy have been characterized by unfinished or abandoned projects and frequent administrative redirections. Local governments surveyed expressed satisfaction with OEPAD's allocation of Federal funds and provision of planning assistance to communities. As a result, OEPAD has fulfilled only partially its responsibility for economic planning. OEPAD's efforts to provide an overall State economic growth strategy appear to be below average in contrast to those of most other western and southeastern states.

RECOMMENDATIONS

It is recommended that consideration be given to the following;

I. The Governor and the Legislature, in conjunction with the general public and special interest groups, determine:

A. If written guidelines are needed for State development and, if so, what kind. Consideration should be given to documenting:

1. Alternative economic futures for Arizona,

2. Appropriate State government goals, policies and strategies,

3. Future problem areas and what can be done by the general public and State government to resolve them,

4. Current governmental development programs and their expected results,

B. If economic planning should be on a Statewide or regional basis or both, and

C. Which group or agency should be responsible for developing such guidelines.

II. The Legislature establish legislative intent regarding economic planning formally

A. Establishing in statute specific economic planning responsibilities,

B. Identifying resources for economic planning and assigning planning parties responsible for this, and

C. Providing for:

1. Adequate funding,
2. Broad citizen awareness and participation,
3. Development of specific implementation strategies,
4. Wide dissemination of planning results, and
5. Regular reviews and updates of planning guidelines.

## FINDING II

OEPAD HAS NOT FULFILLED ITS STATUTORY RESPONSIBILITY COMPLETELY REGARDING RESEARCH AND DATA-GATHERING ACTIVITIES. AS A RESULT, OEPAD STILL IS WORKING TO ACCOMPLISH RESEARCH AND DATA-GATHERING OBJECTIVES IDENTIFIED ORIGINALLY IN 1967.

Since its inception in 1968 OEPAD has not fulfilled consistently its intended statutory role of providing research and information services. OEPAD staff resources have been applied to experimental research projects and short-term analyses at the expense of statutorily mandated basic research for planning and development use. As a result, research efforts frequently have been diverted from those areas apparently intended by the Legislature. OEPAD research and data efforts were redirected in 1979 and 1980 toward achieving research objectives identified originally in 1967.

### State Law Defines OEPAD Research Duties

OEPAD duties regarding research defined in Arizona Revised Statutes (A.R.S.) §41-503.B are the most detailed of all statutory definitions of OEPAD responsibilities. According to A.R.S. §41-503.B OEPAD shall:

> "3. Conduct research on its own initiative or at the request of the governor, the legislature or state or local agencies, pertaining to any of its objectives.
>
> "4. Provide information and advice on request by local, state and federal agencies and by private citizens and business enterprises on matters within the scope of its activities.
>
> . . . . . .
>
> "7. Undertake a comprehensive research program designed to:
>
> "(a) Establish the office as the central repository and clearing house for all data relating to Arizona's economy and resources as they relate to economic planning and development.

"(b) Maintain a current inventory of the resources of the state.

"(c) Investigate potential opportunities for the development of industry and other commerce throughout the state..."

Therefore, OEPAD by law is required, on request, to initiate or conduct research related to economic planning and development; provide data and advice on such matters; maintain a data repository and an inventory of State resources; function as a State clearinghouse and analyze potential development opportunities.

In addition, A.R.S. §41-504 requires State agencies to

"...make available data pertaining to economic planning and development as requested by the office of economic planning and development."

The laws are derived directly from recommendations by the Arizona Joint Economic Development Committee (AJEDC) in its 1967 report. That report was the blueprint for the legislation that created OEPAD and outlined the research role that should be played by OEPAD in supporting economic planning and economic development efforts of the agency.

Research to Be Conducted
for State Economic Planning

According to the AJEDC report, research to support State planning would include: 1) coordinating research and data efforts of State agencies; 2) improving the general usefulness of data generated by State agencies; and 3) on certain occasions, conducting primary research.

OEPAD would, as proposed in the AJEDC report, inventory research and data prediction efforts as follows:

> "...the economic research section should devote considerable effort to coordinating the research done by the presently operating State departments...inventory the data collection and prediction efforts presently being made by the various state departments...identify research duplication between departments...bringing the duplication to the attention of the departments (and)...reveal areas where additional research could be of value (and)...encourage the appropriate departments to assume this additional research." (Emphasis Added)

According to the AJEDC report, areas in which data and predictions in a useable form were needed include, but are not limited to:

1) Population and demography,

2) Personal and family income,

3) Transportation - all modes,

4) Health levels of the population and available health facilities,

5) Crime rates, crime prevention and correctional facilities available,

6) Natural resources and the feasibility of their development,

7) Enterprises,

8) Employment,

9) Recreational facilities, and

10) Land use.

In addition, OEPAD would improve the general usefulness of data generated and predictions made by: 1) establishing standard frameworks for data efforts, and 2) developing a central repository for results of research and predictive work concerning Arizona's economy:

"...economic research section could also aid in determining standard time horizons to be used in doing predictive work. By the provision of standard frameworks for research, the information produced by the various departments and agencies could be easily compared and combined to build as complete a picture of the conditions of the state or a portion of the state as desired.

. . . . . .

"...the research section can increase the usefulness of research efforts being made by the departments of state government...develop a central repository for the results of all research and predictive work concering Arizona's economy...sources of information this library might draw on would not necessarily be limited to the results of economic research done within state government...A research library as described above need not limit itself to a passive role of responding to requests...It should also develop a clearinghouse role, bringing the results of recently completed studies to those agencies which could conceivably use them..." (Emphasis Added)

Lastly, the research function for State planning would, on certain occasions, include primary research in cases that the OEPAD research section was the best-equipped agency to do it. Two examples were cited: 1) identifying goals of State agencies for submission to the Governor and Legislature for approval,* and 2) evaluating bases for dividing Arizona into administrative regions.**

## Research to Be Conducted for State Economic Development

Research for State economic development efforts were divided into two categories in the AJEDC report: 1) general research to accumulate data on the State's economy to answer inquiries and prepare promotional materials, and 2) directed research aimed at particular areas or industries with specific prospects' or communities' needs in mind.

* See page 17 for a discussion of the lack of State goals.

** In 1970 OEPAD produced a publication regarding the deliniation of six planning districts for the State.

The AJEDC report recommended that OEPAD, as other state development agencies did at that time, develop general research files supported by resource inventory systems to: 1) furnish unbiased information pertinent to locating plants,* 2) conduct analytical studies for prospects, and 3) provide summaries of pertinent data.

In addition, OEPAD would conduct directed research, by request or on its own initiative, to: 1) identify target industries, and 2) detail local community needs and assets.

Target industry research would investigate potential expansion of existing growth industries, identify new growth-potential industries among naturally linked customers and suppliers of existing industry and study the overall benefits of new industries compared to their costs. However, detailed study of individual industries would be done only for serious prospects.**

Community research, as envisoned in the AJEDC report, would blend general promotional research with target industry research efforts. In addition, every effort would be made to ensure that communities could accommodate industrial prospects. Community resource audits were suggested as a possible avenue for such efforts.

Therefore, as OEPAD began its initial economic research efforts in 1969, a number of specific guidelines outlined an economic research function for the agency.

* Appendix VIII contains an AJEDC example list of facts useful for plant location decisions.

** Appendix IX contains an outline of proposed target industry research from AJEDC.

OEPAD Research Activities Are Traced

In 1969 OEPAD developed an original five-year workplan* that included specific objectives to fulfill the research responsibilities outlined in the AJEDC report. Initial research efforts included attempts to inventory and automate economic data collected by State agencies and to establish a standard set of population estimates and projections for use by all of State government. The initial research efforts began to lose momentum after a few years and OPEAD research efforts were shifted to other activities. The change in research emphasis is summarized in Table 3.

It should be noted audit staff members were hampered in producing the information in Table 3 because of: 1) no cataloging of OEPAD publications since 1974, 2) no OEPAD research librarian since 1976 and research materials uncataloged and in a state of general disarray, 3) general correspondence not organized consistently or kept for past years, 4) management reports not compiled consistently or retained, and 5) many employees during OEPAD's early years no longer there.

In order to produce Table 3, the audit staff categorized each available or annotated OEPAD publication, examined copies of published OEPAD reports, cataloged each research effort or publication significant enough to be mentioned in OEPAD annual reports, compiled lists of activities from 1979 management reports and requested their amplification by OEPAD management, and interviewed long-term and former OEPAD employees.

* The workplan received a national award and recognition in fiscal 1972-73 by the Housing and Urban Development Administration, who cited it as a model for nationwide distribution.

TABLE 3

MAJOR* OEPAD RESEARCH PROJECTS AND INFORMATION SERVICES 1969-1980, RELATED TO AJEDC RECOMMENDATIONS

| Research Category | Kinds of activities within each category, as recommended in AJEDC report | Description of Research Project | Major OEPAD Projects Related to AJEDC Research Categories: 1969-70 | 1970-71 | 1971-72 | 1972-73 | 1973-74 | 1975 | 1976 | 1977 | 1978 | 1979-80** |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| SUPPORTING ECONOMIC PLANNING | | | | | | | | | | | | |
| Coordinating research and data collection of state agencies | - Coordinating research done by state agencies<br>- Inventory data collection and prediction efforts of state agencies<br>- Identify research duplication<br>- Reveal areas where additional research could be of value and encourage agencies to assume this research | - Designing a research information & exchange system<br>- Inventory of data collected by state agencies | | | *** | | | | | | | |
| Improve usefulness of data and research | - Determine standard time periods to be used for predictive work so information from various agencies can be compared & combined<br>- Develop a central repository ("library") for results of economic research & predictive work<br>- Act as a clearinghouse, bringing results of studies to attention of appropriate agencies | - Research & reference library<br>- Efforts to achieve uniform population estimates & projections<br>- Automated data storage and retrieval | | | | | | | *** | | **** | |
| Conduct primary research | Examples mentioned by AJEDC:<br>- Identifying goals of state agencies for Governor & Legislature<br>- evaluating bases for dividing Arizona into administrative regions | - Econometric modeling<br>- Primary research related to various natural or socio-economic resources (e.g., land, housing, water)<br>- Identifying goals of state agencies<br>- Research underlying creation of planning districts (COGs) | | | | | | | *** | | | |
| SUPPORTING ECONOMIC DEVELOPMENT | | | | | | | | | | | | |
| General promotional research | Develop general research files to:<br>- furnish unbiased information on plant locations<br>- conduct analytical studies for prospects<br>- provide summaries of pertinent data<br>Detail local needs and assets | - Community Profiles/Prospectuses<br>- Foreign trade directories/research | | | | | | | | | | |
| Directed research - community | - Blend general promotional research with target industry research<br>- "Community resource audits" to ensure community could handle prospects | - Economic base analyses (counties or communities) | | | | | | | | | | |
| Directed research - industry | - Examine expansion potential of existing growth industries<br>- Identify new growth potential industries<br>- Study economic benefits vs costs of new industry | - Tourism research<br>- Motion picture research | | | | | | | | | | |
| STAFF ASSISTANCE TO GOVERNOR | | | | | | | | | | | | |
| | - This category and activities were not specified in the AJEDC report | - Issue Analysis Unit (research upon Governor's request)<br>- Various research assignments for Governor | | | | | | | | | | |

* "Major" is defined to include research/data projects which: 1) consumed substantial staff resources, and 2) were intended to be long-term, continuing projects. OEPAD completed many "minor," short-term research/data projects in addition to those displayed in Table 3.

** Comprehensive information on research activities during first half of 1979 is not readily available. This column reflects last half of 1979 and first five months of 1980.

*** Project abandoned.

**** Population projection method officially adopted and transferred to DES.

***** This research led to the creation of six planning districts in Arizona on which the Councils of Government are based.

****** Over 100 assignments for the Governor in 1977, according to OEPAD annual report.

******* In 1978 all OEPAD tourism programs were transferred to the newly created Arizona State Office of Tourism

Table 3 shows that during the early 1970s OEPAD research section staff members were devoted to experimental modeling projects, the most notable of which was the Arizona Trade-Off Model (ATOM), an attempt to trade off environmental costs against the benefits of economic development via a computerized econometric model. It is notable that ATOM, as originally designed, now is cited in the Council of State Planning Agencies, Planning Series, as an example of improper computer modeling. The exact costs and benefits of ATOM cannot be calculated, but it does appear that: 1) ATOM was not workable, especially in the area of environmental trade-offs, 2) a vendor was paid an estimated $250,000* for its work on the model, 3) ATOM was developed in a computer language that was useable only by the vendor's staff, and 4) extensive work was done by OEPAD in 1975 and 1976 to redesign a portion of ATOM to transform it into the Economic-Demographic Projection Model (EDPM), used by the Department of Economic Security to project State population, a much less ambitious purpose than the original ATOM concept.

In addition, special requests from the Governor, occasionally the Legislature, and communities in the State for short-term analyses increased in frequency during the 1970s. This resulted in establishment of an Issue Analysis Section in the Fall of 1975 to provide such analyses. Thus, OEPAD basic research was further deemphasized.

The apparent reason for increased gubernatorial requests for research assistance was that OEPAD became a distinct entity in the Governor's Office in 1972. Since then, OEPAD staff members have devoted increasing amounts of time to preparing analyses for the Governor, as OEPAD has become increasingly integrated into the Governor's Office. In 1977, for example, OEPAD responded to more than 100 gubernatorial requests for research assistance.

* Amount is the lowest of all estimates obtained.

Finally, OEPAD undertook two other experimental research projects during the 1970s that diverted staff resources from basic research activities. The two projects were: 1) the Environmental Planning Commission created in 1973, and 2) the Joint Funding Project, which has required the equivalent of several State-funded positions since 1975.*

Special research studies and analysis are clearly within OEPAD's statutory research mandates, but such activities are engaged in at the expense of primary OEPAD research objectives. For example, during the period OEPAD devoted considerable research resources to special studies and experimental models, the following conditions existed:

- OEPAD did not inventory extensively or regularly economic data produced by other State agencies or other sources, as required by statute,
- OEPAD did not develop a clearinghouse for economic data that could be used to assist State agency research, as required by statute,
- OEPAD gave only sporadic attention to data coordination** until 1979, and
- Because of neglect, the OEPAD library became unuseable.

It should be noted, however, that OEPAD did not completely abandon primary research objectives during the early and mid-1970s. Staff collected and published selected community-specific statistics in a continuing series of Community Profiles***. Community Profiles contain data on the general economy, population, employment, climate, taxes, recreational attractions, medical facilities, transportation and industrial parks in a community. Further, economic base analyses of Arizona's communities, consisting of information on communities' employment and economic structures, have been prepared since 1975.

* See page 95 for a discussion of the Joint Funding Project.

** The Interagency Economic Coordinating Council was intended to act as a vehicle for coordination of data and research. However, the Council was rarely active. See page 85 for discussion of inactive and sporadically active planning councils.

*** There were, as of January 1980, 96 published or planned Community Profiles for communities throughout the State. Appendix X contains a sample Profile.

In addition, OEPAD organized efforts repeatedly to adopt uniform State population projections. The efforts bore fruit in 1977 with the recognition of the OEPAD-developed EDPM as the official source for State population projections. Because the Department of Economic Security (DES) already was responsible for current population estimates, Executive Order 77-5 transferred the continuing duty of State population projections from OEPAD to DES.

Further, as demonstrated in Table 3, OEPAD's recent research and data activities largely align with those identified in the AJEDC report. For example, in August of 1979, OEPAD established a Data Coordination Network to bring producers and users of similar information together to discuss persistent problems of data duplication, nonuniformity and other issues. OEPAD also conducted a survey in November of 1979 to determine the data produced and used by other State agencies, with the intent to publish a rudimentary reference catalog to help data users locate information.* OEPAD also reestablished a research section in July 1979 as a separate organizational unit and, in February of 1980, hired a librarian to sort and catalog library materials and provide assistance to users.

The OEPAD research workplan as of May 1980 substantially aligns with selected characteristics and activities that, according to the Council of State Planning Agencies, are typical of state planning agencies that provide research and data services effectively**.

* Appendix XI contains pages from the catalog, which was distributed in September 1980 to State data users. However, not all natural resources data was included because of no response from two State agencies.

** Appendix XII is a list of the characteristics.

Finally, audit staff sent a series of survey questionnaires in January 1980 to potential users of OEPAD's information and research services. They included State agencies, Councils of Governments, incorporated cities and towns and chambers of commerce in Arizona. A majority of survey respondents* indicated that OEPAD had provided useful information, such as the Community Profiles and population projections. However, many respondents also indicated a lack of information or awareness of OEPAD's research responsibilities and services.

Although OEPAD's research and data responsibilities are defined more specifically in statute than other OEPAD planning responsibilities, sufficient ambiguity in State law allows significant administrative discretion regarding the areas into which OEPAD research resources will be channeled. As a result, OEPAD has been inconsistent in its research efforts.

Questions which need to be addressed statutorially include:

- Is OEPAD's primary research role to provide data and research as outlined in the AJEDC report, to provide short-term analyses or to provide a balance of both?

- Should all economic data be maintained on site at OEPAD, cataloged with reference to its location at other sites or a combination of each approach?

- What does "an inventory of all State resources related to the economy" include?

* Results of the survey responses are tabulated in Appendices XIII, XIV, XV and XVI.

## CONCLUSION

OEPAD has not fulfilled statutory intent regarding research responsibilities consistently. Research efforts have been disjointed and fragmentary and, at times, have been devoted largely to short-term analyses and experimental projects. However, current OEPAD research efforts are redirected toward accomplishing objectives identified initially in 1967.

## RECOMMENDATIONS

It is recommended that consideration be given to the following:

1. The Legislature revise A.R.S. §41-503.B regarding OEPAD's research/data role in order to:
   a. Clarify the meaning of "central repository," "clearinghouse" and "inventory of resources."

   b. Express explicitly its intent concerning the primary responsibility for, and balance between: 1) basic research to support economic planning and development and 2) special-issue analyses.

2. OEPAD pursue the objectives of the State Data Coordination Network. Consideration should be given to combining the effort with those of a continuing interagency planning council. (See Finding V)

3. The Legislature consider separate budget line items for OEPAD research and its data responsibilities to ensure that sufficient staff is devoted to basic research efforts to meet legislative intent.

4. OEPAD expand its current effort to inventory and catalog data sources by including data produced by local governments, private agencies and other non-State sources.

5. OEPAD update and refine data catalogs referred to in Recommendation 4 at regular intervals and increase their usefulness by including definitions of data collected and such characteristics as frequency of data collection, manner in which collected and statistical computations used.

6. OEPAD develop the capability to refer outsiders to appropriate data sources quickly. Consideration should be given to establishing and staffing a telephone inquiry service for the purpose.

7. OEPAD exert more effort to inform State agencies, local governments and appropriate private-sector agencies of its research and information services.

## FINDING III

### OEPAD HAS BEEN INEFFECTIVE IN MEETING ITS STATUTORY RESPONSIBILITY TO CONDUCT SCIENTIFIC AND TECHNOLOGICAL PLANNING.

The Office of Economic Planning and Development is responsible statutorily for scientific and technological planning. However, from its inception in 1968 to April 1980, OEPAD has engaged in activities that for the most part are related only indirectly to scientific and technological planning. In addition, a statutorily created advisory council to OEPAD on scientific and technological planning did not meet from 1970 to 1980, the recommendations of a 1972 Governor's task force regarding a systematic approach to dissiminating scientific and technological information within State government were not implemented, and in 1976 faculty from the University of Arizona discontinued preparing briefing papers on scientific and technological topics for the Governor because the papers were not used.

#### OEPAD's Statutory Responsibility for Scientific and Technological Planning

In 1967 the Arizona Joint Economic Development Committee (AJEDC) expressed a need for integrating science and technology into the economic development activities of State government:

> "The Joint Economic Development Committee has received convincing evidence from individuals in the state and from developments in other states that economic growth is becoming increasingly dependent on the state's ability to capitalize on applications of technology and on its ability to provide a continuing trained manpower resource. An economic development effort that fails to give important consideration to programs that will capture the benefits of new technology and insure a maximum development of labor resources will suffer in competition with dynamic and progressive efforts of other states." (Emphasis added)

The AJEDC report recommended that OEPAD organize a scientific and technological planning section, although exact duties were not specified.

Based on the AJEDC's recommendations, responsibility for "...scientific and technological planning..." was given to the OEPAD Planning Division in A.R.S. §41-501.B., which states:

> "The office shall include a planning division and a development division. The planning division shall, in addition to other functions assigned by the executive director, be responsible for economic planning, economic research and scientific and technological planning. The development division shall, in addition to other functions assigned by the executive director, be responsible for industrial development, advertising and publications." (Emphasis added)

In spite of the legislative charge to OEPAD, scientific and technological planning in State government has been, for all intents and purposes, nonexistent.

Various approaches to integrating science and technology into State government formally have been attempted since 1970 without significant success. The approaches generally emphasized the use of scientific and technological expertise to assist the Governor in solving State development problems rather than encouraging the growth or application of science to attracting or facilitating high-technological industry for the State's development. An exception was solar energy research.

According to a 1978 OEPAD report prepared through a National Science Foundation grant, there had been no permanent, formal means of relating science and technology to the activities of State government. Instead, Arizona has relied on ad hoc committees and advice from individuals (within and outside State government) to respond to crises. As a result, the OEPAD report concluded "...science and technology have probably exerted a subtle, relatively unorganized influence on the policy process that is almost impossible to measure or document."

Thus, for the most part, OEPAD has engaged in some activities since its inception that can be considered only indirectly related to its statutory responsibility of "scientific and technological planning."

For example, in the early 1970s, an attempt was made to develop a computerized econometric model to evaluate the environmental impacts against the economic benefits of economic development. However, the environmental impact portion of the model was notably unsuccessful.* In the latter 1970s OEPAD organized the Federally mandated State water quality plan, began energy conservation programs as a result of the 1974 energy crisis and the availability of Federal funds and conducted environmental impact issue analysis, primarily for the Governor, in such areas as Environmental Protection Agency (EPA) pesticide and air quality regulations, groundwater law and geologic hazards.

It is notable that in 1979 OEPAD defined the purpose and basic activities for the environmental analysis function as coordination among State agencies and environmental impact issue analysis rather than mobilization of the scientific community or use of technology to stimulate economic development.

It is also notable that one of the major new State efforts in science and technology during the 1970s, solar energy research, was under the Arizona Solar Energy Research Commission, an agency which was created in May 1975 and is not part of OEPAD.

## The Arizona Scentific and Technological Planning and Advisory Council

In order to assist OEPAD in its scientific and technological planning, the Legislature enacted A.R.S. §41-506, which created the Arizona Scientific and Technological Planning and Advisory Council and which states:

> "A. There shall be an Arizona scientific and technological planning and advisory council.

* See page 46 for a discussion.

"B. Members shall be appointed by the governor and shall include appropriate research personnel from the state universities and research personnel from Arizona industry and scientific research institutions.

"C. The council shall act in an advisory capacity to the planning division of the office of economic planning and development in formulating policies and programs to stimulate the impact of scientific research and applications of technology upon economic development." (Emphasis added)

According to the AJEDC report, which was the basis for the legislation that created OEPAD, the role of the advisory council was part of an overall strategy to direct science and technology towards influencing State development:

"In considering an overall strategy to mobilze the forces of science and technology toward state economic development, this Council should:
"1. Act as a catalyst in seeing that segments of the public and private sectors address their resources to significant development problems and opportunities.

"2. Identify problems and opportunities. The Council should encourage
"a. Analysis of the state's strength and weaknesses in terms of material and human resources
"b. Identification of those new areas of science and technology emerging nationally which are especially suited to Arizona's material and human resources.

"3. Identify those elements in the private sector, the public sector, the academic, and the research community with particular competences in science and technology, and enlist their cooperation and support in state science and technological development.

"4. Create an increased awareness among the public of the relation of scientific activities to economic development of the state." (Emphasis added)

In addition, the AJEDC report mentioned the Council's role to further: 1) general science education, 2) State government competence in science, and 3) improved scientific-area relationships with the Federal government:

> "Among the more realistic roles that the science advisory council might undertake are;
>
> "1. As an agency to facilitate the getting of federal planning funds for science education or for the planning of science education. This could include policy formulation for selected strengthening of areas of excellence or of priority development at the state universities as has been done by the New York State Science and Technology Foundation.
>
> "2. As a critical agency in looking at state programs with scientific content, i.e. health, medical services, etc. and acting as a force to raise the level of competence in these areas. In these studies the council might profitably make use of confidential reports to the chief executive rather than public reports, a device that has had good results within the federal government.
>
> "3. As a device for improving the relationship of the state with the federal government in science-related areas. Men of stature within the state in federal science activities should be placed on the council." (Emphasis added)

The first science and technology council members were appointed in July 1970, approximately one and a half years after DEPAD began operations. The council met once or twice, and asked for direction from the DEPAD Executive Director and the EPAD Board. However, there is no evidence that advice was provided. The Council was not assigned specific issues or tasks. A staff section was not organized or specifically funded. Without direction or support from DEPAD, the Council stopped meeting.

Research and Information Exchange System

In June 1972, personnel from the three universities and selected State governmental units, at the Governor's request, formed a task force to address the "Governor's perception of the need for a systems approach in analyzing complex societal issues." The task force recommended creation of a Research and Information Exchange System (RIES) for Arizona. RIES was envisioned as a means to communicate scientific and technological knowledge between: 1) the scientific community, particularly the universities, and 2) State government policy makers. Supported by RIES, DEPAD staff could provide timely analysis of environmental issues requiring swift action by the Governor and the Legislature. The task force also recommended the Arizona Scientific and Technological Planning and Advisory Council be reactivated to advise the Governor and OEPAD after the RIES system became usable.

The task force recommendations were not followed. No research and information exchange system involving the universities was established, and the Arizona Scientific and Technological Planning and Advisory Council was not reactivated.

Technical Briefing Notes

In June 1975 the University of Arizona offered to have faculty members prepare briefing papers on a variety of scientific and technological topics that the Governor addressed regularly. In the subsequent 18 months, faculty members prepared a number of short papers called "Arizona Executive Office - Technical Briefing Notes." According to the OEPAD National Science Foundation report, however, by the end of 1976 the University ceased preparing the papers because the information was not used.

Reasons for Ineffectiveness in
Scientific and Technological Planning

OEPAD's failure to meet its statutory responsibilities of scientific and technological planning is due primarily to:

1. a lack of administrative direction,
2. a lack of funds specifically devoted to such planning, and
3. vagueness of the statute regarding scientific and technological planning.

The demise of the Arizona Scientific and Technological Planning and Advisory Council was due to:

1. lack of specific tasks or duties,
2. lack of leadership from the EPAD Board or DEPAD staff, and
3. no access directly and regularly to the Governor.

According to a spokesman for the National Science Foundation (NSF), similar councils in other states also have been ineffective for the same reasons.

Councils in other states have been unable to provide the breadth and depth of knowledge necessary to advise governors in scientific, technological and environmental areas. According to NSF, a science and technology council needs scientific representatives with diverse knowledge who can obtain indepth advice on specific subjects. Michigan was cited by NSF as achieving this by utilizing its Council as a "head hunting" group. The council is not expected to provide answers but to locate the persons who can. In addition, Michigan's Council has direct access to the governor's office through a gubernatorial aide.

## Attempt Is Made to Reactivate the Council, but Its Role Remains Unclear

In April 1980, the Governor appointed a new science and technology council, officially called the Science and Technology Advisory Board. The reactivated council will attempt to provide scientific and technological advice to the Governor regarding important policy issues. However, whether or not the effort will result in an overall strategy for impacting or influencing the development of science-related industry is unclear.

According to OEPAD's outline of the system, the nine-member advisory board will serve as a "broker" between the executive policy process and the scientific community. Membership consists of senior-level State government officials (executive branch) and university representatives and the OEPAD Executive Director serving as chairperson. The OEPAD Executive Director, as chairperson, will meet regularly with the Governor's Cabinet* to survey current issues of scientific concern and to solicit feedback on the policy relevance of issues previously undertaken by the advisory board. The board also will meet regularly to determine what research will be undertaken and to report on the progress of current projects. Board members will identify experts in the scientific community to conduct research on specific issues. Each project will carry completion deadlines to ensure that the information feeds into decision-making. A three-year NSF grant, beginning September 1980, enabled OEPAD to hire a full-time staff coordinator to assist the board.

While the system addresses the problems of access to the Governor, leadership from OEPAD and identifying tasks, areas left unaddressed or unresolved are:

1. Sufficient funding dedicated to the system beyond the life of the grant,

* The Cabinet consists of the directors of ten major State agencies (chaired by the Director of the Department of Administration) and meets monthly to discuss a wide range of topics.

2. Unclear mission or purpose in the law to provide parameters or priorities for such a board, and
3. If the Council will be part of a general science and technology planning approach for economic planning and development as originally envisioned.

CONCLUSION

OEPAD has not met its statutory responsibility for scientific and technological planning. A related advisory council has not met since 1970.

Several OEPAD activities have been indirectly related to scientific and technological planning, and members for a reactivated council were appointed in April 1980. However, the overall direction for OEPAD's scientific and technological planning remains unresolved.

RECOMMENDATIONS

It is recommended that consideration be given to the following:

1. Legislative review of the appropriateness and feasibility of a statutory role for OEPAD to use scientific and technological planning in solving development problems or to attract new growth areas of industry.

2. If the Legislature determines scientific and technological planning is appropriate and feasible, A.R.S §41-501.B should be amended to outline more specifically OEPAD's role in scientific and technological planning.

## FINDING IV

### IMPROVEMENTS ARE NEEDED IN THE OPERATION OF THE STATE CLEARINGHOUSE.

The State Clearinghouse for Federal grant review* was established in 1969 to provide for timely review of proposed Federal grants in Arizona. Under the Clearinghouse concept, prospective grants recipients send their requests for Federal funds to the Clearinghouse, which forwards the proposals to potentially impacted or duplicative programs for review and comment. The objectives of the Clearinghouse are to avoid problems or duplications and to provide accurate information on all grants to the Governor and the Legislature. However, the effectiveness of the State Clearinghouse has been significantly impaired because: 1) grant applicants frequently do not submit information in a timely manner, 2) State agencies do not comply with an Executive Order requiring Clearinghouse review of all, not just Federally mandated, grant proposals, and 3) representatives of programs that may be impacted by or duplicative of proposed requests for Federal funds provide only cursory, if any, reviews of grant proposals. As a result, the Clearinghouse's overall effect is impaired and the Governor and the Legislature cannot monitor accurately the Federal aid requested or received by Arizona agencies.

* Commonly called A-95 Review, after the name of the Federal circular originally establishing such reviews.

Establishment and Operations
of the State Clearinghouse

In 1969, the Office of Management and Budget issued Federal Circular A-95, which requires that Federal agencies and non-Federal applicants for Federal funds give State and local government officials an opportunity to review grant applications and assess the impact such applications might have upon existing plans and programs. Because of Federal Circular A-95, selected* grant applications must be reviewed. In response to Federal Circular A-95, the Governor designated OEPAD responsible for Arizona's Clearinghouse in 1969. The purpose of the State Clearinghouse is:

> "...to insure access by the Governor, the Legislature, state agencies and local officials to information concerning federal programs and activities within Arizona in order to eliminate program gaps, overlaps and duplications."**

In 1975, the Governor issued Executive Order 75-7*** which required: 1) all State agencies, boards and commissions to submit all proposals for Federal funding to the State Clearinghouse, and 2) that no State agency shall apply for any Federal funds without filing the proposal with the Clearinghouse first. The expansion of Clearinghouse responsibilities from the review of those applications specified in Federal Circular A-95 only to all State applications for Federal monies was ordered because the Governor recognized a need "...for the review and coordination of all Federally assisted programs of State agencies."

According to Federal guidelines**** and OEPAD Clearinghouse procedures, the review of grant proposals should include the following steps:

* Not all Federal programs are subject to these review requirements. Since 1969, however, revisions to the first Circular have expanded the number of programs that must participate.

** Source: The 1978 OEPAD Annual Report.

*** Appendix XVII contains the text of this Executive Order.

**** Appendix XVIII contains the Federal A-95 handbook description of the review process.

- State and local agencies submit proposals for Federal funds to the Clearinghouse at least 60 days prior to submittal to the appropriate Federal agency. Federal Form 424* is used for the Clearinghouse submission. The information on the form identifies and describes the proposal briefly.
- Upon receipt of the form, the Clearinghouse dates it, assigns an identification number, classifies the proposal as "major" or "minor" and determines which agencies will receive copies for review and comment.
- The Clearinghouse sends completed Form 424 and appropriate additional proposal information to the selected reviewing agencies.
- Reviewing agencies are required to return comments to the Clearinghouse within 17 working days.
- If reviewers contact the Clearinghouse during the review period with problems or questions, the Clearinghouse may arrange a conference between the reviewers and the grant applicant to discuss the proposal.
- At the end of the review period, the Clearinghouse signs Form 424, indicating that the required review has been made and sends the form, together with all comments received, to the grant applicant.
- The applicant sends the form and comments to the appropriate Federal agency when applying for funds. The intent of the Clearinghouse review is to encourage the applicant to modify the proposal according to substantive comments, suggestions or objections.

* Data on Form 424 includes name of applicant agency, Federal program catalog number, amount of Federal funds requested, State matching funds or services and/or other funds to be used, estimated date to be submitted to the Federal agency and a brief description of the program to be funded. Appendix XIX contains a sample completed Form 424.

In addition to its central administrative role in the review process, the Clearinghouse publishes information on Federal grant awards. As required in Federal Treasury Circular 1082*, the Federal grantor agency should return Form 424 to the Clearinghouse after a decision has been reached regarding the application indicating: 1) whether the request for funds was granted or denied, and 2) if granted, the amount of Federal funds awarded. The Clearinghouse compiles and publishes a monthly listing of grant awards based on Forms 424 and information received from the Executive Budget Office.

Thus, the intended purpose of the Clearinghouse is as a repository of information regarding Federal monies spent in Arizona and a coordinating mechanism for timely, in-depth reviews of Federal grant applications by appropriate State and local officials. However, an examination of Clearinghouse operations revealed that grant applicants do not submit proposals in a timely fashion; all State agencies do not submit all Federal grant proposals to the Clearinghouse for review; and the reviews made appear to be cursory.

Late Submission of Proposals to State Clearinghouse

A significant number of proposals for Federal grants are submitted to the Federal government before completion of Clearinghouse review procedures and, in many cases, before submitting the proposal to the Clearinghouse at all. The practice violates State and Federal procedures, decreases the time available for review and comment, and decreases the likelihood of meaningful consideration of reviewers' comments and, if justified, substantial proposal modification.

* The Intergovernmental Cooperation Act of 1968 requires Federal agencies to notify designated State reception points of the purpose and amount of grants awarded to units of State and local government. Department of the Treasury Circular No. 1082 defines administrative procedures for fulfilling this requirement.

During calendar year 1979, the Clearinghouse received a total of 1,584 proposals. Table 4 lists the proposals by category.

TABLE 4

NUMBER OF GRANT PROPOSALS RECEIVED BY THE STATE CLEARINGHOUSE BY CATEGORY DURING CALENDAR YEAR 1979

| Proposal Category* | Number of Proposals Received | Percentage of All Proposals Received |
|---|---|---|
| Direct Federal (projects by Federal agency) | 71 | 4.5 % |
| State plans | 30 | 1.9 |
| Environmental Impact Statements (EIS) | 77 | 4.9 |
| Subdivisions and Housing-loan applications to Federal Housing Administration (FHA) | 319 | 20.1 |
| Other A-95s** | 808 | 51.0 |
| State-administered Federal funds | 201 | 12.7 |
| Non-A-95s | | |
| - State agency proposals | 40 | 2.5 |
| - voluntary submissions | 38 | 2.4 |
| | 1,584 | 100.0 % |

Federal and State procedures alike emphasize the need for grant proposals to be submitted promptly. An Office of Management and Budget handbook, A-95: What It Is - How It Works, states:

* Two additional categories for voluntary submissions from private organizations and local governments are not listed because of infrequent usage.

** A-95 Programs fall under this category unless they are State Plans, Direct Federal, Environmental Impact Statements, State-Administered Federal Funds or subdivisions and housing proposals.

> "The...system...may be thought of as an 'early warning system' to facilitate coordination of federally assisted projects with State, regional, area and local plans and programs.
>
> "Timing is of the essence for the NOI (Notification of Intent). It is the heart of the 'early warning feature'...."

Federal guidelines describe an optimal system that includes a two-step procedure:

1. The applicant sends a Notification of Intent to apply for funds to the Clearinghouse 60 days before the application is submitted to the Federal funding agency.
2. The applicant sends the actual application for funds to the Clearinghouse 30 days before the application is to be submitted to the Federal government.

In Arizona, applicants generally do not observe the two-step review process.

The Federal guidelines note further that:

> "...in any case where no Notification of Intent has been submitted, Clearinghouse may have 60 days to review the application." (Emphasis added)

However, an Auditor General staff analysis of Clearinghouse files revealed that, for those categories analyzed, applicants generally do not submit their proposals promptly. As a result of late submissions, the Clearinghouse: 1) receives applications at the same time as or after the Federal agency does, or 2) does not complete its review before the applicant sends the proposal to the funding agency.

Table 5 compares the "...estimated date to be submitted to federal agency..." (from Form 424) to the dates the Clearinghouse: 1) received the proposal, and 2) signed off the completed review.

TABLE 5

A SAMPLING OF FEDERAL GRANT APPLICATIONS
SUBMITTED TO THE CLEARINGHOUSE DURING
CALENDAR YEAR 1979

| Proposal Category | Number of Applications Reviewed* | Number of Applications reviewed Containing Estimated Date to Be Submitted to Federal Agency on Form 424 | Applications Submitted to the Clearinghouse on the Same Date or After the Estimated Date to Be Submitted to Federal agency: Number | As a percentage of Files that had Estimated Dates | Applications Processed by the Clearinghouse After the Estimated Date to Be Submitted to Federal Agency: Number | As a percentage of Files that had Estimated Dates |
|---|---|---|---|---|---|---|
| Direct Federal** | N/A | | | | | |
| State plans | 30 | 26 | 6 | 23.1 % | 17 | 65.4 % |
| Environmental Impact Statements*** (EIS) | N/A | | | | | |
| Subdivision and Housing**** (FHA) | N/A | | | | | |
| Other A-95s | 59 | 55 | 42 | 76.4 | 44 | 80.0 |
| State-administered Federal Funds | 40 | 37 | 13 | 35.1 | 16 | 43.2 |
| Non-A-95s -- State agency proposals only | 40 | 26 | 18 | 69.2 | 24 | 92.3 |
| | | 144 | 79 | 54.9 % | 101 | 70.1 % |

* In the small categories, all 1979 proposals were reviewed. In the larger categories, samples were drawn systematically for analysis.

** Direct Federal projects are those to be undertaken directly by Federal agencies, such as the construction of a post office facility. In these cases, Form 424 is sent to the Clearinghouse by the Federal agency. Therefore, estimated date to be submitted to Federal agency becomes meaningless.

*** Many EISs relate to direct Federal projects and so are sent to the Clearinghouse by the Federal agency. Therefore, estimated date becomes meaningless.

**** Many applicants for FHA housing funds ask FHA to help them complete the applications. In these cases, FHA sends Form 424 to the Clearinghouse on behalf of the applicant. Therefore, estimated date becomes meaningless.

As shown in Table 5, 54.9 percent of the applications analyzed were received by the Clearinghouse on or after the date the applicant estimated the proposal would be sent to the Federal grantor agency. In the case of the Other A-95 applications, 76.4 percent were submitted to the Clearinghouse at the same time as or after the estimated date of transmittal to the Federal government.* In the four categories as a whole, the Clearinghouse did not complete the review process for approximately 70 percent of the applications until after the estimated Federal submission date.

Noncompliance With Coverage Requirement of Executive Order 75-7

State agencies do not comply with Executive Order 75-7, which requires them to submit all proposals for Federal funds to the Clearinghouse. OEPAD acknowledged in a 1977 publication that full State agency compliance had not been achieved, and when presented with the analyses in Table 5, the OEPAD Planning Director and staff conceded that the problem still exists. However, the extent of the noncompliance is not known.

OEPAD Expected Workload to Double

OEPAD stated in its 1975 Annual Report that substantial workload increases were expected for the Clearinghouse as a result of a May 30, 1975, Executive Order which required all Federal grant proposals developed by State agencies, not just those required by Federal Circular A-95, to be submitted to the Clearinghouse for review and comment:

> "The volume of work (for the Clearinghouse) could easily double as a result of the Executive Order."

* Applicants may request a conditional sign-off from the Clearinghose to meet a Federal application deadline. In these cases, Form 424 is completed before the end of the normal review period. The Federal agency is not supposed to make a decision on the applications until a final sign-off is received from the Clearinghouse. However, it should be noted that no conditional sign-offs were granted to the applicants whose files were analyzed by the auditors.

A review of the Clearinghouse workload from 1974 through 1979 revealed a substantial increase in volume. However, as shown in Table 6 , only a small fraction of the increase can be attributed to the Executive Order. Increases attributable to Executive Order 75-7 would appear in the categories of: 1) non-A-95s (State agencies), and 2) State-administered Federal funds,* because proposals in the other categories are submitted in compliance with Federal regulations.

TABLE 6

STATE CLEARINGHOUSE WORKLOAD BY
PROPOSAL CATEGORY IN CALENDAR YEARS 1974-79

| Proposal Category | Number of Proposals During Calendar Year | | | | | |
|---|---|---|---|---|---|---|
| | 1974 | 1975** | 1976 | 1977 | 1978 | 1979 |
| Direct Federal | 43 | 95 | 68 | 47 | 52 | 71 |
| State plans | 18 | 26 | 28 | 29 | 33 | 30 |
| Environmental Impact Statements | 38 | 63 | 79 | 71 | 68 | 77 |
| Subdivisions and Housing | 135 | 168 | 176 | 351 | 366 | 319 |
| Other A-95s | 385 | 558 | 798 | 860 | 722 | 808 |
| State-administered Federal funds | 93 | 137 | 206 | 161 | 204 | 201 |
| Non-A-95s | | | | | | |
| - State agency proposals | 71 *** | 24 *** | 47 | 50 | 62 | 40 |
| - voluntary submissions | | | 85 | 55 | 64 | 38 |
| | 783 | 1,071 | 1,487 | 1,624 | 1,571 | 1,584 |
| Percentage increase over calendar year 1975 | | | 38.8% | 51.6% | 46.7% | 47.9% |

* Not all proposals in the State-administered Federal Funds category are the result of Executive Order 75-7. The category also includes some A-95 proposals.

** Executive Order 75-7 requiring State agencies to submit all proposals to Clearinghouse effective May 30, 1975.

*** Numbers for State agency proposals could not be separated from other non-A-95s for 1974 and 1975.

Table 6 reveals only 47 proposals in the Non-A-95 State Agency category in 1976, the first full year of Executive order implementation. In 1979, only 15 State agencies submitted a total of 40 proposals classified as non-A-95s. Table 6 also shows that the State-administered Federal Funds category increased slightly in 1976, then remained stable. The two categories together should have increased by 800-1,000 proposals after 1975 to fulfill OEPAD's prediction in its 1975 Annual Report. However, the actual increase after 1975, attributable to Executive Order 75-7, was less than 100 proposals.* Thus, State agency compliance with Executive Order 75-7 obviously has never been total and probably not even substantial.

An example of agency noncompliance is the Federal grant awards to the State universities. One State university (which would be within the scope of the Executive Order) received, according to its own financial reports, approximately $12 million in Federal aid in fiscal year 1977-78 and $13 million in fiscal year 1978-79**. Yet the same university submitted only one proposal to the Clearinghouse in fiscal year 1977-78 for $219,000 and two in fiscal year 1978-79 for $85,552. The overwhelming difference between: 1) the proposals submitted to the Clearinghouse by the University for review, and 2) the Federal funds received by the University indicates noncompliance with Executive Order 75-7.

Cursory Review of Proposals

Submission of a proposal to the Clearinghouse results in few, if any, significant programmatic comments from reviewers, especially if compared to the number of reviews solicited.

Auditor General staff examined OEPAD files to determine the number and content of comments received through the Clearinghouse review. Table 7 details the results of this analysis.

* An exact increase as a result of Executive Order 75-7 cannot be determined because of the nature of the State-administered Federal Funds category.

** These two totals do not include advances for student loan programs, which amounted to $1.5 million in 1977-78 and $1.6 million in 1978-79.

TABLE 7

SUMMARY OF THE NUMBER AND PERCENTAGE OF OEPAD FILES ANALYZED AND INCIDENCE OF SUBSTANTIVE* PROGRAMMATIC COMMENTS DURING CALENDAR YEAR 1979

| Proposal Category | Number of Files Analyzed** | Number of Proposal Copies Sent Out*** | Average Number Sent Out Per Proposal | Number of Proposal Copies Received*** | Return Ratio | Number and Percentage of Files That Received: No Comment | | One Comment | | Two or More Comments | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | No. | Percentage | No. | Percentage | No. | Percentage |
| Direct Federal | 27 | 436 | 16.1 | 263 | 60.3 % | 12 | 44.4 % | 8 | 29.6 % | 7 | 25.9 % |
| State plans | 30 | 819 | 27.3 | 485 | 59.2 | 6 | 20.0 | 14 | 46.7 | 10 | 33.3 |
| Environmental Impact Statements | 35 | 816 | 23.3 | 497 | 60.9 | 6 | 17.1 | 12 | 34.3 | 17 | 48.6 |
| Subdivision and Housing (major proposals only) | 28 | 289 | 10.3 | 184 | 63.7 | 3 | 10.7 | 5 | 17.9 | 20 | 71.4 |
| State-administered Federal Funds | 40 | 119 | 3.0 | 101 | 84.9 | 36 | 90.0 | 4 | 10.0 | 0 | 0 |
| Other A-95s | 59 | 533 | 9.0 | 416 | 78.0 | 37 | 62.7 | 11 | 18.6 | 11 | 18.6 |
| Non-A-95s (State agency proposals only) | 39 **** | 315 | 8.1 | 187 | 59.4 | 25 | 64.1 | 10 | 25.6 | 4 | 10.3 |
| Total | 258 | 3,327 | 12.9 | 2,133 | 64.1 % | 125 | 48.4 % | 64 | 24.8 % | 69 | 26.7 % |

* Substantive comments were those other than mere checked approval of project or other short affirmative statement ("It's a good idea," for example). Also excluded were comments from the Attorney General's Office regarding civil rights. Civil rights comments were based on the applicant's organization, not its program.

** In small categories, all 1979 proposals were reviewed. In larger categories, samples were drawn systematically for analysis.

*** Copies of proposals are sent to Regional (Councils of Governments (COGs), when determined appropriate by OEPAD. COGs, in turn, determine if a formal review process will be used that will include copies distributed to local groups or if another method will be used to obtain input. Substantive COG comments sent to the Clearinghouse that were received from or through local groups are included as part of the return rate; however, the number of additional copies distributed by COGs is unknown. Therefore, the number sent out for review is understated and the return rate is overstated

**** The number differs from the number (40) listed in Tables 4 and 5. The Clearinghouse did not send out one of the 40 proposals for review because the applicant already had been granted the funds two months earlier. Therefore, only 39 files in this category were appropriate for analysis.

As demonstrated in Table 7, more than half the proposals in three categories received no substantive programmatic comments. Further, in the Other A-95s category (the biggest single category), the larger proposals received substantially fewer comments than the smaller ones, as shown in Table 8.

TABLE 8

DOLLAR VALUE OF PROPOSALS ANALYZED - OTHER A-95s CATEGORY

| | Total Dollar Value of Projects | Average Dollar Value Per Project |
|---|---|---|
| Projects receiving no substantive comments: | $69.8 million | $1.9 million |
| Projects receiving at least one substantive comment: | $ 4.5 million | $237,000 |

OEPAD staff members indicate that directors of State agencies may not comment critically on major projects of other State agencies hoping that, by so refraining from comment, their own proposals will avoid negative criticism.

It should be noted that Clearinghouse staff members arrange ten to 12 conferences each year for applicants and critical reviewers, designed to encourage resolution of objections. It also should be noted that a majority of proposals reviewed in such categories as State plans, Environmental Impact Statements and subdivision/housing proposals receive at least one substantive comment. However, potential benefits of review comments are minimized by the practice of sending applications to the funding agency prior to receiving review comments. On occasion, late comments still may result in Federal-level changes to the proposal, but timeliness has been emphasized repeatedly as an essential factor for effective Clearinghouse coordination of programs in the State.

In an Auditor General survey of State agencies,* 19 of 23 commented on Clearinghouse operations. Eight respondents indicated the Clearinghouse was of low value or needed improvement. Only two of the 19 agencies indicated they had made significant changes in their own applications as a result of Clearinghouse reviews.

Comments included:

> "Federal and state time tables are such that most review is after the fact with little time to revise plans and little or no comment by reviewers."
>
> "Volume is so great it is difficult to devote adequate time to in depth review(,) resulting in projects with major or adverse impacts going through the process unnoticed."
>
> "...a process that is not functionally effective."
>
> "The submittal of various information to the Clearing House is a federal requirement and only serves to receive minimum input from other state agencies. Serves no purpose in the general planning process."
>
> "...exhibited no coordination or elimination of planning conflict."

Incomplete Monitoring of Federal Assistance to Arizona

Arizona's governors and legislators frequently have stated their need to gain an understanding and/or a degree of control regarding the amounts of Federal aid received by State agencies. In a 1977 publication entitled, State Government Oversight of Federal Assistance, OEPAD staff examined the alternatives available for the Governor, Legislature and their budget staffs to obtain: 1) foreknowledge of Federal aid requested by each State agency, and 2) timely and comprehensive information on the Federal grant awards received. The OEPAD publication claims the Clearinghouse is a potential means to this end. However, as of May 1, 1980, Clearinghouse operations could not provide comprehensive information about Federal aid requested by or monies awarded to State agencies.

* See Appendix XIII for a tabulation of survey results.

Currently only piecemeal information is provided to the Executive and Legislative branches via Clearinghouse operations. When the Clearinghouse receives an application for review, a copy of Form 424 is sent to the Executive Budget Office and the Joint Legislative Budget Committee staff. If all agencies were submitting all applications to the Clearinghouse, then the Executive and Legislative staffs would have compehensive data on Federal aid sought by State agencies. However, because all agencies are not submitting all applications, a comprehensive monitoring of Federal funds applications is not possible.

Additionally the Clearinghouse collects and publishes information on Federal grant awards. Similarly, all awards are not reported to the Clearinghouse and, therefore, Clearinghouse publications of Federal awards to State agencies are not complete.

Neither Federal Agencies Nor the Executive Budget Office Supply All Award Data

The Clearinghouse receives award information from two sources: 1) Federal agencies, and 2) the Department of Administration (DOA) - Division of Finance, Executive Budget Office. Federal agencies have not, according to OEPAD staff, consistently informed the Clearinghouse of all awards despite statutory requirements to do so.

A.R.S. §35-113.01.C. requires State agencies to notify DOA-Finance of Federal awards received:

> "C. All departments, agencies, boards or commissions, shall forward an acknowledgement to the department of administration division of finance upon receipt of federal funds."

The Executive Budget Office, based on an information agreement, forwards award notices, upon receipt, to the Clearinghouse. According to OEPAD staff and the Executive Budget Office, all agencies do not comply with A.R.S. §35-113.01.C.

As a result, no reliable source of timely Federal funds information exists that can provide either: 1) comprehensive information on Federal funds requested by State agencies; or 2) comprehensive and timely* information on funds awarded to agencies.

Causes for Deficiencies Are Multiple

Causes for late submissions, noncompliance and cursory reviews appear to be numerous and include: 1) inactivity of the State Planning and Coordinating Committee (SPCC), 2) failure of the Clearinghouse staff at OEPAD to educate State agency personnel adequately , 3) high volume of applications sent to reviewers, 4) absence of means to enforce Clearinghouse guidelines, and 5) Federal government grant administration practices.

SPCC Is Inactive

In 1971 the Governor issued Executive Order 71-1** creating SPCC for Federal programs. Membership included the chief administrators of 18 State agencies. The Committee's major responsibilities were to: 1) review State plans, 2) advise and assist the Clearinghouse, 3) develop a management system to ensure that Federal programs do not duplicate, overlap, compete or impact unfavorably on each other, and 4) keep the Governor and Legislature informed on these matters. The SPCC has been inactive since 1977, and thus its collective advice has not been received.

* Once a year in September, as part of the budget submission process, the Executive Budget Office collects information on Federal funds received during the past fiscal year, estimates for the current fiscal year and projections for the following year.

** Subsequent Executive Orders modified membership, changed the committee's name and expanded its scope. Appendix XX contains the text of the most recent Executive Order.

Failure to Educate State Agency Personnel Adequately

According to Clearinghouse staff, State agency employees express occasional surprise that they are required to submit all applications for Federal funds to the Clearinghouse. While Clearinghouse staff have held workshops with State agency personnel to provide information on review procedures and requirements, the last such session was held in the summer of 1978. More frequent workshops seem advisable, considering the high turnover among persons involved in grant proposal preparation.

Volume to Review Is Heavy

The heavy volume of grant applications which require review is a problem for some State agencies, which receive hundreds of grant applications for review each year. For example, in 1979 the Department of Economic Security and the Department of Health Services each received nearly 400 proposals in the Other A-95s category alone.

No Means to Enforce Compliance

The Executive Orders concerning SPCC and Clearinghouse operations do not contain enforcement or penalty provisions if State agencies fail to submit Federal grant applications to the Clearinghouse. According to Legislative Council in a memorandum dated April 24, 1980,* an Executive Order issued by one Governor is not necessarily binding on the next:

> "An executive order issued pursuant to a statute presumably is effective until rescinded or superseded by a subsequent executive order. Executive orders not issued pursuant to statute apparently are not binding on subsequent Governors." (Emphasis added)

* Appendix XXI contains the full text of this memorandum.

State law contains no provision to establish or define the powers and responsibilities of the Clearinghouse. The only applicable Federal requirement is an A-95 regulation that selected applications must be reviewed through the Clearinghouse before Federal funding decisions can be made.

Therefore, no effective enforcement provision exists to obtain compliance for Clearinghouse review of the hundreds of Federal programs not covered by A-95 regulations.

Federal Grant Administration Practices

Last-minute appropriations by Congress and delays by Federal agencies in announcing grant regulations and application deadlines have been cited as causing tardy Clearinghouse submittals. Federal A-95 guidelines acknowledge the criticism, but do not accept it as valid:

> "In the past, some agencies have requested procedural variations when Congress has delayed appropriations for a program. This is not normally considered a valid reason for a variation. Applicants will, generally, have been preparing applications so that they will be ready for submittal to the Federal agency when funds are made available. Thus, there is no reason that the prospective applicants cannot be consulting clearinghouses during this waiting period." (Emphasis added)

Nonetheless, OEPAD staff members claim that Federal agency and Congressional practices may cause some late submissions.

Efforts to Improve Clearinghouse Operations and Oversight of Federal Assistance in Arizona

Both OEPAD and the Legislature have addressed the need for coordinating and monitoring the use of Federal funds. However, solutions offered by these two groups have varied substantially.

The 1977 OEPAD publication, State Government Oversight of Federal Assistance, acknowledges the absence of Clearinghouse enforcement power and related problems. The report explored three options: 1) maintenance of current practices, 2) State appropriation of Federal funds, and 3) monitoring Federal funds as an end in itself, or as the first step in greater control. OEPAD recommended the adoption of a provision, either by statute or Executive Order, that would require DOA-Finance to refuse to honor a State agency's claim against a Federal fund account until the agency had notified the Clearinghouse of the award.

Assuming DOA-Finance consistently applied the provision, the Clearinghouse would be guaranteed knowledge of all grant awards, but the problem of incomplete information regarding applications for Federal funds still would exist.

During 1980 OEPAD participated in an experimental project involving 13 states and the Federal government to improve Federal grant award reporting. The project objective is to provide each state with periodic listings of all Federal grants awarded to recipients within that state. By February 1981, Federal officials expect the service to include nearly all Federal agencies and to be available to all states. According to OEPAD staff, the first set of data in February will list grants awarded to Arizona recipients during the first quarter of the Federal fiscal year. OEPAD plans to process the data in order to identify grants received by each State agency. It may be another year or two, however, before all Federal agencies are participating in this reporting system, according to OEPAD's intergovernmental coordinator.

In 1979 and 1980 the Legislature passed bills requiring legislative review or approval of Federal fund applications from State agencies. The 1979 version required agencies to submit applications to the Joint Legislative Budget Committee (JLBC) at least 30 days before filing applications with the Federal government. An application would be "deemed approved" if the JLBC failed to disapprove it within 30 days. The 1980 bill required a State agency to obtain approval from the Legislature or the JLBC (if the Legislature was not in session) before sending an application to a Federal agency. The Governor vetoed both bills.

Other States' Efforts
to Control and/or Monitor
Federal Funds

In the March 1980 copy of State Legislatures, a publication of the National Conference of State Legislatures (NCSL),* an article entitled "Legislative Control of Federal Funds" examined the issue of state legislative action concerning Federal funds usage. According to the article, the legal position for state appropriation of Federal funds is strengthened by the U.S. Supreme Court's refusal to review the appeal of the Pennsylvania Supreme Court's decision upholding the state legislature's constitutional right to appropriate all funds - including Federal funds - deposited in the state treasury.

Further, in a memorandum dated February 25, 1980,** Legislative Council noted that the issue of legislative oversight of Federal funds has received increased attention in recent years, and that the primary justification for concern is the amount and influence of Federal funding on State expenditures. Legislative Council quoted the Advisory Council on Intergovernmental Relations (ACIR):

> "That in order for state legislatures to fulfill their constitutional responsibility for the proper and effective allocation of the revenues of a state, they must consider federal funds in their appropriations process. To ignore these funds greatly undermines the legislature's traditional power over the purse strings, since federal funds now constitute a significant portion of state expenditures. A.C.I.R., 'Information Bulletin No. 79-5', August, 1979." (Emphasis added)

However, the Arizona Supreme Court in 1975 held that "...it is within the power of the legislature to make appropriations relating to state funds, but funds from a purely federal source are not subject to the appropriative power of the legislature."*** Legislative Council notes that the recent Pennsylvania case creates argument that the 1975 Arizona decision should be reconsidered:

* NCSL is an organization funded by the states and governed by a 43-member executive committee to: 1) improve the quality and effectiveness of state legislatures, 2) assure states a strong, cohesive voice in the Federal decision-making process, and 3) foster interstate communication and coordination.

** Appendix XXII contains the full text of this memorandum.

*** Navajo Tribe v. Arizona Department of Administration, 111 Ariz. 279, 528 p.2d 623 (1975).

> "On its face, the Arizona Supreme Court's decision in the Navajo Tribe case would appear to preclude legislative appropriation of federal funds, absent a state constitutional amendment. However, the U.S. Supreme Court's dismissal of the Shapp case offers persuasive arguments as to why the Navajo Tribe decision might not be followed by our Supreme Court in the face of legislatively assumed jurisdiction."

The NCSL article also described legislative efforts by states to establish some degree of control over Federal funds through:

1. tracking and information activities,
2. legislative review of grant applications,
3. legislative appropriation of Federal funds.

Also listed are 15 recommendations* from NCSL's Fiscal Affairs and Oversight Committee slated for publication in A Legislator's Guide to Oversight of Federal Funds. Included in the list are recommendations on procedures, tracking of Federal funds, accounting systems, budget display of information, legislative appropriations of funds, interim activity and exempted funds.

CONCLUSION

The effectiveness of the State Clearinghouse is impaired significantly because grant applications frequently are submitted late, if at all, and representatives of programs that may be impacted by grant proposals are providing only cursory review of proposals. Clearinghouse objectives of coordinating Federal funds and informing the Legislature and the Governor concerning Federal funds in the State are not fulfilled. Impaired effectiveness is caused by the absence of a Statewide coordinating committee, OEPAD's failure to educate State agency personnel, the high volume of grant proposals and the absence of a means to enforce compliance with Executive Orders regarding the Clearinghouse. Proposed solutions range from the adoption of more stringent Clearinghouse procedures to legislative appropriation of all Federal funds.

* Appendix XIII contains a list of the 15 recommendations.

RECOMMENDATIONS

It is recommended that consideration be given to the following:

1. The OEPAD Clearinghouse staff -
   A. Educate State agency personnel who seek Federal aid on the requirements and procedures of the review and monitoring processes,
   B. Regularly compare Federal grant application and award information in order to identify instances of noncompliance.
   C. Regularly analyze grant applications submitted to the Clearinghouse to identify agencies that are late habitually.

2. SPCC be reactivated and directed to report to the Governor and the Legislature by June 30, 1981, regarding the following:
   A. Means to reduce the volume of proposals that require Statewide review. SPCC should determine specifically the level of review desirable for each category and type of grant application.
   B. Means to enforce compliance with Executive Orders regarding the Clearinghouse.
   C. The role of SPCC, if any, on a continuing basis.

3. The Legislature, after review of the SPCC report -
   A. Consider alternatives for monitoring, control and/or review of Federal funds.
   B. Establish by law the Clearinghouse or other mechanism to coordinate the review of Federal funding proposals.
   C. Establish by law the membership and duties of coordinative councils, if any.
   D. Establish enforcement and penalty provisions to encourage State agencies to submit appropriate information to the Clearinghouse promptly.

## FINDING V

OEPAD IS RESPONSIBLE FOR SUPPORTING AND DIRECTING COUNCILS FOR PLANNING COORDINATION AMONG STATE AGENCIES. HOWEVER, THE OPERATION OF THESE PLANNING COUNCILS IS CHARACTERIZED BY OVERLAPPING OR ILL-DEFINED PURPOSES, SPORADIC ACTIVITY AND LACK OF LEADERSHIP.

The Inter-Agency Economic Coordinating Council (IAECC) was established by statute as part of the legislation that created the Department of Economic Planning and Development, forerunner of the Office of Economic Planning and Development (OEPAD). The Council was intended to coordinate the activities of all State agencies involved in economic development. IAECC, however, has been inactive for most of OEPAD's 12-year existence. Another coordinating council, the State Planning and Coordinating Committee (SPCC), was created in 1971 by Executive Order to coordinate the Federally-funded activities of State agencies; however, the SPCC has been inactive since 1977. Therefore, neither IAECC nor SPCC has coordinated the activities of State agencies involved in economic development consistently, although such a function apparently is needed. Statutory change is required to increase the likelihood of a continuing coordinating council for economic development.

### Coordinating Council Created by Statute

IAECC was established by Arizona Revised Statutes (A.R.S.) §41-505 in 1968 as part of the legislation that created the Department of Economic Planning and Development. A.R.S. §41-505 states:

> "A. There shall be an inter-agency economic coordinating council with the executive director of the office of economic planning and development and the director of the department of administration serving as chairman and vice-chairman respectively. The council shall be comprised of, but not limited to, representatives from the following state agencies:
>
> Arizona atomic energy commission.
> Arizona board of regents.
> Arizona commission of Indian affairs.
> Arizona corporation commission.

Arizona department of transportation.
Arizona game and fish commission.
Arizona industrial commission.
Arizona power authority.
Arizona state parks board.
Arizona water commission.
Department of economic security.
Department of mineral resources.
Oil and gas conservation commission.
State board of directors for community colleges.
State department of education.
Department of health services.
State land department.
Department of revenue.

B. Representatives from the agencies prescribed by the terms of subsection A shall ordinarily be the chief administrative officer of the agency and shall be appointed by the governor.

C. The council may request the governor to appoint representatives from agencies not prescribed by the terms of subsection A.

D. The council shall meet bimonthly or more frequently at the call of the chairman."

A.R.S. §41-505 does not define the duties of IAECC. However, at its first meeting, on December 17, 1968, the DEPAD Executive Director stated: "The major functions of the Council are spelled out in, but not limited to those outlined in, the report of the Arizona Joint Economic Department Committee." The AJEDC report states three major functions for IAECC:

1) Remind State agency officials regularly..." of the importance of economic planning and development, and hopefully cause them to review their own programs and plans in light of the State's developmental objectives."

2) "(P)rovide a regularly scheduled forum for the exchange of information regarding each agency's economic development-related needs and plans, and so stimulate improved program coordination."

3) "(A)lert the Department of Economic Planning and Development to specialized needs and specialized opportunities in the total development field."

In addition IAECC "...would also serve as a coordinating vehicle for the myriad Federal programs in which Arizona does or will participate" and would be the "...keystone of a coordinated planning and development effort."

IAECC Was Active Only a Few Years

IAECC met from 1968 until approximately 1972, according to interviews with current and former OEPAD employees. Topics discussed at IAECC meetings included: impact of educational facilities on industrial development; the Statewide water plan; a Personnel Commission study on job classification, salary schedules and fringe benefits; travel information centers; and establishment of a labor pool of welfare recipients.

Another Inter-agency Council Created

In September 1969 the Governor designated DEPAD as the State A-95 Clearinghouse for Federal programs.* To assist the Clearinghouse in its review and coordination duties, the Governor issued Executive Order 71-1, creating the State Programming and Coordinating Committee for Federal Programs (SPCC). The chief administrators of 18 State agencies were named as members. According to the executive order, the Committee's major responsibilities were to: 1) review State plans as required by Federal Circular A-95, 2) advise and assist the State Clearinghouse, 3) develop a management system to ensure that Federal programs do not duplicate, overlap, compete or impact unfavorably on each other, and 4) keep the Governor and Legislature informed on these matters.

SPCC was not intended to replace IAECC. SPCC was to do the technical work of coordinating Federally assisted programs, while IAECC had a broader role of coordinating all programs, State and Federal, related to development of the State.

* See page 63 for an explanation of State A-95 Clearinghouse operations.

## SPCC's Role Expanded by Executive Order

According to OEPAD records, SPCC met formally from 1971 to 1977, although less frequently after 1974. Executive Order 75-6 changed the committee's name to the State Planning and Coordinating Committee, expanded its membership and named the Director of OEPAD chairman. Executive Order 75-6 also extended SPCC's review and coordination authority beyond Federally assisted programs only, as expressed by two statements of function:

> "1.d. Provide a communications forum among state agencies designed to help them in the resolution of state-level problems.
>
> . . . . . .
>
> "1.h. Advise and assist the Governor in the planning, programming, and coordination of certain state-funded or assisted activities which the Governor may, from time to time, specify."

Topics discussed by SPCC in the mid '70s included: a review of fiscal 1975-76 and 1976-77 budget policy; legislative program review, presentation of the Governor's budget recommendations; coordination of Environmental Protection Agency (EPA) 208 water quality management planning; report of State data coordination task force; and discussion of State growth strategy, including the formation of housing and land-use subcommittees.

## Confusion of Roles Between IAECC and SPCC

Although not originally intended, SPCC assumed IAECC's role sometime between 1970 and 1975. Inadequate records prevented audit staff from determining the exact date of IAECC's last meeting, but evidence indicates it was in the early 1970s. The distinction between the two councils apparently was completely obscured by 1975, when a new OEPAD Executive Director was appointed. That Director, as well as the current one, consider IAECC and SPCC as councils with essentially the same responsibilites. That perception may have been inspired by the following conditions:

1) Of the 18 IAECC member agencies listed in A.R.S. §41-505, 13 also are members of SPCC expanded by Executive Order 75-6;

2) The chief administrators of the 13 agencies are members of both councils;

3) Executive Order 75-6 broadened SPCC's responsibilities beyond Federal programs;

4) Much economic planning and development activity in the '70s was supported by Federal funds; and

5) Executive Order 75-6 resulted in the OEPAD Executive Director becoming chairman of both groups.

Neither Council Met During 1978 or 1979

Neither SPCC nor IAECC met formally during 1978 or 1979. In January 1980, the Governor revived IAECC as a vehicle for receiving "...input by all IAECC agencies into statewide economic development policies and strategies." Chaired by the OEPAD Executive Director, IAECC met on February 5, 1980, at which time he said that one of the Council's purposes is to focus the State's resources on encouraging nonmetropolitan growth. The OEPAD Executive Director has stated he does not intend to revive SPCC, because it is too similar to IAECC.

Need for an Active Coordinating Council

There is little disagreement about the need for an interagency council to coordinate State-level activities related to economic planning and development. The Governor's recent revival of IAECC indicates his support of this concept.

In an Auditor General survey of State agencies, only two of 21 responding to a question on the value of interagency planning coordination councils indicated such councils are not needed in State government. Several respondents mentioned the value of such councils in assisting agencies to maintain a Statewide perspective as they examine agency-specific issues.

In addition, a 1976 study sponsored by the Council of State Governments, under contract with the U.S. Department of Housing and Urban Development, cited the need for coordinating councils in state government:

> "Formal interagency and intergovernmental councils provide the mechanism for communication among elements and insure coordination. Through these committees, state agencies and regional councils participate in the formulation of state policy.
>
> . . . . . .
>
> "The relatively short tenure of planning agency leadership and the time consumed by new appointees in defining and learning the job creates a major problem of continuity in state planning and community affairs activities.
>
> . . . . . .
>
> "Structural instability also adds to the problem. New governors often insist not only on new faces, but on new departures in organization and objectives. The vagaries of Federal program administration also may contribute to the disruption of shifting objectives, changing guidelines, erratic funding and insistence on new organizational patterns.
>
> . . . . . .
>
> "It is not sufficient to say that the basic component of coordination is communication. Effective coordination requires a formal procedure for putting people who need to talk to one another in a position of having to talk to one another." (Emphasis added)

Thus, formal interagency councils are considered important in providing continuity for State planning agencies susceptible to employee turnover and reorganizations as a result of changes in administration.

## Causes for Ineffective Councils

The audit staff identified two reasons for the discontinuity and inactivity of IAECC and SPCC: 1) insufficient direct gubernatorial involvement, and 2) lack of well-defined missions established in a continuing statutory base.

## Insufficient Gubernatorial Involvement

As mentioned earlier, IAECC became totally inactive in the early 1970s apparently because its role was replaced by SPCC, which had more direct contact with the Governor's office at that time.* However, according to individuals who were with OEPAD in the mid-1970s, SPCC's activity and effectiveness depended heavily on the Governor's continued interest in and use of the Committee. Such dependency is evidenced by the fact that SPCC met less frequently after 1974, which correlates with the election of a new Governor in 1975.

The importance of gubernatorial involvement to the vitality of interagency coordinating councils such as IAECC or SPCC was mentioned by a former OEPAD Executive Director. According to the former Director, administrators of State agencies at that time did not accept the role of OEPAD as coordinator of agencies. As chairman of IAECC and SPCC, the OEPAD Executive Director was perceived as a "superagency chief." Without sufficient direct gubernatorial involvement and support, that role was unworkable and unacceptable to other agency administrators.

* In the early 1970s SPCC was chaired by a personal appointee of the Governor, whereas IAECC was chaired by the OEPAD Director, an appointee of the Economic Planning and Development Board.

No Statutory Definition of Purpose

A.R.S. §41-505, which created IAECC, does not mention the purpose or duties of the council. Although IAECC's purposes may have been well understood in 1968 because of the recent AJEDC report, those purposes were not stated explicitly in State law. A 1969 OEPAD publication pointed out the need for a clearer definition of IAECC's role:

> "The optional role of the Council in coordinating the achievement of the economic objectives of the State of Arizona needs clear definition, for it has the potential to make a major contribution to the state planning and development program."

In contrast, SPCC, through successive executive orders, had a well-defined mission. However, according to Legislative Council in a memorandum dated April 24, 1980,* an Executive Order issued by one Governor is not necessarily binding upon his successor:

> "An executive order issued pursuant to a statute presumably is effective until rescinded or superseded by a subsequent executive order. Executive orders not issued pursuant to statute apparently are not binding on subsequent Governors."

Thus, continuation of SPCC relied totally on the wishes of subsequent governors. As noted earlier, SPCC was relatively inactive after 1975, a year in which a gubernatorial change occurred.

CONCLUSION

Existence of planning coordination councils connected with OEPAD has been characterized by overlapping or ill-defined purposes, sporadic levels of activity and lack of leadership by the Governor and OEPAD. A survey of State agencies, however, reveals a belief that an interagency planning coordination council is needed.

* Appendix XXI contains a copy of the memorandum.

RECOMMENDATIONS

It is recommended that consideration be given to the following:

1) A.R.S. §41-505 be amended to specify the role of an interagency planning council. Consideration should be given to including tasks such as:

   (a) provision of gubernatorial advice and analysis on administrative matters in State government (e.g., personnel, government, transportation),

   (b) assessment of the impact of State governmental programs and actions on the economy, its growth and development, and

   (c) review of plans and programs in connection with the economic development strategy of OEPAD.

2) The Governor provide leadership and direction to such council.

3) Based on a review of Finding IV of this report, the role for SPCC, if any, and its relationship with IAECC should be defined and distinguished clearly in statute to prevent duplication and confusion. Memberships of both councils should be determined carefully so that appropriate numbers and levels of agency administrators are involved.

## FINDING VI

### ARIZONA'S PARTICIPATION IN THE FEDERAL JOINT FUNDING SIMPLIFICATION ACT SHOULD BE REASSESSED.

The Arizona Joint Funding Project (JFP) is an experiment begun in 1975 to attempt to streamline the administration of selected Federal grants-in-aid. JFP originally had two objectives; 1) to simplify administrative requirements associated with Federal grants and 2) to improve planning coordination among Federal, State and local governments. According to JFP participants, administrative time and cost have not been reduced. Thus the first objective has not been realized. In addition, participants' viewpoints varied considerably regarding the amount of progress that has been made towards meeting the second objective of improved planning coordination.

#### JFP Is One of 17 Experimental Projects in Nation

The Federal enabling legislation for Arizona's JFP is the Joint Funding Simplification Act passed in 1974. The Act, originally authorized for five years, was intended to eliminate duplicate Federal forms, procedures and requirements when a state agency or local government received funds from more than one Federal agency. In projects authorized under the Act, an applicant for Federal funds submits a single grant application to a designated "lead" Federal agency in order to obtain monies from all Federal agencies united in that Joint Funding Simplification Project. As funds are expended, a recipient submits consolidated progress and financial reports rather than separate reports to each Federal agency.

The Joint Funding Simplification Act has not been used much since its passage. According to a report entitled "Simplifying Federal Grant-In-Aid in Arizona and Kentucky," published by the Council of State Governments in January 1980 as part of its Innovations series, state and local governments have initiated only 17 joint funding projects.

Arizona's JFP is unlike most of the projects in that more than one recipient of Federal funds participates. The Governor's Office is granted funds from several Federal agencies; funds then are subgranted to four State agencies and Arizona's six regional Councils of Government (COGs)*. A fifth State agency, the Arizona State Justice Planning Agency (ASJPA), is included in JFP for the purpose of coordinating its plans with those of the other participants. However, funds for ASJPA's planning activities are awarded directly rather than through the Governor's Office.

Federal monies granted to JFP are for the development of plans for areas such as urban mass transit, water and air quality, law enforcement and economic development. Table 9 lists participating Federal and State agencies and COGs and estimated amounts of planning funds distributed through JFP during fiscal year 1979-80.

* COGs are voluntary associations of local governments, established by local elected officials in response to Executive Order 70-2, which divides the State into six uniform planning districts. At the request of the member local governments, certain State agencies and selected Federal agencies, COGs render a variety of planning services.

TABLE 9

JFP PARTICIPANTS AND ESTIMATED FUNDS DISTRIBUTED
THROUGH THE PROJECT IN FISCAL 1979-80

| Federal Agency (Program) | STATE AGENCIES | | | | | REGIONAL COUNCILS OF GOVERNMENTS (COGs) | | | | | | Totals |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | OEPAD | Department of Economic Security | Department Of Health Services | Arizona Department of Transportation | Arizona State Justice Planning Agency | Maricopa Association of Governments (MAG) | Pima Association of Governments (PAG) | Northern Arizona Council of Governments (NACOG) | District IV Council of Governments | Central Arizona Association of Governments (CAAG) | Southeastern Arizona Governmental Organization (SEAGO) | |
| Department of Housing and Urban Development* (Community Planning Assistance) | $226,000 | | | | | $ 75,000 | $ 76,570 | $ 24,000 | $ 24,000 | $ 24,000 | $ 23,000 | $ 472,570 |
| Environmental Protection Agency (Water Quality Planning) | 34,992 | | $366,599 | | | 517,500 | 79,271 | 93,559 | 74,494 | 64,431 | 86,500 | 1,317,346 |
| Environmental Protection Agency (Air Quality Planning) | | | | | | 181,346 | 75,000 | | | | | 256,346 |
| Department of Health, Education and Welfare (Title XX) | | | | | | 166,500 | 30,000 | 22,500 | 24,750 | 22,500 | 20,250 | 286,500 |
| Department of Labor (CETA Title I) | 212,000 | $13,000 | | | | | | 40,000 | 40,000 | 40,000 | 40,000 | 385,000 |
| Economic Development Administration (Economic Development Planning) | 100,000 | | | | | | | | | | | 100,000 |
| Department of Transportation (Urban Mass Transit) | | | | $70,000 | | 180,000 | 75,000 | | | | | 325,000 |
| Community Services Administration (Community Action) | | 73,750 | | | | | | | | | | 73,750 |
| Federal Highway Administration** | | | | | | | | 25,000 | 25,000 | 25,000 | 25,000 | 100,000** |
| Law Enforcement Assistance Administration*** (Criminal Justice Planning) | | | | | | 95,282 | 33,910 | 27,122 | 27,122 | 27,122 | 27,122 | 237,680** |
| | $572,992 | $86,750 | $366,599 | $70,000 | $ | $1,215,628 | $369,751 | $232,181 | $215,366 | $203,053 | $221,872 | $3,554,192 |

* Designated as "lead" Federal agency in Arizona.

** These funds are not awarded to the Governor's Office. These funds are awarded to the Arizona Department of Transportation (ADOT), then transferred by ADOT into the JFP account for distribution to COGs. The planning program is included in the overall JFP workplan.

*** These funds are not awarded to the Governor's Office. These funds are awarded to the Arizona State Justice Planning Agency, then transferred by ASJPA into the JFP account for distribution to COGs.

OEPAD performs a dual role in JFP. First, OEPAD receives planning funds for State and community planning in Arizona. As shown in Table 9, the agency received an estimated $573,000 in Federal funds in fiscal 1979-80. Second, OEPAD provides administrative support for JFP that includes 1) establishing methods (such as meetings) for participants to coordinate plans, 2) compiling and publishing joint applications for funds, describing COGs' and State agencies' planning activities for the upcoming fiscal year, 3) developing policies and procedures, and 4) maintaining liaison with Housing and Urban Development (HUD), Arizona's designated "lead" Federal agency. State-funded OEPAD positions provide this staff support to JFP.

Auditor General staff conducted a survey in January and February 1980 of COGs* and State agencies participating in JFP** to determine if they believed the JFP objectives of reducing administrative requirements and improving planning coordination had been achieved.

Simplification Project Has Not Reduced Costs

According to OEPAD publications, JFP was intended to simplify administrative requirements associated with obtaining Federal planning grants:

> "It is designed to consolidate selected grant programs in order to simplify their administration. The (JFP) attempts to reduce the amount of paperwork that accompanies federal grants by adopting uniform administrative procedures..."

A survey by audit staff revealed that every participating State agency and four of the five COGs responding had experienced increased administrative time and costs associated with JFP.

* One COG did not respond to the survey.

** The questions and responses in the State agency and COG surveys are tabulated in Appendices XIII and XIV.

OEPAD's yearly costs for JFP administration were an estimated $100,000 each year for the first four years, according to OEPAD staff. In the fifth year (fiscal 1979-80), the Planning Director for OEPAD estimated costs would be $31,000 in direct staff expenditures based on 1.64 full-time equivalent positions (FTE) devoted to JFP administration*.

Four of the five COG survey respondents cited unwillingness of Federal and State agencies to participate in the project as a problem. In addition, four State agencies noted a lack of cooperation from Federal agencies.

Respondents claimed Federal agencies imposed their own reporting requirements in addition to those designed for JFP. As a result, grantees (State agencies and COGs) ultimately provided multiple reports to the same Federal agency.

The Governor's Office, in a letter to the White House dated July 7, 1977, questioned the continuance of JFP because of this pervasive practice:

> "We soon found, however, that while lip service is paid to the joint funding concept, many of the federal representatives came prepared to place so many new demands on the JFP administrative process and work programs that we must now seriously question the merit of continuing the effort."
>
> "Rather than having made progress over the past year, I must now conclude that we have, in fact, regressed." (Emphasis added)

In the 1979-80 fiscal year, Federal agencies apparently reduced the incidence of dual reporting. COG participants indicated that as of April 14, 1980, Federal agencies were not requiring additional reports.

However, according to two COG respondents, State agencies violate the intent of JFP by imposing additional administrative duties, such as duplicative audit requirements and additional reports to State agencies.

* The estimates cannot be verified because of the absence of an OEPAD time reporting system. See page 103 for a discussion of accounting procedures. The estimates do not include expenditures for Department of Administration - Division of Finance staff devoted to JFP.

Thus, although the intent of JFP was to simplify administrative requirements through use of a uniform time schedule for providing grant monies, standard procedures and consolidated reports, with only one exception, COGs and State agencies that responded to our survey said cost savings have not been realized. Respondents did, however, acknowledge OEPAD staff efforts to remove administrative obstacles for JFP.

## Viewpoints Vary on the Value of JFP Planning Coordination

Survey responses were distinctly divided regarding whether or not JFP had improved planning coordination. All COG respondents reported that JFP had been valuable to planning coordination;* however, three of the four State agencies (OEPAD excluded) disagreed, saying the JFP did not improve planning coordination from their perspective.

OEPAD documents claimed JFP would substantially benefit planning coordination:

> "The purpose of the Joint Funding Project is to strengthen and improve intergovernmental planning coordination in Arizona..."

COG survey respondents cited JFP coordination efforts as: 1) joint planning sessions attended by COGs and State and Federal agency representatives, 2) design of standard forms to record plans and progress, and 3) establishment of a standard funding cycle. In addition, task forces have been formed to address problems common to JFP participants.**

According to State agency respondents, JFP has caused additional administrative activity without significant improvement in planning coordination of the agency level. Agency responses, however, varied widely regarding present and future value:

* Responses shown in Appendix XIV do not support this statement. However, followup contacts with COGs indicated that the JFP has improved planning coordination at the COG level.

** See page 48 for a discussion of data coordination through JFP and other OEPAD efforts.

> "Historically JFP has not worked well. Some improvements have been made (recently)... OEPAD is providing good efforts toward the JFP but some problems still exist."

> "(The Department) has not benefited by participation because all related planning activities are already performed or coordinated within the Department. What is happening is merely a diversion of (Department) planning money to the OEPAD JFP, and then returning it to (the Department). Although OEPAD sends in progress reports, these are actually prepared by (the Department) and could just as well be submitted by (the Department) itself. In addition, participating federal agencies are not cooperating among themselves and would prefer not to work through the JFP."

> "JFP has not facilitated coordination of (the Department's) planning. As far as (the Department) is concerned, planning coordination would not be hurt by the elimination of JFP."

According to a Council of State Government publication, State agencies probably continue to participate in JFP because of efforts by the Governor's office:

> "...Nevertheless, it is likely that if the Governor relaxed his policy on joint funding, some state agencies, with the encouragement of their federal counter parts, would quit the project."

Survey responses indicated that OEPAD could increase planning coordination benefits by more intense analysis and review of JFP participants' plans to identify coordination problems and opportunities. However, OEPAD staff said that, at the inception of the JFP, participants were fearful of a strong OEPAD coordinative role that would result in a loss of independence and control of program plans*.

* See page 17 for a discussion of OEPAD's planning role.

According to OEPAD staff, in 1980 Congress extended the Federal Joint Funding Simplification Act for another five years. Participation in the Act by JFP is year-to-year through contracts negotiated between Arizona and appropriate Federal agencies.

## CONCLUSION

Participants claim JFP has failed to reduce administrative time and costs associated with Federal grants. Therefore, the first Project objective, administrative simplification, has not been realized. Furthermore, participants disagree as to progress made towards the second goal, improved planning coordination.

## RECOMMENDATIONS

We recommend the following:

1. OEPAD assess carefully JFP's total benefits and costs to OEPAD, other State agencies and local governmental units, and make a recommendation to the Governor and the Joint Legislative Budget Committee by October 1, 1981, regarding JFP's continuation in Federal fiscal year 1982-83.

2. The Governor and the Legislature consider whether or not to continue the JFP after Federal fiscal year 1981-82, based on OEPAD's assessment of benefits and costs.

## FINDING VII

OEPAD PAYROLL-CLAIMS DOCUMENTATION IS INADEQUATE AS A MANAGEMENT TOOL AND DOES NOT PROVIDE REASONABLE ASSURANCE OF EQUITABLE USAGE OF STATE AND FEDERAL FUNDS. SOME FUNDS HAVE BEEN MISUSED AND PRESENT PRACTICES PROVIDE THE OPPORTUNITY FOR LARGE-SCALE MISUSE OF FUNDS. IN ADDITION, STATE IN-KIND MATCH OF FEDERAL MONIES CANNOT BE VERIFIED BECAUSE OF INADEQUATE PAYROLL-CLAIMS DOCUMENTATION.

Federal regulations stipulate that: 1) an employee whose salary and employee-related costs are paid from a Federal grant must do work related to the grant; 2) an employee who does work related to several Federal grants must be paid from each grant in proportion to the work done for the grant activity; and 3) adequate documentation must be maintained. In addition, State law and the State accounting manual require that expenditures from appropriations by the Legislature be made only for the specific programs or purposes authorized. Our review revealed that, as of March 30, 1980, OEPAD's payroll-claims documentation was inadequate in that it: 1) does not ensure equitable distribution of employee labor costs to Federal and State accounts, and 2) does not inform OEPAD managers accurately of funds usage in their areas of responsibility. As a result, some funds have been misused and the opportunity exists for large-scale misuse of funds. In addition, OEPAD has, in some instances, declared work done in State-funded positions to be related to Federal grants in order to meet grant requirements. However, such declarations by OEPAD cannot be verified because of inadequate documentation.

Federal Regulations Define

Appropriate Funds Usage

Federal Mangement Circular 74-4, Cost Principles Applicable to Grants and Contracts With State and Local Governments, specifies the allowable costs that can be charged to a Federal grant award:

> "To be allowable under a grant program, costs must meet the following general criteria:
>
> "a. Be necessary and reasonable for proper and efficient administration of the grant program, be allocable thereto under these principles, and, except as specifically provided herein, not be a general expense required to carry out the overall responsibilities of State or local governments.
>
> . . . . . .
>
> "f. Not be allocable to or included as a cost of any other federally financed program in either the current or a prior period." (Emphasis added)

Further, the Federal regulations forbid shifting costs to other grants:

> "2. Allocable costs. a. A cost is allocable to a particular cost objective* to the extent of benefits received by such objective. b. Any cost allocable to a particular grant or cost objective under the principles provided for in this part may not be shifted to other Federal grant programs to overcome fund deficiencies, avoid restrictions imposed by law or grant agreements, or for other reasons. c. Where an allocation of joint costs will ultimately result in charges to a grant program, an allocation plan** will be required..." (Emphasis added)

" * Cost objective is defined as '...a pool, center or area established for the accumulation of cost. Such areas include organizational units, functions, objects or items of expense, as well as ultimate cost objectives including specific grants, projects, contracts and other activities.'

** Cost allocation plan is defined as '...the documentation identifying, accumulating, and distributing allowable costs under grants and contracts together with the allocation methods used'."

Federal regulations also stipulate that each payroll must be supported by appropriate documentation:

> "Amounts charged to grant programs for personal services, regardless of whether treated as direct or indirect costs, will be based on payrolls documented and approved in accordance with generally accepted practice of the State or local agency. Payrolls must be supported by time and attendance or equivalent records for individual employees. Salaries and wages of employees chargeable to more than one grant program or cost objective will be supported by appropriate time distribution records. The method used should produce an equitable distribution of time and effort." (Emphasis added)

Thus, according to Federal regulations, costs allowable to a Federal grant: 1) must be necessary and reasonable for administration of the grant, 2) must not be allocable to any other Federal program, 3) must be charged to that grant and not shifted to another Federal grant for any reason, and 4) must constitute an equitable distribution of the time and effort involved.

State Law and State Accounting Manual

Define Appropriate Funds Usage

State law defines the responsibility of employees regarding the authorized use of funds. A.R.S. §35-154:

> "A. No person shall incur, order or vote for the incurrence of any obligation against the state or for any expenditure not authorized by an appropriation and an allotment. Any obligation incurred in contravention of this chapter shall not be binding upon the state and shall be null and void and incapable of ratification by any executive authority to give effect thereto against the state.

"B. Every person incurring, or ordering or voting for the incurrence of such obligations, and his bondsmen, shall be jointly and severally liable therefor. Every payment made in violation of the provisions of this chapter shall be deemed illegal, and every official authorizing or approving such payment, or taking part therein, and every person receiving such payment, or any part thereof, shall be jointly and severally liable to the state for the full amount so paid or received." (Emphasis added)

A classification system and other reporting requirements are included in the State accounting manual issued by the Department of Administration (DOA) - Division of Finance under the authority of A.R.S. §35-131, which states:

"A. In accordance with generally accepted governmental accounting principles, the assistant director for finance of the department of administration shall develop and prescribe for the use of all budget units a uniform accounting system so designed as to insure compliance with all legal and constitutional requirements including respecting the receipt and expenditure of and the accountability for public funds.

. . . . . .

"E. The assistant director for finance shall prescribe uniform classifications for receipts and expenditures and forms for the periodic reporting of financial accounts, transactions and other matters by budget units compatible with the reports required of the assistant director for finance under this section. Additional records or accounts may be maintained by budget units when required for reporting to the federal government or other funding source." (Emphasis added)

Further, the State accounting manual notes the legislative authority for creating funds to finance specific programs or purposes:

> "Legal authority is required to enable State agencies to perform the several functions of government. Spending authority requires the appropriation of funds for agency operations. An appropriation is an authorization granted by the Legislature to incur obligations (encumbrances) and make expenditures for specific programs or purposes and/or for a specific period of time." (Emphasis added)

The concept of restricted use of funds only for those purposes for which the Legislature intended is also stated as the reason for creating separate accounts:

> "Appropriations are made only by the Legislature and are made from specific funds. A fund restricts the use of specific resources for a stated purpose. An appropriation specifies the exact amount of the fund resources which may be expended in accordance with the general purposes of the appropriation. There may be many appropriations within a given fund, and a separate account is created within the fund for each appropriation. This structure within the fund provides sufficient segregation to properly account for the amounts the legislature has authorized to be expended." (Emphasis added)

Lastly, A.R.S. §35-173, .C, .D and .E describe the circumstances under which exceptions to these restrictions may be made:

> "C. With the exception of the division of finance, the budget unit may, upon approval of the assistant director for finance:
>
> "1. Transfer funds from one class or subclass to another.
>
> "2. Transfer funds between and within programs if funds are appropriated to the budget unit by programs.

"D. No transfer to or from personal services from any other program, budget class or subclass of expenditures shall be permitted unless recommended by the joint legislative budget committee and approved by the assistant director for finance except that the assistant director for finance may transfer amounts equal to the gross payroll and related employee expenses of a budget unit from the funds of a budget unit available for the purpose to payroll imprest accounts for the purpose of paying employees of the budget unit and disbursing related employee expenses.

"E. Transfer of funds within the division of finance shall be made only with the approval of the joint legislative budget committee, except as provided in subsection D of this section." (Emphasis added)

Therefore, State law and the State accounting manual require: 1) State employees to use funds for the purposes authorized by the Legislature, 2) State budget units to abide by a uniform accounting system and reporting forms as prescribed by DOA, and 3) Division of Finance or Joint Legislative Budget Committee approval for transfers of monies among classifications of accounts or programs.

OEPAD Transfers Personnel among Federal and State Accounts without Adequate Supporting Documentation

Audit staff examined the fund sources and payroll transfers for OEPAD employees during fiscal year 1978-79. During fiscal year 1978-79, OEPAD had 193 employees, of whom 35 were involved in 42 transfers among unrelated funds.* In the first six months of fiscal year 1979-80, OEPAD employed 143 individuals, of whom 42 were involved in 54 unrelated payroll fund transfers. Further, from July 1, 1978, to December 31, 1979, 18 individuals were transferred as many as three times. Table 10 details payroll transfers during that period.

* An unrelated fund transfer was defined as a payroll fund transfer from one program or grant to another distinctly different grant or program. Excluded in such a tally would be changes such as from one Housing and Urban Development (HUD) account to another or from one manpower account to another.

TABLE 10

SUMMARY OF OEPAD PAYROLL TRANSFERS
FROM JULY 1, 1978, TO DECEMBER 31, 1979

| Fiscal Year 1978-79 | | Percentage of Total |
|---|---|---|
| Number of OEPAD employees (individuals) | 186 | 100% |
| Number of employees with unrelated fund transfers | 35 | 19% |
| **First Six Months of Fiscal Year 1979-80** | | |
| Number of OEPAD employees (individuals) | 141 | 100% |
| Number of employees with unrelated fund transfers | 42 | 30% |

As demonstrated in Table 10, 19 percent of the employees were involved in unrelated fund transfers in fiscal year 1978-79 while 30 percent were involved in such transfers during the first six months of 1979-80.

At the request of the Executive Director of OEPAD, the Auditor General made a financial audit for the year ended June 30, 1979. An Auditor General Letter of Recommendations, dated January 9, 1980,* noted that payroll expense transfers were not supported by adequate documentation. The only document produced to support payroll fund transfers was the Employee Action Form,** which does not require a statement of rationale for transfer. Further, OEPAD staff told the financial auditors that payroll transfers among funds were not made when the employees' job or nature of the work had changed, but rather when a fund no longer had sufficient funds to support the payroll. Lastly, OEPAD staff stated that clerical personnel were paid from one fund source even if actually doing work related to multiple fund sources.

* Appendix XXIV contains a copy of this letter.
** Appendix XXV contains a copy of this form.

The Executive Director, in a letter to the Auditor General dated January 15, 1980,* replied to all points in the financial audit Letter of Recommendations except the lack of payroll expense documentation.

On inquiry, performance audit staff members were told that a new form had been added to address this issue.** The form, however, merely directs payroll staff to: 1) add new employees; 2) make salary adjustments, 3) change payroll unit numbers or fund transfers; 4) recognize promotions, merit increases or other changes to the payroll accounts, and 5) take care of "...all the necessary paperwork in connection therewith..." However, the "necessary paperwork" does not include adequate documentation as to appropriateness of fund transfers.

DOA Payroll Payments Can Change without Justification Documents

According to the State accounting manual, each agency is responsible for determining appropriate fund sources for its employees:

> "While encumbrance accounting is employed by the state to aid in controlling expenditures, the primary responsibility for ensuring that each budget unit*** remains within legal limits lies with the chief administration of each agency."

* Appendix XXVI is a copy of this letter.

** Appendix XXVII is a copy of this form.

*** Budget unit is defined as "a department, commission, board, institution or other agency of the State organization receiving, expending or disbursing state funds or incurring obligations against the state."

It should be noted that payrolls are exempted from the requirement to submit documentation to DOA for prior review and approval of proposed expenditures.* Thus, the appropriateness and legality of the payroll is an agency administration responsibility to a far greater degree than any other general State expenditure. The documentation required by DOA to transfer an employee from one fund to another does not require a statement of rationale. Therefore, current payroll practices allow agencies the opportunity to transfer employees among funds in an inappropriate manner.

OEPAD Has Transferred Employees Among Funds without Apparent Justification

As of December 28, 1979, there were 25 individuals on the OEPAD payroll who: 1) had been paid from at least two significantly unrelated funds since July 1, 1978, or 2) had been paid from a fund apparently inappropriate for their positions and work responsibilities. In order to ascertain if fund transfers and payments were appropriate, nine of these 25 OEPAD employees were selected and interviewed by audit staff to determine their work assignments. The nine included five planners, one administrative services officer, two secretaries and one program director.

* According to A.R.S. §35-151, encumbrance documents are excepted for gross payrolls and related employee expenses:

> "A. Encumbrance documents shall be issued by the budget units against appropriations to cover all obligations, actual or anticipated, except that encumbrances are not required for gross payrolls and related employee expenses of a budget unit or, under procedures prescribed by the division of finance, for expenditures not exceeding fifty dollars. Copies of these documents shall be submitted forthwith to the division of finance which shall determine that the proposed expenditure is for a valid public purpose, is authorized by appropriation and allotment and that the amount involved does not exceed the unencumbered balance of such allotment." (Emphasis added)

Audit staff discovered that six of the nine persons interviewed should not have been paid from the fund source from which they were paid. The six cases of inappropriate payment are described as follows.

CASE I

The employee, classified as an Administrative Services Officer, was assigned as a general administrative assistant and coordinator to the Executive Director of OEPAD from July 1978 to August 1979, at which time the assignment was changed to a general administrator for two State and ten separate Federal energy accounts. However, funding for the position was provided through two Federal accounts only.

| Assignment | Dates* | Fund Source | Dates** |
|---|---|---|---|
| General Administrative Assistant and Coordinator to Executive Director | 7/78-8/79 | Administration (State funds) | 7/8/78*-6/30/79 |
| Energy Administrator | 8/79-1/80 | Basic Conservation Program (Federal funds) | 7/1/79-8/18/79 |
| | | Supplemental Energy Conservation Program (Federal funds) | 8/19/79-1/5/80 |

Conclusion

Since the employee had responsibilities related to administration of 12 accounts, payment of the entire salary from one or two Federal accounts is not an equitable or allowable distribution of costs.

CASE II

The secretary did general work from July 1978 to January 1980, for the Special Assistant to the OEPAD Executive Director and, occasionally, for the Executive Director. However, during this time the employee was paid from a Federal CETA Manpower Administration account.

* Dates were obtained from interviews with OEPAD staff.

** Dates are the payroll periods that the fund source was used to pay the employee's salary.

| Assignment | Dates* | Fund Source | Dates** |
|---|---|---|---|
| Secretary to Special Assistant to the Executive Director | 7/78-1/80 | CETA Manpower Administration | 7/78-1/5/80 |

Conclusion

The employee handles general secretarial duties related to most OEPAD programs. Payment of the entire salary from the Federal CETA Administration account only constitutes inequitable charges to the account.

CASE III

The secretary was employed on December 26, 1978, for general receptionist duties and clerical assistance and to act as switchboard operator for OEPAD offices and staff on the fourth and fifth floors of the West Wing, State Capitol, except for the energy program staff. However, source of funds for this employee consisted of two Federal accounts only.

| Assignment | Dates* | Fund Source | Dates** |
|---|---|---|---|
| General Receptionist and Switchboard Operator | 12/78-1/80 | HUD 701***<br>CETA Manpower Administration | 1/20-7/7/79<br>7/28/79-1/5/80 |

Conclusion

Since the employee provides services to the entire Office, except the energy programs, payment of the employee's entire salary from two Federal accounts constitutes an inequitable and unallowable distribution of costs.

* Dates were obtained from interviews with OEPAD staff.

** Dates are the payroll periods that the fund source was used to pay the employee's salary.

*** The Comprehensive Planning Assistance Program (commonly referred to as 701 Program) is a Federal planning assistance program established to encourage and financially support State and local governments and regional combinations of governments in upgrading their comprehensive planning and management capabilities.

CASE IV

The employee, classified as a planner, was responsible for administration of the word processing center, accounting, personnel contracts and budgeting from the early 1970s through May 1979. Then the employee was reassigned to industrial development duties.

| Assignment* | Dates** | Fund Source | Dates*** |
|---|---|---|---|
| Administrator of personnel, contracts, budgeting and other support services | 7/1/78-5/79 | Administration (State fund) | 7/8/78-5/12/79 |
| Industrial Development | 5/79-1/80 | Basic Energy Conservation (Federal fund) | 5/13-6/30/79 |
| | | Development (State fund) | 7/1/79-1/5/80 |

It should be noted that a review of accounting records disclosed that insufficient funds were in the State administration account to pay all employees' salaries to be drawn from the account for the balance of fiscal year 1978-79. The planner was transferred to the energy account in May 1979. The final amount in the State administrative account as of June 30, 1979, according to OEPAD records, was only $80.78.

Conclusion

While the employee may have provided services to the energy program during employment as a general administrator, the payment of the person's salary from one Federal grant account only for more than a month appears to be an inequitable and unallowable charge to the account. In addition, the time during which the salary was paid from the energy account was not concurrent with the time spent as general administrator. The real reason for the transfer appears to be the absence of sufficient funds in the State administration account.

* Although employee may have had this assignment in preceding years, the scope of fund source and transfer review was from July 1978 through January 1980.

** Dates were obtained from interviews with OEPAD staff.

*** Dates are the payroll periods that the fund source was used for the employee's salary.

Case V

One planner began work at OEPAD in June 1978 as an intern working full-time on the Rio Salado Project as part of the land-use work element for 701 Program monies. From September 1978 until January 1979 the employee worked half-time, writing the energy extension service plan, a joint OEPAD and Solar Energy Commission project. In January 1979 the employee resumed full-time work as a planner in the OEPAD energy office, working on several programs.

| Assignment | Dates* | Fund Source | Dates** |
|---|---|---|---|
| Intern of Rio Salado Project | 7/78-9/78 | EPA COG*** | 7/8-7/22/78 |
| | | College Interns | 7/23-9/12/78 |
| Half-time employment, writing energy extension service plan | 9/78-1/79 | EPA COG | 9/13/78-2/3/79 |
| Planner on several energy programs | 1/79-1/80 | Supplemental Conservation (State funds) | 2/4-3/31/79 |
| | | Basic Energy Conservation | 4/1-8/18/79 |
| | | Supplemental Energy Conservation | 8/19/79-12/8/79 |
| | | Energy | 12/9/79-1/5/80 |

Conclusion

Charges of salary to the EPA COG grant appear to be unrelated to actual work.

CASE VI

The employee was acting director of the Development Division from May 1976 to December 1978 and Director of the International Trade Program, funded from a Four Corners regional grant, between May 1976 and February 2, 1980. The employee had, therefore, concurrent responsibility to direct the International Trade Program and the Development Division from May 1976 to December 1978.

* Dates were obtained from interviews with OEPAD staff.
** Dates are the payroll periods that the fund source was used.
*** Environmental Protection Agency - Council of Governments.

| Assignment | Dates* | Fund Source | Dates** |
|---|---|---|---|
| Development Division Director and Director of International Trade Grant (Federal) | 7/78-12/78 | State Development International Commerce | 7/8/78-1/6/79<br>1/7-2/17/79 |
| Director of International Trade Grant | 1/79-2/80 | State Development Petroleum Allocation | 3/3-8/4/79<br>8/5-9/1/79 |
| | | International Commerce | 9/2/79-1/5/80 |

Conclusion

Payment of the employee's salary from State petroleum allocation monies only seems inappropriate.

OEPAD Documentation Practices

OEPAD had an established monthly Time Record Sheet*** for employees to record hours worked for Federal and State programs. According to instructions on the reverse of the form, an employee should record:

- Number of hours worked or leave taken each day.
- Amount of compensatory leave earned, if any.
- If paid from Federal funds, the number of hours for Federal programs, Federal program titles and work elements.

* Dates were obtained from interviews with OEPAD staff.

** Dates are the payroll periods that the fund source was used for the employee's salary.

*** Appendix XXVIII contains a copy of the sheet and instructions.

- If paid from State funds but providing in-kind match contributed services*, the number of such hours.
- If paid from or used as contributed in-kind match for joint funding project funds, the percentage of time devoted to each work element.

The employee was instructed to sign the completed form and obtain the supervisor's signature.

* In-kind matching services, as defined by the Office of Management and Budget Circular, are contributions made by grantees, subgrantees or third parties in satisfying cost-sharing requirements of Federal grantor agencies.

> Cost sharing is "...that portion of project costs not borne by the Federal Government. Us(u)ally, a minimum percentage for matching share is prescribed by program legislation, and matching share requirements are included in the grant agreements."
>
> In-kind matching contributions or "represent the value of noncash contributions provided by the grantee, and non-Federal parties. Only when authorized by Federal legislation may property purchased with Federal funds be considered as the grantee's in-kind contributions. In-kind contributions may be in the form of charges for real property and nonexpendable personal property and the value of goods and services directly benefiting and specifically identifiable to the project or program."

Employees Do Not Follow OEPAD

Payroll Documentation Practices

A review of Time Record Sheets for October through December 1979 was made for the 93 OEPAD employees still on the payroll at May 15, 1980. The review revealed that 35 of the 53 employees whose salaries were paid that quarter from Federal funds either: 1) failed to record any Federal hours worked, 2) recorded Federal hours worked that did not agree with their Federal payroll funds, or 3) identified themselves as indirect* salary costs, but were paid as direct costs.

An additional 21 employees had been declared, in whole or in part, as the State in-kind match for various Federal grants for the first quarter of the 1979-80 Federal fiscal year. However, all these employees failed to: 1) record any in-kind hours, or 2) record hours for the appropriate Federal program.

Table 11 summarizes the results of the review.

* Indirect costs are defined in Cost Principles Applicable to Grants and Contracts with State and Local Governments, Federal Management Circular as: "Those a.) incurred for a common or joint purpose benefiting more than one cost objective, and b.) not readily assignable to the cost objectives specifically benefited, without effort disproportionate to the results achieved."

TABLE 11

SUMMARY OF THE RESULTS OF THE REVIEW
OF OEPAD STAFF* TIME RECORD SHEETS FROM
OCTOBER THROUGH DECEMBER 1979

| Federally Funded Positions (in part or wholly) | | Percentage of Total |
|---|---|---|
| Number with time reporting that matched payroll fund source | 18 | 34% |
| Number with inappropriate time reporting for payroll fund source | 2 | 4 |
| Number without Federal hour reporting | 29 | 55 |
| Number recorded as indirect time but paid from Federal account as direct cost | 4 | 7 |
| Total | 53 | 100% |
| **State-funded Positions** | | |
| Number not pledged as in-kind State match | 19 | 47% |
| Number pledged as in-kind match who did not have appropriate Federal in-kind hours recorded** | 4 | 10 |
| Number pledged as in-kind match who did not have in-kind hours recorded | 17 | 43 |
| Total | 40 | 100% |

As demonstrated in Table 11, the Time Record Sheets reviewed: 1) appear to be mere attendance records, 2) did not, for the most part, support the payment of Federal funds, and 3) in at least ten observed instances, conflict with the Federal fund source used.

* All employees as of May 15, 1980, who were also employed at OEPAD in the fourth quarter of 1979.

** One position was pledged and calculated as a State-funded position for 100 percent in-kind match, but also was paid partially from Federal funds as a direct charge. It is included as a State-funded match position with inappropriate in-kind hours.

It should be noted further that Auditor General financial auditors reviewed a selected sample of fiscal year 1978-79 Time Record Sheets of employees before and after Federal payroll transfers, and noted that such changes were not shown on their Time Record Sheets.

In the absence of consistent time record keeping for Federal programs or State in-kind match, the Special Assistant to the Executive Director of OEPAD determines the appropriate fund sources to use for payment of employee salaries. According to the Special Assistant, such determination is based on knowledge of staff assignments and discussion with employees.

Ramifications of Inappropriate
Use of Federal Funds

Auditor General staff discussed the situations described above with officials of applicable Federal Inspectors General offices.

The conclusion from these conversations was that if any use of Federal funds had been inappropriate, Federal action would require the State agency to reallocate the cost of the employee's salary among proper funds. The process would require OEPAD to charge the appropriate fund for the time the employee spent in work related to the fund and reimburse the Federal account for the amount overcharged.

It should be noted that the Federal agency would not penalize the State agency by: 1) withholding funds, 2) requiring direct repayment for misallocations, 3) levying fines, or 4) any other penalty unless the practice were widespread.

Causes For Misallocations

The causes for the apparent misallocations of Federal funds observed are numerous and include: 1) an awkward payroll system that could issue only multiple checks for each pay period if a person's salary was attributable to several funds, 2) multiplicity of OEPAD fund sources, 3) late Federal fund transmittal and termination of Federal grants, 4) no accurate time record keeping system, 5) treatment of indirect employee costs as directly chargeable salaries, and 6) traditional auditing practices that focus on a fund-by-fund approach.

Awkward Payroll System

Prior to April 1, 1980, the DOA payroll system did not have the capability to issue a single warrant* for more than one payroll account.

If an employee's salary needed to be paid from several funds, a procedure did exist to distribute salaries and related payroll costs among them. However, the procedure: 1) required determination and distribution of salaries among funds prior to the work and two weeks prior to the warrants being issued, and 2) resulted in individual warrants issued against each fund source account used.

Multiple OEPAD Accounts

The procedure was cumbersome for an agency such as OEPAD, which had 25 separate accounts in fiscal year 1978-79 and the first half of 1979-80 from which personal services monies were expended, particularly if an employee consistently did work related to many fund sources or worked on different projects throughout the year.

According to the Manager of the Comptroller's Office in DOA on March 14, 1980, the new payroll system to be on line April 1, 1980, would address this problem partially:

> "...the present payroll system does not have the capability of issuing a warrant for more than one payroll account. If a State employee is split funded, i.e., being paid from a State account and one or more federal accounts, the present procedure requires that an individual payroll warrant be issued against each account.

* According to Webster's New Collegiate Dictionary, a warrant is "a commission or document giving authority to do something; specific: a writing that authorizes a person to pay or deliver to another and the other to receive money or other consideration." A.R.S. §41-732.B.1 provides that the Assistant Director for the Division of Finance shall "Draw all warrants upon the treasury for money, except in cases otherwise expressly provided by law."

> "It is my understanding that the new payroll system, which is to be on line by April 1, 1980 has such a capability. It is my further understanding that employees of the Payroll Section of Accounts and Controls are contacting those agencies to give detailed instructions as to the method of reporting time." (Emphasis Added)

Further, the Comptroller's Office described the procedure to reallocate inappropriate salary payments:

> "In the case...where an employee has been receiving salary payments out of a single account and such salary should actually have been against more than one account, the proper procedure to make distribution would be to prepare a form A & C-55 debiting the payroll account and related ERE accounts as applicable with the amount of money that should be charged to that account. The credit should be to the account from which the employee was paid." (Emphasis Added)

Late Federal Fund Transmittal

According to OEPAD staff, employees' salaries were paid from inappropriate accounts when a funding source was depleted, usually because of a time lag between the end of one grant and its subsequent renewal or the start of another grant.

OEPAD staff also noted that shifting employees among funds eventually results in another fund's depletion, requiring another offsetting transfer.

Lastly, OEPAD staff stated that the only alternative when funds are depleted is to lay off employees.

Inaccurate Time Records

During the course of our audit, OEPAD designed a basic timekeeping form that, with modification, can be used for time record keeping.* However, our experience with OEPAD staff demonstrated that they may not be willing to expend the effort required to maintain accurate time records as the basis for documenting payroll appropriateness. For example, we requested OEPAD staff to maintain time records for four weeks based on newly established OEPAD guidelines. The audit staff had to make repeated attempts to obtain responses. In addition, several OEPAD employees complained to the audit staff regarding this task.

Inappropriate Treatment of Indirect Costs

Federal guidelines outline a method to recover appropriate amounts for indirect costs. According to HUD Handbook 6042.1 REV., Managing a Grant, Comprehensive Planning Assistance:

> "Indirect costs are those incurred for a common or joint purpose benefiting more than one cost objective, and not readily assignable to the cost objectives specifically benefitted without effort disproportionate to the results achieved.
>
> "Charges for indirect costs normally will include items such as the cost of maintaining buildings, utilities, or administrative salaries incurred for the benefit of the HUD program as well as other activities of the grantee." (Emphasis Added)

If employee salaries or other costs of operation are identified as indirect, a cost allocation plan can be developed to accommodate such a situation.

However, OEPAD has not implemented a cost allocation plan to distribute employee salaries equitably among different Federal funds and, instead, direct charges are recorded to Federal accounts**.

* See page 116 for a description of the form used currently.

** OEPAD has a means for identifying State match monies. See page 125. OEPAD also has a cost allocation method for specific work elements within HUD and EDA grants of the Joint Funding Project. See page 95 for a description of this project.

Federal auditors of State agencies other than OEPAD consider general State accounting practices in regards to labor cost distribution as questionable. Two practices at issue are:

1. Predetermination before the year begins of the percentage (or all) of an employee's time that will be spent in a specific area and then charging the time and costs according to the predetermined rate.

2. Charging indirect general-purpose personnel as direct costs, or inconsistently as indirect costs in some cases and direct in others.

It should be noted that Federal guidelines state that generally accepted payroll documentation practices of State agencies are acceptable, but that the method used should be equitable:

> "...Salaries and wages of employees chargeable to more than one grant program or other cost objective will be supported by appropriate time distribution records. The method used should produce an equitable distribution of time and effort." (Emphasis Added)

Federal Audit Practices

OEPAD staff claimed that Federal auditors are concerned only with the "proper" amount of money being spent for each line item expenditure and that expenditures are documented. They are not concerned with the Federal source of individual employee salary payments.

Further, in a Comptroller General's report to Congress titled Grant Auditing: A Maze Of Inconsistency, Gaps and Duplication that Needs Overhauling, it is stated that the audit is the basic control to ensure that funds are spent as Congress intended and to prevent unauthorized expenditures. However, the report notes:

> "In general, (federal) agencies audit only their own grants. They do not completely review grant recipients' financial controls and pay little attention to how a recipient's grant management practices affect other Federal grants, even those of much larger amounts. Under this narrow approach, the auditors are unlikely to detect improper charges or transfers of funds and equipment to the grant..." (Emphasis added)

Inability to Verify Appropriateness of State Matching Contributions to Federal Grants

A final ramification of the absence of adequate supporting documentation for the OEPAD payroll was the audit staff's inability to verify the appropriateness of State match to obtain Federal grant monies for employee salaries.

Various Federal agencies require different percentage matches of State monies to obtain Federal grant monies. For example, one Federal grant may provide $80 if $20 in State monies is devoted to grant activities, while another may provide $75 dollars if $25 in State money can be provided.

In fiscal year 1979-80, the State-approved OEPAD budget contained 40.5 FTEs (full-time equivalent positions) and $850,400 in personal services monies. In the first quarter of Federal fiscal year 1979-80, beginning on October 1, 1979, all or portions of 25 State-funded positions were pledged as in-kind match State funds to meet Federal requirements. The Special Assistant to the Executive Director prepared a percentage distribution of each of the staff members' time, which was used to calculate the State matches for Federal funds from July 1979 through the end of January 1980. Table 12 summarizes the percentage distribution.

TABLE 12

PERCENTAGE OF OEPAD'S 40.5 STATE-FUNDED POSITIONS PLEDGED AS IN-KIND MATCH TO OBTAIN FEDERAL FUNDS OCTOBER 1, 1979 THROUGH JANUARY 30, 1980

| Number of State-funded Positions Pledged in Whole or Part to Federal Projects | Percentage of State-funded Positions Pledged As In-kind Match | Calculated State-funded FTE Committed as In-kind Match to Federal Projects* | Calculated Percentage of OEPAD's 40.5 State-funded Positions Pledged as In-kind Match |
|---|---|---|---|
| 8 | 100 % | 8.00 | 19.8 % |
| 1 | 95 | .95 | 2.3 |
| 3 | 90 | 2.70 | 6.7 |
| 1 | 85 | .85 | 2.1 |
| 1 | 75 | .75 | 1.9 |
| 1 | 60 | .60 | 1.5 |
| 1 | 50 | .50 | 1.2 |
| 1 | 45 | .45 | 1.1 |
| 2 | 40 | .80 | 2.0 |
| 1 | 35 | .35 | .9 |
| 3 | 30 | .90 | 2.2 |
| 1 | 20 | .20 | .5 |
| 1 | 10 | .10 | .2 |
| 25 | | 17.15 | 42.4 % |

* As of February 14, 1980, no funds for a National Science Foundation grant had been received. Therefore, 1.88 FTE and $43,172 was not used in first-quarter calculations.

As demonstrated in Table 12, 42.4 percent of OEPAD's 40.5 State-funded FTEs were pledged as State in-kind match monies for nine Federal grants. The commitment amounted to $394,543 in personal services monies or 46.4 percent of the State-budgeted funds for State fiscal year 1979-80.

According to OEPAD management staff, the appropriateness of State match commitments is monitored through staff discussions. However, because of the absence of an adequate OEPAD time record-keeping system, the appropriatness of the employee time distributions can not be determined.

## CONCLUSION

OEPAD payroll-claims documentation is inadequate to ensure equity in distributing employee labor costs to Federal and State accounts and to inform management of funds utilization accurately. As a result, some funds have been misused and the opportunity exists for widespread misuse. In addition, State in-kind match declarations cannot be verified because of inadequate OEPAD time record-keeping practices.

## RECOMMENDATIONS

It is recommended that consideration be given to the following:

1. OEPAD implement and pay salaries based on a revised, adequate time record-keeping system.

2. OEPAD implement the multifund source payroll system started by the Department of Administration for appropriate employees.

3. OEPAD adopt a cost allocation plan for persons regularly doing work attributable to several Federal and State fund sources.

4. OEPAD review present and past personnel payments and reallocate monies to Federal and State accounts as necessary to re-establish equity.

5. OEPAD improve its budget-forecasting techniques for personal services monies to attempt to avoid future shortages in budget amounts.

6. In cases of shortages in personal services monies of State accounts, OEPAD request the Joint Legislative Budget Committee to transfer State monies among budgeted amounts to alleviate the deficiency.

## FINDING VIII

### OEPAD CONTRACT ADMINISTRATION AND RECORD KEEPING IS INSUFFICIENTLY CONTROLLED, RESULTING IN CONTRACTS EXECUTED THAT ARE NOT IN COMPLIANCE WITH STATE LAW.

The Office of Economic Planning and Development administers contracts and agreements for: 1) professional consultant services, 2) obtaining other governmental agencies' specialized services, and 3) delivery of such services as Comprehensive Employment Training Act (CETA) manpower programs. In addition, OEPAD administers contracts and agreements for the Solar Energy Research Commission, Office of Tourism and the Arizona Women's Commission. A review of OEPAD nonservice delivery contracts revealed that management responsibilities for contracting have been decentralized without maintaining sufficient controls of either the process for developing and administering contracts or the contract documents themselves. As a result, OEPAD has executed contracts that do not comply with State law and are, therefore, null and void; and OEPAD management staff members are not aware of the status of each contract awarded.

#### State Law Requires Bids before Award of Contracts

Arizona Revised Statutes (A.R.S.) §§41-1501 through 41-1054, require that competitive bidding procedures be followed before awarding State contracts*:

> "A state budget unit desiring to contract for services under the provisions of this article shall issue a request for proposals, containing but not limited to:
>
> "1. The criteria for qualifications required of persons to be selected to perform outside professional services. The selection of such persons shall be determined on the basis of demonstrated competence and qualifications to perform the required type of outside professional services at fair and reasonable compensation.

* Competitive bidding now is required for contracts in excess of $5,000, provided an emergency waiver has not been granted.

"2. The information which is to be made publicly available concerning each project under consideration and the manner in which such information shall be made available to interested persons. Such information shall, as applicable include but not be limited to:

"(a) The time and place where the proposals are to be submitted.

"(b) A description of the problem, or the purpose of the study or project.

"(c) The objectives of the study, including a general statement of what is expected to be accomplished.

"(d) The scope of the work to be done, including:

"(i) Any desired approach to the problem.

"(ii) The practical, policy, technological and legal limitations.

"(iii) Specific questions that need to be answered.

"(iv) Items expected to be delivered by a person who submits such proposal.

"(v) The format to be used for the completed report.

"(vi) The extent to which assistance and cooperation will be available from the state to the person who submits such proposal.

"(e) A firm or estimated time schedule including dates for:

"(i) Award of contract.

"(ii) Commencement of performance.

"(iii) Submission of progress reports, if any.

"(iv) Completion of work.

"(f) Known or estimated budgetary limitations for the study or project.

"(g) Whether and to what extent progress payments will be allowable."

Requirements for public notice when an agency is requesting proposals are defined in A.R.S. §41-105.4.A:

> "A state budget unit shall give notice of a request for proposals to furnish such services by mailing notice to each person who has requested personal notice in a statement filed pursuant to Section 41-1053 and by publication in a newspaper of general circulation within the state for two publications not less than six nor more than ten days apart. The second publication and mailing of personal notice shall be not less than two weeks before the deadline for submitting proposals."

According to a memorandum from Legislative Council dated April 25, 1980,* two weeks is defined legally as 14 calendar days. Further, in A.R.S. §1-243, the method of computing time is defined as:

> "...the time in which an act is required to be done shall be computed by excluding the first day and including the last day unless (it) is a holiday, and then it is also excluded."

Auditor General staff reviewed for compliance with statutes seven professional and nonintergovernmental contracts that OEPAD awarded during the 1978-79 and 1979-80 fiscal years.** Three of the nonservice delivery contracts (43 percent) were advertised in a newspaper less than two weeks before the deadline for submitting proposals, as required for second notification. It should be noted that the contracts were funded from Federal sources and no State monies were involved. Table 13 details the three contracts, the dates of second publication, the published deadline dates and number of days' deviation from the statutory time requirement.

* Appendix XXIX contains the full text of this memorandum.

** The Auditor General review included seven of the ten nonservice delivery contracts for more than $5,000 in professional and outside services that OEPAD administered during fiscal 1978-79 and the first six months of 1979-80. In addition, the review included six of the 20 major ($5,000 or more) nonservice delivery intergovernmental agreements administered during this time.

TABLE 13

OEPAD CONTRACTS FOUND TO BE NOT IN COMPLIANCE WITH STATE LAW REGARDING ADVERTISING

| Contract | Value of Contract | Date of Second Publication | Deadline for Proposal Submission | Days Deviated from Statutory Requirements of Consecutive Days |
|---|---|---|---|---|
| 1 | $ 10,000 | November 17, 1978 | November 27, 1978 | 5 |
| 2 | 72,640 | October 28, 1979 | November 8, 1979* | 4 |
| 3 | 135,360 | October 28, 1979 | November 8, 1979* | 4 |
| | $218,000 | | | |

* Extension deadlines published on November 4, 1979. Original deadlines were on November 5, 1979 - seven days from the statutory minimum.

In addition, audit staff reviewed seven intergovernmental agreements awarded by OEPAD during fiscal 1978-79 and the first half of fiscal 1979-80 for statutory compliance. One of the contracts was signed and executed before approval by the Attorney General, as required in A.R.S. §11-952.D:

> "Every agreement or contract involving any public agency, board or commission, made pursuant to this article shall, prior to its execution, be submitted to the attorney for each public agency,* board or commission who shall determine whether the said agreement is in proper form and is within the powers and authority granted under the laws of this state to such public agency, board or commission." (Emphasis added)

Illegal Contracts Are Void

A State agency is required to comply with provisions of A.R.S. §41-1051 regarding advertising for proposals before entering into a contract for professional services. If an agency does not comply and if emergency exceptions are not applicable, the agency does not have the legal authority to enter into a contract. Such a contract for professional services in excess of $5,000 would appear to be void. Further, an intergovernmental agreement or contract executed before its review by the Attorney General similarly would be void until approved.

The Legislative Council, in a memorandum dated February 15, 1980,** noted that A.R.S. §14-1051.A is explicit in its mandate that an agency comply with its provisions unless an exemption*** is granted:

> "Arizona Revised Statutes Section 41-1051, subsection A is explicit and requires that 'before a state budget unit enters into a contract for outside professional services, it shall comply with the provisions of this article.'

. . . . . .

* OEPAD's attorney is the Attorney General.

** Appendix XXX contains the full text of this memorandum.

*** The Assistant Director, Department of Administration - Division of Finance, may waive requirements concerning competitive bidding and advertising if an actual emergency exists. A review of granted waivers revealed that no waivers had been granted to OEPAD from 1976 through April 15, 1980.

> "If the notice requirements are not followed and the emergency exception procedures are inapplicable, it is our opinion that an agency does not have the legal capacity to enter into a valid contract for outside professional services in an amount in excess of five thousand dollars. The publication notice requirements are a necessary prerequisite to be satisfied before a contract can be made." (Emphasis added)

Further, Legislative Council noted that, lacking legal validity, such contracts are void:

> "Thus, if the requirements of Arizona Revised Statutes title 41, chapter 6.1, article 1 are not met the contract would seem to be void although a person who had performed services for the state under a void contract would probably have an equitable claim for his services.
>
> "Expenditures of state monies for a contract let under circumstances which show a failure to comply with applicable statutory requirements appear to be unauthorized expenditures of public funds." (Emphasis added)

It should be noted that our review of OEPAD contracts did not include 58 service delivery-related contracts and intergovernmental agreements, involving CETA manpower and energy weatherization programs.* These contracts are subject to Federal review, and would also require extensive (and partly redundant) audit time to assess compliance with State and Federal requirements adequately.

* Federal monies available to increase insulation or other means of reducing energy usage in buildings.

## Fragmented Contracting Procedures and Records Result in Poor Control

Although OEPAD has, at times, attempted to establish contracting controls, the efforts are insufficient in that: 1) established procedures have not been followed, 2) responsibilities for evaluating proposals, selecting bidders, monitoring contract progress and authorizing payment on contracts have been delegated to various OEPAD employees without centralizing controls, and 3) OEPAD's contract log does not accurately identify contracts awarded, fund sources used or employees in charge. Further, during our review of 14 professional and outside services contracts, documents related to the 14 contracts were discovered in 13 different locations within the offices of OEPAD and the Solar Energy Research Commission.

## Procedures for Contracting Are in Writing

OEPAD has established written contracting procedures* that include initial development and review of written contracts or agreements and contract execution, monitoring and termination. The procedures, however, were not used consistently in awarding and administering the contracts reviewed.

Further, the procedures leave unaddressed: 1) criteria to be used in evaluating and selecting bidders, 2) how to monitor contracts to ensure compliance with contract terms, and 3) how to authorize progress and/or final payments on contracts. Thus, OEPAD's written procedures are incomplete and do not provide guidelines for the entire contracting process.

* Effective dates not listed on procedures.

Contents of OEPAD's Written Procedures

The stated purpose of OEPAD's contracting procedures is to ensure proper and lawful contracting:

> "By following this procedural outline, OEPAD should avoid problems such as: failure to follow state regulations in awarding contracts, with the accompanying susceptability to lawsuits from rejected applicants; confused schedules of reports and payments; improper or inadequate contract provisions; and refusal by Assistant Attorney Generals to approve contract execution. By standardizing formats and contracting methods, OEPAD agreements will move smoothly and efficiently to completion and avoid the necessity for future amendments." (Emphasis added)

The major steps in OEPAD's written procedures for initial development of a contract or agreement are:

- Initial approval by the Contract Review Committee of the need to contract and the proposed budget,
- Preparation of the draft contract or agreement,
- Draft review by the Committee, including:

> "Review (of) Outside Professional services agreements over $5,000 for conformance to bidding (RFP) procedures."

- Draft submittal to Attorney General for review.

In addition, two sections of the contract procedures describe in detail the characteristics of "correct" professional service agreements and intergovernmental agreements. It should be noted that these sections stress the need for statutory compliance and maintenance of supporting documents for inspection and audit purposes:

"A. Professional Services Agreements are controlled by finance regulations, sections VA/9 and VA/10 (A.R.S. §§41-1051through 1056)

. . . . . .

"g. OEPAD certification of conformance with all provisions of A.R.S. 41-1051 through 1056 in awarding the contract, and that supporting documents are on file and available for inspection and audit for the Division of Finance"

. . . . . .

"The following checklist for Intergovernmental Agreements for joint exercise of powers of two or more public agencies is used by the Contract Administrator (A.R.S. 11-952).

. . . . . .

"i. Include the approval of the respective attorney and governing body; must be obtained before referral to the Attorney General.

"j. If the Attorney General for the contracting agency approves the agreement, such approval will be noted on a form or with a stamp on the body of the document. If a document is disapproved, it will be returned to the party with an explanation of the deficiencies.

"Serious disagreements as to form and content of a contract may necessitate a meeting between the project staff and their counterparts in the other agency." (Emphasis added)

Therefore, OEPAD staff appeared to know the legal parameters for developing contracts and intergovernmental agreements.

In addition, OEPAD's contracting procedures outline steps for executing contracts after the bidder is selected:

- Contract Administrator and OEPAD Project Manager* monitor the contract approval process and the Committee reviews the signed contract,
- Contract is registered with Secretary of State, filed at OEPAD and mailed to contractor,
- The Committee reviews periodically the status of contracts and reviews contracts 30 days before termination,
- OEPAD retains needed records for audit after close of contract,
- The Comptroller maintains a contract log:

> "The Comptroller retains a log of all contracts, which includes the date of termination, a statement as to the final financial status of the project, account number, etc., for ready reference."

The above procedures identify the Project Manager as responsible for monitoring a contract's progress, requiring reports and approving work prior to payment. The Project Manager also, apparently, has responsibility for final selection of a bidder from those submitting proposals, subject to review by committees formed to evaluate proposals.

However, despite the written procedures, of seven applicable contract files reviewed by audit staff only two contained documented evidence of committee evaluations. Further, the project managers for the contracts reviewed were different persons, according to types of contracts, and at various levels of authority within OEPAD.

* The OEPAD employees responsible for a contract.

In addition, while OEPAD's procedures do appear to be adequate for development and administrative review of contracts, they do not address adequately criteria or methodology for selecting bidders, monitoring contract progress or authorizing payments.

Other Written Procedures Are Ignored

As noted earlier, three contracts were identified that did not comply with State law regarding competitive bidding or with explicit instructions in OEPAD contracting procedures. As part of our contract review, Auditor General staff noted other exceptions to contracting procedures:

- The contract log did not identify correctly the fund source for ten (71 percent) of the 14 contracts and agreements reviewed.
- Records were not readily accessible for audit. Fiscal year 1978-79 and 1979-80 records were stored in 13 different locations.

Since the contract log did not identify which OEPAD manager or employee was responsible for a contract, considerable inquiry and investigation by staff auditors was required.

For the 14 contacts reviewed, audit staff found, in OEPAD and the Solar Energy Research Commission offices:

- Contract copies in six different locations,
- Work program summaries in six different work areas,
- Contract amendments in five different places,
- Evidence of advertising in six different locations,
- Requests for proposals in seven different locations,
- Submitted proposals in ten different locations, and
- Progress and final reports in four different locations.

In summary, the contract documents were scattered among 13 different locations within OEPAD and the Solar Energy Research Commission and none filed consistently.

DOA Contract Exemplifies Lack of Control

One of the 14 contracts reviewed by staff was an intergovernmental agreement with the Department of Administration (DOA) Data Center to develop an energy usage reporting system. The contract illustrates OEPAD's failure to develop sufficient contracting guidelines:

- The agreement was signed by the Executive Director of OEPAD on September 5, 1978, and the Manager of the DOA Data Center 13 days later,
- The method and frequency of payment was established in the contract as "monthly upon receipt and acceptance of reports and invoices." Compensation terms were:

> "The Planning Agency agrees to pay the Contractor in accordance with Contractor's published billing rates...provided that the total costs to the Planning Agency for work performed hereunder shall not exceed SEVEN THOUSAND, FIVE HUNDRED DOLLARS ($7,500.00)."

- The product was to be delivered according to this schedule:
  1. Report format finalized 11-1-78
  2. Sample report developed 11-15-78
  3. Final report issued 1-15-79.
- Work was to be completed by September 30, 1979.

However, the contract terms and/or OEPAD's contracting procedures were not followed in that:

- Contrary to A.R.S. §11-955.D, the Attorney General review and approval was obtained on September 28, 1978, after signing by OEPAD and DOA.
- DOA had earned less than $2,000 by February 20, 1979, when a request for payment was sent to OEPAD for $7,500.
- An OEPAD energy program section manager requested encumbrance of $7,500 on April 26, 1979. At that time DOA had earned only an estimated $3,500 in charges. Billing documentation cited was only "Payment per OEPAD contract."
- OEPAD encumbered $7,500 on May 4, 1979, and a warrant was issued 12 days later. DOA-accumulated charges were less than $4,000 at that time.
- Through December 3, 1979, (three months after the termination date of the contract) DOA Data Center had charged a total of $4,421 in monthly fees for development of the energy usage reporting system.
- In January 1980, the DOA Data Center claimed all work that could be completed without OEPAD input was finished.

As a result, OEPAD had, contrary to contract terms and in spite of its own written procedures: 1) prepaid the contract without monthly receipts or acceptance of reports and invoices, and 2) paid the total allowable contract amount, which exceeded the <u>costs</u> incurred at the time of payment and <u>all charges</u> accumulated through December 31, 1979.

Lastly, it should be noted that: 1) the OEPAD Manager who had authorized payment on the contract no longer is employed at OEPAD, and 2) the replacement manager: had no knowledge of its existence, did not know her funds had been used, thought such a reporting system would be useful if it could be developed and did not know that DOA was awaiting action by OEPAD to complete the project.

The incident demonstrates how insufficient management controls over OEPAD's contracting process can result in noncompliance with State law, failure to follow contract terms and an unfinished product from a terminated contract.

## CONCLUSION

OEPAD does not maintain sufficient control over its contracting process. Although OEPAD has established some contracting procedures, they have not been followed consistently, resulting in noncompliance with State law, poor managerial control over contracts, inadequate contract records and nonadherence to contract terms.

## RECOMMENDATIONS

It is recommended that consideration be given to the following:

1. OEPAD follow its contracting procedures and comply with State laws regarding: a) professional and outside services costing more than $5,000, and b) intergovernmental agreements.

2. OEPAD procedures be amended to identify specifically persons assigned to manage each contract and the fund source for each contract.

3. OEPAD staff review contracts at least quarterly to verify: a) that contract managers are current staff and still appropriate for assignments, and b) that contract terms are met.

4. OEPAD contracting procedure be amended to include guidelines for evaluating and selecting bidders, monitoring contract programs for compliance to contract terms and authorizing payment.

## FINDING IX

### INAPPROPRIATE EXPENDITURES.

As a part of this review, audit staff discovered several inappropriate OEPAD expenditures. These expenditures concerned 1) payment of expenses of an Energy Retreat reception, 2) payment of travel and subsistence expenses for State officials who were not employees of OEPAD and 3) payment of consulting services from a prospective OEPAD employee.

#### Energy Retreat Reception

On June 18, 19 and 20, 1980, OEPAD sponsored an Energy Retreat at a Phoenix resort. Expenditures for the Retreat totaled $2,316.42 and were paid from the following fund sources:

| | |
|---|---|
| Federal Supplemental State Energy Conservation Program III | $ 232.88 |
| State Matching Funds for the Federal Institutional Buildings Grant Program | 2,083.54 |
| | $2,316.42 |

As part of the Retreat, a reception was held on the evening of June 20, 1980. Members of the Economic Planning and Development Board, all OEPAD staff and spouses (or friends) were invited to attend. According to the OEPAD Executive Director, persons other than staff and Board Members did attend, including OEPAD staff spouses.

Approximately $720 of the total Retreat expenditures were attributable to this reception. Since spouses and friends did not constitute employees or officials directly connected to public duties of the agency or to the Energy Retreat, the invitation and related expenditures appear to be inappropriate.

Payment of Travel and Subsistence for Non-OEPAD Employees

In three instances from November 1979 to July 1980, OEPAD paid out-of-State travel and subsistance expenses for State officials who were not OEPAD employees.

According to the Legislative Council in a memorandum dated January 28, 1981,* a State agency cannot authorize payment of travel or other expenses to officials or employees of other State agencies:

> "A.R.S. section 35-141 provides:...'Salaries of state officers, salaries of deputies, assistants, clerks and employees, and expenses incident to the offices thereof, shall be paid from the general fund or the respective fund indicated when and as authorized in the general appropriation act or any other appropriation enacted by the legislature.'
>
> "An appropriation, whether from the general fund or a special fund, to an agency does not authorize payment of salaries or travel or other 'expenses incident to the offices thereof' to officials or employees of another agency."

The expenditures incurred for out-of-State travel by non-OEPAD employees were as follows:

| Date of Payment | Amount | Source of Funds for Payment |
|---|---|---|
| 11/21/79 and 12/31/79 | $ 443.95 | International Commerce Grant - Federal Funds |
| 04/07/80 and 04/22/80 | 529.46 | Development - State Funds Out-of-State Travel |
| 07/23/80 | 586.00 | State Matching Funds - Federal Institutional Buildings Grant Program |
| | $1,559.41 | |

* Appendix XXXII contains a copy of this memorandum.

According to the Executive Director, the subject State officials were performing official duties for the State when the above travel expenses were incurred. Be that as it may, OEPAD could not appropriately pay the travel expenses of officials of other State agencies.

Payment of Consulting Services
from A Prospective Employee

On April 24, 1980, OEPAD paid an individual $372 from a Federal Petroleum Allocation fund allegedly for consulting services related to administrative and financial functions of OEPAD. On June 2, 1980, approximately five weeks later, this individual was hired by OEPAD as an accountant. This expenditures appears to be inappropriate because:

- No written contract for services existed between OEPAD and the individual,

- Among other subjects, employment with OEPAD was discussed during the individual's visit, and

- The amount paid approximates the plane fare from the individual's residence in Illinois at that time.

Audit staff discussed these expenditures and their apparent inappropriateness with the OEPAD Executive Director.

CONCLUSION

OEPAD made several inappropriate expenditures concerning: 1) payment of expenses of an Energy Retreat reception, 2) payment of travel and subsistence expenses for State officials who were not employees of OEPAD, and 3) payment of consulting services from a prospective OEPAD employee.

RECOMMENDATIONS

It is recommended that consideration be given to the following:

1. OEPAD institute necessary changes to prevent future inappropriate uses of funds.

2. OEPAD consult with the Accounts and Controls Section of the Division of Finance when questions arise regarding the propriety of expenditures to ensure that these expenditures are appropriate.

## OTHER PERTINENT INFORMATION

### COMMUNITY ASSISTANCE PLANNING

According to an Auditor General survey* of Arizona's incorporated cities and towns, OEPAD has been active in providing planning services and other technical assistance to many local governments. Most communities indicated that such assistance was useful. Officials of larger cities generally were more critical of the level of services than were the smaller cities. In addition, more than half the survey respondents claimed their communities were not knowledgeable or aware of the range of services OEPAD can provide.

#### Many Communities Assisted

In January 1980, the audit staff surveyed the chief administrative officers of Arizona's 74 incorporated cities and towns. Thirteen communities returned the questionnaire uncompleted, declining to respond because of little or no contact with OEPAD. A major section of the questionnaire concerned assistance provided by OEPAD to the community in the areas of local planning, obtaining Federal funding and representing local interests as State policy is developed.

Of the 40 communities responding to that section, 29 (or 72 percent) indicated that OEPAD has been active in assisting local governments. Of the 29, 25 (86 percent) said OEPAD's activities have been useful to their communities. Respondents most frequently mentioned that OEPAD assisted in obtaining Federal grants for planning and development. However, a variety of other technical planning services were also mentioned, including: special economic studies; preparation of basic land-use maps and zoning regulations; and compilation and publication of local planning guides and community-specific statistical data.

* See Appendix XV for questionnaire and tabulation of survey response.

Most Arizona Communities Rated
OEPAD Assistance Highly;
Larger Cities Were Critical

Of the 29 respondents rating OEPAD's performance in community assistance, 23 (79 percent) indicated OEPAD provided excellent or satisfactory services. However, responses differed substantially according to size of the community. For example, seven of the 29 responses were from cities with more than 10,000 population. Of these seven, only two gave OEPAD an excellent or satisfactory rating. The other five declared improvement was needed. The cause for such a difference may be OEPAD's emphasis on assisting smaller communities.

Many Communities Are Not
Aware of OEPAD Capabilities

Respondents were asked if their communities were aware of the range of technical assistance and planning services OEPAD can provide. Twenty-one of the 39 respondents (54 percent) answered negatively. Whether the cities and towns were large (over 10,000 population) or small did not appear to affect the respondents' perceived need for increased publicity of OEPAD services. In addition, some of the 13 communities declining to respond because of lack of contact with OEPAD mentioned that their communities were not aware of OEPAD's services.

## SURVEY RESPONSES WERE MIXED REGARDING NEED FOR ECONOMIC PLANNING

As part of this audit, the Auditor General surveyed State agencies, regional Councils of Government, industrial developers, cities and towns and chambers of commerce regarding the need for State goals and objectives for growth and/or land-use planning. Industrial developers and Councils of Government supported planning guidelines; cities and towns and chambers of commerce did not indicate significant needs in this area; and State agency responses were mixed.

### COGs Call for State Planning Direction

Five* of the six Councils of Government (COGs) responsible for regional planning for the use of Federal monies indicated a need for increased Statewide direction. Comments** included:

> "Some counties have no OEDPs (Overall Economic Development Plan)***. Some counties have very poor ones - not well thought out or suitable as development guides."
>
> "Activities not coordinated -- no overall plan has been developed. No connection betweeen planning and implementation. More resources (should be) committed by legislature."
>
> "Lack of coordination between economic development, housing, capital improvement, environmental and land use plans/goals. (Need to) formulate statewide land use and economic development plans."
>
> "The effect is that certain catagories of economic development have been accomplished and others are left undone. The types of economic development for various areas of Arizona need to be defined and pursued."
>
> "There remains a gap in resources planning, i.e. water, Wastewater, due to lack of land use planning. Some agency needs to do land use planning. Everybody that puts a resource plan together relates land use to their use of resources; no overall approach."

* One did not respond to the survey.

** Tabulated results of the survey are contained in Appendix XIV.

*** An Overall Economic Development Plan is a Federal requirement of the Economic Development Administration (EDA) for a county to participate in allocation of EDA 304 funds.

"No standard goals, etc. Coordinate state agencies into using same data, set overall goals utilizing COG's input."

"The statewide planning process is still fragmented because of Federal single issue planning initiatives and agency turf protection at the State and Federal level. (Ought to) reassess what the state is capable of doing under the circumstances."

Although they had comments on areas for improvement and change, it should be noted that the COGs acknowledged OEPAD efforts. Activities mentioned included planning for use of EDA 302 monies, a State lands study, coordination of Housing and Urban Development (HUD) funds, assistance with county OEDPs, the Rio Salado study and applying for economic development funds for the State. The COGs stated that these services by OEPAD were satisfactory and useful to them.

Surveyed Arizona Industrial Developers Support Planning Guidelines

Audit staff conducted a survey* of Arizona industrial developers,** partly to determine awareness of and opinions toward guidelines for State growth. Although 78 percent of the developers responding to the question favored growth guidelines, 60 percent either did not know if such guidelines or laws regarding growth existed or did not believe they did. Of the 44 percent who knew there were guidelines, most cited right-to-work laws, tax structure or water use laws; only eight mentioned clean industry or rural emphasis on development, as OEPAD has advocated. A substantial number of industrial developer respondents emphasized that, although guidelines would or could be valuable, required activities or laws in this area would not be appropriate.

* Appendix XXXI contains tabulated survey results.

** Survey sent to 130 members of Arizona Association of Industrial Development.

Cities and Towns and Chambers of Commerce

Indecisive on Need for State Planning

Fifty-four of 74 incorporated cities and towns responded to the audit survey;* however, 13 declined to comment because of infrequent or no contact with OEPAD. Of the remaining 41 cities and towns, 16 (39 percent) mentioned the need for overall State goals or plans and 20 (49 percent) mentioned needs in the area of land-use planning. Comments in the area of State plans or goals included:

> "Comprehensive planning programs need to be established."
>
> "Lack of state goals creates vacuum in State Policies necessary to insure quality, overall growth. Specific goals and...policies established regarding all activities related to growth and development. Misuse of land, uncontrolled growth and waste of resources. Analyses of problems, formulation of goals, adoption of policies and plans to attain goals (are needed)."
>
> "It's difficult to react to state growth policy when the politics of the situation limits the goals to Phoenix/Tucson... (Need to) place more emphasis on orderly development within rural areas. Additional time is needed to complete land use studies and inventory the state resources."
>
> "Arizona has no clear policy regarding the future development of the state, nor the capability of establishing such a policy....Arizona has no clear policy as to future land use in the State, nor an understanding of what land resources are of significant statewide concern....A continuous long range planning process should be established for Arizona."
>
> "Poor economic development and planning in rural areas. Educational and technical assistance programs (are needed)."
>
> "More emphasis (is needed) on small rural communities in their development stages."
>
> "More attention to economic development in rural areas."

* Appendix XV contains tabulated survey results.

Comments specifically regarding land-use planning included:

> "Certain areas have progressed faster than others (and) cooperative efforts between counties, cities and towns (are needed)."

> "Strip development and improper water usage (are effects of insufficient activity). More concerted effort in land analysis - looking towards need 25 years down the road (is needed)."

> "Inefficient land use, sprawl in urban areas(,) much of which originated prior to formulation of OEPAD or in its early days, more work with citizen input (needs to be done)."

> "(There is a) lack of common basis or parameters to evaluate effectiveness of programs and proposals that impact on land use planning, i.e. energy, transportation, etc. (Need to) establish acceptable compilation of land use policies(,) relevant legislature action and monitoring and evaluating impact of programs designed to carry out legislative actions."

> "Lack of comprehensive local plans (is evident). Development of such plans and then tied together in state plan (is needed). Each county should have a land use plan -- need help in developing this."

> "There is no comprehensive plan or policy. Deploy work program more effectively to coordinate needs of user cities and counties. Provide strategic information services if insufficient capacity to plan or consult effectively. 'Special projects' emphasis, no unity of direction, relates to current legislative concerns and rural governments' problems rather than state-wide perspective...(Need to) develop coordinative planning data assistance expertise (not plan preparation) including urban a well as rural areas (for land use planning)."

> "Confusion and unequal growth. Stricter control (is needed). Strip development and destruction of good land without need (has occurred). Uniform <u>wide-area</u> plans (need to be developed)."

> "Disorderly growth evolving into urban sprawl. Additional time is needed to complete land use studies and inventory the state's resources."

> "Uncoordinated development. (Need to) create a state development plan; look at the distribution of growth within the state; assess the adequacy of resources (water, etc.) and review the impacts of such development. Determine how the objectives of the State Land Department can be made more consistent with local objectives and plans."

Of 52 chambers of commerce* in the incorporated cities and towns, 32 responded to an audit survey. However, three declined to comment because of insufficient contact with OEPAD. Fourteen of the respondents (48 percent) cited needed activity in the area of economic planning.

However, the chambers expressed their primary need in this area as improved planning data not necessarily connected directly with developing State goals and objectives.

Eight respondents claimed OEPAD had not been active in economic planning at all, but 20 replied OEPAD had been active and 18 rated OEPAD activity as "satisfactory" or "excellent". The OEPAD activity most frequently mentioned was providing statistical planning data, not the preparation of goals and objectives.

State Agencies Are Divided about Developing State Goals

Audit staff sent survey questionnaires to 29 State agencies and received 28 responses from employees in 24 agencies. Three agencies either declined to comment because of infrequent contact with OEPAD or did not complete any section of the survey. Of 23 respondents answering questions regarding the development of State goals and objectives**, 15 said OEPAD was active and eleven rated OEPAD activity as excellent or satisfactory.

However, 15 respondents also indicated need for additional work. Comments included:

* Appendix XVI contains tabulated survey results.
** Appendix XIII contains tabulated survey results.

"Duplication of overall state effort; less than effective use of state funds; inability to meet future needs of state."

"It is difficult for an agency to maintain a statewide perspective on issues when trying to solve agency-specific issues. The development of a statewide economic development policy would be very helpful in guiding the development of* facilities in Arizona."

"All state agencies with a planning mission have been left to decide for themselves what development goals are. Only coincidental, then, if resulting plans are complementary, Development goals need to be articulated for use by all state agencies."

"Believe that additional work can be done to give direction to state growth and in the areas of public policy and the regulation of * hazards. Conflicting land uses may be causing under-utilization or wastage of some resources. Statewide planning and policy development for the direction that growth is to take and how it is to be regulated (are needed)."

"Lack of preparedness for the 1980's."

"In the last few months there has been a major change in the emphasis in this area. I believe that this administration in OEPAD is committed to doing what is needed. Leadership at the OEPAD level is crucial and it is there now."

"Funds we administer for acquisition and development of * could and may be inappropriately distributed (without state growth and development objectives). More leadership in establishing a state's policy dealing with growth and development (is needed)."

"State agencies often have different positions on any specific issue; there is, at present, no mechanism for developing a 'state position'. Issues of statewide impact must be identified, affected agencies contacted and positions solicited for the development of a state position for Governor's consideration."

* Deleted to preserve agencies' anonymity.

"State has not faced substantive issues of unlimited (growth,) depletion of natural resources (water), deterioration of air quality; inadequate transportation systems conducive to energy wastage. Concerted state, regional and local planning efforts (are needed) concerning all of the above. It should be the responsibility of the Governor's Planning Staff -- whether OEPAD or not is immaterial and dependent on whether OEPAD can develop capacity to do the above. Such broad public policy formulation also requires the participation of numerous state agencies and community groups..."

"Decisions are based on insuffient fragmented information; confusion in providing* services in high growth areas; impedes* economic programs; impedes political, social health and welfare obligations."

* Deleted to preserve agencies' anonymity.

## COMMEMORATIVE ITEMS

During the course of our audit we discovered several hundred silver* and bronze commemorative items with appraised value of $6,403 that were not safeguarded or inventoried properly.

OEPAD and the Office of Tourism jointly use a storage area in the basement of the State Occupational Licensing Building. While reviewing documents stored in the basement, Auditor General staff noticed several boxes of commemorative items prepared in 1969 for the 50th anniversary of Grand Canyon National Park and the 100th anniversary of the Powell Expedition. A local coin dealer determined the items were made of silver and bronze. Audit staff counted 907 such items with an appraised value of $6,403, as shown in Table 14.

TABLE 14

NUMBER AND APPRAISED VALUE OF
SILVER AND BRONZE ITEMS DISCOVERED
IN OEPAD STORAGE

| Items | Appraised Value** | Number Inventoried | Total Value |
|---|---|---|---|
| Grand Canyon Series | | | |
| 1 3/8" bronze coins | $ 1.00 | 152 | $ 152 |
| 1 3/8" bronze paperweights | 1.00 | 171 | 171 |
| 2 1/2" bronze coins | 2.00 | 31 | 62 |
| 2 1/2" bronze paperweights | 2.00 | 139 | 278 |
| 1 3/8" silver coins*** | 26.10 | 206 | 5,377 |
| 1 3/8" bronze coins*** | 1.00 | 206 | 206 |
| Powell Expedition Series | | | |
| Three 1 3/8" silver coins**** | 78.30 | 2 sets | 157 |
| | | 907 | $6,403 |

* The silver coins are labeled .999 parts silver. Sterling silver is defined legally as .925 parts silver.
** As of March 11, 1980.
*** Part of a set.
**** Each set contained three silver coins.

The storage area used by OEPAD and the Office of Tourism, and where the items were kept, was enclosed by a chain-link fence and locked with a padlock. A designated OEPAD staff member retained the key to the padlock. However, any OEPAD employee could obtain the key by requesting it, and no sign-out or other control procedure was used. In addition, OEPAD maintained no apparent current inventory list of commemorative materials placed in or removed from the storage area.

The Grand Canyon coin sets had been encased in plastic holders and inserted in open-end paper wrappers. Audit staff removed all sets in wrappers from the storage boxes, and replaced them one by one while maintaining a count. Four empty plastic holders were discovered in paper wrappers. In addition, audit staff observed what appeared to be an undated inventory count marked on some of the boxes in which the items were stored. The numbers differed significantly from the physical count made by the auditors on February 6, 1980, indicating that at least 284 coins with an appraised value of $2,368 were unaccounted for.

In March 1980, the audit staff informed the Executive Director of OEPAD of the commemorative items and the manner in which they were stored.

The Director said he was unaware of the coins' value, and so had not used stringent controls. He also claimed some of the coins had been distributed to visiting dignitaries.

The Director also said he would transfer them to safer storage. On December 18, 1980, audit staff inquired as to the whereabouts of the coins, and were informed by OEPAD staff that the items had been transferred to a locked cabinet in the Governor's Office. On inspection audit staff discovered:

- Only two Governor's Office employees have keys to the locked cabinet,
- A list is maintained of the persons removing the commemorative items, the date and set number, and
- Five OEPAD employees are authorized to remove the items.

However, according to a memorandum from the OEPAD Executive Assistant dated June 9, 1980, only 75 sterling and 75 bronze 1 3/8" coins originally sold as sets were transferred, although audit staff had counted 206 of each only four months earlier.

Therefore, between February and June 1980, it appears that $4,364 worth of commemorative items were pilfered or misplaced.

When this situation was brought to the attention of OEPAD officials, audit staff was informed that the February 1980 count must have been incorrect.

ARIZONA

OFFICE
OF THE
GOVERNOR
BRUCE BABBITT

OFFICE OF
ECONOMIC PLANNING AND DEVELOPMENT

Larry Landry, Director • (602) 255-5371 • General Offices of OEPAD • 4th Floor

February 11, 1981

Mr. Douglas R. Norton
Auditor General
Legislative Services Wing, Suite 200
State Capitol
Phoenix, Arizona 85007

Dear Mr. Norton:

The Governor's Office of Economic Planning and Development has reviewed your preliminary draft of the second performance report on OEPAD. The report dwells on past events and does not adequately discuss the current operation which has addressed and solved most of the problems identified by the Performance Auditors. Several initiatives have been implemented or are underway that deserve more attention.

A good example of this occurs in the Research section. For well over a year, the Research section has fulfilled the spirit and intent of the statute through the establishment of a Mapping Advisory Committee, an active Library, and the selection of a Research Director having a strong economic research and planning background. The comments and discussion of OEPAD's Statewide Planning activities is another example of where the report lacks a balance between the historical and present activities. The Economic Development Planning activities of OEPAD are comparable at the present time with other states. These current activities, as described in your report, would place the state in Category 3 in your comparison of twenty-six other states. Our evidence indicates we are in the forefront of the State planning offices identified. A strong research section, a data coordination network and a fluid state investment guide represent a few of the present initiatives of the office.

Some comments concerning your findings are as follows:

Finding 1 states that OEPAD needs clarification of its economic planning responsibilities and recommends legislative action to provide this clarification. While we do not argue with the concept that better clarification could be useful, plans on economic growth and activities relating to economic growth are ongoing.



Mailing Address: Executive Tower Room 505 • 1700 West Washington • Phoenix, Arizona 85007

The State Planning Department has consistently, in its history, proposed projects and that is our role. Rather than functioning as an independent bureaucracy, OEPAD has been responsive to the leadership of the state. An example of the responsiveness is found in the issue of State Comprehensive Land Use Planning. The legislature provided clear direction in this area and, consequently, OEPAD redirected their efforts to problem-solving, implementation planning. The success of this process is typified by the results of the State Urban Lands Task Force, the Rio Salado Project, the State Transportation Policy Task Force, and the development of policies for state investments.

While there is no single document that describes the overall economic growth strategies for the state, it is erroneous to conclude that without such a document OEPAD's economic planning efforts are not comparable to twenty-six other western and southern states.

Finding 2 concerning the Research section, should note the significant accomplishments that have been undertaken including the reactivation of a research library, a growth industry analysis of high technology manufacturer suppliers, expansion of the Community Profiles program, as well as the basic research and data gathering activities. In essence, the Auditor's finding is historically accurate up to a given point in time, but does not adequately note current activities which are only mentioned.

Finding 3 states that OEPAD has been ineffective in meeting its statutory responsibilities to conduct scientific and technological planning and recommends legislative review and specificity. The report also notes the lack of funds and the vagueness of statutes. OEPAD has taken positive action in obtaining funding and reconstituting the Science and Technology Advisory Board. A three-year National Science Foundation grant which began in September of 1980 enables OEPAD to meet its statutory responsibility. It is my understanding your review of this work program has found it to be adequate and in keeping with the statutory intent.

Finding 4 notes that improvements are needed in the operation of the State Clearinghouse and recommends administrative and legislative action. While agreeing that state agencies should be more clearly mandated, the report does not appear to recognize that A-95 is a system which provides an opportunity to observe and respond to proposed funding, as appropriate. The report also does not recognize that it is a process whereby minor disagreements between various federal, state and local agencies are

seldom settled in writing but more commonly by telephone and/or conference with the Clearinghouse staff serving as mediator.

Finding 5 discusses planning coordination and recommends legislation specifying the role of Inter-Agency Planning Council. We concur that a clear legislative mandate specifying the duties and responsibilities of this body would enhance their coordinating ability.

Finding 6 discusses the Joint Funding Project and states that Arizona's participation should be reassessed, first by OEPAD and then by the Governor and the Legislature by October 1981. It should be noted that the data coordination network which this performance audit supported was the direct result of the Joint Funding Project. Also, the estimated operating cost of the Joint Funding Project is $31,000 per year currently. The Joint Funding Project, often misunderstood, has considerable support from local government through the Council of Governments system, and provides the only fiscal mechanism for planning coordination. It has real value in the dialogue, context, and the process for negotiation that it establishes, which is the essence of a planning process. Costs benefits of the JFP are perceptions based on several years' history, and are not a result of a careful recent study.

OEPAD has been and will be reviewing the concept of the Joint Funding Process with state agencies and local governments concerning ways that it can be improved.

Finding 7 states that payroll claims documentation is inadequate. Our current time record keeping system is under review. In order to deal with the complexities involved in the agency, a new payroll documentation process is being tested in two work sections and will be implemented as appropriate after studying the results. Adherence to both state and federal guidelines is being emphasized, and OEPAD has received good marks from federal audits concerning its performance.

Upon completion of our testing, this new system will have documentation available to discharge personal services to multiple fund accounts as recommended by the Auditor General. An up-to-date cost allocation plan will be adopted as an integral part of our federal grant application process. Although this plan is used often in grant applications, it has not been uniform throughout the agency.

Finding 8 indicates that contract administration and record keeping have been inadequately controlled. During the period of the audit, several staffing changes were made which marked the beginning of a substantial program to overhaul the contracting activity in order to insure its compliance with both state and federal laws. This program emphasizes 1) bid procedures and contract format; 2) documentation files and record keeping; and 3) monitoring and payment procedures. Each area of concern raised by the Audit team has been corrected or is in the process of being corrected. A full-time contracts officer is being recruited to insure that a proper system that includes strong monitoring is consistently implemented throughout OEPAD.

Commemorative Items. The Auditor General's report raises questions concerning the accountability of some commemorative coins. Audit staff members first noted the presence of the coins on February 6, 1980. It was the audit staff's opinion that these coins were not adequately secured. I was not notified of the situation until March 31, 1980, an extremely long delay.* Following this notification, we moved the material to the Capitol Tower for secure storage.

Presently, 122 of the silver medal sets are in secure storage. These items routinely have been given as mementos to foreign and other dignitaries, just as Arizona Highways magazine and bolo neck ties are given. These coins were purchased by private funds in 1969 and subsequently given to the state to be used as gifts.

Your language as written states that pilfering could have occurred. Immediately upon receipt of your draft audit report, I requested a DPS investigation in addition to initiating an internal audit.

As was recommended in the audit, a sign-in/sign-out procedure has been instituted to ensure secure storage of the coins.

Your report raises three areas of questioned expenditures. On the first item, advisory board members had expressed a desire to meet program managers below the deputy level. Time only allowed this to be done after normal work hours. Since the reception was after work hours, staff was allowed to bring their spouse or a friend.

The questioned out-of-state travel of non-OEPAD employees was based on OEPAD staff recommendations for special Arizona

* Audit staff received a written appraisal on March 11, 1980, and attempted to meet with the Executive Director to discuss this and other matters on March 14, 1980. The Executive Director canceled that meeting and was unable to meet with the audit staff until March 31, 1980.

representation. Two state legislators performed valuable contributions as representatives of Arizona's interests. We will seek clarification on this practice as the state should use the best talent available to represent its citizens' issues.

On the third item, staff has been instructed that written documentation for consulting services is a required practice.

Thank you for the opportunity to comment on your draft report.

Very truly yours,

Lawrence D. Landry
Executive Director

LDL:cw

ARIZONA REVISED STATUTES

RELATED TO OEPAD

**§ 41-501. Office of economic planning and development; divisions; responsibilities; assistant directors**

**A.** There is in the governor's office the office of economic planning and development.

**B.** The office shall include a planning division and a development division. The planning division shall, in addition to other functions assigned by the executive director, be responsible for economic planning, economic research and scientific and technological planning. The development division shall, in addition to other functions assigned by the executive director, be responsible for industrial development, advertising and publications.

**C.** The executive director shall appoint an assistant director of the planning division and an assistant director of the development division. As amended Laws 1978, Ch. 180, § 3.

**Cross References**

Tourism business, development and planning, see § 41-2251 et seq.

**Executive Orders:**

Executive Order No. 75-3, dated March 21, 1975, provides:

"I, Raul H. Castro, Governor of the State of Arizona, do hereby create the Arizona State Office of Tourism and Order and Direct:

"1. The composition and staffing of the office will be as directed by the Governor.

"2. The purpose, function and responsibility of the office shall be to:

"A. Promote and develop a campaign of information, advertising and publicity relating to the tourism business, including the recreational, scenic and historical attractions of this state and all parts thereof, and to disseminate such information to the public through various state and national media.

"B. Stimulate and encourage all local, state, regional and federal governmental agencies and all private persons

and enterprises to participate in the promotion of tourism in Arizona.

"C. Undertake a comprehensive research program designed to establish the office as the central repository and clearinghouse for all data relating to Arizona resources as they relate to tourism.

"D. Formulate policies, plans and programs designed to promote tourism in Arizona.

"E. Provide information and advice on request by local, state and federal agencies and by private citizens and business enterprises on matters of tourism and the promotion thereof.

"F. Conduct research on its own initiative or at the request of the Governor, the Legislature, or state or local agencies on the promotion of tourism in Arizona.

"G. Assume responsibility for all tourism programs of the Office of Economic Planning and Development.

"H. Utilize any and all media of communication, publication and exhibition in dissemination of information, advertising and publication in any field of its purposes, objectives or duties.

"I. Advise with and make recommendations to the Governor and the Legislature on all matters concerning tourism.

"J. On behalf of the Governor and the state, accept grants, matching funds, gifts and other direct payments for the conduct of programs which are designed to promote and develop tourism.

"K. Expend available funds, use its facilities and provide services to promote tourism, and to provide matching contributions under federal and other programs designed to promote tourism.

"L. Make contracts and incur obligations reasonably necessary or desirable to develop and promote tourism.

Executive Order No. 75-3, dated March 21, 1975, as amended by Executive Order No. 76-1, dated February 2, 1976, provides:

"M. Make quarterly reports to the Governor on its activities, its finances and the scope of its operation.

"This Order shall become effective immediately and shall terminate upon Order of the Governor."

"3. A Tourism Advisory Council will be appointed by the Governor to advise and assist the Office of Tourism in carrying out its responsibilities.

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Executive Order No. 75-6, dated May 30, 1975, provides:

"NOW, THEREFORE, I, Raul H. Castro, Governor of the State of Arizona, do hereby create the Arizona State Planning and Coordinating Committee, and order and direct:

"1. The functions and the purpose of the committee shall be:

"a. Advise and assist the Governor in the exercise of his obligations under Circular A-95 for the programming and coordination of activities involving federal assistance, and keep the legislature informed.

"b. Advise and assist the state clearinghouse in the performance of its mission.

"c. Perform for the Governor the review of state plans, as required by Circular A-95, and to make appropriate recommendations to the Governor.

"d. Provide a communications forum among state agencies designed to help them in the resolution of state-level problems.

"e. Advise the Governor on the adequacy of state-level planning for federal programs, with recommendations for improvement as may be appropriate.

"f. Advise and assist the Governor and the legislature in the planning, programming and coordination of activities involving federal revenue sharing.

"g. Develop a management system for federal programs that will assist the Governor and the legislature in the conduct of their respective state-level responsibilities. Such a system will insure that federal programs do not duplicate, overlap, compete, or impact unfavorably one on another. Additionally, the system should identify gaps or voids that can be filled by appropriate federal programs.

"h. Advise and assist the Governor in the planning, programming, and coordination of certain state-funded or assisted activities which the Governor may, from time to time, specify.

"i. Perform such other related tasks as the Governor may direct.

"2. The committee shall be composed of the chief administrator from each of the following state agencies:

Department of Administration
Department of Corrections
Department of Economic Security
Department of Education
Department of Health Services
Department of Land
Department of Revenue
Department of Transportation,
Agriculture and Horticulture Commission
Game and Fish Commission
Indian Affairs Commission
Outdoor Recreation Coordinating Commission
Water Commission
Justice Planning Agency
Parks Board
Department of Mineral Resources
Department of Public Safety
Board of Regents
Board of Community College Directors
Office of the Attorney General

"3. The Governor may appoint additional members to the committee from government or non-government organizations.

"4. The executive director of the Office of Economic Planning and Development shall be the chairman of the committee.

"5. The Office of Economic Planning and Development will provide the necessary administrative staff and planning support for the committee.

"6. This order shall become effective immediately."

---

Executive Order No. 75-7, dated May 30, 1975, provides:

"NOW, THEREFORE, I, Raul H. Castro, Governor of the State of Arizona, do hereby order and direct:

"1. All state agencies, boards, commissions, and departments; and divisions thereof; shall submit to the state clearinghouse notice to intent to apply for all federal funds and assistance to be used in the operation of the programs of that state agency, board, commission, or department; or division thereof; or to be administered by that state agency, board, commission or department; or division thereof.

"2. All state agencies, boards, commissions, and departments; or divisions thereof, which administer federally funded programs and activities shall require that applicants for those funds shall also submit a notice of intent to the state clearinghouse prior to the award of those funds.

"3. The notices of intent shall be submitted in accordance with established procedures of the state clearinghouse.

"4. The notices of intent shall be reviewed by the Arizona State Planning and Coordinating Committee in accordance with the provisions of Executive Order 75-6 and by such other appropriate entities as are consistent with the established procedures of the state clearinghouse.

"5. The results of the reviews shall be submitted to the Governor in a manner which the Governor may prescribe in order to assist the Governor in managing the affairs of his office.

"6. No state agency, board, commission, or department; or division thereof; shall submit an application for federal funds to a federal agency prior to filing a notice of intent with the state clearinghouse.

"7. This order shall become effective immediately."

---

Executive Order No. 75-8, dated August 4, 1975, provides:

"NOW, THEREFORE, I, Raul H. Castro, under and by virtue of the authority vested in me as Governor of the State of Arizona by the Constitution and Statutes of the State of Arizona, do hereby order and direct:

"PART I—An Arizona Office of Volunteer Action Programs shall be established within the Office of Economic Planning and Development.

"PART II-A. The duties of the Arizona Office of Volunteer Action Programs shall include the implementation and continuance of a planned and aggressive program of stimulating volunteerism within state government by exploring and encouraging methods of more fully utilizing, where and when appropriate, traditional and non-traditional volunteers within all of the agencies of state government.

"B. In addition, the Arizona Office of Volunteer Action Programs shall assist private charitable organizations throughout the state, when requested, and in cooperation with these agencies, to strengthen their utilization of volunteer services.

"C. In addition, the Arizona Office of Volunteer Action Programs shall assist private charitable organizations throughout the state which receive either state funds or other state aid to strengthen their utilization of volunteer services.

"PART III—This order shall become effective immediately".

---

Executive Order No. 77-1, dated January 17, 1977, and amending Executive Order No. 76-11, provides:

"WHEREAS, it is believed that through the cooperative, combined and unselfish efforts of both public and private interest in Arizona, the motion picture and television industry could be further developed as a major sector of Arizona's economy; and

"WHEREAS, the need for a team effort is recognized and that the efforts of all interests be channeled in a productive and an effective manner essential to success; and

"WHEREAS, it is desirable to establish an official, formal institution and procedure within the state government to accomplish these covenants;

"NOW, THEREFORE, I, Raul H. Castro, Governor of the State of Arizona, by virtue of the authority vested in me by the Constitution and by the statutes of this state, do hereby create the Arizona Governor's Motion Picture Advisory Board and order and direct;

"1. The functions and purpose of the Board shall be:

"a. Advise the Governor on suggested policy relating to the state's development, coordination, and implementation of a program for the purpose of encouraging a viable motion picture and television industry in Arizona. Such program shall embrace all phases of production of motion pictures and television activities.

"b. Assist in identifying opportunities for more activities related to this industry for the state to pursue.

"c. Recommend both long range and short term programs that will result in more economic gain for the state.

"d. Assist in educating state, local and private officials and organizations regarding the desirable benefits and rewards that can result from increased development of this industry.

"e. Review the proposed budget and allocation of state funds to be expended by this function and to make recommendations for changes where necessary.

"2. The Advisory Board members shall serve at the pleasure of the Governor, and the Board Chairman will be elected annually.

"3. The Board shall meet at the call of the Chairman and at such places within the state as he may designate. The Board shall meet not less than once each quarter. The Motion Picture Director shall serve as an ex officio member of the Advisory Board.

"4. The Board shall coordinate with the Office of Economic Planning and Development, and the Economic Planning and Development Advisory Board.

"5. The Office of Economic Planning and Development will provide such staff services for the Advisory Board as required to carry out the purposes and functions of this Order.

"6. This Order shall become effective immediately."

## § 41-502.01. Compensation of executive director of the office of economic planning and development

The executive director of the office of economic planning and development shall receive compensation as determined pursuant to § 38-611.

Added Laws 1968, Ch. 173, § 51. As amended Laws 1970, Ch. 204, § 152; Laws 1972, Ch. 192, § 14.

### § 41-502. Governor's advisory economic planning and development board; executive director

#### Termination

*The economic planning and development board shall terminate on July 1, 1980, unless continued. See §§ 41-2361 and 41-2372.*

**Cross References**

For provision of Laws 1978, Ch. 180, relating to interim guidelines for energy conservation, see Note following § 41-561.

**§ 41-503. Powers and duties**

A. The office of economic planning and development may:

1. Employ, determine the conditions of employment and specify the duties of administrative, secretarial and clerical assistants, and contract for the services of outside advisors, consultants and aides reasonably necessary or desirable to enable it adequately to perform its duties. The compensation of such assistants shall be as determined pursuant to § 38-611.

2. Make contracts and incur obligations reasonably necessary or desirable within the general scope of its activities and operations to enable it adequately to perform its duties.

3. Utilize any and all media of communication, publication and exhibition in the dissemination of information, advertising and publicity in any field of its purposes, objectives or duties.

4. Adopt rules and regulations it deems necessary or desirable to govern its procedures and business.

5. Contract with other agencies in furtherance of its program.

6. Use its funds, facilities and services to provide matching contributions under federal or other programs which further the objectives and programs of the office.

7. Accept grants, matching funds and direct payments from public or private agencies for the conduct of programs which are consistent with the general purposes and objectives of this article.

B. The office of economic planning and development shall:

1. Formulate policies, plans and programs designed to effectuate the purposes of this article.

2. Stimulate and encourage all local, state, regional and federal governmental agencies, and all private persons and enterprises which have similar and related objectives and purposes, and cooperate with such agencies, persons and enterprises and correlate its plans, programs and operations with those of such agencies, persons and enterprises.

3. Conduct research on its own initiative or at the request of the governor, the legislature or state or local agencies, pertaining to any of its objectives.

4. Provide information and advice on request by local, state and federal agencies and by private citizens and business enterprises on matters within the scope of its activities.

5. Advise with and make recommendations to the governor and the legislature on all matters concerning its objectives.

6. Make annual reports to the governor and the legislature on its activities, its finances and the scope of its operations.

7. Undertake a comprehensive research program designed to:

(a) Establish the office as the central repository and clearing house for all data relating to Arizona's economy and resources as they relate to economic planning and development.

(b) Maintain a current inventory of the resources of the state.

(c) Investigate potential opportunities for the development of industry and other commerce throughout the state. As amended Laws 1978, Ch. 180, § 4.

**Cross References**

Buildings, energy conservation, standards advisory committee, see § 41-561.

## § 41-504. Cooperation of state agencies

All state agencies shall make available data pertaining to economic planning and development as requested by the office of economic planning and development.

Added Laws 1968, Ch. 207, § 3, eff. July 1, 1968. As amended Laws 1972, Ch. 192, § 16.

### Historical Note

A.R.S. former § 41-504, which related to powers of the Arizona development board, was derived from Laws 1954, Ch. 113, § 5, and Code 1939, Supp.1954, § 4-805, and was repealed by Laws 1968, Ch. 207, § 2.

## § 41-505. Inter-agency economic coordinating council

A. There shall be an inter-agency economic coordinating council with the executive director of the office of economic planning and development and the director of the department of administration serving as chairman and vice-chairman respectively. The council shall be comprised of, but not limited to, representatives from the following state agencies:

Arizona atomic energy commission.

Arizona board of regents.

Arizona commission of Indian affairs.

Arizona corporation commission.

Arizona department of transportation.

Arizona game and fish commission.

Arizona industrial commission.

Arizona power authority.

Arizona state parks board.

Arizona water commission.

Department of economic security.

Department of mineral resources.

Oil and gas conservation commission.

State board of directors for community colleges.

State department of education.

Department of health services.

State land department.

Department of revenue.

B. Representatives from the agencies prescribed by the terms of subsection A shall ordinarily be the chief administrative officer of the agency and shall be appointed by the governor.

C. The council may request the governor to appoint representatives from agencies not prescribed by the terms of subsection A.

D. The council shall meet bi-monthly or more frequently at the call of the chairman.

Added Laws 1968, Ch. 207, § 3, eff. July 1, 1968. As amended Laws 1971, Ch. 49, § 37, eff. April 13, 1971; Laws 1972, Ch. 141, § 65; Laws 1973, Ch. 158, § 293; Laws 1974, Ch. 136, § 42.

### Historical Note

This section was amended by Laws 1973, Ch. 146, § 81, Laws 1973, Ch. 157, § 57, and Laws 1973, Ch. 158, § 293, and none of the amendments referred to any of the others.

Laws 1974, Ch. 136, § 41, effective August 9, 1974, repealed this section as amended by Laws 1973, Ch. 146, § 1 and Laws 1973, Ch. 157, § 57. Both the title and section 41 of Laws 1974, Ch. 136 re-

ferred to "section 1" of Laws 1973, Ch. 146, instead of "section 81", as the section which had amended this section.

This section was amended by Laws 1972, Ch. 87, § 107, Laws 1972, Ch. 141, § 65, and Laws 1972, Ch. 192, § 17, and none of amendments referred to any of the others.

Laws 1972, Ch. 87, § 107 was enacted upon the condition that the Arizona constitution be amended. The proposed amendment to which Laws 1972, Ch. 87 referred was rejected by the electorate.

See the Historical Note following section 41-101.

Laws 1973, Ch. 146, § 80, effective July 1, 1974, Laws 1973, Ch. 157, § 56, effective August 8, 1973, and Laws 1973, Ch. 158, § 292 repealed this section as amended by Laws 1972, Ch. 192, § 17.

Former § 41-505, derived from Laws 1954, Ch. 113, § 6, Laws 1967, Ch. 87, § 1, and Laws 1968, Ch. 89, § 72, and relating to the Arizona development fund, was repealed by Laws 1968, Ch. 207, § 2, effective July 1, 1968.

### Library References

States ⟹45.

C.J.S. States §§ 52, 66.

## § 41-506. Arizona scientific and technological planning and advisory council

A. There shall be an Arizona scientific and technological planning and advisory council.

B. Members shall be appointed by the governor and shall include appropriate research personnel from the state universities and research personnel from Arizona industry and scientific research institutions.

C. The council shall act in an advisory capacity to the planning division of the office of economic planning and development in formulating policies and programs to stimulate the impact of scientific research and applications of technology upon economic development.

Added Laws 1968, Ch. 207, § 3, eff. July 1, 1968. As amended Laws 1972, Ch. 192, § 18.

### Historical Note

A.R.S. former § 41-506, which provided for annual audit and report, was repealed by Laws 1968, Ch. 207, § 2. The former section was derived from Code 1939, Supp.1952, § 4-806, Laws 1954, Ch. 113, § 7, Laws 1968, Ch. 87, § 5, and Laws 1968, Ch. 89, § 73. See, now, § 41-1279 et seq.

### Library References

States ⟹45.

C.J.S. States §§ 52, 66.

# ECONOMIC PLANNING AND DEVELOPMENT—POWERS; DUTIES; DESIGNATED STATE AGENCY

## CHAPTER 222

## HOUSE BILL 2329

**An Act relating to state government; prescribing powers and duties of office of economic planning and development; providing for office of economic planning and development to provide certain housing services to qualified housing participants and political subdivisions of this state and to act as designated state public housing agency for purpose of accepting certain federal funds or other monies; prescribing certain limitations on power; prescribing certain powers and duties of the housing finance review board; amending title 41, chapter 3, article 1, Arizona Revised Statutes, by adding section 41-503.01; amending title 9, chapter 11, article 2, Arizona Revised Statutes, by adding section 9-1174.01, and providing for delayed repeal.**

*Be it enacted by the Legislature of the State of Arizona:*

Section 1. Title 41, chapter 3, article 1, Arizona Revised Statutes, is amended by adding a new section 41-503.01, to read:

**§ 41-503.01. Additional powers and duties**

A. The office of economic planning and development is responsible for providing to qualified housing participants and political subdivisions of this state, advisory, consultative, planning, training and educational assistance for the development of housing for low and moderate income households on a statewide basis. The services may include:

1. Assistance to secure construction and mortgage financing from public and private sector sources.

2. Assistance to acquire mortgage financing from the sale of industrial development authority and municipal mortgage revenue bond issues.

3. Assistance for the acquisition and utilization of federal housing assistance programs pertinent to enhance the economic feasibility of a proposed residential development.

4. Assistance for the compliance of a proposed residential development with applicable federal, state and local codes and ordinances.

5. Preparation and publication of planning and development guidelines for the establishment and delivery of housing assistance programs.

B. The office of economic planning and development is the designated state public housing agency as defined in the United States Housing Act of 1937, 42 U.S.C.A. 1401 et seq., For the purpose of accepting federal housing assistance funds and is authorized to participate in the housing assistance payments program. Federal funds accepted shall be secured only from discretionary allocations established by the United States department of housing and urban development.

C. The office of economic planning and development shall not itself finance, construct, own, operate, manage or rehabilitate any housing units.

Sec. 2. Title 9, chapter 11, article 2, Arizona Revised Statutes, is amended by adding section 9–1174.01, to read:

**§ 9–1174.01. Housing finance review board; allocation of federal housing assistance funds**

The housing finance review board may:

1. Allocate federal funds to political subdivisions and qualified participants through the office of economic planning and development pursuant to § 41–503.01, subsection B based on the current housing conditions and needs in this state.

2. Promulgate rules and regulations to carry out the purposes of this section.

**Sec. 3. Intent regarding termination**

Notwithstanding the provisions of this act, the legislature intends that if the provisions of title 41, chapter 20, Arizona Revised Statutes, operate to terminate an agency, any provisions regarding powers, duties, functions or personnel added or amended by this act terminate on the date of termination of the particular agency.

**Sec. 4. Delayed repeal**

This act is repealed on September 1, 1985.

Approved by the Governor, April 23, 1980.

Filed with the Secretary of State, April 23, 1980.

**Arizona Chamber of Commerce**
3216 North 3rd Street • Suite 103 (602) 248-9172
Phoenix, Arizona 85012

**WILLIAM C. JACQUIN**
President

**OFFICERS:**
**D. MILTON WHITLEY,** Chairman/PHOENIX
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**A. J. PFISTER,** Chairman Elect/PHOENIX
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President, City Van & Storage Co.
**M. WALTER KLOCK,** Treasurer/PHOENIX
President, Paul Schulman & Co., P.C.

August 25, 1980

Mr. Brent Nelson
Performance Auditor
OFFICE OF THE AUDITOR GENERAL
Legislative Services Wing
Suite 200, State Capitol
Phoenix, AZ 85007

Dear Brent:

In response to your telephone calls and your letter of February 14th, let me offer the following as I recall the original legislative intent in the establishment of the Office of Economic Planning and Development.

In 1967, a great deal of dissatisfaction was expressed toward the old Arizona Development Board, as it was constituted and as it was operating at that time. Legislation was passed in that session which impacted the Development Board by removing the legislative consent for advertising and its quarterly allotment and lapsing appropriations provisions. The outgrowth of that session led to the appointment of an advisory committee to study Arizona's role in the whole economic planning and development field. This effort was led by Mr. Chet Goldberg, who was majority leader of the Senate. The charge given to the advisory committee, representing the legislative intent, was to simply make Arizona more effectively competitive economically in the national environment in the field of economic planning and development. The basic feeling of the legislature at that time really fell into six categories of concern, those being:

1. that the growth of jobs from existing new and in-migrating businesses was becoming increasingly competitive between the states and regions of the country;

2. that the existing Arizona Development Board was becoming less and less effective in its professionalism, and goal orientation was woefully lacking;

3. that basic communications and coordination among the various agencies and departments of state government were minimum to none among those that affected economic development;

4. that the efforts in the private sector were fragmented and that there was little linkage between private and state effort;

5. that very little planning existed as a basis for an Arizona economic development policy;

6. that a state policy in the field of economic development was virtually nonexistent.

The feeling was strong that the advisory committee should address these questions with an eye toward upgrading qualifications of those involved to meet the competitive status Arizona was faced with across the nation; and that coordinated efforts should be divided between the state and the private sector; and a far improved planning effort should be developed as a base for the establishment of a meaningful economic development policy for the state, with strong emphasis toward an economic development strategy to carry out such policy. The advisory committee met and filed a report, which I assume you have a copy of, trying to meet and address the above issues.

In 1968, legislation was introduced and passed to set up the organizational structure to bring Arizona into a competitive status with its sister states in this field. To create an orderly transition, the Development Board was reestablished as a Department of Economic Planning and Development for an interim period, being transferred in the early '70s to the Governor's office establishing what is now OEPAD. The intent was simply that the Governor is, in fact, the CEO of the state and without question its number one salesman. The Governor should also be solely responsible for setting the tone, forcing the development of a state policy, and carrying out those strategies through OEPAD to implement such policy.

The statement as it appears in your letter of February 14th I believe is a reasonably fair portrayal of legislative intent. However, the above may give you a little more feel for some of the more specific concerns that took place in the legislative halls in that period of time.

Sorry for the delay in my response. Hope the above is helpful. Let me know if I can be of further assistance.

Cordially,

Bill (clh)

William C. Jacquin

WCJ/ljh

# APPENDIX III

A STATEMENT OF ECONOMIC DEVELOPMENT
BY THE ARIZONA ECONOMIC PLANNING
AND DEVELOPMENT ADVISORY BOARD TO
THE GOVERNOR OF ARIZONA

# A STATEMENT

**...on Economic Development by the Arizona Economic Planning and Development Advisory Board to the Governor of Arizona.**

The Arizona Economic Planning and Development Advisory Board issues this day a statement describing the consensus of the Board relative to maintaining a proper environmental-industrial balance in Arizona.

WHEREAS, unplanned growth and environmental concern were two of the factors that led to the creation of the Department of Economic Planning and Development by the Arizona Legislature in 1968; and

WHEREAS, the main mission of the Board is to advise the Governor in the coordination and implementation of an effective program of planning for orderly economic growth and development and for the preservation and improvement of all facets of Arizona's environment; and

WHEREAS, the Board recognizes that properly planned growth can maintain and improve the total environment by broadening the tax base so that governmental services such as education, health, welfare and environmental services and control can be adequately funded; and

WHEREAS, the Board recognizes a great imbalance exists in Arizona's economy between the metropolitan areas and the state's rural communities and that development opportunities must be made available to all areas to bring about the diversification of industry necessary to a healthy economy for all Arizonans; and

WHEREAS, the Board recognizes that Arizona cannot offer an attractive future to its youth unless additional jobs are made available; and without new industry payrolls and the expansion of existing industry, the state may suffer a loss of its young people and a decline of its rural communities; and

WHEREAS, the Board recognizes that any new industry or expansion of existing industry must meet the environmental standards set by existing law, as well as the requirements and environments of the communities involved; and

WHEREAS, the Board recognizes that the great natural beauty of Arizona, as well as its varied climates, clean air and unpolluted streams are in themselves a public resource of precious value; and because these environmental attributes are attractive to industry and appealing to tourists, they make an important contribution to the state's economy;

NOW, THEREFORE, BE IT RESOLVED that the Board, in carrying out its advisory responsibilities to the Governor, be concerned with the protection and enhancement of the state's environment, as well as the development of an adequate economic base;

BE IT FURTHER RESOLVED that, in recognizing the problems facing existing industries which are required to conform to certain environmental regulations, sufficient time be allowed to develop compliance methods which would be both technically and economically feasible;

BE IT FURTHER RESOLVED that it is the sense of the Board that no new business or industry be solicited unless that industry is willing to utilize the most technically efficient and economically feasible pollution control methods, and meets the needs and requirements of the community;

BE IT FURTHER RESOLVED that the desirability of a new industry be determined by weighing the economic benefits it will bring against its risks to the environment;

BE IT FURTHER RESOLVED that the state's development efforts be concentrated on the areas of the state where economic needs are more severe; and the benefits to these communities will be weighed more heavily, as will risks which involve more than temporary ecological damage;

BE IT FURTHER RESOLVED that special effort be made to encourage the location of business and industry in the less congested communities of the state to implement desirable growth of these areas which could result in halting environmental deterioration of congested areas through dispersion of the growth pattern;

BE IT FURTHER RESOLVED that through continuing studies, research and planning, the state's development efforts be directed to bring about growth by design, rather than by accident, in Arizona's communities, large and small; thereby enhancing the future of all its citizens.

Jack Williams
JACK WILLIAMS, GOVERNOR

Harvey Platt
HARVEY PLATT, CHAIRMAN

Robert G. Worden
ROBERT G. WORDEN, EXECUTIVE DIRECTOR

June 22, 1972

# APPENDIX IV

## SUMMARY OF MAJOR OEPAD PROJECTS AND ACTIVITIES RELATED TO OVERALL ECONOMIC PLANNING

SUMMARY OF MAJOR* COMPREHENSIVE PROJECTS AND ACTIVITIES RELATED TO OVERALL ECONOMIC PLANNING

| 1968-69 | 1969-70 | 1970-71 | 1971-72 | 1972-73 | 1973-74 |
|---|---|---|---|---|---|
| - Designed comprehensive State concept and developed work program | - Designed study for comprehensive State planning | | | | |
| PRODUCT: 5-year work plan | PRODUCT: Comprehensive State Planning in Arizona: A Concept and Work Program and Summary | | | | |
| | - Defined goals of operating agencies in State government | - Issued report on goals and objectives of State agencies to develop framework for policy**<br><br>PRODUCT: Planning Coordination in Arizona: A Suggested System: Status of Planning in Arizona | - Issued report on coordinating agency plans through the State budget cycle**<br><br>PRODUCT: The Coordination and Implementation of Function Plans: A Suggested Method | | |
| | - Identified key environmental needs in State | - Identified key environmental areas as preliminary step to larger project of Statewide and urban growth policy | - Governor issued directive to address growth issues, analyzed elements of growth process; identified growth objectives and alternatives for implementation by reviewing land planning authority and environmental issues<br><br>PRODUCT: Began development of Arizona Trade-Off Model (ATOM) | - Completed ATOM<br><br>PRODUCT: Development of ATOM - Final Report** | - Work on deficient areas of ATOM:<br>- environmental analysis<br>- demographic and economic projection<br><br>PRODUCT: ATOM 2*** |
| | | | | - Study done to identify specific areas for environmental protection | - Studied natural areas and prepared site management reports<br>- Studied open space needs<br><br>PRODUCT: Established Natural Areas in Arizona: A Guidebook for Scientists and Educators |
| | | | | - Studied and inventoried remote subdivisions | - Analyzed effects of remote subdivisions<br><br>PRODUCT: Buying Land in Arizona |
| | - Identified public lands and policies applied to them | - Reviewed role of governmental administration of land; revealed no comprehensive land policy<br><br>PRODUCT: Ownership and Administration of Public Land in Arizona | - Reviewed statutory authority for land planning | - Studied existing land controls<br>- Analyzed land-use legislation and issues | - Studied status of legal controls of land<br><br>PRODUCT: Public Control of Private Lands in Arizona |

* Major is defined to include economic planning efforts which: 1) consumed substantial staff resources, and 2) were intended to be an overall approach to planning the State.

** Approach abandoned.

*** ATOM converted to demographic/economic projection model.

(Cont'd)

| 1975 * | 1976 | 1977 | 1978 ** | 1979 ** | 1980 |
|---|---|---|---|---|---|
| - Completed study of remote subdivisions<br><br>PRODUCT: Arizona Remote Subdivisions: An Inventory | | | | | |
| - Provided staff support to Arizona Environmental Planning Commission (also 1974)***<br><br>PRODUCT: A Land Use Planning Program in Arizona | | | | | |
| - Defined goal of establishing alternative policies for State growth and coordination of land use among agencies | - Defined goals as: 1) finding alternatives for Governor and Legislature regarding growth, 2) coordinating land-use planning and other functions impacting on land<br>- Provided mechanism to formulate economic growth policy for State<br><br>PRODUCT: Arizona Alternatives: Population and Economic Characteristics | - Synthesized existing policies and identify inconsistencies<br><br>- Described relationship of State/Federal programs in growth area<br><br>PRODUCT: Roles and Responsibilities of State/Federal Agencies Involved in Growth Policy Elements<br><br>- Compiled existing policy statements on growth and development<br><br>PRODUCT: Existing Arizona Policies Related to Growth and Development | - Analyzed specific issue of land use to determine State roles and interests<br>- Formulated goals, objectives and policies related to growth of State<br><br>- Described present conditions in State and summarized previous attempts to create growth-planning process<br><br>PRODUCT: Towards a Growth Strategy: Existing Conditions, Towards a Growth Strategy: Issues and Policies Related To Growth<br><br>- Summarized previous papers and synthesize goals, policies and objectives of areas affecting growth<br><br>PRODUCT: Towards a Growth Strategy: Summary of Selected Issues, Goals and Policies | | See OEPAD Executive Director's statements on growth strategy, page 29 |

* Change in Governor, January 1975, and Executive Director, April 1975.
** Change in Governor, February 1978, and Executive Director, May 1979.
*** Land-use legislation defeated.

APPENDIX V

RECORD OF INTERVIEW
WITH OEPAD EXECUTIVE DIRECTOR
FEBRUARY 4, 1980

DOUGLAS R. NORTON, CPA
AUDITOR GENERAL

OFFICE OF THE
# AUDITOR GENERAL

February 22, 1980

Larry Landry, Director
Office of Economic Planning and Development
1700 W. Washington
State Capitol, West Wing, Ninth Floor
Phoenix, Arizona 85007

Dear Larry,

Below is our record of the interview held in your office on February 4, 1980. Present at that time were Coni Good and myself from the Auditor General's Office, and Peggy Pokorski, Bill Voigt and yourself from OEPAD. If you wish, please clarify or elaborate on these statements and return a corrected or expanded letter to us by March 3, 1980.

The present OEPAD statutes are adequate and sufficiently clear. Their broad nature allows flexibility, and there are no disadvantages to broad statements of authority in this case.

The state growth strategy, as originally adopted, is not being pursued because of a change in political philosophy. The Governor has also made a conscious choice not to have public hearings on this subject. Instead of a formal, overall growth strategy, OEPAD has a number of strategies relating to growth which, when taken as a whole, define a statewide growth strategy.

These several strategies are:

1. incentives for non-metro area growth
2. environmental oversight
3. coordinating responses to issues for the Governor
4. using Federal and State money to "leverage" as many economic development projects as possible throughout the state
5. transportation alternatives task force



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The Governor has decided that OEPAD will not be a regulator, but instead will rely on incentives to direct growth.

The output of OEPAD work in the growth area will be a series of "intervention strategies".

The Arizona Science and Technological Advisory Council will not be reactivated by the present administration. Use of a formalized mechanism for giving the Governor advice on science and technology has been rejected. It has been recommended that the statutes on the Science and Technological Advisory Council be deleted. Seventeen other states have tried to activate such science and technology councils, but with little success. The Governor has opted for advice on an ad hoc basis from the universities. He has already used several university experts in the fields of energy, taxation and engineering. OEPAD is currently applying for two National Science Foundation grants; one for the purpose of preparing a handbook on toxic substances management, and another grant for further work in defining a role for science and technology planning in Arizona state government.

The Inter-agency Economic Coordinating Council (IECC) has been revived. Discussions with cabinet heads concerning both the IECC and the State Planning and Coordinating Council (SPCC) revealed both are not needed; therefore, the IECC is to fulfill the role of the SPCC. The statutes regarding the IECC's role are very broad. There will be a difference between the kinds of issues the IECC will discuss and those discussed by the Governor's Cabinet. However, the Cabinet may identify some topics to be considered by the IECC. The Cabinet is composed of the nine major department heads; the IECC will be composed of department directors or their delegates.

The IECC meetings will be held monthly. Initially, the IECC will be discovering state agencies' actions in non-metro areas so rural development can be coordinated among them. Working subcommittees of the IECC may eventually be formed.

The State Community Development Council is a safeguard mechanism - it is needed in statutes to prevent undesirable development.

OEPAD salaries and personnel administration conform as much as possible to the state merit system, considering the "inherited" salary levels and the number of "specialized professionals" in OEPAD. In my opinion, however, it would not be fair to require textbook conformance. There are also some problems of internal equity due to "inherited" salary levels. OEPAD now actively recruits for nearly every position. Secretarial candidates are given typing tests. Interview panels are used when appropriate.

The format of earlier management activity reports was not acceptable. Foresight is intended to fulfill the need for 1) reporting activities to management (including the Governor) and 2) publicizing OEPAD services to its constituents. Division directors and program managers (if they desire) receive monthly reports on the status and use of funds.

OEPAD uses several general criteria to judge the priority of projects or select grantees. Such criteria are:

> How well does the project conform to the "overall strategy"? How much "leverage" can OEPAD get out of a particular grant? What is the probability of success? That is, how well thought out is the project, what is the community's attitude and commitment?

However, a written overall strategy that includes such criteria will not be forthcoming. The components will always be changing, some dropping out while others are added as economic conditions change. A "very macro strategy" leading to balanced state growth will be used.

Historically, OEPAD gave no assistance to instate companies wanting to expand, even though 50 percent of Arizona's economic growth has been a result of instate expansion. Now, however, OEPAD's economic development specialists will spend about 50% of their time helping Arizona companies, with particular emphasis on

medium and small firms. Mr. Clint Johnson and Mr. Vic Heller will concentrate on instate expansion. Mr. Graybill, Mr. Hansen and Mr. Calnimptewa will continue to spend most of their time with out-of-state prospects, but will also spend some time on instate expansion. The Arizona development community wants even more than three specialists attempting to attract out-of-state industry.

The motion picture staff will be doing more for the local film industry - closer to a 50 - 50 split between assisting out-of-state producers and the local industry; although, in reality it will probably be more like a 70 - 30 split.

Export assistance is "one of the most important functions of state government". The international trade program received a #1 priority in OEPAD's budget submission this year. Although the U. S. Department of Commerce helps a lot of companies and provides some of the same services, the field is so big that both OEPAD and DOC can be active without stumbling over each other.

Deciding which communities OEPAD will assist is determined in part by such factors as timing of the request, the probability of success, nature of the community, community need, etc. In many cases the "scope" of assistance is negotiated. Requests from cities must be considered in light of requests from OEPAD's other constituents - COGs, counties, chambers, the Governor, the Legislature, and others. OEPAD doesn't intend to ignore metropolitan communities completely, but takes the roles of supporter and follower rather than leader in those cases. Rural emphasis is not intended to mean a metro exclusiveness.

P P & Es for each employee are "defacto" work plans for OEPAD. It is very difficult to measure performance/productivity of OEPAD employees or activities.

Several positive comments from agency heads have been received about the data coordination network. A one-year sunset provision is built into the process. A report will be prepared at the end of the year. Expectations are some progress will be achieved.

OEPAD's state match schedule is an estimate, prepared at the time of grant application. It is revised as the grant year proceeds, although there is no set time for revision.

If I do not receive any changes from you by March 3, 1980, I will assume the above record of your comments is accurate.

Sincerely,

Steve H. Thacker

Steve H. Thacker
Performance Audit Division

SHT/rf

ARIZONA

OFFICE
OF THE
GOVERNOR
BRUCE BABBITT

OFFICE OF
ECONOMIC PLANNING AND DEVELOPMENT

Larry Landry, Director • (602) 255-5371 • General Offices of OEPAD • 4th Floor

February 29, 1980

Mr. Steve Thatcher
Auditor General's Office
Audit Performance Division
1112 North Central Avenue
Suite 600
Phoenix, Arizona 85004

Dear Steve:

Thank you for your letter of February 12, 1980. While the letter adequately discusses several items, there are several clarifications I feel are necessary.

On the first page, second paragraph, concerning the OEPAD Statutes, we were discussing the current statutes as are presently written. However, I do not believe the OEPAD Statutes are adequate and sufficiently clear for the Energy area, and there does need to be statutory language for Energy Programs.

State Growth Strategy: The important point being made there is that the change in political philosophy was not a change in what we need, i.e., overall quality growth of the state, but rather, a philosophy on how it is to be done. This philosophy means working with communities more personally on helping them to help themselves. Public hearings were judged, in this case, to be a less effective way to make results occur.

Several strategies are mentioned at the bottom of the first page. The caveat is that we are not limited to the strategies listed. There are others. I did not take the time to list them all, but rather highlighted a few.

On the strategies: (a) Strategy number one should state that there are incentives for metro and for non-metro area growth.

(b) Strategy number three should state coordinating responses to issues for the Governor, for the State Legislature and other state agencies.



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(c) There should be a number six added that discusses energy and several discrete strategies that we have underway on energy. If you would like further clarification of our energy position, I would be glad to offer it.

The first paragraph, second page, should read: "The Governor has decided that OEPAD will not have a regulatory focus, but instead will rely on incentives to encourage growth." One of our discrete strategies that is discussed is that it will specifically work with local efforts in cooperation with state assistance.

The third paragraph on page two, concerning the Arizona Science and Technology Advisory Committee, while the gist is fairly accurate, the point we were making is that there is no need, as we see it, for a large standing committee, but there would be a need for a system working on science and technology issues including a systematic tapping of expertise through an ad hoc basis. I do agree, as I have conveyed to Senator Pritzlaff and others, that there is no need for the statutes on the Science and Technology Advisory Committee.

Interagency Economic Coordinating Council: A minor point, but its initials are generally printed as IAECC. In the last paragraph, page two, the IAECC meetings will initially be held monthly.

On page three, fifth paragraph on a written strategy is not quite accurate. There will be a blueprint principally coming from the 302 written plan which has criteria on how we award grants, and we do have criteria now on what we use in judging the 304 process. What is meant is that there will be no blueprint that will forever be cast in concrete that will definitively map out something that should be rigidly adhered to. However, it is critical that there be some written documents that attempt to tie the many facets and forces together.

Last paragraph, page three: Approximately fifty percent of Arizona's economic growth has been a result of instate expansion, although there are indications that <u>more</u> than fifty percent has been from instate expansion. No detailed study exists for Arizona, but the national study indicates that over fifty percent comes from instate expansion.

On page four, third paragraph, concerning the last sentence of that paragraph that says rural emphasis is not intended to mean a metro exclusiveness makes no sense to me. I would like

you to clarify that. It should be added to this paragraph that the OEPAD effort is limited because of resource limits within OEPAD itself. While we try to accommodate whatever we can, we do have to juggle the competing demands and set priorities.

On the next paragraph, the sentence, "it is very difficult to measure performance productivity of all employees' activities," is misleading as stated. The discussion clearly said that in the traditional industrial engineering sense of a number of strokes per minute or number of units output over a very narrow definitive point of time, the people cannot be measured that way. However, we do measure all professional employees and evaluate them in their work. Goals are set, and evaluation is made by all supervisors. To state otherwise is misleading.

The data coordination effort announced, at the front end, that it would have a one year sunset provision built in the process. However, if there is a demand for it to continue by the people involved and the results prove it, then it may be continued -- results to date are very positive.

I am more than available to meet and talk with you at great length on any of the above items to seek clarifications as are all the deputy directors.

Very truly yours,

Lawrence D. Landry
Executive Director

mt

# APPENDIX VII

## SURVEY OF PLANNING AGENCIES
## IN WESTERN AND SOUTHEASTERN STATES

ECONOMIC DEVELOPMENT PLANNING CHARACTERISTICS
OF 26 WESTERN AND SOUTHEASTERN STATES*

## I. STATED THAT ATTEMPTED ECONOMIC DEVELOPMENT PLANNING, BUT ABANDONED EFFORT

Why Was Effort Abandoned?

GEORGIA
- Governor failed to sign off HUD 701 land-use and housing elements.

KANSAS
- Governor used office for short-term issue analysis instead of long-range planning as stated in the law.
- Legislature abolished state planning office and transferred duties to other agencies because no long-range plan was prepared.

MONTANA
- Not done (although law requires) because:
  - o too unrealistic
  - o questionable value
  - o not wanted
  - o local antiplan feeling
- Growth management bill failed
- Critical areas bill failed

NEBRASKA
- Small office, expect they will do key policies next year.
- Goals for Nebraska process four years ago resulted in useless document (too general); considering the area again.

OKLAHOMA
- Philosphy of citizens/politicians
- Goals for Oklahoma - 6 or 7 years ago - nothing is used now.
- Trying to work/tie Federally required plans EDA, CETA, HUD into overall strategy.

SOUTH CAROLINA
- Citizen participation project several years ago to identify state goals-results no longer utilized; have recommended overall state plan.

WASHINGTON
- Changed Governors - previous governor supported long-range planning; present governor is issue analysis and pro-development.

## II. STATES UTILIZING A FEDERALLY REQUIRED MINIMAL APPROACH

Why This Approach?

ALABAMA
- Initiative for state-wide planning comes from Federal government, not state; has been piecemeal planning based on Federal programs.

NEW MEXICO
- Tied in so much to Federal monies
- Would need state dollars to do it
- 90 percent federally funded

* Based on survey and examination of planning documents by Office of the Auditor General staff in May 1980.

III. STATES CURRENTLY STARTING ECONOMIC DEVELOPMENT PLANNING

| | Type of Project | Responsible Party | Areas Addressed | Citizen Participation Planned | Product | Uses |
|---|---|---|---|---|---|---|
| ARKANSAS | State development plan | Department of Economic Development | Ten issues areas - including agriculture tourism, government service | Planned for revision (used goals from 1976-77 Economic Development Committee) | For each of the ten areas: - problems - barriers - funds - policies | Governor's Office allocation of state and Federal funds |
| IDAHO | State comprehensive economic development strategy | Office of Governor | - Energy resources - Economic resources - Transportation - Environmental - Natural resources - Agriculture | Planned; but the method has not been chosen as yet | - Goals & objectives - Resources - Economic profile of area(s) in state - Development strategy - Summary | - Guide state agencies - Budgeting for agencies - Local & regional plan review - Guide use of Federal funds |
| MISSISSIPPI | Coordinated planning and policy statements | Office of Planning | All areas of state government | Unknown | Policy statements | Unknown |
| NORTH CAROLINA | Balanced growth policy | Governor | Encourage development of rural areas | Public hearings; Advisory board planned | Design growth centers measures of progress, strategies | Not defined as yet |
| SOUTH DAKOTA | State comprehensive development plan (revision) | Department of Executive Management | All major functional areas | Participation is planned, first version used "Futures" goals developed | Goal and policy statements | Not used since Governor changed; now being revised |
| TEXAS | Texas 2000 project | Texas 2000 commission | 20-year projections for state | Citizen advisory committees | Goals and objectives | Government and private sector guidelines |
| UTAH | Growth management strategy preferred future | Office of State planning coordinator's office | Preview of future mechanism to get there | Agency and local officials | Strategy | State agencies' budgeting and planning |

IV. STATES CURRENTLY USING ECONOMIC DEVELOPMENT PLANNING

| | Type of Project | Responsible Party | Areas Addressed | Citizen Participation Planned | Product | Uses |
|---|---|---|---|---|---|---|
| ALASKA | Growth goals | Growth policy council | Land-use and housing | Hearings throughout the state | Published goals for state | Housing and urban development - "701" planning |
| CALIFORNIA | Environmental goals and policy | Governor's office | Natural resources (urban sprawl) | Advisory committee with diverse representative; agencies; public workshops | - Goals and policies report;<br>- Urban strategy to implement report | - State agencies' budgeting<br>- Local plan review<br>- A-95 review |
| COLORADO | a) Land-use and housing plans | Department of Local Affairs | Land-use and housing plans | Public meeting throughout state | Land-use and housing plans | Guide agencies; A-95 |
| | b) Preferable future for "front-range" of Colorado | Governor | Still in early phases of project | Extensive | - No product yet;<br>- Still in early phases | Guide development of area |
| FLORIDA | State comprehensive plan | Governor's Office | - Economic opportunity<br>- Agriculture and employment<br>- Public safety<br>- Education<br>- Health & social concerns<br>- Housing & community development<br>- National resources and environmental management<br>- Recreational and cultural opportunities<br>- Government<br>- Transportation | - Private sector and citizen representatives<br>- Town hall meetings (future) | Goals, objectives, policies | - State agencies budgeting<br>- Local plan review<br>- A-95 review |
| HAWAII | Integration of all state and county activities to conform with state plan | Department of Economic Planning & Development | - Population<br>- Economy<br>- Physical environment<br>- Facility systems<br>- Socio-cultural advancement | Extensive participation<br>- Citizen survey<br>- Public hearings<br>- Public meetings<br>- Workshops<br>- Policy council | 3 parts:<br>- Goal, objectives, and policies<br>- Implementation strategies<br>- Priority directions | - State functional planning<br>- County plans' review for conformity to state plan<br>- Priority areas addressed |

IV. STATES CURRENTLY USING ECONOMIC DEVELOPMENT PLANNING (Concl'd)

| | Type of Project | Responsible Party | Areas Addressed | Citizen Participation Planned | Product | Uses |
|---|---|---|---|---|---|---|
| LOUISANA | Priorities for future | Governor and Legislature | - Education<br>- Economic Development (tourism, transportation, etc)<br>- Energy, natural resources, environment<br>- Crime and justice<br>- Human concerns (health & welfare)<br>- Government | Citizen (participation project) | - Statements of goals in each area and specific ways to to achieve goals through legislation, administrative changes, etc. | Guides to legislation (monitored by planning office) |
| NEVADA | a) Growth management plan | Futures commission | All priority growth problems identified by commission | 25 member commission - includes regional representative, legislators, interest groups | - Identify regional differences, needs & desires<br>- Statement of governmental policies and priorities<br>- Recommend specific methods & measures to manage growth | Make report to Governor and Legislature |
| | b) Revised state comprehensive economic development plan | Office of State Planning Coordinator's | Latest plan limited mainly to economic development. Doesn't meet full intent of statute | Local officials and hearings | 3 Volumes:<br>- Economic profile of state & counties<br>- Backup analysis for Volume one<br>- Policies & objectives | A-95 review |
| NORTH DAKOTA | Investment plan | Lt. Governor | Economic Development | Advisory committee of citizens; has taken surveys; used "futures" workshops | - Goals and objectives<br>- Priority areas | - Guide state agencies<br>- Budget |
| OREGON | State-wide goals | Department of Land Conservation and Development | Land use | Extensive citizen hearings | 19- goal statements | - State agencies' guidance<br>- Local plan review |
| WYOMING | State land-use plan | Land-use Commission 1975-79 | Land-use | Commission proposals presented in public hearings | Land-use plans (State, cities, counties) | A-95 review |

# APPENDIX VIII

## AJEDC LIST OF INFORMATION USEFUL FOR PLANT LOCATION DECISIONS

These survey results point to the varied involvement of state development agencies in the research function. Some agencies maintain complete internal staffs performing the entire function; others have a limited research staff but administer substantial external contract research; almost all agencies collect and correlate data from secondary sources.

General Research. In any case, the state development agency must be fully equipped to assist prospective investors. The same resources can be devoted to encouraging internally generated investment. In encouraging either internally generated or externally generated investment there are certain general economic research functions which are appropriately the responsibility of a state economic development agency; among these are:

1. Furnishing unbiased information, facts, and figures important to plant location decision including those related to:

   a. sites
   b. buildings
   c. financing
   d. manpower
   e. markets
   f. power, water, and fuels
   g. transportation
   h. natural resources and raw materials
   i. taxes and government regulations
   j. employee housing
   k. waste disposal
   l. existing industry (support, supplementary, complementary, servicing)
   m. education, culture, recreation
   n. climate and weather
   o. insurance
   p. construction
   q. business services
   r. communications
   s. incentive programs
   t. other

Outline for Target Industry Research

I. Summary and Profit Potential Presentation

II. Markets

A. Local, Regional and Domestic Markets

1. Existing demand
   a. Principal consumers
   b. Possible new consumers

2. Satisfaction of existing demand
   a. Local production
      (1) Volume of local production
      (2) Percentage of consumption filled by local production
   b. Non-local production
      (1) Percentage of consumption filled by regional production
      (2) Percentage of consumption filled by domestic production
      (3) Percentage of consumption filled by foreign production
      (4) Volume of regional imports
      (5) Volume of other domestic imports
      (6) Volume of foreign imports
   c. Areas from which domestic and foreign imports are received
   d. Estimated annual increase in local consumption
   e. Estimated ability of existing and future local market to absorb increased production without price cutting or other dislocations
   f. Estimated competitive strength against imported equivalents at proposed sales price and quality of new product
      (1) Tariffs required to protect product from foreign imports after adjusting cost to local conditions
      (2) Consumer prejudices which must be overcome
      (3) Methods of overcoming consumer prejudices
      (4) Cost of overcoming consumer prejudices
      (5) Time period required to overcome consumer prejudices

B. Foreign Markets

1. Ability of product to compete in foreign markets on the basis of price, quality, and dependability of supply.

2. Possibility of foreign market development

3. Estimated annual volume of foreign consumption by area

4. Procedures necessary to develop foreign markets

5. Cost of developing foreign markets

III. Sales and Distribution Problems

A. Required expenditures for sales department, advertising and promotion.

B. Existing marketing and distribution facilities

1. Other marketing and distribution facilities required

2. Cost of establishing other marketing and distribution facilities required.

C. Proposed channels of distribution

1. Wholesalers

2. Retailers

3. Consumer Direct

4. Government

5. Manufacturer's Representatives

6. Jobbers

7. Others

IV. Labor

A. Availability, Cost, and Productivity

1. Engineering, scientific, and specialized technical personnel

2. Managerial and supervisory personnel

3. Skilled production workers

4. Semi-skilled production workers

5. Unskilled workers.

B. Supplements to labor availability

1. Training

2. Housing

3. Transportation

C. Existing labor laws

1. Favorable

2. Unfavorable

a. Obstacles to be overcome
b. Method of overcoming obstacles
c. Timing to overcome obstacles

V. Raw Materials and Supplies

A. Local availability of materials and supplies

B. Competitiveness of local materials and supplies

C. Prices of local materials and supplies

D. Delivery assurance of local materials and supplies

E. Required imports of materials and supplies

F. Delivery assurance of important materials and supplies vs. inventory requirements

VI. Site, Plant, Machinery and Equipment

A. Availability and cost of alternate sites (in the kind of detail presented earlier in this report)

B. Plant construction

1. Costs

2. Climatological considerations

3. Technical considerations

C. Machinery and equipment

1. Cost and availability

2. Consideration of patents, trade names, royalties, licensing and processes.

VII. Required Infrastructure

A. Transportation

1. In-bound - road, rail, air, water

2. Out-bound - road, rail, air, water

B. Power

1. Cost

2. Type

3. Quality including peak load demands

C. Fuel

1. Heat

2. Power

3. Process

D. Water

1. Human

2. Process

E. Sewage and waste disposal

F. Supplementary and complementary industry

G. Climate and weather

H. Communications

I. Insurance and Finance

J. Housing

K. Education, culture, and recreation

VIII. Taxes and Government Regulations

IX. Financing

A. Estimated Fixed Capital Requirements

1. Land

2. Building

3. Machinery

4. Equipment

5. Delays and time lapse

B. Estimated working capital requirements

1. Cash flow including consideration of

   a. Adequate inventories
      (1) Raw materials supplies and spare parts
      (2) Goods in process
      (3) Finished goods
   b. Sales volume
   c. Seasonal fluctuations in sales
   d. Time required to liquidate credit sales
   e. Bad debts
   f. Production delays
   g. Depreciation

C. Capital availability and cost

   1. Long term

   2. Short term

D. Pro-forma statements and related data

   1. Pro-forma balance sheet

   2. Pro-forma cost of manufacturing statement

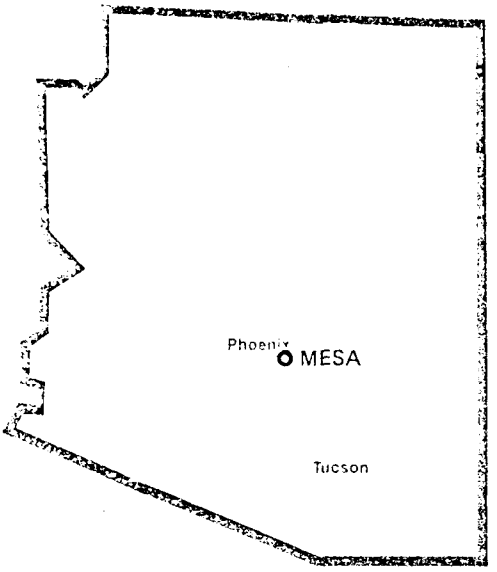
   3. Pro-forma income statement

   4. Pro-forma break even analysis and chart

   5. Pro-forma rate of return on equity statement and chart

   6. Pro-forma rate of return on investment statement and chart

   7. Pro-forma discounted cash flow rate of return on investment statement




# Mesa,

# Arizona Community Profile

## INTRODUCTION

Mesa (Spanish: (may-suh) table or flat tableland) is in the eastern portion of Maricopa County 16 miles from the capital city, Phoenix. It is situated on four U.S. Highways - 60, 70, 80 and 89 and Arizona Highways 87 and 93. Mesa is the third largest city in the state and is located in the area commonly called Valley of the Sun. Mesa was founded in 1878 by Mormons from Bear Lake County, Idaho and Salt Lake County, Utah. The city, at the elevation of 1,273 feet, was incorporated in 1883.

## WEATHER

| Month | Average Temperature (°F) Daily Max. | Daily Min. | Average Heating Degree Days | Total Precipitation (Inches) |
|---|---|---|---|---|
| January | 64.9 | 35.6 | 429 | 0.84 |
| February | 69.3 | 38.5 | 306 | 0.60 |
| March | 73.6 | 42.9 | 199 | 0.77 |
| April | 83.0 | 49.5 | 63 | 0.34 |
| May | 92.1 | 56.8 | 8 | 0.14 |
| June | 100.8 | 64.4 | 0 | 0.09 |
| July | 104.3 | 74.1 | 0 | 0.82 |
| August | 101.8 | 72.9 | 0 | 1.20 |
| September | 98.5 | 65.9 | 0 | 0.76 |
| October | 88.3 | 54.4 | 19 | 0.53 |
| November | 75.4 | 42.7 | 171 | 0.50 |
| December | 66.9 | 36.8 | 377 | 0.93 |
| Year | 84.9 | 52.9 | 1,572 | 7.52 |

Average Total Snow, Sleet and Hail Annually: Trace

## PRINCIPAL MESA ECONOMIC ACTIVITIES

Mesa, Arizona's third largest city, has a well developed diversified economic base. It is primarily a manufacturing city with seven of Fortune Magazine's top 500 manufacturers located there. These include a wide diversity of electronics, clothing, food processing, automotive testing, propulsion equipment, and heavy machinery firms. In addition, over 100 smaller firms offer supportive roles in this manufacturing economy. Mesa is also the retail center for east Maricopa County with a regional mall and several large shopping centers as well as a well-planned central city area. Medical facilities in the City of Mesa offer complete medical service to all of eastern Maricopa County.

Mesa is central to transportation facilities covering the state and the nation, and is served by the main line of the Southern Pacific Railroad, over 25 interstate truck lines, and Sky Harbor International Airport - 20 minutes driving time by a modern freeway system. Its own Falcon Field offers aviation facilities to aviation-oriented industries as well as service to industrial and commercial development. The City of Mesa operates its own utilities, including electric, gas, water and sanitation to serve the majority of the city. Salt River Project serves the remainder.

## POPULATION

| | 1970 | 1978 | 1970-1978 Annual Compounded Percentage Change |
|---|---|---|---|
| Mesa | 66,130 | 130,000 | +8.8% |
| Maricopa County | 968,487 | 1,415,000 | +4.8 |
| Arizona | 1,775,399 | 2,547,000 | +4.6 |

The Mesa City Planning Department estimates the July, 1979 population at 152,800.

Source: Arizona Department of Economic Security
U.S. Bureau of Census

## MARICOPA COUNTY EMPLOYMENT STRUCTURE 1978

| | Percent of Total |
|---|---|
| Agriculture | 1.8% |
| Mining | 0.04 |
| Construction | 7.8 |
| Manufacturing | 16.5 |
| Transportation, Communications & Public Utilities | 4.8 |
| Wholesale Trade | 6.4 |
| Retail Trade | 19.3 |
| Finance, Insurance & Real Estate | 6.8 |
| Services | 19.4 |
| Public Administration | 17.2 |

## MESA LABOR FORCE DATA

| | 1970 | 1978 |
|---|---|---|
| Civilian Labor Force | 23,920 | 37,816 |
| Employed | 22,977 | 35,883 |
| Unemployed | 943 | 1,933 |
| Unemployment Rate | 3.9% | 5.1% |

## ECONOMIC INDICATORS

| | 1976 | 1977 | 1978 |
|---|---|---|---|
| Postal Receipts | 3,466,217 | 4,049,799 | 5,257,633 |
| Building Permits | 4,697 | 7,907 | 8,803 |
| School Enrollment (ADM) | 28,432 | 29,892 | 31,495 |
| Net Assessed Valuation ($) | 170,915,430 | 191,361,884 | 220,482,666 |

## PROPERTY TAX RATES PER $100 ASSESSED VALUATION

| | 1976 | 1977 | 1978 |
|---|---|---|---|
| Unified School District | 6.14 | 6.47 | 6.75 |
| Community College | .71 | .76 | .84 |
| State | 1.60 | 1.60 | 1.10 |
| County | 2.70 | 2.67 | 2.30 |
| Central Arizona Water Conservation District | .03 | .03 | .03 |
| Flood Control District of Maricopa County | .20 | .20 | .20 |
| City of Mesa* | -0- | -0- | -0- |
| Total | 11.38 | 11.73 | 11.22 |

*The city of Mesa does not levy an ad valorem or real estate tax.



OFFICE OF THE GOVERNOR
ARIZONA OFFICE OF
ECONOMIC PLANNING AND DEVELOPMENT
1700 WEST WASHINGTON • ROOM 505 • PHOENIX, ARIZONA 85007 • (602) 255-5725

## FINANCE

| | |
|---|---|
| Arizona Bank: | 8 offices |
| Continental Bank: | 1 office |
| Copper State Bank: | 1 office |
| First National Bank of Arizona: | 8 offices |
| Mission Bank: | 1 office |
| United Bank of Arizona: | 6 offices |
| Valley National Bank: | 12 offices |
| First Federal Savings and Loan: | 4 offices |
| Greater Arizona Savings & Loan: | 1 office |
| Home Federal Savings & Loan: | 2 offices |
| Southwest Savings & Loan: | 3 offices |
| Western Savings & Loan: | 4 offices |

## TRANSPORTATION

| | |
|---|---|
| Highways: | I-10, U.S. 60, 70, 80; Arizona 87, 93, 360 |
| Railroads: | Southern Pacific, Santa Fe |
| Bus: | Sun Valley Bus Lines, Safeway Suburban Stages, Phoenix Transit System (municipal); Greyhound, Continental Trailways (interstate) |
| Truck: | Numerous available for both intrastate and interstate |
| Airports: | Falcon Field (municipal), Control tower, repair & hangar space available, paved, lighted 4,300-ft. runway; Sky Harbor Int'l. Airport in Phoenix, 12 miles west, with 9 domestic and int'l. airlines. |

## COMMUNICATIONS

| | | |
|---|---|---|
| Newspapers: | Weekly: | Mesa Weekly, Today (Phoenix) |
| | Daily: | Mesa Tribune, Arizona Republic (Phoenix), Phoenix Gazette |
| Radio: | 18 AM and 9 FM stations | |
| Television: | 5 channels | |

## UTILITIES

| | |
|---|---|
| Electric: | Municipal, Salt River Project |
| Natural Gas: | Municipal |
| Telephone: | Mountain Bell |
| Water: | Municipal |
| Sewer: | Municipal |

## MEDICAL FACILITIES

| | |
|---|---|
| Hospitals: | 3 (664 beds) |
| Convalescent Homes: | 4 (549 beds) |
| Physicians: | 186 |
| Dentists: | 80 |
| Osteopaths: | 40 |
| Chiropractors: | 39 |

## GOVERNMENT SERVICES

| | |
|---|---|
| Local Government: | Mayor, city manager, 6 councilmen |
| Police Department: | 215 officers, 80 civilians |
| County Sheriff's Office: | 30 deputies |
| Fire Department: | 8 stations, chief, 140 firemen, 15 paramedics, 5 community emergency vehicles (24-hour pick-up service) |

## CHURCHES

Mesa is the site of the Arizona Temple of the Church of Jesus Christ of Latter Day Saints. In addition to the Latter Day Saints (Mormon), other denominations represented are:

| | |
|---|---|
| Baptist | Jewish |
| Catholic | Lutheran |
| Church of God | Methodist |
| Episcopalian | Nazarene |
| Jehovah's Witness | Presbyterian |

## EDUCATIONAL FACILITIES

| | No. | Faculty | Enrolled |
|---|---|---|---|
| Public Elementary | 32 | 864 | 17,947 |
| Public Junior High | 7 | 394 | 7,306 |
| Public High School | 4 | 372 | 7,961 |
| Community College | 1 | 187 | 12,000 |
| Special Schools | 3 | 30 | 284 |

Mesa Community College, a state accredited two-year institution, offers courses in 35 areas and many special programs. Arizona State University, a four-year institution, is located in Tempe, 6 miles west.

## COMMUNITY FACILITIES

| | | | |
|---|---|---|---|
| Museums: | 2 | Basketball Courts: | 101 |
| Library: | 1 | Racketball Courts: | 40 |
| Theaters: | 2 | Golf Courses: | 15 |
| Parks: | 32 | Pools: | 9 |
| Tennis Courts: | 76 (all lighted) | | |

The Mesa Fine Arts Association sponsors the Sun Valley Orchestra and other cultural activities in the city, including the Tri-City Band. The Mesa Little Theatre produces top quality plays throughout the year, and the Mesa Musical Theatre puts on a musical production each summer. The Centennial Center is the site for many civic and cultural activities with its seating capacity of 1,800 while its amphitheater seats 3,800. In addition, Mesa offers an Activities Center and Art Barn where arts and crafts programs are held throughout the year.

Few persons can enjoy as many cultural opportunities as are available to Mesa residents. Because of the ideal location in the Valley of the Sun, Mesans are within easy driving distance of numerous high-level dramatic, dance and musical productions in Phoenix, as well as concerts by the Phoenix Symphony Orchestra. Arizona State University also offers many outstanding programs in music, drama and other fields which are open to the public.

## SCENIC ATTRACTIONS

Within an hour's drive are five large mountain lakes which offer power boating, sailing, water skiing and swimming. Arizona's well known national forests offer weekend recreation as well as hunting for deer, elk, javalina, bear, turkey and other game birds during season. There are many trout streams and lakes nearby, and deep sea fishing in the Gulf of Mexico, some 200 miles to the southwest. Winter sports are readily accessible in northern Arizona.

Mesa is the winter home of the Chicago Cubs and the Taiyo Whales, Yokohama, Japan, while other major teams have spring training camps in the immediate area.

## LODGING AND MEETING FACILITIES

| | |
|---|---|
| Motels: | 55 |
| Meeting Facilities: | Numerous, largest seating 1,800 |

## INDUSTRIAL PROPERTIES AVAILABLE

| | |
|---|---|
| Industrial Parks: | 7 - various sizes available for light and heavy industry. Lease cost varies, and buildings and other facilities are available and/or negotiable. Contact the Mesa Chamber of Commerce. |

For further information, contact:

| | |
|---|---|
| Mesa Chamber of Commerce | City of Mesa |
| P.O. Drawer C | 55 North Center St. |
| Mesa, Arizona 85201 | Mesa, Arizona 85201 |
| (602) 969-1307 | (602) 834-2395 |

9/79

6 CRIMINAL JUSTICE

- 6.1 Offender/Ex-offender Characteristics
- 6.2 Crime Statistics
- 6.3 Other

7 SOCIAL SERVICES AND WELFARE

- 7.1 Client Characteristics
- 7.2 Type and Extent of Services
- 7.3 Other

8. HEALTH AND SAFETY

- 8.1 Vital Statistics
- 8.2 Commuicable Diseases
- 8.3 Behavioral Health
- 8.4 Dental Health
- 8.5 Health Program/Facilities
- 8.6 Occupational Safety and Health
- 8.7 Other Safety
- 8.8 Other

9 ENVIRONMENTAL CONCERNS

- 9.1 Air Pollution
- 9.2 Water Pollution
- 9.3 Hazardous Substances (chemical, radioactive, contaiminated food)
- 9.4 Other

10 LAND

- 10.1 Land Use and Land Use Control
- 10.2 Vegetation
- 10.3 Wildlife
- 10.4 Minerals
- 10.5 Geologic Hazards
- 10.6 Soils
- 10.7 Ownership
- 10.8 Other

## 9. ENVIRONMENTAL CONCERNS

| | | 9.1 | 9.2 | 9.3 | 9.4 |
|---|---|---|---|---|---|
| ARIZONA STATE UNIVERSITY | | | | | |
| Bureau of Business & Economic Research | | | | | |
| William Burton | 965-3961 | D | D | | |
| ATOMIC ENERGY COMMISSION | | | | | |
| Roger Roemmich | 255-4845 | D/M | D/M | D/M | D/M[1] |
| ECONOMIC PLANNING AND DEVELOPMENT | | | | | |
| OFFICE OF | | | | | |
| Industrial Development | | | | | |
| Dave Graybill | 255-5374 | D | D | | |
| Rich Wetzel | 255-5705 | D | D | | |
| State & Community Planning | | | | | |
| Alice Beddingfield | 255-3833 | D | D | D | |
| Research | | | | | |
| Eric Rasmussen | 255-5725 | D | | | |
| Environmental Policy | | | | | |
| Patty Bergthold | 255-4895 | D/M | D/M | D/M | |
| ECONOMIC SECURITY, DEPARTMENT OF | | | | | |
| District VI | | | | | |
| Admin. for Children, Youth & Families | | | | | |
| Evelyn Joslin | 432-5431 | D | D | D | |
| EMERGENCY SERVICES | | | | | |
| Emory Vickers | 273-9880 | | D/M | D/M | |
| GAME AND FISH, DEPARTMENT | | | | | |
| Ken Hanks | 942-3000 | | D | | |
| HEALTH SERVICES, DEPARTMENT OF | | | | | |
| Environmental Health | | | | | |
| Nils Larson | 255-1140 | D/M | | | |
| Ron Miller | 255-1252 | | D/M | | |
| John Beck | 255-1156 | | | D/M | |
| Epidemiology & Laboratory Svcs. | | | | | |
| Philip Hotchkiss | 255-1188 | | D | D | |

# APPENDIX XII

## CHARACTERISTICS OF EFFECTIVE INFORMATION SERVICES AND RESEARCH AS DEFINED BY THE COUNCIL OF STATE PLANNING AGENCIES

## INFORMATION SERVICES AND RESEARCH*

The following checklist includes selected characteristics and activities typical of planning agencies that effectively provide data services.

1. The state planning agency provides selected data series for use by state administrators in program management, budget formulation or program planning.
2. state planning personnel coordinate or supervise the collection of data by state agencies.
3. The state planning agency maintains a central data library or catalogue of data collected by state government.
4. The state planning agency generates projections of social, economic, demographic or other important data series and distributes these for public or private use.
5. The state planning agency publishes a "statistical abstract" or similar document designed to supply users with a convenient reference source.
6. The state planning agency consciously attempts to identify instances where data collection by state government is duplicative or fragmented and to take remedial action.
7. The state planning agency serves a research coordination role in state government, linking research needs with agency and university-based research centers.
8. The state planning agency performs the function of state science advisor or has close working relations with another designated agent.

* Taken from a publication by the Council of State Planning Agencies, entitled State Planning Series, #3.

OFFICE OF THE AUDITOR GENERAL

Survey of State Agencies
for the Performance Audit
of the Office of Economic Planning
and Development (OEPAD)

SURVEY RESULTS

| | |
|---|---|
| Mailed | 29 |
| Agencies Responded | 27 |
| Agencies Providing Useable Responses* | 23 |

Name of person completing survey: _____

Job Title: _____ Agency: _____

Address: _____ Phone Number: _____

_____

I. Questions in this area concern the formulation of state goals and objectives or policy, primarily through a process of citizen participation, to furnish criteria for the development of the state. This criteria is then utilized to evaluate law changes, federal policy proposals, funding for local development projects and the state budget requests.

In this area, a state planning and development agency may be responsible for such activities as:

- Research and definition of existing growth and economic development goals, policies or practices
- Definition of methods to solicit citizen input; solicitation of such input and translation into a state-wide agenda or plan of goals and objectives
- Maintenance of a data base on the state's economy and periodic short or long-term forecasts for the future
- Initiation of studies to analyze special economic problems

1. From the perspective of your agency, has OEPAD been active in the formulation of state growth and development goals and objectives or related responsibilities?

YES [15] NO [8]

IF YOU ANSWERED NO, go to question 4

IF YOU ANSWERED YES, what have these activities included? _____

_____

_____

2. Has OEPAD's activity in this area been useful to your agency?

YES [13] NO [1]

IF YOU ANSWERED YES, please specify _____

_____

_____

* Two of the 27 responding agencies declined to answer the questionnaire. In addition, responses of two other agencies were largely incomplete and therefore were not included in the analysis.

Two agencies each provided more than one set of responses (completed by different persons in the organization). Therefore, some questions received more than 23 total responses.

3. How would you rate OEPAD's performance in this area?

| | |
|---|---|
| Excellent ..... | 1 |
| Satisfactory..... | 10 |
| Needs improvement... | 2 |
| Poor..... | 1 |

* 4.

What has been the effect of less than sufficient work in developing state growth and development objectives?

_____

_____

_____

What needs to be done? _____

_____

_____

Should this be OEPAD's responsibility?

YES [8] NO [3] DON'T KNOW [2]

IF YOU ANSWERED NO, whose responsibility should it be and why? _____

_____

_____

_____

_____

* Due to difficulties expressed by respondents regarding interpretation and/or inferences of answers this question was deleted.

5. Do other groups/agencies perform activities related to state growth and development objectives? (i.e. similar to those listed on p. 1)

YES [17] NO [2] DON'T KNOW [6]

IF YOU ANSWERED NO OR DON'T KNOW, go to next section (II)

IF YOU ANSWERED YES, please specify _____

_____

_____

Is there any resulting overlap, duplication or need for improved coordination?

YES [15] NO [0] DON'T KNOW [2]

V. Questions in this area relate to identifying, in a continuing process, areas of planning conflict and mutual interests among state agencies and to obtaining cooperation in negotiating differences or pursuing common interests.

In this area, a state planning and development agency may be responsible for such activities as:

- Routine monitoring of statutory, regulatory and administrative developments, along with activities of state agencies and departments, to identify need for coordination
- Convenes personnel to obtain joint action on problems
- Reviews all plans and applications for federal funding before they are submitted to the federal agencies and takes action to assure federal projects are consistent with each other and state policy
- Calls interagency meetings that focus attention upon the interrelationships among state plans and programs and between state programs and federal or local ones

The following questions concern specific efforts by OEPAD in ongoing program and plan coordination.

6. State Clearinghouse

A. Do you submit all federal applications to the State Clearinghouse for review prior to submission to federal authorities?

YES [19] NO [2]

IF YOU ANSWERED NO, please explain why not _____

B. Have you ever made significant changes in your plans based on comments received through Clearinghouse review?

YES [2] NO [18]

IF YOU ANSWERED YES, please explain the frequency that this has occurred: (See following page)

Once ..... [0]

Once/year ..... [1]

Twice/year ..... [0]

Three times per year ..... [0]

More than three times per year. [1]

C. How would you rate the value of the Clearinghouse review as it now operates for coordination of planning and elimination of planning conflicts?

1. High value - essential to state/local government. [4]

2. Satisfactory value..... [10]

3. Minimal value, needs improvement ..... [6]

4. Low value - nonessential to state/ local government ..... [3]

IF YOU ANSWERED 3 or 4, please explain the weaknesses or problems with the State Clearinghouse _____

7. Planning Coordination Councils

Several councils and task forces have been established to address coordination of plans in Arizona, but have not been active recently. Among these were the Interagency Economic Coordinating Council and the State Planning and Coordinating Council, composed of state agency directors.

A. From your agency's perspective, how would you rate the value of reviving such council(s) or creating a new one to discuss planning?

1. High value; essential to state government ..... [8]

2. Satisfactory value ..... [4]

3. Minimal value; needs improvement or changes to succeed ..... [8]

4. Low value; not needed in state government ..... [2]

IF YOU ANSWERED 3 or 4, please explain the weaknesses or problems with such planning councils _____

_____

_____

VIII. Questions in this area concern land use planning as an object of state-level policy. Involved in such policy would be identifying legitimate public interests in land use, defining a state role as opposed to the role of local government units, and establishing procedures or a system to execute the state role without infringing private property rights.

In this area, a state planning and development agency may be responsible for such activities as:

- Analysis of laws, proposals or problems associated with land use in order to be a source for land policy direction
- Review of line agencies' activities whose programs have land use impact as well as local land use plans for effect on state as a whole
- Designation of environmentally fragile land resources requiring state control
- Assistance to local governments with land use problems
- Design and update a uniform system for classifying land according to actual use, best use, carrying capacity or other criteria

1. Is your agency involved or interested in land use?

YES [13] NO [9]

IF YOU ANSWERED NO, go to next section (IX)

2. From the perspective of your agency, has OEPAD been active in the formulation of land policy?

YES [6] NO [6]

IF YOU ANSWERED NO, go to question 5

3. Has OEPAD's activity in this area been useful to your agency?

YES [4] NO [1]

IF YOU ANSWERED YES, please specify _____

_____

_____

4. How would you rate OEPAD's performance in land use planning?

Excellent ..... [1]

Satisfactory ..... [2]

Needs improvement .. [2]

Poor ..... [0]

* 5.

What has been the effect of less than sufficient work in land use planning? _____

_____

_____

What needs to be done? _____

_____

_____

Should this be OEPAD's responsibility?

YES [3] NO [1] DON'T KNOW [3]

IF YOU ANSWERED NO, whose responsibility should it be and why? _____

_____

_____

* Due to difficulties expressed by respondents regarding interpretation and/or inferences of answers this question was deleted.

6. Do other groups/agencies perform land use planning activities similar to those listed on p. 14?

YES [11] NO [0] DON'T KNOW [2]

IF YOU ANSWERED NO OR DON'T KNOW, go to next section (IX)

IF YOU ANSWERED YES, please specify _____

_____

_____

Is there any resulting overlap, duplication or need for improved coordination?

YES [8] NO [2] DON'T KNOW [1]

IX. Questions in this area concern the collection, use and distribution of data and research about state government, the state's economy and demographic trends.

In this area, a state planning and development agency may be responsible for such activities as:

- Maintenance of a central repository and clearinghouse for all data related to Arizona's economy and resources
- Maintenance of an inventory of Arizona's resources
- Investigation of opportunities for the development of the state
- Provision of selected data series (including publication of economic, social and demographic projections) to the public, to private sector and to state government
- Publication of statistical abstracts or indices to guide data users
- Coordination of data collection by state agencies; identification of instances where data collection is duplicated or fragmented and take action to remedy duplication/fragmentation
- Serve as research coordinator between state government and university based research
- Serve as leader in applying science and technology advances to benefit of state development
- Conduct studies of state's economy and trends

1. From the perspective of your agency, has OEPAD been active in the area of data and research?

YES [19] NO [8]

IF YOU ANSWERED NO, go to question 7

2. Does your agency utilize data produced by OEPAD for planning and management?

YES [18] NO [1]

IF YOU ANSWERED YES, please specify data utilized _____

_____

_____

3. Does OEPAD regularly request data from your agency?

YES [9] NO [10]

IF YOU ANSWERED YES, please specify data _____

_____

_____

4. Are the contents of the OEPAD library utilized by your agency?

YES [4] NO [14]

IF YOU ANSWERED YES, please explain extent of utilization _____

_____

_____

5. Have you ever requested research assistance or planning information from OEPAD?

YES [9] NO [9]

IF YOU ANSWERED YES, what were the results? _____

_____

_____

6. Are you aware of any OEPAD activity to apply science and technology advances to the benefit of the state?

YES [7] NO [11]

IF YOU ANSWERED YES, please specify the activity _____

_____

_____

7. How would you describe the extent of research and data collection in Arizona?

| | A Excessive Work Performed | B Sufficient Work Performed | C Minimal Work Performed | D Insufficient Work Performed | E Don't Know |
|---|---|---|---|---|---|
| - Elimination of duplicated or fragmented data collection ..... | 1 | 1 | 6 | 9 | 8 |
| - OEPAD maintenance of a central repository and clearinghouse on all data related to economy and resources ..... | 0 | 7 | 4 | 4 | 10 |
| - OEPAD maintenance of a current inventory of Arizona's resources ..... | 0 | 4 | 5 | 2 | 14 |
| - Projection and publication of selected economic, social and demographic indices ..... | 0 | 9 | 1 | 5 | 10 |
| - Investigation of state's economy and opportunities for development ..... | 0 | 9 | 3 | 3 | 11 |
| - Coordination of research between the state line agencies and the universities..... | 0 | 2 | 4 | 6 | 13 |

IF YOU ANSWERED THAT MINIMAL or INSUFFICIENT WORK HAD BEEN PERFORMED IN ANY AREA,

What has been the effect of less than sufficient work in data collection and research? _____

_____

_____

What needs to be done? _____

_____

_____

Should this be OEPAD's responsibility?

YES [10] NO [1] DON'T KNOW [3]

IF YOU ANSWERED NO, whose responsibility should it be and why? ___

_____

_____

_____

8. Do other groups/agencies perform data collection and research activities similar to those listed on p. 16?

YES [17] NO [0] DON'T KNOW [10]

IF YOU ANSWERED YES, please specify _____

_____

_____

Is there any resulting overlap, duplication or need for improved coordination?

YES [14] NO [1] DON'T KNOW [1]

Please return the completed questionnaire in the enclosed, self-addressed envelope to:

Office of the Auditor General
112 North Central Avenue
Phoenix, AZ 85004

Attn: Ms. Coni Good

Thank you for your assistance.

SURVEY RESULTS
6 Mailed
5 Returned
and Responded

OFFICE OF THE AUDITOR GENERAL

Survey of Councils of Government (COGS)
for the Performance Audit of
the Office of Economic Planning and Development (OEPAD)

Name of person completing survey: _____

Job Title: _____ Council of Governments: _____

Address: _____ Phone Number: _____

_____

I. Questions in this area concern the formulation of state goals and objectives or policy, primarily through a process of citizen participation, to furnish criteria for the development of the state. This criteria is then utilized to evaluate law changes, federal policy proposals, funding for local development projects and the state budget requests.

In this area, a state planning and development agency may be responsible for such activities as

- Research and definition of existing growth and economic development goals, policies or practices
- Definition of methods to sclicit citizen input, solicitation of such input and translation into a state-wide agenda or plan of goals and objectives
- Maintenance of a data base on the state's economy and periodic short or long-term forecasts for the future
- Initiation of studies to analyze special economic problems

1. From the perspective of your COG, has OEPAD been active in the formulation of state growth and development goals and objectives or related responsibilities?

YES [5] NO [0]

IF YOU ANSWERED NO, go to question 4

IF YOU ANSWERED YES, what have these activities included? _____

_____

_____

_____

2. Has OEPAD's activity in this area been useful to your COG? YES [5] NO [0]

IF YOU ANSWERED YES, please specify _____

_____

3. How would you rate OEPAD's performance in this area?

| | |
|---|---|
| Excellent..... | 0 |
| Satisfactory..... | 5 |
| Needs improvement... | 0 |
| Poor..... | 0 |

*4.

What has been the effect of less than sufficient work in developing state growth and development objectives? _____

_____

_____

What needs to be done? _____

_____

_____

Should this be OEPAD's responsibility?

YES [5] NO [0] DON'T KNOW [0]

IF YOU ANSWERED NO, whose responsibility should it be and why? _____

_____

_____

* Due to difficulties expressed by respondents regarding interpretation and/or inferences of answers this question was deleted.

5. Do other groups/agencies perform activities related to state growth and development objectives? (i.e. similar to those listed on p. 1)

YES [4] NO [1] DON'T KNOW [0]

IF YOU ANSWERED NO OR DON'T KNOW, go to next section (II)

IF YOU ANSWERED YES, please specity _____

_____

_____

Is there any resulting overlap, duplication or need for improved coordination?

YES [3] NO [1] DON'T KNOW [0]

III. Questions in this area relate to identifying, in a continuing process, areas of planning conflict and mutual interests among state agencies and local governments, and obtaining cooperation in negotiating differences or pursuing common interests.

In this area, a state planning and development agency may be responsible for such activities as:

- Routine monitoring of statutory, regulatory and administrative developments, along with activities of state agencies and local governments, to identify need for coordination
- Convening personnel to obtain joint action on problems
- Reviews all applications for federal funding before they are submitted to the federal agencies and takes action to assure federal projects are consistent with each other and state policy.
- Calls interagency meetings that focus attention upon the interrelationships among state plans and programs and between state programs and federal or local ones

The following questions concern specific efforts by OEPAD in ongoing program and plan coordination.

6. State Clearinghouse

A. Do you submit all federal applications to the State Clearinghouse for review prior to submission to federal authorities?

YES [5] NO [0]

IF YOU ANSWERED NO, please explain why not _____

_____

_____

B. Have you ever made significant changes in your plans based on comments received through Clearinghouse review?

YES [4] NO [1]

IF YOU ANSWERED YES, please indicate the frequency that this has occurred:

Once ..... [0]

Once/year ..... [0]

Twice/year ..... [2]

Three times/year ..... [0]

More than three times/year ..... [2]

C. How would you rate the value of the Clearinghouse review as it now operates for coordination of planning and elimination of planning conflicts?

1. High value - essential to state/local government ..... [1]
2. Satisfactory value ..... [4]
3. Minimal value; needs improvement ..... [0]
4. Low value; not needed for state/local government ..... [0]

IF YOU ANSWERED 3 or 4, please explain the weaknesses or problems with the State Clearinghouse _____

_____

_____

7. Joint Funding Project (JFP)

A. Do you prepare applications for federal planning grants through the Joint Funding Project (JFP)?

YES [5] NO [0]

IF YOU ANSWERED NO, go to next section (IV)

B. What have been the results of the JFP regarding administrative time and costs?

Administrative time and cost have:

- remained the same ..... [0]
- increased minimally due to implementation of JFP ..... [3]
- increased significantly due to implementation of JFP ..... [1]
- decreased minimally ..... [1]
- decreased significantly ..... [0]

C. How would you rate the value of JFP for coordination of planning and elimination of planning conflict?

1. Excellent - essential for coordination ..... [1]
2. Satisfactory ..... [0]
3. Needs improvement ..... [3]
4. Poor - nonessential for coordination ..... [1]

IF YOU ANSWERED 3 or 4, please explain weaknesses or problems with JFP _____

_____

_____

_____

_____

_____

_____

IV. Questions in this area concern land use planning as an object of state-level policy. Involved in such policy would be identifying legitimate public interest in land use, defining a state role as opposed to the role of local government units, and establishing of procedures or a system to execute the state role without infringing private property rights.

In this area, a state planning and development agency may be responsible for such activities as:

- Analysis of laws, proposals or problems associated with land use in order to be a source for land policy direction
- Review of line agencies' activities whose programs have land use impact as well as local land use plans for effect on state as a whole
- Designation of environmentally fragile land resources requiring state control
- Assistance to local governments with land use problems
- Design and update a uniform system for classifying land according to actual use, best use, carrying capacity or other criteria

1. Is your COG involved or interested in land use planning?

YES [5] NO [0]

IF YOU ANSWERED NO, go to next section (V)

2. From the perspective of your COG, has OEPAD been active in the formulation of land policy?

YES [2] NO [3]

IF YOU ANSWERED NO, go to question 5

IF YOU ANSWERED YES, what have these activities included? _____

_____

_____

_____

3. Has OEPAD's activity in this area been useful to your COG?

YES [2] NO [0]

IF YOU ANSWERED YES, please specify _____

_____

_____

4. How would you rate OEPAD's performance in this area?

Excellent ..... [0]

Satisfactory ..... [2]

Needs improvement ..... [0]

Poor ..... [0]

*5.

What has been the effect of less than sufficient work on land use planning? _____

_____

_____

What needs to be done? _____

_____

_____

Should this be OEPAD's responsibility? YES [3] NO [0] DON'T KNOW [1]

IF YOU ANSWERED NO, whose responsibility should it be and why?

_____

_____

_____

6. Do other groups/agencies perform land use planning activities similar to those listed on p. 10?

YES [4] NO [1] DON'T KNOW [0]

IF YOU ANSWERED NO OR DON'T KNOW, go to next section (V)

IF YOU ANSWERED YES, please specify _____

_____

_____

Is there any resulting overlap, duplication or need for improved coordination?

YES [2] NO [1] DON'T KNOW [1]

* Due to difficulties expressed by respondents regarding interpretation and/or inferences of answers this question was deleted.

V. Questions in this area concern the collection, use and distribution of data and research about state government, the state's economy and demographic trends.

In this area, a state planning and development agency may be responsible for such activities as:

- Maintenance of a central repository and clearinghouse for all data related to Arizona's economy and resources
- Maintenance of an inventory of Arizona's resources
- Investigation of opportunities for the development of the state
- Provision of selected data series (including publication of economic, social and demographic projections) to the public, to private sector and to state government
- Publication of statistical abstracts or indices to guide data users
- Coordination of data collection by state agencies; identification of instances where data collection is duplicated or fragmented and take action to remedy duplication/fragmentation
- Serve as research coordinator between state government and university based research
- Serve as leader in applying science and technology advances to benefit of state development
- Conduct studies of state's economy and trends

1. From the perspective of your COG, has OEPAD been active in the area of data and research?

   YES [ 5 ] NO [ 0 ]

   IF YOU ANSWERED NO, go to question 7

2. Does your COG utilize data produced by OEPAD for planning and management?

   YES [ 5 ] NO [ 0 ]

   IF YOU ANSWERED YES, please specify data utilized _____

3. Does OEPAD regularly request data from your COG?

   YES [ 3 ] NO [ 2 ]

   IF YOU ANSWERED YES, please specify data _____

4. Are the contents of the OEPAD library utilized by your COG?

   YES [ 1 ] NO [ 4 ]

   IF YOU ANSWERED YES, please explain extent of utilization _____

5. Have you ever requested research assistance or planning information from OEPAD?

YES [4] NO [1]

IF YOU ANSWERED YES, what were the results? _____

_____

_____

6. Are you aware of any OEPAD activity to apply science and technology advances to the benefit of the state?

YES [4] NO [1]

IF YOU ANSWERED YES, please specify the activity _____

_____

_____

7. How would you describe the extent of research and data collection in Arizona?

| | A<br>Excessive Work Performed | B<br>Sufficient Work Performed | C<br>Minimal Work Performed | D<br>Insufficient Work Performed | E<br>Don't Know |
|---|---|---|---|---|---|
| - Elimination of duplicated or fragmented data collection ..... | 0 | 2 | 2 | 1 | 0 |
| - OEPAD maintenance of a central repository and clearinghouse on all data related to economy and resources ..... | 0 | 2 | 2 | 0 | 1 |
| - OEPAD maintenance of a current inventory of Arizona's resources ..... | 0 | 2 | 2 | 0 | 1 |
| - Projection and publication of selected economic, social and demographic indices ..... | 0 | 4 | 1 | 0 | 0 |
| - Investigation of state's economy and opportunities for development ..... | 1 | 2 | 2 | 0 | 0 |
| - Coordination of research between the state line agencies and the universities ..... | 0 | 1 | 1 | 0 | 3 |

IF YOU ANSWERED THAT MINIMAL OR INSUFFICIENT WORK HAS BEEN PERFORMED, IN ANY AREA,

What has been the effect of less than sufficient work in data collection and research? _____

_____

_____

What needs to be done? _____

_____

_____

Should this be OEPAD's responsibility? YES [2] NO [1] DON'T KNOW [1]

IF YOU ANSWERED NO, whose responsibility should it be? _____

_____

_____

8. Do other groups/agencies perform data collection and research activities similar to those listed on p. 12?

YES [5] NO [0] DON'T KNOW [0]

IF YOU ANSWERED NO OR DON'T KNOW, go to next section (VI)

IF YOU ANSWERED YES, please specify _____

_____

_____

Is there any resulting overlap, duplication or need for improved coordination?

YES [4] NO [0] DON'T KNOW [1]

VI. Questions in this area concern services and assistance provided to local governments in the areas of planning, obtaining federal funding and representing local interests when state policy is being developed.

In this area, a state planning and development agency may be responsible for such activities as:

- Advising local governments of policy changes at the state or federal level that affect their interests, assisting local officials to respond to this change and serving as a communicator of local interests at the state policy level
- Provision of direct technical assistance to local governments through
  - workshops or training sessions
  - staff assistance
- Compilation and publication of planning guides and data for use by local planning units
- Administration of HUD 701, EDA 302, CETA and other federal funding for local governments
- Support cooperative organizations of local governments (COGs) and others

1. From the perspective of your COG, has OEPAD been active in these areas of service and assistance to local governments?

YES [5] NO [0]

IF YOU ANSWERED NO, go to question 4

IF YOU ANSWERED YES, what have the activities included? _____

_____

_____

2. Has OEPAD's activity in this area been useful to your COG?

YES [5] NO [0]

IF YOU ANSWERED YES, please specify _____

_____

_____

3. How would you rate OEPAD's performance in this area?

Excellent ..... [1]

Satisfactory ..... [4]

Needs improvement .. [0]

Poor ..... [0]

*4.

What has been the effect of less than sufficient work in technical assistance and planning services to local governments?

_____

_____

_____

What needs to be done? _____

_____

_____

Should this be OEPAD's responsibility?

YES [1] NO [0] DON'T KNOW [0]

IF YOU ANSWERED NO, whose responsibility should it be and why? _____

_____

_____

5. Do other groups/agencies assist local governments by performing activities similar to those listed on p. 15?

YES [4] NO [1] DON'T KNOW [0]

IF YOU ANSWERED NO OR DON'T KNOW, go to question 6

IF YOU ANSWERED YES, please specify _____

_____

Is there any resulting overlap, duplication or need for improved coordination:

YES [2] NO [1] DON'T KNOW [1]

* Due to difficulties expressed by respondents regarding interpretation and/or inferences of answers this question was deleted.

6. Concerning requests you made to OEPAD for service or assistance in the past five years:

| | What Assistance Did You Request? | What Assistance Did You Receive? |
|---|---|---|
| Direct technical staff assistance ..... | 4 | 4 |
| OEPAD publications concerning planning ..... | 4 | 4 |
| Assistance in obtaining federal funds ..... | 5 | 5 |
| Staff support to OEDP Councils ..... | 2 | 2 |
| Training sessions or workshops ..... | 4 | 4 |
| Interpretation of state or federal policy ..... | 5 | 5 |
| Other (specify) _____ ..... | 0 | 0 |
| _____ | | |
| NONE ..... | 0 | |

7. Was any request for assistance denied?

YES [0] NO [5]

IF YOU ANSWERED YES, what was the reason? _____

_____

_____

8. Does your COG consider itself knowledgeable and aware of the range of technical assistance and services OEPAD can offer?

YES [4] NO [1]

IF YOU ANSWERED NO, why is this? _____

_____

_____

Please return the completed questionnaire in the enclosed, self-addressed envelope to:

Office of the Auditor General
112 North Central Avenue, Suite 600
Phoenix, Arizona 85004

Attn: Ms. Coni Good

Thank you for your assistance.

SURVEY RESULTS
74 Mailed
54 Returned
41 Responded
13 Did not answer-
Lack of dealings
with OEPAD

OFFICE OF THE AUDITOR GENERAL

Survey of Cities and Towns
for the Performance Audit of the
Office of Economic Planning and Development (OEPAD)

Name of person completing survey: _____

Job Title: _____ City/Town: _____

Address: _____ Phone number: _____

_____

I. Questions in this area concern the formulation of state goals and objectives or policy, primarily through a process of citizen participation, to furnish criteria for the development of the state. This criteria is then utilized to evaluate law changes, federal policy proposals, funding for local development projects and the state budget requests.

In this area, a state planning and development agency may be responsible for such activities as :

- Research and definition of existing growth and economic development goals, policies or practices
- Definition of methods to solicit citizen input, solicitation of such input and translation into a state-wide agenda or plan of goals and objectives
- Maintenance of a data base on the state's economy and periodic short or long-term forecasts for the future
- Initiation of studies to analyze special economic problems

1. From the perspective of your city/town, has OEPAD been active in the formulation of state growth and development goals and objectives or related responsibilities? YES ☐ 27 NO ☐ 14

IF YOU ANSWERED NO, go to question 4
IF YOU ANSWERED YES, what have these activities included? _____

_____

_____

2. Has OEPAD's activity in this area been useful to your city/town?
YES ☐ 24 NO ☐ 2 Don't Know-1

IF YOU ANSWERED YES, please specify _____

_____

3. How would your rate OEPAD's performance in this area?

13 ☐ Excellent
10 ☐ Satisfactory
4 ☐ Needs improvement
0 ☐ Poor

*4.

What has been the effect of less than sufficient work in developing state growth and development objectives? _____

_____

What needs to be done? _____

_____

Should this be OEPAD's responsibility? YES ☐ 10 NO ☐ 0 DON'T KNOW ☐ 7

IF YOU ANSWERED NO, whose responsibility should it be and why?

_____

_____

5. Do other agencies/groups perform activities related to state growth and development objectives (i.e., similar to those listed on p. 1)?
YES ☐ 18 NO ☐ 6 DON'T KNOW ☐ 17

IF YOU ANSWERED NO OR DON'T KNOW, go to next section (II)
IF YOU ANSWERED YES, please specify _____

_____

Is there any resulting overlap, duplication or need for improved coordination? YES ☐ 10 NO ☐ 3 DON'T KNOW ☐ 5

* Due to difficulties expressed by respondents regarding interpretation and/or inferences of answers this question was deleted.

II. Questions in this area concern land use planning as an object of state-level policy. Involved in such policy would be identifying legitimate public interests in land use, defining a state role as opposed to the role of local government units, and establishing procedures or a system to execute the state role without infringing private property rights.

In this area, a state planning and development agency may be responsible for such activities as:

- Analysis of laws, proposals or problems associated with land use in order to be a source for land policy direction
- Review of line agencies activities whose programs have land use impact as well as local land use plans for effect on state as a whole
- Designation of environmentally fragile land resources requiring state control
- Assistance to local governments with land use problems
- Design and update a uniform system for classifying land according to actual use, best use, carrying capacity or other criteria

1. Is your city/town involved or interested in land use planning?
YES ☐ 36 NO ☐ 5
IF YOU ANSWERED NO, go to next section (III)

2. From the perspective of your city/town, has OEPAD been active in the formulation of land use planning policy? YES ☐ 10 NO ☐ 26

IF YOU ANSWERED NO, go to question 5
IF YOU ANSWERED YES, what have these activities included? _____

_____

3. Has OEPAD's activity in this area been useful to your city/town?
YES ☐ 8 NO ☐ 2

IF YOU ANSWERED YES, please specify _____

_____

4. How would you rate OEPAD's performance in this area?

0 ☐ Excellent
7 ☐ Satisfactory
2 ☐ Needs improvement
0 ☐ Poor
1 Don't Know

*5.

* Due to difficulties expressed by respondents regarding interpretation and/or inferences of answers this question was deleted.

What has been the effect of less than sufficient work in land use planning? _____

_____

What needs to be done? _____

_____

Should this be OEPAD's responsibility? YES ☐ 14 NO ☐ 1 DON'T KNOW ☐ 8

IF YOU ANSWERED NO, whose responsibility should it be and why?

_____

_____

6. Do other agencies/groups perform land use planning activities similar to those listed on p. 3? YES ☐ 20 NO ☐ 3 DON'T KNOW ☐ 12

IF YOU ANSWERED NO, go to next section (III)
IF YOU ANSWERED YES, please specify _____

_____

Is there any resulting overlap, duplication or need for improved coordination? YES ☐ 12 NO ☐ 6 DON'T KNOW ☐ 6

III. Questions in this area concern the collection, use and distribution of data and research about state government, the state's economy and demographic trends.

In this area, a state planning and development agency may be responsible for such activities as:

- Maintenance of a central repository and clearinghouse for all data related to Arizona's economy and resources
- Maintenance of an inventory of Arizona's resources
- Investigation of opportunities for the development of the state
- Provision of selected data series (including publication of economic, social and demographic projections) to the public, to private sector and to state government
- Publication of statistical abstracts or indices to guide data users
- Coordination of data collection by state agencies; identification of instances where data collection is duplicated or fragmented and take action to remedy duplication/fragmentation
- Serve as research coordinator between state government and university based research

- Serve as leader in applying science and technology advances to benefit of state development

- Conduct studies of state's economy and trends

1. From the perspective of your city/town, has OEPAD been active in the area of data and research? YES ☐ 28 NO ☐ 13

   IF YOU ANSWERED NO, go to question 7

2. Does your city/town utilize data produced by OEPAD for planning and management? YES ☐ 25 NO ☐ 3

   IF YOU ANSWERED YES, please specify data utilized _____

   _____

3. Does OEPAD regularly request data from your city/town? YES ☐ 14 NO ☐ 14

   IF YOU ANSWERED YES, please specify data _____

   _____

4. Are the contents of the OEPAD library utilized by your city/town? YES ☐13 NO ☐15

   IF YOU ANSWERED YES, please explain extent of utilization _____

   _____

5. Have you ever requested research assistance or planning information from OEPAD? YES ☐ 21 NO ☐ 7

   IF YOU ANSWERED YES, what were the results? _____

   _____

6. Are you aware of any OEPAD activity to apply science and technology advances to the benefit of the state? YES ☐ 10 NO ☐ 18

   IF YOU ANSWERED YES, please specify the activities _____

   _____

7. How would you describe the extent of research and data collection in Arizona? (see following page)

| | A Excessive Work Performed | B Sufficient Work Performed | C Minimal Work Performed | D Insufficient Work Performed | E Don't Know |
|---|---|---|---|---|---|
| - Elimination of duplicated or fragmented data collection ..... | ☐ 0 | ☐ 9 | ☐ 4 | ☐ 5 | ☐ 23 |
| - OEPAD maintenance of a central repository and clearinghouse on all data related to economy and resources ..... | ☐ 0 | ☐ 17 | ☐ 1 | ☐ 2 | ☐ 21 |
| - OEPAD maintenance of a current inventory of Arizona's resources ..... | ☐ 1 | ☐ 14 | ☐ 4 | ☐ 2 | ☐ 20 |
| - Projection and publication of selected economic, social and demographic indices.. | ☐ 3 | ☐ 16 | ☐ 6 | ☐ 3 | ☐ 13 |
| - Investigation of state's economy and opportunities for development ..... | ☐ 0 | ☐ 14 | ☐ 5 | ☐ 2 | ☐ 20 |
| - Coordination of research between the state line agencies and the universities ..... | ☐ 0 | ☐ 5 | ☐ 4 | ☐ 4 | ☐ 28 |

IF YOU ANSWERED THAT MINIMAL OR INSUFFICIENT WORK HAS BEEN PERFORMED IN ANY AREA,

What has been the effect of less than sufficient work in data collection and research? _____

_____

What needs to be done? _____

_____

Should this be OEPAD's responsibility? YES ☐ 7 NO ☐ 2 DON'T KNOW ☐ 5

IF YOU ANSWERED NO, whose responsibility should it be and why? _____

_____

8. Do other agencies/groups perform data collection and research activities similar to those listed on pp. 4-5? YES ☐ 18 NO ☐ 4 DON'T KNOW ☐ 19

IF YOU ANSWERED NO OR DON'T KNOW, go to next section (IV)
IF YOU ANSWERED YES, please specify _____

_____

Is there any resulting overlap, duplication or need for improved coordination? YES ☐ 7 NO ☐ 2 DON'T KNOW ☐ 10

IV. Questions in this area concern services and assistance provided to local governments in the area of planning, obtaining federal funding and representing local interests when state policy is being developed.

In this area, a state planning and development agency may be responsible for such activities as:

- Advising local governments of policy changes at the state or federal level that affect their interests; assisting local officials to respond to this change and serving as a communicator of local interests at the state policy level
- Provision of direct technical assistance to local governments through
  - workshops or training sessions
  - staff assistance
- Compilation and publication of planning guides and data for use by local planning units
- Administration of HUD 701, EDA 302, CETA and other federal funding for local governments
- Support cooperative organizations of local governments (COGS)

1. From the perspective of your city/town, has OEPAD been active in the area of service and assistance to local governments?
YES ☐ 29 NO ☐ 11 Don't Know - 1

IF YOU ANSWERED NO, go to question 4
IF YOU ANSWERED YES, what have the activities included? _____

_____

2. Has OEPAD's activity in this area been useful to your city/town?
YES ☐ 25 NO ☐ 4

IF YOU ANSWERED YES, please specify _____

_____

3. How would you rate OEPAD's performance in this area?

10 ☐ Excellent
13 ☐ Satisfactory
6 ☐ Needs improvement
0 ☐ Poor

* 4.

What has been the effect of less than sufficient work in services and assistance to local governments? _____

_____

What needs to be done? _____

_____

Should this be OEPAD's responsibility? YES ☐ 8 NO ☐ 0 DON'T KNOW ☐ 5

IF YOU ANSWERED NO, whose responsibility should it be and why?

_____

5. Do other groups/agencies assist local governments by performing activities similar to those listed on p. 7? YES ☐ 25 NO ☐ 5 DON'T KNOW ☐ 10

IF YOU ANSWERED NO, go to question 6
IF YOU ANSWERED YES, please specify _____

_____

Is there any resulting overlap, duplication or need for improved coordination? YES ☐ 12 NO ☐ 8 DON'T KNOW ☐ 5

* Due to difficulties expressed by respondents regarding interpretation and/or inferences of answers this question was deleted.

6. Concerning requests you made to OEPAD for planning assistance in the past five years:

| | What assistance did you request? | What assistance did you receive? |
|---|---|---|
| Direct technical staff assistance | 18☐ | 20☐ |
| OEPAD publications concerning planning | 15☐ | 17☐ |
| Assistance in obtaining federal funds | 18☐ | 17☐ |
| Staff support to OEDP Councils | 9☐ | 8☐ |
| Training sessions or workshops | 6☐ | 7☐ |
| Interpretation of state or federal policy | 8☐ | 8☐ |
| Other (specify) _____ _____ | 3☐ | 3☐ |
| NONE | 9☐ | |

7. Was any request for assistance denied? YES ☐ 3 NO ☐ 35
Don't Know-3 No Help Given-1

IF YOU ANSWERED YES, what was the reason? _____

_____

8. Does your community consider itself knowledgeable and aware of the range of technical assistance and planning services OEPAD can offer? YES ☐ 18 NO ☐ 21

IF YOU ANSWERED NO, why is this? _____

_____

SURVEY RESULTS
51 Mailed
32 Returned
29 Responded
3 Did not answe
lack of dealings
with OEPAD

OFFICE OF THE AUDITOR GENERAL

Survey of Chambers of Commerce
for the Performance Audit of the
Office of Economic Planning and Development (OEPAD)

Name of person completing survey: _____

Title: _____ Chamber of Commerce for: _____

Address: _____ Phone number: _____

_____

I. Questions in this area concern the formulation of state goals and objectives or policy, primarily through a process of citizen participation, to furnish criteria for the development of the state. This criteria is then utilized to evaluate law changes, federal policy proposals, funding for local development projects and the state budget requests.

In this area, a state planning and development agency may be responsible for such activities as:

- Research and definition of existing growth and economic development goals, policies or practices
- Definition of methods to solicit citizen input, solicitation of such input and translation into a state-wide agenda or plan of goals and objectives
- Maintenance of a data base on the state's economy and periodic short or long-term forecasts for the future
- Initiation of studies to analyze special economic problems

1. From the perspective of your Chamber of Commerce, has OEPAD been active in the formulation of state growth and development goals and objectives or related responsibilities? YES ☐ 20 NO ☐ 8 Don't Know - 1

IF YOU ANSWERED NO, go to question 4
IF YOU ANSWERED YES, what have these activities included? _____

_____

2. Has OEPAD's activity in this area been useful to your Chamber of Commerce? YES ☐ 17 NO ☐ 2 Don't Know - 0

IF YOU ANSWERED YES, please specify _____

_____

3. How would you rate OEPAD's performance in this area?

8 ☐ Excellent
10 ☐ Satisfactory
1 ☐ Needs improvement
0 ☐ Poor
1 Don't Know

*4.

What has been the effect of less than sufficient work in developing state growth and development objectives? _____

_____

What needs to be done? _____

_____

Should this be OEPAD's responsibility? YES ☐10 NO ☐1 DON'T KNOW ☐3

IF YOU ANSWERED NO, whose responsibility should it be and why?

_____

_____

5. Do other groups/agencies perform activities related to state growth and development objectives? (i.e., similar to those listed on pg. 1) YES ☐15 NO ☐ 2 DON'T KNOW ☐12

IF YOU ANSWERED NO OR DON'T KNOW, go to next section (II)
IF YOU ANSWERED YES, please specify _____

_____

Is there any resulting overlap, duplication or need for improved coordination? YES ☐9 NO ☐2 DON'T KNOW ☐ 4

II. Questions in this area concern the collection, use and distribution of data and research about state government, the state's economy and demographic trends.

In this area, a state planning and development agency may be responsible for such activities as:

- Maintenance of a central repository and clearinghouse for all data related to Arizona's economy and resources
- Maintenance of an inventory of Arizona's resources
- Investigation of opportunities for the development of the state

* Due to difficulties expressed by respondents regarding interpretation and/or inferences of answers, this question was deleted.

- Provision of selected data series (including publication of economic, social and demographic projections) to the public, to private sector and to state government

- Publication of statistical abstracts or indices to guide data users

- Coordination of data collection by state agencies, identification of instances where data collection is duplicated or fragmented and take action to remedy duplication/fragmentation

- Serve as research coordinator between state government and university based research

- Serve as a leader in applying science and technology advances to benefit of state development

- Conduct studies of state's economy and trends

1. From the perspective of your Chamber of Commerce, has OEPAD been active in the area of data and research? YES ☐ 27 NO ☐ 2

   IF YOU ANSWERED NO, go to question 7

2. Does your Chamber of Commerce utilize data produced by OEPAD for planning and management? YES ☐ 25 NO ☐ 2

   IF YOU ANSWERED YES, please specify data utilized _____

   _____

3. Does OEPAD regularly request data from your Chamber of Commerce? YES ☐ 16 NO ☐ 11

   IF YOU ANSWERED YES, please specify data _____

   _____

4. Are the contents of the OEPAD library utilized by your Chamber of Commerce? YES ☐ 6 NO ☐ 21

   IF YOU ANSWERED YES, please explain extent of utilization _____

   _____

5. Have you ever requested research assistance or planning information from OEPAD? YES ☐ 17 NO ☐ 10

   IF YOU ANSWERED YES, what were the results? _____

   _____

6. Are you aware of any OEPAD activity to apply science and technology advances to the benefit of the state? YES ☐ 2 NO ☐ 25

   IF YOU ANSWERED YES, please specify the activities _____

   _____

7. How would you describe the extent of research and data collection in Arizona?

| | A Excessive Work Performed | B Sufficient Work Performed | C Minimal Work Performed | D Insufficient Work Performed | E DON'T KNOW |
|---|---|---|---|---|---|
| - Elimination of duplicated or fragmented data collection..... | 1 | 10 | 4 | 0 | 14 |
| - OEPAD maintenance of a central repository and clearinghouse on all data related to economy and resources..... | 0 | 9 | 5 | 1 | 14 |
| - OEPAD maintenance of a current inventory of Arizona's resources.... | 0 | 13 | 4 | 0 | 12 |
| - Projection and publication of selected economic, social and demographic indices.... | 1 | 12 | 6 | 1 | 9 |
| - Investigation of state's economy and opportunities for development..... | 0 | 11 | 4 | 1 | 13 |
| - Coordination of research between the state line agencies and the universities..... | 1 | 4 | 2 | 1 | 19 |

IF YOU ANSWERED THAT MINIMAL OR INSUFFICIENT WORK HAS BEEN PERFORMED IN ANY AREA,

What has been the effect of less than sufficient work in data collection and research? _____

_____

What needs to be done? _____

_____

Should this be OEPAD's responsibility? YES ☐8 NO ☐1 DON'T KNOW ☐4

IF YOU ANSWERED NO, whose responsibility should it be and why?

_____

8. Do other groups/agencies perform data collection and research activities similar to those listed on pp. 2-3? YES [14] NO [2] DON'T KNOW [12]

IF YOU ANSWERED NO OR DON'T KNOW, go to next section (III)
IF YOU ANSWERED YES, please specify _____

_____

Is there any resulting overlap, duplication or need for improved coordination? YES [10] NO [1] DON'T KNOW [3]

# APPENDIX XVII

## EXECUTIVE ORDER 75-7
## RELATING TO STATE CLEARINGHOUSE

EXECUTIVE ORDER

No. 75 - 7

RELATING TO THE REVIEW AND COORDINATION
OF FEDERALLY FUNDED PROGRAMS OF STATE AGENCIES

WHEREAS, Section 204 of the Demonstration Cities and Metropolitan Development Act of 1966, Title IV of the Intergovernmental Cooperation Act of 1968, and Section 102(2) (c) of the National Environmental Policy Act of 1969 establish certain responsibilities for the coordination of federal and federally assisted projects and programs; and

WHEREAS, the Office of Management and Budget, charged by Congress with the implementation of said Acts, has issued Circular A-95 (revised) pertaining thereto; and

WHEREAS, Circular A-95 describes a system through which the review and coordination of certain federal and federally assisted programs and projects may be accomplished; and

WHEREAS, such system includes a state clearinghouse and an appropriate number of areawide clearinghouses; and

WHEREAS, the Governor of the State of Arizona has designated the Arizona Office of Economic Planning and Development as the state clearinghouse; and

WHEREAS, the Governor has created, by executive order, the Arizona State Planning and Coordinating Committee to assist the state clearinghouse in its duties; and

WHEREAS, the Governor has designated the six councils of government in Arizona as areawide clearinghouses; and

WHEREAS, Circular A-95 specifies a list of federal assistance programs which are covered by the review and comment process; and

WHEREAS, said list of covered programs does not include all federal programs used by state agencies or of interest to the Governor of the State of Arizona; and

WHEREAS, a need exists for the review and coordination of all federally assisted programs of state agencies; and

WHEREAS, the state clearinghouse has been created, in part, to assist the Governor in the management of such federally assisted programs;

NOW, THEREFORE, I, Raul H. Castro, Governor of the State of Arizona, do hereby order and direct:

1. All state agencies, boards, commissions, and departments; and divisions thereof; shall submit to the state clearinghouse notice to intent to apply for all federal funds and assistance to be used in the operation of the programs of that state agency, board, commission, or department; or division thereof; or to be administered by that state agency, board, commission or department; or division thereof.

2. All state agencies, boards, commissions, and departments; or divisions thereof, which administer federally funded programs and activities shall require that applicants for those funds shall also submit a notice of intent to the state clearinghouse prior to the award of those funds.

3. The notices of intent shall be submitted in accordance with established procedures of the state clearinghouse.

4. The notices of intent shall be reviewed by the Arizona State Planning and Coordinating Committee in accordance with the provisions of Executive Order 75-6 and by such other appropriate entities as are consistent with the established procedures of the state clearinghouse.

5. The results of the reviews shall be submitted to the Governor in a manner which the Governor may prescribe in order to assist the Governor in managing the affairs of his office.

6. No state agency, board, commission, or department; or division thereof; shall submit an application for federal funds to a federal agency prior to filing a notice of intent with the state clearinghouse.

7. This order shall become effective immediately.

IN WITNESS WHEREOF, I have hereunto set my hand and caused to be affixed the Great Seal of the State of Arizona.

DONE at the Capitol in Phoenix this thirtieth day of May in the Year of Our Lord, One Thousand Nine Hundred and Seventy-five, and of the Independence of the United States the One Hundred and Ninety-ninth.

GOVERNOR

ATTEST:

Secretary of State

# APPENDIX XVIII

## FEDERAL A-95 HANDBOOK DESCRIPTION OF THE STATE CLEARINGHOUSE REVIEW PROCESS

# PROJECT NOTIFICATION AND REVIEW SYSTEM

The following outlines the process of the "Project Notification System" developed to implement, in part, Title IV of the Intergovermental Cooperation Act.

Step 1 Potential applicant desiring Federal assistance makes inquiries of Federal agency.

Step 2 Funding agency informs applicant that, among other things, it must notify both State and areawide clearinghouses about the project for which it intends to apply for assistance.

Step 3 Applicant notifies clearinghouses.

Step 4.a. State clearinghouse notifies State agencies which might have programs affected by proposed project, including where appropriate, environmental agencies and State agencies responsible for enforcing or furthering the objectives of civil rights laws.

4.b. Areawide clearinghouse notifies local governments and agencies whose interests might be affected by the proposed project including, where appropriate, local and regional environmental agencies and public agencies responsible for enforcing or furthering the objectives of civil rights laws.

Step 5 State agencies, local governments, or others to whom notifications have been sent inform appropriate clearinghouse of any problems they may have with the proposed project.

Step 6 Clearinghouse may sign-off on the project, if there are no problems; or, if there are problems or questions raised about the project, the clearinghouse may arrange conferences with the applicant to discuss such questions or issues.

Step 7 If questions or issues have been resolved, clearinghouse may sign-off on the application; or if issues remain, applicant and clearinghouse (and any State or local interest) cooperate in developing the application to resolve the issues and strengthen the project.

Step 8 If issues remain by the end of the 30-day notification period, the clearinghouse should inform the applicant that it will want to review the completed application, unless the issues are resolved prior to its completion.

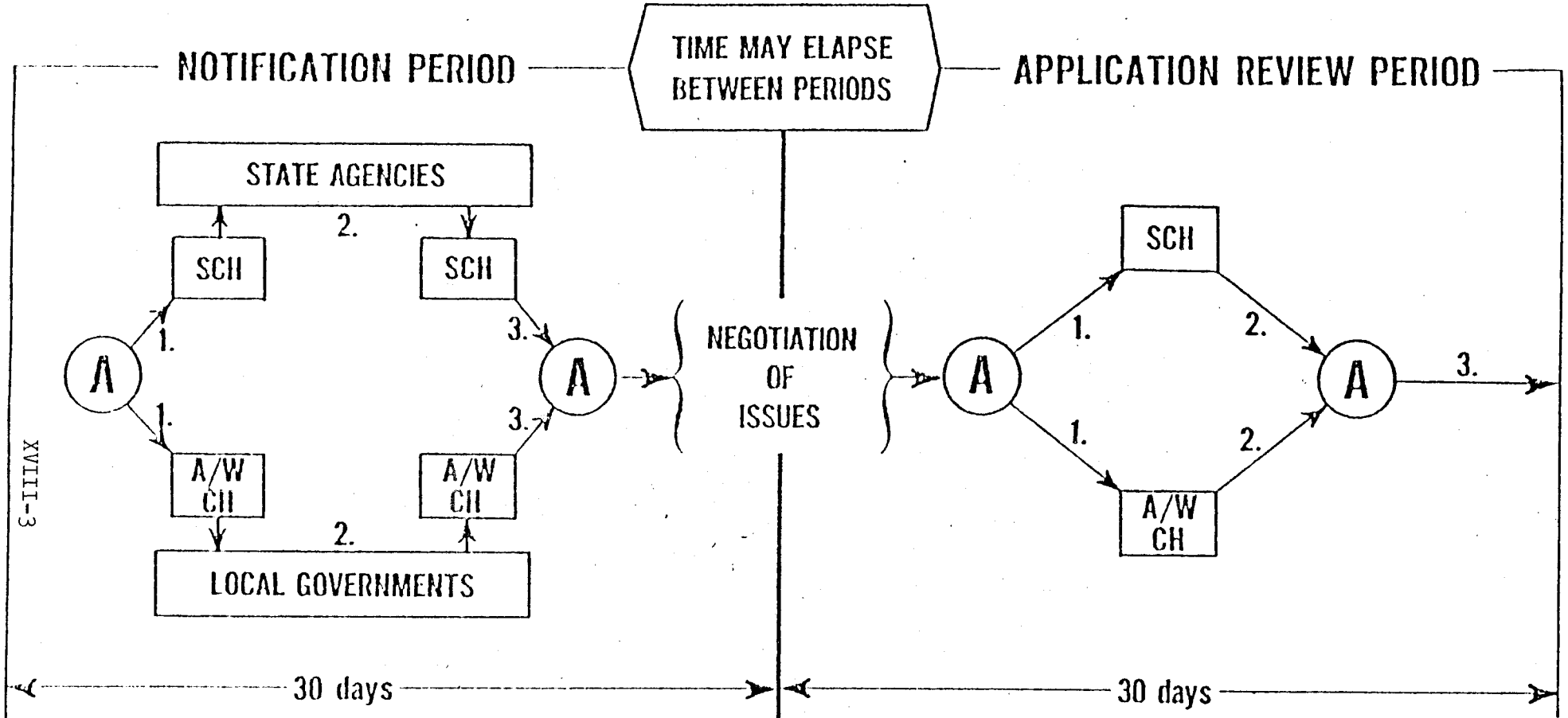
Step 9 If the clearinghouse has requested a copy of the completed application for information, when supportive comments have already been provided to the applicant, or for review and comment, when issues have not been resolved, the applicant will supply a copy of the completed application to the clearinghouse. If the completed application is submitted for information, the applicant may submit the application to the funding agency at the same time. Where it is submitted for review and comment, the applicant will permit 30 days for the clearinghouse to submit comments.

Step 10 At the end of 30 days or whenever the applicant has received the comments of the clearinghouse, whichever is earlier, he may submit his application to the funding agency. However, the applicant must have comments or sign-off from both the State and areawide clearinghouses (or no responses within the allotted time periods) before he is free to submit his application to the funding agency. All comments recieved from clearinghouses must accompany the application submitted to the funding agency.

Step 11 Funding agency considers application and attached comments and informs clearinghouses of action taken thereon (using Standard Form 424, where appropriate). Where a project against which a clearinghouse has recommended is funded, the action notice is accompanied by an explanation to the clearinghouse as to why its recommendations were not accepted.

It is possible for the review process to come to a satisfactory conclusion at any point at which clearinghouses can inform the applicant in writing of satisfaction with the project, as well as after Step 10. If an applicant has received no word from a clearinghouse at the end of the 30-day notification period, he may assume the clearinghouse has no further interest in the application. A clearinghouse which has not been able to get its comments on a completed application to the application during the allotted 30 days may submit his comments directly to the funding agency which will consider them if its own application processing has not been completed.

# PROJECT NOTIFICATION AND REVIEW SYSTEM




1. Applicant sends notification to State and areawide clearinghouse.

2. Clearinghouses review and secure views of State agencies and local governments.

3. Clearinghouses notify applicant
   a. If there are any issues; or
   b. Send supportive comments; or
   c. Defer comments and request completed application for review.

1. If issues have not been resolved and/or clearinghouse has requested application for review, applicant submits application to clearinghouse.

2. Clearinghouse prepares comments and submits them to applicant.

3. Applicant submits application along with all clearinghouse comments to funding agency.

OMB Approval No. 29-R0218

# FEDERAL ASSISTANCE

| | | | |
|---|---|---|---|
| 1. TYPE OF ACTION (Mark appropriate box) | ☐ PREAPPLICATION<br>☒ APPLICATION<br>☐ NOTIFICATION OF INTENT (Opt.)<br>☐ REPORT OF FEDERAL ACTION | 2. APPLICANT'S APPLICATION — a. NUMBER: NA<br>b. DATE (Year month day): 19 | 3. STATE APPLICATION IDENTIFIER — a. NUMBER: 78-10-1121<br>b. DATE ASSIGNED (Year month day): 1978/12/15 |
| | | Leave Blank | |

**SECTION I—APPLICANT/RECIPIENT DATA**

4. LEGAL APPLICANT/RECIPIENT
- a. Applicant Name : University of Arizona
- b. Organization Unit : Cooperative Extension Service
- c. Street/P.O. Box : 4341 E. Broadway
- d. City : Tucson — e. County : Pima
- f. State : Arizona — g. ZIP Code: 85721
- h. Contact Person (Name & telephone No.) : Ruth C. Brunton 255-3355 (602)

5. FEDERAL EMPLOYER IDENTIFICATION NO.: 86-6004791

6. PROGRAM (From Federal Catalog)
- a. NUMBER: 13.564
- b. TITLE: Consumers' Education Program

HEW, Dept. of Education

7. TITLE AND DESCRIPTION OF APPLICANT'S PROJECT

Consumer Education for Maricopa County Senior Citizens - Using Paraprofessionals at 40 Nutrition Socialization Centers. To help the elderly of Maricopa County learn consumer education skills they need to manage their limited resources more effectively.

8. TYPE OF APPLICANT/RECIPIENT
A–State; B–Interstate; C–Substate; – District; D–County; E–City; F–School District; G–Special Purpose District; H–Community Action Agency; I–Higher Educational Institution; J–Indian Tribe; K–Other (Specify):

Enter appropriate letter: I

9. TYPE OF ASSISTANCE
A–Basic Grant; B–Supplemental Grant; C–Loan; D–Insurance; E–Other

Enter appropriate letter(s): A

10. AREA OF PROJECT IMPACT (Names of cities, counties, States, etc.): Maricopa County

11. ESTIMATED NUMBER OF PERSONS BENEFITING: 3,000

12. TYPE OF APPLICATION
A–New; B–Renewal; C–Revision; D–Continuation; E–Augmentation

Enter appropriate letter: A

13. PROPOSED FUNDING

| | | |
|---|---|---|
| a. FEDERAL | $78,175 | .00 |
| b. APPLICANT | 10,348 | .00 |
| c. STATE | | .00 |
| d. LOCAL | | .00 |
| e. OTHER | | .00 |
| f. TOTAL | $88,523 | .00 |

14. CONGRESSIONAL DISTRICTS OF:
- a. APPLICANT: 2nd
- b. PROJECT: 1st

16. PROJECT START DATE (Year month day): 1979 6 1

17. PROJECT DURATION: 12 Months

18. ESTIMATED DATE TO BE SUBMITTED TO FEDERAL AGENCY ▶ (Year month day): 1978 12 15

15. TYPE OF CHANGE (For 12c or 12e)
A–Increase Dollars; B–Decrease Dollars; C–Increase Duration; D–Decrease Duration; E–Cancellation; F–Other (Specify): NA

Enter appropriate letter(s):

19. EXISTING FEDERAL IDENTIFICATION NUMBER: NA

20. FEDERAL AGENCY TO RECEIVE REQUEST (Name, City, State, ZIP code): U.S. Office of Education, Application Control Center, Washington, D.C. 20202

21. REMARKS ADDED: ☐ Yes ☒ No

**SECTION II—CERTIFICATION**

22. THE APPLICANT CERTIFIES THAT ▶
a. To the best of my knowledge and belief, data in this preapplication/application are true and correct, the document has been duly authorized by the governing body of the applicant and the applicant will comply with the attached assurances if the assistance is approved.

b. If required by OMB Circular A-95 this application was submitted, pursuant to instructions therein, to appropriate clearinghouses and all responses are attached:

| | No response | Response attached |
|---|---|---|
| (1) | ☐ | ☐ |
| (2) | ☐ | ☐ |
| (3) | ☐ | ☐ |

23. CERTIFYING REPRESENTATIVE
- a. TYPED NAME AND TITLE: Darrel Metcalfe, Acting Dean, Coll. of Ag.
- b. SIGNATURE:
- c. DATE SIGNED (Year month day): 19

**SECTION III—FEDERAL AGENCY ACTION**

24. AGENCY NAME

25. APPLICATION RECEIVED (Year month day): 19

26. ORGANIZATIONAL UNIT

27. ADMINISTRATIVE OFFICE

28. FEDERAL APPLICATION IDENTIFICATION

29. ADDRESS

30. FEDERAL GRANT IDENTIFICATION

31. ACTION TAKEN
- ☐ a. AWARDED
- ☐ b. REJECTED
- ☐ c. RETURNED FOR AMENDMENT
- ☐ d. DEFERRED
- ☐ e. WITHDRAWN

32. FUNDING

| | | |
|---|---|---|
| a. FEDERAL | $ | .00 |
| b. APPLICANT | | .00 |
| c. STATE | | .00 |
| d. LOCAL | | .00 |
| e. OTHER | | .00 |
| f. TOTAL | $ | .00 |

33. ACTION DATE ▶ (Year month day): 19

34. STARTING DATE (Year month day): 19

35. CONTACT FOR ADDITIONAL INFORMATION (Name and telephone number)

36. ENDING DATE (Year month day): 19

37. REMARKS ADDED: ☐ Yes ☐ No

38. FEDERAL AGENCY A-95 ACTION
a. In taking above action, any comments received from clearinghouses were considered. If agency response is due under provisions of Part 1, OMB Circular A-95, it has been or is being made.

b. FEDERAL AGENCY A-95 OFFICIAL (Name and telephone no.)

APPENDIX XX

EXECUTIVE ORDER 75-6 RELATING TO THE
STATE PLANNING AND COORDINATING COMMITTEE

EXECUTIVE ORDER

No. 75 - 6

CREATING THE ARIZONA STATE PLANNING
AND COORDINATING COMMITTEE

This Executive Order amends and replaces Executive Order 74-7

WHEREAS, Section 204 of the Demonstration Cities and Metropolitan Development Act of 1966, Title IV of the Intergovernmental Cooperation Act of 1968, and Section 102 (2) (C) of the National Environmental Policy Act of 1969 establish certain responsibilities for the coordination of federal or federally assisted projects and programs; and

WHEREAS, the Office of Management and Budget, charged by Congress for implementation of said Acts has issued Circular A-95 (Revised) pertaining thereto dated November 13, 1973; and

WHEREAS, Circular A-95 (Revised) said in part, "The purpose of this part (Part I) is to:

a. Further the policies and directives of Title IV of the Intergovernmental Cooperation Act of 1968 by encouraging the establishment of a network of state and areawide planning and development clearinghouses which will aid in the coordination of federal or federally assisted projects and programs with state, areawide, and local planning for orderly growth and development.

b. Implement the requirements of Section 204 of the Demonstration Cities and Metropolitan Development Act of 1966 for metropolitan areas within the network.

c. Implement, in part, requirements of Section 102 (2) (C) of the National Environmental Policy Act of 1969, which require that state, areawide, and local agencies which are authorized to develop and enforce environmental standards be given an opportunity to comment on the environmental impact of federal or federally assisted projects.

d. Provide public agencies charged with enforcing or furthering the objectives of state and local civil rights laws with opportunity to participate in the review process established under this Part.

e. Encourage, by means of early contact between applicants for federal assistance and state and local governments and agencies, an expeditious process of intergovernmental coordination and review of proposed projects;" and

WHEREAS, the Governor of the State of Arizona did on September 22, 1969, designate the Arizona Department of Economic Planning and Development as the state clearinghouse; and

WHEREAS, Circular A-95 (Revised) said in part, "Any agency of State or local government or any organization or individual undertaking to apply for assistance to a project under a Federal program listed in Attachment D will be required to notify the planning and development clearinghouse of the State (or States) and the region, if there is one, or of the metropolitan area in which the project is to be located, of its intent to apply for assistance;" and

WHEREAS, Circular A-95 (Revised) said in part, "Clearinghouse functions include:

a. Evaluating the significance of proposed Federal or federally assisted projects to State, areawide or local plans and programs, as appropriate.

b. Receiving and disseminating project notifications to appropriate State agencies in the case of the State clearinghouse and to appropriate local governments and agencies and regional organizations in the case of areawide clearinghouses; and providing liaison, as may be necessary, between such agencies or bodies and the applicant.

c. Assuring, pursuant to Section 102 (2) (C) of the National Environmental Policy Act of 1969, that appropriate State, areawide, or local agencies which are authorized to develop and enforce environmental standards are informed of and are given opportunity to review and comment on the environmental significance of proposed projects for which Federal assistance is sought.

d. Providing public agencies charged with enforcing or furthering the objectives of State and local civil rights laws with opportunity to review and comment on the civil rights aspects of the project for which assistance is sought.

e. Providing, pursuant to Part II of these regulations, liaison between Federal agencies contemplating direct Federal development projects and the State or areawide agencies or local governments having plans or programs that might be affected by the proposed project;" and

WHEREAS, Circular A-95 (Revised) said in part, "Comments and recommendations made by or through clearinghouses with respect to any project are for the purpose of assuring maximum consistency of such projects with State, areawide and local comprehensive plans;" and

WHEREAS, Circular A-95 (Revised) said in part, "The purpose of this (Part III) is to provide federal agencies with information about the relationship of State plans required under various Federal programs to State comprehensive planning and to other state plans....The Governor or his delegated agency be given the opportunity to comment on the relationship of such State plan to comprehensive and other State plans and programs and those of affected areawide or local jurisdictions....A State plan under this part is defined to include any required supporting planning reports or documentation that indicate the programs, projects, and activities for which Federal funds will be utilized"; and

WHEREAS, federal or federally assisted plans, programs, and projects are often integrally related to state or state-assisted plans, programs, and projects;

NOW, THEREFORE, I, Raul H. Castro, Governor of the State of Arizona, do hereby create the Arizona State Planning and Coordinating Committee, and order and direct:

1. The functions and the purpose of the committee shall be:

a. Advise and assist the Governor in the exercise of his obligations under Circular A-95 for the programming and coordination of activities involving federal assistance, and keep the legislature informed.

b. Advise and assist the state clearinghouse in the performance of its mission.

c. Perform for the Governor the review of state plans, as required by Circular A-95, and to make appropriate recommendations to the Governor.

d. Provide a communications forum among state agencies designed to help them in the resolution of state-level problems.

e. Advise the Governor on the adequacy of state-level planning for federal programs, with recommendations for improvement as may be appropriate.

f. Advise and assist the Governor and the legislature in the planning, programming and coordination of activities involving federal revenue sharing.

g. Develop a management system for federal programs that will assist the Governor and the legislature in the conduct of their respective state-level responsibilities. Such a system will insure that federal programs do not duplicate, overlap, compete, or impact unfavorably one on another. Additionally, the system should identify gaps or voids that can be filled by appropriate federal programs.

h. Advise and assist the Governor in the planning, programming, and coordination of certain state-funded or assisted activities which the Governor may, from time to time, specify.

i. Perform such other related tasks as the Governor may direct.

2. The committee shall be composed of the chief administrator from each of the following state agencies:

Department of Administration
Department of Corrections
Department of Economic Security
Department of Education
Department of Health Services
Department of Land
Department of Revenue
Department of Transportation
Agriculture and Horticulture Commission
Game and Fish Commission
Indian Affairs Commission
Outdoor Recreation Coordinating Commission
Water Commission
Justice Planning Agency
Parks Board
Department of Mineral Resources
Department of Public Safety
Board of Regents
Board of Community College Directors
Office of the Attorney General

3. The Governor may appoint additional members to the committee from government or non-government organizations.

4. The executive director of the Office of Economic Planning and Development shall be the chairman of the committee.

5. The Office of Economic Planning and Development will provide the necessary administrative staff and planning support for the committee.

6. This order shall become effective immediately.

IN WITNESS WHEREOF, I have hereunto set my hand and caused to be affixed the Great Seal of the State of Arizona.

DONE at the Capitol in Phoenix this thirtieth day of May in the Year of Our Lord, One Thousand Nine Hundred and Seventy-five, and of the Independence of the United States the One Hundred and Ninety-ninth.

GOVERNOR

ATTEST:

Secretary of State

APPENDIX XXI

LEGISLATIVE COUNCIL MEMORANDUM
REGARDING THE CONTINUING AUTHORITY OF
EXECUTIVE ORDERS - APRIL 24, 1980

# ARIZONA LEGISLATIVE COUNCIL

# MEMO

April 24, 1980

TO: Douglas R. Norton, Auditor General

FROM: Arizona Legislative Council

RE: Request for Research and Statutory Interpretation (0-80-14)

This is in response to a request submitted on your behalf by Gerald A. Silva in a memo dated April 9, 1980. No input was received from the Attorney General concerning this request.

FACT SITUATION:

A number of executive orders have been issued in recent years on a variety of subjects. State laws also exist that appear to address similar topics as those included in executive orders, such as the creation of councils and the establishment of state agency responsibilities.

QUESTIONS PRESENTED:

1. (a) What are the limits of subject matter or policy-making authority that can be implemented through executive order?

(b) Can enforcement clauses or penalties for noncompliance with an executive order be included?

2. When the Governor who issed the executive order leaves office, what effect, if any, does this have on the status of the order?

3. What are the advantages or disadvantages, if any, of a state law instead of an executive order concerning a policy or agency responsibility?

ANSWERS:

1. (a) "Executive order" is not defined in Arizona statutes or Arizona case law. For the purpose of answering your questions, in this memorandum the meaning of "executive order" is limited to an order of the Governor creating a council or other administrative unit and establishing its purposes and duties.

The Governor may, by executive order, establish councils or other administrative units to the extent that the power to do so has been expressly, or impliedly, conferred upon him by the Constitution of Arizona or by statute. An executive order must be within the authority granted to the Governor by the Constitution or statutory provisions. 81A C.J.S. States section 130 (1977).

Article V, section 4, Constitution of Arizona, confers upon the Governor the following general powers:

1. Transact executive business with other officers of the government.

2. Require written information from officers in the Executive Department upon any subject relating to their official duties.

3. Take care that the laws are faithfully executed.

4. Communicate to the Legislature the condition of the state and make recommendations.

Under section 41-101, Arizona Revised Statutes, certain other powers have been conferred upon the Governor. The most relevant for this opinion are the following:

1. Supervising the official conduct of all executive and ministerial officials.

2. If he has power to do so, making appointments to offices and ensuring that each appointee fulfills the appointee's official duties.

3. Establishing the Office of Economic Planning and Development.

4. Requiring any officer to make special written reports to him upon demand.

In addition to the above enumerated powers the Legislature may, by legislation, authorize or mandate that the Governor establish certain offices or councils.

Also the Legislature may establish by statute an office with the power to appoint to that office vested in the Governor.

A review of several offices recently established by executive order indicates that they fall, roughly, into three categories:

1. Advisory and citizens' councils to provide information and expert advice to the Governor. An example falling into this category would be the Arizona Governor's Commission on Corrections, established by Executive Order No. 77-2, for the purpose of assisting the Governor in corrections planning by conducting research, reviewing and formulating policies and making recommendations.

2. Offices or councils to implement policies established jointly by the Legislature and the Governor. An example would be the Arizona State Fuel and Energy Office which was established to carry out the policies of the Governor-Legislative Leadership Energy Task Force.

3. Offices or councils created to comply with federal law or to qualify for federal funds. The majority of councils and offices recently established by executive order fall within this category. Examples are:

(a) The Arizona State Justice Planning Agency, created to comply with the Omnibus Crimes Control and Safe Streets Act of 1968. Pub. L. No. 90-351, 82 Stat. 187.

(b) The Arizona Energy Purchasing Review Board, established to comply with the Energy Policy and Conservation Act of 1975. Pub. L. No. 94-163, 89 Stat. 871.

(c) The Arizona Women's Commission, established to work for equal treatment of women and accept federal grants.

(d) The Advisory Council on Aging, established to meet requirements for grant eligibility under the Older Americans Act. Pub. L. No. 94-135, 89 Stat. 713.

The Arizona State Justice Planning Agency, the Arizona Energy Purchasing Review Board and the Advisory Council on Aging were subsequently established as statutory agencies.

1. (b) A review of recent executive orders does not reveal the inclusion of any enforcement or penalty clauses. We have not been able to locate any cases concerning the authority of the Governor to enforce an executive order.

It has been stated as a general rule that a court cannot interfere with the executive actions of a Governor so long as they fall within the sphere of his lawful authority and that, whenever the action of a Governor in any matters authorized by law comes before the court for review, it is the duty (of the court) to sustain him. 38 Am. Jur. section 10 (2nd ed. 1968).

The Governor's power to enforce laws does not by implication confer any specific power which he would not otherwise possess, and the power to secure efficient execution of the laws must be utilized in the manner, by the methods and within the limitations prescribed by the Constitution and the statutes of the state. 81A C.J.S. States section 130 (1977).

We are not able to determine whether or not under what circumstances the Governor has the authority to include an enforcement or penalty clause in an executive order. Presumably the legality of such a clause would depend on the particular type of enforcement or penalty and the particular subject matter of the order.

2. Until rescinded or superseded, an executive order issued pursuant to a statute has the force and is effective beyond the expiration of the term of the Governor who issued it. 81A C.J.S. States section 130 (1977).

In the case of an executive order not issued pursuant to statute it does not appear that a successor Governor would have a particular duty to keep such an order alive.

3. The advantages or disadvantages of an executive order versus a statute concerning policy or agency responsibility is more a political question than a legal one. A former Governor has spoken on the advantages and disadvantages of special (Governor's) gubernatorial councils or committees:

> Another way it has been possible to develop executive leadership in Arizona has been through the use of citizen committees. Twenty-three such committees have been established during the past five years utilizing the services of several hundred individuals, most of whom are experts at the executive level in highly specialized areas. At the present time there are continuing committees engaged in traffic safety, industrial development, health and welfare, employment of the handicapped, cultural and economic relations with Mexico, and state historical activities. Special committees

assist in such areas as penology, marriage and family problems, taxes, and many others.

* * *

Many additional examples could be given to indicate how citizen committees have proven valuable in Arizona as extensions of the governor's office. There are two obvious reasons for their effectiveness. One is the tremendous scope of expert advice and experience that is available in this procedure. The other is the advantage gained in legislative and public acceptance of policies and programs that have been developed by leading citizens.

* * *

Citizen Committees help to overcome organizational inadequacies in our State Government, but their use is not without difficulties. In addition to the problem of professional staff assistance they often perform advisory functions that properly belong in the domain of established agencies. Duplications of effort, over-lapping of functions, and problems of coordination both official and unofficial make an already unwieldy executive structure even more cumbersome, and it is difficult for the governor to spread his attention over the increasing size and scope of such a fragmented system.[1]

Other considerations would be whether or not the council or agency should be part of the executive department or part of an existing agency or established as a separate agency, and differences in staffing and budgeting among the alternatives. Ultimately only the Legislature and the Governor can decide these questions.

CONCLUSIONS:

1. (a) The Governor may, by executive order, establish a council or other administrative unit as an advisory group to the Governor, if authorized or mandated by statute, if authorized by federal law and otherwise if it is within his legal authority to do so.

(b) We cannot determine under what circumstances a particular enforcement clause or penalty clause of an executive order would be legal.

2. An executive order issued pursuant to a statute presumably is effective until rescinded or superseded by a subsequent executive order. Executive orders not issued pursuant to statute apparently are not binding on subsequent Governors.

3. See discussion.

cc: Gerald A. Silva
Performance Audit Manager

1. Fannin, Paul, "The Governor's Office: Views of the Incumbent." The Office of Governor in Arizona by Paul Fannin, et al pp 7-9 (Arizona State University, Tempe, Az: 1964).

# APPENDIX XXII

LEGISLATIVE COUNCIL MEMORANDUM

FEBRUARY 25, 1980

RELATING TO LEGISLATIVE OVERSIGHT

OF FEDERAL FUNDS

# ARIZONA LEGISLATIVE COUNCIL

# MEMO

February 25, 1980

TO: Douglas R. Norton, Auditor General

FROM: Arizona Legislative Council

RE: Request for Research and Statutory Interpretation (0-79-58)

This is in response to a request submitted on your behalf by Gerald Silva in a memo dated February 19, 1980. No input was received from the attorney general concerning this request.

QUESTION PRESENTED:

Does the legislature have the authority to appropriate federal funds?

ANSWER:

The issue of legislative oversight of federal funds has received considerable attention in recent years as state legislatures have attempted to grapple with problems created by the influx of federal aid. The primary justification cited for legislative oversight is:

> That in order for state legislatures to fulfill their constitutional responsibility for the proper and effective allocation of the revenues of a state, they must consider federal funds in their appropriations process. To ignore these funds greatly undermines the legislature's traditional power over the purse strings, since federal funds now constitute a significant portion of state expenditures. A.C.I.R., "Information Bulletin No. 79-5", August, 1979.

The proper and effective allocation of funds requires that:

1. When there is discretion involving how federal grants should be allocated, the legislature, not executive branch agencies, should make the decision.

2. When legislatures refuse to provide funds for certain programs, those same programs should not be established using federal funds, unless the legislature consents.

3. There should be a legislative role in decisions concerning the placement of a program and its relationship with existing or planned programs.

4. In federal programs that require no immediate state commitment, there should be legislative involvement since the state is often expected to assume part or all of the costs of the program in later years. Id. at p.2.

States have used various methods to provide oversight capabilities for the legislature, including: (a) legislative appropriation of federal funds, (b) legislative review of agency applications for federal funds, and (c) legislative tracking of federal monies entering the state. The first two options have been the subject of numerous

legislative proposals in Arizona. Your question specifically regards the authority of the legislature to appropriate federal funds. A review of Arizona case law casts doubt on the legal authority of the legislature to provide for such an appropriation.

The Arizona Supreme Court has held that "it is within the power of the legislature to make appropriations relating to state funds, but funds from a purely federal source are not subject to the appropriative power of the legislature." Navajo Tribe v. Arizona Dept. of Administration, 111 Ariz. 279, 528 P.2d 623 (1975). The court noted that while the legislature has the supreme power in matters of appropriation, Ariz. Const. art. IX, section 5, this power is only over funds to which the state has equitable as well as legal title. Id. Payment of funds into the state treasury doesn't necessarily give the state title to those funds. Id. Custodial funds are not state monies. Id. This view was reaffirmed both in the majority and dissenting opinions in Cochise County v. Dandoy, 116 Ariz. 53 (1977). These Arizona cases are essentially based on MacManus v. Love, 179 Colo. 218, 499 P.2d 609 (1972), which dealt with a legislative provision that "any federal or cash funds received by any agency in excess of the (regular) appropriation shall not be expended without additional legislative appropriation." The court held that this legislative limitation violated the constitutional doctrine of separation of powers. The state can appropriate state monies conditioned upon receipt of matching federal monies, Id. at 610, but the court described the actions of the legislature as an "attempt to limit the executive branch in its administration of federal funds to be received by it directly from agencies of the federal government and unconnected with any state appropriations". Id. The court had the same conclusions as the later Arizona decision -- legislative appropriation power relates only to state funds; custodial funds are not state monies; and federal contributions are not the subject of the appropriative power of the legislature. Id. The New Mexico Supreme Court has also followed the Colorado ruling in State ex rel. Sego v. Kirkpatrick, 524 P.2d 975 (1975), when it commented that "as to the authority of the Legislature to appropriate non-state funds available to the institutions of higher learning, we are of the opinion that the Legislature lacks authority to appropriate these funds or to control the use thereof through the power of appropriation." It agreed that based on the doctrine of separation of powers federal contributions are not the subject of the appropriative power of the legislature. The court concluded that "our Legislature clearly has the power, and perhaps the duty in appropriating State monies to consider the availability of federal funds for certain purposes, but it has no power to appropriate and thereby endeavor to control the manner and extent of the use or expectation of federal funds to institutions of higher learning." Id.

Not all courts have been in accord, e.g., Shapp v. Sloan, 391 P.2d. 595 (1978). The Pennsylvania court rejected the claim that funds not raised under general state law are constitutionally different from other funds in the state treasury. The court commented that the Pennsylvania constitution gave the state legislature the exclusive authority to appropriate money from the state treasury regardless of its source. The executive branch had no constitutional authority to appropriate public monies for any purpose. The court dismissed arguments that legislative appropriation of federal funds would violate the doctrine of separation of powers by limiting the executive branch in its administration of federal funds. Id. at p. 605. Instead, the court noted that unfettered executive control of federal funds could lead to a dual system of programs and agencies which would "result in a duplication of services and obliteration of the distinctions between the separate

functions and powers of these two co-equal branches of government." Id. In other words, the executive branch would be encroaching on the legislature's authority and responsibility to determine what programs should be adopted in the state and how they will be financed.

This case was appealed to the United States Supreme Court which dismissed the appeal "for want of a substantial federal question." Arguably, the U. S. Supreme Court's dismissal of Shapp provides authority for the Arizona Supreme Court to reconsider its decision in the Navajo Tribe case.

There is no question that the Arizona Legislature needs to consider the amount of federal funds received by budget units when it makes appropriations of state funds to them. If it chooses to try the appropriations approach, there is certainly a strong argument to be made that, after the Shapp decision, the legislature should have this authority.

CONCLUSION:

On its face, the Arizona Supreme Court's decision in the Navajo Tribe case would appear to preclude legislative appropriation of federal funds, absent a state constitutional amendment. However, the U. S. Supreme Court's dismissal of the Shapp case offers persuasive arguments as to why the Navajo Tribe decision might not be followed by our Supreme Court in the face of legislatively assumed jurisdiction.

cc: Gerald A. Silva
Performance Audit Manager

# APPENDIX XXIII

NATIONAL CONFERENCE OF STATE LEGISLATURES (NCSL)
15 RECOMMENDATIONS ON
CONTROLLING FEDERAL FUNDS

## Controlling Federal Funds: A Set of Recommendations

*In the forthcoming publication, "A Legislator's Guide to Oversight of Federal Funds," NCSL's Fiscal Affairs and Oversight Committee offers 15 recommendations to improve state legislative oversight of federal funds. A summary of the recommendations follows.*

**Recommendation #1: Necessary Background Information on State Environment.**

Prior to establishing, changing, or augmenting mechanisms to oversee federal funds, state legislatures should conduct a review of:

- The extent of legislative appropriations authority, both in and out of session.
- Existing appropriations practices, including informational flow between the governor, the agencies, and the legislature.
- Existing treatment of federal funds in the legislative budget process, including any differences in the way revenue sharing, block grants, and categoricals are treated.
- Current legislative involvement in existing review, control, and reporting processes (such as the A-95 process).
- Existing interim mechanisms to deal with unanticipated federal funds, such as automatic appropriation, gubernatorial approval or action by body authorized to overview these funds.
- Existing technical and accounting processes to identify and track funds in the state treasury.
- Trends and amounts of state expenditures and appropriations.
- If possible, federal assistance to state agencies by program.

**Recommendation #2: Review and Determination of Appropriate Procedures.**

The Fiscal Affairs and Oversight Committee recommends that state legislatures consider various oversight mechanisms such as: tracking and information activities; grant application and state plan review; and legislative appropriation of federal funds to determine which, if any, of these approaches will lead to more effective legislative oversight of federal funds.

### A. TRACKING AND INFORMATION

**Recommendation #3: Tracking and Information on Use of Federal Funds by State Agencies.**

State legislatures should procure timely, detailed, and accurate information about the amount and use of federal funds by state agencies. This data should be incorporated into the legislative budget document to provide a total picture of state/federal program expenditures and estimate future obligations.

**Recommendation #4: Legislative Utilization of Existing Federal Fund Information Sources.**

The Committee recommends that state legislatures automatically receive all A-95 grant application and TC-1082 award information data provided by the federal government. Legislatures should establish a cooperative agreement with state executive offices to share and amass such data.

**Recommendation #5: Budget Display of Federal Fund Information.**

For all block grant and categorical assistance received by state agencies for support of agency operations, the Committee recommends that the budget document display this information in as detailed a manner as possible (subprogram allocation.) Information should also reflect the number and type of personnel funded by this federal aid.

**Recommendation #6: Accounting Procedures.**

The Committee recommends that state legislatures, in conjunction with their executive branch, establish accounting procedures to identify and track federal funds coming into the state treasury.

**Recommendation #7: Itemization of In-Kind Sources of State Match.**

The Committee recommends that legislatures require state agencies to itemize both direct and indirect funding sources for state match required by federal grant programs in the budget document.

**Recommendation #8: Information on Federal Reimbursements.**

The Committee recommends that state legislatures establish procedures to receive full information on all federal reimbursement funds received by state agencies.

### B. GRANT APPLICATION AND STATE PLAN REVIEW

**Recommendation #9: Grant Application and State Plan Review.**

The Committee recommends that state legislatures should participate in the view of state plans and grant applications submitted by state agencies. Legislatures should have a strong role in determining whether these applications:

- Are consistent with state policy.
- Duplicate any on-going state programs.
- Commit the state to future expenditures it cannot or elects not to support.

**Recommendation #10: Focusing Application Review Activities.**

The Committee recommends that state legislatures establish criteria, such as a minimum funding level or operational support, to focus their state plan and grant application review efforts on proposed activities they consider significant to state fiscal planning.

### C. STATE LEGISLATIVE APPROPRIATION OF FEDERAL FUNDS

**Recommendation #11: State Legislative Appropriation of Federal Funds.**

The Fiscal Affairs and Oversight Committee recommends that state legislatures should appropriate federal funds in the usual manner of state appropriation.

**Recommendation #12: Coordination with Federal Budget Cycle.**

The Committee recommends that to the extent possible, state legislatures should establish state budgetary information and hearing processes flexible enough to coordinate with the federal budget cycle so federal fund information is as comprehensive and accurate as possible.

**Recommendation #13: Adjustment of State Matching Funds to Shortfall or Increase in Federal Funds.**

The Committee recommends that state legislatures establish mechanisms to reduce the level of state matching funds in the event the federal participation rate is higher than anticipated; if the amount of federal funds received is *less* than anticipated, state matching funds should be adjusted accordingly.

**D. EXEMPTIONS**

**Recommendation #14: Federal Funds Exempted From the Legislative Oversight Process.**

The Fiscal Affairs and Oversight Committee recommends that: individual transfer payments to recipients; research grants to individuals and institutions of higher education; and federal/local assistance passed through state agencies for which there is no subsequent financial obligation for the state, be exempt from formal and specific legislative oversight. It further recommends, however, that the legislature receive as accurate and comprehensive information on these funds as it determines is necessary.

**E. INTERIM ACTIVITY**

**Recommmendation #15: Interim Activity.**

For those states with legislative interims, the Committee recommends that the state legislature or its designees review and authorize the receipt and expenditure of any unanticipated federal funds, the transfer of federal funds between programs and agencies, and the reduction in any state programs due to a reduction in federal funds.

The Committee hopes that legislatures will adapt these recommendations to their unique state environments. This report and these recommendations are a product of the Fiscal Affairs and Oversight Committee's continuing efforts to study and evaluate all the various mechanisms of legislative oversight.

# APPENDIX XXIV

AUDITOR GENERAL LETTER OF RECOMMENDATIONS

JANUARY 9, 1980

RESULTING FROM FINANCIAL AUDIT OF OEPAD

DOUGLAS R. NORTON, CPA
AUDITOR GENERAL

OFFICE OF THE
# AUDITOR GENERAL

January 9, 1980

Mr. Larry Landry, Executive Director
Office of Economic Planning and Development
1700 W. Washington, 4th Floor, West Wing
Phoenix, Arizona 85007

Dear Mr. Landry:

We have examined the financial statements of the State of Arizona, Office of Economic Planning and Development for the year ended June 30, 1979, and have issued our report thereon dated September 21, 1979. As a part of our examination, we reviewed and tested the Office's system of internal accounting control to the extent we considered necessary to evaluate the system as required by generally accepted auditing standards. Under these standards the purpose of such evaluation is to establish a basis for reliance thereon in determining the nature, timing and extent of other auditing procedures that are necessary for expressing an opinion on the financial statements.

The objective of internal accounting control is to provide reasonable, but not absolute, assurance as to the safeguarding of assets against loss from unauthorized use or disposition, and the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that the cost of a system of internal accounting control should not exceed the benefits derived and also recognizes that the evaluation of these factors necessarily requires estimates and judgments by management.



112 NORTH CENTRAL AVENUE • SUITE 600 • PHOENIX, ARIZONA 85004 • 255-4385

There are inherent limitations that should be recognized in considering the potential effectiveness of any system of internal accounting control. In the performance of most control procedures, errors can result from misunderstanding of instructions, mistakes of judgment, carelessness or other personal factors. Control procedures whose effectiveness depends upon segregation of duties can be circumvented by collusion. Similarly, control procedures can be circumvented intentionally by management with respect either to the execution and recording of transactions or with respect to the estimates and judgments required in the preparation of financial statements. Further, projection of any evaluation of internal accounting control to future periods is subject to the risk that the procedures may become inadequate because of changes in conditions and that the degree of compliance with the procedures may deteriorate.

Our study and evaluation of the Office's system of internal accounting control for the year ended June 30, 1979, which was made for the purpose set forth in the first paragraph, would not necessarily disclose all weaknesses in the system. However, such study and evaluation disclosed certain conditions that we believe could be improved by implementation of the following recommendations.

1. The Office does not prepare an addition or deletion listing for general fixed assets.

   The Office should prepare an addition and deletion listing for general fixed assets on an annual basis. Capital expenditures should be reconciled to fiscal year additions. These procedures will aid in properly recording and safeguarding all general fixed assets.

2. During our test work we noted that receiving reports are not always signed and dated by the employee receiving the goods.

   All receiving reports should be signed and dated by the employee who accepts delivery of goods. This procedure would supply the Office with support that goods were actually received and paid in the proper fiscal year.

3. The same individual has custody of cash, prepares deposits and maintains the cash receipts ledger.

   Someone independent of the cash recording function should receive the cash and make the deposit to assure adequate control over cash receipts.

4. Rent expense that was transferred between the Special Revenue Fund accounts was not properly computed. Also, payroll expense transfers were not supported by proper documentation.

   Rent expense allocation computations should be reviewed for propriety. Supporting documentation for payroll expense allocation should be maintained. All allocations must be properly computed and supported to provide accurate expense recordings.

The following recommendations were made in our letter of recommendations dated March 26, 1979, and had not been implemented as of September 21, 1979:

1. In four of the individual special revenue funds, the revenue and expenditure records for the fund did not include monthly or year-to-date totals. Two of these funds had monthly and year-to-date totals last year.

   The Office accounting records should include revenue and expenditure ledgers that reflect monthly and year-to-date totals for all funds.

2. We found that the Office does not issue prenumbered cash receipts for revenues collected which are deposited by the Community Development Workshop for the Special Revenue Fund.

   To improve internal control over cash receipts, the Office should issue prenumbered cash receipts for all revenues collected by the Community Development Workshop.

If you have any questions regarding these recommendations, we shall be pleased to discuss them with you.

Douglas R. Norton
Auditor General

# APPENDIX XXV

EMPLOYEE ACTION FORM USED FOR DOCUMENTING
OEPAD PAYROLL FUND TRANSFERS

**STATE OF ARIZONA**
**PERSONNEL/PAYROLL ACTION**

AGENCY:
DIVISION:
GEO LOC:

001 DATE PRINTED

TO (A) FROM

| 010 SOCIAL SECURITY NO. 011 | LAST 012 | EMPLOYEE NAME FIRST 014 | MI 015 | SUF. 016 | PERS. SYS. 017 | 018 ACTION CODE 019 | 020 ACTION EFFECTIVE DATE 021 | DOC. NO. 022 | STATUS CODE 023 | STATUS TERMINATION DATE 024 |
|---|---|---|---|---|---|---|---|---|---|---|

TO (B) FROM

| AGENCY 031 | ORGN LOCATOR 032 | 033 POSITION 034 | CLP 035 | EMPLOYEE CLASS CODE 036 | U O 038 | EMP. GRADE 039 | EMP. STEP 040 | ANNUAL SALARY HR. RATE PERFORMANCE 041 | PERCENT TIME WORKED 042 | PAY CODE 043 | PEROQUISITE AMOUNT 044 | PAY INCREASE ELIGIBILITY DATE 045 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|

TO (C) FROM

| EMPLOYEE CLASS TITLE 046 | 047 POS. CLASS | 049 O.T.E. | 050 P. GRADE | 051 P. STATUS | 052 P. FLSA | 053 P. EEO | 054 SUPV | 056 PERCENT TIME AUTH | AGENCY USE ONLY 057 | PERFORMANCE REVIEW DATE 058 |
|---|---|---|---|---|---|---|---|---|---|---|
| | POSITION CLASS TITLE 048 | | | | | | POSITION EXPIRATION 055 | | | |

TO (D) FROM

| BIRTH DATE 060 | SEX 061 | ETHNIC CODE 062 | H.C. CODE 063 | LEAVE CODE 064 | U.C. CODE 065 | W.C. CODE 066 | VET CODE 067 | EEOC CODE 068 | STREET 069 | EMPLOYEE ADDRESS CITY 070 | ST 071 | ZIP 072 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|

| ACD | FROM BLC | FROM PAYROLL UNIT NO. | FROM PERCENT | FROM AMOUNT | TO BLC | TO PAYROLL UNIT NO. | TO PERCENT | TO AMOUNT |
|---|---|---|---|---|---|---|---|---|
| 080 | 081 | 082 | 083 | 084 | 085 | 086 | 087 | 088 |
| 089 | 090 | 091 | 092 | 093 | 094 | 095 | 096 | 097 |
| 098 | 099 | 100 | 101 | 102 | 103 | 104 | 105 | 106 |

TO (E) FROM

| MARIT STAT 110 | FEDERAL INCOME TAX EXEM 111 | CODE 112 | ADD W/H 113 | STATE INCOME TAX CODE 114 | PERCENT 115 | FICA 116 | RET 117 | PERO 118 | ANU 119 | EMPLOYEE HEALTH AND ACCIDENT INSURANCE EFFECTIVE DATE 122 | CARRIER 123 | PLAN 124 | AMOUNT 125 | CREDIT UNION ACCT. NO. 126 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|

TO (F) FROM

| GEO. LOC. 130 | PERF 135 | 131 SYS HIRE DATE | 132 STATE HIRE DATE | 133 STATE SVC MO | 134 AGY SVC MO | 136 LAST TYPE OF ACTION |
|---|---|---|---|---|---|---|

REMARKS

140

| VOLUNTARY DEDUCTIONS | | CODE | FROM PAYEE | FROM AMOUNT | TO PAYEE | TO AMOUNT |
|---|---|---|---|---|---|---|
| 1 | 150 | 151 | 152 | 153 | 154 | 155 |
| 2 | 156 | 157 | 158 | 159 | 160 | 161 |
| 3 | 162 | 163 | 164 | 165 | 166 | 167 |
| 4 | 168 | 169 | 170 | 171 | 172 | 173 |
| 5 | 174 | 175 | 176 | 177 | 178 | 179 |
| 6 | 180 | 181 | 182 | 183 | 184 | 185 |
| 7 | 186 | 187 | 188 | 189 | 190 | 191 |
| 8 | 192 | 193 | 194 | 195 | 196 | 197 |

PREPARED BY _____ NAME _____ DATE _____

APPROVALS

YES NO NAME DATE

YES NO NAME DATE

YES NO NAME DATE

200 BATCH NO

201 CERT LIST NO

EMPLOYMENT IS CERTIFIED TO BE IN ACCORDANCE WITH 202

PAYROLL DEDUCTION AUTHORIZATION ONLY 203

Authorized Signature Date | Authorized Signature Date

Z-001 6/77

FINANCE COPY

# APPENDIX XXVI

LETTER FROM OEPAD EXECUTIVE DIRECTOR,
JANUARY 15, 1980,
IN RESPONSE TO AUDITOR GENERAL
LETTER OF RECOMMENDATIONS

ARIZONA
OFFICE OF THE GOVERNOR
BRUCE BABBITT

OFFICE OF
ECONOMIC PLANNING AND DEVELOPMENT
General Offices of OEPAD • 4th Floor

January 15, 1980

Mr. Douglas R. Norton
Auditor General
Office of the Auditor General
112 No. Central Ave., Suite 600
Phoenix, Az. 85004

Dear Mr. Norton:

The financial audit of OEPAD completed by your staff is one that I very much appreciate. I have reviewed both the Report on Examination of Financial Statements and the Letter of Recommendations and would like to thank your staff for the thorough job completed. At our meeting of January 9, 1980 several points were discussed which I would like to reiterate with regards to both documents.

Report on Examination of Financial Statements OEPAD June 30, 1979. Note 3. Budget and Actual Expenditures.
The question raised on this note pertained to the authorization of the Legislature to OEPAD not to make expenditures exceeding $1,560,700. This relates only to State funds and may need clarification since expenditures will exceed this amount due to the federal funds allocated to the office.

Letter of Recommendations December, 1979.

1. Preparation of an addition and deletion listing for general fixed assests.
A listing of all assets of the office has been compiled, a seperate receipt of assests will be developed at the beginning of each fiscal year. All equipment under a lease/purchase agreement will be included in the listing

2. Receiving reports signed and dated by employee receiving the goods.
This is an office procedure and has been reiterated to staff.



Mailing Address: Executive Tower Room 505 • 1700 West Washington • Phoenix, Arizona 85007

3. Same individual has custody of cash, prepares deposits and maintains the cash receipts ledger.
This problem has been corrected.

4. Rent expense was not properly computed.
A system has been initiated to have a check system on computations for rent.

Recommendations from Letter of Recommendations dated March 26, 1979.

1. Of the four accounts which did not appear to being kept current, two of the accounts have been closed and the other two have been corrected. Hopefully, this situation will not occur again.

2. Cash receipt books are now available from accounting to be used for this fund. For checks, a listing of the check number, amount, date/received and the company/person who prepared the check should be listed.

Again, I want to thank you for the audit statements and the recommendations to strengthen OEPAD's accounting practices.

Sincerely,

Larry Landry
Executive Director

LL:bt

# APPENDIX XXVII

OEPAD FORM USED FOR ADDITIONAL
DOCUMENTATION OF PAYROLL FUND TRANSFERS

ARIZONA

OFFICE
OF THE
GOVERNOR
BRUCE BABBITT

OFFICE OF
# ECONOMIC PLANNING AND DEVELOPMENT

General Offices of OEPAD • 4th Floor

TO: Carolyn Carter, Personnel

FROM:

This is to advise the following

new employee
adjustment
p/r unit # change
promotion
merit increase
other

is to be entered on your payroll account, and all the necessary paper work in connection therewith taken care of.

Employee: _____

Effective Date: _____

Salary: _____

Grade & Step: _____

Job Title: _____

Payroll Unit Number: _____

Remarks:

_____

_____

_____

Approved: _____

Date: _____



Mailing Address: Executive Tower Room 505 • 1700 West Washington • Phoenix, Arizona 85007

(print last name)

TIME RECORD SHEET FOR JANUARY 19 79 Signed _____ Approved _____

| | HOURS WORKED | Comp Earned | Leave Used Annual | Leave Used Sick | Leave Used Comp | Remarks | Federal Hours | Federal Program | Work Program Element Number | Work Program Element DESCRIPTION |
|---|---|---|---|---|---|---|---|---|---|---|
| 1 | H | | | | | | | | | |
| 2 | 8 | | | | | | | | | |
| 3 | 8 | | | | | | | | | |
| 4 | 8 | | | | | | | | | |
| 5 | 8 | | | | | | | | | |
| 6 | — | | | | | | | | | |
| 7 | — | | | | | | | | | |
| 8 | 8 | | | | | | | | | |
| 9 | — | | | 8 | | Flu | | | | |
| 10 | 8 | | | | | | | | | |
| 11 | 8 | | | | | | | | | |
| 12 | 8 | | | | | | | | | |
| 13 | — | | | | | | | | | |
| 14 | — | | | | | | | | | |
| 15 | 8 | | | | | | | | | |
| 16 | 8 | | | | | | | | | |
| 17 | 8 | | | | | | | | | |
| 18 | 8 | | | | | | | | | |
| 19 | 8 | | | | | | | | | |
| 20 | — | | | | | | | | | |
| 21 | — | | | | | | | | | |
| 22 | — | | | 8 | | Flu | | | | |
| 23 | 8 | | | | | | | | | |
| 24 | 8 | | | | | | | | | |
| 25 | 8 | | | | | | | | | |
| 26 | 8 | | | | | | | | | |
| 27 | — | | | | | | | | | |
| 28 | — | | | | | | | | | |
| 29 | 8 | | | | | | | | | |
| 30 | 8 | | | | | | | | | |
| 31 | 8 | | | | | | | | | |
| Totals | 160 | | | | | | | | | |
| Balance Brt Forward | | | 0 | 0 | | | | | | |
| Time Earned This Mo | | | 8 | 8 | | | | | | |
| Subtotal Time Earned | | | 8 | 8 | | | | | | |
| Time Used This Mo | | | 8 | 8 | | | | | | |
| Total Time Accrued | | | 0 | 0 | | | | | | |

MONTHLY SUMMARY – J.F.P.

| Element | % of Time | $$ |
|---|---|---|
| | | |
| | | |
| | | |
| | | |
| TOTAL | 100% | |

INSTRUCTIONS FOR PREPARING TIME RECORD SHEET

1) Print Last Name
2) Indicate month and year
3) HOURS WORKED: Enter your total hours in this column.
4) COMPENSATORY TIME EARNED: Indicate AUTHORIZED compensatory time worked.
5) LEAVE USED: Indicate any Sick Leave, Annual Leave, or Comp Time used. Show "Leave Without Pay" in remarks column.
6) REMARKS: Any brief explanation you consider necessary.
7) FEDERAL HOURS: If you are paid from a federal fund, such as JFP or FCRC Grants, please ALSO list your hours in this column.
8) FEDERAL PROGRAM: Indicate the grant program, such as EDA, EPA, JFP, etc.
9) WORK PROGRAM ELEMENT: Number - Indicate the Element number, such as 101, 401, etc.
   Description - List a brief title, such as Clearinghouse, Water/Sewer, Housing, etc.

   Contributed Services are also delineated in this section for the purpose of matching federal funding.
   Please indicate the total hours devoted to each Element.

10) MONTHLY SUMMARY - J.F.P.: List the Element and the percentage of your time spent on that part of the Work Program.

   For example: 102 - 100%; 106 - 25%, 105 - 25%, and 501 - 50%. The ~~percentages must~~ always total 100%. The "$$" column will be compiled by Accounting.

   This section should be filled out whether you are paid out of Federal Funds or are used as "Contributed Services."

11) Sign and obtain approval of your Supervisor.

# APPENDIX XXIX

LEGISLATIVE COUNCIL MEMORANDUM, APRIL 25, 1980
REGARDING THE LEGAL DEFINITION OF
TWO-WEEK NOTICE

# ARIZONA LEGISLATIVE COUNCIL

# MEMO

April 25, 1980

TO: Douglas R. Norton
Auditor General

FROM: Arizona Legislative Council

RE: Request for Research and Statutory Interpretation (0-80-17)

This is in response to a request submitted on your behalf by Gerald A. Silva in a memo dated April 22, 1980. No input was received from the office of the Attorney General concerning this request.

FACT SITUTATION:

According to A.R.S. section 41-1054, subsection A, the second publication of a request for proposals should be published not less than two weeks before the submission deadline.

> A state budget unit shall give notice of a request for proposals to furnish such services by mailing notice to each person who has requested personal notice in the statement filed pursuant to section 41-1053 and by publication in a newspaper of general circulation within the state for two publications not less than six nor more than ten days apart. The second publication and mailing of personal notice shall be not less than two weeks before the deadline for submitting proposals.
> (Emphasis added.)

QUESTIONS PRESENTED:

1. What is the legal definition of two weeks?

2. If defined in terms of days, how is time computed to determine whether the two weeks' requirement had been fulfilled?

ANSWERS:

1. Fourteen days.

2. See discussion.

1. There is no special legal definition of the unqualified word "week" differing from the ordinary meaning of that word as a period of seven consecutive days. "Week" is not included among the general definitions provided by A.R.S. section 1-215. "Month" is there defined at paragraph 19 as generally meaning calendar month, but the unqualified word "month" is ambiguous.

"Week" in its ordinary sense is defined in A.R.S. Title 23 relating to labor for the purposes of chapter 4 of that title as "such period of seven consecutive days as the commission may by regulation prescribe."

The word "week", without being qualified as in "five-day week", "school week", "work week", "forty-hour week" or "Easter week", needs no formal definition since it can have only one meaning. In State of Arizona ex rel. Conway v. Superior Court, 60 Ariz. 69, 131 P.2d 983 (1942), the Court had occasion to contrast the use of the word "day" in an initiative measure with the use of the word "week" in a court rule in order to determine whether a conflict in language existed, and found at page 77 that a conflict did exist:

> The alleged conflict is between the use of the word "day" in the initiated measure and the word "week" in section 44-2304, supra. If the word "day" is to be construed as meaning a specified twenty-four hours of the calendar, while the word "week" means seven of those periods, it must be admitted there is a conflict. If, however, the word "day" be interpreted as meaning any "time" not less than sixty nor more than ninety days from the date of judgment, the two provisions are not necessarily in conflict.
>
> Upon a careful consideration of the matter, we are of the opinion that only by a strained and unreasonable method of construction can the word "day" be given anything but its usual meaning of a definite and specific twenty-four hour period, while the word "week" undoubtedly can mean nothing but seven days of those periods. This being the case, there is a definite conflict. . . .

2. To comply with the statute, the second publication and mailing of personal notice must occur not less than fourteen days before the deadline. A.R.S. section 1-243, subsection A applies:

> 1-243. Computation of time
>
> A. Except as provided in subsection B, the time in which an act is required to be done shall be computed by excluding the first day and including the last day, unless the last day is a holiday, and then it is also excluded.
>
> B. In cases in which notice of a decision by the state, any agency thereof or any political subdivision must be given to a petitioner and in which the petitioner must file a notice of appeal of such decision within a time certain of less than ten days, such time shall be computed starting with the day after the day during which the notice of decision is received by the petitioner by personal service or registered or certified mail.

If the deadline for submitting proposals is April 24, 1980 for instance, the second publication and mailing of the notice must occur not later than April 9. The last day before the deadline is April 23 and is included in the computation. April 10 is the first day of the minimum fourteen-day period ending on April 23, but that day is excluded from the computation.

CONCLUSIONS:

1. Two weeks as used in A.R.S. section 41-1054 means fourteen days.

2. Time is computed in accordance with A.R.S. section 1-243.

cc: Gerald A. Silva
Performance Audit Manager

# APPENDIX XXX

LEGISLATIVE COUNCIL MEMORANDUM,
FEBRUARY 15, 1980,
REGARDING THE VALIDITY OF CONTRACTS
NOT EXECUTED ACCORDING TO STATE LAW

# ARIZONA LEGISLATIVE COUNCIL

# MEMO

February 15, 1980

TO: Douglas R. Norton, Auditor General

FROM: Arizona Legislative Council

RE: Request for Research and Statutory Interpretation (O-80-1)

This is in response to a request submitted on your behalf by Gerald Silva in a memo dated January 28, 1980. No input was received from the Attorney General concerning this request.

QUESTIONS PRESENTED:

The following questions concern contracting by the Office of Economic Planning and Development for outside professional services in amounts in excess of $5,000:

1. Arizona Revised Statutes section 41-1054, subsection A requires that a request for proposals for professional services be advertised in a newspaper of general circulation for two publications, the second of which "shall not be less than two weeks before the deadline for submitting proposals." Assuming subsection B of section 41-1054 is not applicable and the provisions of subsection A are not complied with, what is the status of the contract?

2. What would be the status of an intergovernmental agreement for which the Attorney General's review and approval had not been obtained prior to both parties signing the contract (execution of the contract)?

3. Arizona Revised Statutes title 41, chapter 6.1, article 1 requires various procedures to be followed in the awarding of contracts for outside professional services. What controls exist (if any) on amendments to contracts assuming they exceed $5,000? In other words, can an amendment in any amount (within budget constraints) be added onto an otherwise validly executed contract without any controls? Could an unrealistically low proposal be submitted by a contractor if he knew that an amendment could and would be negotiated to increase the contract amount and would this thwart the intent of the controls on the contracting process?

4. Per Arizona Revised Statutes section 41-1052, paragraph 2, subdivision (a), the time and place where proposals are to be submitted is to be included in the request for proposals. Can a revised proposal be submitted by only one of the original bidders after the deadline for submitting proposals? Can the contract then be awarded based on this revised proposal?

5. Would the status of the contract or answers to the questions be any different if the situation implied in questions 3 and 4 concerned the same contract?

6. Assuming a request for proposals for outside professional services is not advertised properly per Arizona Revised Statutes section 41-1054, subsection A and the contract ultimately results in an intergovernmental agreement (a public agency was the low bidder), is the question of improper advertising a moot point?

ANSWERS:

1. Arizona Revised Statutes section 41-1051, subsection A is explicit and requires that "/b/efore a state budget unit enters into a contract for outside professional services, it shall comply with the provisions of this article." Arizona Revised Statutes section 41-1054, subsection B prescribes exemptions from request for proposals and notice requirements:

> B. If an actual emergency exists which makes compliance with section 41-1052 or the notice requirements of this section impracticable, unnecessary or contrary to the public interest, a state budget unit may, with approval of the department of administration assistant director for finance, contract for professional services without complying with such requirements. The state budget unit shall provide a written memorandum stating the specific justifications for noncompliance with section 41-1052 or the notice requirements of this section. The memorandum shall be kept on file by the state budget unit, together with the written approval of the assistant director of finance for the department of adminstration.

If the notice requirements are not followed and the emergency exception procedures are inapplicable, it is our opinion that an agency does not have the legal capacity to enter into a valid contract for outside professional services in an amount in excess of five thousand dollars. The publication notice requirements are a necessary prerequisite to be satisfied before a contract can be made. Expenditures of state monies for a contract let under circumstances which show a failure to comply with applicable statutory requirements appear to be unauthorized expenditures of public funds.

Thus, if the requirements of Arizona Revised Statutes title 41, chapter 6.1, article 1 are not met the contract would seem to be void although a person who had performed services for the state under a void contract would probably have an equitable claim for his services.

2. Arizona Revised Statutes section 11-952, subsection D prescribes that:

> D. Every agreement or contract involving any public agency, board or commission made pursuant to this article shall, prior to its execution, be submitted to the attorney for each such public agency, board or commission, who shall determine whether the said agreement is in proper form and is within the powers and authority granted under the laws of this state to such public agency, board or commission.

Under the terms of this statute, an agency does not have authority to execute a contract prior to its review by the appropriate government attorney. For the same reasons stated in point 1, the contract would be void until its approval by the Attorney General or other appropriate attorney.

3. The statutes do not provide for amendments to contracts for professional services. There is no case law or Attorney General opinion on this point either. Normally an amendment or modification would relate back to an original contract, so that whatever controls exist for the original contract would apply to the amended contract. If the modification exceeds $5,000 and is different from the original contract such that anyone could perform it as well as the initial contractor, it is possible that it could be regarded as a new contract for professional services which would necessitate compliance with all of the required procedures in chapter 6.1. The situation you suggest of an initial low proposal with a subsequent amendment would appear to be possible under existing law.

   You may wish to recommend that amendments to contracts which exceed $5,000 require the approval of the department of administration assistant director for finance who has existing authority to approve emergency contracts for professional services.

4. The statutes do not provide for revised proposals after the deadline stated in a request for proposals. If none of the original bids are satisfactory to the state agency, it would appear that the request for proposals procedures prescribed by chapter 6.1 would have to be repeated.

5. No.

6. Since Arizona Revised Statutes section 41-1051, subsection D provides that "this article shall not be applicable to intergovernmental agency agreements" if the contract proposal resulted in an intergovernmental agreement into which the state agency had authority to enter the question of improper advertising would not seem to be relevant. Under such a situation the agency would, in effect, have determined to provide the needed service itself rather than deal in "outside" professional services.

cc: Gerald A. Silva
Performance Audit Manager

for the Perforamnce Audit of the
Office of Economic Planning and Development

1. Please check the THREE most influential factors generating economic growth and development in Arizona, both historically and those you believe will be influential in the future.

Survey Results
128 Mailed
83 Returned
73 Responding to survey
10 Responded "not involved in industrial development"

| | What have been the three most influential factors historically? | What will be the three most influential factors in the 1980s? * |
|---|---|---|
| Availability of sufficient trained labor | 24 | 21 |
| Proximity to markets | 8 | 15 |
| Proximity to raw materials | 2 | 2 |
| Climate/desirability of life style | 60 | 49 |
| Promotion of the state by government agencies and/or private developers | 10 | 16 |
| "Right to work" state | 48 | 40 |
| Political climate | 16 | 21 |
| Arizona is within growing region of the U.S. | 34 | 30 |
| Tax structure of the state | 10 | 12 |
| Others: specify various | 3 | 7 |
| specify no answer | 4 | 7 |
| specify _____ | | |

2. Please check the THREE most influential factors inhibiting economic growth and development in Arizona, both historically and those you believe will be inhibiting in the future.

| | What have been the three most inhibiting factors historically? * | What will be the three most inhibiting factors in the 1980s? |
|---|---|---|
| Lack of sufficient, trained labor | 20 | 14 |
| Distance to markets | 26 | 12 |
| Distance from raw materials | 16 | 7 |
| Lack of sufficient transportation modes | 30 | 21 |
| Limited water supply | 14 | 32 |
| Growing "urbanization" problems of metroplitan areas | 10 | 26 |
| Insufficient promotion of the state | 22 | 15 |
| Limited energy supply | 8 | 16 |
| Tax structure of state | 16 | 25 |
| Lack of available financing | 17 | 17 |
| Political climate | 7 | 7 |
| Sparsely populated Western states | 11 | 4 |
| Others: specify various | 10 | 14 |
| specify no answer | 13 | 9 |
| specify _____ | | |

* One respondent checked four responses.

3. Please check the relative importance of the following factors when a developer or industrialist is considering a specific Arizona community as an industrial location.

| | No Ans. | Very Important | Moderate Importance | Little Importance | No Importance |
|---|---|---|---|---|---|
| Trained labor force | 1 | 46 | 25 | 1 | 0 |
| Proximity to markets | 1 | 17 | 51 | 4 | 0 |
| Proximity to raw materials | 2 | 8 | 47 | 15 | 1 |
| Community attitude towards industry | 1 | 61 | 10 | 1 | 0 |
| Local political climate | 0 | 47 | 24 | 2 | 0 |
| Local tax structure | 1 | 44 | 23 | 5 | 0 |
| Distance from metropolitan area | 3 | 10 | 50 | 9 | 1 |
| Promotion of the community as an industrial location | 0 | 19 | 39 | 14 | 1 |
| Recreational opportunities | 0 | 12 | 44 | 17 | 0 |
| Availability of training or educational facilities | 1 | 37 | 32 | 3 | 0 |
| Historic employer-employee relationships | 1 | 25 | 37 | 10 | 0 |
| Others: specify various | | 19 | 3 | 0 | 0 |
| specify | | | | | |
| specify | | | | | |

4. Please check the THREE most important activities a state government agency could perform to encourage economic industiral growth and development in Arizona.

28 ☐ Conduct seminars and training workshops for local community officials on attracting industrial development, financing development and promoting their community.

36 ☐ Publize the state and its communities in national magazines or other media.

26 ☐ Contact and/or assist prospective investors new to Arizona by personally showing them industrial opportunities and sites within the state.

36 ☐ Provide information in answer to inquiries or for use by banks, industrial developers or others regarding prospective markets, sites and labor available for development.

30 ☐ Provide loan funds, industrial aid bonding or loan guarantees for financing development by industrialists who cannot obtain or qualify for other sources of financing.

32 ☐ Coordinate contacts by prospective investors and forward requests and prospects to private sector.

17 ☐ Work with local firms to assist in expansion of their operations.

9 ☐ Other: specify various

5 ☐ Other: specify No answer

☐ Other: specify

5. In your opinion, which statement most correctly expresses the importance and value of the three activities you checked in question 4.

0 ☐ The absence of these three activities by a state agency would have no detrimental effect on the economic growth and development of Arizona or the communities within it.

17 ☐ The absence of these three activities by a state agency would have some deterimental effec but not a significant level on the economic growth and development of the state.

37 ☐ The absence of these three activities by a state agency would have a significant deterimental effect on the economic growth and development of the state

16 ☐ The absence of these three activities by a state agency would have a very substantial deterimental effect on the economic growth and development of the state.

3 No answer.

6. In your opinion, to obtain the greatest amount of economic growth for the effort expended, a state agency would best employ its resources in: (check only one)

50 ☐ Attracting new industry from out-of-state
13 ☐ Assisting local firms or operations to expand
1 ☐ Don't know
5 Both 1 & 2 above; 1 gone out of business
3 No answer.

7. How would you describe your company's extent of working involvement with the OEPAD (Office of Economic Planning and Development) industrial development staff? (check only one)

13 ☐ No working involvement
38 ☐ Infrequent working involvement
12 ☐ Considerable working involvement
7 ☐ Constant working involvement
3 No answer

8. How would you describe the proportion of efforts to promote and encourage industrial development in Arizona? (check only one)

1 ☐ Activities by OEPAD staff represent the vast majority of promotional and industrial development efforts for the state.

3 ☐ Activities by OEPAD staff represent the majority of promotional and industrial development efforts in the state.

25 ☐ Activities by OEPAD staff and private developers are approximately equal in promoting the industrial development of the state.

25 ☐ Activities by private developers represent the majority of promotional and industrial efforts in the state.

8 ☐ Activities by private developers represent the vast majority of promotional and industrial efforts in the state.

8 ☐ Don't know

3 No answer.

9. To your knowledge, does Arizona have any significant policies, guidelines or laws concerning growth and development of the state?

YES ☐ 26 NO ☐ 20 DON'T KNOW ☐ 24 3-No answer

If you marked YES, what are these guidelines? _____

_____

_____

_____

10. What is your opinion regarding the value of guidelines for growth and development of the state? _____

_____

_____

_____

_____

_____

Please return the completed questionnaire in the enclosed, self-addressed envelope to:

Office of the Auditor General
112 North Central Avenue, Suite 600
Phoenix, AZ 85004

Attn: Ms. Coni Good

Thank you for your assistance.

Name of person completing questionnaire: _____

Name of firm: _____

Address: _____

_____

Phone number: _____

# APPENDIX XXXII

LEGISLATIVE COUNCIL MEMORANDUM,
JANUARY 27, 1981,
REGARDING PAYMENT OF STATE
EMPLOYEE TRAVEL EXPENSES

# ARIZONA LEGISLATIVE COUNCIL

# MEMO

January 28, 1981

TO: Douglas R. Norton
Auditor General

FROM: Arizona Legislative Council

RE: Request for Research and Statutory Interpretation (O-80-54)

This is in response to a request submitted on your behalf by Gerald A. Silva in a memo dated January 26, 1981. No input was received from the Attorney General concerning this request.

QUESTION PRESENTED:

Under what conditions, if any, can a state agency pay for the travel (in or out of state) of state officials or employees from other agencies or other state governmental organizations?

ANSWER:

No conditions are apparent in the statutes.

DISCUSSION:

Title 38, chapter 4, article 2, Arizona Revised Statutes (A.R.S.), governs travel expenses of public officers and employees.

A.R.S. section 38-621 provides in subsection A:

> 38-621. Persons eligible to receive travel expenses
> A. The provisions of this article shall apply to every public officer, deputy or employee of the state, or of any department, institution or agency thereof, and to a member of any board, commission or other agency of the state when traveling on necessary public business away from his designated post of duty and when issued a proper travel order.

A.R.S. section 38-622 provides:

> A. When the official duties of a public officer, deputy or employee require him to travel from his designated post of duty, he shall be allowed expenses and allowances therefor.
>
> B. Such expenses and allowances shall be authorized by travel orders signed by the head of the department or agency, or by a person to whom such authority has been properly delegated.

C. Claims by public officers, deputies, and employees for expenses of transportation and per diem subsistence allowances shall be submitted on forms prescribed by and in the manner required by the department of finance.

A.R.S. section 38-624 provides a forty dollar per diem subsistence allowance for travel for each twenty-four hour period and provides at subsection C:

C. The per diem subsistence allowance includes payment for meals, lodging and other incidental expenses relating to travel except transportation and communication expenses.

"Payment" here means the discharge of a debt or obligation, the only obligation assumed by the State being to pay for the employee's meals, lodging and other incidental expenses relating to travel. 75-76 Op. Att'y. Gen. R75-33 (1975).

These statutes clearly require the following:

1. Travel away from designated post of duty.

2. Travel on necessary public business.

3. Travel after issuance of a proper travel order.

4. Travel for at least a twenty-four hour period, or at least being "in travel status" if the period is less. A.R.S. section 38-624, subsection D.

In addition to the safeguard of a travel order, based on a supervisor's decision that such travel is on necessary public business, claims for subsistence allowances must be made on forms prescribed by the Department of Administration Division of Finance. A.R.S. section 38-622, subsection C. Furthermore, A.R.S. section 35-181.02 requires that the Assistant Director for Finance audit these claims and determine whether "the proposed expenditure is provided for in the agency budget, appears to be for a valid public purpose and whether funds are available for payment." The responsibility, then, is on the originating agency to assure that the expenditure is connected to authorized travel on necessary public business and on the Assistant Director for Finance in auditing the claim to determine that the expenditure is for a valid public purpose and provided for in the agency budget.

Payment for meals is a part of a subsistence allowance, and a subsistence allowance is based on a travel order signed by the head of the department or agency or his proper delegate. The business of all state agencies is "necessary public business", but the "official duties" of a public officer or employee of a public agency are not the official duties of another public agency. It is a part of the state fiscal control system that a separate budget unit operates within its appropriation. Appropriations are made to a department or agency for the public purpose to be carried out by that department or agency. A.R.S. section 35-141 provides:

The general fund consists of all money received into the state treasury except money designated by law for other statutory funds or other

> specifically designated purposes. Salaries of state officers, salaries of deputies, assistants, clerks and employees, and expenses incident to the offices thereof, shall be paid from the general fund or the respective fund indicated when and as authorized in the general appropriation act or any other appropriation enacted by the legislature.

An appropriation, whether from the general fund or a special fund, to an agency does not authorize payment of salaries or travel or other "expenses incident to the offices thereof" to officials or employees of another agency.

CONCLUSION:

There are no apparent conditions under which a state agency may pay for the travel or meals of officials or employees from other state agencies, in the absence of a valid interagency service agreement for furtherance of both agencies' programs.

cc: Gerald A. Silva
Performance Audit Manager