PERFORMANCE AUDIT

ARIZONA OUTDOOR RECREATION COORDINATING COMMISSION

Report to the Arizona Legislature
By the Auditor General
April 1984
84-3

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OFFICE OF THE
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Members of the Arizona Legislature
The Honorable Bruce Babbitt, Governor
Mr. Michael A. Ramnes, Chairman
Arizona Outdoor Recreation Coordinating Commission

Transmitted herewith is a report of the Auditor General, A Performance Audit of the Arizona Outdoor Recreation Coordinating Commission. This report is in response to an April 27, 1983 resolution of the Joint Legislative Oversight Committee. The performance audit was conducted as a part of the Sunset Review set forth in Arizona Revised Statutes §§41-2351 through 41-2379.

This performance audit of the Arizona Outdoor Recreation Coordinating Commission is submitted to the Arizona Legislature for use in determining whether the Commission should be continued beyond its scheduled termination date of July 1, 1986. The report evaluates the Commission's effectiveness in planning, coordinating, and administering Arizona's outdoor recreation programs.

The report also addresses the proposed combination of the Arizona Outdoor Recreation Coordinating Commission and the State Parks Board under Senate Bill 1300. Prior to release of this report, Senate Bill 1300 was passed and signed into law. However, the concerns expressed in the report about the possible resulting organization problems still apply.

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

Respectfully submitted,

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SUMMARY

The Office of the Auditor General has conducted a performance audit of the Arizona Outdoor Recreation Coordinating Commission in response to an April 27, 1983, resolution of the Joint Legislative Oversight Committee. This performance audit was conducted as a part of the Sunset Review set forth in Arizona Revised Statutes (A.R.S.) §§41-2351 through 41-2379.

The Arizona Outdoor Recreation Coordinating Commission was established in 1965 and is responsible for planning, coordinating and administering Arizona's outdoor recreation programs. The Commission oversees three grants-in-aid programs - the federal Land and Water Conservation Fund, the State Lake Improvement Fund and the Law Enforcement and Boating Safety Fund. In addition, the Commission is reponsible for identifying the state's recreational needs and coordinating recreational plans and activities of federal, state and local agencies. The Commission's activities are funded by an appropriation from the State Lake Improvement Fund and a surcharge assessed against all recipients of Land and Water Conservation Fund grants.

The Arizona Outdoor Recreation Coordinating Commission Should Be Merged Into The State Parks Board (see page 13)

The Arizona Outdoor Recreation Coordinating Commission's (AORCC) functions could be carried out more effectively under the State Parks Board (SPB). Consolidating AORCC and the SPB would centralize statewide recreation planning and eliminate administrative problems caused by AORCC's current budgetary alignment with the SPB. Although AORCC and SPB support a partial combination, completely consolidating AORCC and the SPB into one agency is the best alternative. This would prevent recreation planning and grant distribution decisions from being made by two separate entities.

This merger can be accomplished in a manner that would alleviate local governments' concerns over SPB control of grant monies. Local government's concerns about the merger can be addressed in several ways.

The options include changing the mandate and membership of the SPB to cover its added responsibilities, establishing a statutory advisory committee to assist the Board in making impartial grant distribution decisions, or allocating a set percentage of grant money exclusively for local projects.

Controls Over Land and Water Conservation Fund Surcharges Are Inadequate (see page 23)

Controls over monies used to administer the Land and Water Conservation Fund (LWCF) are inadequate. Administrative surcharge monies specifically subject to legislative appropriation have not been appropriated. Further, AORCC lacks long-term provisions for LWCF project administration. Consequently, AORCC would be unable to finance administration of all its active projects if the LWCF state grants program were terminated or curtailed.

Surcharge monies should be appropriated each year so that AORCC can legally expend them for LWCF administration. In addition, AORCC should develop plans that provide for the administration of all LWCF projects through their completion.

The Commission Has Not Effectively Met Several State and Federal Requirements (see page 31)

The Arizona Outdoor Recreation Coordinating Commission has not effectively complied with several state statutes and federal requirements. It is questionable whether AORCC has satisfied its statutory mandate to develop a comprehensive outdoor recreation plan. In addition, AORCC has not met federal compliance inspection requirements and statutory requirements to keep executive session minutes.

The Commission should thoroughly examine the present outdoor recreation plan to determine whether it is a useful statewide plan. The Commission needs to develop specific plans to meet identified recreation needs, extend the scope of the recreation plan beyond its present five-year term, collect facility-use data and supplement and improve its needs identification methods. Additionally, AORCC should complete all overdue

federal compliance inspections, document the work and notify the National Park Service of their completion. AORCC should make provisions for regular inspections. Finally, AORCC should maintain complete minutes of all executive sessions in accordance with Arizona Revised Statutes.

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INTRODUCTION AND BACKGROUND

The Office of the Auditor General has conducted a performance audit of the Arizona Outdoor Recreation Coordinating Commission in response to an April 27, 1983, resolution of the Joint Legislative Oversight Committee. This performance audit was conducted as a part of the Sunset Review set forth in Arizona Revised Statutes (A.R.S.) §§41-2351 through 41-2379.

The Arizona Outdoor Recreation Coordinating Commission (AORCC), established by the Legislature in 1965, is responsible for planning, coordinating and administering Arizona's outdoor recreation program. AORCC was established in response to the Federal Land and Water Conservation Fund Act (Public Law 88-578) of 1965.

Originally, the Commission consisted of the director of the Arizona Game and Fish Department, the director of the Arizona State Parks Board and the director of a county, city or town parks and recreation department. The Commission was expanded to seven members in 1976, with the addition of two more local parks directors and two public members. The local parks directors and public representatives are appointed by the Governor.

The Commission, with the assistance of its support staff, administers three grants-in-aid programs - the Land and Water Conservation Fund, the State Lake Improvement Fund and the Law Enforcement and Boating Safety Fund. The Commission is also responsible for conducting studies to identify the recreational needs of the state, counties, cities and towns and coordinating recreational plans and activities of federal, state, county, city, town and private agencies.

Development of AORCC's Responsibilities

AORCC's operations have expanded since 1965. The total grant monies obligated by AORCC have increased from approximately $131,000 in 1965 to $3.4 million in 1983. The Federal Land and Water Conservation Fund was

the only grants program AORCC was responsible for in 1965. The Commission has since been given jurisdiction over the State Lake Improvement Fund and the Law Enforcement and Boating Safety Fund.

Land and Water Conservation Fund - The federal Land and Water Conservation Fund Act of 1965 provides 50-50 matching grants to states for the development of public outdoor recreation resources and facilities. To qualify for the funds a state must prepare and maintain a Statewide Comprehensive Outdoor Recreation Plan (SCORP) and certify that public input was considered in the plan's development. AORCC published its most recent SCORP in December 1983.

Land and Water Conservation Fund (LWCF) apportionments to Arizona have ranged from a high of $4.9 million in 1979 to no funding in 1982, when Congress placed a moratorium on the funds. Arizona's apportionment for federal fiscal year 1983-84 is $1.1 million.

State Lake Improvement Fund - The State Lake Improvement Fund (SLIF) was established by the Arizona Legislature in 1960. The fund provides grants to state agencies, counties and incorporated municipalities for the development and improvement of public lakes and related facilities. In 1968 the 45th Legislature transferred administration of the SLIF from the State Parks Board to AORCC.

The State Lake Improvement Fund consists of a portion of the state's watercraft licensing fees and the state fuel taxes from watercraft. Monies in the fund have ranged from $299,000 in 1971 to a high of $2.1 million in 1980. The 1983 SLIF appropriation was $1.5 million. In addition, SLIF provides AORCC with funds for general administration, as appropriated by the Legislature.

Law Enforcement and Boating Safety Fund - The Law Enforcement and Boating Safety Fund (LEBSF) was established in 1981 to assist counties in the development or expansion of boating law enforcement and safety programs. The LEBSF, now in its final year, has been administered by AORCC since its

inception and provided almost $1 million for boating law enforcement and safety. Its funding comes from a portion of the state's watercraft licensing fees and is subject to Legislative appropriation.

Budget and Personnel

AORCC's revenues come from the three funds it administers, and a 5 percent surcharge on the total project cost assessed to Land and Water Conservation Fund grant recipients. The SLIF monies (grants and administration) and LEBSF monies (grants) are appropriated by the Legislature, whereas the Land and Water Conservation Fund monies (grants and surcharge) are not. The Commission does not receive any general fund monies. Revenue and expenditures for fiscal years 1981-82 and 1982-83 and estimated amounts for fiscal year 1983-84 are shown in Table 1.

The Commission had a support staff of seven in 1982-83. Two full-time positions (FTEs) were added for fiscal year 1983-84, giving the Commission a total of nine FTEs.

Audit Scope and Purpose

Our audit focused on the ability of AORCC to perform its statutory duties. The audit report presents findings and recommendations in three major areas:

- Whether AORCC should be continued as a separate agency;
- The propriety and effectiveness with which AORCC collects and expends monies for the administration of the federal LWCF program;
- The extent to which AORCC has complied with appropriate state and federal requirements.

TABLE 1

REVENUES AND EXPENDITURES FOR FISCAL YEARS 1981-82 AND 1982-83

ESTIMATED REVENUES AND BUDGET DATA FOR FISCAL YEAR 1983-84

	Actual 1981-82			Actual 1982-83			Estimated 1983-84		
FTEs	12.0			7.0			9.0		
Receipts									
State Lake Improvement Fund Appropriations									
Assistance to others			1,522,200			1,445,100			1,450,200
Administration			82,800			248,700			256,400
Boating Law Enforcement & Safety Fund Appropriations									
Assistance to others			236,300			260,000			275,000
Land and Water Conservation Fund			2,941,195			2,576,792			3,000,000
Administration Surcharge			9,385			28,959			261,200
Indirect Cost Recovery						32,838			
Investment Interest						7,023			20,900
Other						223			
Total Receipts			4,791,880			4,599,635			5,263,700
	Surcharge	SLIF	Total	Surcharge	SLIF	Total	Surcharge	SLIF	Total
Operating Expenditures									
Personal Services/Employee Related	190,300	51,200	241,500	23,800	181,000	204,800	49,500	201,700	251,200
Professional & Outside Services	7,000	8,000	15,000	2,500	6,600	9,100	3,000	3,000	6,000
Travel: In-State	6,800	6,100	12,900	-0-	10,300	10,300	2,000	8,700	10,700
Out-of-State	3,400	500	3,900	1,700	-0-	1,700	1,500	-0-	1,500
Other Operating Expenditures	34,700	15,300	50,000	2,600	50,500	53,100	12,400	43,000	55,400
Equipment	-0-	3,000	3,000	400	-0-	400	3,100	-0-	3,100
Operating Sub-Total	242,200	84,100	326,300	31,000	248,400	279,400	71,500	256,400	327,900
Assistance to Others									
State lake Improvement Fund			1,522,200			1,445,100			1,450,200
Boating Law Enforcement Safety Fund			236,300			257,900			275,000
Land and Water Conservation Fund			2,941,200			2,576,800			3,000,000
Assistance Subtotal			4,699,700			4,279,800			4,725,200
Total Expenditures			5,026,000			4,559,200			5,053,100

NOTE: Differences between total receipts and total expenditures are primarily due to differences in adminstrative surcharge receipts and expenditures. These surcharge monies are in a special non-reverting account. In fiscal year 1981-82 surcharge expenditures exceeded receipts by $232,815. In fiscal year 1982-83 surcharge receipts exceeded expenditures by $38,043 and in fiscal year 1983-84 the agency estimates receipts will exceed expenditures by $210,600.

Source: Arizona Outdoor Recreation Coordinating Commission budget requests for fiscal years 1982-83 through 1984-85 and State of Arizona Appropriation Reports for fiscal years 1981-82 through 1983-84.

One area for further audit work remains. Due to time constraints we were unable to review the equity of grant distribution.

The Auditor General and staff express appreciation to the Commission and its staff for their cooperation and assistance during the audit.

SUNSET FACTORS

In accordance with Arizona Revised Statutes (A.R.S.) §41-2354, the Legislature should consider the following 11 factors in determining whether the Arizona Outdoor Recreation Coordinating Commission (AORCC) should be continued or terminated.

1. Objective and purpose in establishing the Commission

A.R.S. §41-511.25.A states that the Arizona Outdoor Recreation Coordinating Commission was established "for the purpose of planning, coordinating and administering an outdoor recreation program in the State of Arizona." More specifically, A.R.S. §41-511.25.B gives the Commission several duties:

- Maintain a comprehensive plan for the development of Arizona's recreation resources and conduct studies to determine the recreational needs of the state and its political subdivisions.

- Generally coordinate federal, state and local recreation plans and developments, and specifically coordinate and confer with the director of water resources regarding the development of water-based recreation.

- Generally act as the state's administrative agency for any federal, state or other grant monies available for recreation programs, and specifically adminster the following grant programs:

  - the federal Land and Water Conservation Fund (LWCF) in accordance with Public Law 88-578;

  - the State Lake Improvement Fund (SLIF) in accordance with A.R.S. §5-382;

  - the Law Enforcement and Boating Safety Fund (LEBSF) in accordance with A.R.S. §5-383.

The latter two funds are state special revenue funds with annual appropriations available for distribution to certain state agencies and political subdivisions.

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

AORCC has been not been completely effective in planning and administering recreation grant programs in Arizona. The Commission has met some of its planning responsibilities and distributed all available funds. However, some officials have questioned the effectiveness of AORCC's statewide planning functions, and some state and federal requirements have not been met.

AROCC's director considers the administration of LWCF and SLIF the Commission's primary responsibility. AORCC has established workable criteria for the distribution of monies in these funds to eligible participants and has efficiently distributed all available monies. In addition, AORCC has been effective in carrying out various limited plans and studies for specific purposes, including an assessment of lake carrying capacities in the state and a report on potential water recreation sites in Arizona.

AORCC's primary planning effort is the Statewide Comprehensive Outdoor Recreation Plan (SCORP). This document, required for participation in the LWCF program, was most recently updated in late 1983. However, its effectiveness has been questioned (see page 31).

AORCC has not sufficiently satisified other legal requirements. The Commission has spent LWCF administrative monies without legal appropriations (see page 23). In addition, these funds are not collected in a manner that allows for future project administration (see page 23). Finally, AORCC has not inspected completed projects constructed with LWCF monies as required by federal law (see page 35).

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

AORCC has generally operated in the public interest by distributing state and federal grant monies to qualified applicants. Although the the Commission has established criteria for the distribution of available funds to participants whose projects meet specified needs, the grant awards process may not adequately address needs on a statewide basis (see page 31).

Moreover, AORCC has not operated in the public interest in that executive session minutes have not been consistently maintained as required by A.R.S. §38-431.01 (see page 36).

4. The extent to which rules and regulations promulgated by the Commission are consistent with the Legislative mandate

AORCC has no rules or regulations. Although A.R.S. §41-511.25.B.6 requires the Commission to promulgate rules and regulations for the conduct of its meetings, the Commission has not seen the need to do so. The Legislature may wish to change the word "shall" to "may" in this statute.

5. The extent to which the Commission has encouraged input from the public before promulgating its rules and regulations and the extent to which it has informed the public as to its actions and their expected impact on the public

AORCC encourages public input in several ways. The Commission makes its decisions on grant applications in public Commission meetings. This enables the public to witness the process and to ask for clarification and provide input. This is referred to as the "Open Project Selection Process." The Commission also conducts needs assessment workshops, open to the public, to gain input on the types of recreation and facilities the people want. Although these workshops have been criticized for allowing disproportionate input

from special interest groups (see page 33), they provide an opportunity for public involvement. In addition, AORCC informs the public through publication of the Statewide Comprehensive Outdoor Recreation Plan and other materials on recreation.

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

   This factor is not applicable because AORCC is not a regulatory agency.

7. The extent to which the Attorney General or any other applicable agency of state government has the authority to prosecute actions under enabling legislation

   This factor is not applicable because AORCC is not a regulatory agency.

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

   The Commission has not identified any deficiencies in its enabling statutes.

9. The extent to which changes are necessary in the laws of the Commission to adequately comply with the factors listed in the Sunset laws

   Based on our audit work, we recommend that the Legislature consider merging AORCC and the State Parks Board to form one agency totally responsible for outdoor recreation programs in Arizona. This would include transferring all of AORCC's staff and responsibilities, including grant distribution, to the State Parks Board (see page 13).

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

Termination of AORCC would not directly harm the public health, safety or welfare. However, if AORCC were terminated without provision for the transfer of its responsibilities and resources to another state agency, the state's only mechanism for administering the SLIF and LWCF programs and distributing those programs' monies would be eliminated.

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

This factor is not applicable because AORCC is not a regulatory agency.

FINDING I

THE ARIZONA OUTDOOR RECREATION COORDINATING COMMISSION IS UNNECESSARY

The Arizona Outdoor Recreation Coordinating Commission (AORCC) is not necessary. Its functions can be carried out more effectively under the State Parks Board (SPB), and combining AORCC and the SPB would improve the State's outdoor recreation program. A complete consolidation of the two agencies would be the best arrangement.

Consolidation of AORCC and the SPB Has Advantages

Combining AORCC and the SPB would improve Arizona's outdoor recreation program.* A consolidation of the two agencies would improve statewide recreation planning and eliminate administrative problems caused by AORCC's current budgetary alignment with the SPB. All but two states have combined their recreation agencies in this manner.

Benefits of Combining Staff Functions - Recreation planning and administration would improve if AORCC were combined with the SPB. A merger would strengthen outdoor recreation planning and program administration and clarify responsibility for AORCC's budget and operations.

Combining AORCC and the SPB would give the state a stronger, centralized outdoor recreation planning agency. According to AORCC's director, it would be advantageous to have one agency responsible for long-range planning and to combine long-range planning with state park master planning, because one should be an extension of the other. In addition,

* The SPB has approximately 110 full-time equivalency staff (FTEs) involved in the operation of Arizona's 20 State Parks and in administrative and support services. It is responsible for maintenance of established state parks and the acquisition and development of future state parks. The SPB also oversees the federally-funded Historic Preservation Program, which provides matching federal grants to assist in historic preservation activities.

the SPB's resource-management expertise would be beneficial to the administration of the Land and Water Conservation Fund (LWCF) and the State Lake Improvement Fund (SLIF). According to the SPB's director, the SPB's resource-management responsibilities, which require it to deal directly with recreation facility users, would add an important dimension to the review of LWCF and SLIF projects.

In addition, if the merger occurs, the SPB ranger staff could help with LWCF and SLIF project inspections.* This would give AORCC personnel more time to devote to planning and grants administration and decrease in-state travel costs because the rangers are closer to project locations. AORCC discontinued compliance inspections in 1982 when its staff was reduced, and is now trying to complete past-due inspections (see page 35).

Consolidation would also clarify SPB's responsibility for AORCC's budget. AORCC's budget has been appropriated as part of the SPB budget since fiscal year 1983, the year following the moratorium on the state grants portion of the LWCF program. Despite the appropriations change, AORCC and the SPB are separate, independent agencies, because the Legislature made no changes in their enabling statutes.

The appropriations change has caused confusion for AORCC and the SPB. One AORCC commissioner called the present budgetary alignment an "organizational nightmare." SPB members believe they are in an unacceptable position. Because AORCC is a budget program of the SPB, the Board feels it has responsibility for AORCC's budget but no authority. Although the Board adopts AORCC's budget as part of the SPB budget, it reviews AORCC's budget for information only and receives no justification for any items in AORCC's budget.

Other States - All but two states have placed LWCF program administration and planning within recreation agencies with other, related responsibilities. Most states originally assigned LWCF administration to

* According to the SPB director, these inspections could be done by the ranger staff within one year of the merger.

natural resource or recreation-related agencies. Four of the six states that originally had separate agencies in charge of the LWCF program later combined them with other state agencies. Only one state other than Arizona still has an independent agency to oversee the LWCF.

The LWCF is administered by a variety of agencies in other states (see Table 2). Most states include LWCF administration and planning in a natural resource agency (34 percent for grants administration and 32 percent for planning). In 22 percent of the states LWCF planning and grants administration is done by parks or recreation agencies, and many states delegate the functions to conservation agencies. The remaining states designate the responsibility for the LWCF to various other agencies. Most states have planning and grant approval in the same agency.

TABLE 2

STATE LWCF ADMINISTRATIVE AGENCIES

State Agency	LWCF Grant Administration	LWCF Planning
Natural Resources	17	16
Parks/Recreation*	11	11
Conservation/Environmental Protection	10	11
Tourism/Parks/Recreation/Culture	5	5
Game/Fish and Parks	4	4
Economic/Community Affairs/Local Grants	3	2
State Planning		1
TOTAL**	50	50

Source: Auditor General State Survey

Four of the six states that originally had separate agencies to oversee the LWCF have combined these agencies with other state agencies. North Dakota, Utah, Virigina and Wyoming each had separate outdoor recreation agencies similar to AORCC. For different reasons, each of these states has incorporated these functions into other agencies.

* Includes one agency whose sole responsibility is to oversee the LWCF program.

** Includes Washington D.C., excludes Arizona.

NORTH DAKOTA - The State Outdoor Recreation Agency of North Dakota was combined with the State Parks Division in 1974 to form the North Dakota Parks and Recreation Department. The similarity of the programs and the need for improved planning were factors in the merger. The State Parks Division did not have a planning staff, and combining the two agencies has allowed the planners to do both comprehensive and park master planning. This has made the park planning effort more efficient and effective, according to a recreation planner from the North Dakota Parks and Recreation Department. Both LWCF grant approval and planning are now done by the Parks and Recreation Department.

UTAH - The Utah Outdoor Recreation Agency was responsible for the LWCF until July 1, 1982, when it was combined with the Parks and Recreation Division of the Department of Natural Resources. The incorporation was a cost-effective response to the Congressional moratorium on the LWCF. Funding for the program has since been reinstated, but severely reduced. The combination was logical in view of the LWCF cuts and is working very well, according to Utah's LWCF project director.

VIRGINIA - On July 1, 1983, the Virginia Commission of Outdoor Recreation was combined with the Department of Conservation and Economic Development's Division of Parks and Recreation to eliminate duplication of roles. Both planning and LWCF grant decisions are done in the Department. According to the outdoor recreation section chief, the combination has saved $73,000 and strengthened outdoor recreation planning for the state.

WYOMING - Wyoming's Land and Water Conservation Commission was merged with the State Parks Commission in 1967 to form the Wyoming Recreation Commission. The similar agencies were combined because both were involved in planning and grants administration. One benefit of the merger has been more effective, expert planning for the state.

Only one state other than Arizona still has an independent recreation agency administer the LWCF program. Washington state's Interagency Committee for Outdoor Recreation has handled the LWCF since 1965. Although Washington has considered combinations with other state recreation-related and grants agencies, none of the proposals have been successful. According to the director of the Interagency Committee for Outdoor Recreation, the state did not want to vest oversight of the LWCF to an agency that was eligible to receive those funds.

A Complete Consolidation of AORCC and the SPB is the Optimal Combination

Completely merging AORCC and the SPB to form one agency with one board is the best alternative for a combination of the two agencies. A proposal to partially combine AORCC and the SPB has benefits but may create additional

problems. Totally transferring AORCC's functions to the SPB would strengthen the state's outdoor recreation program without causing these problems.

Partial Combination of AORCC and the SPB - To clarify budget responsibility, AORCC and the SPB have endorsed a bill that proposes to partially combine AORCC with the SPB. While this partial combination would address local communities' concerns and clarify budget responsibility, it may create other problems.

AORCC and the SPB have endorsed Senate Bill 1300, which transfers AORCC's administrative and statewide planning functions and its staff to the SPB. The bill includes a provision to maintain AORCC as an independent commission to oversee LWCF and SLIF project funding and to make final grant decisions. In addition, AORCC would review SPB budgets and plans on these programs and make recommendations to the SPB. Since the Commission would have continuing responsibilities, the SPB would be required to provide staff support to AORCC.

Local communities are apprehensive about combining AORCC with the SPB for two reasons. First, because the SPB is eligible to receive both LWCF and SLIF monies, some local parks and recreation officials fear that the SPB would take more than its share of the grant monies if it controlled project selection.* Second, some local officials feel that the SPB has a rural focus that does not sufficiently consider the outdoor recreation needs of the state's urban areas.

Although the partial combination endorsed by AORCC and SPB would address these concerns and clarify responsibility, keeping AORCC separate from the SPB may result in additional problems. The proposed structure could decrease coordination by dividing responsibility for the state's outdoor recreation program between two entities. AORCC would be making funding

* The SPB is already the administrative agency for one grants-in-aid program, the State Historic Preservation Program, from which it also receives project funding.

decisions based on the plans developed and approved by the SPB. If the objectives of the Commission and the Board were different, the overall outdoor recreation program in the state would suffer.

In addition, this proposal would cause duplication of budget and plan review. Both the Commission and the SPB would analyze the SPB's budgets and plans for the LWCF and SLIF. While the Commission would provide input to the SPB, it would have no authority over either the budget or the plans.

Equally important, conflicts over staff resources might arise due to the proposed structure. The Commission would have no statutory authority over personnel, and its requests would be subject to prioritization by the SPB. If either agency felt that the support staff was inequitably assigned, the situation could cause conflict and further decrease coordination.

Complete Merger of AORCC and the SPB - Completely merging AORCC and the SPB is the optimal alternative for combining the two agencies. Rather than fragmenting recreation planning and grant distribution between two separate entities, a consolidated agency would provide a stronger impetus for Arizona's outdoor recreation program. Several options can be considered for incorporation into the merged board that would address valid local concerns.

Merging AORCC and the SPB into one agency would not fragment outdoor recreation responsibilities. A complete merger would transfer all AORCC's responsibilities to the SPB. The Commission would be eliminated and its duties, including SLIF and LWCF grant decisions, would become the responsibility of the SPB. Thus, a single board would be responsible for recreation planning and coordination and grant distribution. Complete consolidation would eliminate potential duplication of budget and plan review and conflicts over staff resources. The consolidated agency would have a clearer focus and be more effective in its new role as the state's primary outdoor recreation agency.

Local government concerns about the SPB controlling the LWCF and SLIF grant distribution can be addressed in various ways. In other states, almost 90 percent of the agencies in charge of the LWCF administration are eligible to receive LWCF grants. These states have developed procedures to address concerns similar to those in Arizona.

- Nine states, including Nevada, New Mexico and Virginia,* have advisory bodies that make recommendations to the state authority with final state project approval.** Advisory bodies in three of these states consist entirely of public representatives.

- Alabama, California and South Dakota have adopted funding formulas for state and local projects. A set percentage of the LWCF apportionment is available for local distribution and the remaining funds are available for state projects. Thus, state and local projects do not compete directly for LWCF assistance. Alabama and South Dakota also have separate review boards for state and local projects.

These examples provide Arizona with excellent alternatives for consolidation that address local community concerns while providing a coordinated, statewide program. Public member advisory committees provide independent review, promote local community involvement and address statewide outdoor recreation. Funding formulas ensure that state and local projects receive funds without competing with each other.

Several features can be incorporated into the consolidated agency to address the concerns of Arizona communities. The options include:

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* In Virginia, the members of the Commission on Outdoor Recreation formed the Committee on Outdoor Recreation following the Commission's incorporation into the Parks and Recreation Division of the Department of Conservation and Economic Development. The Committee reviews LWCF projects and makes recommendations to the Board of Conservation and Economic Development. While the Board has the final authority on LWCF project selection, it has adopted a policy of accepting the Committee's recommendations, barring unusual circumstances.

** The National Park Service reserves the right for final approval on all LWCF projects.

- Changing the mandate of the SPB to encompass both AORCC's and the SPB's responsibilities. A name change could be considered to emphasize the changes in mandate.

- Changing the membership of the SPB to increase local representation in order to address its added responsibilities.

- Establishing a statutory advisory committee to review LWCF and SLIF projects and assist the Board in making impartial funding decisions.

- Establishing a funding formula for state and local projects to ensure equitable distribution of the limited grant monies.

These options would resolve legitimate concerns about a state agency's oversight of the LWCF and SLIF programs.

CONCLUSION

AORCC's functions could be carried out more effectively under the SPB. Consolidating AORCC and the SPB would centralize and improve statewide recreation planning and clarify responsibility for recreation budgeting. A well-planned merger of AORCC and the SPB could address local concerns without causing the problems inherent in Senate Bill 1300.

RECOMMENDATION

The Legislature should consider completely consolidating AORCC and the SPB to form one board responsible for Arizona's outdoor recreation program. The Legislature should also consider the following options:

- Changing the mandate of the SPB to encompass both AORCC's and the SPB's responsibilities. A name change of the Board could be considered to emphasize the change in mandate.

- Changing the membership of the SPB to increase local representation in order to address its added responsibilities.

- Establishing a statutory advisory committee to review LWCF and SLIF projects and assist the Board in making impartial decisions.

- Establishing a funding formula for state and local projects to ensure equitable distribution of limited grant monies.

FINDING II

CONTROLS OVER LAND AND WATER CONSERVATION FUND ADMINISTRATIVE MONIES ARE INADEQUATE

Controls over monies for the administration of the Land and Water Conservation Fund (LWCF) are inadequate. Administrative surcharge monies specifically subject to legislative appropriation have not been appropriated. Further, the Arizona Outdoor Recreation Coordinating Commission (AORCC) lacks long-term provisions for project administration. Consequently, AORCC would be unable to finance the total administrative costs of its active projects if the LWCF program were terminated.

One of AORCC's primary responsibilities is the administration of the federal LWCF program. The agency receives and allocates, in the name of the state, grant monies from the federal government. AORCC's administrative responsibilities include developing and maintaining a statewide outdoor recreation plan and ensuring that projects receiving LWCF grants are in compliance with federal program requirements. AORCC finances the costs of administering the program by assessing a surcharge to recipients of grant monies. This administrative surcharge is a percentage of each recipient's total estimated project cost. Even though a project can last more than five years, the entire surcharge amount is collected when the project is initially approved. Each year AORCC estimates its surcharge rate based on its anticipated LWCF administrative costs for the current year. The surcharge rate has fluctuated between 1.75 percent and 5 percent since 1973 and remained at 5 percent since 1980. From state fiscal year 1974-75 through 1981-82 AORCC has spent $1.7 million of surcharge monies.

AORCC Spends Administrative Surcharge Monies Without Appropriations

AORCC lacks the authority to spend administrative surcharge monies without a legislative appropriation. According to the Arizona Legislative Council, the statutes require these monies to be appropriated. Operating

without an appropriation, AORCC controls and is responsible for the use of its own surcharge monies.

Need For Legislative Appropriation - Arizona law requires AORCC's surcharge monies to be appropriated. Arizona Revised Statutes (A.R.S.) §41-511.25.C.2 state that the Commission may:

> "Collect and expend funds appropriated to it by the legislature for administrative costs of the program. Such administrative costs shall not exceed ten per cent of each project, and such costs to the state, political subdivision thereof, or other agency shall be in the same proportion as their proportionate share is of the total project." (emphasis added)

In a memorandum to the Auditor General's Office, the Arizona Legislative Council affirmed that:

> "The expenditure of administrative monies (collected by a surcharge of up to 10% of a project's cost) is specifically subject to appropriation. Before 1974 A.R.S. section 41-511.25, subsection C, paragraph 2 read 'collect and expend funds for administrative costs of the program. . .'. This provision was amended in 1974 to add the words 'appropriated to it by the legislature' following 'funds' indicating an express legislative intent to require an appropriation to authorize expenditure of administrative surcharge monies. . . . At least two subsequent efforts have been made to remove this requirement, but each effort has failed." (emphasis added)

The Legislative Council also pointed out that the employment of AORCC personnel is subject to appropriation. The Legislative Council memorandum states:

> "A.R.S. section 35-141 provides that:
>
> Salaries of state officers, salaries of deputies, assistants, clerks and employees, and expenses incidental 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.

> Moreover, the commission's own statute, A.R.S. section 41-511.25, subsection C, paragraph 3, limits the employment of personnel to the terms of legislative appropriations. If it is possible to employ a person paid solely with federal monies, according to the conditions of Public Law 88-578, that employee could be retained outside the state appropriation. Otherwise, any employee paid with state monies must be provided for by legislative appropriation."

Although AORCC has provided information regarding its surcharge receipts and estimated expenditures in its yearly budget requests, these monies have never been appropriated. Between state fiscal year 1974-75 and 1981-82 AORCC spent $1.7 million in surcharge money not appropriated by the Legislature. A significant portion of this money was expended on personal services and employee-related expenditures - a violation of A.R.S. §§35-141 and 41-511.

Lack of Control Over Surcharge Monies - In the absence of legislative appropriations, AORCC controls and is responsible for the use of its own LWCF surcharge monies. External review of AORCC's surcharge funds is very limited. As a result, controls needed to ensure adequate administration and prevent potential misuse of surcharge funds are lacking.

Review of AORCC's surcharge funds by outside agencies is limited. AORCC's Joint Legislative Budget Committee (JLBC) analyst has said that the JLBC does not review the expenditure of surcharge monies. The Executive Budget Office normally reviews surcharge expenditures by comparing them with previous years, but has never made formal recommendations about them. A representative from the Department of Administration's Division of Finance said that his division currently does not determine if agencies are complying with Arizona statutes regarding appropriations. He said, however, that the Division of Finance plans to conduct a statewide review of agency compliance with such statutory requirements.

The federal government does not hold AORCC accountable for its use of surcharge monies. A National Park Service (NPS) representative has said that the federal government considers AORCC's surcharge policy a matter of

agreement between the agency and LWCF grant recipients. There is no federal limit on surcharge rates. In addition, the NPS does not look at AORCC's use of surcharge monies when conducting a program audit.

The lack of external controls increases the potential for inadequate administration and undetected misuse of surcharge monies. This problem would be alleviated if AORCC's surcharge monies were appropriated. The appropriation process would provide for external review of the expenditures of surcharge monies.

AORCC Lacks Provisions for Long-Term LWCF Project Administration

AORCC does not have adequate arrangements for long-term LWCF project administration. The agency's present policy for funding LWCF administrative expenditures is ineffective. If LWCF funds were terminated AORCC would not have adequate funds to continue to administer projects that are currently in progress. Monies should be allocated to administer all projects through completion.

Ineffective Policy for LWCF Project Administration - AORCC has not effectively provided for future LWCF administration costs. AORCC's policy has been to collect and expend LWCF surcharge money yearly. As a result, AORCC would not have the money to fully administer its active projects if the federal government ended the LWCF program.

AORCC'S policy has been to expend surcharge monies in the year they are collected. The surcharge is assessed against the grant recipient as each project is approved. Through these surcharges, recipients should pay all of AORCC's LWCF administrative costs. Although a project can last more than five years, AORCC collects and expends the total amount of the surcharge the first year. AORCC's director said she believes that collecting surcharge monies in advance simplifies the collection process. However, the surcharge rate is based on estimates of only the current year's expenses rather than the long-term administration costs. In establishing this policy, AORCC did not anticipate that termination or reduction of LWCF monies could eliminate its source of administrative funding.

Because AORCC is obligated to administer LWCF projects for five or more years, its policy to expend all surcharge monies in the year collected leaves no funds to administer projects beyond their first year. AORCC will have administrative funds only if the LWCF program continues to be funded by the federal government at a relatively stable level. This would allow AORCC to continue paying each year's project administration costs (including the current costs of administering projects approved in prior years) with surcharges from newly-approved projects. However, if the fund were terminated or reduced, new projects could not provide enough revenue for all of AORCC's current year administrative responsibilities.* AORCC presently is responsible for approximately $3.5 million of undistributed grant monies for more than 95 projects now in progress.

The 1982 LWCF moratorium illustrates AORCC's cash flow problem. In federal fiscal year 1981-82 Congress placed a moratorium on LWCF state grants. During this year AORCC's surcharge receipts fell to $9,462 and its expenditures were $283,703. The agency recognized the severity of its cash flow problem, and in its official Budget Request for fiscal year 1983-84 (prepared on August 31, 1982) it was stated that:

> ""The loss of . . . monies for new LWCF grant awards to Arizona communities has also meant the loss of projects against which AORCC is . . . able to assess an administrative surcharge to provide the necessary funding to continue honoring the financial and legal obligations incurred between the state and federal government . . . . "

The agency was able to cover the difference between receipts and expenditures in 1981-82 because it began the year with a balance of $378,464 in its surcharge account. Approximately $189,000 however, was accumulated because AORCC overestimated its operating costs over the course of several years. If these monies had not been inadvertently accumulated, AORCC's cash flow problem would have been even more serious.

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* A.R.S. §41-511.25C limits AORCC's surcharge rate to 10 percent of a project's total cost. Therefore, if the LWCF apportionment falls below a certain level, AORCC could not possibly collect enough surcharge dollars for even one year.

The status of the LWCF state grant program was still uncertain at the beginning of state fiscal year 1982-83. That year's total apportionment, $1,056,499, was the lowest Arizona received since federal fiscal year 1974. Additionally, this apportionment was received several months later than in past years, delaying the flow of surcharge monies and further hampering AORCC's ability to administer projects in progress. To generate cash flow for administrative needs AORCC used indirect cost recovery, a federally devised method for financing administrative costs. Under the indirect cost method a percentage of overall project costs is negotiated with the federal government. This percentage is deducted from federal grant monies for administrative overhead. AORCC applied the indirect cost recovery method several times in 1983 to unobligated funds, which were unexpended grant monies of completed projects. AORCC's director said that they have not used this method in the past because it decreases the total grant dollars available for projects.

In using the indirect cost method, AORCC was using unexpended grant monies twice to generate administrative funds. First, it had charged the participants its own surcharge based on estimated project costs, of which these unexpended grant monies were a part. Second, AORCC generated administrative monies by directly using part of these unexpended grant monies through its application of the federal indirect cost recovery method. The $32,838 generated in this way and a small portion of the surcharge account's balance provided AORCC with $33,456 to meet its administrative costs the year after the 1982 LWCF moratorium.

Drawing from its existing balances and using the indirect cost recovery method were both short-term measures that would not have solved AORCC's cash flow problem if this situation persisted. AORCC cannot rely on its unintentionally accumulated balances as a long-term solution. In addition, using grant monies twice to generate administrative monies is an unfair practice that reduces the amount of dollars available for future projects. Because the future of the LWCF program is still uncertain, AORCC needs to ensure that it has adequate funds to administer projects to completion.

Need to Ensure LWCF Project Administration - AORCC should develop reliable methods to provide for the administration of LWCF projects through completion. The agency should estimate the total administrative costs for all active projects and base the surcharge rate on these estimates. This will let AORCC build a reserve to finance the administration of ongoing projects if the LWCF is cancelled.

AORCC should compile a comprehensive project status report and then make administrative cost estimates for all its active projects. The agency could then forecast how much money it needs to administer all its projects to completion. These forecasts should include prior years' projects that are still in progress with no provisions for future administration, and new projects as they are approved each year. In this way, AORCC will always be aware of the cost of its administrative responsibilities for the future as well as the present.

Based on its estimated costs for administering all ongoing projects, AORCC can compute a surcharge rate to meet them. Initially, surcharges assessed against new projects will have to be sufficient to fund the current and future needs of those new projects, as well as the unfunded needs of older projects. To avoid unfairly charging a single year's new projects, AORCC may have to collect the funds necessary to finance prior years' projects over the course of several years.* The surcharge rate should be re-evaluated annually to ensure that grant recipients are not being over or undercharged.

Through adequate financial planning AORCC can begin to build a reserve of surcharge monies to guard against a future reduction or cessation of revenue. Collecting monies in advance will expedite this. Many officials have indicated that the continuance of LWCF state grant apportionments is in doubt. Current LWCF apportionments are far less than in the past. The speed with which AORCC builds up its reserve of funds will depend on the

* Other funds are also available to meet LWCF administrative costs. AORCC began 1983-84 with a balance of $139,855. In addition, AORCC has been earning interest on its surcharge balance since 1982-83.

level of LWCF apportionments and the surcharge rate that AORCC assesses against LWCF grant recipients. AORCC should attempt to build its reserve as fast as possible without charging local grant recipients an unreasonably high rate.

CONCLUSION

Controls over AORCC's administrative surcharge monies are inadequate. AORCC is in violation of Arizona law when it expends these monies without legislative appropriation. In addition, AORCC's discretionary power over these monies results in a greater potential for undetected misuse or waste of funds. Finally, AORCC lacks an effective method to ensure long-term administration of LWCF projects. Consequently, the administration of projects in progress is not safeguarded against a cessation of the LWCF state grant program.

RECOMMENDATIONS

1. Surcharge monies should be appropriated each year so that AORCC can legally expend them for LWCF administration.

2. AORCC should develop plans that provide for the administration of all LWCF projects through their completion. This should include prior years' projects as well as new projects.

FINDING III

THE ARIZONA OUTDOOR RECREATION COORDINATING COMMISSION HAS FAILED TO EFFECTIVELY MEET SEVERAL STATE AND FEDERAL REQUIREMENTS

The Arizona Outdoor Recreation Coordinating Commission (AORCC) has not effectively complied with several state statutes and federal requirements. It is questionable whether AORCC has satisfied its mandate to develop a comprehensive outdoor recreation plan. In addition, AORCC has not met federal compliance inspection requirements and statutory requirements to keep executive session minutes.

AORCC's Planning Activities Need Improvement

AORCC may not have effectively fulfilled its mandate for comprehensive recreation planning. Although AORCC is required by statute to prepare and maintain ". . . a comprehensive plan for the development of the outdoor recreation resources of the state," some officials have questioned the usefulness of Arizona's outdoor recreation plan. As a result, the plan may not assist in the effective allocation of limited grant monies.

Planning Effectiveness Questioned - Although AORCC is required by statute to develop a statewide outdoor recreation plan, our analysis and the comments of several officials indicate that AORCC's present method of recreation planning is weak. According to some officials, the Statewide Comprehensive Outdoor Recreation Plan (SCORP) lacks a statewide perspective. In addition, the SCORP lacks specific action plans and some commissioners feel that it is too short-term. Also, facility-use data is not included in the SCORP, and several officials have criticized the needs assessment process. Finally, the plan is not always used for its intended purpose.

Five of seven members of the Commission consider the SCORP inadequate because it lacks a statewide perspective. Rather than presenting the outdoor recreation needs of Arizona as a whole, these members feel the

SCORP represents an uncoordinated compilation of local needs. Consequently, in the opinion of one AORCC commissioner, AORCC has developed into a money distribution system for localities, allocating the funds in reaction to local interests. While local interests are not necessarily mutually exclusive of statewide needs, these interests must be coordinated if the state as a whole is to enjoy maximum benefits.

In addition to lacking a statewide perspective, the SCORP does not include specific plans to meet various statewide needs. For instance, picnicking facilities are listed in the SCORP as the number one statewide need. Yet, the SCORP's Action Program, the implementation section, does not address picnicking. Likewise, lack of funding, which is considered the number one statewide problem, is not specifically addressed in the Action Program. By way of contrast, the California SCORP includes a proposed solution for each outdoor recreation issue identified and designates the agencies responsible for implementing the solutions.

The SCORP has also been considered too short-term by two AORCC commissioners. According to one commissioner, money is continuously being spent on projects, but long-term outdoor recreation needs in Arizona have not been projected. Ten year outdoor recreation planning is done in both Utah and California, and Virginia's planning cycle extends 15 to 20 years. The short-term nature of the SCORP may be leading to ineffective decisions by the Commission. Projects that are funded now because they fit into the five year plan, may not address future outdoor recreation needs in Arizona. Two commissioners suggested that the SCORP should consider needs for as long as 30 or 40 years. Longer range planning could significantly influence the location, size and design of many facilities being built today.

The SCORP does not contain facility-use data indicating to what extent various facilities are used. About half of the states consider use data when making Land and Water Conservation Fund (LWCF) project decisions, and some commissioners see a strong need for collecting use data to aid in determining whether a facility should be funded. Because use data has not been available for the Commission, AORCC has made many of its funding

decisions without knowing how extensively the facilities in various areas are used. In the opinion of one commissioner, if use data had been available a $250,000 LWCF swimming pool project may not have been funded because of limited use. According to the executive director of AORCC, staff members have not had the time to collect this information for the Commission.

Four commissioners and four local park professionals have criticized AORCC's needs assessment workshops because of the influence of special interest groups. AORCC uses these workshops, which are open to the public, to obtain public input on outdoor recreation needs. According to a National Park Service (NPS) official, the workshops provide an opportunity for the public to participate but the workshops are attended primarily by public interest groups. In his opinion, planners have to be careful when using this information because it is not necessarily representative of the general public. In addition to the influence of public interest groups, attendance at these workshops can be sparse. A review of the meeting rosters for AORCC's 1983 needs assessment workshops* showed that less than 15 people attended workshops in four separate counties. For example, the Apache County workshop was attended by only 11 individuals.

Other states assess recreation needs in various ways. Because of the possibility that a particular public interest group might dominate a workshop, Utah's SCORP planners compare workshop results with the results of a random survey of the general public. If a disparity exists the planners do additional research to identify the actual outdoor recreation needs. Missouri's SCORP planners have discontinued using needs assessment workshops because of the high cost of the workshops and the disproportionate influence of public interest groups. Missouri has since

* Needs assessment workshops are held every two years. Three workshops are held in Maricopa County, two in Pima County and one in each of the other counties.

adopted the Delphi technique* to assess future needs. California and Virginia survey their citizens to determine outdoor recreation needs of the state.

Although the SCORP includes a statement that it is "intended to serve as a basis for countless decisions relative to outdoor recreation which are made by numerous public and private individuals and organizations throughout the State," the degree to which it is used in Arizona is questionable. According to a representative of the Governor, the SCORP has never been used in state budgetary decisions. In addition, of the 18 county, city, or town parks and recreation officials contacted recently, five stated that the SCORP is not useful and four others were unfamiliar with it. Rather than using the SCORP as a guide for planning, some LWCF participants use it after the fact to justify project grant applications. In contrast, local park and recreation professionals in California, Missouri and Virginia told us they use the SCORP as a planning document. Recreation acquisition and development decisions in these states are made based on information provided in the SCORP.

While AORCC is required by law to maintain a comprehensive outdoor recreation plan for the development of the outdoor recreation resources of the state, according to one AORCC commissioner, "the only reason we have a SCORP is to get federal funds . . . without federal funds, there would not be a SCORP." Three officials of the NPS Western Region also describe Arizona as a state that prepares a SCORP primarily to receive the Land and Water Conservation Fund monies, although they do not take exception to this approach. In contrast, two NPS officials said that some other states are committed to planning, regardless of the LWCF requirements. NPS officials have said that Arizona is in compliance with all federal SCORP requirements and the SCORP has benefited the people of Arizona. Although

* The Delphi technique involves surveying a panel of individuals and then notifying the panel members of the compiled responses. This gives them the opportunity to provide input in light of everyone else's ideas. This process of feedback and input continues until conclusive results are compiled. Missouri's Delphi panel consists of 1,200 citizens, recreation professionals, local government officials and public interest group members.

the SCORP does fulfill federal requirements, our analysis indicates that the statewide plan could be improved.

Effects of Planning Weaknesses - The SCORP's weaknesses may lead to ineffective allocation of very limited grant monies. AORCC is charged with developing a statewide outdoor recreation plan that examines Arizona's needs as a whole. However, in the opinion of one AORCC commissioner, most grant monies go to local communities whose projects may address only the needs of that community and not necessarily the needs of the state. Given unlimited resources, all local needs could be addressed. Because resources are limited, however, decisions on the allocation of monies must be made on a statewide basis. The SCORP, in its present form, cannot be used to make funding decisions that ensure that the state is getting the maximum benefit for its recreation dollar.

AORCC's recreation planning should take on a statewide perspective to ensure the optimal allocation of available resources. To do this, action programs must include specific, long-range plans to meet identified needs. Additionally, AORCC should collect facility-use data and supplement the needs identification process to ensure adequate public participation. By using this additional information the Commission will be able to ensure that maximum statewide benefit is achieved from the limited outdoor recreation funds available.

AORCC Has Not Fulfilled One Federal Obligation and One Statutory Requirement

AORCC has not complied with one Department of the Interior regulation and one Arizona statute. AORCC has not completed federal compliance inspections, as required by the Department of the Interior. In addition, AORCC has failed to meet state requirements pertaining to executive session minutes.

Compliance Inspections - Although AORCC is required by the Department of the Interior to inspect LWCF projects for compliance every five years, AORCC has not fulfilled this requirement. Compliance inspections are done to ensure that facilities are intact and are being maintained. According

to NPS officials, as of February 1984 AORCC was past due on 229 compliance inspections and is the only state delinquent on these inspections. AORCC staff discontinued project compliance inspections when the staff was cut in 1982.

The NPS has notified AORCC of its delinquency and has requested that AORCC devise a plan to complete the inspections. LWCF reimbursements and additional funding could be withheld if inspection requirements are not met. As of December 1983, the Department of the Interior had approximately $3 million in LWCF monies for Arizona project reimbursements that could legally be withheld.

According to AORCC's executive director, 143 of these inspections have already been performed, and AORCC plans to complete all inspections by May 1984. However, according to AORCC staff, the NPS had been notified of only 46 of the completed inspections as of April 5, 1984. The documentation must be submitted to the NPS to satisfy the inspection requirement.

Executive Session Minutes - AORCC has not complied with Arizona statutes that require minutes to be taken at all executive sessions. In addition, those executive session minutes that were kept were not maintained securely and do not always contain the specific information required by law.

AORCC has not satisfied Arizona Revised Statute (A.R.S.) §38-431.01.B, which requires that "all public bodies, except for subcommittees and advisory committees, shall provide for the taking of written minutes or a recording of all their meetings, including executive sessions." From April 1980 through December 1983 AORCC held nine executive sessions. According to AORCC's director, minutes were not taken at four of the nine sessions because she was not aware of the requirement. Furthermore, the minutes of one executive session were lost.

CONCLUSION

AORCC may be ineffective in meeting its comprehensive planning mandate and has clearly violated other state and federal requirements. AORCC's comprehensive planning has been criticized and may not be meeting statutory guidelines. In addition, AORCC has failed to complete federal compliance inspections and to satisfy statutory obligations for taking and keeping executive session minutes.

RECOMMENDATIONS

1. The Commission should thoroughly examine the SCORP to ensure that it is a useful statewide outdoor recreation plan. The Commission needs to consider:
   - Developing specific action plans to meet identified outdoor recreation needs and problems.
   - Expanding the scope of the SCORP beyond the five-year period to include long-term planning.
   - Collecting facility-use data and supplementing the needs assessment workshops with other methods.

2. AORCC should complete and fully document all federal compliance inspections that are past due and notify the NPS of their completion. In addition, AORCC should make provisions for ongoing inspections.

3. AORCC should keep minutes of all executive sessions.

ARIZONA
OUTDOOR
RECREATION
COORDINATING
COMMISSION

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April 20, 1984

Mr. Douglas R. Norton
Auditor General
111 West Monroe, Suite 600
Phoenix, Arizona 85003

Dear Mr. Norton:

Please find enclosed AORCC's written response to the revised preliminary report draft of "A Performance Audit of the Arizona Outdoor Recreation Coordinating Commission - A Report to the Arizona Legislature".

Should you or your staff have any questions regarding AORCC's response, please call me.

Sincerely,

Mary Alice Bivens
Director/State Liaison Officer

MAB:jsm

Enclosure

Response
to the Performance Audit of the
Arizona Outdoor Recreation Coordinating Commission
Conducted by the Office of the Auditor General

April 1984

This is in response to the revised draft report of the performance audit of the Arizona Outdoor Recreation Coordinating Commission (AORCC) conducted by the Office of the Auditor General. As indicated in the report, the audit focused on three issues; 1) whether AORCC should continue as a separate agency, 2) the propriety and effectiveness of funds collected and expended in the administration of the federal Land and Water Conservation Fund (LWCF) program, and 3) the extent to which AORCC complies with federal and state requirements.

Sunset Factors

1. The second duty described on page 7 indicates a requirement that AORCC "coordinate and confer with the director of water resources regarding the development of water-based recreation." ARS §41-511.25.B refers to an agency, not a specific position within the agency. AORCC has often conferred with various staff members of the Department of Water Resources (DWR) and has directly involved the department in the preparation of a study of potential water-based recreation sites in the State. Any time AORCC has received a project relating to lake restoration or renovation or dam construction, input from DWR has been both sought and received.

2. In the first paragraph under Sunset Factor #2 on page 8, the report indicates that "AORCC has not been completely effective in planning and administering recreation grant programs in Arizona". Nowhere in the report are there criteria by which the effectiveness of AORCC's planning or grants administration are described; nor are specific factors related to support a statement of ineffective administration.

3. In the same paragraph reference is made to "some state and federal requirements have not been met." AORCC has met all federal requirement for the administration of the LWCF program. The National Park Service (NPS) acknowledges that Arizona has recognized the values of statewide, comprehensive and long-range outdoor recreation planning by expanding the Statewide Comprehensive Outdoor Recreation (SCORP) planning efforts beyond those specific requirements for eligibility; also, that AORCC has met federal requirements and guidelines and has been commended for a job well done, as evidenced by the attached letters received from the NPS Associate Regional Director. The degree to which AORCC is meeting State requirements is a matter of opinion.

4. The third Sunset Factor, found on page 9, questions the adequacy of AORCC's grants-in-aid process as it addresses statewide needs. The Commission has discussed the effectiveness of the LWCF grants-in-aid program in meeting statewide needs on a number of occasions. The AORCC staff is convinced that statewide needs have been and are continuing to be met through the processes annually established by the Commission. This position has been officially supported by the Commission and the importance of meeting statewide needs remains high on AORCC's agenda.

5. The AORCC acknowledges the deficiencies in the maintenance of the minutes of executive sessions and has already taken corrective action to ensure that they are kept in accordance with ARS §38-431.01.

6. Sunset factor #5, which is concluded on page 10, could be strengthened by adding that all AORCC deliberations are conducted in open public meetings for which over 300 individuals, members of the press and grant participants are sent copies of the impending agenda.

Findings

The audit report discusses three findings; 1) the AORCC is unnecessary, 2) the controls over LWCF administrative monies are inadequate, and 3) the AORCC has failed to effectively meet several states and federal requirements.

I. The AORCC is unneccessary.

The first paragraph is misleading. The statement that the Commission is unnecessary in this paragraph is contradicted by a statement further in the report which suggests that such a body should function as an advisor to the State Parks Board (SPB) on matters relating to its present functions - should the two be merged. While the functions of AORCC are recognized as being necessary, the report fails to support specific ways in which these responsibilities could be more effectively carried out by combining them with those of SPB.

In the fourth paragraph on page 13, AORCC's director is reported to have said that "it would be advantageous to have one agency responsible for long-range planning and to combine long-range planning with state park master planning, because one should be an extension of the other." This statement has been taken out of context. AORCC's director was asked what advantages would there be to a merger of AORCC with SPB. The answer was that the only advantage would be a strengthening of SPB long-range planning efforts and that State Park master planning was a site specific extension of Statewide comprehensive planning (as accomplished by the SCORP).

On page 14, in the second paragraph, the report states that SPB ranger staff could help with LWCF and SLIF project inspections. There is no doubt that such personnel are capable of conducting any of the inspections necessary in the administration of the grant programs for which AORCC is presently responsible; they would in some cases, however, be reviewing the facilities they manage. The supposition that "this would give AORCC personnel more time to devote the planning and grants administration and decrease in-state travel costs" is unsubstantiated.

Paragraph 2 of page 15 suggests that, because most other states administer the LWCF program differently than Arizona and through a variety of agency configurations, the present situation in Arizona is inappropriate. Without a complete analysis of each state's administration, this conclusion cannot be considered as valid.

The report alludes to the fact that additional problems may result with the implementation of SB1300 but fails to relate what they might be. The first sentence of page 17 states that a total transfer of AORCC's functions to the SPB would strengthen the state's outdoor recreation program without causing these problems. There are no substantive suggestions as to how the state's outdoor recreation program will be strengthened.

The footnote at the bottom of the page 17 suggests that because the SPB administers the State Historic Preservation (SHP) program it can also administer AORCC's programs. The types of grants, parameters, total dollars, length of duration, and the planning required, as well as other requirements, are significantly different. The SHP

program also deals with private citizens who are eligible to receive grants. The supposition that, since SPB administers the SHP program this would prevent any disproportionate share of LWCF or SLIF monies being granted to the SPB, is erroneous.

Since SB1300 has been signed into law, the discussion regarding potential problems supposed to be inherent with this legislation and the subsequent conclusions found on page 20 and 21 are moot.

II. Controls over LWCF administrative monies are inadequate.

There appear to be three points addressed in the finding; 1) the ineffective way AORCC determines the percentage of surcharge to assess, 2) the lack of legislative appropriation of the surcharge fund, and 3) the need for an account balance sufficient to sustain the administration of the grant program for the life of a project.

It is apparent from the sentence beginning on line 11 of the second paragraph of page 23, that the method AORCC uses to determine the surcharge percentage assessed on projects to support the administration of the LWCF program has been misunderstood.

It is inaccurate to characterize AORCC's method of estimating the annual LWCF surcharge rate as being based on "anticipated administrative costs for the current year." Prior to 1974, AORCC's LWCF surcharge income was the sole source of revenue to support LWCF grant administration and SCORP planning, as well as the agency's operation of the State Lake Improvement Fund. In these years, the LWCF surcharge rate necessarily reflected an amount sufficient to fund the operation of the entire agency. This time period precedes the involvement of any current AORCC staff, however, it is logical to assume that the estimated needs for surcharge revenues could only be based on anticipated <u>future</u> needs. Since the actual collection of funds could begin only after the following sequence of events occurred: Congress acted on appropriations to the LWCF program; Letters of Apportionment were signed by the Secretary of Interior and received by the State; project grants were approved by the (then) Bureau of Outdoor Recreation, and; Participant Agreements were transmitted by AORCC to LWCF grant recipients. Based on the amendment to ARS 35-382 by laws 1974, Ch. 174 § 1, which required legislative appropriation of SLIF monies to specific projects, AORCC first requested a SLIF appropriation to support its administrative costs of operating the SLIF program as a percentage of the agency's overall costs. This change required a modification in AORCC's budgeting procedures in 1974 and subsequent years. The method used to determine the appropriate percentage of the total agency's effort expended in operating the SLIF program was based on actual records of staff time kept during the preceeding fiscal year. This percentage was then translated into a SLIF budget request to the State Legislature which was accompanied by the Agency's LWCF budget request (both administrative and pass-through). It is essential to distinguish between the methods used to calculate the SLIF administrative budget request and the LWCF surcharge. While the SLIF percentage was based on actual time records, the overall costs to AORCC in fulfilling both its LWCF and SLIF mandates had to be estimated using anticipated staff and operating needs in the ensuing fiscal year for which appropriations were being requested. Therefore, even though the <u>percentage</u> of SLIF budgetary contribution to total agency administrative costs was based on actual or "current" year records, the <u>amounts</u> requested for both SLIF administration and LWCF surcharge were based on anticipated future fiscal year needs.

This necessity of budgeting on the basis of future needs for the entire agency was accentuated in 1976 when the federal government converted its fiscal year to October 1 through September 30. This action further delayed into the State fiscal year (July 1 to

June 30) the period of time in which LWCF surcharge monies could realistically be expected to be received by AORCC. Since 1976, AORCC's budget requests have been prepared in July, submitted in August and were predicated upon anticipated agency operating costs for the ensuing fiscal year. The establishment and asssessment of an LWCF surcharge rate has never coincided with these benchmark months. The Commission has normally approved LWCF projects and established surcharge rates in the late fall after the amount of total LWCF apportionment to Arizona has been determined by the Secretary of Interior. This rate has traditionally been assessed at a level adequate to provide the amounts estimated and requested in the submitted budget. LWCF surcharge monies have actually been collected, but not expended, in advance of the beginning of the fiscal year for which they were budgeted; although surcharge revenues are not predictably received within a given time period. Traditionally, the Legislature has been provided with supplemental budget documents listing approved LWCF projects thereby substantiating the agency's surcharge request.

This procedure has not only served the Commission well over the years but it has provided the Legislature with accurate information while avoiding potential miscalculations of surcharge rates based on over or under optimistic forecasts of LWCF appropriations from Congress. To state that AORCC uses current year administrative costs in determining annual LWCF surcharge rates is an inaccurate statement and greatly oversimplifies this aspect of agency's budgeting process.

The audit report suggests that AORCC has been illegally expending LWCF surcharge monies because they have not been appropriated to them by the Legislature. The Commission has provided the budget analysts and subsequently the Legislature with the same information to support LWCF expenditures that has been provided to support the appropriation of the State Lake Improvement Fund (SLIF) administrative monies. The fact that AORCC reviews the budget recommendations, approves the amounts allocated to the various account items and deliberates its budget needs and subsequent requests to the Legislature in open public meetings assists in assuring the credibility of its use of surcharge funds.

The second paragraph on page 35 suggests that once the Legislature appropriates the funds to administer the LWCF program, the potential misuse of such funds would be prevented. The several fiscal audits which have been conducted by the office of the Auditor General have substantiated the propriety with which these funds have been expended.

Beginning on page 26, the report discusses the lack of provision for long-term administration of the grants-in-aid portion of the LWCF program. This description lacks an apparent understanding of the Commission's policy on assessing a surcharge, the nature of the grant program and administrative changes which would be made at both the federal and state levels were the LWCF program permanently terminated.

1. The surcharge assessment, as discussed in more detail earlier in this response, is based on anticipated administrative costs which includes support for both planning and grants. At the time of the moratorium on state apportionments from LWCF, the agency employed 12 FTEs. Based on the concern that future LWCF support would be limited, the Commission reduced the FTE to 7. This number was based on a determination that 6 FTE were needed to support the on-going SLIF and BLESF programs and 1 FTE to process the LWCF project billings. This action prompted a change in the budget process which resulted in a state appropriation to support the 6 FTE from SLIF revenue. The remaining LWCF surcharge account was sufficient to support 1 FTE for approximately 18 months. AORCC determined that because the State's statutes mandated the development and

maintenance of a statewide comprehensive outdoor recreation plan, the use of general revenue funds to support this effort was entirely appropriate. A corresponding request was subsequently made of the Legislature to reflect this position. These requests have been denied. One rationale given for the denial was that LWCF monies were still being apportioned to Arizona; therefore, general revenue funds were not necessary. The suggestion (page 27, last paragraph, line 4) that AORCC "overestimated" administrative costs is inaccurate.

2. The LWCF grant-in-aid program is a reimbursement/match program. While a grant recipient has a five-year period within which a project is to be completed and funds expended, the time required to process the billings and complete the necessary paper work varies greatly with each project. Assessing a surcharge at the time of billing or periodically throughout the life of the project would not change the total funds available for administrative costs. The reimbursement process is a diminishing one and would not lend itself to a dependable level of income over time.

3. At any point in time when the LWCF program is completely terminated, the federal requirements for comprehensive planning and grants administration will also be revised. This will, in turn, alter the amount of funds necessary to administer the remaining grants contracts. The amount of money received through the utilization of the indirect cost method, as described in the second paragragh on page 28, was expended to cover costs incurred in updating the SCORP and not for administrative expenses. In order to accomplish the 1983 SCORP Update, the Commission had the option of using unexpended LWCF monies in this way or submitting an LWCF project for matching assistance which would have had the same result. It should not be concluded, therefore, that AORCC used grant monies twice to generate administrative funds.

A comprehensive project status report was completed; however, it is impossible to determine beforehand the difficulties a grant recipient might have during the course of completing a project nor the time necessary to review closure documentation. The amount of dollars allocated to a project is not an indicator of the amount of time necessary to process the corresponding paperwork. An average cost could be determined by analyzing completed projects. This would, however, only be an indicator of what might be expected but not a reliable estimate of actual needs.

The surcharge rate is re-evaluated annually. This assures not only the grant recipient of a "fair share" assessment but also that the reserved funds are reasonable and prudent.

III. AORCC has failed to effectively meet several State and federal requirements.

The audit report identifies two areas of concern for meeting state statutory mandates and one federal programmatic requirement.

1. The State statutes require AORCC to prepare and keep up-to-date a comprehensive plan for the development of the outdoor recreation resources of the State. The effectiveness with which AORCC has fulfilled this mandate is a matter of opinion, as plans have been developed and periodically updated. The only funding support for these efforts has come through the participant surcharge assessed against LWCF grant recipients and matched with federal LWCF monies. The criteria for the development of a SCORP are outlined in the federal LWCF manual. AORCC has followed the federal guidelines and met all the SCORP requirements mandated by NPS, as evidenced by the attached letters. In addition, AORCC has utilized various methods of assessing user needs in an effort to assure that the process is a true reflection of statewide needs. The

SCORP was not designed to provide specific plans to meet statewide needs as this is the function of the local entity. Grant applications reflect these needs and become, in essence, the implementation arm of the SCORP process.

The suggestion on page 32, second paragraph, that California's SCORP, which includes proposed solutions to outdoor recreation "issues", more effectively addresses statewide needs and problem solutions, overlooks the annual Action Program AORCC adopts which, essentially, accomplishes the same objective.

The collection of user data, as discussed in the last paragraph of page 32, is a very unstable and unreliable piece of information. The recording of such information is usually at the discretion of the resource manager and not compiled uniformly by all entities involved. To imply (beginning with the last sentence of page 32) that AORCC may have made incorrect grant decisions because user data was unavailable is an assumption. The statement attributed to AORCC's executive director found on lines 4, 5 and 6 of page 33 is taken out of context. The user data requested by the Commission in preparation for FY1983-84 project evaluations was collected, transmitted to commissioners and considered by staff in the evaluation of each project. In addition, the LWCF project rating system advisory committee concurred with a staff suggestion that further applications be required to include this type of information.

It should be noted in response to the report's reference to Missouri's use of the Delphi technique in the first line of page 34 that Arizona utilized the Delphi approach in conducting the 1981 SCORP Needs Assessment update. However, at the conclusion of the process, the Commission expressed dissatisfaction with the concept and directed staff not to utilize it for future needs assessment updates.

2. AORCC has corrected the method of keeping executive session minutes as rerferenced in the audit report on page 36.

3. The federal programmatic requirement referred to in the audit report, page 35, is in the process of being completed. The post-completion compliance inspections referred to in the last paragraph on page 35 are required of projects which have been completed for over five years. AORCC recognized the need for completing this requirement and scheduled inspections at a time when the workload priorities enabled them to be accomplished. This schedule was agreed upon by both NPS and AORCC staff. All inspections will be completed by AORCC staff by May 1, 1984. At no time were LWCF reimbursement funds or future apportionments in jeopardy. As of this date (April 20, 1984) 148 project inspections have been completed and reports are in the process of being forwarded to NPS. While Arizona may be the only state in the western region to be so delinquent in this area, it is not the only state in the country which is behind.

The Arizona Outdoor Recreation Coordinating Commmission, members and staff, are very proud of the fine record the agency has established and the outstanding accomplishments of the planning and grants-in-aid aspects of both the LWCF and SLIF programs. The administration of the BLESF program has also been exemplary. The excellent rapport the Commission has established with local officials, as well as resource managers, is envied by other agencies.

United States Department of the Interior

NATIONAL PARK SERVICE

WESTERN REGION

450 GOLDEN GATE AVENUE, BOX 36063

SAN FRANCISCO, CALIFORNIA 94102

IN REPLY REFER TO:

1101-02b Arizona
(WR-RG)

February 28, 1984

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AORCC

Mrs. Mary Alice Bivens
Director
Arizona Outdoor Recreation
Coordinating Commission
1624 West Adams, Room 101
Phoenix, Arizona 85007

Dear Mrs. Bivens:

We have completed our review of the 1983 Arizona Statewide Comprehensive Outdoor Recreation Plan Update. The plan meets the requirements of the Land and Water Conservation Fund Act (L&WCF) and the National Park Service (NPS) Grants Manual.

We are pleased to approve the plan and to extend Arizona's eligibility to participate in the L&WCF program through February 28, 1989. Congratulations to you and your staff for a job well done.

For your information and use, we are enclosing a copy of our comments on the plan. We hope these comments will be considered and used to strengthen the documents utility as a statewide planning tool. Please let us know if you have any questions regarding these comments or other considerations in finalizing the plan. Following that, we look forward to working with you in the months ahead to meet the challenge of plan implementation.

Sincerely,

Howard H. Chapman
Regional Director, Western Region

Enclosures

United States Department of the Interior
NATIONAL PARK SERVICE
WESTERN REGION
450 GOLDEN GATE AVENUE, BOX 36063
SAN FRANCISCO, CALIFORNIA 94102

IN REPLY REFER TO:

(WR-R)

April 13, 1984

Mr. Douglas R. Norton
Auditor General, State of Arizona
111 West Monroe, Suite 600
Phoenix, Arizona 85003

Dear Mr. Norton:

It has come to my attention in a draft report on the performance audit of the Arizona Outdoor Recreation Coordinating Commission, that three officials of the National Park Service are quoted as having stated that Arizona's Statewide Comprehensive Outdoor Recreation Plan (SCORP) planning efforts are performed solely for the purpose of obtaining eligibility for Arizona to participate in the Federal Land and Water Conservation Fund Program. Statewide Comprehensive Outdoor Recreation Plans were first required of states in order to provide a basis for grant in aid decisions. Since that time most states, including Arizona, have recognized the values of statewide, comprehensive and long-range outdoor recreation planning and expanded their SCORP efforts beyond those specific requirements for eligibility. I want to assure you that Arizona does meet federal requirements and guidelines and has been commended for a job well done. The moratorium on funding in 1981 made it difficult for states, like Arizona who rely on federal funds, to produce a quality document without obtaining Federal matching dollars. The Arizona Outdoor Recreation Coordinating Commission was not idle during this time as supported by their annual report, and did, in fact, work on components which have been incorporated into the recently approved 1987 Update.

We would like to assure you that the "three NPS officials" quoted in the draft document all recognize that Arizona has developed Statewide Comprehensive Outdoor Recreation planning documents which reflect concern for statewide issues and needs. These documents evidence that they were produced to be an aid in outdoor recreation decisions and indeed we believe have benefited the people of Arizona.

Sincerely,

John D. Cherry
Associate Regional Director
Resource Management and Planning

cc: ✓Mary Alice Bivens
Director, Arizona Outdoor
Recreation Coordinating Commission

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AORCC