

REPORT HIGHLIGHTS



STATE LAND BOARD
PERFORMANCE AUDIT, OCTOBER 2017

COLORADO STATE BOARD OF LAND COMMISSIONERS
DEPARTMENT OF NATURAL RESOURCES

CONCERN

The Colorado State Board of Land Commissioners (State Land Board) did not consistently follow requirements to conduct appraisals when buying and selling land, determine the fiscal impact when selling land for development, and create management plans for land in the Stewardship Trust. In addition, the State Land Board needs to strengthen its policies and procedures for handling conflicts of interest.

KEY FINDINGS

- The State Land Board did not follow the board's appraisal policy for 12 of 23 real estate transactions in Calendar Year 2016. The State Land Board did not conduct required appraisals for 10 properties it bought or sold. For an additional two transactions, the State Land Board did not conduct required review appraisals. Policy requires review appraisals to verify the initial appraisal for property valued at \$5 million or more. In addition, we could not verify that the State Land Board followed its policy for soliciting and selecting appraisers for any of the 15 appraisals it commissioned in Calendar Year 2016. The combined total value of the land in these transactions was about \$27 million.
- In Calendar Year 2016, the State Land Board sold 10 properties for development without making a determination of fiscal impact as required by the Colorado Constitution. Additionally, it did not have documentation on the intended use of 11 other properties it sold, so we could not verify that a fiscal impact study was not required.
- The State Land Board does not have management plans for any of the 104 properties in the Stewardship Trust or stewardship-specific lease terms for any of the 113 grazing leases within the Stewardship Trust, as required by policy. The purpose of these plans and lease terms are to provide tools and measures for protecting and enhancing the natural values of the properties.
- The State Land Board does not have adequate and consistent processes to detect, review, and mitigate staff conflicts or potential conflicts of interest. For example, the disclosure form is incomplete, completed forms are not collected and reviewed in a timely manner, and the State Land Board did not develop a written plan to mitigate one employee's conflict.
- In Calendar Years 2014 through 2016, the State Land Board did not always meet the board governance manual's expectations for how commissioners disclose conflicts and potential conflicts of interest, and how those disclosures are resolved and recorded.

BACKGROUND

- The State Land Board is the trustee of the land granted to the State by the United States Federal Government at the time of statehood and is the second largest landholder in Colorado, after the federal government.
- The State Land Board manages approximately 2.8 million surface acres and 4 million underlying mineral-only acres to generate reasonable and consistent income for Colorado's kindergarten through 12th grade public schools, and other beneficiaries, and provide for the long-term stewardship of the land. About 11 percent of the land is placed in the Stewardship Trust, which the Colorado Constitution sets apart for extra protections due to its natural values.
- The State Land Board generates income for trust beneficiaries primarily by leasing land for natural resource extraction, grazing, and agriculture. In Fiscal Year 2017, revenue was about \$119 million in total.
- In Calendar Year 2016, the State Land Board bought, sold, and exchanged land in 25 transactions of land valued at \$29 million in total.

KEY RECOMMENDATIONS

- Improve controls over appraisals for valuing land that is purchased, sold, or exchanged.
 - Seek legal or statutory guidance and implement policies on determining the fiscal impact of land sales.
 - Develop and follow a timeline for creating Stewardship Trust management plans and add the plans to leases.
 - Develop policies for disclosing and resolving employee conflicts of interest and revise the disclosure form.
 - Clarify conflicts of interest policy for commissioners, including annual disclosures and review of disclosures.
- The State Land Board agreed with all the recommendations.