

The June 2021 Arizona Board of Regents performance audit found that universities have not consistently followed ABOR's guidelines governing university relationships with affiliated organizations, limiting full transparency and accountability for some university resources provided to and the benefits received from these organizations, nor did ABOR regularly receive information on affiliated organization activities. We made 6 recommendations to the Board, and its status in implementing the recommendations is as follows:

Status of 6 recommendations

Implemented	2
Implemented in a different manner	1
In process	3

We will conduct a 30-month followup with ABOR on the status of the recommendations that have not yet been implemented.

Finding 1: Universities have not consistently documented and disclosed some affiliated organization transactions, limiting full transparency and accountability, and ABOR has not explicitly overseen university compliance with its guidelines

1. ABOR should revise its affiliated organization guidelines and/or policies to:
 - a. Require the universities to enter into and periodically review and update written agreements with all affiliated organizations with which they have established relationships to hold economic resources and carry out activities primarily in support of the universities.

Implemented at 6 months

- b. Require the universities to document the exchange of public resources provided to affiliated organizations and the benefits and services that the affiliated organizations will provide to the universities and/or the State university system in a written agreement.

Implemented in a different manner at 6 months—In November 2021, ABOR approved a new policy related to oversight of university relationships with affiliated organizations. Rather than requiring resource exchanges to be documented in a written agreement, the new policy requires the universities to document all transactions between the universities and their affiliated organizations where public resources are either provided to and/or benefits are received from affiliated organizations. Specifically, the new policy requires all transactions between the universities and affiliated organizations to meet the normal tests for ordinary business transactions, including documentation and approvals, and to contain documentation of the benefits received by the university and the public resources provided to each affiliated organization. The policy also requires each university to designate a senior university official responsible for maintaining documentation of resources provided to and received from affiliated organizations and to annually submit reports to ABOR's Finance, Capital, and Resources Committee on a schedule determined by ABOR's executive director that include descriptions of any resource exchanges with affiliated organizations.

2. ABOR should develop and implement a process to help ensure the universities comply with its affiliated organization guidelines, including:
 - a. Establishing reporting or internal audit requirements related to the universities' implementation of ABOR's guidelines. At a minimum, these requirements should include assessing whether the universities:
 - Enter into and periodically review and update written agreements with their affiliated organizations.
 - Document and fully disclose the value of university resources provided to affiliated organizations, including but not limited to university monies, personnel, office space, and other in-kind resources.
 - Document the receipt of services and benefits provided by affiliated organizations in exchange for university resources and how resource exchanges with affiliated organizations are determined.

Implementation in process—As reported in our initial followup, ABOR has developed a policy related to the oversight of university relationships with affiliated organizations that requires the universities to have a written agreement with each of its affiliated organizations and to provide the agreements to the ABOR chair, executive director, and counsel on an annual basis. The policy also includes requirements for reviewing affiliated organization relationships and maintaining documentation of resource exchanges with affiliated organizations. Finally, it requires the universities to annually submit reports to ABOR's Finance, Capital, and Resources Committee that include descriptions of these reviews and resource exchanges and ABOR has developed a template for universities to report this information related to their affiliated organizations. ABOR reported that it will require the universities to submit reports by June 2023, and is planning to develop procedures for helping to ensure and assess university compliance with the affiliated organization reporting guidelines. We will further assess ABOR's implementation of this recommendation during our 30-month followup.

- b. Requiring the universities to document and report to ABOR on their resource exchanges with affiliated organizations.

Implementation in process—See explanation for Recommendation 2a.

Finding 2: ABOR has not required universities to report information it needs to identify, monitor, and mitigate risks associated with affiliated organization activities

3. ABOR should develop and implement a process and/or use existing processes to regularly obtain information from the universities about affiliated organizations' activities and their associated risks and liabilities to help ensure it can identify and monitor risks and their potential impact to the universities and ABOR.

Implementation in process—As reported in our initial followup, ABOR has developed a policy that requires the universities to annually submit a report to ABOR's Finance, Capital, and Resources Committee that includes a description of their affiliated organizations' activities and their associated risks and liabilities. As explained in Recommendation 2a, ABOR has also developed a template for universities to report information related to their affiliated organizations, including information on affiliated organization activities, and reported that it will require the universities to submit reports by June 2023. Although the template does not require the universities to provide information on the risks and liabilities associated with the reported activities, ABOR indicated that it plans to incorporate obtaining information about the risks and liabilities associated with affiliated organization activities as part of its' annual risk assessment process for the universities by June 2023. We will further assess ABOR's implementation of this recommendation during our 30-month followup.

4. ABOR should revise its guidelines and/or policies to include requirements and/or expectations for the information the universities should receive from affiliated organizations and provide to ABOR to help ensure ABOR receives consistent information about the affiliated organizations' activities and associated risks and liabilities.

Implemented at 6 months