

## Arizona Sports and Tourism Authority (Authority)

**Authority distributed some revenues inconsistent with statutory requirements, discontinued a key Stadium management oversight practice and did not document other oversight practices, and did not receive enough tourism revenues to meet all statutorily required distributions.**

### Audit purpose

To determine if the Authority's revenue distributions for fiscal years 2015 through 2020 complied with statutory requirements; review its Stadium management monitoring and oversight processes; and determine whether the Authority received sufficient revenues to cover its statutorily designated distribution priorities during fiscal years 2015 through 2020 and the impact of the COVID-19 pandemic on its revenues, distributions, and operations.

### Key findings

- The Authority receives tourism and facility-related revenues and must distribute these revenues according to statutory requirements but made several distribution errors that resulted in 1 of the distribution priorities—youth and amateur sports—receiving approximately \$1.1 million more than statutorily allowed and other priorities, such as tourism promotion, receiving less than required. When notified of these errors, the Authority corrected them.
- The Authority contracts with a Stadium manager to manage State Farm Stadium operations. In June 2019, the Authority discontinued a key oversight practice of an activity that its Stadium manager is contractually required to perform when an Authority staff person left and procedures for performing this activity could not be located. Prior to September 2020, other oversight practices were performed but not documented.
- During fiscal years 2015 through 2020, the Authority did not receive sufficient tourism revenues to meet all of its monthly statutorily required distribution priorities except for Stadium bond obligations because of statutory distribution amounts that increase at specified intervals and the requirement that higher priorities must be fully funded each month before lower priorities can receive funding.
- The Authority projects it will need to use approximately \$13.3 million of its \$29 million operations account cash balance as of June 30, 2020, during fiscal year 2021 to pay for its operations, Stadium bond obligations, and other costs because of reduced tourism and facility-related revenues from the COVID-19 pandemic.

### Key recommendations

The Authority should:

- Take additional steps to ensure that it accurately distributes tourism and facility-related revenues according to statutory requirements.
- Implement the procedures it developed in June 2020 to guide the performance of a key oversight practice and continue the other Stadium management oversight practices we observed that have been formalized in its draft Stadium management oversight policy and procedures.