

The University of Arizona Annual financial statement audit

The University's fiscal year 2023 reported financial information is reliable, and we did not report any deficiencies over financial reporting. However, we reported deficiencies over purchasing card purchases for food and beverages, entertainment, and lodging, which are summarized on the next page.

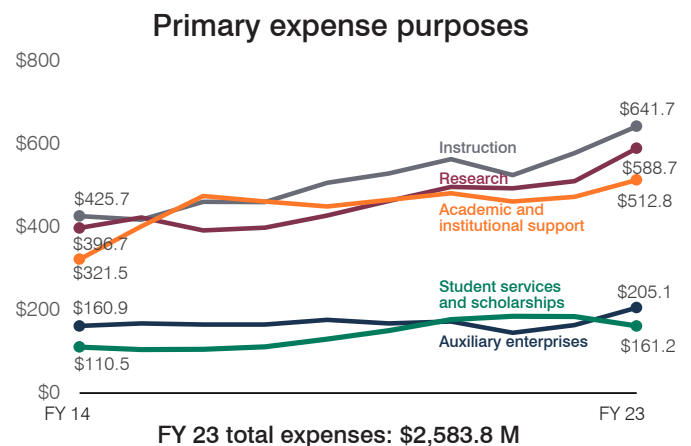
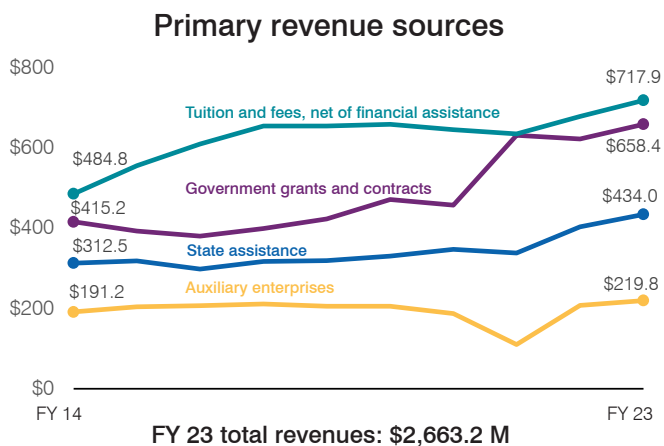
Audit purpose

To express our opinion on the University's financial statements and, if applicable, to report findings over noncompliance with certain laws and regulations or other financial deficiencies.

Primary revenue sources and how they were spent

Fiscal years (FY) 2014 through 2023

(In millions)



Source: Auditor General staff summary of information obtained from the University's financial statements.

Largest primary revenue sources FY 2023

- **Tuition and fees, net of financial assistance 27.0%**—Includes charges to students for educational services, net of any University student financial assistance revenues that were used to cover the students' tuition and fees.
- **Government grants and contracts 24.7%**—Includes federal and State government grant programs and contracts awarded mostly for student financial aid and research and development programs.

Largest primary expense purposes FY 2023

- **Instruction 24.8%**—Costs to provide instruction for all degree and certificate programs.
- **Research 22.8%**—Costs that support all initiatives to advance research in various fields.
- **Academic and institutional support 19.8%**—Costs for University-wide planning, management, and administrative support services, including fiscal operations, information technology, and course development.

University's net position increased in FY 2023

University revenues were \$79.3 million more than its expenses, increasing its total net position to \$1,181.3 million at June 30, 2023. Net position includes all assets, such as buildings, vehicles, and cash and investments, less all liabilities, such as unpaid pension and other payroll obligations, long-term debt, and accounts payable. None of this net position is unrestricted, meaning some is not in spendable form, and the rest is restricted by external parties.

Auditor findings and recommendations

Summarized below is our finding and recommendation included in the University's [Report on Internal Control and on Compliance](#) where there is further information and the University's responses.

The University paid \$19,042 for food and beverages, entertainment, and lodging using purchasing cards without complying with purchasing card policies and procedures and documenting how \$12,385 of these purchases were necessary to serve a public purpose and to benefit the University and its constituents, resulting in risk of possible misuse of public monies and possible violation of the Arizona Constitution. During fiscal year 2023, University purchasing cardholders did not always follow the University's policies and procedures and department supervisors did not always identify the violations. In addition, although the University's Financial Services Department reported it provided training to a total of 867 new employee cardholders during fiscal year 2023 and it used a risk-based model to monitor purchasing card transactions, such as sampling transactions and reviewing self-reporting policy violations to monitor the large volume of purchasing card transactions to detect improper use of the program, none of the violations we found were included in the University's Financial Services Department's monitoring sample. Therefore, the University should:

- Ensure purchasing cardholders and department supervisors follow University policies and procedures that require use of purchasing cards only for authorized purposes necessary for official University business and that benefit the University and its constituents. If the University determines that it is appropriate to purchase food and beverages, entertainment, and lodging for events using public monies, it must evaluate and document how each purchase serves a public purpose and benefits the University.
- Ensure purchasing cardholders follow University policies and procedures that require them to document how their purchases are necessary to serve a public purpose.
- Ensure department supervisors follow University policies and procedures that require them to verify policies and procedures are followed when purchasing cardholders obtain goods or services, such as student lodging or entertainment performances/events, and/or that payments are requested through the University's required standard payment process.
- Adopt and implement a policy to require purchasing card holders and department supervisors to attend a periodic refresher training about the University's purchasing card policies and procedures.
- Continue to apply procedures to monitor the large volume of purchasing card transactions, such as sampling purchasing card transactions and reviewing self-reporting policy violations. In addition, the University should use data analysis to help detect unallowable purchases and identify suspicious purchasing patterns, vendors, merchant category codes, and amounts.
- Enforce University policies and procedures requiring the University's Financial Services Department to take appropriate corrective action on purchasing card expenses that do not comply with University policies and procedures, such as employees' repayment of unallowable purchases and suspension or revocation of cardholder privileges.

Auditor General website report links

- The June 30, 2023, University of Arizona Annual Comprehensive Financial Report and Report on Internal Control and on Compliance that are summarized in these highlights can be found at this [link](#). These reports should be read to fully understand the University's overall financial picture and our reporting responsibilities.
- The University's reports from prior years are available at this [link](#).
- For help in understanding important information presented in these reports, please refer to our user guides at the following links:
 - [Financial Report User Guide for Colleges and Universities.](#)
 - [Internal Control and Compliance Reports User Guide.](#)