




## Arizona Board of Regents

### University-Affiliated Organizations

## 48-Month Followup of Report 21-103

The June 2021 Arizona Board of Regents (ABOR)—University-Affiliated Organizations performance audit was the second of 3 audit reports of ABOR we issued as part of its sunset review.<sup>1</sup> This performance audit found that the 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 ABOR.

### ABOR’s status in implementing 6 recommendations

Implementation status	Number of recommendations
 Implemented	4 recommendations
 Implemented in a different manner	1 recommendation
 Partially implemented	1 recommendation

Unless otherwise directed by the Joint Legislative Audit Committee, this report concludes our follow-up work on ABOR’s efforts to implement the recommendations from the June 2021 report.

<sup>1</sup> The first performance audit found that ABOR lacks comprehensive property information and guidance to implement real estate policies, and operation of some ABOR property lacked oversight and accountability. The third audit provided responses to the statutory sunset factors, and we found that ABOR had established processes related to several of its statutory responsibilities we reviewed but can improve its effectiveness in other areas, including discussing the universities’ significant risk areas and plans for addressing these risks. For more information on the other performance audits we issued as part of ABOR’s sunset review, including any applicable followup reports, see [Report 19-115](#) and [Report 21-105](#).

# Recommendations to ABOR

---

## **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.
    - ▶ Status: **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.
    - ▶ Status: **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.

► Status: **Implemented at 48 months.**

As reported in our prior followups, ABOR developed a policy related to the oversight of university relationships with affiliated organizations. The policy requires the universities to have a written agreement with each of their affiliated organizations and provide the agreements to the ABOR chair, executive director, and ABOR counsel; and requires the universities to review affiliated organization relationships and maintain documentation of resource exchanges with affiliated organizations. The policy also requires the universities to annually submit reports to ABOR's Finance, Capital, and Resources Committee that include descriptions of these reviews and resource exchanges. ABOR has also developed a template for the universities to annually report this information related to each of their affiliated organizations to ABOR, including either providing a copy of the university's written agreement with the affiliated organization or indicating the date on which the agreement had been previously provided to ABOR. ABOR policy further requires the universities to submit annual reports to ABOR according to a schedule determined by ABOR's executive director.

During this 48-month followup, we found that the universities submitted to ABOR annual reports for 20 affiliated organizations in 2023 and 2024, as required. These 20 reports included all information required by ABOR policy, including the information we recommended, with the exception of 4 reports from 2 universities that did not disclose the value of the resources these universities provided to 4 affiliated organizations. Although this information was not included in the 4 reports, ABOR provided information indicating it was aware of the resources the universities provided to the 4 affiliated organizations.<sup>2</sup>

Finally, although ABOR policy does not require or prescribe ABOR's review of information submitted by the universities related to their affiliated organizations, ABOR reviewed and discussed the 20 reports that the State's 3 universities submitted for each of their affiliated organizations in its June 2023 and June 2024 public meetings and associated executive sessions.

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

► Status: **Partially implemented at 48 months.**

See explanation for recommendation 2a.

<sup>2</sup> The 4 reports were related to 3 organizations affiliated with ASU—the Thunderbird School of Global Management, ASU Athletic Facilities District, and Herberger Young Scholars Academy, and 1 organization affiliated with NAU—the Northern Arizona Capital Facilities Finance Corporation.

## **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.

▶ Status: **Implemented at 48 months.**

As reported in our prior followups, ABOR developed a policy and reporting template that requires the universities to annually report descriptions of their affiliated organizations' activities to ABOR. As of June 2024, the annual reports ABOR has received from the universities continued to include descriptions of affiliated organizations' activities, as required. The policy also requires the universities' annual reports to include any risks and liabilities associated with affiliated organizations' activities. Although the reporting template does not specifically require universities to include information on risks and liabilities, it does ask the universities whether they provided an annual enterprise risk-management update. Additionally, ABOR has incorporated obtaining information about risks and liabilities associated with affiliated organization activities as part of its annual risk-assessment process and discusses university-specific risk management information, including any risks and liabilities associated with affiliated organizations' activities, during Board meetings. For example, our review of ABOR's May 2025 Audit and Risk Management Committee's meeting agenda and minutes found that it scheduled and adjourned to executive session for a review and discussion regarding risk management related to component unit affiliates for each university.

- 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.

▶ Status: **Implemented at 48 months.**

See explanation for recommendation 3.