





Arizona Commerce Authority

18-Month Followup of Report 23-116

The September 2023 Arizona Commerce Authority (ACA) performance audit and sunset review found that the ACA manages various business incentives; spent more than \$2.4 million hosting 5 private CEO Forums, reportedly to market Arizona to companies; and is at increased risk of fraud and waste of public monies because it lacked documentation it verified businesses met some requirements for nearly \$11 million in incentives. We made **23** recommendations to the ACA. In addition to reporting on the status of the ACA's efforts to implement these recommendations, we also provide an update on the Questions and Answers related to private CEO Forums that was included in the performance audit and sunset review.

ACA's status in implementing 23 recommendations

Implementation status		Number of recommendations
	Implemented	6 recommendations
	Partially implemented	1 recommendation
	In process	15 recommendations
	Not yet applicable	1 recommendation

We will conduct a 30-month followup with the ACA in spring 2026 on the status of the recommendations that have not yet been implemented.

Recommendations to the ACA

Finding 1: ACA lacks evidence showing it verified businesses met some requirements when reviewing and approving nearly \$11 million in financial incentives, increasing risk of fraud and waste of public monies.

1. The ACA should ensure Quality Jobs tax credit recipients and A1 grantees meet all job and capital investment requirements by developing procedures for reviewing and verifying recipient-reported information, and documenting this review, prior to approving tax credits or distributing grant monies.

► Status: **Implemented at 18 months**

As of March 2024, the ACA has developed and implemented procedures for both the Quality Jobs tax credit and A1 grant programs to review and verify recipient-reported job and capital investment information prior to approving tax credits or distributing grant monies. Specifically, Quality Jobs tax credit recipients and A1 grantees must submit information/documentation to the ACA indicating they have met specified job creation and capital investment requirements before being approved to claim tax credits or receive grant monies. To review and verify this information, the ACA procedures require its staff to compare reported wage information against State tax forms and sample and review invoices and/or purchase orders to verify business-reported capital investment amounts. The ACA staff are also required to use checklists to ensure that all required verification steps have been completed, including ensuring all grantee-reported jobs have been filled for at least 90 days, are held by Arizona residents, and, if applicable, were relocated from another state within 12 months of the creation date. Finally, the procedures require a supervisor to review the tax credit recipient or grantee file and sign the checklist affirming that all review and verification procedures were completed prior to approving tax credits or distributing grant monies.

Our review of 2 of 13 judgmentally selected Quality Jobs tax credits and 1 of 2 judgmentally selected active A1 grants for which the ACA approved and made payments between April 2024 and February 2025 found that the ACA followed its revised procedures for ensuring that tax credit recipients and grantees met job and capital investment requirements before approving tax credits and/or distributing grant monies. This included following ACA procedures for sampling and reviewing invoices and/or purchase orders to verify business-reported capital investment amounts and completing the required supervisory review.

2. The ACA should revise and implement written policies, procedures, and guidance for reviewing and verifying all job creation information, including ensuring for all jobs the grantee reported it created in Arizona that:
 - All jobs have been filled for at least 90 days from the Arizona job creation date.
 - All filled jobs are held by Arizona residents.
 - Jobs filled by an employee within 12 months of the Arizona job creation date relocated from another state.

- ▶ Status: **Implemented at 18 months.**

See explanation for recommendation 1.

3. The ACA should develop and implement written policies and procedures for overseeing the review and verification of reported job creation and capital investment information, such as a supervisory review process, to ensure the review and verification of reported information is complete, documented, and accurate.

- ▶ Status: **Implemented at 18 months.**

See explanation for recommendation 1.

Sunset Factor 2: The extent to which the Department has met its statutory objective and purpose and the efficiency with which it has operated.

4. The ACA should ensure A1 grant applicants meet all statutory grant qualification requirements and that staff consider and complete all statutory economic impact requirements before approving applicants for an A1 grant by developing, revising, and implementing policies, procedures, and guidance for:

- a. Verifying applicant-reported health insurance premium or membership information.

- ▶ Status: **Implementation in process.**

The ACA revised its procedures to require its staff to verify A1 grant applicant-provided health insurance premium or membership information by obtaining and reviewing health insurance plan and premium information/documentation provided by the applicant, such as an employee benefit packet showing applicant and employee health insurance premium costs. According to the ACA, it will collect, review, and verify this information prior to making a grant payment. Our review of 1 of 2 judgmentally selected active A1 grants for which the ACA approved and made 2 grant payments between April 2024 and February 2025 found that, although ACA staff did not verify the A1 grant applicant-provided health insurance premium or membership information using its revised procedures, ACA staff verified the applicant's health insurance premium information through a different program and associated process. Specifically, the ACA approved the applicant to receive tax credits through its Arizona Qualified Facility Tax Credit program. Statute requires these tax credit recipients undergo a third-party review to determine whether the applicant has complied with the tax credit requirements, including health insurance premium requirements that are similar to the A1 grant program health insurance premium requirements. As a part of this review, the ACA confirmed that the applicant had met the health insurance premium requirements for both programs. Because the ACA verified this information using a different process than its A1 grant procedures, we will further assess the ACA's implementation of its A1 grant procedures during our next followup.

- b. Overseeing the review and verification of grant and economic impact qualification requirements.

► Status: **Implementation in process.**

The ACA has revised its policies, procedures, and guidance for overseeing the review of grant and economic impact qualification requirements, such as requiring its A1 grant manager to verify that the grant applicant has submitted all required documentation, including documentation that the ACA uses to conduct the economic impact assessment. Our review of a judgmental sample of 1 of 3 A1 grant agreements the ACA approved in April and May 2024 found that all required information was submitted to and reviewed by the ACA. However, similar to what we found in the September 2023 performance audit and sunset review, the ACA lacks policies and procedures requiring ACA staff to verify the accuracy of applicant-provided information, such as by requesting additional analyses and/or underlying support from the applicant or corroborating applicant-reported information with applicable independent sources. Absent these verification procedures, the ACA potentially lacks the information it needs to develop a sufficient economic impact assessment and ensure the applicant has met all grant qualification requirements. For example, the application for the grant agreement we reviewed indicated the applicant would create 600 jobs with an average wage of \$97,000, but the ACA did not request or attempt to obtain additional data, documentation, or information from the grant applicant about how it developed these estimates (see explanation for recommendation 4c for more information on median/average wages). We will further assess the ACA's implementation of this recommendation during our next followup.

- c. Obtaining median wage salary information for jobs that grant applicants indicate they will create.

► Status: **Implementation in process.**

The ACA revised its economic impact statement template to include the estimated median wage of jobs to be created, as required by statute. Our review of a judgmental sample of 1 of 3 A1 grant agreements the ACA approved in April and May 2024 found the ACA indicated in the grant's economic impact statement that the median wage was not available, and instead included the estimated average wage of jobs to be created, which is unchanged from what we found in the September 2023 performance audit and sunset review. ACA staff reported that they may be unable to obtain this information because the ACA assesses the economic impact of and approves grants years before the actual positions and wages are known, making it impossible for the applicant to calculate a median wage. However, the ACA's procedures and/or guidance do not instruct staff on the information/documentation it should consider when trying to determine median wage. For example, although the economic impact statement documentation for the grant agreement we reviewed indicated the grantee planned to create 600 jobs with an average wage of \$97,000, the documentation did not include information on how the applicant determined the estimated average wage, such as indicating the types of positions the applicant planned to create and the estimated salaries for each position—information that could be used to calculate both an estimated average wage and an estimated median wage. As a result, the ACA lacked important information to independently assess the economic impact, feasibility, and likelihood of the applicant's planned job creation. The ACA reported that it would continue to

review and revise its procedures and/or guidance to include steps its staff should take to assess the economic impact, feasibility, and likelihood of the applicant's planned job creation when an applicant does not provide an estimated median wage. We will further assess the ACA's implementation of this recommendation during our next followup.

- d. Establishing guidance specifying how due-diligence information should be considered when making grant award decisions.

► Status: **Implementation in process.**

The ACA revised its procedures to require ACA staff to submit completed due-diligence reports for ACA legal counsel review to determine whether the due-diligence report contains the required information. This requirement includes submitting information indicating whether a substantial risk exists that the potential grantee would be unable to meet commitments required by the grant, specifically regarding job creation and investment in Arizona, or that the grantee's business or operations would be detrimental to Arizona's economy, environment, or reputation. The procedures state that any such findings should be reported to the ACA's CEO for additional review prior to making any grant award decision. Our review of the due-diligence report and associated documents for a judgmental sample of 1 of 3 A1 grant applications that the ACA approved between April 2024 and February 2025 found that it was signed by the ACA's legal counsel, indicating their review and that it did not include any reported findings that would require the CEO's review. To help ensure the ACA sustains its efforts to implement this recommendation and because of the limited number of A1 grants the ACA approved since updating its procedures in March 2024 and available for our review, we will further assess the ACA's implementation of this recommendation during our next followup.

- 5. The ACA should revise and implement policies and procedures for completing its A1 grant wage-verification process, including:

- a. Requiring ACA staff to use wage information for all jobs created to determine whether the grantee has met the average wage requirement.

► Status: **Implementation in process.**

The ACA updated its procedures to require its staff to verify wage information for all claimed qualifying jobs by calculating the average wage of all jobs being claimed and comparing it to the applicable county median wage. Our review of a judgmental sample of 1 of 2 active A1 grants for which the ACA approved and made payments between April 2024 and February 2025 found that ACA staff accurately calculated the average wage using data from the grantee's payroll report to ensure the average wage of all jobs exceeded the county median wage requirement. To help ensure the ACA sustains its efforts to implement this recommendation and because of the limited number of Active A1 grants available for our review since the ACA updated its procedures in March 2024, we will further assess the ACA's implementation of this recommendation during our next followup.

- b. Establishing requirements and thresholds for expanding the review of job creation information to address differences between grantee-/taxpayer-reported wages and wages reported on submitted tax forms and outlining additional analysis and procedures staff should take when differences exceed tolerable thresholds.

► Status: **Implementation in process.**

The ACA modified its A1 grant procedures for reviewing jobs created by businesses to include requirements and thresholds for expanding the review of job creation information to address differences between grantee-/taxpayer-reported wages and wages reported on submitted tax forms and the steps staff should take when differences exceed tolerable thresholds. Specifically, the procedures require ACA staff to review and compare wage information reported by grantees with wages listed in submitted tax documentation for 100 percent of employees if the A1 grant applicant is reporting fewer than 5 employees, or a sample of employees for A1 grant applicants reporting more than 6 employees. The procedures also require staff to further evaluate identified differences by obtaining additional information from the applicant when the amounts included in the tax documents differ by more than 10 percent below or 25 percent above the amounts included in the grantee-reported wages. Our review of a judgmental sample of 1 of 2 active A1 grants for which the ACA approved and made payments between April 2024 and February 2025 found that ACA staff performed this review in accordance with its revised procedures, including communicating with the business to identify reasons for identified discrepancies. To help ensure the ACA sustains its efforts to implement this recommendation and because of the limited number of active A1 grants available for our review since the ACA updated its procedures in March 2024, we will further assess the ACA's implementation of this recommendation during our next followup.

- c. Establishing procedures for overseeing the review and verification of wage-verification information for jobs created, such as a supervisory review process to ensure the review and wage-verification information is complete and accurate.

► Status: **Implementation in process.**

ACA procedures require a supervisor to sign the review checklist staff prepared, affirming and confirming that the review and verification of wage-verification information staff performed was completed accurately and in accordance with ACA procedures. Our review of a judgmental sample of 1 of 2 active A1 grants for which the ACA approved and made payments between April 2024 and February 2025 found that the supervisor signed the checklist, evidencing their review. However, the grantee payment file included an error in the verified wages that the supervisory review did not identify. We will further assess the ACA's implementation of its supervisory review process during our next followup.

6. The ACA should ensure that Arizona Innovation Challenge grant applicants submit all required documentation, as required by the ACA's policy, and develop and implement policies and procedures for overseeing the review and verification of applicants' submitted documentation, such as supervisory review processes, to ensure compliance with requirements.

► Status: **Implemented at 18 months.**

The ACA has revised its policies and procedures to help ensure that Arizona Innovation Challenge grant applicants submit all required documentation outlined in its policies before receiving a grant award. These revisions include developing a procedure requiring 2 program managers to verify that each grant applicant has submitted all required documentation. The ACA has also developed checklists that its staff are required to use to confirm each applicant's grant submission contains the required materials, including W-9 forms, certificates of good standing, and proof of E-Verify enrollment, and to document verification of grant applicant compliance with Arizona Innovation Challenge grant requirements, such as meeting the required technology, investment, and corporate structure thresholds. Our review of 2 of 10 Arizona Innovation Challenge grant applications the ACA approved in December 2024 found that both applicants submitted all required information and documentation, such as W-9 forms and certificates of good standing, and the ACA followed its policies and procedures for reviewing and verifying the information submitted by the applicants to ensure their compliance with the grant requirements.

7. The ACA should develop and implement procedures for obtaining Arizona Innovation Challenge grantee annual reports as required by statute and grant agreements, including following up with grantees and taking other necessary steps to obtain annual reports.

► Status: **Implementation in process.**

In calendar year 2024, the ACA finalized and began implementing procedures requiring its staff to ensure Arizona Innovation Challenge grantees submit annual reports as required by statute. The procedures include steps that staff should take if grantees do not comply with reporting requirements, such as issuing a notice of default to the grantee and requiring immediate compliance, consulting with the ACA's legal counsel on steps to take if noncompliance persists, and/or escalating the noncompliance to the ACA's Chief Operating Officer or CEO to consider enforcement actions. We will assess the ACA's implementation of these procedures during our next followup.

8. The ACA should develop and implement policies and procedures for verifying its trade offices' reported progress in achieving their contractual performance measures.

► Status: **Implementation in process.**

The ACA has developed policies and procedures requiring its trade offices to submit weekly reports on their progress in meeting contractual performance measures. According to these policies and procedures, the weekly reports should include information on trade offices' short-term activities, such as accomplishments made during the week, number and type of business leads, and upcoming events, and require ACA staff to verify the reported information against information entered into the

ACA's database. However, trade offices are responsible for both entering information into the ACA's database and preparing the weekly reports, and as such, the ACA's comparison of reported information to ACA database information does not provide for an independent verification of this information. Additionally, ACA policies and procedures do not provide further guidance to staff for independently verifying trade offices' reported information.

ACA procedures also require staff to conduct quarterly meetings with each trade office to review performance and identify improvement opportunities. The procedures require ACA staff to document these quarterly meetings using a standardized quarterly report, which should be retained throughout the contract's term. Our review of quarterly reports for 6 trade offices completed during 3 quarters in fiscal year 2024 and the first quarter of fiscal year 2025 found that the ACA has taken some steps to monitor its trade offices' performance. For example, as noted in some of the quarterly reports and based on some trade offices' failure to meet some contractual performance measures, the ACA recommended training for trade office staff. However, the quarterly reports did not include documentation as to whether trade office staff completed the recommended trainings. Additionally, although the ACA's procedures reference verifying performance information, they do not clearly specify the steps ACA staff must take to corroborate trade office self-reported metrics, nor do the procedures specify what actions will be taken to address noncompliance, such as terminating contracts. We will further assess the ACA's implementation of this recommendation during our next followup.

9. The ACA should monitor trade office performance to ensure deliverables are received, such as ensuring performance goals are met, and take actions to address trade office nonperformance, such as terminating contracts.

► Status: **Implementation in process.**

See explanation for recommendation 8.

10. The ACA should comply with its procurement policy when procuring goods and services, including documenting the reasons that competition is not practicable and/or would not further the interests of the ACA and why the price paid is considered reasonable.

► Status: **Not yet applicable.**

As of February 2025, the ACA reported it has not completed any procurements where competition was not practicable and/or would not further the ACA's interests since our September 2023 performance audit and sunset review. As a result, we were not able to assess the ACA's compliance with its procurement policy for these types of procurements. We will assess whether the ACA completed any procurements in accordance with its policy requirements during our next followup.

Sunset factor 3: The extent to which the ACA serves the entire State rather than specific interests

11. To ensure adequate oversight of its Arizona Broadband Development Grant program, the ACA should:

- a. As specified in its third-party contract agreement, work with the contractor to define the scope of services, timelines, and deliverables.

► Status: **Partially implemented at 18 months.**

The ACA, which had been awarded nearly \$100 million for its Arizona Broadband Development Grant program, reported it met with its contractor in September 2023, 3 days prior to our issuing the ACA's performance audit and sunset review. According to meeting documents, the ACA and its contractor met to discuss information related to the program's oversight and planning, including discussing some generalized services and deliverables that the contractor would provide. For example, the contractor agreed to help develop onboarding training for subrecipients, create program guidelines and forms, and design a risk-based framework for monitoring subrecipients. Although the ACA did not specify timelines for these services and deliverables, it has required the contractor to provide monthly reports on the status and progress of its oversight activities, and it has also developed policies and procedures directing ACA staff review of the monthly reports and discussion with the contractor to monitor the completion of these services and deliverables (see explanation for recommendation 11b for additional information). According to the ACA, because it will likely distribute all Arizona Broadband Development Grant program monies by the end of calendar year 2025, it does not plan to establish timelines for the contractor's services and deliverables. However, the ACA's third-party contract extends until June 30, 2027, and by not establishing timelines, the ACA may not be able to hold the contractor accountable for providing services and deliverables in a timely manner throughout the duration of the contract.

- b. Develop and implement policies and procedures for monitoring its third-party broadband development contractor for compliance with contract terms and conditions, including developing and overseeing contractor's completion of performance measures.

► Status: **Implementation in process.**

As explained in recommendation 11a, the ACA requires its broadband development contractor to provide a monthly status report and has developed policies and procedure directing ACA staff review of the monthly reports and discussion with the contractor to monitor the completion of these services and deliverables. Our review of April and June 2024 contractor monthly reports and associated meeting material found that the reports included status updates on the contractor's progress toward completing certain performance measures, such as assisting the ACA to update the program website and developing strategies for overseeing specific broadband projects. However, the policies and procedures do not include any additional steps or requirements that ACA staff should take to monitor the contractor, such as requesting and reviewing documentation to verify reported performance and assessing compliance with all contract terms and conditions. According to the ACA, because it will likely distribute all Arizona Broadband Development Grant program monies by the end of calendar year 2025, it will not make further changes to its monitoring policies and procedures. However, without requirements for obtaining and reviewing this documentation, the ACA potentially cannot ensure the contractor

complies with contract terms and conditions and completes performance measures. Additionally, as discussed in recommendation 11a, the third-party contract extends until June 30, 2027, and absent comprehensive policies and procedures for monitoring the contractor, the ACA may not be able to hold the contractor accountable for complying with contract terms and conditions and completing performance measures. We will further assess the ACA's implementation of this recommendation during our next followup.

- 12.** The ACA should develop and implement policies and procedures for accurately accounting for and reporting on the use of federal broadband development grant monies.

► Status: **Implementation in process.**

The ACA has developed procedures for subrecipients, its broadband development contractor, and ACA staff to follow when submitting, processing, and accounting for Arizona Broadband Development Grant reimbursement requests. These procedures require subrecipients to report expenditures and submit accompanying documentation for review and reimbursement, contractor and ACA staff review and approval of reported expenditures, submitting the reported expenditures to the Governor's Office of Strategic Planning and Budget (OSPB) for review and approval, and distributing grant monies once approved by OSPB. Finally, within 2 weeks after the ACA receives grant monies for distribution, the ACA's procedures require ACA staff to prepare and submit a financial report that includes information such as the final executed payment reimbursement package, the payment request number, and the subrecipient contract number. We will further assess the ACA's implementation of its policies and procedures for accurately accounting for and reporting on the use of federal broadband development grant monies during our next followup.

- 13.** The ACA should work with the Arizona Department of Administration's (ADOA) General Accounting Office to ensure the federal broadband monies are accurately reported in the State's Schedule of Expenditures of Federal Awards (SEFA) as part of the State's annual federal compliance audit.

► Status: **Implemented at 18 months.**

Our review of email communications between the ACA and ADOA found that the ACA provided the requested information and documentation to ADOA to enable ADOA to ensure federal broadband monies are accurately reported in the SEFA as part of the State's annual federal compliance audit for fiscal year 2023. Additionally, our review of the ACA's 2023 SEFA, specifically for some federal broadband expenditures, confirmed that the SEFA agreed to the ACA's accounting records. This information was then subsequently reported in the 2023 State SEFA. Finally, the ACA provided documentation to ADOA, as required by ADOA, to report on the use of federal broadband monies in the fiscal year 2024 SEFA, but as of June 25, 2025, the State's fiscal year 2024 single audit report, which includes the SEFA, had not yet been issued.

- 14.** The ACA should develop and implement policies and procedures for the management and oversight of Broadband Equity, Access, and Deployment (BEAD) grant monies, consistent with State and federal requirements, including policies and procedures for soliciting, reviewing, evaluating, and awarding grant applications; monitoring grant recipients and their use of grant monies; and closing out grants once projections are complete.

► Status: **Implementation in process.**

The ACA has developed draft policies and procedures for managing and overseeing the nearly \$1 billion in BEAD grant monies it may be eligible to expend. These draft policies and procedures include requirements and processes for soliciting, reviewing, and evaluating and awarding broadband grant applications, guidelines, and requirements for monitoring grant recipients and grant close-out procedures. The draft policies and procedures also define staff roles and responsibilities for the BEAD grant program, as well as deliverables and timelines for any third-party contractor assisting with grant program administration. The ACA did not indicate when it anticipates finalizing and implementing its policies and procedures, explaining that the new presidential administration may make changes to the BEAD program, which may necessitate changes in its draft policies and procedures.¹ However, the ACA's website indicates that it intends to complete the program's deployment by 2030, in accordance with the federal requirements. We will further assess the ACA's implementation of its BEAD grant policies and procedures during our next followup.

- 15.** The ACA should develop and implement procedures to track and monitor that all employees/public officers comply with its conflict-of-interest policies by completing a receipt and acknowledgement (R&A) or conflict-of-interest disclosure form upon hire/appointment, when circumstances change, and when forms and policies are revised.

► Status: **Implementation in process.**

The ACA revised its onboarding procedures to require new employees to complete a conflict-of-interest form and for its staff to document that all new employees have completed a conflict-of-interest form. However, the ACA has not developed procedures to ensure that all existing employees/public officers comply with its conflict-of-interest policies by completing a conflict-of-interest receipt, acknowledgment, and disclosure form when circumstances change and/or when forms and policies are revised. Lastly, the ACA reported its revised procedures also apply to newly appointed officers although its revised procedures only refer to newly hired employees. We will further assess the ACA's implementation of this recommendation during our next followup.

- 16.** The ACA should revise its R&A and conflict-of-interest disclosure forms to include disclosures of outside employment.

► Status: **Implementation in process.**

¹ In March 2025, the United States Secretary of Commerce issued a press release stating that the BEAD program needs an overhaul to allow for technologies other than fiber, such as satellite. According to the ACA, if those changes move forward, the current State programs will need to be revised to incorporate these changes, which could also potentially impact the ACA's selection of recipients.

The ACA revised its conflict-of-interest receipt, acknowledgment, and disclosure form to include a question requiring the disclosure of any outside employment. In coordination with recommendation 15, we will further assess the ACA's use of its revised disclosure form during our next followup.

Sunset Factor 5: The extent to which the ACA has encouraged input from the public before adopting its rules and the extent to which it has informed the public as to its actions and their expected impact on the public.

- 17.** The ACA should ensure its meeting agendas include the complete physical and correct electronic address of its public meetings.

▶ Status: **Implemented at 18 months.**

The ACA updated its standard work for public meetings and agendas to include requirements for listing the complete physical and correct electronic address of its public meetings. The ACA provided agendas and public notices for 4 public meetings held from February 1, 2024 through February 20, 2025, and all 4 public notices included the complete physical address of the meeting location.

Update on Questions and Answers related to private CEO Forums

Our September 2023 performance audit and sunset review included a Questions and Answers section that provided information related to the ACA's hosting of private CEO Forums. According to the ACA, these private CEO Forums are direct marketing campaigns around major events in Arizona, such as the Waste Management Phoenix Open (WMPO) golf tournament annually held in late January or early February and the Super Bowl held in February 2023, targeted toward key decision-makers from companies considering moving or expanding their business operations in the State. Our September 2023 report addressed 7 questions related to these private CEO Forums, including:

- 1.** What are the ACA's private CEO Forums, what benefits and activities do they include for attendees, and why does the ACA host these events?
- 2.** Why does the ACA host the private CEO Forums?
- 3.** Who attended the private CEO Forums in calendar years 2018 through 2023?
- 4.** How much did the private CEO Forums cost in calendar years 2018 through 2023, what monies did the ACA use to pay for them?
- 5.** What did the State receive in return for the public monies spent on the ACA's private CEO Forums?

6. What are the ACA's policies for its private CEO Forums, and does it have to comply with the State of Arizona Accounting Manual (SAAM) requirements? Did the ACA assess whether hosting the Forums using public monies complies with the Arizona Constitution's gift clause?
7. Did the ACA assess whether hosting the Forums using public monies complies with the Arizona Constitution's gift clause?

Our review found that between 2018 and 2023, the ACA spent more than \$2.4 million hosting private CEO Forums held around major sporting and entertainment events, such as several annual WMPOs and the 2023 Super Bowl, and provided CEOs and executives and their guests entry to these events and related events, food and alcoholic and nonalcoholic beverages, and lodging and transportation to promote Arizona as a business destination. In return, CEOs and/or executives from 23 of 188 companies who attended the 2018 through 2023 private CEO Forums proposed potential, nonbinding investment and jobs commitments in Arizona. Additionally, we reported that although other State agencies must follow SAAM requirements, A.R.S. §41-1504(J) exempts the ACA from following SAAM's requirements. SAAM governs various aspects of State agency accounting and internal control functions, such as travel and sponsorship requirements, and helps to ensure public monies are safeguarded and used for valid public purposes; reduces the risk of their misuse, loss, or theft; and helps ensure compliance with the State Constitution's prohibition on gifting public monies. Consistent with our standard practice for assessing the applicability of the Arizona Constitution's gift clause (Art. IX, §7) and whether the ACA spent public monies on the private CEO Forums in accordance with the gift clause, we forwarded the matter to the Arizona Attorney General's Office for review.²

Following an investigation, the Arizona Attorney General's Office issued a statement indicating that the CEO Forums the ACA hosted between 2018 and 2023 violated the Arizona Constitution's gift clause by providing gifts of significant value to corporate executives and their guests without obtaining any public benefit cognizable under the gift clause in return and directed the ACA not to hold any future CEO forums that violate the gift clause.

In response, the ACA revised the format of its CEO Forums associated with the 2024 WMPO and NCAA Final Four events to not use public monies to provide benefits such as event tickets, lodging, and merchandise such as gift bags, hats, and sunscreen, as we reported in our 2023 performance audit and sunset review. Instead, the ACA mostly limited the use of public monies to costs associated with hosting the CEO Forum events themselves, such as event location and audio and video equipment rentals, and placing ACA's logo on certain event-marketing materials. Additionally, similar to what we reported regarding the 2023 WMPO, the ACA spent \$9,536 of public monies on personal transportation for some business executives who attended the 2024

² Arizona caselaw interpreting the Arizona Constitution's gift clause, Art. IX, §7, requires that payment of public monies is for a public purpose, and the value to be received by the public is not far exceeded by the consideration being paid by the public. *Wisturber v. Paradise Valley Unified School Dist.*, 141 Ariz. 346, 678 P.2d 354 (1984), *Turken v. Gordon*, 223 Ariz. 342, 224 P.3d 158 (2010), and *Schires v. Carlat*, 250 Ariz. 371, 480 P.3d 639 (2021)

WMPO event. Further, the ACA had already purchased various merchandising items and event tickets related to the 2024 WMPO prior to the Arizona Attorney General Office's statement, and as a result, it obtained the backing of several private organizations to reimburse the ACA \$84,000 for these costs.

Similarly, for the 2024 NCAA Final Four, the ACA had purchased a marketing sponsorship package using public monies for the purpose of hosting its private CEO Forum at a cost of \$910,000 prior to the Arizona Attorney General Office issuing its statement. This sponsorship package included various merchandising items; lodging, meals, and transportation; and event tickets that the ACA planned to provide to CEO Forum attendees. However, after the Arizona Attorney General Office issued its statement, the ACA renegotiated its sponsorship agreement to exclude these benefits, and instead only included expenses related to having opportunities to curate the CEO Forum content and speaker panels, promote some ACA programs at the CEO Forum event, and participate in post-event economic impact reporting opportunities, resulting in a renegotiated expense of \$555,000. The ACA used public monies to pay for the renegotiated expense of \$555,000 and was reimbursed \$355,000 of the original \$910,000 by the Phoenix Final Four Local Organizing Committee.

The ACA performed a review of the costs for the various items and services included in the marketing sponsorship package and determined that it was receiving fair market value for the expenditure. However, the ACA's review did not include an anticipated benefit vs. cost analysis and consideration of how the expenditure does not violate the gift clause, which the SAAM requires State agencies to perform prior to providing a sponsorship.^{3,4} According to the SAAM, such an analysis must include how the sponsorship is expected to directly advance agency or program objectives and contain a comparison between the costs and benefits associated with alternative sponsorships and/or activities. Although A.R.S. §41-1504(J) exempts the ACA from following SAAM requirements, performing anticipated benefit vs. cost analysis as outlined in SAAM for the purchase of sponsorship packages would provide additional assurance that the ACA is not at risk for violating the Arizona Constitution's gift clause.

The ACA submitted the changes to its 2024 CEO Forum events to the Arizona Attorney General's Office for review in February 2024 and reported that the Arizona Attorney General's Office had no further questions.

Our review of ACA records, including general ledger entries, sponsorship agreements, and private organization payment documentation, found that the ACA had accounted for both the 2024 WMPO and NCAA Final Four CEO forum events in accordance with the information it reported to the Arizona Attorney General's Office. Our review also found that all monies provided by private organizations to reimburse the ACA for previously incurred expenses were applied to the corresponding fund accounts from which the ACA made the initial payments.

³ Arizona General Accounting Office. (2024). State of Arizona Accounting Manual 8015. Arizona Department of Administration. Retrieved 5/29/2025 from <https://gao.az.gov/state-arizona-accounting-manual-saam>

⁴ The State of Arizona Accounting Manual governs various aspects of State agency accounting and internal control functions, including establishing sponsorship requirements.

Finally, Laws 2024, Ch. 206, §3, revised A.R.S. §41-1504 to require the ACA to adopt policies that prohibit using State monies to provide business executives lodging, alcoholic beverages, personal transportation, or tickets to entertainment events for the purposes of attracting businesses to this State. These revisions became effective in September 2024, after the ACA had paid for personal transportation expenses related to the 2024 WMPO. In response to this statutory revision, the ACA revised its policies in September 2024 to explicitly prohibit using State monies, as defined in A.R.S. §41-1504(J), to provide business executives lodging, alcoholic beverages, personal transportation, or tickets to entertainment events for the purposes of attracting businesses to this State. We will further review the ACA's hosting of private CEO Forums during our next followup.