



# Report on Internal Control and on Compliance Year Ended June 30, 2025

## University of Arizona

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**Lindsey A. Perry**  
Auditor General

# Arizona Auditor General's mission

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The Arizona Auditor General's mission is to provide independent and impartial information, impactful recommendations, and stakeholder education to improve Arizona government for its citizens. To this end, the Office conducts financial statement audits and provides certain accounting services to the State and political subdivisions, investigates possible criminal violations involving public officials and public monies, and conducts performance audits and special reviews of school districts, State agencies, and the programs they administer.

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## **UNIVERSITY RESPONSE AND CORRECTIVE ACTION PLAN**

### **REPORT ISSUED SEPARATELY**

Annual Comprehensive Financial Report



**ARIZONA  
AUDITOR  
GENERAL**

Lindsey A. Perry, Auditor General

**Independent auditors' report on internal control over financial reporting and on compliance and other matters based on an audit of basic financial statements performed in accordance with *Government Auditing Standards***

Members of the Arizona State Legislature

The Arizona Board of Regents

We have audited, in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the U.S. Comptroller General, the financial statements of the business-type activities and aggregate discretely presented component units of the University of Arizona as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated October 31, 2025. Our report includes a reference to other auditors who audited the financial statements of the aggregate discretely presented component units, as described in our report on the University's financial statements. The financial statements of the aggregate discretely presented component units were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with the aggregate discretely presented component units.

**Report on internal control over financial reporting**

In planning and performing our audit of the financial statements, we considered the University's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, we do not express an opinion on the effectiveness of the University's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the University's basic financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and recommendations as items 2025-01, 2025-02, and 2025-03, that we consider to be significant deficiencies.

## **Report on compliance and other matters**

As part of obtaining reasonable assurance about whether the University's basic financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and that is described in the accompanying schedule of findings and recommendations as item 2025-04.

## **University response to findings**

*Government Auditing Standards* requires the auditor to perform limited procedures on the University's responses to the findings identified in our audit that are presented in its corrective action plan at the end of this report. The University is responsible for preparing a corrective action plan to address each finding. The University's responses and corrective action plan were not subjected to the other auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on them.

## **Purpose of this report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the University's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Lindsey A. Perry, CPA, CFE  
Auditor General

October 31, 2025

# SCHEDULE OF FINDINGS AND RECOMMENDATIONS

**The subsequent pages present the Arizona Auditor General's findings and recommendations resulting from our audit of the University's financial statements.**

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## The University's and University of Arizona Global Campus' control procedures over IT systems and data were not sufficient, which increases the risk that the University may not adequately protect those systems and data

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### Condition

The University's and University of Arizona Global Campus' (UAGC) control procedures were not sufficiently developed, documented, and implemented to respond to risks associated with its information technology (IT) systems and data.

The University and UAGC lacked sufficient procedures over the following:

▶ **Restricting access**

Procedures did not consistently help prevent or detect unauthorized or inappropriate access to its IT systems and data.

▶ **Securing systems and data**

IT security policies and procedures lacked controls to prevent unauthorized or inappropriate access or use, manipulation, damage, or loss.

### Effect

There is an increased risk that the University and UAGC may not adequately protect its IT systems and data, which could result in unauthorized or inappropriate access and/or the loss of confidentiality or integrity of systems and data.

### Cause

The University's and UAGC IT management reported it did not properly configure its IT systems to ensure authentication procedures for restricting logical access were consistently followed. In addition, the UAGC's authentication procedures for restricting logical access to its systems did not consider all possible risks. Further, the University's enforcement actions for ensuring compliance with IT security training requirements were not effective.

### Criteria

Implementing effective internal controls that follow a credible industry source, such as the National Institute of Standards and Technology, help the University to protect its IT systems and ensure the integrity and accuracy of the data it maintains as it seeks to achieve its financial reporting, compliance, and operational objectives.

Effective internal controls include the following:

▶ **Restrict access through logical controls**

Help to ensure systems and data are accessed by users who have a need, systems and data access granted is appropriate, and key systems and data access is monitored and reviewed.

▶ **Secure systems and data through IT security internal control policies and procedures**

Help prevent, detect, and respond to instances of unauthorized or inappropriate access or use, manipulation, damage, or loss to its IT systems and data.

## **Recommendation to the University**

1. Improve its IT policies and procedures to include stronger enforcement actions when users do not comply with IT security training requirements.

## **Recommendation to the UAGC**

2. Improve authentication procedures for restricting logical access to its systems by enhancing authentication requirements.

## **Recommendations to the University and UAGC**

3. Configure its IT systems to ensure authentication procedures for restricting logical access are being consistently followed.
4. Implement processes to restrict access to its IT systems and data by enhancing authentication requirements for IT systems.
5. Implement processes to secure IT systems and data by ensuring all employees complete ongoing training requirements on IT security risks and their responsibilities to ensure systems and data are protected.

## **Views of responsible officials**

The University's corrective action plan at the end of this report includes the views and planned corrective action of its responsible officials regarding these recommendations. We are not required to audit and have not audited these responses and planned corrective actions and therefore provide no assurances as to their accuracy.

## **The University failed to remove a former employee from its payroll system after the employee's resignation and improperly paid the former employee for nearly 2 years past the employee's resignation date, resulting in a potential net loss of \$78,114 to the University**

### **Condition**

University management informed us that it failed to remove a former employee from its payroll system after the employee's resignation in June 2023. Specifically, the School of Animal Comparative Biomedical Sciences' (School) sole human resources employee did not generate an online termination report in the University's payroll system to process the former employee's resignation, and the University continued to pay the former employee salary and employee-related expenses (ERE) for approximately 1 year and 10 months past the employee's resignation date.<sup>1,2</sup> The former employee worked on a federally funded Research and Development Cluster federal grant project, and during the federal grant's closeout procedures in April 2025, the principal investigator responsible for the grant identified the former employee's salary and ERE costs and notified University management of the improper payments.

### **Effect**

The University paid the former employee \$99,762 of salary and ERE after the employee's resignation date of June 9, 2023 through March 31, 2025. As of June 30, 2025, the University placed a hold on the former employee's Arizona State Retirement System (ASRS) account and reclaimed the employee's and employer's ASRS contribution amounts, resulting in a recovery of \$21,648. However, the University's improper payments to the former employee resulted in a potential net loss of \$78,114 to the University as of June 30, 2025, as shown in Table 1, page 7. The University reimbursed the Research and Development Cluster federal grant by transferring the costs to State appropriated funds for local funding of departments in May 2025. As a result of these misspent public monies, fewer monies are available for uses that benefit the University and its students.

Further, as of June 30, 2025, the University performed actions in an effort to recapture remaining amounts owed to the University by the former employee, including filing an Arizona Department of Revenue lien against the former employee's State tax refund and initiating communication with the former employee to collect repayment of amounts owed.

<sup>1</sup> The School of Animal and Comparative Biomedical Sciences is a unit within the College of Agriculture, Life & Environmental Sciences.

<sup>2</sup> Employee-related expenses (ERE) are determined by applying the appropriate percentage to actual salary expense. Benefits provided to full-benefit employees include health, dental, long-term disability, retirement, unemployment compensation, qualified tuition remission—employee, termination leave, employee wellness, FICA taxes, workers compensation, and liability insurance. Employees are charged a flat fringe benefit rate regardless of participation. See University of Arizona. ERE Rates Overview and FAQs. Retrieved 11/28/25 from <https://finance.arizona.edu/accounting/ere-rates/overview>

## Table 1

### The University incurred a potential net loss of \$78,114 for improper payments to a former employee, resulting in fewer monies available for uses that benefit the University and its students

As of June 30, 2025

Payroll expense type	Gross pay	Reclaimed ASRS contributions	Net Loss
Salary	\$77,598	\$(10,824)	<b>\$66,774</b>
ERE	22,164	(10,824)	<b>11,340</b>
<b>Total net loss</b>	<b>\$99,762</b>	<b>\$(21,648)</b>	<b>\$78,114</b>

Source: The University of Arizona's payroll system and the former employee's ASRS data provided by the University's payroll department.

Lastly, the University conducted a review of all active College of Agriculture, Life and Environmental Sciences employees during the months of April and May 2025 and determined that no other former employees were paid past their resignation date.

## Cause

The School's sole human resources employee was in the process of transferring to another position within the University and failed to inform other employees in the School's business office of the need to process the former employee's resignation. The University's human resources processes in June 2023 were decentralized, and there was inconsistent oversight of policies and procedures across the University's various colleges and divisions.

Further, the federal grant's principal investigator failed to ensure employees paid from federal sources performed work related to the federal grant. Despite periodic notifications by the University's Sponsored Projects Compliance Services Department, the principal investigator overseeing the Research and Development Cluster grant failed to review 4 separate instances of biannual effort-certification reports (June 2023, December 2023, June 2024, and December 2024), which included the improper salary and ERE costs of the former employee. The University's policies and procedures for effort certification did not contain enforcement actions for noncompliance.

## Criteria

The University's written policies and procedures in effect at the time of the former employee's resignation required the applicable college or division to generate an online termination report on the termination-effective date to remove an employee from the University's payroll system upon notice of an employee's resignation from the responsible supervisor or administrator.<sup>3</sup>

University policies and procedures require principal investigators of federally sponsored projects to certify the effort-certification reports of all employees who are paid fully or partially from federal sources for work performed on a project. If the principal investigator does not have specific knowledge of the work performed, then the report should be certified by a direct supervisor who has knowledge of work performed. Effort-certification reports are due within 30 working days of the document-creation date in the University's financial system.<sup>4,5</sup>

Finally, designing, implementing, and maintaining effective policies and procedures over terminations and effort certification is necessary to achieve the University's objectives that include safeguarding public monies and other assets and is an essential part of internal control standards, such as the *Standards for Internal Control in the Federal Government* issued by the Comptroller General of the United States and integral to ensuring monies are not mistakenly misused.<sup>6</sup>

## Recommendations to the University

In January 2024, the University began the Human Resources Modernization project to centralize the human resource processes, which included changes to processing employees' resignations.<sup>7</sup> This new policy requires a termination notice to be sent to a specified email account being monitored by a team of employees working for the University's centralized Human Resources Department, and any of these employees can process the termination.

In addition, to develop an internal control structure that helps prevent and timely detect improper payments to former employees, the University should:

1. Continue to follow its new centralized human resources processes begun in January 2024, which requires a termination notice to be sent to a specified email account being monitored by a team of human resource employees who can process the online termination report.
2. Follow its established policies to remove employees from its payroll system upon notice of an employee's resignation.
3. Improve its written policies and procedures over effort certification to include enforcement actions when principal investigators do not review and certify the effort certifications within the required time frame.

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<sup>3</sup> University of Arizona. *Termination Policy*. (2009). Retrieved 10/16/2025 from <https://policy.arizona.edu/employment-human-resources/termination>

<sup>4</sup> University of Arizona. *Research & Partnerships – Effort Reporting Procedure*. Retrieved 11/18/2025 from <https://research.arizona.edu/researchsupport>

<sup>5</sup> University of Arizona. *Research & Partnerships – Effort Reporting Policy*. Retrieved 11/18/2025 from <https://research.arizona.edu/researchsupport>

<sup>6</sup> U.S. Government Accountability Office. (2014). *Standards for Internal Control in the Federal Government*. Retrieved 11/18/2025 from <https://www.gao.gov/assets/gao-14-704g.pdf>

<sup>7</sup> University of Arizona. *Human Resources Modernization*. Retrieved 11/18/2025 from <https://hr.arizona.edu/human-resources-modernization>

4. Continue efforts to recapture the amounts owed to the University by the former employee and explore legal actions.

## **Views of responsible officials**

The University's corrective action plan at the end of this report includes the views and planned corrective action of its responsible officials regarding these recommendations. We are not required to audit and have not audited these responses and planned corrective actions and therefore provide no assurances as to their accuracy.

## The University of Arizona Global Campus miscalculated its 90/10 revenue percentage, resulting in an initial 0.13% overstatement in its 90/10 revenue percentage

### Condition

Contrary to federal regulations, the University of Arizona Global Campus' (UAGC) Finance Division miscalculated its 90/10 revenue percentage for the year ended June 30, 2025. Specifically, we identified net errors of \$257,801 in the UAGC's initial 90/10 revenue percentage calculation included in The University of Arizona's (University) financial statement note disclosure and recommended the UAGC correct them so that the University's financial statement note disclosure would contain accurate information.

The UAGC subsequently corrected the errors shown in Table 1 and presented an updated 72.91% 90/10 revenue percentage in the University's financial statement note disclosure.

**Table 1**

### The UAGC miscalculated its 90/10 revenue percentage, overstating its 90/10 revenue percentage 0.13%

Fiscal year 2025

Revenue category	Original amount adjusted	Recommended error corrections	Revised amount adjusted
<b>Adjusted student federal revenue</b>			
Adjusted student Title IV revenue	\$131,545,664	\$275	\$131,545,939
Adjusted student/other federal funds paid directly to student	\$1,616,629	\$(209,013)	\$1,407,616
Adjusted student Title IV federal funds paid directly to the institution	\$34,230,259	\$105,677	\$34,335,936
<b>Subtotal</b>	<b>\$167,392,552</b>	<b>\$(103,061)</b>	<b>\$167,289,491</b>
<b>Adjusted nonfederal revenue</b>			
Adjusted nonfederal revenue	\$61,793,594	\$360,862	\$62,154,456
<b>Subtotal</b>	<b>\$61,793,594</b>	<b>\$360,862</b>	<b>\$62,154,456</b>
<b>Total federal and nonfederal revenue</b>	<b>\$229,186,146</b>	<b>\$257,801</b>	<b>\$229,443,947</b>
UAGC 90/10 revenue percentage as of June 30, 2025 (adjusted student federal revenue / total federal and nonfederal revenue)	73.04%	N/A	72.91%

Source: Auditor General staff review of the University's initial and revised financial statement note disclosure: Note 13. UAGC 90/10 Revenue Percentage Calculation provided to us on August 25, 2025 and September 25, 2025, respectively.

## Effect

The UAGC's miscalculation resulted in a 0.13% overstatement of its 90/10 revenue percentage in the University's initial financial statement note disclosure. On September 16, 2025, the U.S. Department of Education accepted the UAGC's change of ownership application, which changed its designation to participate in Title IV programs from a proprietary institution to a public one under the University of Arizona. As such, the UAGC will not be required to report the 90/10 revenue percentage calculation in the University's financial statements in future fiscal years. Therefore, this finding will not affect the UAGC's eligibility to participate in Title IV programs in future years.

## Cause

The UAGC lacked written policies over its supervisory review process of its 90/10 calculation to ensure accurate information was presented in the University's financial statements and associated note disclosures. The UAGC's Finance Division reported its informal supervisory review procedures did not detect the errors for the 90/10 revenue percentage calculation as they were not designed to detect small formula errors that would affect its ability to meet the 90/10 percentage requirement.

## Criteria

Federal regulations require the UAGC, as a designated proprietary institution, to have at least 10% of its revenue derived from sources other than federal funds to continue participating in the programs authorized by Title IV of the Higher Education Act (34 CFR §668.28). Federal regulations also require the University to disclose the UAGC's percentage of its revenue derived from federal funds that UAGC received during the fiscal year in a financial statement footnote, commonly referred to as the 90/10 revenue percentage (34 CFR §668.23[d][3]).<sup>1,2</sup>

## Recommendations to the UAGC's Finance Division

1. Ensure accurate information is presented in the University's financial statements and associated note disclosures.
2. Develop and implement written policies and procedures requiring supervisors to review and test the accuracy and completeness of formulas used in schedules that support the University's financial statements and/or note disclosures.

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<sup>1</sup> Federal guidelines require us to report the University's 90/10 revenue percentage calculation misstatement amount, regardless of materiality, as a finding in the Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* (U.S. Department of Education, Office of Inspector General. [March 2023]. *Title IV audit guide: guide for financial statement audits of proprietary schools and for compliance attestation examination engagements of proprietary schools and third-party servicers administering Title IV programs*. Retrieved 10/14/2025 from [https://maacs.us/pdf/conference/2023/presentations/title\\_iv\\_audit\\_guide\\_march\\_2023.pdf](https://maacs.us/pdf/conference/2023/presentations/title_iv_audit_guide_march_2023.pdf).

<sup>2</sup> Federal regulations prescribe a formula for the University to use to calculate its revenue percentage for the latest complete fiscal year in 34CFR Appendix C to Subpart B of Part 668.

## Recommendations to the The University of Arizona and UAGC

3. Discontinue performing a 90/10 revenue percentage calculation for future fiscal years and disclosing a related footnote in its future financial statements.

### Views of responsible officials

The University's corrective action plan at the end of this report includes the views and planned corrective action of its responsible officials regarding these recommendations. We are not required to audit and have not audited these responses and planned corrective actions and therefore provide no assurances as to their accuracy.

**The University paid \$8,295 for entertainment, food and beverages, and other costs using purchasing cards without complying with its policies and procedures requiring it to document how these purchases were necessary to serve a public purpose and to benefit the University and its students, resulting in an elevated risk of misuse of public monies and possible violation of the Arizona Constitution**

## Condition

The University paid for purchasing card purchases without complying with its policies and procedures requiring it to document how these purchases were necessary to serve a public purpose for 5 of 30 purchasing card purchases we tested totaling \$8,295. In addition, the University did not comply with other policies and procedures requiring it to purchase gift cards through the University’s standard disbursement process. These public monies were spent on entertainment, equipment, food and beverages, and other costs, as shown in Table 1.

**Table 1**

**University spent \$8,295 on purchasing card purchases for entertainment, food and beverages, and other costs without complying with its policies and procedures and requiring it to document the public purpose and benefit to the University**

Fiscal year 2025

Purchase type	Details	Total purchase amount
Entertainment	\$3,800 for 40 tickets to an NBA basketball game while the University men’s basketball team was on travel status in Oklahoma. According to the University’s records, the tickets were for a team-building event at an attendee cost of \$95 per person. The list of attendees included 15 student athletes, 15 athletics staff, 5 coaches, and 5 student managers.	\$3,800
Equipment	\$2,890 for a laptop computer and wireless stylus accessory for a University professor.	2,890

**Table 1 continued**

Purchase type	Details	Total purchase amount
Food and beverages	\$679 for various food, beverages, and decorations provided at a retirement farewell event for a University employee.	679
Other	\$500 for 20 Target gift cards given to middle school students during the Adelante Nuestro Futuro Conference hosted on the University campus by the College of Public Health.	500
Other	\$426 for 5 custom-made footballs for the Honorary Football Captain Program, which were presented to former University football players and current University donors during home football games.	426
<b>Total</b>		<b>\$8,295</b>

Source: University of Arizona's financial system and records.

## Effect

The University put public monies at risk of abuse, misuse, and fraud and may have misspent \$8,295 of public monies in violation of the Arizona Constitution's prohibition on gifts of public monies. Further, when public monies are misspent or misused, fewer monies are available for uses that benefit the University and its students.

## Cause

The University's purchasing cardholders did not always follow policies and procedures despite signing purchasing cardholder agreements that they would comply, and University department approvers did not always prevent or identify the violations. In addition, the University, through its monitoring procedures, did not always prevent or detect violations or take appropriate corrective action for violations it identified. Specifically, the University's Finance and Budget Department 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 purchasing cards, and only 1 of the 5 violations we found were included in the University's Finance and Budget Department's monitoring sample. Further, the University did not take appropriate corrective action, such as requiring reimbursement from the cardholders when it identified purchasing card expenses that did not comply with the University's policies and procedures.

## Criteria

The University's purchasing card policies and procedures provide its employee cardholders and department approvers, who are responsible for reviewing and approving purchasing card expenses, guidance on allowable purchasing card uses and purchases.<sup>1,2,3</sup>

Specifically, the policies require:

- ▶ Documentation to support the public purpose and benefit of expenses for food and beverages, entertainment, and lodging, including the related events for which they were purchased.
- ▶ Gift card purchases are required to be made through the University's standard disbursement process rather than a purchasing card.
- ▶ Documentation of additional details supporting an expenditure, such as a list of attendees and their affiliation with the University.<sup>4</sup>

In addition, State law bans gifts of public monies by universities to individuals and organizations (Arizona Constitution, Art. IX, Sec. 7). Consequently, if the University determines that it is appropriate to purchase entertainment, equipment, food and beverages, and other costs using public monies, it must evaluate and document how each purchase serves a public purpose and benefits the University. Accordingly, the University's Business Purpose Guide, which the University must follow, requires documentation of the business purpose to justify the public purpose and to provide reconcilers and approvers the information required to fully understand the intent of the purchase or service and how it relates to the University's overall mission.

Further, the University's purchasing policies and procedures require the University's Finance and Budget Department to monitor purchasing card expenses for the University. This includes a self-reporting policy violation form for cardholders to report instances where they used purchasing cards for personal purchases or for purposes against policies that the employee cardholder may complete voluntarily, or the University's Finance and Budget Department may request its completion upon identifying a violation.<sup>5,6</sup> Finally, the University's misuse of assets policy requires misused monies to be reimbursed to the University and allows for administrative or disciplinary sanctions.<sup>7</sup>

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<sup>1</sup> University of Arizona. *Business Purpose Guide*. Retrieved 11/05/2025 from <https://financialservices.arizona.edu/accounting/business-purpose>

<sup>2</sup> University of Arizona. 9.10 *General Expenditure Policy*. Retrieved 11/05/2025 from <https://policy.fso.arizona.edu/fsm/900/910>

<sup>3</sup> University of Arizona. *Purchasing Methods*. Retrieved 11/05/2025 from <https://policy.fso.arizona.edu/fsm/900/901/methods>

<sup>4</sup> University of Arizona. *PCard Missing Documentation in UAccess Analytics*. Retrieved 11/13/25 from <https://finance.arizona.edu/payments/pcard/guidelines/missing-documentation>

<sup>5</sup> University of Arizona. *Financial Compliance Purchasing Card (PCard) Violations*. Retrieved 11/05/25 from <https://policy.fso.arizona.edu/fsm/900/920>

<sup>6</sup> University of Arizona. *Reporting Non-Compliant Transactions*. Retrieved 11/05/25 from <https://finance.arizona.edu/payments/pcard-guide/non-compliant-transactions>

<sup>7</sup> University of Arizona. *Misuse of University Assets Policy*. Retrieved 11/05/25 from <https://policy.arizona.edu/administration-business-finance/misuse-university-assets-policy>

## Recommendations to the University

1. Ensure purchasing cardholders and department approvers 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 students. If the University determines that it is appropriate to purchase entertainment, equipment, food and beverages, and other costs using public monies, it must ensure purchasing cardholders follow University policies and procedures that require them to document how each purchase is necessary to serve a public purpose and benefits the University.
2. Ensure department approvers follow University policies and procedures that require them to verify policies and procedures are followed when purchasing cardholders obtain goods or services, and/or request such payments, such as for gift cards, through the University's required standard payment process.
3. 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.
4. Enforce University policies and procedures requiring the University's Finance and Budget 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.

This finding is similar to prior-year finding 2024-01 and was initially reported in fiscal year 2022.

## Views of responsible officials

The University's corrective action plan at the end of this report includes the views and planned corrective action of its responsible officials regarding these recommendations. We are not required to audit and have not audited these responses and planned corrective actions and therefore provide no assurances as to their accuracy.

**The subsequent pages were written by the University to provide a response to each of the findings and to indicate its intention regarding implementation of the recommendations resulting from the audit conducted by the Arizona Auditor General.**

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January 27, 2026

Lindsey A. Perry  
Arizona Auditor General  
2910 N. 44th St., Ste. 410  
Phoenix, AZ 85018

Dear Ms. Perry:

We have prepared the accompanying corrective action plan as required by the standards applicable to financial audits contained in *Government Auditing Standards*. Specifically, for each finding, we are providing you with our responsible officials' views, the names of the contact people responsible for corrective action, the corrective action planned, and the anticipated completion date.

Sincerely,



Bethany Prim  
Comptroller

cc: John Arnold, Chief Financial Officer  
Garth Perry, Chief Budget and Fiscal Management Officer  
Andrew Brennan, Chief Procurement Officer  
Nikki Koji, Interim Vice President, UAGC Finance and Business Operations  
Tim Schwab, Chief Information Security Officer  
Helena Rodrigues, Chief Human Resources Officer  
Marcel Villalobos, Director, Post-Award Services



University of Arizona  
Corrective action plan  
Year ended June 30, 2025

## Financial statement findings

### 2025-01

The University's and University of Arizona Global Campus' control procedures over IT systems and data were not sufficient, which increases the risk that the University may not adequately protect those systems and data

Contact: Tim Schwab, Chief Information Security Officer, (520) 621-5145

Anticipated completion date: June 1, 2026

#### **Summary Response:**

The university agrees with the finding and recommendations.

The improvement of the enforcement process for users who do not comply with IT security training requirements has been an ongoing project since early 2025 and will be finished by the anticipated completion date. Per policy, all users, including University of Arizona Global Campus (UAGC) employees, that have a NetID and therefore a university email address, are required to take the annual IT security training. If an individual does not complete the training and is non-compliant, their access to all university systems is removed, except the EDGE Learning system where the training resides, until training is completed. Once the training is completed, access is restored for the user.

Additionally, the university will make the necessary policy adjustments and improvements to our authentication procedures and processes so that logical access to our systems is restricted. The necessary IT system configuration improvements will be made to ensure authentication procedures are enhanced and consistently followed.

### 2025-02

The University failed to remove a former employee from its payroll system after the employee's resignation and improperly paid the former employee for nearly 2 years past the employee's resignation date, resulting in a potential net loss of \$78,114 to the University

Contact: Bethany Prim, Comptroller, 520-626-6108

Anticipated completion date: Phased implementation of a campus-wide ticketing solution through fiscal years 2029–2031, with a temporary ticketing process already implemented for the impacted unit to mitigate risk during the interim period. Effort Certification corrective actions were implemented as of January 2026.

#### **Summary Response:**

The university agrees with the finding and recommendations and acknowledges the need to strengthen controls to ensure that employee separations are processed in a timely manner and that effort certifications are reviewed and approved within the required time frames.

## University of Arizona

### Year ended June 30, 2025

The university has reviewed the circumstances that led to this finding and identified gaps in termination processing and monitoring activities that allowed payments to continue after the employee's resignation. While the issue was isolated, the university recognizes the importance of reinforcing preventive and detective controls to mitigate the risk of similar occurrences in the future.

These corrective actions are designed to enhance policies, procedures, and oversight related to employee terminations and compliance with effort certification requirements.

The university's Corrective Action Plan will focus on the following:

#### **Employee Separations**

Following the identified control lapse in which a termination request was not processed in a timely manner, corrective actions have been implemented to strengthen internal controls, ensure compliance with established policies, and reduce the risk of recurrence. Human Resources functions have been centralized, and a temporary standardized ticketing process has been implemented within the department where the incident occurred, as well as select additional units, to provide a single, auditable point of intake for termination requests during the interim period. In parallel, the University is undertaking a multi-year project, estimated to span three to five years, to implement a campus-wide termination ticketing solution that will replace interim processes and serve as the long-term control as the system is rolled out broadly.

This process eliminates reliance on a single individual and ensures requests are visible to and managed by the HR team. All submissions are logged, tracked, and processed in accordance with documented procedures and defined service timelines. In addition, reporting tools, including active employee and termination reports, are available to departments and are expected to be reviewed periodically to validate employee status and identify discrepancies. These enhanced controls improve oversight, accountability, and documentation, and support ongoing compliance with personnel management, access control, and recordkeeping requirements.

The university will continue to pursue recovery of amounts owed by the former employee. Recovery efforts have been initiated through established administrative processes, and the university is working with the Office of General Counsel to evaluate available recovery actions. The university will retain the lien with the Arizona Department of Revenue and continue to monitor recovery activity.

#### **Effort Certification**

The university has strengthened its communication practices, internal controls, and monitoring tools to ensure effort certifications are reviewed and approved by principal investigators (PIs) within the required timeframe.

Following the identification of this issue, all overdue effort certifications have now been reviewed and certified by the responsible PIs. This improvement resulted from immediate enhancements to the effort certification process, including:

1. *Enhanced Communication and Training*

Targeted communication and training sessions were delivered to fiscal officers, fiscal managers, and research deans to reinforce the importance of timely effort certification and to clarify responsibilities within the process.

2. *Defined Responsibility and Escalation Procedures*

## University of Arizona Year ended June 30, 2025

The lead research unit is responsible for ensuring effort certifications are completed within required timelines. To support ongoing compliance, research units have access to real-time reports reflecting effort certification status. In addition, Sponsored Projects will periodically distribute reports of delinquent effort certifications to unit leadership, including the fiscal officer, college finance dean or director, and college research dean. The university's written Effort Reporting Procedure has been updated to clearly convey this information.

### 3. *Enforcement Actions for Non-Compliance*

Unit leadership will take appropriate enforcement actions when certifications are not approved on time. These actions may include disciplinary measures or suspension of grant-related activity, consistent with institutional policy. The university's written Effort Reporting Procedure has been updated to clearly state that unit leadership is responsible for determining and implementing appropriate enforcement actions for overdue PI approvals. For this specific finding, the matter has been referred to unit and central academic leadership for disciplinary review and resolution.

These collective actions strengthen the reliability and timeliness of the university's effort certification process and address the conditions identified in the audit.

## 2025-03

The University of Arizona Global Campus miscalculated its 90/10 revenue percentage, resulting in an initial 0.13% overstatement in its 90/10 revenue percentage

### Contact:

University of Arizona: Bethany Prim, Comptroller, University of Arizona, (520) 626-6108  
University of Arizona Global Campus: Nikki Koji, Interim Vice President, Finance and Business Operations, University of Arizona Global Campus, (619) 404-7621

Anticipated completion date: June 30, 2026

### **Summary Response:**

The university, including the University of Arizona Global Campus (UAGC), a division of the university, agrees with the finding and recommendations.

Following the U.S. Department of Education's acceptance on September 16, 2025, of UAGC's change of ownership application, which reclassified UAGC as a public institution under the University of Arizona, the university will no longer be required to perform the 90/10 revenue percentage calculation and will no longer disclose the related footnote in its financial statements beginning in fiscal year 2026.

UAGC acknowledges the need to ensure accurate information is presented in the university's financial statements and associated note disclosures. Existing controls include completeness and accuracy validation, along with sensitivity analyses for year-over-year changes intended to identify any material errors. These controls are designed for standard financial statement reporting.

However, the 90/10 revenue percentage calculation is governed by Federal rules that require auditors to report any misstatement regardless of materiality and therefore operates outside the materiality thresholds that guide standard financial-statement controls. As a result, while UAGC's established financial-reporting controls are designed to detect material errors or misstatements, they are not structured to capture immaterial variances that are required to be reported under the 90/10 methodology.

## University of Arizona Year ended June 30, 2025

If UAGC were to continue performing the 90/10 revenue percentage calculation to include as a footnote to the university's financial statements, UAGC would expand its existing written policies and procedures. Specifically, UAGC would document and formalize a standardized review protocol requiring supervisory verification of formula level testing for the 90/10 calculation. These enhanced procedures would be designed to strengthen existing controls, improve accuracy, and further reduce the likelihood of future 90/10 reporting errors.

### 2025-04

The University paid \$8,295 for entertainment, food and beverages, and other costs using purchasing cards without complying with its policies and procedures requiring it to document how these purchases were necessary to serve a public purpose and to benefit the University and its students, resulting in an elevated risk of misuse of public monies and possible violation of the Arizona Constitution

Contact: Andrew Brennan, Chief Procurement Officer, (520) 621-0943

Anticipated completion date: July 1, 2026

#### **Summary Response:**

The university agrees with the finding and recommendations and acknowledges the need to ensure that purchasing cardholders and department supervisors comply with university policies and procedures. The university also recognizes the importance of consistently enforcing these requirements and taking appropriate corrective action in instances of noncompliance. We recognize that while all transactions listed below are allowable under university policy, the supporting documentation provided or corrective actions were incomplete to justify the use of public funds.

These corrective actions are designed to improve compliance, accountability, and transparency across all departments. In addition, the university strives to enhance internal controls and will continue to utilize the review process and encourage self-reporting of noncompliant transactions. Furthermore, the university is implementing the SAP Concur system in July 2026, which will provide additional reporting tools for monitoring credit card transactions.

The University's Corrective Action Plan will focus on the following:

#### **Policy Update**

The university revised and published Policy 9.20 – Financial Compliance: Purchasing Card (PCard) Violations in January 2026. The revised policy clarifies compliance requirements and strengthens enforcement provisions, including escalation and potential suspension for unresolved compliance issues identified by the Supply Chain Financial Compliance Team.

#### **Training and Education**

Beginning March 2026, live PCard Compliance training sessions will be offered—both in-person and virtual—as refresher courses for cardholders and approvers. These sessions will be targeted to individuals who have received non-compliance notifications or who have submitted Self-Reporting Violations (SRVs).

In addition, an on-demand training course for Fiscal Officers and other Approvers will be developed by April 2026. This course will provide additional guidance on best business practices for transaction review,

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budget oversight, and compliance responsibilities, with an emphasis on strengthening approver controls and effective oversight.

**Enhanced Monitoring**

Beginning July 2026, the university will implement an AI-powered monitoring solution, Oversight, to expand transaction sampling and enhance ongoing compliance oversight. This tool will support earlier identification of potential issues and strengthen controls to monitor compliance and ensure appropriate stewardship of public funds.