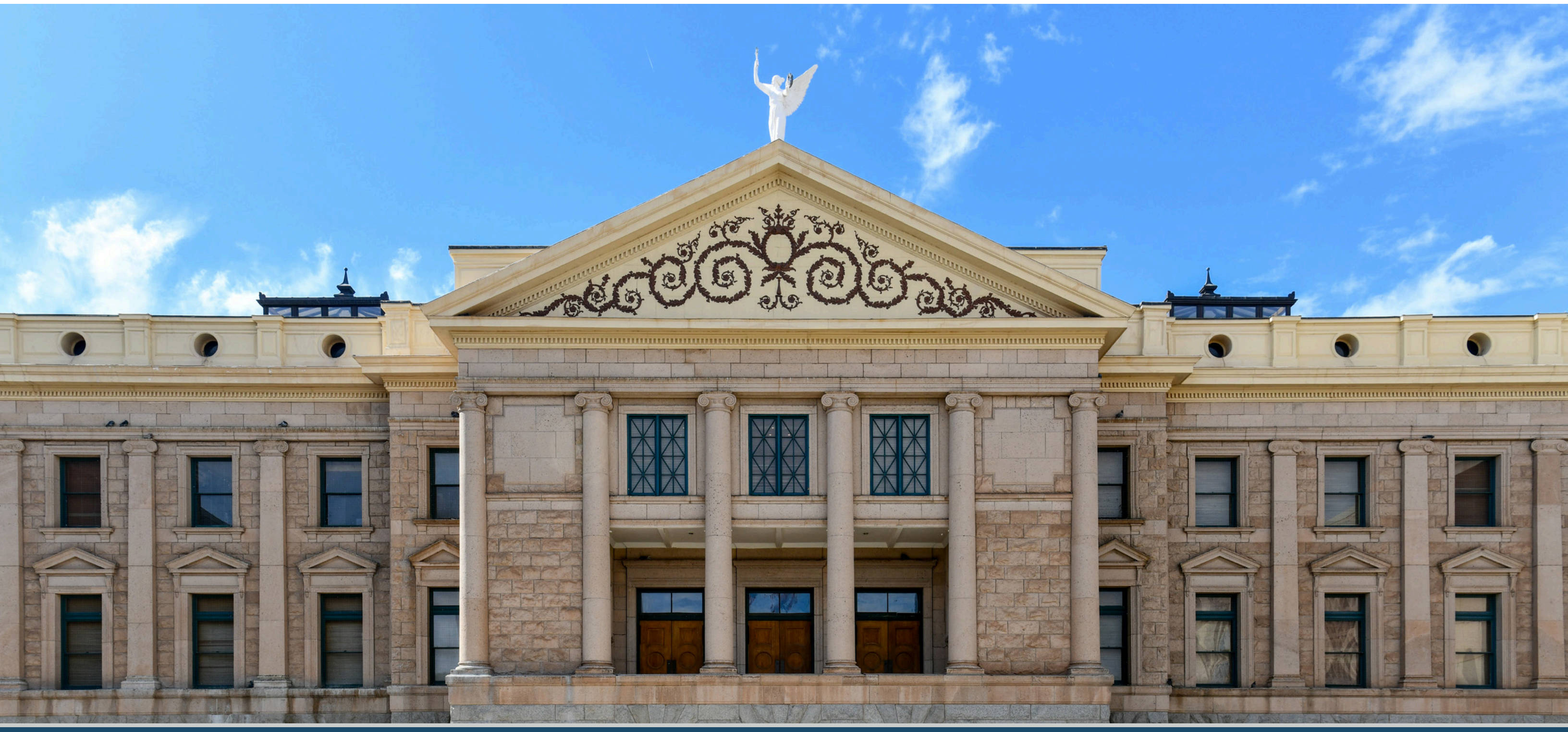
Sunset Review

Arizona Board of Regents

The Arizona Board of Regents fulfilled some key statutory objectives we reviewed but did not fully implement some university financial oversight policies, limiting insight into universities' financial health and increasing risk of not timely detecting potential financial issues, and lacked a process for escalating defaulted scholarship repayments for collections



Report 26-108
August 2026

Lindsey A. Perry
Auditor General

Arizona Auditor General's mission

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.

The Joint Legislative Audit Committee

The Joint Legislative Audit Committee consists of 5 Senate members appointed by the Senate President and 5 House members appointed by the House Speaker. The Committee is responsible for overseeing the Office, including (1) overseeing all audit functions of the Legislature and State agencies, including sunset, performance, special, and financial audits; special research requests; and the preparation and introduction of legislation resulting from audit report findings; (2) requiring State agencies to comply with audit findings and recommendations; (3) receiving status reports regarding the progress of school districts to implement recommendations; and (4) scheduling hearings to review the status of State agencies and school districts.

Audit staff

Jeff Gove, Director

Monette Kiepke, Manager

Liam VanPelt, Deputy Manager

Lexie Bisaro

Angelica Prado-Stern

Contact information

(602) 553-0333

contact@azauditor.gov

www.azauditor.gov

2910 N. 44th St., Ste. 410
Phoenix, AZ 85018-7271

ARIZONA
AUDITOR
GENERAL

Lindsey A. Perry, Auditor General

August 26, 2026

Members of the Arizona State Legislature

The Honorable Katie Hobbs, Governor

Executive Director Sampson
Arizona Board of Regents

Transmitted herewith is a report of the Auditor General, *A Sunset Review of the Arizona Board of Regents.* This report is in response to an October 7, 2025, resolution of the Joint Legislative Audit Committee. The sunset review was conducted as part of the sunset review process prescribed in Arizona Revised Statutes §41-2951 et seq. I am also transmitting within this report a copy of the Report Highlights to provide a quick summary for your convenience.

As outlined in its response, the Arizona Board of Regents agrees with all the findings and plans to implement or implement in a different manner all the recommendations. My Office will follow up with the Arizona Board of Regents in 6 months to assess its progress in implementing the recommendations. I express my appreciation to the Board's members, Executive Director Sampson, and Board staff for their cooperation and assistance throughout the audit.

My staff and I will be pleased to discuss or clarify items in the report.

Sincerely,

Lindsey A. Perry

Lindsey A. Perry, CPA, CFE
Auditor General

cc: Arizona Board of Regents members

Arizona Board of Regents

Sunset Review

ABOR fulfilled some key statutory objectives we reviewed but did not fully implement some university financial oversight policies, limiting insight into universities' financial health and increasing risk of not timely detecting potential financial issues, and lacked a process for escalating defaulted scholarship repayments for collections

Audit purpose

To determine whether ABOR conducted quarterly financial status updates and annual business process reviews of the 3 State universities pursuant to its policies and administered scholarship programs in accordance with statute, and to respond to the 10 statutory sunset factors.[1]

Key findings

- ABOR is responsible for governing the 3 State universities—Arizona State University, Northern Arizona University, and the University of Arizona—including overseeing the universities' financial standing and administering various scholarship programs and funds, such as Arizona Teachers Academy scholarships.
- ABOR implemented outstanding recommendations from our 2019 ABOR Commercial Real Estate audit by following its commercial real estate policy when approving a commercial lease that included measurable performance standards and economic benefits.[2]
- ABOR revised its financial oversight policies to require quarterly university financial status updates in response to the University of Arizona's nearly $177 million fiscal year 2024 budget shortfall but did not consistently or fully implement some policy requirements, including not requiring the universities to report their actual cash on hand, limiting the Board's insight into the universities' financial health.
- ABOR is responsible for collecting repayments from Arizona Teachers Academy scholarship recipients who fail to meet statutory program requirements, but it reported it did not escalate to collections more than $1.4 million of $2.7 million in defaulted repayments dating back to calendar year 2020 and lacked a process for doing so.

[1] The Arizona Auditor General conducted this sunset review of ABOR pursuant to an October 7, 2025, resolution of the Joint Legislative Audit Committee. This audit was conducted as part of the sunset review process prescribed in Arizona Revised Statutes §41-2951 et seq.

[2] Statute authorizes ABOR to own and lease its property for the State's benefit and for the universities' use. However, our 2019 ABOR Commercial Real Estate audit found that ABOR lacked written guidance for approving commercial leases, increasing the risk of inappropriate use of public resources leased to private parties. See Arizona Auditor General report 19-115 *A Performance Audit of the Arizona Board of Regents—Commercial real estate*.

- During the audit, ABOR initiated revisions to its financial oversight policy to reflect its current quarterly financial status update practices and developed a process for escalating defaulted scholarship repayments to the Arizona Attorney General's Office for collections.

Key recommendations to ABOR

- Revise and implement its financial oversight policy to align with its current practices.
- Implement its process for escalating defaulted scholarship repayments to the Arizona Attorney General's Office for collections.

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The Arizona Auditor General has completed a sunset review of the Arizona Board of Regents (ABOR). This sunset review determined whether ABOR conducted quarterly financial status updates and annual business process reviews of the 3 State universities in accordance with its policies and procedures, administered scholarship programs in accordance with statute, and implemented outstanding recommendations from our 2019 performance audit of its oversight of commercial real estate on ABOR property. This sunset review report also provides responses to the statutory sunset factors.

ABOR is responsible for governing the 3 State universities

The Arizona Constitution established ABOR, and it is the governing body of the 3 State universities—Arizona State University (ASU), Northern Arizona University (NAU), and the University of Arizona (UA) (see Table 1 for information on the universities' locations, enrollment, and staffing).[1]

Table 1

Universities served more than 216,000 students and employed more than 31,000 faculty and staff at multiple locations in the State

Fiscal year 2025

University	Locations[1]	Enrollment[2]	Faculty & staff[3]
ASU	9 locations, including 4 campuses in the Phoenix metropolitan area and other locations in Arizona.	135,855	15,362
NAU	17 locations, including City of Flagstaff campus and other locations across Arizona.	26,807	3,346
UA	10 locations, including City of Tucson campus and other locations in Arizona.	53,734	12,884
Totals		**216,396**	**31,592**

1 Number of locations listed comprise each university's total number of degree-awarding locations in Arizona. Some locations are integrated into community college campuses across the State, and all 3 universities award degrees through online instruction programs. Location totals do not include any location outside of Arizona, including those in other states or countries.

2 Enrollment refers to full-time equivalent (FTE) student enrollment, a statutorily mandated measure of student enrollment. See A.R.S. §§15-1626(A)(5) and 15-1661.

3 Faculty and staff employed in the fall of fiscal year 2025.

Source: Auditor General staff analysis of information from Arizona Auditor General report *Arizona University System - Full-time equivalent student enrollment report, year ended June 30, 2025*; Arizona Board of Regents. (2025). *FY2025 personnel report*. Retrieved 4/21/2026 from https://www.azregents.edu/sites/default/files/reports/2025-Personnel-Report-r1.pdf; and the universities' websites.

1 Art. 11, Sec. 5, of the Arizona Constitution states that "The regents of the university, and the governing boards of other state educational institutions, shall be appointed by the governor with the consent of the senate in a manner prescribed by law, except that the governor shall be, ex-officio, a member of the board of regents of the university."

In accordance with A.R.S. §15-1626(A), ABOR's key statutory responsibilities include:

- **Exercising the powers necessary for the effective governance and administration of the universities**

  ABOR is statutorily responsible for the governance of the universities, including adopting policies and authorizing each university to adopt regulations, policies, rules, or other measures deemed necessary.[2] For example, ABOR is statutorily responsible for prescribing qualifications for admission of all students to the universities and establishing policies for guaranteed admission to ensure fair and equitable access to Arizona students.[3]

- **Adopting annual operating budgets for each university and developing policies for overseeing the universities' budgets and financial standing**

  ABOR is statutorily responsible for adopting annual operating budgets for the universities and has adopted policies to oversee the universities' operating budgets and overall financial health.[4] See pages 6 through 7 for additional information about the changes ABOR made to its financial oversight policies to address UA's fiscal year 2024 budget shortfall.

- **Adopting rules to govern the universities' fee-setting process**

  ABOR is statutorily responsible for establishing tuition and other university fees and is required to adopt rules to govern its fee-setting process, including ensuring universities hold at least 1 public hearing to allow for students and members of the public to comment on any proposed increase in tuition or fees.[5] According to ABOR's policy, the universities are responsible for notifying ABOR and the public of their proposed tuition and fees, and ABOR is responsible for holding a public hearing on the proposed tuition and fees, as well as voting on the proposed tuition and fees by a roll-call vote in a public meeting.

  In February 2023, ABOR revised its tuition and fee-setting policy to establish a process for adopting growth rates for the universities every 4 years, which fix the rate universities can increase tuition and fees for 6 years. According to ABOR's policy, universities are required to submit growth rate proposals to ABOR for approval in year 4 of the 6-year growth-rate period, which, if adopted by the Board, become effective after the growth rates expire. For example, in April 2023, the Board approved tuition growth rates for all 3 universities ranging between 3% and 5% each year until academic year 2028-2029. See Sunset Factor 5, page 32, for additional information about the growth rates it approved and how ABOR solicits public input when approving growth rates. According to ABOR, the universities will submit new growth rate proposals in the fall of 2026, which will then become effective in academic year 2029-2030 if adopted by the Board.

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2 A.R.S. §15-1626. Pursuant to A.R.S. §15-1626, ABOR is authorized to delegate, in writing to its committees, to the university presidents or their designees or to other entities under its control, any part of its authority for the administration and governance of the universities.

3 A.R.S. §15-1626(A)(10).

4 A.R.S. §15-1626(A)(13).

5 A.R.S. §15-1626(A)(5),(6).

Appointing university presidents and other university staff, determining their compensation, and removing employees if necessary

ABOR is statutorily responsible for appointing university presidents and other university staff, such as vice presidents, deans, and professors.[6] ABOR has established a process for appointing and employing university presidents, which includes approving the appointment, negotiating terms of employment, and entering into an employment contract with the president. ABOR last appointed a university president in August 2024, when the Board appointed Dr. Suresh Garimella as UA's president.[7] See Sunset Factor 2, page 13, for more information on ABOR's university president-appointment process.

Establishing curricula that will best serve the State's interests

ABOR is statutorily responsible for establishing curricula and designating courses that in its judgment will best serve the State's interests.[8] ABOR developed policies for overseeing and approving new degree programs, which require universities to submit requests for new degree programs to ABOR for approval. Additionally, ABOR's policy requires the universities to review the quality of student performance and program outcomes of each degree program at least once every 7 years. According to ABOR data, the Board approved 43 requests for new degree programs in fiscal year 2025. See Appendix B, pages b-1 through b-11, for more information on the number of programs approved and discontinued in fiscal years 2023 through 2025.

Administering various scholarship programs and funds

ABOR is statutorily responsible for administering various scholarship programs and funds (see textbox, page 4, for examples of scholarship programs and funds).[9] For example, statute requires ABOR to develop and implement administrative processes for the Arizona Teachers Academy program, including distributing monies to eligible postsecondary institutions for scholarships awarded, collecting repayment from scholarship recipients who fail to meet teaching obligations, and collecting and reporting program data (see Sunset Factor 2, pages 20 through 27, for issues we found with ABOR's administration of the Arizona Teachers Academy program).[10,11] ABOR is also statutorily responsible for administering the Arizona Promise Program, including providing reimbursements to the universities for scholarships awarded.[12,13] See Sunset Factor 2, pages 25 through 27, for issues we identified with ABOR's administration of the Arizona Promise Program.

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6 A.R.S. §15-1626(A)(2) and (3).

7 ABOR appointed ASU president Dr. Michael Crow in 2002 and NAU president Dr. José Luis Cruz Rivera in 2021.

8 A.R.S. §15-1626(A)(8).

9 A.R.S. §§15-1655, 15-1657 and 15-1701(G).

10 Arizona Teachers Academy scholarship recipients must teach for 1 full school year in an Arizona public or charter school for every academic year they successfully completed and had tuition and fees paid for by the Arizona Teachers Academy scholarship.

11 A.R.S. §15-1655.

12 A.R.S. §15-1701(G).

13 ABOR reported that the universities are responsible for identifying and awarding individual students for Arizona Promise Program scholarships.

Examples of scholarship programs and funds ABOR is responsible for administering

Arizona Teachers Academy—Scholarship program that provides awards for tuition and fees to eligible students at postsecondary institutions pursuing teacher certificates. Students who receive these awards are statutorily required to teach at an Arizona public school for a specified time period after graduating.[1,2] Arizona Teachers Academy scholarship recipients must repay ABOR tuition monies if they do not complete the teaching obligation associated with the scholarship awarded. The Arizona Teachers Academy Fund consists of allocations from the Student Support and Safety Fund established by statute and legislative appropriations specifically for administering the program.[3] Statute allows ABOR to use up to 3% of Arizona Teachers Academy Fund monies in the fund each fiscal year for marketing, promoting, and administering the program.[4]

Arizona Promise Program—A need-based scholarship program that provides financial assistance to full-time in-State university students who graduated from an Arizona high school and meet eligibility requirements for federal Pell grants.[5] The Arizona Promise Program Fund consists of legislative appropriations and monies the universities provide specifically to administer the program. Statute allows ABOR to use up to 3% of Arizona Promise Program Fund monies in the fund each fiscal year for administering the program, including designing and implementing a marketing plan for the program, collecting and analyzing data, and reporting program information.[6]

1 Arizona Teachers Academy scholarship recipients must teach for 1 full school year for every academic year they successfully completed and had tuition and fees paid for by the scholarship.

2 According to the Arizona Teachers Academy website, scholarship recipients can fulfill their teaching requirements at any Arizona qualified school, which includes all district and public charter schools in Arizona.

3 A.R.S. §§15-1281(D)(5) and 15-1655(E).

4 A.R.S. §15-1655(E)(4).

5 Pell grants are need-based federal student aid awarded to undergraduate students and are not required to be repaid. To qualify for Arizona Promise Program financial assistance, students must meet certain eligibility criteria, including having a minimum 2.5 grade point average.

6 A.R.S. §15-1701(H).

Source: Auditor General staff review of A.R.S. §§15-1281(D)(5), 15-1655(D)(2), 15-1655(E)(4), 15-1701(H), and 15-1701(B), and the Library of Congress website.

Administering the Technology and Research Initiative Fund (TRIF)

ABOR is statutorily responsible for administering TRIF, which was established through a voter-approved initiative to support the State's post-secondary schools, including monies the State university system annually receives for research and workforce development projects and initiatives.[14,15] ABOR is responsible for determining the amount and duration of TRIF awards distributed to the universities for purposes such as furthering study in an academic or research field or increasing access to higher education.[16] As shown in Table 2 on page 5, ABOR established 6 award categories for distributing TRIF monies, and ABOR distributed approximately $150 million of TRIF monies in fiscal year 2025. See Sunset Factor 2, pages 25 through 28, for issues we identified with ABOR's administration of TRIF.

14 A.R.S. §15-1648(A).

15 Voters passed Proposition 301 in 2000 that increased the State's transaction privilege tax by 0.6 percent to establish TRIF.

16 A.R.S. §15-1648.

Table 2

ABOR reported it allocated approximately $150 million to 6 TRIF award categories

Fiscal year 2025

Unaudited

Award category	Description	Amount allocated
University Research Attainment and Workforce Initiative Fund	To support university research project and workforce initiatives through 3-year university-led research projects. For example, in fiscal year 2025, ABOR reported it allocated $10 million of TRIF monies to NAU for workforce development.	$85 million
University Opportunity Grants	To support university initiatives such as expansion of healthcare education or new research industry hubs.	$45 million
Regents Grants	To support university-led applied research in partnership with State or local agencies, such as working with the Arizona Department of Agriculture to develop sustainable farming practices for water-limited environments.	$11 million
Community Grants	To support nonprofit and university collaborations. For example, ABOR approved a community grant for UA in collaboration with the Arizona County Supervisors Association to identify the challenges and propose solutions regarding the recruitment and retention of detention officers in metro and rural areas of Arizona.	$1 million
Board Attainment Initiatives	To support efforts to advance State-wide postsecondary degree attainment.	Approximately $7 million allocated between Board Attainment Initiatives and Board Industry and Workforce Initiatives
Board Industry and Workforce Initiatives	To support strategic projects, opportunities, and partnerships in research, education, or workforce development.	Approximately $7 million allocated between Board Attainment Initiatives and Board Industry and Workforce Initiatives

Source: Auditor General staff review of ABOR policy and Arizona Board of Regents. (2025). *FY2025 Technology and Research Initiative Fund report*. Retrieved 9/23/2025 from https://www.azregents.edu/sites/default/files/reports/2025-Technology-Research-Initiative-Fund-Annual-Report-R1.pdf

ABOR revised its financial oversight policies in response to UA's fiscal year 2024 budget shortfall

As discussed in the 48-month followup to our 2021 ABOR sunset review, UA did not timely report to ABOR, nor did ABOR's financial oversight processes initially identify significant financial risks at UA in its fiscal year 2024 annual budget presentation.[17]

Specifically:

- During ABOR's June 2023 Finance, Capital, and Resources committee meeting, UA presented its fiscal year 2024 annual operating budget. During this presentation, UA did not identify any potential financial concerns but rather estimated that it would have 152 days of cash on hand at the end of fiscal year 2024—9 days more than ABOR's minimum required days of cash on hand (see textbox for a definition of cash on hand and other key terms related to financial oversight).

- In November 2023, 5 months later, UA reported to ABOR that it was facing financial challenges, and its days cash on hand had fallen below ABOR's minimum required days of cash on hand.

- In February 2024, ABOR reported UA had a fiscal year 2024 budget shortfall of approximately $177 million. As a result, UA hired a new Chief Financial Officer and reported it implemented a hiring and compensation freeze for all university faculty and staff positions until the end of fiscal year 2024.

Key terms

Days cash on hand: The number of days a university can pay its expenses solely with unrestricted cash balances and investments that can be liquidated within 1 month.[1]

Liquidity: An organization's capacity to meet its cash and collateral obligations without incurring unacceptable losses.

Operating cash balance: The amount of money in a university's account available for paying for daily operations, calculated by taking the beginning balance, adding all deposits (revenues), and deducting all disbursements or payments (expenses).

Net position: The amount of financial resources that would be left after paying all liabilities.

[1] Unrestricted cash balances are those monies that are available for general use that have not been restricted for a specific purpose.

Source: Auditor General staff review of ABOR policy, Arizona Auditor General Financial report user guide, October 2019, and the Board of Governors of the Federal Reserve website.

In response to this incident, ABOR revised its financial oversight policies in April 2024 to help increase its awareness and earlier detection of financial fluctuations and risks across the university system.

[17] See Arizona Auditor General report *48-Month Followup of Sunset Review report 21-105*.

Key monitoring requirements ABOR added to its financial oversight policies in April 2024 included:

- **Universities must report financial metrics for monitoring liquidity in quarterly financial reports for ABOR's review**

  ABOR's revised financial oversight policy requires the universities to submit quarterly financial status updates to ABOR within 40 days of the end of each quarter. The status updates must include additional financial metrics for monitoring liquidity, such as operating cash balances provided as actual cash and as days cash on hand, consistent with recommended practices.[18]

- **ABOR must conduct annual business process reviews of the universities**

  ABOR adopted a new policy requiring it to conduct an annual business process review of 1 university each fiscal year on a rotating basis. Key requirements in the annual business process review include the university under review completing a self-assessment documenting its current business processes according to a template determined by ABOR, the other 2 universities and ABOR representatives conducting a review of the university's self-assessment, and a final report of the university's annual business process review being provided to the Board. According to ABOR's policy, it expected the annual business process review to inform the Board of university financial management practices and improve the universities' self-awareness and exposure to best practices, among other intentions.

- **Universities must measure liquidity based on days cash on hand**

  ABOR revised its guidance on measuring liquidity to require the universities to use the days cash on hand measure, as defined by Moody's, and to calculate the projected days cash on hand as of June 30 of each fiscal year, and ABOR requires this information to be included in the universities' quarterly status updates to the Board.[19] According to ABOR policy, the policy's goal is for the universities to maintain days cash on hand within 25% of Moody's currently published median days cash on hand for rated colleges and universities.[20,21]

See Sunset Factor 2, pages 15 through 20, for problems we identified with ABOR's implementation of its revised financial oversight policies.

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18 KPMG, Prager, Sealy & Co, LLC., Attain. (2010). *Strategic financial analysis for higher education: Identifying, measuring, and reporting financial risks*. Retrieved on 11/24/25 from https://emp.nacubo.org/wp-content/uploads/2017/10/NSS_Handbook.pdf

19 Moody's is a financial services company that provides credit ratings, research, and analytics.

20 As of June 2025, Moody's current published median days cash on hand for rated colleges and universities is 176.

21 Moody's Ratings. (2025). *Higher education – US: Medians – Public universities' operations stabilized with state support as liabilities moderate*. Provided by ABOR on 3/19/2026.

ABOR comprises 12 members supported by 41 staff positions

Board and committees

ABOR consists of a 12-member board (Board), including the Governor, the Superintendent of Public Instruction, and 10 members the Governor appoints, including 2 student members.[22,23] As of February 2026, all 12 member positions were filled.

The Board has established 2 committees to address specific areas of its responsibilities, including strategic planning, fee setting, and university system oversight (see textbox for more information on ABOR's committees).[24,25] These committees' meetings are open to the public.

ABOR has established 2 committees to help oversee and govern the universities

The Board has established the following 2 committees composed of Board members appointed by its chair:

- **Audit and Risk Management:** Comprising 8 Board members, this committee is required to meet at least once each academic year and is responsible for providing oversight of university risk-management processes, including university internal audits and university risk assessment.
- **University Governance and Operations:** Comprising 9 Board members, this committee is required to meet at least 3 times each academic year and is responsible for overseeing university academic quality, student success, operational efficiency, cost management, and financial sustainability.

Source: Auditor General staff review of ABOR's bylaws and committee charters.

Organization and staffing

According to ABOR, as of April 2026, ABOR has 39 full-time equivalent employees (FTEs) and 3 vacancies within the following divisions:

Administration (6 FTEs, 0 vacancies)

Responsible for human resources, internal operations, procurement and contracting coordination, travel administration, records management, general office management, and ensuring that the Board's directives and executive priorities are implemented effectively across the organization.

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22 The Governor and Superintendent of Public Instruction are ex-officio members.

23 A.R.S. §15-1621(C) requires the Governor to appoint 2 student regents to serve 2-year terms, serving as nonvoting members in their first year and as a voting member in their second year.

24 According to ABOR's bylaws, the ABOR chair may establish other ad hoc or special committees.

25 Pursuant to A.R.S. §15-1867, ABOR established a Committee on Free Expression to protect and promote free expression at the universities. The Committee is chaired by ABOR's executive director and comprises 16 university staff members. As of May 2026, the committee last met in July 2025.

- **Legal and Board Operations (8 FTEs, 0 vacancies)**

  Responsible for providing legal advice and support to the Board, managing Board governance processes, communicating with constituents, responding to public records requests, and developing and maintaining ABOR's policy manual.

- **Finance, Strategy and Governance (13 FTEs, 2 vacancies)**

  Responsible for providing financial, academic, and operational oversight of the universities, including reviewing university budgets, academic program proposals, degree approvals, enrollment trends, institutional performance metrics, financial aid programs, and system-wide strategic initiatives.

- **Government and Public Affairs (4 FTEs, 0 vacancies)**

  Responsible for coordinating system-wide strategies, supporting Board members and university leadership in public policy discussions, providing strategic communications related to public policy issues, and ensuring alignment between Board priorities and governmental engagement efforts.

- **Marketing and Community Partnerships (8 FTEs, 1 vacancy)**

  Responsible for overseeing public communications; developing relationships with community organizations, industry partners, and civic stakeholders to advance Statewide education, workforce, and economic development goals; supporting the public's understanding of ABOR's role; and promoting collaboration across Arizona's higher education system.

ABOR's revenues primarily consisted of State sales taxes and monies the universities provided, and its expenditures were mostly for aid to universities and other organizations and to pay for staffing and related costs

ABOR receives State and other monies, including funding from the State universities, federal grants, and a share of State sales tax it receives through TRIF. As shown in Table 3, page 10, ABOR's revenues totaled more than $26 million in fiscal year 2025 and are estimated to be more than $24.5 million in fiscal year 2026. In fiscal year 2025, ABOR's expenditures totaled more than $23 million and are estimated to total approximately $23.4 million in fiscal year 2026. ABOR's expenditures include payroll and related benefits for staff and aid to organizations, such as grant awards to universities and other organizations.

Table 3

Schedule of revenues, expenditures, and changes in fund balances

Fiscal years 2024 through 2026

Unaudited

	2024 (Actual)	2025 (Actual)	2026 (Estimate)
Fund balances, beginning of year[1]	**$4,458,741**	**$5,794,088**	**$7,102,387**
Revenues			
State General Fund appropriations	$3,329,600	$3,253,500	$3,444,200
Funding from State universities[2,3]	5,017,535	8,622,000	8,191,185
Share of State sales tax—technology and research initiative funding[4]	18,580,281	13,826,973	12,051,102
Federal grants[5]	275,000	220,938	275,000
Private grants and contracts[6]	1,015,000	10,000	30,000
Arizona Promise Program and Arizona Teachers Academy funding[7]	304,254	392,904	547,373
Total revenues	**$28,521,670**	**$26,326,315**	**$24,538,860**
Expenditures and transfers			
Expenditures			
Payroll and related benefits	$6,574,762	$7,483,748	$7,604,063
Professional and outside services[8]	1,891,855	2,833,929	2,771,610
Aid to organizations[9]	14,056,477	10,010,032	8,351,102
Travel	106,533	189,176	148,500
Other operating[10]	2,109,099	2,715,184	4,305,506
Furniture, equipment, and software[11]	47,597	85,947	250,544
Total expenditures	**$24,786,323**	**$23,318,016**	**$23,431,325**
Transfers			
Transfers to State universities[12]	$2,400,000	$1,700,000	$1,700,000
Total transfers	**$2,400,000**	**$1,700,000**	**$1,700,000**
Total expenditures and transfers	**$27,186,323**	**$25,018,016**	**$25,131,325**
Fund balances, end of year[13]	**$5,794,088**	**$7,102,387**	**$6,509,922**
Net change in fund balance (Difference between revenues and expenditures and transfers)	**+ $1,335,347**	**+ $1,308,299**	**- $592,465**

Table 3 continued

[1] The table includes all financial activity related to ABOR's governance activities. It does not include financial activity of the universities' land-related trust accounts. Additionally, the table excludes other monies ABOR receives and distributes to the universities in accordance with laws and regulations. For example, only the TRIF monies ABOR spends, including monies ABOR awarded to the universities to support research and workforce development projects and initiatives, are included in the table, and the monies distributed directly to and spent by the universities are not included.

[2] ABOR receives funding from the State universities to help pay for ABOR operations based on its estimated annual operating costs. Specifically, as part of approving its annual budget, ABOR determines a total university assessment amount needed to pay for its operations and assesses each university a portion of the total assessment according to each university's proportion of prior year system-wide revenues. For example, ABOR's fiscal year 2026 estimated assessment totaled $8,191,185, of which ASU was assessed $4,177,504 or 51%, UA was assessed $3,292,856 or 40%, and NAU was assessed $720,824 or approximately 9%. See Auditor General report 21-105 *Arizona Board of Regents—Sunset Review*, pages 4 and 6, for more information. However, we identified issues with ABOR's process for allocating staff salaries for individuals who are responsible for both operations and program-related activities (see Sunset Factor 2, pages 25 through 27).

[3] According to ABOR, prior to fiscal year 2025, it was using a combination of university assessments, state appropriations, and accumulated fund balance to pay for its operations. ABOR further reported that this approach resulted in a fund balance that was approaching depletion and the need to increase funding from the universities. Specifically, ABOR received a funding increase in fiscal year 2025, and according to ABOR, this funding increase was to maintain service levels and expand support and engagement in key areas related to approved ABOR initiatives.

[4] Share of State sales tax technology and research initiative funding consists of TRIF monies ABOR uses for grants and other ABOR initiatives and does not include TRIF monies distributed directly to the universities.

[5] Federal grant monies consist of Workforce Innovation and Opportunity Act (WIOA) monies to support the Arizona Free Application for Federal Student Aid (FAFSA) Challenge initiative to increase FAFSA-completion rates among Arizona high school students. ABOR used these federal grant monies to pay for costs to administer the WIOA program, including payroll and related benefits, professional and outside services, and other operating expenditures.

[6] Private gifts, grants, and contracts consist of monies ABOR received for projects to support increasing FAFSA completion rates, developing ABOR's technology and analytical capacity, and enhancing student mental well-being for educational success. ABOR used these monies to pay for professional and outside services such as marketing and outreach to high schools and training to academic advisors on FAFSA, in-State travel for meetings related to FAFSA, and other operating expenditures, such as event supplies for its FAFSA meetings and trainings.

[7] ABOR receives State General Fund monies for the Arizona Promise program and Arizona Teachers Academy program, and the amounts listed are the portion of these monies that ABOR retains to reportedly pay for administrative and operating costs, such as salaries and contractor expenses for these programs. These amounts do not include monies used by universities for scholarships. See Sunset Factor 2, pages 25 through 27, for issues we identified with ABOR's use of these funds' monies for administrative costs.

[8] According to ABOR, professional and outside services expenditures increased in fiscal year 2025 because of consulting service costs associated with the UA presidential search process.

[9] Aid to organizations expenditures consist of TRIF grants and awards to the universities and other organizations to support research and workforce development. See Sunset Factor 2, pages 27 through 28, for issues we identified with ABOR not using detailed performance measures to determine the overall effectiveness of each TRIF award.

[10] Other operating expenditures include rent, annual membership dues to the Western Interstate Commission for Higher Education, risk management, and other IT-related expenditures.

[11] According to ABOR, furniture, equipment, and software expenditures increased in fiscal year 2026 because it replaced aging office and IT equipment and furniture to allow for office sharing and more secure workspaces.

[12] Transfers to State universities are direct transfers of TRIF monies for various initiatives, including the Arizona Innovation Alliance, Phoenix Bioscience Core, and other ABOR attainment and workforce initiatives.

[13] According to ABOR, approximately 40% of its ending fund balance each year is composed of monies restricted for specific uses, such as TRIF grants and award monies.

Source: Auditor General staff review and analysis of the Arizona Financial System/AZ360 *Accounting Event Transaction File* and the *State of Arizona—Annual comprehensive financial reports* for fiscal years 2024 and 2025 and ABOR-prepared estimates for fiscal year 2026.

Pursuant to A.R.S. §41-2954, the legislative committees of reference shall consider but not be limited to the following factors in determining the need for continuation, consolidation, modification, or termination of ABOR.[1]

Sunset factor 1: The key statutory objectives and purposes in establishing ABOR.

ABOR's key statutory objectives and purposes include:

- Governing the State's university system, comprising ASU, NAU, and UA, including exercising its authority to adopt necessary regulations, policies, and measures for the effective governance and administration of the universities, such as policies for overseeing the universities, budgets and financial standing.
- Appointing university presidents and other university staff, determining their compensation, and removing employees if necessary.
- Adopting annual operating budgets for the universities.
- Administering various scholarship programs and funds for the universities, including the Arizona Teachers Academy, Arizona Promise Program, and TRIF.
- Establishing tuition and fees and adopting rules to govern its tuition and fee-setting process.
- Prescribing university admission qualifications and establishing curricula that will best serve the State's interests.

Sunset factor 2: ABOR's effectiveness and efficiency in fulfilling its key statutory objectives and purposes.

ABOR has taken steps to fulfill its key statutory objectives and purposes in some areas we reviewed, and we identified deficiencies in other processes we reviewed that impact ABOR's ability to effectively and efficiently fulfill its key statutory objectives and purposes.

1 See Sunset Factor 10, page 37, for more information on the termination process for ABOR.

First, ABOR has developed processes and/or taken steps to fulfill its key statutory objectives and purposes in the following 3 areas we reviewed:

- **Selecting and appointing the UA president in 2024 consistent with its policy and established appointment guidelines**

  Our review of ABOR's most recent appointment of a university president found that it complied with its policy for appointing, employing, and determining the president's compensation when selecting and appointing Dr. Suresh Garimella as the UA president effective October 2024.

  Consistent with its policy, ABOR:

  - Developed guidelines for appointing a university president to meet the university's specific needs, such as a leader with experience in academic and financial oversight and a focus on students, and established a search committee consisting of Board members and UA students, staff, and faculty members.

  - Collected feedback from various UA stakeholders, such as UA students, alumni, faculty, and staff; informed stakeholders of the search's progress; and held public meetings related to the search process.

  - Incorporated stakeholder feedback into its search and selection process. For example:

    - The search committee surveyed stakeholders on the leadership qualities, experience, and attributes they expected from the next president for inclusion in a brochure advertising the position and in the rubric it developed for identifying and evaluating prospective candidates.[2]

    - Due to stakeholder concerns about UA's financial standing, ABOR's consultant for the presidential search reported to the committee that it provided prospective candidates with publicly available UA budget information (see Introduction, page 6, for additional information about UA's fiscal year 2024 financial challenges).[3]

  - Approved the presidential appointment in a public Board meeting.[4,5]

  - Provided the appointed president with a letter of employment containing all terms and conditions of employment as required by its policy. For example, the letter of employment included Dr. Garimella's employment term of October 1, 2024 through September 30, 2027, and his annual base salary of $810,000.

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2 According to the committee's survey results, stakeholders' desired leadership qualities were integrity, ethics, a student-centered focus, and financial acumen, and the desired leadership experience was for a candidate with academic experience.

3 According to ABOR, when appointing university presidents, it generally uses consultants to assist in recruitment.

4 According to ABOR, appointing the UA president was a hiring decision, and discussions about the candidate leading up to the Board's appointment occurred in executive session as authorized by A.R.S. §38-431.03(A)(1).

5 During this public board meeting and other public meetings regarding the appointment process, ABOR did not receive any verbal stakeholder feedback regarding Dr. Garimella.

Implementing outstanding recommendations from our 2019 ABOR Commercial Real Estate audit report

Statute authorizes ABOR to own and lease its property for the State's benefit and for the universities' use.[6] However, our 2019 audit of ABOR's oversight of commercial real estate properties found that the operation of some ABOR properties lacked oversight and accountability, resulting in the inappropriate use of proceeds and limited transparency, and lacked a complete property listing and other property management information, limiting its ability to oversee and manage its property. Additionally, our 2019 audit found that ABOR lacked written guidance for implementing its real estate policies and approving commercial subleases, increasing the risk of inappropriate use of public resources leased to private parties.[7]

We made 17 recommendations to ABOR to improve its processes, and as of our final followup in July 2025, 3 recommendations were partially implemented but were not yet fully applicable because ABOR had not approved any new commercial leases since the 2019 audit.[8]

Subsequently, in February 2026, ABOR approved a new commercial lease agreement between UA and Vesper Energy Finance, LLC for the development and operation of solar energy generation and transmission and related facilities. Our review of the approved lease agreement and associated documentation found that ABOR complied with applicable policy requirements.[9]

Specifically, consistent with ABOR's commercial real estate policy, the lease agreement included:

- Measurable performance standards and a lease remedy in case the established performance measures are not met. For example, the lease establishes target dates for completing construction and development, and the lease agreement requires Vesper Energy Finance, LLC to pay additional fees if it does not meet those target dates.

- The proposed lease agreement's economic benefits, tax treatment of the real property and proposed improvements, and how it furthers the university's institutional mission.[10] For example, the lease agreement anticipates UA will receive approximately $25.7 million in gross revenue over the lease's initial 35-year term.

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6 A.R.S. §15-1625(B)(4).

7 See Arizona Auditor General report 19-115 *A Performance Audit of the Arizona Board of Regents—Commercial real estate*.

8 See Arizona Auditor General report 66-Month Followup of report 19-115.

9 ABOR's commercial leasing policies also require universities to justify real estate policy waiver requests. However, UA did not request a real estate policy waiver, and therefore, this requirement was not applicable. As such, we could not assess ABOR's compliance with this specific policy requirement.

10 Our 2019 audit of ABOR's oversight of commercial real estate properties recommended that ABOR develop and implement written guidance for the universities to ensure they performed and documented an assessment of the proposed lease's impact on the tax base and potential tax revenue for other taxing jurisdictions. However, the assessment was not applicable for ABOR's lease with Vesper Energy Finance because the lease does not transfer ownership of improvements to ABOR and requires the company to pay for all taxes on those improvements.

- **Following its policies and procedures for fiscal year 2025 purchasing card, travel, cash disbursement, and transfer transactions we reviewed**

  Our review of a sample of ABOR's fiscal year 2025 purchasing card, travel, cash disbursement, and transfer transactions found that ABOR complied with its policies and procedures for the transactions we reviewed.[11,12]

  For example, for all the transactions we reviewed, ABOR followed its policies and procedures for:

  - Requiring transactions to have the appropriate level of approval based on the dollar amount of the transaction.
  - Prohibiting reviewers from approving their own transactions.
  - Maintaining supporting documentation to demonstrate that the transactions were for allowable purposes.

Second, we also identified deficiencies in some ABOR processes we reviewed related to its key statutory objectives and purposes.

Specifically, ABOR:

- **Has not consistently or fully implemented its quarterly financial status update policy, limiting insight into university financial health and increasing risk of not timely detecting potential financial issues**

  Our review of 6 quarterly financial status reports ABOR staff provided to the Board in meetings held between November 2024 and May 2026 found that ABOR did not consistently or fully implement the financial oversight policy that it revised in April 2024 in response to UA's fiscal year 2024 budget shortfall (see Introduction, pages 6 through 7, for information on UA's budget shortfall and ABOR's policy revisions).[13]

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[11] We reviewed a random sample of 5 and judgmental sample of 2, for a total of 7 of 528 purchasing card transactions; a random sample of 5 of 213 travel transactions, a random sample of 10 of 3,661 cash disbursements, and a random sample of 3 of 42 operating transfers from fiscal year 2025. We selected the judgmental samples based on risk, including unusual vendor or expenditure descriptions.

[12] ABOR has established and/or follows university policies and procedures for reviewing and approving transactions that include ensuring amounts are used for allowed purposes and are properly supported, including policies and procedures related to cash handling/receipts and procurement. Because ABOR is not required to follow the *State of Arizona Accounting Manual*, we assessed ABOR's compliance with its policies.

[13] We reviewed the meeting minutes for the November 2024, November 2025, and February 2026 Board meetings and the March 2025, May 2025, and May 2026 University Governance and Operations Committee meetings. During these 6 meetings, the quarterly financial status updates were agenda items for discussion only, and the Board and Committee did not take any action based on the quarterly financial status updates.

Specifically:

- None of the 6 reports we reviewed provided the universities' actual number of days cash on hand or historical quarterly operating cash balances, as required by ABOR's policy.[14] Instead, the reports provided the universities' projected number of days cash on hand for the end of the fiscal year.

  ABOR staff reported that they did not enforce policy requirements that universities provide actual number of days cash on hand in their quarterly financial status reports because they determined this information could mislead the Board if presented without additional context that was difficult to obtain. Specifically, ABOR staff explained and provided evidence that point-in-time cash balances, such as cash on hand as of the last day of the month, can vary significantly throughout the fiscal year due to timing differences in university tuition collection cycles, State appropriations, payroll disbursements, and other large operating expenses. As a result, cash balances by themselves may be misinterpreted and/or misrepresent a university's underlying financial condition. ABOR staff reported that instead of relying on inherently volatile point-in-time measures, they believe the approach of providing projected year-end cash on hand based on annual revenue and expenditure trends is more well-understood and monitored, and allows for a more stable assessment of liquidity and risk. Further, ABOR staff reported that it determined the historical operating cash balances, which were to be reported with the actual cash balances, were unhelpful.

  Despite deviating from ABOR's policy requiring the universities to provide actual cash on hand and historical operating cash balances, ABOR staff did not formally request or obtain the Board's approval to provide the Board with the universities' projected number of days cash on hand, either in lieu of or in addition to the metric required by its policy, and did not request or obtain the Board's approval to not provide historical operating cash balances. During our audit in May 2026, ABOR initiated its process for revising its financial oversight policy to reflect its current practice of using projected number of days cash on hand and not providing historical operating cash balances.[15] The Board conducted its first review of the proposed policy at its June 2026 Board meeting and approved it for a second reading at its October 2026 Board meeting.

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[14] During the November 2024 quarterly financial status update discussion, 2 Board members asked questions about UA's cash on hand and ASU's budget when discussing the quarterly financial status update. For example, a Board member asked if UA's days cash on hand affects its credit rating. Additionally, in the May 2025 University Governance and Operations Committee quarterly financial status update discussion, a Committee member asked if UA's cash on hand is at risk of falling below 76 days. Our review of these Board and Committee meeting minutes did not identify any other meetings where Board or Committee members asked questions related to the quarterly financial status updates.

[15] During the May 2026 University Governance and Operations Committee meeting, ABOR staff also presented information on the interpretive risks of point-in-time cash balances and why they believe that projections provide a more stable assessment of liquidity, and committee members unanimously approved a motion to propose policy changes to the Board, including using projected number of days cash on hand.

However, ABOR lacks requirements for the universities to demonstrate that the projections they provide are valid, reliable, and consistent, such as requirements for the universities to explain their processes/methodologies for calculating their liquidity and explanations as to why their methods result in valid, reliable, and consistent projections. As a result, ABOR may lack insight into universities' financial health and remains at risk of not timely detecting or addressing universities' potential financial issues. For example, prior to changing its financial oversight policies in April 2024 to require reporting on actual cash on hand, ABOR received cash on hand projections from the universities that failed to identify significant financial risks at UA, and ABOR has subsequently reported that weak monitoring controls and inaccurate forecasting within UA initially masked these issues from UA leadership and ABOR (see Introduction, page 6, for more information).[16,17]

- None of the 6 reports we reviewed included cash projections for the next fiscal year-end, as required by ABOR's policy, and 2 reports we reviewed did not provide an explanation of fluctuations in projected operating cash balances, as required by ABOR's policy. Absent cash projections for the next fiscal year-end and discussions of trends and explanations for significant fluctuations in current or projected operating cash balances, the Board lacks comprehensive context of universities' financial trends and is at risk of receiving inconsistent information from universities.

  For example:

  - UA's fiscal year 2026 second and third quarter reports provided to the Board in February and May 2026 did not include its fiscal year 2027 year-end cash balance projections, which pursuant to ABOR's policy should have also included descriptions of any significant fluctuation in its cash balance projections. However, subsequent to providing these 2 quarterly reports to the Board, in June 2026, during its fiscal year 2027 budget presentation to the Board, UA projected that its days cash on hand would increase by 6 days by the end of fiscal year 2027–despite its year-end cash on hand increasing by only 1 day during the previous 2 fiscal years. Further, in a letter sent from the UA foundation to its donors in April 2026, it was reported that UA planned to take ownership of $70 million of endowment payments from its foundation—a change to a long-standing practice in how monies are distributed to UA—to help the university meet its days of cash on hand targets.[18] Absent providing the Board with UA's fiscal year 2027 projections in its quarterly financial status updates as required by its policy or explanations for significant fluctuations, such as why its cash on hand was projected to increase by 6 days, it is unknown if UA's plan to take ownership

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16 Arizona Board of Regents. (2024). *Enhanced financial oversight report*. Retrieved 2/3/2026 from https://www.azregents.edu/sites/default/files/2024-02/Arizona_Board_of_Regents-Enhanced_Financial_Oversight_Report-February_9_2024.pdf

17 The February 2024 Oversight Report cited several factors contributing to UA's financial challenges, including decentralized budgeting, decreased revenues, costly investments, increasing athletics costs, inflation, and the COVID-19 pandemic.

18 Although UA's June 2026 budget presentation and associated documentation included a projected 6 day increase to days cash on hand for fiscal year 2027, a 0.7% decrease in its ongoing revenue, a 4% decrease in revenue, and a 2% decrease in expenditures, it did not include a discussion about $70 million in endowment payments.

of $70 million in endowment payments specifically contributed to its projected increase to cash on hand for fiscal year 2027.[19]

- In its fiscal year 2026 first quarter financial status report provided to the Board in November 2025, UA reported an 18.5% increase to its monthly liquidity measure compared to its budget but did not explain the fluctuation, limiting the Board's insight into UA's financial forecast (see textbox, page 6, for information regarding liquidity).

ABOR reported not including universities' year-end cash balance projections in quarterly financial status reports to the Board was an oversight, and it plans to include this information in the future. Additionally, ABOR's procedures lack guidance for what is considered a significant fluctuation that should be explained to the Board, which may have contributed to some of the issues we identified.

- The Board did not receive and review a fiscal year 2025 fourth quarter financial status report for any of the 3 universities, as required by ABOR policy. Instead, ABOR staff included fourth-quarter financial data in the fiscal year 2026 first quarter reports for the 3 universities, which were provided to the Board in November 2025. As a result, the Board received this information more than 3 months late and more than 5 months from the time of the Board's last financial status review of the universities, risking the Board not timely being aware of issues the universities may have faced during the fourth quarter. Additionally, the fiscal year 2026 first quarter reports provided to the Board in November 2025 did not include all fourth-quarter financial information required by ABOR policy, including a comparison of fourth-quarter cash on hand actuals to the year-end projections intended to provide the Board with insights into the accuracy of the universities' projections, and a discussion of trends and explanations for any fluctuations in cash balances that may have occurred during the fourth quarter. ABOR reported it did not provide a fourth quarter financial status report because there was no Board meeting scheduled for August 2025. ABOR reported that, in the future, it plans to provide the Board members with fourth-quarter financial status reports outside of a meeting when no meeting is scheduled within the required time frame for providing the report instead of waiting until the next scheduled Board meeting to do so.

Conducted its first annual business process review, but its review did not follow some policy requirements, limiting the Board's insight into any identified university financial risks and steps being taken to mitigate these risks

ABOR developed an annual business process review policy in April 2024 that requires it to conduct an annual evaluation of a university's business practices on a 3-year rotating basis (see textbox, page 19, for key policy requirements). The policy's purpose is to improve institutional self-awareness and exposure to best practices, provide feedback to the Board regarding university financial management practices, identify areas for improvement and practical solutions for the university being reviewed, and

[19] ABOR later reported in July 2026 that the $70 million in endowment payments was not included in UA's cash-on-hand projections presented to the Board in June 2026. However, these payments were being considered at least as late as April 2026, and despite the UA foundation's letter to donors stating that the change would help the university meet ABOR's cash on hand targets, there was no discussion regarding this change in the May 2026 quarterly update or the June 2026 Board meeting. Therefore, as of July 2026, it is unknown if or how these payments will impact UA's cash-on-hand.

create opportunities for learning and collaboration between the universities.

During the audit, in May 2026 ABOR conducted its first annual business process review by reviewing UA. According to ABOR staff, the review consisted of a meeting held on May 20, 2026, that included ABOR staff and the 3 universities' chief financial officers and their staff. However, our review of the ABOR documentation related to the meeting found that the review did not include some requirements outlined in ABOR's policy.

Specifically, the review lacked:

- Documentation of peer universities validating UA's self-reported processes, as required by its policy. Specifically, the review team received UA's completed self-assessment template 2 days before the annual business process review meeting, but ABOR's documentation related to the meeting had no evidence that the reviewers had conducted interviews or requested additional documentation to validate or clarify UA's financial practices prior to or after the meeting.

Key requirements of ABOR's annual business process review policy

- The university selected for review must complete a self-assessment documenting its current financial management and business processes according to a template or rubric determined by ABOR.[1]
- The other 2 universities and ABOR representatives must conduct a review of the subject university's self-assessment, including conducting interviews and requesting followup information to validate or clarify the university's current financial practices.
- The university's self-assessment and a final report from the review team must be provided to the Board.[2]

1 See Appendix A, pages a-1 through a-14, for a copy of the self-assessment template the Board began developing in December 2025 and finalized in April 2026 and for a copy of ABOR's 2026 business process review final draft.

2 See Appendix A, page a-15, for a copy of ABOR's final report to the Board of its 2026 business process review of UA.

Source: Auditor General staff review of ABOR policy.

- A final report from the evaluation team identifying areas of improvement and practical solutions for UA. Although ABOR staff provided UA's self-assessment and a 1-page summary of the annual business process review meeting to the Board in its June 2026 Board meeting, the summary did not include specific areas of improvement or practical solutions for UA to implement (see Appendix A, page a-15, for a copy of ABOR's final report to the Board of its 2026 business process review of UA).

Absent conducting interviews and obtaining additional documents to validate university business process and/or a final report that contains specific areas of university improvement and practical solutions, the Board lacks insight into university financial risks and what steps should be taken to mitigate them. For example, although ABOR's summary to the Board stated that ASU's and NAU's approaches to position control and FTE oversight gave the UA team peer context and practical reference points for UA to consider as UA continues to mature, the summary did not outline areas in which UA needed to improve its position control and FTE oversight or explain any practical solutions

UA received to make those improvements (see Appendix A, page a-15, for a copy of ABOR's final report to the Board of its 2026 business process review of UA). According to ABOR, ABOR staff plan to meet with the universities' chief financial officers in late summer of 2026 to discuss how the review went and what, if any, improvements are needed for the next annual business process review.

Had more than $2.7 million of defaulted Arizona Teachers Academy tuition repayments, but did not have a process to identify which defaulted repayments should be escalated to outside collection agencies or the Arizona Attorney General's Office

Although ABOR is responsible for administering the Arizona Teachers Academy fund, including collecting repayments from scholarship recipients who fail to meet statutory requirements for the program, it lacks a process to identify defaulted repayments that need to be escalated to outside collection agencies or the Arizona Attorney General's Office. Specifically, ABOR contracts with a third-party vendor to track whether Arizona Teachers Academy scholarship recipients meet their teaching obligations, enter into tuition repayment agreements with recipients who fail to meet statutory requirements for the program, collect these repayments from those scholarship recipients, and escalate defaulted repayments to outside collection agencies and/or the Arizona Attorney General's Office and reporting the defaulted repayments to national credit bureaus (see textbox for statutory repayment requirements).[20] ABOR reported that its vendor attempted to collect on defaulted tuition repayments by sending collection letters to scholarship recipients who failed to meet statutory requirements of the program and provided us with examples of collection letters the vendor sent. Although its contract requires the vendor to escalate defaulted repayments to the Arizona Attorney General's Office, ABOR reported that it is responsible for escalating those defaulted repayments its vendor could not collect but that it lacked a process for doing so. Specifically, ABOR reported it did not escalate more than $1.4 million of the $2.7 million in defaulted repayments from 290 of the 1,253 scholarship recipients the vendor identified dating back to calendar year 2020 that, if collected, could be used to fund additional student scholarships.[21]

ABOR staff reported it determined escalating defaulted Arizona Teachers Academy tuition repayments to collections was not appropriate based on the U.S. Department of Education pausing its involuntary collection of federal student loan repayments in

Arizona Teachers Academy tuition repayment requirements

Statute requires Arizona Teachers Academy scholarship recipients to repay ABOR tuition monies in the following instances:

- If they do not complete the teaching obligation associated with the scholarship awarded.
- If they do not complete the academic year in good standing.[1]

[1] According to ABOR, good academic standing is defined by each university and can vary depending on university policy. ABOR reported that students who are not in good standing include students who have been academically suspended, withdrawn from the university, or are unable to graduate or complete their degree program.

Source: Auditor General staff review of A.R.S. §15-1655(D).

[20] In fiscal year 2025, ABOR paid the third-party vendor $201,169 to provide these contracted services.

[21] According to ABOR, the oldest defaulted payment is from June 2020.

March 2020, despite State law requiring reimbursement of public monies to the Arizona Teachers Academy Fund.[22] According to ABOR, these decisions are typically delegated to the executive director. As a result of our audit, in May 2026, ABOR developed a collection process for its student aid programs, including Arizona Teachers Academy, that includes thresholds and time frames for escalating defaulted accounts to the Arizona Attorney General's Office for collections. This process also outlines the various documents that ABOR will include in its referral package to the Arizona Attorney General's Office.

- **Did not include some statutorily required Arizona Teachers Academy program metrics in its report to the Governor, Legislature, and Secretary of State, including number of scholarship recipients who failed to fulfill their obligations and/or defaulted on repayments, hindering visibility into program performance**

Statute requires ABOR to submit an annual report to the Governor, Legislature, and Secretary of State containing various Arizona Teachers Academy program metrics.[23] However, as shown in Table 4, ABOR's fiscal year 2025 annual report did not comply with 5 of 11 statutory reporting requirements. As a result, State leaders were not fully aware of the Arizona Teachers Academy performance, including the amount of scholarship recipients who failed to fulfill their obligations and defaulted on their repayments. According to ABOR, it did not include the missing statutorily required information in its fiscal year 2025 report because ABOR used a report template from prior years that excluded this information because its vendor was previously unable to report all the statutorily required information. However, ABOR reported that once its vendor implemented reporting capabilities for all required information in fiscal year 2025, it did not update its report template to include the newly collected information resulting in it failing to report all required information.[24]

Table 4

ABOR's fiscal year 2025 Arizona Teachers Academy report did not comply with 5 of 11 statutory reporting requirements

Fiscal year 2025

Unaudited

Statutory reporting requirement	Information reported in ABOR's fiscal year 2025 Arizona Teachers Academy report
Number of students from each institution enrolled in the Arizona Teachers Academy, by year of enrollment[1]	▶ ASU: 837 ▶ NAU: 1,299 ▶ UA: 401 ▶ Central Arizona College: 15 ▶ Maricopa Community Colleges: 130 ▶ Pima Community College: 208

22 In March 2020, the U.S. Department of Education paused involuntary collection of federal student loan repayments due to the COVID-19 pandemic and, as of January 2026, reported it was delaying involuntary collections until July 2026.

23 A.R.S. §15-1655(H).

24 ABOR's contract with its third-party vendor requires it to track and provide data related to defaulted tuition repayments and has a database for tracking this information.

Table 4 continued

Statutory reporting requirement	Information reported in ABOR's fiscal year 2025 Arizona Teachers Academy report
Number of teachers who received a scholarship through the Arizona Teachers Academy for national board certification	▶ 174
Percentage of students who completed each year of the Arizona Teachers Academy and who plan to continue in the program, by degree program[2]	▶ ASU: 100% ▶ NAU: 97% ▶ UA: 100% ▶ Central Arizona College: 92% ▶ Maricopa Community Colleges: 97% ▶ Pima Community College: 85%
Number of teachers who completed the program, by institution	▶ ASU: 358 ▶ NAU: 352 ▶ UA: 177 ▶ Central Arizona College: 2 ▶ Maricopa Community Colleges: 43 ▶ Pima Community College: 77
Number of teachers currently teaching in a public school in the State as part of an agreement for receiving an Arizona Teachers Academy scholarship	**Not reported**
Number of graduates receiving induction services[3]	▶ 895
Number of scholarship recipients who have defaulted on their service obligation and are in repayment agreement	**Not reported**
Number of scholarship recipients who have deferred repayment agreement	**Not reported**

Table 4 continued

Statutory reporting requirement	Information reported in ABOR's fiscal year 2025 Arizona Teachers Academy report
Number of scholarship recipients who have completed repayment agreements	**Not reported**
Methodology for distributing any monies appropriated for the Arizona Teachers Academy to each eligible postsecondary institution and the amounts distributed to each	ABOR's report states that Arizona Teachers Academy funding for various programs are allocated and approved per ABOR Policy 2-325 annually. ABOR Policy 2-325 states that it distributes monies based on eligible postsecondary institutions' reported actual amount of scholarships provided prorated for the applicable academic period. • ASU: $8,257,200 • NAU: $8,594,800 • UA: $3,887,800 • Central Arizona College: $16,300 • Maricopa Community Colleges: $249,600 • Pima Community College: $589,100
Amount of unused monies in the Arizona Teachers Academy Fund from the prior fiscal year	**Not reported**

1 Although this table only presents the total student enrollment amounts for fiscal year 2025 for each institution, as required by A.R.S. §15-1655(H)(1), ABOR reported the number of students from each institution enrolled in the Arizona Teachers Academy by year of enrollment. For example, ABOR reported that the count of 1,299 students at NAU comprises 219 freshman, 182 sophomores, 269 juniors, 317 seniors, 308 graduates, and 4 nondegree students.

2 Although this table only presents the total percentage of students who completed their degree programs by institution, as required by A.R.S. §15-1655(H)(2), ABOR reported the number of students who completed and the number and percentage of students who plan to continue in the Arizona Teachers Academy program by degree program. For example, ABOR reported that ASU had 285 students enrolled in its elementary education bachelor's degree in fiscal year 2025, where 121 students graduated and 100% of the remaining 164 students were expected to continue.

3 Induction services are support services for Arizona Teachers Academy scholarship recipients during their first year of teaching.

Source: A.R.S. §15-1655(H) and Auditor General staff review of Arizona Board of Regents. (2025). *FY2025 Arizona Teachers Academy*. Retrieved 2/24/2026 from https://www.azregents.edu/sites/default/files/reports/2025-arizona-teachers-academy-annual-report-r2.pdf

In May 2026, during our audit, ABOR distributed a revised version of the fiscal year 2025 Arizona Teachers Academy annual report to the Governor, Legislature, and Secretary of State.

Specifically, ABOR revised the report to include 4 of 5 missing reporting requirements as follows:

- **The number of scholarship recipients who have defaulted on their service obligation and are in repayment agreements:**

  According to ABOR's revised report, there were 859 scholarship recipients who were in repayment agreements in fiscal year 2025, including 103 recipients who withdrew from their teaching program and 756 scholarship recipients who did not fulfill their teaching obligation.

- **The number of scholarship recipients who have completed repayment agreements:**

  According to ABOR's revised report, as of fiscal year 2025, there were 220 scholarship recipients who completed repayment agreements.

- **The number of scholarship recipients who have deferred repayment agreements:**

  According to ABOR's revised report, as of fiscal year 2025, there were 10 scholarship recipients who had deferred repayment agreements.

- **The number of teachers currently teaching in a public school in the State as part of an agreement for receiving an Arizona Teachers Academy scholarship:**

  Specifically, according to ABOR's revised report, there were 181 teachers currently teaching in a public school in the State as part of an agreement for receiving an Arizona Teachers Academy scholarship.

However, although ABOR's Arizona Teachers Academy annual report shall also include the unused monies in the Arizona Teachers Academy Fund from the prior fiscal year, it did not clearly report this information. Specifically, it reported that in fiscal year 2025, the Fund received "a General Fund appropriation of $16 million. Combined with $10.5 million, the (Fund) had an available balance of $26.5 million" for the Arizona Teachers Academy program. However, it does not clearly specify that the $10.5 million was the unused amount from the prior fiscal year, and further, this amount is inconsistent with its fiscal year 2024 report, where it reported it had an ending fund balance of $3.9 million.

Lacked a formal, documented process to determine that TRIF, Arizona Teachers Academy Fund, and Arizona Promise Program Fund monies it retained in fiscal year 2025 were commensurate with its costs for administering these programs

Statute requires ABOR to administer TRIF, the Arizona Teachers Academy Fund, and the Arizona Promise Program Fund and allows ABOR to retain monies for its administration of these funds.[25] For example, statute allows ABOR to use monies from the Arizona Promise Program Fund for administrative costs it incurs, including designing and implementing a marketing plan for the program, collecting and analyzing data, and reporting.[26] Additionally, ABOR policy requires it to establish a cap in its TRIF budget on monies it can use for administering TRIF, including managing grants, tracking program compliance, and reporting, and ABOR allocated $2 million of its fiscal year 2025 TRIF budget to these costs. Although ABOR reported it delegates some responsibilities for administering TRIF and the Arizona Promise Program Fund to the universities and contracts with a third-party vendor for administering the Arizona Teachers Academy Fund, ABOR retains some administrative responsibilities for the 3 funds, such as educating students about financial aid opportunities to expand access to post-secondary education.

For example, some of its remaining responsibilities include:

- Compiling an annual TRIF report.
- Compiling an annual report on the Arizona Teachers Academy Fund (see pages 21 through 24 for issues we found with ABOR's 2025 annual report).
- Collecting information from the universities to determine Arizona Promise Program fund scholarship reimbursement amounts.

ABOR reported that, in fiscal year 2025, it spent more than $2.3 million of TRIF, Arizona Promise Program Fund, and Arizona Teachers Academy Fund monies on employee salaries and benefits and other costs related to its responsibilities for these 3 programs (see Table 5, page 26, for more information on how ABOR reported it spent program monies in fiscal year 2025).

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25 A.R.S. §§15-1648(A), 15-1655(E)(4), and 15-1701(G).

26 A.R.S. §15-1701(G).

Table 5

In fiscal year 2025, ABOR reported it spent more than $2.3 million for employee salaries and benefits and other costs related to its TRIF, Arizona Promise Program, and Arizona Teacher Academy responsibilities

Program	Grants (Amount and %)	Scholarships (Amount and %)	ABOR expenditures: Employee salaries and benefits (Amount and %)[1]	ABOR expenditures: Other costs (Amount and %)[2]	Total (Amount and %)
TRIF	$144,009,054 98.6%	N/A	$1,329,718 0.9%	$667,339 0.5%	**$146,006,111** 100.0%
Arizona Teachers Academy	N/A	$21,916,387 98.5%	$122,492 0.5%	$201,169 0.9%	**$22,240,048** 100.0%
Arizona Promise Program[3]	N/A	$212,715,505 99.9%	$69,243 0.03%	$0 0.0%	**$212,784,748** 100.0%

1 Administrative costs for employee salaries and benefits vary by program based on the services staff are responsible for performing. Specifically, ABOR reported that TRIF administrative costs include both an allocation of time spent on direct services and on administrative responsibilities, and according to ABOR, approximately $1.7 million of the $2 million ABOR retained in fiscal year 2025 were for direct services, such as a portion of salaries for ABOR staff involved in coordinating financial aid initiatives to expand post-secondary education. However, as discussed below, ABOR did not formally document its methodology or an analysis for determining this amount, and therefore, we were unable to verify the accuracy of this reported amount. Additionally, ABOR reported that TRIF staff administrative responsibilities included collecting TRIF data for reporting purposes. Further, ABOR reported that Arizona Teachers Academy Fund staff administrative responsibilities included overseeing program administration, budget management, and collecting Arizona Teachers Academy program data for reporting purposes. Finally, ABOR reported Arizona Promise Program staff administrative responsibilities included collecting information from the universities to determine scholarship reimbursement amounts.

2 According to ABOR, for TRIF, its other costs included reimbursements for meeting/travel, sponsorships, and consultants, and for Arizona Teachers Academy, its other costs included administrative costs, including payments to third parties, such as payments to the third-party vendor ABOR contracts with to administer the Arizona Teachers Academy.

3 The Arizona Promise Program Fund consists of legislative appropriations and monies provided by the universities specifically to administer the program. In fiscal year 2025, $21,258,417 was distributed to the Arizona Promise Program Fund through legislative appropriations and, according to ABOR, $191,457,088 was distributed to the Arizona Promise Program Fund by the universities.

Source: Auditor General staff review and analysis of the Arizona Financial System/AZ360 *Accounting Event Transaction File* and ABOR provided staff salary and benefit information.

However, ABOR reported it has never formally documented its methodology or an analysis for determining the monies it has retained for these costs, such as staff salaries and benefits, are commensurate with its costs for fulfilling its responsibilities related to TRIF, the Arizona Teachers Academy Fund, and the Arizona Promise Program Fund. For example, although ABOR reported that its supervisors meet with staff members periodically to discuss their time and effort administering these programs, ABOR does not have a documented process to track and analyze the time and effort spent for these activities. Additionally, according to ABOR, approximately $300,000 of the $2 million of TRIF monies it spent in fiscal year 2025 were for program administration, and the remaining $1.7 million were for direct TRIF costs, such as a portion of employee salaries for ABOR staff involved in coordinating financial aid initiatives to expand post-secondary education; however, it lacked a process for documenting the amount of time its staff spent on direct and indirect activities, and thus we were unable to verify the accuracy of these reported amounts. Absent a documented method for determining the amount of monies ABOR retains for administering TRIF, the Arizona Teachers Academy Fund, and the Arizona Promise Program Fund, including the amount of TRIF monies it spends that are for direct services versus program administration, ABOR is at risk of retaining more or less monies than it needs to pay for its costs for administering these programs.

Recommended practices developed by the Government Finance Officers Association (GFOA) provide guidance that could help ABOR develop a method for determining how much of these monies to retain for administering the programs. According to GFOA, the cost to track every expense and directly attribute each cost to each function can exceed the benefits doing so.[27] As a result, GFOA indicates that using an indirect cost allocation method to estimate the costs for certain programs or functions can help meet certain management objectives, including establishing fees and charges and fully utilizing restricted funds.[28] According to GFOA, regardless of the purpose of an indirect cost allocation, a systematic and rational methodology should be used that reasonably approximates the proportional share of services provided.

Did not include some statutorily required TRIF information in its report to the Governor, the President of the Senate, and the Speaker of the House of Representatives, including a description of the amount, duration, purpose, and goals of each new TRIF award

Statute requires ABOR to submit an annual report to the Governor, the President of the Arizona State Senate, the Speaker of the Arizona House of Representatives, and the Secretary of State containing various TRIF program metrics.[29]

However, ABOR's fiscal year 2025 annual TRIF report did not include the following statutorily required information:

- A description of the amount, duration, purpose, and goals of each new TRIF award distributed since the previous year. Specifically, although ABOR's fiscal year 2025 annual TRIF report provided a description of the amount, duration, purpose, and goals of new awards for university research attainment and research fund projects approved in fiscal year 2025, ABOR did not provide this information for the remaining projects in other award categories, which accounted for approximately $65 million of TRIF monies according to ABOR's fiscal year 2025 annual report.

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27 Government Finance Officers Association (GFOA). (2022). *Accounting and financial reporting-Indirect cost allocation*. Retrieved 5/18/26 from https://www.gfoa.org/materials/indirect-cost-allocation

28 According to GFOA, indirect cost allocation is an accounting function by which estimates are made to distribute indirect costs to programs or functions, in order to approximate their full cost. GFOA indicates that because of the varied reasons for which indirect cost allocations are performed, a one-size-fits-all approach typically is not possible, but GFOA's recommendations include several factors that should be addressed when allocating indirect costs, including how often the allocation should be performed and who should be involved in developing the allocation method.

29 A.R.S. §15-1648(D).

- A detailed set of performance measures to determine the overall effectiveness of each award. Specifically, ABOR did not include any performance measures, such as the number of students supported or the number of journal articles published, to determine the effectiveness of each TRIF award for 5 of 6 TRIF award categories in fiscal year 2025. These 5 award categories included opportunity grants, which accounted for approximately $45 million of $150 million, or approximately 30%, of TRIF monies distributed in fiscal year 2025.

ABOR reported that it did not report this information because it prioritized having a full accounting of the university-managed, university research attainment and research project portfolio, and did not include the same level of project detail for the remaining projects that were directly approved by the Board. However, absent ABOR providing a description of the amount, duration, purpose, and goal of each new award and not providing performance measures for each TRIF award, State leaders may not have been fully aware of the projects TRIF monies were funding and the benefits of those projects. ABOR reported that in its fiscal year 2026 annual TRIF report, it will include all reporting requirements in its annual TRIF report and plans to implement a standardized reporting template requiring measurable performance outcomes for opportunity grants.

Did not conduct its 2022 university cost study in accordance with statute

Statute requires ABOR to conduct a comprehensive cost study every 5 years to determine the actual cost of educating a full-time resident undergraduate student at each of the universities (see textbox for more information on what information the cost study is required to include).[30]

ABOR issued its most recent cost study report in 2022. However, ABOR's 2022 cost study report did not include:

- Administration costs differentiated between the amount of time needed to instruct students and to conduct research, as required by statute.

Statutory cost-study requirements

Statute requires the cost study to include a detailed breakdown of the costs to educate a full-time resident undergraduate student, including:[1]

- The use of instructional fees at each university, including differentiating between mandatory fees, program fees, and course fees.
- Differentiated costs between programs of study, including differential tuition and program and course fees.
- The costs of faculty and administration differentiated between the amount of time needed to instruct students and conduct research.
- A breakdown of where tuition dollars are allocated, including the amount not directly attributable to instructional costs.
- An analysis of the marginal cost and the average cost of educating a full-time resident student depending on the type of program in which the student is enrolled, including online programs.

[1] A.R.S. §15-1650.03.

Source: Auditor General staff review of A.R.S. §15-1650.03.

[30] A.R.S. §15-1650.03.

Although the report included some information on the percentage of time faculty spent on different categories, including research, the report did not include the administrative costs associated with instructing students and conducting research. According to ABOR, it did not include this information in the cost study because calculating its administrative costs would require changes to its financial reporting infrastructure and thus would be too costly. However, statute requires this information to be reported to the Governor, Senate President, Speaker of the House, and the Joint Legislative Budget Committee, which would allow policymakers and other stakeholders to assess how administrative costs impact the cost of educating a full-time resident student.[31]

- An analysis of the marginal cost for educating a full-time resident student depending on the type of program in which the student is enrolled, including online programs, as required by statute.

  Although the cost study report includes an analysis of the average cost of educating a full-time resident student, the report does not include an analysis of the marginal cost. According to ABOR, calculating the marginal cost is too difficult to calculate and reported it determined it more useful to report on the average costs across all programs rather than the marginal costs; however, ABOR's approach is inconsistent with its statutory requirement. Additionally, without considering the marginal cost of educating a student by program, ABOR cannot fully compare the actual cost of educating a full-time student across different academic programs and how those costs are increased by each additional student enrolled in the academic program, which is important for understanding how costs are impacted by changes in student enrollment.

ABOR reported it is too difficult or costly to report this statutorily required cost information because it would need to implement reporting infrastructure to track and report this information; however, it further reported it has not worked with the Legislature to revise these statutory requirements.

Recommendations to ABOR

1. Continue to revise its financial oversight policy to align with its current practices, such as receiving universities' projections of year-end cash on hand.

2. If the Board adopts revisions to its financial oversight policy to receive universities' projections of year-end cash on hand, establish requirements for the universities to demonstrate that the projections they provide are consistent, valid, and reliable.

3. Develop written guidance for the universities to determine what should be considered a significant fluctuation in operating cash balances that should be included in the universities' quarterly financial status update reports, including guidance on types of explanations included regarding the fluctuation(s) within the quarterly financial status update reports.

4. Implement its financial oversight policies, including ensuring quarterly financial status updates and associated information, are provided to the Board timely and in accordance with its policies.

[31] A.R.S. §15-1650.03(A)(3).

5. Conduct its annual business process review in accordance with its policy, including ensuring the review team conducts interviews and obtains additional documents to validate university business processes and ensuring the final report contains specific areas of university improvement and practical solutions.

6. Using the results of its first annual business process review, review its annual business process review guidance to determine whether additional changes are necessary and incorporate those changes into its review process.

7. Implement the collection process it developed in May 2026 for identifying the defaulted Arizona Teachers Academy scholarship repayments that will be escalated to the Arizona Attorney General's Office for collections, and escalate those defaulted payments by submitting the referral package to the Arizona Attorney General's Office.

8. Ensure Arizona Teachers Academy annual report submitted to the Governor, Legislature, and Secretary of State contains all information required by A.R.S. §15-1655(H).

9. Revise the Arizona Teachers Academy annual report template to include all information required by A.R.S. §15-1655(H).

10. Develop and implement a documented process, such as a cost allocation plan, that reasonably approximates its direct and indirect costs related to TRIF, the Arizona Teachers Academy Fund, and the Arizona Promise Program to determine the amount of monies it will retain from these funds to pay for ABOR staff salaries and benefits and other administrative costs.

11. Using the process developed in recommendation 10, review TRIF, Arizona Teachers Academy Fund, and Arizona Promise Program Fund monies used to pay for administrative costs, including ABOR staff salaries from prior fiscal years going back to fiscal year 2026 to determine if the monies it spent on salaries and related benefits reasonably approximated its costs for administering the programs, and if it determines that it retained monies in excess of its costs, repay monies to the applicable fund(s).

12. Revise its procedures to help ensure compliance with A.R.S. §15-1648(D) reporting requirements, including requiring its annual TRIF report to include the amount, duration, purpose, and goals of each new TRIF award distributed, and detailed performance measures for each TRIF award.

13. Use detailed performance measures to determine the effectiveness of all TRIF awards in accordance with A.R.S. §15-1648(D).

14. Conduct its university cost study analysis in accordance with A.R.S. §15-1650.03, and if it believes that the statutory requirements to report administrative costs and marginal cost for educating a full-time student need to be revised, work with the Legislature to revise A.R.S. §15-1650.03.

ABOR response: As outlined in its **response**, ABOR agrees with all findings and will implement or implement in a different manner all recommendations.

Sunset factor 3: The extent to which ABOR's key statutory objectives and purposes duplicate the objectives and purposes of other governmental agencies or private enterprises.

Our review did not identify other governmental or private entities that duplicate ABOR's key statutory responsibilities for maintaining and overseeing the universities.

Sunset factor 4: The extent to which rules adopted by ABOR are consistent with the legislative mandate.

Our review of statute and ABOR's rules found that ABOR adopted rules when statutorily required to do so.[32]

Sunset factor 5: The extent to which ABOR has provided appropriate public access to records, meetings, and rulemakings, including soliciting public input in making rules and decisions.

ABOR provided public access to meetings and rulemakings we reviewed as required by statute and its policy, including soliciting public input when making rules, and complied with State public records law requirements we reviewed but can further align its processes for responding to public records requests with recommended practices.

Specifically, ABOR:

- **Complied with open meeting law requirements we reviewed**

  ABOR complied with open meeting law requirements we reviewed for 1 committee meeting and 4 Board meetings that it held between September and December 2025.[33,34] For example, ABOR posted meeting notices at the locations stated in its disclosure statement at least 24 hours in advance of the meeting times; included the meeting date, time, location, and specific matters to be discussed and considered in its meeting notices and agendas; and made recordings of the meetings available for public inspection within 3 working days after the meetings.

32 We relied in part on ABOR-reported information to complete our work and come to this conclusion.

33 A.R.S. §§38-431 through 38-431.09 contains the State's open meeting laws.

34 We reviewed the only University Governance and Operations committee meeting and 4 of 6 Board meetings held between September and December 2025. See Appendix C, page c-2, for additional information about our sample selection methodology.

Provided appropriate public access to its rulemakings and tuition growth rate-setting process, including providing opportunities for public input

Although ABOR is exempt from the State's rulemaking requirements, statute requires ABOR to provide public notice and opportunity for public comment on policies or rules proposed for adoption.[35] ABOR established policies to meet these requirements, including requiring proposed policies/rules to be added as an agenda item and presented to the Board and allowing any person to submit in writing any comments on the proposed policy/rules within 20 days after the proposal was first presented to the Board. Our review of all 3 rulemakings/policies ABOR adopted in calendar year 2025 found that ABOR provided notice of and opportunities for public input, consistent with its policies.[36] For example, ABOR included notice of proposed rule/policy changes for its initial review and discussion on Board meeting agendas, and provided a 20-day public comment period prior to its next meeting to take action on the proposed rules/policies, consistent with its policy. ABOR did not receive any written comments on the 3 proposed rulemakings/policies we reviewed.

Additionally, as previously discussed in the Introduction, page 2, ABOR revised its tuition and fee-setting policy to establish a process to approve growth rates, which fix the rate universities can increase tuition and fees, and ABOR last approved growth rates for all 3 universities in April 2023. ABOR's policy requires the Board to hold a public meeting on the proposed growth rates prior to approving the rates. Our review found that ABOR provided notice of and opportunity for public input on the proposed growth rates, consistent with its policy. Specifically, in March 2023, ABOR held a public meeting to receive comments on the proposed growth rates. During the public meeting, students and alumni provided support or opposed the proposed tuition growth rate increases.[37] During the April 2023 Board meeting, a Board member acknowledged the public input previously received, including the input opposing the tuition growth rate increase. The Board member further explained his reasoning for approving the growth rate increase was to help address the costs of increased enrollment, increases in State student aid obligations, and necessary faculty salary increases for university faculty retention. During the April 2023 Board meeting, the Board approved growth rates for all 3 universities ranging between 3% and 5% each year until academic year 2028-2029.[38]

Could better align its process for responding to public records requests with recommended practices to help demonstrate compliance with public records law

ABOR complied with State public records laws and implemented some recommended practices we reviewed. Specifically, consistent with statute, ABOR uses an online portal that provides receipts on submission of a request, which we assessed by sending a

35 A.R.S. §41-1005(D).

36 We reviewed all 3 rules/policies ABOR adopted in 2025: Policy 1-126 Anti-Doxxing, Policy 1-127 Collaborative Initiatives, and Policy 2-105 Admission Requirements. See Appendix C, page c-3, for additional information about how we identified these rules/policies.

37 During the March 2023 meeting, 9 students and 2 alumni provided comments in support of or opposing the proposed growth rate increases. For example, 1 student spoke in favor of the increase because it would provide more funding for university services while others opposed the tuition growth rate increases and how they would impact students who are already struggling to afford tuition.

38 ABOR approved maximum tuition growth rate limits of 3% per year for ASU resident undergraduate and graduate students, 3.5% per year for NAU resident undergraduate students, 5% per year for NAU resident graduate students, 3% per year for UA resident undergraduate and graduate students, and 5% for UA's colleges of medicine and veterinary medicine.

request to the email posted on its website.[39] Additionally, our review of a sample of 10 (5 randomly selected and 5 judgmentally selected) of 135 public records requests ABOR received between January 2024 and November 2025 found that 2 requests we reviewed included requests for documents that included confidential information, and ABOR appropriately redacted the confidential information prior to providing documents to the requestor.[40,41]

However, our review also identified areas where ABOR could better align its procedures with recommended practices for responding to public records requests to help ensure compliance with the statutory requirement to provide records promptly.

Specifically, inconsistent with recommended practices, ABOR had not:[42]

- Established internal time frames for fulfilling public records requests based on its available resources, the nature of the request, and the content and location of the records.

- Established requirements and processes to provide requestors with an anticipated fulfillment date, including notifying requestors in writing of any delays in fulfilling the request.

Implementing these recommended practices would help ABOR demonstrate compliance with public records law requirements to provide records promptly. Specifically, ABOR fulfilled 6 of 10 requests we reviewed in 13 days or less but took between 198 and 592 days to fulfill 3 requests, and 1 request had been open for 609 days at the time of our review in November 2025.[43] ABOR staff reported that the 4 requests that took 198 days or more to fulfill required them to complete labor intensive searches.[44] For example, ABOR took 595 days to fulfill a request for all documents containing certain key terms, and according to ABOR, 1 of these terms appears in every contract and bond executed by the Board.[45] As a result, ABOR reported it had to manually review and exclude the unrelated documents prior to fulfilling the request. However, establishing internal time frames and written notice of anticipated fulfillment dates/delays would help ABOR decrease its risk of not being able to demonstrate that it provided records promptly, as required by statute.

39 A.R.S. §39-171(B).

40 Our sample included 5 judgmentally selected public records requests and 5 randomly selected requests recorded on ABOR's tracking log as of November 2025. We judgmentally selected 5 of 8 requests based on risk factors, including an open or partially complete status and descriptions indicating the response included confidential information. We then randomly selected 5 of the remaining 127 requests. See Appendix C, page c-2, for additional information about how we selected this sample.

41 A.R.S. §39-121.01 requires agencies to provide an index of records or categories of records that were withheld and the reasons why when requested. However, there were no requests for this information in the 2 requests we reviewed that included redacted materials.

42 Arizona Ombudsman-Citizens' Aide. (2024). *Arizona public records law*. Retrieved 8/18/2025 from https://www.azoca.gov/wp-content/uploads/Public-Records-Law-Booklet-2024.pdf; Arizona Office of the Attorney General. (2018). *Arizona agency handbook*. Retrieved 8/18/2025 from https://www.azag.gov/sites/default/files/2025-05/agency_handbook_chapter_6_corrected.pdf

43 ABOR fulfilled 3 requests during the audit in December 2025, including 2 that were open and 1 that was partially complete at the time we initiated our review in November 2025.

44 According to Board staff, 1 of the requests resulted in over 78,000 multipage records that needed to be reviewed to determine if they were applicable to the request and what could be provided after considering confidentiality.

45 A.R.S. §15-1683(A) authorizes ABOR to issue bonds to acquire buildings and facilities for university use.

During our audit, in May 2026, ABOR revised its written procedures to establish internal time frames for responding to requestors, including a process for notifying requestors in writing of any delays in fulfilling the public records request, consistent with recommended practices.

Recommendation to ABOR

15. Implement its revised procedures for fulfilling public records requests within its internal time frames, including notifying requestors in writing of any delays in fulfilling public records requests, consistent with recommended practices.

ABOR response: As outlined in its **response**, ABOR agrees with the finding and will implement the recommendation.

Sunset factor 6: The extent to which ABOR timely investigated and resolved complaints that are within its jurisdiction.

Although ABOR does not have statutory responsibility for investigating and resolving complaints, ABOR receives complaints and inquiries from the public (see textbox for an overview of ABOR's complaint-handling process).[46] Our review of a sample of 10 of 98 complaints ABOR received in fiscal year 2025 found that ABOR complied with its complaint-handling policy and procedures for all 10 complaints we reviewed.[47]

ABOR developed a complaint-handling process

- ABOR staff review the complaint information and determine who should handle the complaint.
- ABOR staff forward the complaint to ABOR staff, university staff, or Board members, as appropriate.
- ABOR staff respond to the complainant to inform them to whom the complaint will be forwarded.
- ABOR staff track progress of complaint handling until complaint is closed.[1]

[1] ABOR reported it closes a complaint after it forwards the complaint to the applicable university, receives a response from the university with relevant information, notifies the complainant that it did so, and provides the complainant with any relevant information, as applicable.

Source: Auditor General staff review of ABOR policies and a sample of 10 of 98 complaints ABOR received in fiscal year 2025.

[46] Our review of ABOR's complaint documents identified that ABOR receives complaints and other inquiries from university students, their parents, and university employees, such as complaints about academic courses, university facilities, tuition and fee billing, and public safety, such as the universities' handling of situations involving fraternity-based hazing.

[47] We reviewed a judgmental sample of 5 of 98 complaints based on public health and safety concerns and a random sample of 5 from the remaining 93 complaints ABOR received in fiscal year 2025. See Appendix C, page c-3, for additional information about how we selected this sample.

Additionally, our review found that ABOR closed 7 of 10 complaints between 1 and 27 days and 3 complaints between 113 and 244 days (see textbox, page 34, footnote 1, for information on ABOR's process for closing complaints). Our review found that ABOR took longer to close some complaints because doing so involved coordinating with universities, complainants not giving reliable contact information, and active/ongoing investigation into alleged public safety issues. For example, ABOR took 113 days to close 1 of 10 complaints we reviewed because it involved a public safety issue that was under university investigation.

Sunset factor 7: The extent to which the level of regulation exercised by ABOR is appropriate as compared to other states or best practices, or both.

This sunset factor is not applicable because ABOR is not a regulatory agency.

Sunset factor 8: The extent to which ABOR has established safeguards against possible conflicts of interest.

Our review of ABOR's conflict-of-interest practices found that it has established safeguards against possible conflicts of interest consistent with State law and recommended practices.

The State's conflict-of-interest requirements exist to remove or limit the possibility of personal influence from impacting a decision of a public agency employee or public officer. Specifically, statute requires employees of public agencies and public officers, including Board members, to avoid conflicts of interest that might influence or affect their official conduct.[48] These laws require employees/public officers to disclose substantial financial or decision-making interests in a public agency's official records, either through a signed document or the agency's official minutes. Statute further requires that employees/public officers who have disclosed conflicts refrain from participating in matters related to the disclosed interests. Finally, A.R.S. §38-509 requires public agencies to maintain a special file of all documents necessary to memorialize all disclosures of substantial interest and to make this file available for public inspection.

Additionally, in response to conflict-of-interest noncompliance and violations investigated in the course of our work, such as employees/public officers failing to disclose substantial interests and participating in matters related to these interests, we have recommended several practices and actions to various school districts, State agencies, and other public entities.[49] Our recommendations are based on recommended practices for managing conflicts of interest in government and are designed to help ensure compliance with State conflict-of-interest requirements by reminding employees/public officers of the importance of complying with the State's conflict-of-interest

[48] A.R.S. §38-503.

[49] See, for example, Arizona Auditor General reports 24-211 *Concho Elementary School District*, 21-404 *Wickenburg Unified School District—Criminal indictment—Conflict of interest, fraudulent schemes, and forgery*, 19-105 A special audit of the *Arizona School Facilities Board—Building Renewal Grant Fund*, and 17-405 *Pine-Strawberry Water Improvement District—Theft and misuse of public monies*.

laws.[50] Specifically, conflict-of-interest-recommended practices indicate that all public agency employees and public officers complete a disclosure form annually. Recommended practices also indicate that the form include a field for the individual to attest that they do not have any of these potential conflicts, if applicable, also known as an “affirmative no.” These recommended practices also indicate that agencies develop a formal remediation process and provide periodic training to ensure that identified conflicts are appropriately addressed and help ensure conflict-of-interest requirements are met. Finally, recommended practices indicate that publicly disclosing board members’ interest as the reason for refraining from participating in decisions is important for fully disclosing and memorializing the disclosure of interest as they relate to those decisions.

We assessed whether ABOR established safeguards against possible conflicts of interest by reviewing its conflict-of-interest practices. Our review found that ABOR complied with the State’s conflict-of-interest laws and adopted recommended practices related to conflicts of interest. Specifically, ABOR policy requires Board members and its staff to complete a disclosure form upon hire or appointment and update those forms annually, consistent with statute and recommended practices. The disclosure forms require Board members and employees to disclose any substantial decision-making or financial interests and any outside or secondary employment that could conflict with their official duties and to provide an “affirmative no” attestation.[51] We also found that ABOR maintained the completed disclosure forms in a special file, as required by statute.

Finally, our review of all 10 Governor-appointed Board members as of January 2026 and a sample of 8 of 44 ABOR employees found that all members and employees we reviewed completed an annual disclosure form in fiscal year 2026, as required by ABOR policy.

Sunset factor 9: The extent to which changes are necessary for ABOR to more efficiently and effectively fulfill its key statutory objectives and purposes or to eliminate statutory responsibilities that are no longer necessary.

We did not identify any changes needed to ABOR’s statutes to help it more efficiently and effectively fulfill its key statutory objectives and purposes.

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50 Recommended practices we reviewed included: The World Bank, Organization for Economic Cooperation and Development (OECD), & United Nations Office on Drugs and Crime (UNODC). (2020). *Preventing and managing conflicts of interest in the public sector: Good practices guide*. Retrieved 1/29/2026 from https://www.unodc.org/documents/corruption/Publications/2020/Preventing-and-Managing-Conflicts-of-Interest-in-the-Public-Sector-Good-Practices-Guide.pdf; Francis, M.A. et al. (2025). *10 Tips for handling conflicts of interest: The year in governance*. American Bar Association (ABA). Retrieved 2/3/2026 from https://www.americanbar.org/groups/business_law/resources/business-law-today/2025-may/10-tips-for-handling-conflicts-of-interest-the-year-in-governance/; Dobie, K. (2023). *Conflict of interest handbook.* The Ethics Institute (TEI). Retrieved 1/29/2026 from https://www.tei.org.za/wp-content/uploads/2023/09/Conflict-of-Interest-Handbook_eBook.pdf; New York State Authorities Budget Office (NYS ABO). (n.d.). *Conflict of interest policy for public authorities*. Retrieved 1/29/2026 from https://abo.ny.gov/system/files/documents/2026/08/conflictofinterestpolicy.pdf; and Kaplan & Walker LLP. (2022). *Conflicts of interest: Best compliance practices*. Navex. Retrieved 2/03/2026 from https://cdn.navex.com/image/upload/v1649889769/resource%20documents/conflict-of-interest-best-compliance-practices-whitepaper-2022.pdf

51 We reviewed disclosure forms for all 10 governor-appointed Board members as of January 2026 and a sample of 8 of 44 ABOR employees as of November 2025. Our sample included selecting first a judgmental sample of 5 ABOR employees based on their executive or procurement decision-making responsibilities and a random sample of 3 of the remaining 39 ABOR employees. See Appendix C, page c-3, for additional information about how we selected this sample.

Sunset factor 10: The extent to which the termination of ABOR would significantly affect the public health, safety, or welfare.

Although terminating ABOR would likely not have a direct effect on public health and safety because its statutory responsibilities do not include provisions for protecting public health and safety, ABOR's termination could impact public welfare if its responsibilities were not transferred to another entity.[52] Specifically, if ABOR were terminated, there would be no governing body to perform its statutory responsibilities that could impact the welfare of the students it serves at the universities, such as setting tuition and fees, prescribing university admission qualifications, overseeing and approving new degree programs, and adopting policies and other measures for the effective governance and administration of the universities. For example, ABOR's tuition and fee-setting process requires the universities to develop and present growth rate proposals to ABOR for its review and approval to establish the maximum tuition and fees a university can charge for each academic year in a 6-year period. This process includes opportunities for public input and requires each university to consult with students before requesting growth rate increases.

52 Because the Arizona Constitution established ABOR, a majority vote of the people would be required to amend the Constitution to terminate ABOR.

The Arizona Auditor General makes 15 recommendations to ABOR

Click on a finding, recommendation, or its page number to the right to go directly to that finding or recommendation in the report.

Recommendations to ABOR

8. Ensure Arizona Teachers Academy annual report submitted to the Governor, Legislature, and Secretary of State contains all information required by A.R.S. §15-1655(H). **30**

9. Revise the Arizona Teachers Academy annual report template to include all information required by A.R.S. §15-1655(H). **30**

10. Develop and implement a documented process, such as a cost allocation plan, that reasonably approximates its direct and indirect costs related to TRIF, the Arizona Teachers Academy Fund, and the Arizona Promise Program to determine the amount of monies it will retain from these funds to pay for ABOR staff salaries and benefits and other administrative costs. **30**

11. Using the process developed in recommendation 10, review TRIF, Arizona Teachers Academy Fund, and Arizona Promise Program Fund monies used to pay for administrative costs, including ABOR staff salaries from prior fiscal years going back to fiscal year 2026 to determine if the monies it spent on salaries and related benefits reasonably approximated its costs for administering the programs, and if it determines that it retained monies in excess of its costs, repay monies to the applicable fund(s). **30**

12. Revise its procedures to help ensure compliance with A.R.S. §15-1648(D) reporting requirements, including requiring its annual TRIF report to include the amount, duration, purpose, and goals of each new TRIF award distributed, and detailed performance measures for each TRIF award. **30**

13. Use detailed performance measures to determine the effectiveness of all TRIF awards in accordance with A.R.S. §15-1648(D). **30**

14. Conduct its university cost study analysis in accordance with A.R.S. §15-1650.03, and if it believes that the statutory requirements to report administrative costs and marginal cost for educating a full-time student need to be revised, work with the Legislature to revise A.R.S. §15-1650.03. **30**

15. Implement its revised procedures for fulfilling public records requests within its internal time frames, including notifying requestors in writing of any delays in fulfilling public records requests, consistent with recommended practices. **34**

ABOR developed an annual business process review self-assessment template in April 2026 and presented the results of the first review to the Board in June 2026

As discussed in Sunset Factor 2 (pages 18 through 20), ABOR developed a self-assessment template for universities to use as part of the annual business process review. Beginning on page a-2 is a copy of ABOR's self-assessment template it developed in April 2026 for the universities to use for ABOR's annual business process reviews. Further, ABOR staff presented the results of its first annual business process review to the Board on June 11, 2026 (see page a-15 for information presented to the Board).

ARIZONA BOARD OF REGENTS

Financial Management

Business Process Review

Self-Assessment Template

Introduction

This template guides the university's self-assessment under ABOR Policy 3-407.01, which requires an annual evaluation of business processes related to financial planning, analysis, budgeting, and operations. One university completes this assessment each fiscal year on a rotating basis.

The university's task is to describe, clearly and specifically, how it actually manages its financial processes across the ten sections below. Responses should be written in narrative form and grounded in specifics: name the policies, systems, committees, tools, and decision-making structures that govern each area. Honest accounts of current practice — including areas in transition or under development — are more useful to the review team than aspirational descriptions.

Each section closes with a forward-looking prompt. These responses, taken together, form the basis of Section 11, which asks the university to synthesize its improvement agenda across all domains into a coherent view of priorities and sequencing.

This document will be reviewed by a team of representatives from the Board Office and the other two universities. That team will conduct follow-up interviews to validate and clarify what is written here, and will produce a draft report for review by the university CFO and the ABOR Executive Director. The final report and this self-assessment will both be shared with the Board.

The goal of this process, as stated in Policy 3-407.01, is to improve institutional self-awareness, share best practices across the three universities, and identify practical opportunities for improvement.

1 Mission, Strategy, and Financial Alignment

Focus: *How well do financial plans and decisions reflect institutional mission and strategic priorities?*

Financial planning is most effective when it is visibly connected to what the institution is trying to accomplish. This section explores how your institution translates strategic priorities into resource decisions — and how it knows whether those decisions are working.

Connecting budget to strategic plan

Describe how your institution connects its budget to its strategic plan. How are strategic priorities reflected in resource allocation decisions, and where is that connection made explicit — in process, in documentation, or in how budget conversations are structured?

Sorting competing priorities

When more initiatives are proposed than resources allow, describe how priorities are sorted. Who is involved, what criteria guide the decisions, and how is the outcome communicated?

Integration across planning functions

Describe the degree to which academic, capital, and financial planning are integrated at your institution. Where do those functions interact effectively, and where do timing mismatches or structural gaps create friction?

Evaluating whether investments delivered

How does your institution evaluate whether funded investments delivered on their intent? Describe any processes — formal or informal — for reviewing outcomes and applying those lessons to future decisions.

Looking ahead

What improvements do you anticipate making in this area over the next one to three years? Describe what you are working toward, what would need to be true for those improvements to succeed, and any constraints or dependencies shaping the timeline.

> **Grounding note:** *Reference your strategic plan by name, your budget governance structure, and any evaluation or prioritization frameworks your institution uses.*

2 Budget Development, Governance, and Financial Policy

Focus: *How transparent, inclusive, and policy-grounded is your budgeting process?*

A well-structured budget process is transparent about its assumptions, inclusive of the right voices, and grounded in policy. This section explores how your institution builds its budget and the governance that shapes it.

Structure and communication of the budget process

Describe how your institution organizes its annual budget process. How are timelines, roles, and decision points communicated to participants? Reference your budget calendar or equivalent planning document and describe who owns each stage.

Setting and documenting key assumptions

How are the key assumptions underlying your budget — enrollment, tuition pricing, compensation, state appropriation — determined and documented? Who is involved in setting them, and how are they communicated to budget participants and leadership?

Governance participation

Describe how academic leaders, administrative units, and shared governance bodies participate in budget development. What are the formal touchpoints, and how does their input shape final decisions?

Financial policies in practice

What financial policies most directly govern how budget decisions are made — around reserves, fund use, balanced budgets, or delegation of authority? Describe how those policies function in practice, including how compliance is monitored and whether any areas of policy and practice are not fully aligned.

Looking ahead

What improvements do you anticipate making in this area over the next one to three years? Describe what you are working toward, what would need to be true for those improvements to succeed, and any constraints or dependencies shaping the timeline.

> **Grounding note:** *Reference your budget calendar, delegation of authority policy, and the system of record used to manage and approve budget transactions (e.g., PeopleSoft, Workday, or equivalent).*

3 Forecasting and Financial Planning

Focus: *How robust and decision-relevant are your multi-year financial forecasts?*

Multi-year forecasting turns financial management from reactive to anticipatory. This section explores how your institution looks ahead, how it handles uncertainty, and how forecasts inform leadership decisions.

Multi-year financial projections

Describe your institution's approach to multi-year financial projections. What time horizon do you plan across, what are the primary drivers in the model, and how frequently are projections updated? Reference the tools or platforms used to build and maintain forecasts.

Handling uncertainty and financial risk

How does your institution approach financial risk and variability in its planning? Describe any scenario analysis, stress-testing, or contingency planning processes — how formalized they are, what they typically examine, and what they produce.

Integration with institutional planning

How do financial forecasts connect to enrollment planning, academic planning, and capital planning at your institution? Describe where those models are well integrated and where gaps or handoff challenges exist.

Communicating assumptions and limitations to leadership

How does your institution communicate the assumptions underlying its forecasts — and their limitations — to senior leadership and governance? Describe how uncertainty or range of outcomes is conveyed, and whether leadership has a clear understanding of what the forecasts can and cannot predict.

Looking ahead

What improvements do you anticipate making in this area over the next one to three years? Describe what you are working toward, what would need to be true for those improvements to succeed, and any constraints or dependencies shaping the timeline.

> **Grounding note:** *Describe your forecast model, the primary assumptions it relies on, how assumption limitations are surfaced to leadership, and how forecast outputs are presented in governance discussions.*

4 Revenue Strategy and Resource Planning

Focus: *How effectively does your institution manage and plan for its major revenue sources?*

Revenue sustainability requires active management — not just monitoring what comes in, but thinking strategically about pricing, mix, and long-term resilience. This section explores how your institution manages its major revenue streams.

Tuition, pricing, and enrollment strategy

Describe how your institution approaches tuition pricing and enrollment planning as financial decisions. How are pricing, discount rates, and enrollment targets set, and how are those decisions connected to revenue sustainability and academic goals?

Research revenue and sponsored programs

How does your institution oversee its research enterprise from a financial perspective? Describe your approach to indirect cost recovery rates, grant portfolio composition, and how research revenue is integrated into broader financial planning.

Auxiliaries and other revenue streams

How are auxiliary operations and other non-tuition revenue sources managed financially? Describe how performance is monitored, how reinvestment decisions are made, and how these revenues contribute to — or create risk for — overall financial health.

Revenue diversification and long-term sustainability

How is your institution thinking about revenue diversification over time? Describe any active efforts to broaden the revenue base, including what has been pursued, what structural or political constraints you are navigating, and where this work stands.

Looking ahead

What improvements do you anticipate making in this area over the next one to three years? Describe what you are working toward, what would need to be true for those improvements to succeed, and any constraints or dependencies shaping the timeline.

> **Grounding note:** *Reference your enrollment management model, indirect cost recovery rate and negotiation cycle, and any revenue strategy or diversification initiatives currently underway.*

5 Cost Management and Resource Efficiency

Focus: *How effectively does your institution understand and manage its cost structure?*

Understanding and managing the cost structure is as important as growing revenue. This section explores how your institution monitors expenditures, manages cost flexibility, and redirects resources when priorities shift.

Monitoring and understanding expenditures

Describe how your institution tracks and analyzes spending across units and functions. What does routine cost monitoring look like, who receives that information, and how is it made actionable?

Cost flexibility and adaptability

How does your institution think about the fixed versus variable nature of its costs? When financial conditions require adjustment, describe how the institution identifies where flexibility exists and how decisions about cost reduction or deferral are made.

Reallocation practices

Describe the processes your institution uses to reallocate resources from lower- to higher-priority activities. How systematic is that process, how often does meaningful reallocation occur, and what makes it easier or harder in practice?

Peer benchmarking and cost comparison

To what extent does your institution compare its cost structure to peers or external benchmarks? Describe how peer data informs your understanding of efficiency — and any areas where your cost profile warrants context or explanation.

Looking ahead

What improvements do you anticipate making in this area over the next one to three years? Describe what you are working toward, what would need to be true for those improvements to succeed, and any constraints or dependencies shaping the timeline.

> **Grounding note:** *Reference the cost reporting tools or dashboards your institution uses, any responsibility-centered or activity-based budgeting approaches, and relevant peer benchmarking sources (e.g., IPEDS, Commonfund, NACUBO).*

6 Cash Flow, Liquidity, and Treasury

Focus: *Are cash and liquidity managed responsibly and in alignment with board policy?*

Sound treasury management ensures the institution can meet its obligations, protect reserves, and comply with board policy on liquidity. This section explores how your institution manages cash and liquidity in alignment with ABOR Policies 3-407 and 3-407.03.

Cash flow forecasting

Describe how your institution approaches cash flow forecasting. How frequently are projections developed, what time horizon do they cover, who is responsible for maintaining them, and how is that information used in decision-making?

Reserves and liquidity thresholds

How does your institution define and manage its reserve levels? Describe any policies or thresholds that govern minimum balances, how days-cash-on-hand is calculated and monitored, and how reserve adequacy is reported to leadership and governance.

Investment oversight and compliance

Describe your institution's approach to investment oversight. How does it maintain compliance with the board-approved investment policy, and what oversight structure governs treasury operations?

Liquidity access and internal borrowing

How does your institution manage access to liquidity beyond operating cash — including any lines of credit, internal lending arrangements, or inter-fund borrowing? Describe how those mechanisms are governed, how they are used, and how often their terms and adequacy are reviewed.

Looking ahead

What improvements do you anticipate making in this area over the next one to three years? Describe what you are working toward, what would need to be true for those improvements to succeed, and any constraints or dependencies shaping the timeline.

> **Grounding note:** *Reference your cash forecasting process, your current days-cash-on-hand position and trend, your investment policy compliance reporting, and any credit facilities or internal borrowing arrangements currently in place.*

7 Capital Planning and Asset Stewardship

Focus: *How are capital investments prioritized and funded in alignment with strategic goals?*

Capital decisions shape the institution for decades and carry long-term financial obligations. This section explores how your institution prioritizes, funds, and oversees capital investment.

Identifying and prioritizing capital needs

Describe how capital needs are identified and how your institution evaluates and ranks projects for investment. What criteria govern prioritization, how is that process structured, and how does it connect to strategic goals and financial capacity?

Funding strategy for capital investment

How does your institution approach the financing of capital projects — across debt, state appropriations, auxiliary revenues, philanthropy, and other sources? Describe how funding decisions are made and governed, including how debt affordability is assessed.

Lifecycle costing and deferred maintenance

How does your institution factor ongoing maintenance and lifecycle costs into capital planning decisions? Describe your current deferred maintenance position, how it is tracked, and how it is incorporated into planning and budget discussions.

Board approval and capital reporting compliance

How does your institution navigate board approval requirements for capital projects? Describe the thresholds that trigger board action, how projects are prepared for board consideration, and how ongoing capital reporting obligations are met.

Looking ahead

What improvements do you anticipate making in this area over the next one to three years? Describe what you are working toward, what would need to be true for those improvements to succeed, and any constraints or dependencies shaping the timeline.

> **Grounding note:** *Reference your Capital Improvement Plan, your debt affordability framework, your deferred maintenance tracking approach, and the board approval thresholds that govern capital decisions. Note any recent or pending projects that illustrate how these processes work in practice.*

8 Financial Reporting and Internal Transparency

Focus: *Are financial reports timely, meaningful, and useful for decision-making?*

Financial reports are most valuable when they close the loop between plans and results and support decision-making across the institution. This section explores the quality, timeliness, and utility of your institution's internal financial reporting.

What financial information reaches leadership and how

Describe the financial reports that regularly reach senior leadership and governance. What do those reports cover, how frequently are they produced, in what format are they presented, and how well do they support decision-making?

Data integrity and reconciliation

How does your institution ensure that internal management reports are accurate and reconciled to official accounting records? Describe the controls, processes, or review steps that maintain data integrity across reporting — and how discrepancies are identified and resolved.

Variance analysis and narrative context

How does your institution explain financial results — not just the numbers but the story behind them? Describe how variances are analyzed and communicated, and who is responsible for the narrative context that accompanies financial data.

Accessibility across audiences

How does your institution approach communicating financial information to non-financial leaders — deans, department chairs, board members? What formats or approaches have worked well, and where do you see room to improve accessibility and utility?

Looking ahead

What improvements do you anticipate making in this area over the next one to three years? Describe what you are working toward, what would need to be true for those improvements to succeed, and any constraints or dependencies shaping the timeline.

> **Grounding note:** *Describe your standard internal reporting package, the frequency and audience of financial updates, your reconciliation process to the books of record, and any dashboards or analytical tools used to support reporting.*

9 Financial Communication, Literacy, and Culture

Focus: *How does your institution build shared understanding and accountability around financial matters?*

Financial health depends on distributed understanding and a culture of stewardship that extends beyond the finance office. This section explores how your institution builds that culture.

How financial information flows across the institution

Describe how financial updates and context reach campus stakeholders beyond the core finance team. What communication channels, forums, or structured touchpoints support broader financial awareness across the institution?

Building financial capability in leaders and managers

How does your institution build financial capability in the leaders and managers who hold budget responsibility — deans, directors, department chairs? Describe any training, onboarding, or ongoing support that exists, and any gaps you are working to address.

Feedback channels and two-way dialogue

How does your institution create space for budget managers and stakeholders to ask questions, raise concerns, or seek clarification on financial matters? Describe the mechanisms — formal or informal — that support dialogue rather than one-way communication, and how input from those conversations shapes financial communication going forward.

Leadership modeling of financial stewardship

To what extent is financial responsibility a visible part of your institutional culture — modeled from senior leadership and expected broadly? Describe how that expectation is reinforced, and where you believe the culture is strongest or most in need of development.

Looking ahead

What improvements do you anticipate making in this area over the next one to three years? Describe what you are working toward, what would need to be true for those improvements to succeed, and any constraints or dependencies shaping the timeline.

> **Grounding note:** *Reference any structured training programs, budget manager onboarding processes, feedback mechanisms, and financial communication vehicles (town halls, CFO updates, budget forums) your institution uses.*

10 Continuous Improvement and Process Modernization

Focus: *How does your institution evaluate and improve its financial management capabilities over time?*

Strong financial management requires ongoing investment in systems, processes, and skills. This section explores how your institution reflects on its current capabilities and works to improve them.

Evaluating your own financial management processes

Describe any structured or informal processes your institution uses to evaluate the quality of its financial management practices. What drives those reviews, what have they surfaced, and what has changed as a result?

Technology and tools supporting financial management

Describe the systems and tools your institution relies on for financial management — ERP, planning and forecasting platforms, reporting and analytics tools. Where are these capabilities strong, and where do technology gaps create friction, manual workarounds, or risk?

Learning from peers and benchmarking

How does your institution learn from peer institutions on financial management practices? Describe any participation in benchmarking, professional associations, or cross-institutional learning that has influenced your thinking or prompted changes.

Active improvement initiatives

What financial management improvements are currently underway? Describe the goals, current status, and what success will look like — including any obstacles you are navigating.

Looking ahead

What improvements do you anticipate making in this area over the next one to three years? Describe what you are working toward, what would need to be true for those improvements to succeed, and any constraints or dependencies shaping the timeline.

> **Grounding note:** *Name the specific systems your institution uses, any active improvement initiatives with rough timelines, and any peer learning or benchmarking that has directly shaped your approach.*

11 Improvement Agenda and Priorities

Each section of this document closes with a forward-looking prompt. This section asks you to step back and look across those responses as a whole. The goal is not to list every improvement identified, but to describe how your institution thinks about sequencing and prioritizing its financial management improvement work over the next one to three years.

Synthesizing your improvement agenda

Looking across the improvement directions you described in Sections 1 through 10, which do you consider most consequential for your institution's financial management trajectory? Describe the two to four areas where focused investment or attention would produce the most meaningful progress — and why those rise to the top relative to others.

Sequencing and dependencies

How do you think about the order and pacing of these improvements? Describe any dependencies — work that needs to happen before something else can move — and any areas where improvement in one domain would meaningfully accelerate progress in another.

Constraints and enabling conditions

What are the primary constraints shaping what your institution can realistically accomplish in this timeframe — whether capacity, resources, technology, culture, or governance? Conversely, what conditions or developments would most accelerate your ability to make progress?

What you would most like this review to address

What questions or challenges would you most like the review team's perspective on? This is an opportunity to name the issues where outside input, peer experience, or structured dialogue would be most valuable to your institution.

The morning session identified several areas for continued collaboration and focus work in the coming months, which the board office will advance with university teams.

The afternoon session was a structured peer review of U of A's financial management self-assessment — a thorough and candid account of U of A's practices across ten domains including budget development, forecasting, revenue strategy, cost management, treasury, capital planning, reporting, financial culture, and continuous improvement. Several elements, many of which are being actively implemented, stood out as well-developed:

- The All Funds planning process, which engages every major budget unit in multi-year financial planning with direct provost and CFO involvement
- The new budget and fund balance policy, establishing reserve thresholds and spending controls
- The transition to the Arizona Forward budget model, moving the institution toward an incentive-based, activity-driven framework beginning in FY 2027
- A procurement and supply chain transformation underway, with a new chief procurement officer, a new sourcing function, and meaningful projected cost savings

The peer review format also created useful space for cross-institutional comparison on several topics U of A has identified as areas for continued development. ASU and NAU shared their approaches to position control and FTE oversight, unit-level budget reporting, and the structure of centralized versus decentralized finance functions — conversations that gave the U of A team concrete peer context and practical reference points as their own work in these areas continues to mature.

The BPR process will continue on its three-year rotation, with the next institution completing its self-assessment in the coming fiscal year.

Statutory/Policy Requirements
ABOR Policy 3-407.01 "Financial Management Business Process Review"

Contact Information:

Bradley Kendrex, ABOR bradley.kendrex@azregents.edu 602-229-2525

Academic degree program approvals and discontinuations

The Board approved 143 new academic programs in fiscal years 2023 through 2025

ABOR policy requires the universities to submit a request for any new degree program to the Board for approval. The universities' requests are required to include a description of the degree, a market demand analysis including employment prospects, and the anticipated resources needed for establishing and maintaining the degree program.[1]

As shown in Table 6, pages b-2 through b-8, according to ABOR data, the Board approved 143 new academic programs in fiscal years 2023 through 2025, consisting of:

- 77 academic degree programs at ASU.
- 30 academic degree programs at NAU.
- 36 academic degree programs at UA.

ABOR discontinued 63 academic degree programs in fiscal years 2023 through 2025

According to ABOR policy, ABOR's executive director is responsible for approving university requests to discontinue academic programs.[2] When requesting to discontinue a degree program, the universities are required to provide information to the executive director about the degree program, such as the reason for discontinuing the degree, a plan for supporting students affected by the discontinued degree program, and whether the degree is in an ABOR-designated high-demand field.[3]

As shown in Table 7, pages b-9 through b-11, according to ABOR data, pursuant to ABOR policy, ABOR's executive director approved 63 university requests to discontinue academic programs in fiscal years 2023-2025, including:

- 13 academic degree programs at ASU.
- 42 academic degree programs at NAU.
- 8 academic degree programs at UA.

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1 As discussed in the Introduction, page 3, ABOR policy requires the universities to review the quality of student performance and program outcomes of the degree program at least once every 7 years. According to ABOR, these reviews help to inform university and ABOR decisions to invest in academic programs that have high demand or are related to growing workforce sectors, sustain academic programs that are operating as intended, and discontinue or consolidate academic programs that have low demand, weak outcomes or unsustainable cost structures, or do not align with ABOR and the universities' goals.

2 ABOR reported that discontinuing unnecessary programs allow institutions to redirect faculty effort, instructional resources, and administrative support toward areas of growth and greater impact.

3 ABOR's designated high-demand fields include education, health, science, technology, engineering, and math.

Table 6

The Board approved 143 academic programs in fiscal years 2023 through 2025

Unaudited

Program name	University	Board approval date
Fiscal year 2023		
Associate of Arts—Professional Studies	ASU	9/29/2022
Bachelor of Arts—Applied Military and Veterans Studies	ASU	2/9/2023
Bachelor of Arts—Entrepreneurial Leadership	ASU	2/9/2023
Bachelor of Arts—International Relations	ASU	2/9/2023
Bachelor of Arts in Education—Middle Grades Education	ASU	2/9/2023
Bachelor of Science—Earth and Environmental Sciences	ASU	2/9/2023
Bachelor of Science—Innovation in Global Development	ASU	2/9/2023
Bachelor of Science—International Relations	ASU	2/9/2023
Bachelor of Science—Project Management	ASU	2/9/2023
Bachelor of Science—Robotics and Autonomous Systems	ASU	2/9/2023
Doctor of Engineering	ASU	2/9/2023
Doctor of Information Technology	ASU	2/9/2023
Master of Arts—Education for Sustainability and Global Futures	ASU	2/9/2023
Master of Science—Applied Computing	ASU	2/9/2023
Master of Science—Clean Energy Systems	ASU	2/9/2023
Master of Science—Indigenous Placekeeping and Design	ASU	2/9/2023
Master of Science—Neuroscience	ASU	2/9/2023
Doctor of Philosophy—Biostatistics	ASU	2/9/2023
Doctor of Philosophy—Robotics and Autonomous Systems	ASU	2/9/2023
Bachelor of Science—User Experience	ASU	4/20/2023
Associate of Science—Logistics	ASU	6/15/2023
Bachelor of Science—Politics and Media	NAU	9/29/2022
Bachelor of Science—Business Analytics	NAU	2/9/2023
Bachelor of Science—Immersive Media and Games	NAU	2/9/2023

Table 6 continued

Program name	University	Board approval date
Fiscal year 2023 continued		
Bachelor of Science—Mechatronics and Robotics Engineering	NAU	2/9/2023
Master of Business Administration—Healthcare	NAU	2/9/2023
Doctor of Medical Science—Physician Assistants	NAU	4/20/2023
Master of Science—Business Analytics	NAU	6/15/2023
Master of Science—Information Technology	NAU	6/15/2023
Bachelor of Science—Religious Studies for Health Professionals	UA	11/17/2022
Master of Science—Innovations in Aging	UA	11/17/2022
Bachelor of Music—Music Therapy	UA	4/20/2023
Bachelor of Science—Planetary Geoscience	UA	4/20/2023
Bachelor of Science in Computer Science and Engineering	UA	4/20/2023
Master of Arts—Bioethics	UA	4/20/2023
Master of Science—Cyber & Information Operations	UA	4/20/2023
Master of Science—Software Engineering	UA	4/20/2023
Bachelor of Arts—Geosciences & Society	UA	6/15/2023
Bachelor of Arts—Science	UA	6/15/2023
Bachelor of Creative Intelligence and Innovation	UA	6/15/2023
Bachelor of Science	UA	6/15/2023
Bachelor of Science in Business Administration—Business Analytics	UA	6/15/2023
Master of Science—Data Science & Applied Statistics	UA	6/15/2023
Fiscal year 2024		
Associate of Arts—Apparel Technical Design	ASU	9/28/2023
Associate of Arts—Fashion Styling	ASU	9/28/2023
Associate of Arts—Merchandising	ASU	9/28/2023
Bachelor of Science—Interdisciplinary Design	ASU	9/28/2023

Table 6 continued

Program name	University	Board approval date
Fiscal year 2024 continued		
Bachelor of Individualized Studies	ASU	11/16/2023
Bachelor of Arts—Computer Science	ASU	11/16/2023
Bachelor of Arts—Global Citizenship	ASU	11/16/2023
Bachelor of Arts—Sport, Society and the Human Experience	ASU	11/16/2023
Bachelor of Science—Artificial Intelligence in Business	ASU	11/16/2023
Bachelor of Science—Financial Technology	ASU	11/16/2023
Bachelor of Science—Ocean Futures	ASU	11/16/2023
Bachelor of Science—Public Health Technology	ASU	11/16/2023
Doctor of Business Administration—Supply Chain Management	ASU	11/16/2023
Doctor of Criminal Justice	ASU	11/16/2023
Doctor of Health Sciences	ASU	11/16/2023
Master of Arts—Interdisciplinary Education on Community Health and Wellbeing	ASU	11/16/2023
Master of Advanced Studies	ASU	11/16/2023
Master of Education—Early Childhood Special Education	ASU	11/16/2023
Master of Science—Artificial Intelligence in Business	ASU	11/16/2023
Master of Science—Coastal and Marine Science and Management	ASU	11/16/2023
Master of Science—Forensic Science	ASU	11/16/2023
Master of Science—Management of Technology	ASU	11/16/2023
Master of Science—Public Health Technology	ASU	11/16/2023
Doctor of Philosophy—Clean Energy Systems	ASU	11/16/2023
Doctor of Philosophy—Ocean Futures	ASU	11/16/2023
Doctor of Medicine	ASU	2/22/2024
Master of Science—Medical Engineering	ASU	2/22/2024
Bachelor of Science—90-30 Engineering Technology[1]	NAU	9/28/2023

Table 6 continued

Program name	University	Board approval date
Fiscal year 2024 continued		
Bachelor of Science—Engineering Technology	NAU	9/28/2023
Bachelor of Science—Applied Wildland Fire Science	NAU	2/22/2024
Master of Forestry—Forest and Natural Resource Management	NAU	2/22/2024
Master of Science—Management Information Systems	NAU	2/22/2024
Bachelor of Science—90-30 Applied Human Behavior	NAU	6/20/2024
Bachelor of Science—90-30 Criminal Justice Administration	NAU	6/20/2024
Bachelor of Science—90-30 Early Childhood	NAU	6/20/2024
Bachelor of Science—90-30 Emergency Management	NAU	6/20/2024
Bachelor of Science—90-30 Hospitality Leadership	NAU	6/20/2024
Bachelor of Science—90-30 Public Administration	NAU	6/20/2024
Bachelor of Science—90-30 Strategic Leadership	NAU	6/20/2024
Bachelor of Science—Applied Business Management	NAU	6/20/2024
Bachelor of Science—Arts & Cultural Management	NAU	6/20/2024
Bachelor of Science—Logistics and Supply Chain Management	NAU	6/20/2024
Bachelor of Science—Philosophy, Politics, and Law	NAU	6/20/2024
Doctor of Philosophy—Software Engineering (multiple locations)	UA	9/28/2023
Bachelor of Science—Artificial Intelligence	UA	4/18/2024
Bachelor of Science—Neuroscience	UA	4/18/2024
Bachelor of Arts—Molecular & Cellular Biology	UA	6/20/2024
Bachelor of Applied Science—Justice & Global Security	UA	6/20/2024
Bachelor of Science—Nutrition & Dietetics	UA	6/20/2024
Bachelor of Science—Nutrition & Wellness	UA	6/20/2024
Bachelor of Science—Real Estate	UA	6/20/2024
Bachelor of Science in Nursing—Collaborative Nursing Education	UA	6/20/2024

Table 6 continued

Program name	University	Board approval date
Fiscal year 2024 continued		
Master of Arts—Sport & Recreation Leadership	UA	6/20/2024
Master of Science—Computer Science & Engineering	UA	6/20/2024
Master of Science—Marriage and Family Therapy	UA	6/20/2024
Master of Science—Midwifery	UA	6/20/2024
Doctor of Philosophy—Computer Science & Engineering	UA	6/20/2024
Fiscal year 2025		
Associate of Science—Emergency Management	ASU	9/26/2024
Master of Science—Cytology	ASU	9/26/2024
Associate of Arts—Interdisciplinary Design	ASU	11/21/2024
Bachelor of Arts—Human Biology	ASU	11/21/2024
Bachelor of Arts—Strategic Communication	ASU	11/21/2024
Bachelor of Applied Science—Manufacturing Systems	ASU	11/21/2024
Bachelor of Fine Arts—Costume Design and Technology for the Creative Industries	ASU	11/21/2024
Bachelor of Science—Clinical Chemistry	ASU	11/21/2024
Bachelor of Science—Design and Artificial Intelligence	ASU	11/21/2024
Bachelor of Science—Game Design	ASU	11/21/2024
Bachelor of Science—Health Psychology	ASU	11/21/2024
Bachelor of Science—Human Biology	ASU	11/21/2024
Bachelor of Science—Real Estate and Applied Finance	ASU	11/21/2024
Bachelor of Science in Engineering—Robotics and Autonomous Systems	ASU	11/21/2024
Master of Arts—Museum and Curatorial Practices	ASU	11/21/2024
Master of Arts—Sports Strategic Communication	ASU	11/21/2024
Master of Science—Applied Sport Counseling and Performance Consultation	ASU	11/21/2024

Table 6 continued

Program name	University	Board approval date
Fiscal year 2025 continued		
Master of Science—Artificial Intelligence Engineering	ASU	11/21/2024
Master of Science—Artificial Intelligence Information Technology	ASU	11/21/2024
Master of Science—Clinical Psychology	ASU	11/21/2024
Master of Science—Engineering Science	ASU	11/21/2024
Master of Science—Entertainment Engineering	ASU	11/21/2024
Master of Science—Global Engineering	ASU	11/21/2024
Master of Science—Health Psychology	ASU	11/21/2024
Master of Science—Immersive Experience Design	ASU	11/21/2024
Master of Science—Innovations in Medical and Patient Care Technologies	ASU	11/21/2024
Master of Science—Interface of Materials and Mechanical Engineering	ASU	11/21/2024
Master of Science—Semiconductor Engineering	ASU	11/21/2024
Doctor of Philosophy—Artificial Intelligence	ASU	4/10/2025
Bachelor of Professional Studies—Engineering Technology	NAU	2/13/2025
Bachelor of Professional Studies—Hospitality Business Administration	NAU	2/13/2025
Bachelor of Science—Information Technology	NAU	2/13/2025
Master of Science—Computational and Applied Data Science	NAU	2/13/2025
Bachelor of Science—Philosophy	NAU	4/10/2025
Master of Education—Applied Behavioral Analysis	NAU	4/10/2025
Bachelor of Arts—Public Relations	UA	2/13/2025
Bachelor of Science—Medical Pharmacology and Toxicology	UA	2/13/2025
Master of Education—School Counseling	UA	2/13/2025
Master of Science—AI for Business	UA	2/13/2025
Bachelor of Science—Integrated Business and Engineering	UA	6/12/2025

Table 6 continued

Program name	University	Board approval date
Fiscal year 2025 continued		
Bachelor of Science—Medical Device Development and Application	UA	6/12/2025
Bachelor of Science—Science Law	UA	6/12/2025
Professional Science Masters—Resilience Practice	UA	6/12/2025

[1] A 90-30 degree is type of bachelor's degree that allows students to take 90 credits at a community college or other university and 30 credits of coursework related to the major at the university offering the 90-30 degree.

Source: Auditor General staff review of ABOR's fiscal years 2023 through 2025 academic program data.

Table 7

ABOR and the universities discontinued 63 academic programs in fiscal years 2023 through 2025

Unaudited

Program name	University	Discontinuation approval date
Fiscal year 2023		
Doctor of Audiology	ASU	2/2/2023
Bachelor 90-30 Interdisciplinary Studies—Administration	NAU	7/5/2022
Bachelor of Applied Science—Administration	NAU	7/5/2022
Bachelor of Applied Science—Technology Management—Administration	NAU	7/5/2022
Bachelor of Science—Applied Computer Science	NAU	7/5/2022
Bachelor of Science—Journalism & Political Science	NAU	7/5/2022
Bachelor of Science—Food Safety	UA	3/20/2023
Fiscal year 2024		
Bachelor of Science—Urban and Metropolitan Studies	ASU	11/27/2023
Master of Physical Education	ASU	11/27/2023
Master of Science—Education Sciences	ASU	11/27/2023
Master of Science—Physical Activity and Health	ASU	11/27/2023
Master of Science—Translational Biomedical Sciences	ASU	11/27/2023
Doctor of Philosophy—Plant Biology	ASU	3/20/2024
Professional Science Masters—Computational Biosciences	ASU	3/20/2024
Bachelor of Arts—Computer Information Technology	NAU	12/15/2023
Bachelor of Arts—Liberal Arts	NAU	12/15/2023
Bachelor of Arts—Management	NAU	12/15/2023
Bachelor of Science—Computer Information Technology	NAU	12/15/2023
Bachelor of Science—Liberal Arts	NAU	12/15/2023
Bachelor of Science—Management	NAU	12/15/2023

Table 7 continued

Program name	University	Discontinuation approval date
Fiscal year 2024 continued		
Bachelor of Science in Nursing—(RN option, Personalized Learning)	NAU	12/15/2023
Master of Science—Nursing (Personalized Learning)	NAU	12/15/2023
Bachelor 90-30 Applied Science—Justice Studies	NAU	6/14/2024
Bachelor 90-30 Interdisciplinary Studies—Applied Human Behavior	NAU	6/14/2024
Bachelor 90-30 Interdisciplinary Studies—Emergency Management	NAU	6/14/2024
Bachelor 90-30 Interdisciplinary Studies—Hospitality Leadership	NAU	6/14/2024
Bachelor 90-30 Interdisciplinary Studies—Humanities	NAU	6/14/2024
Bachelor 90-30 Interdisciplinary Studies—Industrial Leadership	NAU	6/14/2024
Bachelor 90-30 Interdisciplinary Studies—Justice Studies	NAU	6/14/2024
Bachelor 90-30 Interdisciplinary Studies—Learning & Pedagogy	NAU	6/14/2024
Bachelor 90-30 Interdisciplinary Studies—Public Administration	NAU	6/14/2024
Bachelor 90-30 Interdisciplinary Studies—Strategic Leadership	NAU	6/14/2024
Bachelor Interdisciplinary Studies—Early Childhood	NAU	6/14/2024
Bachelor Justice Studies	NAU	6/14/2024
Bachelor Public Administration	NAU	6/14/2024
Bachelor of Arts—Politics and Government	NAU	6/14/2024
Bachelor of Applied Science—Applied Business Management	NAU	6/14/2024
Bachelor of Applied Science—Early Childhood	NAU	6/14/2024
Bachelor of Applied Science—Emergency Management	NAU	6/14/2024
Bachelor of Applied Science—Logistics and Supply Chain Management	NAU	6/14/2024
Bachelor of Applied Science—Public Administration	NAU	6/14/2024
Bachelor of Science—Politics and Media	NAU	6/14/2024

Table 7 continued

Program name	University	Discontinuation approval date
Fiscal year 2024 continued		
Bachelor of Fine Arts—Musical Theatre	UA	1/29/2024
Bachelor of Fine Arts—Theatre Production (incl. 2 emphases)	UA	1/29/2024
Bachelor of Science—Nutrition and Food Systems	UA	1/29/2024
Bachelor of Arts—Government and Public Service	UA	4/29/2024
Bachelor of Applied Science—Early Childhood	UA	4/29/2024
Education Specialist—Educational Leadership	UA	5/2/2024
Fiscal year 2025		
Bachelor of Science—Applied Computing	ASU	11/20/2024
Minor in Applied Computing (undergraduate)	ASU	11/20/2024
Doctor of Philosophy—Applied Linguistics	ASU	11/20/2024
Bachelor of Science—Health Education and Health Promotion	ASU	4/16/2025
Bachelor of Science—Robotics and Autonomous Systems	ASU	4/16/2025
Bachelor of Science—90-30 Engineering Technology	NAU	5/21/2025
Bachelor of Science in Education—Health Sciences—Physical Education	NAU	5/21/2025
Master of Education—ESL and Bilingual—Bilingual	NAU	5/21/2025
Master of Education—Secondary Education—Certification	NAU	5/21/2025
Master of Education—Secondary Education—Continuing Professional	NAU	5/21/2025
Master of Education—Teaching Science with Certification	NAU	5/21/2025
Master of Engineering—Mechanical Engineering	NAU	5/21/2025
Master of Science—Building Science	NAU	5/21/2025
Master of Science—Parks and Recreation Management	NAU	5/21/2025
Master of Arts—Bioethics	UA	4/28/2025

Source: Auditor General staff review of ABOR's fiscal years 2023 through 2025 academic program data.

Scope and methodology

The Arizona Auditor General has conducted a sunset review of the Arizona Board of Regents pursuant to an October 7, 2025, resolution of the Joint Legislative Audit Committee. This audit was conducted as a part of the sunset review process prescribed in A.R.S. §41-2951 et seq.

We used various methods to address the audit's objectives. These methods included reviewing the Arizona Constitution; State statutes; ABOR's website, policies, procedures, and annual reports; and interviewing ABOR staff. In addition, we used the following specific methods to meet the audit objectives:

- To assess whether ABOR fully implemented its quarterly financial status update policy, we reviewed ABOR financial oversight policies, all 6 quarterly financial status update reports ABOR received between November 2024 and May 2026, university-provided budget templates, February and November 2024 ABOR-published responses regarding the financial issues at UA, meeting minutes and recordings for board and committee meetings held between November 2024 and May 2026, UA Foundation's April 2026 letter to donors regarding use of monies to help meet cash on hand targets, and recommended practices.[1]

- To assess whether ABOR developed and implemented university annual business process reviews consistent with its policies, we reviewed ABOR's draft annual business process review self-assessment document, meeting minutes and associated documentation for its June 2026 Board meeting, and recommended practices.[2]

- To assess whether ABOR followed its policies and guidelines for selecting and appointing the UA president in 2024, we reviewed Board and Presidential Search Committee meeting minutes, ABOR's Presidential Search Committee guidelines, and ABOR documentation related to the UA president appointment process, including brochures, evaluation rubrics, stakeholder surveys, and documented communication between ABOR, the Presidential Search Committee, and various stakeholders.[3]

- To assess whether ABOR's purchase card, travel, cash disbursement, and transfer transactions were consistent with its internal control policies and procedures, we reviewed the following fiscal year 2025 transactions:

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[1] KPMG, Prager, Sealy & Co, LLC., Attain. (2010). *Strategic financial analysis for higher education: Identifying, measuring, and reporting financial risks*. Retrieved on 11/24/25 from https://emp.nacubo.org/wp-content/uploads/2017/10/NSS_Handbook.pdf; Arizona Board of Regents. (2024a). *Arizona Board of Regents – Enhanced financial oversight report*. Retrieved 2/3/26 from https://www.azregents.edu/sites/default/files/2024-02/Arizona_Board_of_Regents-Enhanced_Financial_Oversight_Report-February_9_2024.pdf; Arizona Board of Regents. (2024b). Arizona Board of Regents: *University financial oversight enhancements and expectations*. Retrieved 11/24/25 from https://www.azregents.edu/sites/default/files/2023-12/University-Financial-Oversight-Enhancements-and-Expectations.pdf

[2] KPMG, Prager, Sealy & Co, LLC., Attain. (2010).

[3] We reviewed meeting minutes for the July and August 2024 Board meetings and the April and May 2024 Presidential Search Committee meetings.

- A sample 7 of 528 purchasing card transactions, consisting of 5 randomly selected transactions and 2 judgmentally selected transactions. We judgmentally selected items based on risk, including unusual vendor or expenditure descriptions.
- A random sample of 5 of 213 travel transactions.
- A random sample of 10 of 3,661 cash disbursement transactions.
- A random sample of 3 of 42 operating transfer transactions.

- To evaluate ABOR's process for administering the Arizona Teachers Academy Fund in accordance with statutory requirements for fiscal year 2025, we reviewed ABOR's fiscal year 2025 annual Arizona Teachers Academy report, ABOR's contract with its third-party vendor for services related to Arizona Teachers Academy program, and ABOR-provided scholarship repayment and defaulted payment information.
- To assess whether ABOR established performance measures for TRIF awards in accordance with State statute, we reviewed ABOR's fiscal year 2025 TRIF report, fiscal year 2025 grant documentation, and a list of TRIF awards from fiscal years 2023 through 2025.
- To assess ABOR's use of TRIF, Arizona Teachers Academy Fund, and Arizona Promise Program Fund monies for administrative costs, we reviewed ABOR employee salary and benefit information and recommended practices related to indirect cost allocation from GFOA.[4]
- To assess whether ABOR conducted its University Cost Study in accordance with statutory requirements, we reviewed ABOR's December 2022 Cost Study Report.
- To assess whether ABOR implemented recommendations from our 2019 ABOR Commercial Real Estate audit report, we reviewed the ground lease for solar energy system and easements agreement between Vesper Energy Finance LLC and ABOR.[5]
- To assess ABOR's compliance with the State's open meeting law requirements, we observed 5 public meetings held between September 2025 and December 2025 and reviewed these meetings' notices, agendas, and minutes or video recordings.[6]
- To assess ABOR's compliance with the State's public records laws, we reviewed statute, recommended practices from the Arizona Ombudsman Citizens' Aide Office and the *Arizona Agency Handbook*, and a random and judgmental sample of 10 of 135 public records requests ABOR received between January 2024 and November 2025.[7]

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4 Government Finance Officers Association (GFOA). (2022). *Indirect cost allocation*. Retrieved 5/18/2026 from https://www.gfoa.org/materials/indirect-cost-allocation

5 Auditor General reports 19-115 *Arizona Board of Regents—Commercial real estate* and 66-Month Followup of report 19-115.

6 We observed 4 of 6 Board meetings and the only University Governance and Operations Committee meeting between September 2025 and December 2025.

7 We reviewed a random sample of 5 and judgmental sample of 5 for a total sample of 10 of 135 public records requests. We judgmentally selected the 5 requests by scanning ABOR's public records tracking sheet in November 2025 and selected 3 open requests, 1 marked as partially fulfilled, and 1 request that was likely to include confidential information based on the request description in order to assess whether ABOR appropriately restricted access to confidential information. ABOR closed 2 of the 3 open requests during the audit in December 2025.

- To determine whether ABOR followed its complaint-handling process, we reviewed ABOR complaint documentation from a sample of 10 of 98 complaints ABOR received in fiscal year 2025. Specifically, we reviewed a sample of 5 judgmental complaints from the 98 complaints ABOR received in fiscal year 2025, which were selected due to allegations related to public safety and a random sample of 5 complaints from the remaining 93 complaints.

- To assess ABOR's compliance with conflict-of-interest requirements and alignment with recommended practices, we reviewed State requirements, recommended practices, and ABOR's conflict-of-interest disclosure form, its special file, and meeting minutes for 3 meetings in calendar year 2025 where ABOR identified that a Board member had recused themselves and refrained from voting.[8,9]

  We also reviewed annual conflict-of-interest disclosure forms for:

  - All 10 governor-appointed Board members as of January 2026.
  - A sample of 8 of 44 ABOR staff as of November 2025, including a judgmental sample of 5 staff who hold leadership or procurement positions and a random sample of 3 ABOR staff.

- To obtain additional information for the Sunset Factors, we reviewed ABOR statutes that require rules and then reviewed ABOR's corresponding policies, reviewed all 3 ABOR rulemakings/policies approved in calendar year 2025, and reviewed the November 2024 State of Arizona Master List of Government Programs.[10]

- To obtain information for the Introduction, we reviewed Moody's current published median days cash on hand for rated colleges and universities, ABOR-published responses in November 2024 and February 2024 regarding the financial issues at UA, ABOR-prepared information regarding staff and vacancies, and ABOR degree program approval data for fiscal year 2025.[11] In addition, we compiled and analyzed unaudited information from the Arizona Financial Information System/AZ360 *Accounting Event Transaction File* and the State of Arizona annual financial reports for fiscal years 2024 and 2025 and ABOR-prepared estimates for fiscal year 2026.

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8 Recommended practices we reviewed included: The World Bank, Organization for Economic Cooperation and Development (OECD), & United Nations Office on Drugs and Crime (UNODC). (2020). *Preventing and managing conflicts of interest in the public sector: Good practices guide*. Retrieved 1/29/2026 from https://www.unodc.org/documents/corruption/Publications/2020/Preventing-and-Managing-Conflicts-of-Interest-in-the-Public-Sector-Good-Practices-Guide.pdf; Francis, M.A. et al. (2025). *10 Tips for handling conflicts of interest: The year in governance*. American Bar Association (ABA). Retrieved 2/3/2026 from https://www.americanbar.org/groups/business_law/resources/business-law-today/2025-may/10-tips-for-handling-conflicts-of-interest-the-year-in-governance/; Dobie, K. (2023). *Conflict of interest handbook.* The Ethics Institute (TEI). Retrieved 1/29/2026 from https://www.tei.org.za/wp-content/uploads/2023/09/Conflict-of-Interest-Handbook_eBook.pdf; New York State Authorities Budget Office (NYS ABO). (n.d.). *Conflict of interest policy for public authorities*. Retrieved 1/29/2026 from https://abo.ny.gov/system/files/documents/2026/08/conflictofinterestpolicy.pdf; and Kaplan & Walker LLP. (2022). *Conflicts of interest: Best compliance practices*. Navex. Retrieved 2/03/2026 from https://cdn.navex.com/image/upload/v1649889769/resource%20documents/conflict-of-interest-best-compliance-practices-whitepaper-2022.pdf

9 In response to conflict-of-interest noncompliance and violations investigated in the course of our work, we have recommended several practices and actions to various school districts, State agencies, and other public entities. Our recommendations are based on recommended practices for managing conflicts of interest in government and are designed to help ensure compliance with State conflict-of-interest requirements. See, for example, Arizona Auditor General reports 24-211 *A Performance Audit of Concho Elementary School District*, 21-404 *Wickenburg Unified School District—Criminal indictment—Conflict of interest, fraudulent schemes, and forgery,* 19-105 *A Special Audit of the Arizona School Facilities Board—Building Renewal Grant Fund*, and 17-405 *Pine-Strawberry Water Improvement District—Theft and misuse of public monies*.

10 We reviewed all regular Board meeting minutes posted on ABOR's website for meetings held in calendar year 2025 and identified a total of 3 approved rules/policies, including Policy 1-126 Anti-Doxxing, Policy 1-127 Collaborative Initiatives, and Policy 2-105 Admission Requirements.

11 Moody's Ratings. (2025). *Higher education – US: Medians – Public universities' operations stabilized with state support as liabilities moderate*. Provided by ABOR on 3/19/2026. ABOR, 2024a. ABOR, 2024b.

- To obtain information for Appendix A, we reviewed ABOR's draft outline for its annual business review self-assessment template as of April 2026.
- To obtain information for Appendix B, we reviewed ABOR data of academic programs approved and discontinued between fiscal years 2023 and 2025.
- Our work on internal controls, including information system controls, where applicable, included reviewing ABOR's policies and procedures and testing its compliance with these policies and procedures, and assessing compliance with statutes.

We reported our conclusions on applicable internal controls in Sunset Factors 2, 5, and 8.

We selected our audit samples to provide sufficient evidence to support our findings, conclusions, and recommendations. Unless otherwise noted, the results of our testing using these samples were not intended to be projected to the entire population.

When relying on ABOR-provided data to support our findings and conclusions, we performed certain tests to ensure the data was sufficiently valid, reliable, and complete to meet the audit objectives. Unless otherwise noted, we determined the ABOR-provided data was sufficiently valid, reliable, and complete for audit purposes.

We conducted this sunset review of ABOR in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

We express our appreciation to the Board's members, ABOR Director Sampson, and ABOR staff for their cooperation and assistance throughout the audit.

The subsequent pages were written by ABOR 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.

ARIZONA BOARD OF REGENTS
ASU ◆ NAU ◆ UA

2700 N. Central Avenue, Suite 400
Phoenix, Arizona 85004

azregents.edu • 602 229 2500

August 7, 2026

Lindsey A. Perry, CPA, CFE
Auditor General
Arizona Auditor General
2910 N. 44th Street, Suite 410
Phoenix, AZ 85018

Re: Arizona Board of Regents — Sunset Review

Dear Auditor General Perry:

On behalf of the Arizona Board of Regents, I am pleased to submit our response to the final draft audit report. We appreciate the professionalism and collaborative approach taken by your audit team throughout this process.

ABOR agrees with the spirit of all the findings and is committed to strengthening each of the practices identified. The recommendations will be implemented – in some cases, through alternative approaches that better reflect ABOR's governance and practices while still achieving the desired outcomes.

We look forward to demonstrating progress prior to the Committee of Reference meeting — many of the improvements identified in this review are already underway or completed.

Sincerely,

Chad Sampson
Executive Director
Arizona Board of Regents
2700 N. Central Ave., Suite 400
Phoenix, AZ 85004-1159

Enclosure: ABOR Final Response to Final Draft Report

Sunset factor 2: ABOR's effectiveness and efficiency in fulfilling its key statutory objectives and purposes.

ABOR has not consistently or fully implemented its quarterly financial status update policy, limiting insight into university financial health and increasing risk of not timely detecting potential financial issues

Board response: The Auditor General's finding is agreed to.

Response explanation: ABOR agrees that the implementation of its updated financial status policy included choices that did not strictly align with the adopted policy language. ABOR has adjusted both the practices and the policies to ensure alignment and usefulness.

Recommendation 1: Continue to revise its financial oversight policy to align with its current practices, such as receiving universities' projections of year-end cash on hand.

Board response: The audit recommendation will be implemented.

Response explanation: The Board reviewed proposed policy revisions at its June 2026 meeting and final approval is scheduled for the October 2026 Board meeting.

Recommendation 2: If the Board adopts revisions to its financial oversight policy to receive universities' projections of year-end cash on hand, establish requirements for the universities to demonstrate that the projections they provide are consistent, valid, and reliable.

Board response: The audit recommendation will be implemented in a different manner.

Response explanation: ABOR will require universities to document their projection methodology and key assumptions with each quarterly submission, starting with the first quarter of FY27. ABOR staff will review projections for internal consistency and reasonableness, with follow-up to the university CFO for any anomalous changes, noting that ABOR's role is oversight rather than independent audit and that projections cannot be fully validated against a fixed external standard, given the annual, proprietary changes in Moody's calculations.

Recommendation 3: Develop written guidance for the universities to determine what should be considered a significant fluctuation in operating cash balances that should be included in the universities' quarterly financial status update reports including guidance on types of explanations included regarding the fluctuation(s) within the quarterly financial status update reports.

Board response: The audit recommendation will be implemented in a different manner.

Response explanation: Rather than establishing a fixed materiality threshold, ABOR will require universities to include commentary on changes in their cash projection and projected expenditure base — the elements of the days cash on hand ratio — with each quarterly submission, starting with the first quarter of FY27, ensuring fluctuations are explained as a matter of routine rather than by exception.

Recommendation 4: Implement its financial oversight policies, including ensuring quarterly financial status updates and associated information, are provided to the Board timely and in accordance with its policies.

Board response: The audit recommendation will be implemented.

Response explanation: ABOR will distribute quarterly financial summaries to the Board in a timely manner, independent of when those updates are scheduled to be presented to the Board in a public meeting.

ABOR conducted its first annual business process review, but its review did not follow some policy requirements, limiting the Board's insight into any identified university financial risks and steps being taken to mitigate these risks

Board response: The Auditor General's finding is agreed to.

Response explanation: ABOR agrees that the 2026 business process review, as an initial pilot, has opportunities to be refined to maximize university improvement efforts. ABOR maintains that the review provided a detailed review of university business processes and was an effective exercise to share high-impact practices, compare tools and approaches, and to sharpen universities' plans and resources for improvement – directly responding to the stated purpose of this exercise in policy. While ABOR believes this effort addressed each of the policy requirements, it is clear that the process did not generate sufficient written artifacts for the auditors to be confident in that fact, as the review was conducted near the end of the audit. ABOR will review this pilot with the university teams before November 2026 to evaluate the tools, make improvements, and/or recommend changes to the board before the 2027 review cycle.

Recommendation 5: Conduct its annual business process review in accordance with its policy, including ensuring the review team conducts interviews and obtains additional documents to validate university business processes and ensuing the final report contains specific areas of university improvement and practical solutions.

Board response: The audit recommendation will be implemented in a different manner.

Response explanation: ABOR will continue to conduct its business process review in accordance with policy. The process will continue to focus on the subject university's documentation and reflection related to the current state of key business processes, including illustrative examples and live demonstrations of tools as appropriate. The peer team will be encouraged to seek any additional details and clarifications that would be useful to a full understanding and discussion – before and during the review meeting – and will be given adequate time with the materials and in dialogue to fully discuss those areas that would add the most value. As a collaborative improvement effort, ABOR anticipates continuing to position this process as a practitioner workshop and will report high level outcomes to the board, ensuring confidence that the universities are collaborating on shared risks and common business office challenges.

Recommendation 6: Using the results of its first annual business process review, review its annual business process review guidance to determine whether additional changes are necessary and incorporate those changes into its review process.

Board response: The audit recommendation will be implemented.

Response explanation: ABOR will convene the tri-university finance council to review and refine the business process review framework before November 2026 in preparation for the spring 2027 review cycle.

ABOR had more than $2.7 million of defaulted Arizona Teachers Academy tuition repayments, but did not have a process to identify which defaulted repayments should be escalated to outside collection agencies or the Arizona Attorney General's Office

Board response: The Auditor General's finding is agreed to.

Response explanation: ABOR agrees that, while defaulted accounts were actively managed, it had not developed a process to escalate aging defaults for external collections. ABOR has since developed a collection escalation process and it is being actively applied.

Recommendation 7: Implement the collection process it developed in May 2026 for identifying the defaulted Arizona Teachers Academy scholarship repayments that will be escalated to the Arizona Attorney General's Office for collections, and escalate those defaulted payments by submitting the referral package to the Arizona Attorney General's Office.

Board response: The audit recommendation will be implemented.

Response explanation: ABOR developed a collection escalation process during the audit, as well as additional outreach practices to ensure participants are documenting relevant teaching service. The new process began implementation in August 2026, with collections packages transmitted to the Arizona Attorney General's Office as defaults are validated.

ABOR did not include some statutorily required Arizona Teachers Academy program metrics in its report to the Governor, Legislature, and Secretary of State, including number of scholarship recipients who failed to fulfill their obligations and/or defaulted on repayments, hindering visibility into program performance

Board response: The Auditor General's finding is agreed to.

Response explanation: ABOR agrees that its ATA annual report did not include some statutorily required metrics. ABOR moved quickly during the audit to amend the FY25 report to address the gap and has updated the template to ensure completeness in the future.

Recommendation 8: Ensure Arizona Teachers Academy annual report submitted to the Governor, Legislature, and Secretary of State contains all information required by A.R.S. §15-1655(H).

Board response: The audit recommendation will be implemented.

Response explanation: ABOR updated its ATA annual report template to include all metrics required by statute and submitted a revised FY25 report during the audit. ABOR updated the FY26 ATA annual report template to include these metrics and to improve clarity.

Recommendation 9: Revise the Arizona Teachers Academy annual report template to include all information required by A.R.S. §15-1655(H).

Board response: The audit recommendation will be implemented.

Response explanation: ABOR updated the FY26 ATA annual report template to include these metrics and to improve clarity, according to the Auditor's recommendation. This report will be published in August 2026.

ABOR lacked a formal, documented process to determine that TRIF, Arizona Teachers Academy Fund, and Arizona Promise Program Fund monies it retained in fiscal year 2025 were commensurate with its costs for administering these programs

Board response: The Auditor General's finding is agreed to.

Response explanation: ABOR agrees that it did not formally document the assumptions behind its administrative cost allocations to the Arizona Teachers Academy Fund, and the Arizona Promise Program Fund, and TRIF. ABOR did not fully charge these funds for recoverable expenses and agrees to develop a clear cost allocation plan to implement for FY27.

Recommendation 10: Develop and implement a documented process, such as a cost allocation plan, that reasonably approximates its direct and indirect costs related to TRIF, the Arizona Teachers Academy Fund, and the Arizona Promise Program to determine the amount of monies it will retain from these funds to pay for ABOR staff salaries and benefits and other administrative costs.

Board response: The audit recommendation will be implemented in a different manner.

Response explanation: The Arizona Promise Program and the Arizona Teachers Academy program statutes allow ABOR to charge the indirect costs of program administration to the funds. ABOR has not sought recovery of the full amount authorized by statute, instead only recovering a small percentage of the allowable expenses to maximize the funding available to the programs. ABOR will develop a documented procedure to more fully recover costs and will document the basis for estimates and the cost allocation methodology in FY27. Separately, ABOR establishes a budget for TRIF that sets a target for ABOR-managed activities, which includes ABOR-led, TRIF-aligned work and the indirect costs of administering TRIF. ABOR will clearly document the alignment of direct costs allocated to TRIF in FY27 and will follow the documented procedure mentioned above to more fully allocate indirect costs to the fund.

Recommendation 11: Using the process developed in recommendation 10, review TRIF, Arizona Teachers Academy Fund, and Arizona Promise Program Fund monies used to pay for administrative costs, including ABOR staff salaries from prior fiscal years going back to fiscal year 2026 to determine if the monies it spent on salaries and related benefits reasonably approximated its costs for administering the programs, and if it determines that it retained monies in excess of its costs, repay monies to the applicable fund(s).

Board response: The audit recommendation will be implemented.

Response explanation: After documenting a more complete allocation approach, ABOR will compare that to FY26 charges. Based on preliminary reviews of allocatable costs, ABOR is not fully charging the funds for allowable expenses based on the work performed.

ABOR did not include some statutorily required TRIF information in its report to the Governor, the President of the Senate, and the Speaker of the House of Representatives, including a description of the amount, duration, purpose, and goals of each new TRIF award

Board response: The Auditor General's finding is agreed to.

Response explanation: ABOR agrees that its FY25 TRIF annual report did not include some statutorily required information for a subset of award categories and has updated its reporting portal and template to include all required fields for the August 2026 TRIF report.

Recommendation 12: Revise its procedures to help ensure compliance with A.R.S. §15-1648(D) reporting requirements, including requiring its annual TRIF report to include the amount, duration, purpose, and goals of each new TRIF award distributed, and detailed performance measures for each TRIF award.

Board response: The audit recommendation will be implemented.

Response explanation: ABOR has revised its reporting process and template to include the amount, duration, purpose, goals, and performance measures for the remaining categories of TRIF awards, which will appear in the August 2026 TRIF report.

Recommendation 13: Use detailed performance measures to determine the effectiveness of all TRIF awards in accordance with A.R.S. §15-1648(D).

Board response: The audit recommendation will be implemented.

Response explanation: ABOR will include detailed performance measures for the subset of awards that were not previously detailed in the annual TRIF report. This information will be included in the August 2026 TRIF report, providing Board members with the information needed to evaluate program effectiveness.

ABOR did not conduct its 2022 university cost study in accordance with statute

Board response: The Auditor General's finding is agreed to.

Response explanation: ABOR acknowledges that its 2022 cost study did not fully align with the details for two of the items in statute since it requested data that the university does not ordinarily track and that would require building new reporting infrastructure. ABOR made a good-faith effort to address the intent of each statutory element with the existing operational and student data.

Recommendation 14: Conduct its university cost study analysis in accordance with A.R.S. §15-1650.03 and if it believes that the statutory requirements to report administrative costs and marginal cost for educating a full-time student need to be revised, work with the Legislature to revise A.R.S. §15-1650.03.

Board response: The audit recommendation will be implemented.

Response explanation: The details included in two of the statutory requirements are incompatible with current cost reporting practices and would require significant reporting infrastructure changes to execute literally, therefore ABOR will initiate dialogue with the Legislature to consider refinements to statute before the next cost study in 2027.

Sunset factor 5: The extent to which ABOR has provided appropriate public access to records, meetings, and rulemakings, including soliciting public input in making rules and decisions.

ABOR could better align its process for responding to public records requests with recommended practices to help demonstrate compliance with public records law

Board response: The Auditor General's finding is agreed to.

Response explanation: ABOR complied with all public records law throughout the review period and agreed to adopt additional recommended practices that exceed statutory requirements, revising its written public records request procedures and establishing a second written notification practice during the audit.

Recommendation 15: Implement its revised procedures for fulfilling public records requests within its internal time frames, including notifying requestors in writing of any delays in fulfilling public records requests, consistent with recommended practices.

Board response: The audit recommendation will be implemented.

Response explanation: ABOR implemented revised written procedures during the audit to meet the Auditor's recommendations, including internal time frame benchmarks and a 5-business-day written notification practice.