September 23, 2026

Members of the Arizona State Legislature

The Honorable Katie Hobbs, Governor

Interim Director Sandigo
Arizona Office of Economic Opportunity

Transmitted herewith is the report *A Performance Audit and Sunset Review of the Arizona Office of Economic Opportunity*. This audit was conducted by the independent firm Sikich CPA LLC under contract with the Arizona Auditor General and was in response to an October 7, 2025, resolution of the Joint Legislative Audit Committee. The performance audit 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 Office of Economic Opportunity agrees with all the findings and plans to implement or implement in a different manner all recommendations. My Office has contracted with Sikich CPA LLC to follow up with the Arizona Office of Economic Opportunity in 6 months to assess its progress in implementing the recommendations. I express my appreciation to Interim Director Sandigo and Arizona Office of Economic Opportunity 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: Director Pederson, Greater Arizona Development Authority
Greater Arizona Development Authority members
Director Ghelfi, Arizona Finance Authority
Arizona Finance Authority members
Workforce Arizona Council members

# Arizona Auditor General

Performance Audit and Sunset Review of the
Arizona Office of Economic Opportunity

September 15, 2026

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SIKICH

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

September 15, 2026

Dear Ms. Perry,

Sikich CPA LLC (Sikich) is pleased to submit the attached report detailing the results of our performance audit and sunset review of the Arizona Office of Economic Opportunity (Office), conducted under contract with the Arizona Auditor General pursuant to an October 7, 2025, resolution of the Joint Legislative Audit Committee and Arizona Revised Statutes §41-2951 et seq.

The objectives of this performance audit were to determine whether the Office met its statutory objectives and purposes to prepare economic impact statements and administer and oversee grant and financing programs, and to respond to the 10 statutory sunset factors.

We conducted the audit fieldwork in Alexandria, Virginia; Phoenix, Arizona; Springfield, Illinois; and remotely from October 2025 through August 2026. We conducted this performance audit in accordance with *Generally Accepted Government Auditing Standards*, as issued by the Comptroller General of the United States (2018 Revision, Technical Update April 2021). 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 describe our objectives, scope, and methodology further in Appendix C: Objectives, Scope, and Methodology.

As outlined in its response, the Office agrees with the findings and plans to implement or implement in a different manner the recommendations. We will follow up with the Office in 6 months to assess its progress in implementing the recommendations.

We would like to thank all the personnel with whom we met, or who provided information, throughout the course of this audit for their cooperation and assistance. We also thank you for the opportunity to serve the public interest on behalf of the Arizona Auditor General.

Sincerely,

*Sikich CPA LLC*

# Report highlights

## Arizona Office of Economic Opportunity (Office)

**Performance audit and sunset review**

The Office took steps to help fulfill some statutory objectives we reviewed but did not independently analyze or verify information included in regulatory impact statements, reimbursed a grant recipient in excess of the approved award amount, and did not adequately monitor Arizona Microbusiness Loan Program grants.

**Audit purpose**

To determine whether the Office met its statutory objectives and purposes to prepare economic impact statements and administer and oversee grant and financing programs, and to respond to the 10 statutory sunset factors.[1]

**Key findings**

- The Office coordinated statewide economic, labor market, and demographic analyses to support workforce and policy decisions and managed workforce data, including unemployment insurance data.
- Instead of preparing economic, small business, and consumer impact statements as required, the Office summarized unverified State agency-reported information to support the Governor's Regulatory Review Council's rulemaking process, calling into question the value of the estimated $32,800 that the Office spends on the activity annually.
- The Office reimbursed one Quality Jobs Program grant recipient more than $5,500 in excess of the approved award amount of $170,000, resulting in disbursements outside the authorized project budget.
- The Office did not adequately monitor grantees' use of Arizona Microbusiness Loan Program grant monies, creating the risk that grant monies were used for unallowable purposes.

**Key recommendations to the Office**

- Develop and implement policies, procedures, and documentation requirements for preparing impact statements, including performing independent analysis, verifying agency-provided information, and tracking staff time to support accountability and oversight.
- Strengthen grant payment and monitoring controls to prevent overpayments and ensure compliance with approved award amounts and budgets; address excess reimbursement through appropriate corrective action.
- Strengthen Arizona Microbusiness Loan Program oversight by reviewing grantee reporting and expenditures, implementing enhanced monitoring and documentation requirements, and ensuring timely corrective action for program noncompliance.

[1] Sikich conducted this performance audit and sunset review of the Arizona Office of Economic Opportunity under contract with the Arizona Auditor General and 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.

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# Performance Audit and Sunset Review Report

## Introduction

On behalf of the Arizona Auditor General, Sikich CPA LLC (Sikich) has completed a performance audit and sunset review of the Arizona Office of Economic Opportunity (Office).[2] This performance audit and sunset review determined whether the Office complied with requirements associated with preparing economic impact statements and administering and overseeing grant and financing programs. This report also includes responses to the 10 statutory sunset factors.

This report has 13 recommendations for the Office in Findings 1, 2, and 3 (see pages 8 through 14) and the sunset factors (see pages 15 through 22).

### The Office was established in 2016 to facilitate the economic growth and development of Arizona and to develop and protect the legitimate interests of State business, industry, and commerce within and outside the State

The Legislature established the Office in 2016 to facilitate the beneficial economic growth and development of Arizona and to promote prosperity through development and protection of the legitimate interests of State business, industry, and commerce within and outside the State.[3] The Office coordinates workforce development strategy and evaluation, monitors the State's tax and regulatory competitiveness, and produces labor market, economic, and demographic research and analysis.

The mission of the Office is to improve the workforce and business climate in Arizona through data-driven policymaking and effective workforce and economic development initiatives.

### The Office's key statutory responsibilities include conducting economic and demographic research, coordinating statewide workforce planning and development initiatives, administering related programs, and monitoring Arizona's tax and regulatory competitiveness

The Office's primary responsibility is to provide economic and demographic research and analysis. This work includes producing constitutionally required population estimates, employment and unemployment statistics, and local labor market analyses and informational packages. These efforts support state and local employment, training, education, and job-creation programs designed to align employer needs with the employment base.

Other key statutory responsibilities of the Office include:

- Preparing economic, small business, and consumer impact statements for all proposed rulemakings within the State.[4]
- Coordinating workforce planning. As a part of this statutory requirement, the Office is directly involved in career and technical education coordination through program administration and educational alignment activities. Specifically, the Office establishes and administers the Adult Workforce Diploma Program, which assists individuals age 21 and older in earning a high school diploma and developing career and technical skills.[5]

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[2] This performance audit and sunset review of the Office was performed pursuant to an October 7, 2025, resolution of the Joint Legislative Audit Committee.
[3] Laws 2016, Chapter 372
[4] Arizona Revised Statutes (A.R.S.) §41-1052
[5] A.R.S. §41-5421

In addition, within this statutory authority, the Office administers the Quality Jobs Program grant monies. The Quality Jobs Program awarded $1,693,535 in training monies in fiscal year 2024 to support pathways to quality jobs. Grant activities monies awarded by the Office were intended to support the growth of in-demand jobs through the establishment and enhancement of registered apprenticeship and pre-apprenticeship programs.

- Supporting the implementation of the State's strategic plan for workforce development and the Workforce Arizona Council (Council). As part of these responsibilities, the Office administers economic development and workforce-related programs designed to strengthen Arizona's workforce and business environment.[6]

  One such program is the Microbusiness Loan Program, which was established by the Legislature in 2024 to provide monies to eligible entities that offer loans to microbusinesses within the State.[7] Administered by the Office on behalf of the State, the program is intended to provide favorable, low-interest loans ranging from $2,000 to $50,000 to promote economic development and job growth. The Office awarded approximately $5 million through the Arizona Microbusiness Loan Program to 10 community lending partners under grant agreements with terms extending through June 2029 (approximately 5 years). Arizona-based microbusinesses with fewer than 5 employees may use the financing for working capital, business operations, job creation and retention, acquisition or improvement of real property, acquisition of machinery and equipment, and debt refinancing.

  As part of the Office's support of the Council's strategic plan, the Office hosted the Arizona Workforce Summit (Summit) during fiscal years 2024 and 2025. The Summit was intended to convene workforce system stakeholders, industry representatives, and state policymakers to align education, training, and workforce strategies with Arizona's economic development priorities. The Summit was intended to serve as a statewide forum to promote coordination across workforce partners, share workforce system information, and support the Governor's workforce initiatives.

- The Office also provides benchmarking information about Arizona's tax and regulatory competitiveness by collecting and quantifying tax and regulatory activities. The Office maintains lists of active rules for each Arizona state agency.[8]

## The Office administers the Arizona Finance Authority, the Greater Arizona Development Authority, and the Council

Per Arizona statutes, the Office provides administrative services to the Arizona Finance Authority (AFA), the Greater Arizona Development Authority (GADA), and the Council. Specifically:

- AFA is intended to provide innovative, responsible, and sustainable financing solutions to public and private borrowers. Statute established AFA within the Office in 2016 and provides for governance by a Board of Directors (AFA Board).[9] The AFA Board consists of 5 members appointed by the Governor—with consideration given to diverse

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[6] A.R.S. §§41-5401, 41-5402, 41-5403, and 41-5404.
[7] Laws 2023, Chapter 136, Section 4.
[8] A.R.S. §41-5303.
[9] Although AFA is administratively housed in the Office pursuant to A.R.S. §41-5352, AFA operates independently and retains full legal and fiduciary authority to carry out its programs and bonding responsibilities in accordance with A.R.S. §41-5357.

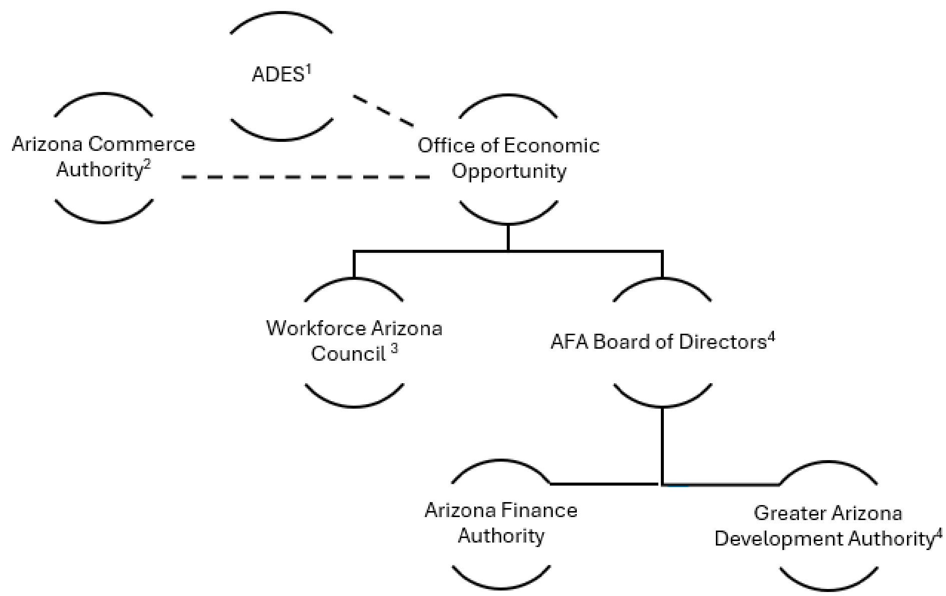
geographic representation across the State—and 1 employee, a director. AFA Board members serve 3-year terms and elect a chairperson, secretary, and treasurer from among the membership. Statute prohibits AFA Board members from having any direct or indirect financial interest in projects financed by AFA.[10]

- GADA was reactivated by the Governor in 2024 and operates under the direction of the AFA Board within the Office. It has 1 employee, a director.[11] GADA's mission is to assist Arizona communities and tribal governments with the development of public infrastructure projects that enhance community and economic development.
- The Council was established in 2015 to assist the Governor in the development, implementation, and modification and review of a statewide workforce plan. One of the Council's responsibilities includes coordinating with State agencies and State community colleges to produce outcome-based performance measures for all State workforce development programs. The Council consists of 30 members who are appointed by the Governor, is not considered a State agency, and does not receive appropriations. Employees of the Office carry out the decisions made by the Council.

In addition, as shown in Figure 1 (page 4), the Office interacts with several other State agencies based on its statutory authority, as well as through interagency service agreements. These relationships include agreements with the Arizona Department of Economic Security (ADES), the Arizona Commerce Authority (ACA), and entities administered or supported by the Office, including AFA and GADA.

[10] A.R.S. §41-5353
[11] GADA was originally established in 1997 but did not provide any financial assistance after 2014 until it was reactivated by the Arizona Governor.

**Figure 1. Organizational relationships between the Office, State agencies, and other entities**




Source: Sikich staff analysis of the Office's relationships with State agencies and other entities.

[1] ADES passed funding to the Office through an interagency service agreement.

[2] The Office and ACA entered an interagency service agreement in July 2024 to allow the Office to contract with ACA to perform programs and initiatives that will enhance economic development within the State and support the Office's mission. ACA is intended to support economic development through promotion and outreach, economic development initiatives, research, entrepreneurship and venture development, and support services, such as grant management.

[3] The Office provides administrative services to the Council. The Office is responsible for executing the Governor's vision for workforce priorities across the State, as identified by the Council. This includes overseeing statewide workforce performance, setting policy, and certifying or re-certifying local workforce boards.

[4] AFA and GADA are established by statute as political subsections of the State of Arizona (A.R.S. §§41-5352 and 41-2252) and are governed by an independent board of directors. AFA is administratively housed within the Office. Through an interagency service agreement, the Office provides administrative services—such as accounting, payroll, reporting, information technology support, and procurement—to AFA and GADA.

## The Office is led by a Governor-appointed Director, and as of July 2026, the Office had 45 full-time equivalent positions and 23 vacancies

The Office has a Governor-appointed Director and is managed by a leadership team of 8 individuals. As of July 2026, the Office had 45 full-time equivalent positions (FTEs) and 23 vacancies assigned to its various programs.[12] The makeup of positions per program is as follows:

[12] The Office stated that several of the vacant positions were in the active hiring process and that it was preserving some job title codes as vacant to accommodate future hiring requirements.

- **Director's Office (13 FTE):** Administers the Office operations fund and the economic development fund established by A.R.S. §41-5302. The Director's Office provides strategic economic analysis, monitors Arizona's tax and regulatory competitiveness, and develops data-informed policy and regulatory reform recommendations.
- **Workforce Arizona Council Division (4 FTE):** Coordinates workforce planning and implements the State's strategic plan for workforce development. This includes carrying out the policy decisions established by the Council Board. All employees in this division are Office employees.
- **Labor Market Information (19 FTE):** Prepares the economic, small business, and consumer impact statements for State rulemaking. This team also manages unemployment insurance (UI) data and fulfils UI data requests for state, local, and federal agencies, as well as for the Council and the Department of Education. Finally, the team supports ACA and AFA by providing business growth and market intelligence information.
- **Population and Demographics (3 FTE):** Supports ACA and AFA with business growth and market intelligence. The team also provides economic and demographic research, labor market analyses, and population estimates to support the Workforce Innovation and Opportunity Act (WIOA).
- **Workforce Sector Strategies (2 FTE):** Coordinates workforce planning, workforce initiatives, sector strategies, and the workforce grants office.
- **Integrated Data System (2 FTE):** Manages the State's workforce data evaluation system and leads the Workforce Data Task Force to oversee workforce system evaluation and maintain data quality, security, and governance.[13]
- **AFA and GADA (2 FTE):** As discussed above, pages 2 to 3.

## The Office's revenues were primarily from intergovernmental and State appropriations, and its expenditures were primarily related to personnel costs and professional and outside services

The Office's revenues were derived primarily from intergovernmental sources and State appropriations, while its expenditures were primarily related to personnel costs and professional and outside services. The Office receives the majority of its funding through the interagency service agreement it has in place with ADES and also receives appropriations as part of the Arizona State Budget. Personnel and professional services costs represent a significant portion of total expenditures. Professional and outside services expenditures primarily consisted of education, training, and related services. These expenditures support the Office's statutory responsibilities to coordinate statewide workforce planning and development initiatives and to administer related workforce programs. Table 1 provides an overview of the Office's actual revenues, expenditures, and changes in fund balance for fiscal years 2024, 2025, and 2026.

[13] The Workforce Data Task Force is established within the Office by A.R.S. §41-5404. Its membership consists of the director of the Office, the ADES director, the superintendent of public instruction, the Arizona Board of Regents president, and a representative of a community college district.

**Table 1. Office Schedule of Revenues, Expenditures, and Changes in Fund Balance, fiscal years 2024 through 2026 (unaudited)[14]**

| Description | 2024 (Actual) | 2025 (Actual) | 2026 (Actual) |
|---|---|---|---|
| **Revenues** | | | |
| Intergovernmental | $16,050,925 | $12,937,137 | $17,260,408 |
| Filing and Registration Fees | 2,109,940 | 1,993,663 | 2,279,796 |
| State General Fund Appropriations | 5,519,634 | 507,100[a] | 4,031,900 |
| Other Revenues | - | 342,600 | 342,600 |
| **Total Revenues** | **$23,680,499** | **$15,780,500** | **$23,914,704** |
| | | | |
| **Expenditures and Transfers** | | | |
| Payroll and Related Benefits | $3,924,704 | $4,198,632 | $4,998,776 |
| Professional and Outside Services[b] | 8,732,186 | 9,237,511 | 8,501,753 |
| Travel | 39,727 | 37,508 | 60,549 |
| Aid to Organizations and Individuals[c] | - | - | 2,656,411 |
| Rent | 121,646 | 86,953 | 88,922 |
| Information Technology | 141,262 | 86,627 | 115,666 |
| Accounting, Budgeting, and Financial Services | 15,239 | 12,421 | 28,146 |
| Telecommunication | 71,730 | 118,471 | 126,180 |
| Other | 66,479 | 70,153 | 68,383 |
| Equipment | 130,089 | 76,914 | 59,895 |
| Transfers to Other State Agencies | 6,752,154[d] | 407,440 | 52,000 |
| **Total Office Directly Paid Expenditures and Transfers** | **$19,995,216** | **$14,332,630** | **$16,756,681** |
| Arizona Commerce Authority Charges and Reimbursements[e] | | | |
| Professional and Outside Services | $1,198,286 | $5,595,030 | $1,589,513 |
| Information Technology Related | - | 7,876 | 4,398 |
| **Total Commerce Authority Charges and Reimbursements** | **$1,198,286** | **$5,602,906** | **$1,593,911** |
| **Total Expenditures and Transfers** | **$21,193,502** | **$19,935,536** | **$18,350,592** |
| | | | |
| Net Change in Fund Balance | $2,486,997 | $(4,155,036) | $5,564,112 |
| Fund Balance, Beginning of Year | 14,550,232 | 17,037,229 | 12,882,193 |
| **Fund Balance, End of Year[f]** | **$17,037,229** | **$12,882,193** | **$18,446,305** |

Source: Sikich staff review of Office revenues and expenditures.

[a] The decrease in State General Fund appropriations in fiscal year 2025 reflects a one-time deposit of $5 million into the Microbusiness Loan Program fund in fiscal year 2024. Laws 2023, Chapter 136, appropriated this deposit.

[b] Professional and outside services primarily consisted of education, training, and related services. These expenditures support the Office's statutory responsibilities to coordinate statewide workforce planning and development initiatives and to administer related workforce programs.

[14] This table presents the Office's financial activity. The Council, AFA, and GADA are separate legal entities and are therefore not included in Table 1. For informational purposes, AFA and GADA amounts are presented in Appendices A and B (pages 25 through 26).

## Table 1. Office Schedule of Revenues, Expenditures, and Changes in Fund Balance, fiscal years 2024 through 2026 (unaudited) - Continued

[c] Aid to Organizations and Individuals represents financial assistance provided through workforce development, childcare, and educational initiatives. Significant programs included the Dual-Enrollment Student Development Program, which supports college credit opportunities for low-income high school students, and the BuildItAZ Apprenticeship Initiative, which promotes registered apprenticeships and workforce development opportunities throughout Arizona.

[d] Transfers to other State agencies reported during fiscal year 2024 primarily consisted of a $5.0 million transfer to the Microbusiness Loan Program fund and a $1.0 million statutory Governor's Fund Sweep transferred to the State General Fund.

[e] ACA charges and reimbursements were for services provided by ACA and reimbursements for expenditures ACA incurred on behalf of the Office. For example, professional and outside services included payments to ACA pursuant to an interagency service agreement for administrative, technical support, and research services for all fiscal years. Information technology-related expenses included payments to ACA pursuant to an interagency service agreement.

[f] The Office's entire fund balance is classified as unrestricted. The Office does not have any restricted fund balance.

# Finding 1: Instead of preparing impact statements as required by statute, the Office summarizes State agency-provided information, risking the publication of inaccurate or incomplete economic information and calling into question the value of the estimated $32,800 that the Office spends on the activity annually

## Instead of preparing impact statements as required by statute, the Office summarizes State agency-provided information and has not developed procedures associated with validating or further analyzing the provided information

Arizona law (A.R.S. §41-1052) requires the Office to prepare economic, small business, and consumer impact statements as part of the State agency rulemaking process to support the Governor's Regulatory Review Council's (GRRC's) decision-making. The relevant State agency provides information to GRRC to be used for the economic, small business, and consumer impact statement, along with other information associated with the rule. GRRC then provides the information the agency submitted to the Office. The Office is required to prepare the impact statements and ensure they evaluate the economic impacts, stakeholder effects, and regulatory burdens of the State agencies' proposed rules. A.R.S. §41-1055 details the required content of the impact statements the Office must prepare, including cost-benefit analyses and a statement of the probable effect of the proposed rule on State revenues, among other requirements.

To meet its statutory requirements, the Office prepares impact statements for rulemakings, 5-year reviews, and 1-year reviews, which it submits to GRRC to assist in its review and approval of rules. According to the Office, the development of impact statements primarily involves reading and summarizing agency-provided information and following up with GRRC to obtain additional information from the State agency as needed to ensure all required information is included in the impact statement. In addition, the Office stated that the staff responsible for preparing the impact statements are expected to complete an analysis that includes assessing direct and indirect costs, potential market impacts, compliance costs for businesses, and administrative costs for the government.

However, based on our review of a judgmental sample of 4 memoranda that the Office submitted to GRRC in fiscal years 2024 and 2025, although the impact statements prepared by the Office contained the required elements, the Office attributed all reported information to the relevant State agency and did not include any analytical findings or conclusionary statements regarding the reasonableness of the agency's assertions that could be attributed to the Office's independent analysis. See the text boxes below for examples of information an agency provided to GRRC and the associated impact statement the Office prepared, which show that the Office almost directly quoted the agency-provided information.

| Example 1: Arizona Department of Water Resources October 2024 Assured and Adequate Water Supply Rulemaking | |
|---|---|
| **Agency Submission Excerpt** | **Office Impact Statement Excerpt** |
| "Persons who will be directly affected by, bear the costs of, or directly benefit from this AWS rule modification for the Phoenix and Pinal AMAs include: (1) state agencies such as the Department; (2) political subdivisions, including counties, cities, and towns that seek economic development or provide municipal | "Persons who will be directly affected by, bear the costs of, or directly benefit from this Assured Water Supply rule modification for the Phoenix and Pinal active management areas (AMAs) include state agencies such as the Department; political subdivisions, including counties, cities, and towns that seek |

| Example 1: Arizona Department of Water Resources October 2024 Assured and Adequate Water Supply Rulemaking, continued | |
|---|---|
| **Agency Submission Excerpt** | **Office Impact Statement Excerpt** |
| water, private municipal water providers, as well as the CAGRD; (3) land subdivision developers; and (4) homeowners and homebuyers in the Phoenix and Pinal AMAs."<br><br>…<br><br>"Generally, costs for those directly affected by voluntary pursuit of an ADAWS are expected to be minimal compared to the currently available alternatives: a designation under the traditional rules or no designation. However, because the proposed ADAWS rules create a new opportunity for water providers who had previously faced challenges in achieving designation, and creates an expedited process for all designated providers that reduces the regulatory burden for designation modification, state agencies such as ADWR may incur costs when hiring additional staff necessary to process an increase in applications." | economic development or provide municipal water, private municipal water providers, as well as the Central Arizona Groundwater Replenishment District; land subdivision developers; and homeowners and homebuyers in the Phoenix and Pinal AMAs. Generally, costs for those directly affected by the voluntary pursuit of an ADAWS are expected to be minimal compared to the currently available alternatives. State agencies may incur costs when hiring additional staff necessary to process an increase in applications." |

Source: Arizona Department of Water Resources October 2024 Assured and Adequate Water Supply Rulemaking

| Example 2: Arizona Department of Transportation's (ADOT's) June 2025 Article 6 Telecommunication Facilities Rulemaking | |
|---|---|
| **Agency Submission Excerpt** | **Office Impact Statement Excerpt** |
| "ADOT anticipates that the economic impact of this rulemaking is minimal since it is removing unnecessary language and updating for better clarity. This rulemaking should not create an increase in costs for ADOT. The clarification about the occupancy rate not applying to a provider, wholly owned by a tribe, for longitudinal access on sovereign tribal lands will not create a loss of revenue since this is already in practice by ADOT. ADOT benefits from having clearer and updated rules that bring better understandability to its stakeholders and consistency with ADOT's process. These rule changes could help alleviate some inquiries. Overall, assisting in the allowance for more | "The Department states that the clarification about the occupancy rate not applying to a provider, wholly owned by a tribe, for longitudinal access on sovereign tribal lands will not create a loss of revenue since this is already in practice by ADOT. According to the Department, ADOT benefits from having clearer and updated rules that bring better understandability to its stakeholders and consistency with ADOT's process. Additionally, the Department believes these rule changes could help alleviate some inquiries. It claims that assisting in the allowance for more providers allows for more services to the state and increases the capacity of telecommunications services |

| Example 2: Arizona Department of Transportation's (ADOT's) June 2025 Article 6 Telecommunication Facilities Rulemaking, continued | |
|---|---|
| **Agency Submission Excerpt** | **Office Impact Statement Excerpt** |
| providers allows for more services to the state and increases the capacity of telecommunications services being provided. In addition, ADOT may benefit from receiving in-kind trades such as fiber optic and conduit, that can be used for the Intelligent Transportation System to make highways safer and more efficient." | being provided. Additionally, the Department believes it may benefit from receiving in-kind trades such as fiber optic and conduit, that can be used for the Intelligent Transportation System to make highways safer and more efficient." |

Source: ADOT June 2025 Telecommunication Facilities Rulemaking

**Relying on unverified State agency-reported information risks the publication of inaccurate or incomplete economic information and calls into question the value of the estimated $32,800 that the Office spends on preparing impact statements annually**

By summarizing agency-provided information without performing additional, independent analysis or verification, the Office increases the risk that errors, omissions, or unsupported assertions were incorporated into final impact statements, reducing their reliability and usefulness to GRRC. The Office maintains the State's data related to labor market information, workforce planning, and economic indicators, and other agencies may not have comparable knowledge and awareness of these resources as they complete their impact statement responses. Without the Office contributing independent analyses or assessments of the agencies' responses, the impact statements reflect information provided by the State agencies proposing the rule changes and may omit key data or perspectives that could affect the outcomes of the assessment. According to Office officials, they did not identify any instances where the impact statement the Office prepared disagreed with the agency-submitted statement.

Additionally, the Office currently dedicates 2 employees to its impact statement activities, each of whom spends approximately 40 hours per month reviewing State agency-submitted documentation and summarizing relevant information for use in impact statement submissions. These staff resources are estimated to cost at least $32,800 annually, reflecting a total of 960 annual hours.[15] However, because the Office's role is primarily limited to reviewing and summarizing agency-submitted information without independently validating, testing, or supplementing that information, the value of the Office's annual cost of at least $32,800 is unclear.[16]

**The Office has not established documented procedures associated with preparing regulatory impact assessments**

The Office has not detailed the process it follows to prepare impact statements in documented procedures. Furthermore, because the Office did not maintain any documentation associated with impact statement preparation, it could not provide support for its assertions that it

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[15] Our analysis was based on the salaries associated with the Office employees tasked with completing the impact statements and does not include other employee-related expenses, such as benefits.
[16] In addition, Office officials reported that a supervisor provides oversight of the responsible employees; however, the officials stated that they did not have information regarding the number of hours the supervisor spent on these activities monthly.

completes detailed analyses or verification of the State agency-reported information. As noted previously, according to Office officials, the staff responsible for preparing the impact statements are expected to complete an analysis that includes assessing direct and indirect costs, potential market impacts, compliance costs for businesses, and administrative costs for the government. Subsequently, however, Office officials stated that the Office has interpreted its impact statement responsibility as limited to coordinating and summarizing information provided by agencies, rather than conducting independent economic analyses, despite the statute's plain language requiring the Office to prepare analyses and the Office's prior assertions that it completes a detailed analysis as part of the process.

### Recommendations to the Office

1. Develop and implement formal policies and procedures to prepare economic, small business, and consumer impact statements, to include required verification processes and analyses.
2. When preparing economic, small business, and consumer impact statements, the Office should perform and document its independent analysis or verification of agency provided information, supplemented with additional data and information.
3. Track and document the hours spent preparing and reviewing economic, small business, and consumer impact statements to support transparency, accountability, and oversight of the Office's role in the rulemaking process.

### Office's response

As outlined in its response, the Office agreed with the finding and will implement or implement in a different manner the recommendations.

# Finding 2: The Office reimbursed one Quality Jobs Program grant recipient $5,522.39 in excess of the approved award amount of $170,000, resulting in disbursements outside the authorized project budget

## The Office reimbursed one Quality Jobs Program grant recipient for $5,522.39 more than the allowed $170,000 without first amending the grant agreement to increase the approved budget amount, as required by the Arizona Grants Management Manual

The Office establishes the maximum reimbursement amount for grant awards per the Quality Jobs Program grant agreement, which limits reimbursements to the approved award amount and project budget. Additionally, section 7.2.2 of the Arizona Grants Management Manual requires that a formal request for a grant modification or amendment be made if any budget modifications are being sought, even if the total award amount remains the same.

The Office receives WIOA-funded Quality Jobs Program grant monies through the ADES for the purpose of providing the monies to subrecipients. For 1 of the 2 Quality Jobs Program grant recipients we reviewed, in fiscal year 2025, the Office reimbursed expenditures totaling $175,522.39, exceeding the approved award amount of $170,000 by $5,522.39 without obtaining a required grant amendment or documented approval for the increase.

## The Office's approval of excess grant monies resulted in unauthorized use of grant monies and the potential need to recover the overpaid amount

The Office reimbursed expenditures in excess of the approved award amount without obtaining proper authorization, resulting in disbursements outside the approved project budget for the grantee. Although the Office did not exceed the total Quality Jobs Program funding provided by ADES, as a result of this overpayment, the Office did not comply with grant agreement requirements and increased the risk of unauthorized use of grant funds and potential recovery of overpaid amounts. When we brought the overpayment to its attention, the Office acknowledged that a formal grant amendment had not been executed to account for the increased expenditures but that it had determined the expenditures were necessary for successful implementation of the grant. Office officials also stated that the Office has since implemented the requirements of the Arizona Grants Management Manual. However, despite stating that it has since implemented requirements from the Arizona Grants Management Manual, the Office did not amend the grant agreement and did not indicate that it had developed policies or procedures designed to ensure compliance with these requirements.

## Recommendations to the Office

4. Strengthen grant payment and monitoring procedures to ensure reimbursements do not exceed approved award amounts and project budgets.
5. Implement a review process to reconcile cumulative grant payments to the approved award amount before payment is issued.
6. Document a review of the $5,522.39 that was reimbursed in excess of the approved award amount and take appropriate corrective action, including consultation with legal counsel and recovery of monies, if necessary.

**Office's response**

As outlined in its response, the Office agreed with the finding and will implement the recommendations.

# Finding 3: The Office did not adequately monitor grantees' use of Microbusiness Loan Program grant monies, creating the risk that grant monies were used for unallowable purposes

## The Office did not adequately monitor grantees' use of Microbusiness Loan Program grant monies, as required

The Microbusiness Loan Program grant agreements require the Office, as the grantor, to actively monitor and evaluate grantee performance by reviewing required periodic progress and financial reports, conducting oversight as necessary, and assessing compliance with grant requirements, approved budgets, and established program objectives. Further, according to the Arizona Grants Management Manual, grant program managers are responsible for the timely acceptance, review, analysis, and approval of progress and financial reports. The manual specifically states that grant program managers must take appropriate actions regarding delinquent reports required by the Microbusiness Loan Program grant agreements, such as the quarterly reports.

Our review found that the Office did not sufficiently oversee Microbusiness Loan Program grant activities for 2 of the 9 grantees we reviewed that received Microbusiness Loan Program grants totaling $1,157,967. For example, the Office did not receive 3 of the 6 quarterly reports that the selected grantees should have submitted during fiscal years 2024 and 2025 and did not take actions to obtain the delinquent reports.

Additionally, the grant agreements we reviewed require grantees to:

- Provide financial reports;
- Certify compliance with loan limits, fee caps, and use-of-funds restrictions; and
- Ensure reported expenditures align with approved budgets and program objectives.

However, the Office did not obtain supporting documentation for the information included in the quarterly reports or otherwise provide documentation showing that it verified the grantee-submitted information; as a result, it could not assess the grantees' compliance with these requirements. For example, we asked the Office to provide an invoice or receipt related to a $127,967 Microbusiness Loan Program transaction for one of the selected grantees in July 2025. In response, the Office provided a quarterly progress report dated January 2026, which noted that the grantee issued 4 loans that used $7,750 of the Microbusiness Loan Program funding.

## The Office's inadequate monitoring of the Microbusiness Loan Program grants increases the risk of unallowable costs, misuse of monies, and noncompliance with grant agreement provisions

Without adequate monitoring, the Office cannot provide reasonable assurance that grantees used grant monies solely for allowable purposes or met program requirements. Furthermore, inadequate monitoring increases the risk of unallowable costs, misuse of public monies, and noncompliance with grant agreement provisions.

## The Office did not establish adequate grantee reporting requirements in Microbusiness Loan Program grant agreements or document review requirements for staff

Aside from generally requiring quarterly reports, the Office did not include specific requirements in the Microbusiness Loan Program grant agreements for the Office to obtain and review supporting documentation to verify grantee-reported information. Furthermore, during the scope of our review, the Office lacked written policies and procedures requiring staff to document the receipt of progress and financial reports, their verification of reported expenditures, and their assessment of compliance with grant requirements and use-of-funds restrictions, or to follow up with noncompliant grantees.

## Recommendations to the Office

7. Conduct a review of Microbusiness Loan Program grant reporting for fiscal year 2025 to determine which grantees did not submit all progress and financial reports or submitted reports that did not comply with grant agreement and program requirements and take appropriate corrective action, as needed.
8. In conjunction with Recommendation 7, review reported Microbusiness Loan Program grant expenditures for fiscal year 2025 to determine whether grantees’ reported costs were allowable and complied with loan limits, fee caps, use-of-funds restrictions, approved budgets, and program objectives and take appropriate corrective action, as needed.
9. Utilize the processes to address Recommendations 7 and 8 to provide adequate oversight of the Microbusiness Loan Program grants for fiscal year 2026 and any subsequent years until Recommendation 10 has been implemented.
10. Revise and implement policies and procedures that require grantees to submit additional supporting documentation with their quarterly reports, with sufficient detail to enable the Office to assess compliance with loan limits, fee caps, use-of-funds restrictions, and approved budgets. These procedures should address appropriate corrective or enforcement actions, as necessary, to ensure compliance.
11. Perform and document timely follow-up actions to address identified deficiencies or instances of noncompliance.

**Office’s response**

As outlined in its response, the Office agreed with the finding and will implement the recommendations.

# Sunset Factors

## Sunset Factor 1: The key statutory objectives and purposes in establishing the Office

The Office was established in 2016 to advance Arizona’s economic growth and workforce development. The Office’s responsibilities include:

- Providing strategic economic analysis, monitoring Arizona’s tax and regulatory competitiveness, and developing data-informed policy and regulatory reform recommendations.
- Preparing economic, small business, and consumer impact statements for State rulemaking.
- Supporting ACA and AFA with business growth and market intelligence.
- Coordinating workforce planning and managing the State’s workforce data evaluation system.
- Supporting the Council and the implementation of the State’s strategic plan for workforce development.
- Managing UI data and fulfilling UI data requests for state, local, and federal agencies, as well as for the Council and the Department of Education.
- Leading the Workforce Data Task Force to oversee workforce system evaluations and maintain data quality, security, and governance.
- Providing economic and demographic research, labor market analyses, and population estimates.
- Supporting the WIOA.
- Administering the Office operations fund and the economic development fund established by A.R.S. §41-5302.
- Administering the Adult Workforce Diploma Program and working with the State Board of Education to track workforce development outcomes.
- Administering the Dual-Enrollment Student Development program.

AFA’s primary purpose is to support statewide public policy objectives by providing financing and administering financial programs related to housing and infrastructure. AFA serves as the administrator responsible for allocating the State’s federal private activity bond volume cap.

GADA provides financial and technical assistance to local governments, special districts, and tribal governments to support the development of publicly owned infrastructure projects that promote community and economic development, particularly in rural and underserved areas.

## Sunset Factor 2: The Office’s effectiveness and efficiency in fulfilling its key statutory objectives and purposes

The Office complied with requirements related to the following statutory objectives we reviewed. Specifically, the Office:

- Conducted statewide economic, labor market, and demographic analyses to support workforce and economic policy decisions.

- Coordinated statewide workforce planning and managed workforce data, including UI data and system evaluations.
- Provided staffing, analytical, and operational support to the Council and its implementation of the State's workforce strategy.
- Supported ACA and AFA through economic analyses, funding oversight, and shared administrative services.
- Administered economic development and operations funds, as well as key workforce education programs, and tracked program performance outcomes.

However, we identified deficiencies related to the Office and its associated entities' key statutory objectives and purposes. Specifically, we noted:

- **GADA did not include information about monitoring and oversight in loan agreements, creating the risk of noncompliance.** The Office's associated entity, GADA, did not ensure that loan agreements associated with its Financial Assistance Program loan activities included information regarding monitoring and oversight activities. Specifically, GADA's loan agreement with the Town of Superior did not specify GADA's monitoring responsibilities or oversight expectations. As a result, recipients may be unaware of monitoring and oversight requirements, increasing the risk of noncompliance with lending terms.
- **The Office summarizes agency-provided information instead of preparing impact statements as required by statute, risking the publication of inaccurate or incomplete economic information and calling into question the value of the estimated $32,800 that the Office spends on the activity annually.** The Office's impact statements attributed all reported information to the relevant State agency and did not include independent analyses or conclusions regarding the reasonableness of the agency's assertions. Summarizing agency-provided information without performing additional analyses or verification increases the risk that errors, omissions, or unsupported assertions may be incorporated into the final impact statements, reducing their reliability and usefulness to GRRC during the State agency rulemaking process. Furthermore, because the Office does not formally validate, test, or supplement the impact statements prepared by each State agency, the Office's contribution to the State agency rulemaking process is not reflective of the minimum of $32,800 spent (see Finding 1, pages 8 through 11).
- **The Office had weaknesses in its grant management controls, leading to unauthorized use of grant monies, as well as the risk that grant monies were used for unallowable purposes.** The Office did not obtain an amended grant agreement to increase the approved budget amount for 1 of the Quality Jobs Program grant awards, resulting in unauthorized use of grant monies. Specifically, for 1 of the 2 Quality Jobs Programs subrecipients we reviewed for fiscal year 2025, the Office reimbursed $5,552.39 in excess of the approved award amount (see Finding 2, page 12).

  The Office also did not adequately monitor grantees' use of Microbusiness Loan Program grant monies, creating the risk that grant monies were used for unallowable purposes. Specifically, for 2 of the 9 subrecipients we reviewed for fiscal years 2024 and 2025, the Office did not obtain all required quarterly reports, and the reports that were obtained did not include sufficient supporting documentation (see Finding 3, pages 13 to 14).

**Recommendations to the Office**

12. Ensure that all Financial Assistance Program loan agreements explicitly define GADA's roles, responsibilities, and monitoring expectations, including specific oversight activities GADA will perform to monitor borrower compliance with statutory requirements, program terms, and allowable use of funds.
13. Perform, document, and retain evidence of periodic oversight activities over Financial Assistance Program loan activities to assess compliance with statutory requirements, program terms, and repayment or performance expectations, and to ensure that identified deficiencies are timely addressed through documented corrective actions.

**Office's response**

As outlined in its response, the Office agreed with the finding and will implement the recommendations.

## Sunset Factor 3: The extent to which the Office's key statutory objectives and purposes duplicate the objectives and purposes of other governmental agencies or private enterprises

Our review did not identify any Office key statutory objectives and purposes that duplicate those of other governmental agencies or private enterprises.

## Sunset Factor 4: The extent to which rules adopted by the Office are consistent with the legislative mandate

Based on our review of the Office's statutes and the Arizona Administrative Code, the Office does not have the statutory authority to adopt rules, and it has not done so.

However, AFA and GADA, which are administered by the Office, are authorized by statute to adopt rules.[17] Although AFA is authorized to adopt rules consistent with its enabling statutes, it does not have any specific rulemaking requirements and has not adopted any rules as of February 2026.

Our review of GADA's statutes and rules found that GADA has adopted rules when statutorily required to do so and that those rules are consistent with statute. For example, GADA has adopted rules related to the award of technical and financial assistance, as well as rules for prioritizing applications for such assistance, as required by statute. However, GADA was not required to adopt any rules during the scope of this review.

## Sunset Factor 5: The extent to which the Office has provided appropriate public access to records, meetings, and rulemakings, including soliciting public input in making rules and decisions

As of March 2026, the Office and AFA had not established any rules or initiated any rulemaking since their establishment. They therefore have not needed to provide public access to rulemakings or solicit public input. GADA's most recent rulemaking was initiated in 2010 and therefore is outside the scope of this review.

[17] A.R.S. §41-5354(10) requires AFA to adopt bylaws and administrative rules. A.R.S. §41-2255 requires GADA to establish rules for criteria by which technical and financial assistance will be awarded and rules to prioritize applications for technical and financial assistance.

Additionally, our review found that the Office complied with Arizona's public records law. Consistent with A.R.S. §39-171(A), the Office provides the public with a mechanism to submit public records requests through an online form on its website, including contact information for staff authorized to receive or route such requests. Specifically, our review found that the Office has established public records policies and procedures, offers an online option for submitting public records requests, and began formally tracking and monitoring public records requests in October 2025.[18] Since October 2025, we found that the Office received 1 public records request on March 20, 2026. The Office responded to the requestor on April 4, 2026, and as of May 2026, was working to provide the requested information. The implementation of the tracking log represents an improvement in the Office's ability to monitor requests and support compliance with public records requirements.

The Office provides administrative oversight and support to AFA and GADA, including activities intended to facilitate compliance with Arizona's Open Meeting Law. As part of this role, AFA and GADA have established policies and procedures designed to support compliance with the Open Meeting Law. We assessed AFA's and GADA's compliance with Open Meeting Law requirements for board meetings held between March 2025 and March 2026.[19] Our review found that AFA and GADA complied with Arizona's Open Meeting Law.

### Sunset Factor 6: The extent to which the Office timely investigated and resolved complaints that are within its jurisdiction

The Office does not have a statutory requirement to investigate and resolve complaints. However, the Office has established complaint-handling policies and procedures outlining various processes to help ensure it receives, tracks, and investigates the complaints it receives in a timely manner. The Office received 1 complaint, which was tracked, investigated, and documented in accordance with its established procedures.

### Sunset Factor 7: The extent to which the level of regulation exercised by the Office is appropriate compared to other states, best practices, or both

This factor does not apply because the Office is not a regulatory agency.

### Sunset Factor 8: The extent to which the Office has established safeguards against possible conflicts of interest

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 report conflicts of interest that might influence or affect their official conduct.[20] 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. To help ensure compliance with these requirements, the Arizona Department of Administration's (ADOA's) State Personnel System employee handbook and conflict-of-interest disclosure form (disclosure

[18] Prior to the implementation of the tracking log, the Office received public records requests primarily via email and did not maintain a formal logging or tracking mechanism. As a result, we cannot determine whether the Office acknowledged receipt of public records requests as required prior to October 2025.
[19] Between March 2025 and March 2026, AFA held 10 meetings and GADA held 4 meetings.
[20] A.R.S. §38-503; Arizona Attorney General. (2018). *Attorney General's Agency Handbook 8.2.1*. Retrieved 12/19/25 from https://www.azag.gov/office/publications/agency-handbook.

form) require State employees to disclose if they have any business or decision-making interests, secondary employment, and relatives employed by the State at the time of initial hire and anytime there is a change.[21] The ADOA disclosure form also requires State employees to attest that they do not have any of these potential conflicts, if applicable, also known as an "affirmative no." 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 the Arizona Auditor General's work, such as employees/public officers failing to disclose substantial interests and participating in matters related to these interests, the Auditor General has recommended several practices and actions to various school districts, State agencies, and other public entities.[22] These 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 laws.[23] 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 provide an "affirmative no," if applicable.[24] 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.

In its September 2022 performance audit and sunset review of the Office, the Auditor General made 5 recommendations to the Office related to its conflict-of-interest practices.[25] These included recommendations to develop and implement conflict-of-interest policies, including those related to completing required forms; reminding employees at least annually to update disclosure forms; storing substantial interest disclosures in a special file available to the public; and establishing a process to review and remediate disclosed conflicts. The Auditor General

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[21] Arizona Department of Administration (ADOA). (2024). *State personnel system employee handbook*. Retrieved 12/19/25 from https://drive.google.com/file/d/12uumNZLSBkfp33AaL9uHym0K9e6I9_II/view.
[22] 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, *Arizona School Facilities Board—Building Renewal Grant Fund*; and 17-405, *Pine-Strawberry Water Improvement District—Theft and misuse of public monies*.
[23] Recommended practices 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 12/19/2025 from https://www.unodc.org/documents/corruption/Publications/2020/Preventing-and-Managing-Conflicts-of-Interest-in-the-Public-Sector-Good-Practices-Guide.pdf; and New York State Authorities Budget Office (NYS ABO). (n.d.). *Conflict of Interest Policy for Public Authorities.* Retrieved 7/31/2026 from https://abo.ny.gov/system/files/documents/2025/05/conflictofinterestpolicy.pdf
[24] As previously discussed, the ADOA disclosure form includes a field for the individual to provide an "affirmative no."
[25] Arizona Auditor General Report 22-113, *Arizona Office of Economic Opportunity Performance Audit and Sunset Review*, September 2022.

also recommended that the Office develop and provide conflict-of-interest training that includes information on how the State's requirements relate to the Office's unique programs, functions, or responsibilities.

In its 36-month followup report dated May 2026, the Auditor General provided an updated status of these recommendations, which was generally corroborated by our work.[26] Because these issues will continue to be addressed in the followups on the September 2022 sunset review, we are not making any new recommendations. Specifically, the Auditor General recommended that the Office develop and implement conflict-of-interest policies to help ensure compliance with State conflict-of-interest requirements, including:

a. Requiring employees/public officers to complete a conflict-of-interest form upon hire/appointment, including attesting that no conflicts exist, if applicable.

   The Auditor General found that implementation was in process, as the Office's policy was updated in July 2024, but t as of May 2025, 2 of 40 Office staff had not completed a disclosure form. We reviewed the disclosure forms for all Office staff and AFA Board members employed as of October 2025 and found that all disclosure forms had been completed as required. The next followup on the Office's 2022 performance audit and sunset report will further assess this issue.

b. Reminding employees/public officers at least annually to update their disclosure form when their circumstances change.

   The Auditor General found that implementation was in process, as the Office's policy was updated in July 2024, but the Office did not send reminders to staff and public officers according to its policy, which requires the notification to be sent at the beginning of the fiscal year (July 1), but no later than July 31. The next followup on the Office's 2022 performance audit and sunset report will further assess this issue.

c. Storing all substantial interest disclosures, including disclosure forms and meeting minutes, in a special file available for public inspection.

   The Auditor General found that implementation was in process, as the Office's policy was updated in July 2024; however, because the Office had no substantial interest disclosures to store, the Auditor General could not assess implementation. We also found that the Office did not have any substantial interest disclosures during our review period. The next followup on the Office's 2022 performance audit and sunset report will further assess this issue. Establishing a process to review and remediate disclosed conflicts.

   The Auditor General found that implementation was in process, as the Office's policy was updated in July 2024; however, because the Office had no substantial interest disclosures, the Auditor General could not assess implementation. We also found that the Office did not have any substantial interest disclosures during our review period. The next followup on the Office's 2022 performance audit and sunset report will further assess this issue.

In addition, the Auditor General recommended that the Office develop and provide periodic training on its conflict-of-interest requirements, process, and disclosure form, including providing

[26] Arizona Auditor General, *Arizona Office of Economic Opportunity: 36-Month Followup of Sunset Review Report 22-113*, May 2026.

training to all employees and public officers on how the State's conflict-of-interest requirements relate to their unique programs, functions, or responsibilities.

The Auditor General found that this recommendation had not been implemented because the Office did not provide documentation on whether the training addressed a key component of this recommendation, which is how the State's conflict-of-interest requirements relate to its unique programs, functions, and responsibilities. We also found that the Office relied on general statewide conflict-of-interest training provided by ADOA. The next followup on the Office's 2022 performance audit and sunset report will further assess this issue.

### Sunset Factor 9: The extent to which changes are necessary for the Office to more efficiently and effectively fulfill its key statutory objectives and purposes or to eliminate statutory responsibilities that are no longer necessary

This performance audit and sunset review did not identify any statutory changes that are necessary to help the Office more efficiently and effectively fulfill its key statutory objectives and purposes or to eliminate statutory responsibilities.

### Sunset Factor 10: The extent to which the termination of the Office would significantly affect public health, safety, or welfare

Terminating the Office and its affiliated entities, AFA and GADA, without transferring their responsibilities could adversely affect public welfare. These entities perform statutorily required functions related to economic development, workforce planning, regulatory compliance, and interagency coordination that support State operations and serve a broad range of stakeholders. In addition, the Office performs specialized functions that are not duplicated by other State entities. Accordingly, if the Office were terminated, the majority of its responsibilities would need to be transferred to one or more State agencies with related missions to ensure continuity of required services and compliance with applicable laws and regulations, including functions such as:

- Conducting economic analyses, competitiveness monitoring, and regulatory impact evaluations (e.g., economic, small business, and consumer impact statements) to support policymaking and statutory rulemaking requirements. Without these functions, the State would face increased risk of noncompliance with statutory and regulatory requirements and reduced ability to make informed policy decisions.
- Providing business intelligence and supporting economic development entities (e.g., ACA and AFA) through analytics and market data. Without this support, business attraction, retention, and growth initiatives could be less targeted and effective.
- Coordinating statewide workforce planning and strategy implementation, including support for the Council and administration of workforce development programs. Without this coordination, the State would risk fragmentation of workforce initiatives and reduced alignment with education and employment needs.
- Managing and governing workforce and UI data, including data requests, research, WIOA compliance, and oversight of data quality, security, and governance. Without centralized data management and oversight, the State would face increased risks related to data integrity, security, federal noncompliance, and disruption of interagency data-sharing.

These responsibilities support required state and federal functions and are integral to Arizona's economic development, workforce, and regulatory infrastructure. Eliminating the Office without transferring these functions would create gaps in program administration, data governance, and statutory compliance, potentially disrupting ongoing programs and intergovernmental coordination. Therefore, if the Office were terminated, its responsibilities would need to be reassigned to one or more State agencies—such as ADES, the Arizona Department of Education, ACA, or another appropriate State entity—with the legal authority, operational capacity, and expertise necessary to assume these functions and mitigate risks to public welfare.

# Summary of Recommendations

**Sikich makes 13 recommendations to the Office**

1. Develop and implement formal policies and procedures to prepare economic, small business, and consumer impact statements, to include required verification processes and analyses.
2. When preparing economic, small business, and consumer impact statements, the Office should perform and document its independent analysis or verification of agency provided information, supplemented with additional data and information.
3. Track and document the hours spent preparing and reviewing economic, small business, and consumer impact statements to support transparency, accountability, and oversight of the Office's role in the rulemaking process.
4. Strengthen grant payment and monitoring procedures to ensure reimbursements do not exceed approved award amounts and project budgets.
5. Implement a review process to reconcile cumulative grant payments to the approved award amount before payment is issued.
6. Document a review of the $5,522.39 that was reimbursed in excess of the approved award amount and take appropriate corrective action, including consultation with legal counsel and recovery of monies, if necessary.
7. Conduct a review of Microbusiness Loan Program grant reporting for fiscal year 2025 to determine which grantees did not submit all progress and financial reports or submitted reports that did not comply with grant agreement and program requirements and take appropriate corrective action, as needed.
8. In conjunction with Recommendation 7, review reported Microbusiness Loan Program grant expenditures for fiscal year 2025 to determine whether grantees' reported costs were allowable and complied with loan limits, fee caps, use-of-funds restrictions, approved budgets, and program objectives and take appropriate corrective action, as needed.
9. Utilize the processes to address Recommendations 7 and 8 to provide adequate oversight of the Microbusiness grants for fiscal year 2026 and any subsequent years until Recommendation 10 has been implemented.
10. Revise and implement policies and procedures that require grantees to submit additional supporting documentation with their quarterly reports, with sufficient detail to enable the Office to assess compliance with loan limits, fee caps, use-of-funds restrictions, and approved budgets. These procedures should address appropriate corrective or enforcement actions, as necessary, to ensure compliance.
11. Perform and document timely follow-up actions to address identified deficiencies or instances of noncompliance.
12. Ensure that all Financial Assistance Program loan agreements explicitly define GADA's roles, responsibilities, and monitoring expectations, including specific oversight activities GADA will perform to monitor borrower compliance with statutory requirements, program terms, and allowable use of funds.
13. Perform, document, and retain evidence of periodic oversight activities over Financial Assistance Program loan activities to assess compliance with statutory requirements,

program terms, and repayment or performance expectations, and to ensure that identified deficiencies are timely addressed through documented corrective actions.

# Appendix A: AFA Schedule of Revenues, Expenditures, and Changes in Fund Balance, fiscal years 2024 through 2026 (unaudited)

Appendix A provides an overview of AFA's actual revenues, expenditures, and changes in fund balance for fiscal years 2024, 2025, and 2026.

| Description | 2024 (Actual) | 2025 (Actual) | 2026 (Actual) |
|---|---|---|---|
| **Revenues** | | | |
| Application and Confirmation Fees | $525,788 | $502,016 | $714,716 |
| Security Deposits (Due to Others)[a] | (2,505,490) | - | - |
| Forfeited Security Deposits[b] | - | - | 560,000 |
| Transfers In/Out | 2,957,939 | - | (200,848) |
| **Total Revenues** | **$978,237** | **$502,016** | **$1,073,868** |
| | | | |
| **Expenditures** | | | |
| Payroll and Related Benefits | $204,569 | $334,419 | $319,139 |
| Professional and Outside Services | 25,795 | 50,075 | 36,354 |
| Travel | 4,502 | 5,130 | 4,292 |
| Rent | 1,511 | 4,026 | 2,560 |
| Information Technology | - | 701 | 1,116 |
| Telecommunication | 1,412 | 2,072 | 3,685 |
| Other | 2,817 | 3,993 | 5,563 |
| Equipment | 2,169 | - | 177 |
| Transfers to Other State Agencies | - | - | 2,220 |
| **Total Expenditures** | **$242,775** | **$400,416** | **$375,106** |
| | | | |
| Net Change in Fund Balance | $735,462 | $100,600 | $698,762 |
| Fund Balance, Beginning of Year | 401,786 | 1,137,248 | 1,238,848 |
| Fund Balance, End of Year[c] | **$1,137,248** | **$1,238,848** | **$1,937,610** |

Source: Sikich staff review of AFA revenues and expenditures.

[a] Security deposits collected from borrowers applying to local industrial development authorities for private activity bonds do not constitute revenues for the AFA Operations Fund. These funds are classified as deposits held on behalf of third parties, unless forfeited, at which point they are recognized as AFA revenue.

[b] Forfeited amounts represent security deposits retained by AFA when borrowers failed to issue bonds for their projects prior to the expiration of their allocations or associated extensions, or when the total volume of bonds issued was less than the allocated volume cap.

[c] Restricted funds consist only of security deposits collected from borrowers. These deposits are held on behalf of third parties and are not recognized as AFA revenue unless forfeited. At fiscal year-end, any unencumbered funds not needed for AFA operations or restricted for specific purposes are transferred to the Office's Economic Development Fund, as required by Arizona statute and approved by the AFA Board. In fiscal year 2026, $1,499,152 in funds were restricted.

# Appendix B: GADA Schedule of Revenues, Expenditures, and Changes in Fund Balance, fiscal years 2024 through 2026 (unaudited)

Appendix B provides an overview of GADA's actual revenues, expenditures, and changes in fund balance for fiscal years 2024, 2025, and 2026.

| Description | 2024 (Actual) | 2025 (Actual) | 2026 (Actual) |
|---|---|---|---|
| **Revenues** | | | |
| Intergovernmental | $- | $700,000[a] | $- |
| Other Revenues | 484,007 | 584,878 | 347,392 |
| Transfers In | 13,211,736[b] | 43 | - |
| **Total Revenues** | **$13,695,743** | **$1,284,921** | **$347,392** |
| | | | |
| **Expenditures** | | | |
| Payroll and Related Benefits | $51,883 | $213,757 | $183,391 |
| Professional and Outside Services | 24,000 | 116,040 | 34,797 |
| Travel | 905 | 4,197 | 1,237 |
| Aid to Organizations and Individuals | - | 390,000 | (385,000)[c] |
| Rent | 1,511 | 2,621 | 3,318 |
| Information Technology | - | 464 | 1,146 |
| Telecommunication | 1,049 | 1,172 | 3,521 |
| Other | 1,815 | 3,008 | 3,179 |
| Equipment | 3,645 | - | 177 |
| Transfers to Other State Agencies | - | - | 2,220 |
| **Total Expenditures** | **$84,808** | **$731,259** | **$(152,014)** |
| | | | |
| Net Change in Fund Balance | $13,610,935 | $553,662 | $499,406 |
| Pledged Collateral | - | - | (11,945,000)[d] |
| Fund Balance, Beginning of Year | - | 13,610,935 | 14,164,597 |
| Fund Balance, End of Year | **$13,610,935** | **$14,164,597** | **$2,719,003[d]** |

Source: Sikich staff review of GADA revenues and expenditures.

[a] Funds include American Rescue Plan Act (ARPA) funding in the amount of $500,000 and Arizona Industrial Development Authority (AZIDA) funding in the amount of $200,000, allocated to GADA to expand technical assistance for rural communities.

[b] Transfers in to GADA from the Office in 2024 were made pursuant to Laws 2022, Chapter 366.

[c] The $(385,000) reported for aid consists of a $5,000 contribution to the Arizona Governor's Office of Resiliency and $(390,000) related to repayments of GADA technical assistance loans. The Authority disbursed $390,000 in technical assistance loans during 2025, all of which were repaid in 2026. Transfers to the Economic Development Fund were executed in 2026 in accordance with A.R.S. §41-5352(D). GADA's Technical Assistance Program operates as a revolving loan fund, with loan disbursements recorded as expenditures and repayments recorded as offsets to expenditures to restore funds available for future lending activities.

[d] Funds include interest income earned on balances invested with the State Treasurer's Office. Prior to fiscal year 2026, GADA had approximately $12 million in restricted funds for the Pledged Collateral Reserve Fund. This was associated with GADA's bond issuance from the State Treasurer's Office to the trustee. In fiscal year 2026, these restricted funds were no longer included in GADA's fund balance.

# Appendix C: Objectives, scope, and methodology

Sikich was engaged by the Arizona Auditor General to conduct a performance audit and sunset review of the Office pursuant to an October 7, 2025, resolution of the Joint Legislative Audit Committee. The audit was conducted as part of the sunset review process prescribed in A.R.S. §41-2951 et seq. We conducted this performance audit in accordance with *Generally Accepted Government Auditing Standards*, as issued by the Comptroller General of the United States (2018 Revision, Technical Update April 2021). 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.

**Scope**
The scope of this performance audit and sunset review was to determine whether the Office fulfilled its statutory objectives between fiscal years 2024 and 2026.

**Methodology**
We used various methods to prepare the background information, including the financial tables, and to address the objectives of this performance audit and sunset review. These methods included reviewing applicable State statutes and rules; federal laws and regulations; information from the general ledger related to revenues, expenditures and changes in fund balance for the Office, AFA, and GADA; and the Office's website, policies, procedures, and annual reports; as well as interviewing Office staff. In addition, we used the following specific methods to meet the audit objectives:

- To assess the Office's compliance with State conflict-of-interest requirements and alignment with recommended practices, we reviewed statute and State requirements, recommended practices, and the Office's conflict-of-interest policies. We obtained and reviewed the disclosure forms the Office's employees completed for ADOA when they were first hired as State employees.
- To assess the Office's compliance with statutory requirements related to public access to records and meetings, we reviewed applicable statutes and requirements and the Office's public records and open meeting policies and procedures. We obtained and reviewed documentation related to public records requests, website information, and meeting activities to determine whether the Office complied with public records and open meeting requirements.
- To assess the Office's compliance with statutory requirements related to preparing economic impact statements, we reviewed applicable statutes, rules, and Office documentation to identify the Office's responsibilities related to the impact statement process. We obtained an understanding of the Office's processes through interviews with Office personnel and review of documentation describing how impact statements are prepared and reviewed. We obtained a population of all impact statements prepared during July 2023 through January 2026 and analyzed workload and resource utilization associated with this activity. Based on our understanding of the Office's role and the types of impact statements prepared, we selected a judgmental sample consisting of two rulemakings, a one-year review, and a five-year review for detailed testing. For the selected items, we reviewed supporting documentation to determine the extent of the Office's review and analysis of agency-provided information, assess whether any independent verification procedures were performed, and evaluate whether the

information included in the impact statements accurately reflected the underlying information provided by agencies.

- To assess whether the Office sufficiently oversaw grant and financing programs administered during fiscal years 2024 and 2025, we reviewed statutes, rules, grant agreements, and program documentation to identify applicable requirements and oversight responsibilities. We obtained an understanding of each program's funding structure, eligibility requirements, and monitoring processes through interviews with Office personnel and review of supporting documentation. We identified all grant and financing programs administered by the Office and applied a judgmental sampling approach, considering factors such as materiality, risk of noncompliance, funding source, timing of activity within the audit scope, and prior audit coverage. Based on this assessment, we selected the Microbusiness Loan Program, the Quality Jobs Program, and the GADA Financial Assistance Program for detailed testing. For the selected programs, we reviewed grant and loan documentation, transaction data, and supporting records to determine whether expenditures, awards, and monitoring activities complied with applicable statutory, contractual, and program requirements.

We also reviewed the Office's previous performance audit and sunset review issued in 2022 and the 36-month followup of the 2022 performance audit and sunset review, which identified issues related to documentation, oversight, and compliance.

Our work on internal controls, including information system controls, included, where applicable, reviewing the Office's policies and procedures and testing the Office's compliance with these policies and procedures, as well as assessing compliance with State statutes. We reported on our conclusions on applicable internal controls in Finding 1, Finding 2 and Finding 3, pages 8 to 14.

We selected a sample of impact statements, Microbusiness Loan Program grant awards, Quality Jobs Program grant awards, and GADA Financial Assistance Program loan activities for testing to obtain 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 Office-provided data to support our findings and conclusions, we performed certain tests to ensure the data was sufficiently valid, reliable, and complete for the purposes of the audit objectives. Unless otherwise noted, we determined the Office-provided data was sufficiently valid, reliable, and complete for audit purposes.

We express our appreciation to Director Foote and Office staff for their cooperation and assistance throughout the audit.

# Appendix D: Office's response

The subsequent pages were written by the Office to provide a response to each of the findings and to indicate its intention regarding implementation of each of the recommendations resulting from the performance audit and sunset review conducted by Sikich.

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**KATIE HOBBS**
GOVERNOR

September 11, 2026

Elizabeth Kowalewski, MPA, CFE
Sikich
333 John Carlyle St. Suite 500
Alexandria, VA 22314

RE: Arizona Office of Economic Opportunity - Sunset Review Response

Dear Ms. Kowalewski,

The Office of Economic Opportunity (OEO) has reviewed and prepared its response to the performance audit and Sunset Review findings. On behalf of our leadership and staff, we appreciate the opportunity to provide this response and share the progress we are making.

We would like to express our appreciation to the team at Sikich for their professionalism, diligence, and constructive approach throughout this review process. Working alongside their team was a collaborative and positive experience, and we appreciate the insights provided to help strengthen our agency operations.

OEO views the report findings and recommendations as an opportunity to better serve Arizonans. We have already begun addressing the recommendations and look forward to completing the improvements outlined in the response explanations.

Sincerely,

Mary Foote
Principal Deputy Director

Enclosure: OEO Response to Audit Findings and Recommendations

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KATIE HOBBS
GOVERNOR

**Finding 1**: Instead of preparing impact statements as required by statute, the Office summarizes State agency-provided information, risking the publication of inaccurate or incomplete economic information and calling into question the value of the estimated $32,800 that the Office spends on the activity annually

Office response: The finding is agreed to.

Response explanation: OEO serves as a regulatory economist for the Governor's Regulatory Review Council (GRRC), interpreting agencies' Economic, Small Business, and Consumer Impact Statements pursuant to A.R.S. § 41-1052 to ensure rulemaking aligns with sound economic principles. OEO will revise policies and procedures to improve its documentation of verification processes and analytical assessments of agencies' Economic, Small Business, and Consumer Impact Statements.

**Recommendation 1:** Develop and implement formal policies and procedures to prepare economic, small business, and consumer impact statements, to include required verification processes and analyses.

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

Response explanation: OEO fulfills its statutory mandate under A.R.S. § 41-1052 by serving as a regulatory economist to review, verify, and interpret Economic, Small Business, and Consumer Impact Statements submitted by state agencies to the Governor's Regulatory Review Council (GRRC). OEO will revise policies and procedures to improve its documentation of verification processes and analytical assessments of agencies' Economic, Small Business, and Consumer Impact Statements.

**Recommendation 2:** When preparing economic, small business, and consumer impact statements, the Office should perform and document its independent analysis or verification of agency-provided information, supplemented with additional data and information.

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

Response explanation: OEO will revise policies and procedures to improve its documentation of verification processes and analytical assessments of agencies'

Economic, Small Business and Consumer Impact Statements.

**Recommendation 3:** Track and document the hours spent preparing and reviewing economic, small business, and consumer impact statements to support transparency, accountability, and oversight of the Office's role in the rulemaking process.

Office response: The audit recommendation will be implemented.

Response explanation: OEO will implement a time and effort tracking process to document hours spent verifying and assessing agencies' Economic, Small Business, and Consumer Impact Statements.

**Finding 2**: The Office reimbursed one Quality Jobs Program grant recipient $5,522.39 in excess of the approved award amount of $170,000, resulting in disbursements outside the authorized project budget

Office response: The finding is agreed to.

Response explanation: OEO concurs with the finding. The $5,522.39 represented eligible, verified Quality Jobs Program activities supporting necessary operational requirements; however, payment was released prior to executing a formal administrative modification to adjust the award ceiling. To prevent recurrence, OEO will perform a review of active program files and reinforce pre-disbursement controls to ensure that an executed contract amendment is fully documented in the record prior to authorizing any payment that exceeds an established award limit.

**Recommendation 4:** Strengthen grant payment and monitoring procedures to ensure reimbursements do not exceed approved award amounts and project budgets.

Office response: The audit recommendation will be implemented.

Response explanation: OEO concurs with Recommendation 4 and will implement the recommended measures. OEO will reinforce internal operating procedures to ensure adherence to the Arizona Grant Management Manual and utilize AZ360 automated financial controls to block disbursements exceeding authorized limits unless a formal written amendment is fully executed and updated in the system.

**Recommendation 5:** Implement a review process to reconcile cumulative grant payments to the approved award amount before payment is issued.

Office response: The audit recommendation will be implemented.

Response explanation: OEO concurs with Recommendation 5 and will implement the recommended measures. Under the oversight of OEO Finance and Grant Management personnel, OEO will enforce a pre-payment review process utilizing a standardized pre-payment reconciliation tool to verify cumulative disbursements against approved award totals, project budgets, and AZ360 encumbrances before releasing funds. Any request exceeding approved limits will be held until an official contract amendment is fully executed, with completed reconciliation records maintained to document compliance.

**Recommendation 6:** Document a review of the $5,522.39 that was reimbursed in excess of the approved award amount and take appropriate corrective action, including consultation with legal counsel and recovery of monies, if necessary.

Office response: The audit recommendation will be implemented.

Response explanation: OEO concurs with Recommendation 6. OEO Finance and Grant Management personnel will conduct a formal review of the $5,522.39 reimbursement to evaluate expenditure allowability and alignment with Quality Jobs Program objectives. Based on the outcome of this review, OEO will consult with legal counsel as appropriate to determine and execute any necessary follow-up actions, including potential recoupment of funds, and will maintain complete documentation of the final review in the grant records.

**Finding 3**: The Office did not adequately monitor grantees' use of Microbusiness Loan Program grant monies, creating the risk that grant monies were used for unallowable purposes

Office response: The finding is agreed to.

Response explanation: OEO will implement a standardized grantee monitoring framework to utilize desk-review protocols, itemized reporting, and financial reconciliations, retaining all compliance evaluations in the grant records.

**Recommendation 7:** Conduct a review of Microbusiness Loan Program grant reporting for fiscal year 2025 to determine which grantees did not submit all progress and financial reports or submitted reports that did not comply with grant agreement and program requirements, and take appropriate corrective action, as needed.

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Office response: The audit recommendation will be implemented.

Response explanation: OEO will review its inventory of performance and finance reports provided by contracted lenders received in FY2025 to execute appropriate corrective actions or outreach.

**Recommendation 8:** In conjunction with Recommendation 7, review reported Microbusiness Loan Program grant expenditures for fiscal year 2025 to determine whether grantees' reported costs were allowable and complied with loan limits, fee caps, use-of-funds restrictions, approved budgets, and program objectives, and take appropriate corrective action, as needed.

Office response: The audit recommendation will be implemented.

Response explanation: OEO will conduct a targeted expenditure review for FY2025 Microbusiness grants in conjunction with Recommendation 7. Evaluating records against the State of Arizona Accounting Manual (SAAM) and statutory grant guidelines, OEO will verify that reported costs complied with loan limits, fee caps, and use-of-funds restrictions. Should unallowable costs or non-compliant fee structures be identified, OEO will execute appropriate corrective actions, including consultation with legal counsel regarding recovery of funds if necessary, with all determinations fully documented in the grant records.

**Recommendation 9:** Utilize the processes to address Recommendations 7 and 8 to provide adequate oversight of the Microbusiness Loan Program grants for fiscal year 2026 and any subsequent years until Recommendation 10 has been implemented.

Office response: The audit recommendation will be implemented.

Response explanation: OEO will apply the monitoring, reporting, and expenditure verification processes established under Recommendations 7 and 8 to provide continuous oversight for FY2026 Microbusiness grants and subsequent cycles. OEO will utilize these standardized oversight procedures, itemized reporting requirements, and expenditure reviews to ensure grant funds strictly adhere to approved budgets, fee caps, and program restrictions, with all ongoing compliance activities fully documented in the grant records.

**Recommendation 10:** Revise and implement policies and procedures that require grantees to submit additional supporting documentation with their quarterly reports, with sufficient detail to enable the Office to assess compliance with loan limits, fee caps, use-of-funds restrictions, and approved budgets. These procedures should address appropriate corrective or enforcement actions, as necessary, to ensure compliance.

Office response: The audit recommendation will be implemented.

Response explanation: OEO will update and enforce standardized grantee reporting procedures requiring enhanced supporting documentation with periodic reports to verify compliance with loan limits, fee caps, use-of-funds restrictions, and approved budgets. These procedures will outline clear administrative options to address non-compliance, with all submission reviews fully documented in the grant records.

**Recommendation 11:** Perform and document timely follow-up actions to address identified deficiencies or instances of noncompliance.

Office response: The audit recommendation will be implemented.

Response explanation: OEO will establish a standardized tracking mechanism to perform and document timely follow-up actions whenever reporting deficiencies or non-compliance are identified. This process will track outstanding grantee non-compliance items, set target resolution timelines, and maintain records of technical assistance, corrective action plans, and final determinations in the grant files.

**Sunset Factor 2**: The Office's effectiveness and efficiency in fulfilling its key statutory objectives and purposes.

**GADA did not include information about monitoring and oversight in loan agreements, creating the risk of noncompliance**

Office response: The finding is agreed to.

Response explanation: The Greater Arizona Development Authority (GADA) is actively revising its template loan repayment agreements to mandate annual borrower compliance submissions, such as compliance certificates during active expenditure phases and annual financial audits throughout the agreement lifecycle. Furthermore, GADA has engaged qualified third-party compliance contractors to assist with continuing disclosures and ongoing oversight for prior and active obligations.

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**Recommendation 12:** Ensure that all Financial Assistance Program loan agreements explicitly define GADA's roles, responsibilities, and monitoring expectations, including specific oversight activities GADA will perform to monitor borrower compliance with statutory requirements, program terms, and allowable use of funds.

Office response: The audit recommendation will be implemented.

Response explanation: GADA is actively incorporating language into its standard Financial Assistance Program loan agreement templates to define the agency's roles, responsibilities, and statutory authority. These updated templates will clearly outline borrower reporting requirements, allowable use of funds, and the specific monitoring activities GADA and its compliance agents will execute.

**Recommendation 13:** Perform, document, and retain evidence of periodic oversight activities over Financial Assistance Program loan activities to assess compliance with statutory requirements, program terms, and repayment or performance expectations, and ensure that identified deficiencies are timely addressed through documented corrective actions.

Office response: The audit recommendation will be implemented.

Response explanation: GADA will formalize standardized operating procedures to perform, document, and retain evidence of periodic loan monitoring activities. Working in coordination with its third-party compliance contractors for continuing disclosures, GADA will systematically monitor borrower compliance certificates, progress updates, and financial audits, ensuring any identified deficiencies are addressed through documented follow-up actions maintained in the loan records.