

Arizona Board of Regents (ABOR) University-Affiliated Organizations

Universities have not consistently followed ABOR's guidelines governing university relationships with affiliated organizations, limiting full transparency and accountability for some university resources provided to and the benefits received from these organizations, nor did ABOR regularly receive information on affiliated organization activities

Audit purpose

To determine whether ABOR's guidelines governing university-affiliated organizations, such as university foundations and alumni associations, were consistent with recommended practices; the extent to which the universities complied with these guidelines; and whether ABOR's oversight helped ensure university compliance with its guidelines.

Key findings

- ABOR defines affiliated organizations as legally separate nonprofit corporations that hold economic resources and carry out activities primarily in support of the universities; and the State's 3 universities have established relationships with 19 affiliated organizations, including fundraising foundations, real estate organizations, and alumni associations.
- In fiscal year 2019, the universities' affiliated organizations made \$253.5 million in payments to benefit the universities for various purposes, including donations and scholarships, and the universities paid \$102.8 million to their affiliated organizations for various purposes, including service fees, real estate debt service, and expense reimbursements.
- Universities lacked current agreements and complete documentation and disclosure of some transactions with some of their affiliated organizations, limiting their ability to demonstrate the public purpose of university resources provided to these organizations and hold them accountable for providing expected benefits and agreed-upon services.
- ABOR's affiliated organization guidelines lack some requirements to ensure full transparency and accountability and ABOR has not explicitly overseen universities' compliance with its guidelines.
- ABOR has not required universities to report information it needs to identify, monitor, and mitigate risks associated with affiliated organization activities such as mismanagement, investment losses, and fraud.

Key recommendations

ABOR should:

- Revise its affiliated organization guidelines and/or policies to require the universities to enter into and periodically review and update written agreements with all affiliated organizations with which they have established relationships.
- Require the universities to document the exchange of public resources provided to affiliated organizations and the benefits and services that the affiliated organizations will provide to the universities and/or the State university system in a written agreement.
- Develop and implement a process to help ensure the universities comply with its affiliated organization guidelines.
- Develop and implement a process and/or use existing processes to regularly obtain information from the universities about affiliated organizations' activities and their associated risks and liabilities to help ensure it can identify and monitor risks and their potential impact to the universities and ABOR.