

Arizona Office of Economic Opportunity

Office provides economic, demographic, and tax research and analysis for the State but lacked documentation of benefits received for payments made to Commerce Authority, and Arizona Finance Authority, a related entity, lacked oversight controls for some key activities increasing risk for errors and fraud

Audit purpose

To determine if the Office complied with applicable requirements related to its expenditures and if the Arizona Finance Authority (AFA), which statute established within the Office, implemented oversight controls for the Arizona Industrial Development Authority (AIDA), and provide information related to the AIDA's conduit bond program and responses to the statutory sunset factors.

Key findings

- The Office was established in 2016 to consolidate and improve analytic capacity for the State by providing economic, demographic, regulatory, and tax research and analysis. The laws establishing the Office also established the AFA within the Office and required the AFA Board of Directors to serve as the board for the AIDA.
- The Office uses various processes to help meet its statutory objectives and purposes including monitoring the State's tax and regulatory competitiveness, collecting and analyzing information included in the State's workforce plan, and producing annual population estimates for the State.
- The Office lacked evidence to demonstrate the benefits it received in exchange for more than \$260,000 it annually paid to the Arizona Commerce Authority for administrative and technical services in fiscal years 2020 through 2022 and the Office allocated some of these costs to federal programs potentially inconsistent with federal requirements.
- The AFA Board had not implemented internal controls for managing and overseeing some AIDA activities, such as its conduit bond program which issued approximately \$2 billion in conduit bonds in fiscal year 2022, resulting in increased risk for errors and fraud.
- The AIDA's costs to operate its conduit bond program in fiscal year 2021 were at least 70 percent higher than 3 other conduit issuer entities we reviewed.

Key recommendations

The Office should:

- Develop and implement processes to ensure the benefits and services the Arizona Commerce Authority provides to the Office are commensurate with the costs it pays the Arizona Commerce Authority.
- Ensure it complies with federal requirements for allocating costs to federal programs.

The AFA Board should:

- Ensure the AIDA Board of Directors develops and implements a comprehensive system of internal controls for the AIDA's activities.
- Ensure the AIDA conducts an analysis of the conduit bond program's operational costs to identify potential cost savings.