

Arizona Commerce Authority (ACA)

ACA manages various business incentives; spent more than \$2.4 million hosting 5 private CEO Forums, reportedly to market Arizona to companies; and is at increased risk of fraud and waste of public monies because it lacked documentation it verified businesses met some requirements for nearly \$11 million in incentives

Audit purpose

To determine whether the ACA (1) verified businesses met certain tax credit and grant requirements before distributing monies or approving use of tax credits, (2) ensured that some Arizona Competes Fund grant applicants satisfied all requirements prior to awarding grants, and (3) established policies and procedures for awarding and monitoring broadband development grants; and to provide information related to the ACA's private CEO Forums and responses to the statutory sunset factors.

Key findings

- The ACA was established to help grow/diversify the State's economy; create jobs through expansion, attraction, and retention of businesses; and market the State for these purposes. The ACA administers various tax incentives and grants; manages the State's broadband and foreign trade offices; and hosts events for business executives.
- Statute and the ACA's grant agreements outline job creation/capital investment targets for businesses to qualify for tax credits and grant monies, but the ACA lacked documentation it verified business-reported information to ensure they met some targets before approving nearly \$11 million in incentives, increasing risk of fraud/waste of public monies.
- The ACA met some statutory objectives we reviewed but lacked statutorily required documentation from some grant recipients, guidance for evaluating grant applicants, and policies and procedures for administering nearly \$100 million for the Arizona Broadband Development Grant program, increasing risk for misuse and inaccurately accounting for and reporting on use of grant monies.
- The ACA spent more than \$2.4 million between 2018 and 2023 hosting 5 private CEO Forums that the ACA reported were marketing campaigns held around the Waste Management Phoenix Open (WMPO) golf tournament and the 2023 Super Bowl, attended by private sector executives, their spouses, and ACA staff.
 - As of June 2023, the ACA reported that 23 of the 118 companies whose executives attended the 2018 through 2023 private CEO Forums proposed potential nonbinding investment and jobs commitments in Arizona.
 - CEO Forum expenditures included items such as hotel rooms; transportation; suites at the WMPO; a Super Bowl sponsorship providing attendees access to Super Bowl LVII and related VIP events; food and alcohol; conference rooms for educational activities; various gifts such as hats and sunglasses; and opportunities to attend other events, such as a VIP nightclub/concert at the WMPO, and the Super Bowl Music Festival.
 - The ACA reported it consulted with in-house legal counsel and third-party attorneys on compliance of CEO Forums with State laws.

Key recommendations

The ACA should:

- Ensure tax credit and grant recipients meet all requirements by developing procedures for verifying recipient-reported information and documenting this verification prior to approving tax credits or distributing grant monies.
- Ensure adequate oversight of its Arizona Broadband Development Grant program.