ARIZONA HOUSE OF REPRESENTATIVES
Fifty-seventh Legislature - Second Regular Session

COMMITTEE ON COMMERCE

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JAN 20 2026

Report of Regular Meeting
Tuesday, January 13, 2026
House Hearing Room 5 -- 2:00 P.M.

Convened 2:01 P.M.
Adjourned 4:22 P.M.

Members Present
Representative Aguilar
Representative Blackman
Representative Carter
Representative Cavero
Representative Connolly
Representative Diaz
Representative Hendrix
Representative Villegas
Representative Wilmeth
Representative Way, Vice-Chairman
Representative Weninger, Chairman

Members Absent

Agenda
Original Agenda – Attachment 1

Request to Speak
Report – Attachment 2

Committee Attendance
Report – Attachment 3

Presentations

Name	Organization	Attachments (Handouts)
Liam VanPelt	Arizona Office of the Auditor General Sunset Review-Arizona Department of Gaming	4
	Arizona Office of the Auditor General Sunset Review-Arizona Racing Commission	4
	Arizona Office of the Auditor General Sunset Review-Arizona State Boxing and Mixed Martial Arts Commission	4
Jackie Johnson, Director	Arizona Department of Gaming	5

Katie Grzybowski	Arizona Office of the Auditor General Sunset Review-Arizona Board of Barbering and Cosmetology	9
Frank Migali, Director	Arizona Barbering & Cosmetology Board	10
Katie Grzybowski	Arizona Office of the Auditor General Performance Audit – Arizona Sports and Tourism Authority	12
Tom Sadler, President	Arizona Sports and Tourism Authority	13

Committee Action

	Action	Vote	Attachments
Recommendation	Arizona Department of Gaming Continuation for 2 years	7-4-0-0	6
Recommendation	Arizona Racing Commission Continuation for 6 years	10-1-0-0	7
Recommendation	Arizona Boxing and MMA Commission Continuation for 6 years	11-0-0-0	8
Recommendation	Arizona Board of Barbers and Cosmetology Continuation for 6 years	10-0-0-1	11

Abby Selvey, Committee Secretary
January 16, 2026

(Original attachments on file in the Office of the Chief Clerk; video archives available at http://www.azleg.gov)

Conv: 2:01 p.m
Adjourn: 4:22 p.m

REVISED #2 - 1/12/26 **REVISED #2 - 1/12/26** **REVISED #2 - 1/12/26**

ARIZONA HOUSE OF REPRESENTATIVES
Fifty-seventh Legislature - Second Regular Session

REGULAR MEETING AGENDA

COMMITTEE ON COMMERCE

DATE Tuesday, January 13, 2026 ROOM HHR 5 TIME 2:00 P.M.

Members of the public may access a livestream of the meeting here:
https://www.azleg.gov/videoplayer/?clientID=6361162879&eventID=2026011006

Members:

Representative Aguilar	Representative Connolly	Representative Wilmeth
Representative Blackman	Representative Diaz	Representative Way, Vice-Chairman
Representative Carter, N.	Representative Hendrix	Representative Weninger, Chairman
Representative Cavero	Representative Villegas	

Acting as the House Commerce Committee of Reference

1. Sunset Review of the Arizona Department of Gaming
   - Presentation by the Office of the Auditor General
   - Response by the Department of Gaming
   - Public Testimony
   - Discussion and Recommendation - 2 year cont. 7-4-0-0
2. Sunset Review of the Arizona Racing Commission
   - Presentation by the Office of the Auditor General
   - Response by the Arizona Racing Commission
   - Public Testimony
   - Discussion and Recommendation - 6 year cont 10-1-0-0
3. Sunset Review of the Arizona State Boxing and Mixed Martial Arts Commission
   - Presentation by the Office of the Auditor General
   - Response by the Arizona State Boxing and Mixed Martial Arts Commission
   - Public Testimony
   - Discussion and Recommendation - 6 year cont. 11-0-0-0
4. Sunset Review of the Arizona Board of Barbering and Cosmetology
   - Presentation by the Office of the Auditor General
   - Response by the Arizona Board of Barbering and Cosmetology
   - Public Testimony
   - Discussion and Recommendation - 6 year cont. 10-0-0-1
5. Review of the Office of the Auditor General's Performance Audit of the Arizona Sports and Tourism Authority
   - Presentation by the Office of the Auditor General
   - Response by the Arizona Sports and Tourism Authority
   - Public Testimony
   - Discussion - No Motion

VC
~~01/07/2026~~
01/12/2026

People with disabilities may request reasonable accommodations such as interpreters, alternative formats, or assistance with physical accessibility. If you require accommodations, please contact the Chief Clerk's Office at (602) 926-3032 or through Arizona Relay Service 7-1-1.

ATTACHMENT 1

Information Registered on the Request to Speak System

House Commerce (1/13/2026)

1, Sunset Review of the Arizona Department of Gaming

2, Sunset Review of the Arizona Racing Commission

3, Sunset Review of the Arizona State Boxing and Mixed Martial Arts Commission

4, Sunset Review of the Arizona Board of Barbering and Cosmetology

5, Review of the Office of the Auditor General's Performance Audit of the Arizona Sports and Tourism Authority

ATTACHMENT 2

ARIZONA STATE LEGISLATURE

Fifty-seventh Legislature - Second Regular Session

COMMITTEE ATTENDANCE RECORD

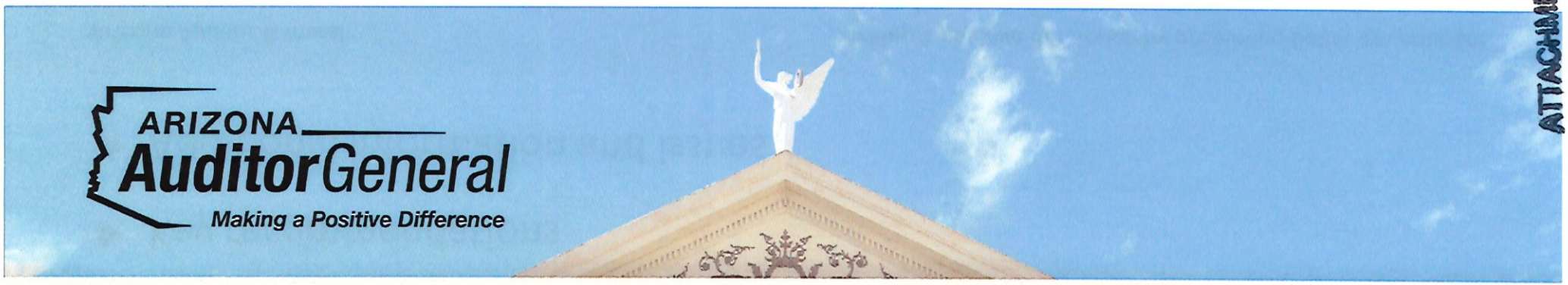
COMMITTEE ON **COMMERCE**

CHAIRMAN: Jeff Weninger VICE-CHAIRMAN: Michael Way

DATE	01/13/26	
CONVENED	2:01 p.m	
RECESSED		
RECONVENED		
ADJOURNED	4:22 pm	
MEMBERS	PRESENT	NOT PRESENT
Aguilar	✓	
Blackman	✓	
Carter N	✓	
Cavero	✓	
Connolly	✓	
Diaz	✓	
Hendrix	✓	
Villegas	✓	
Wilmeth	✓	
Way, Vice-Chairman	✓	
Weninger, Chairman	✓	
TOTAL 11	11	–

ATTACHMENT 3

ATTACHMENT 4

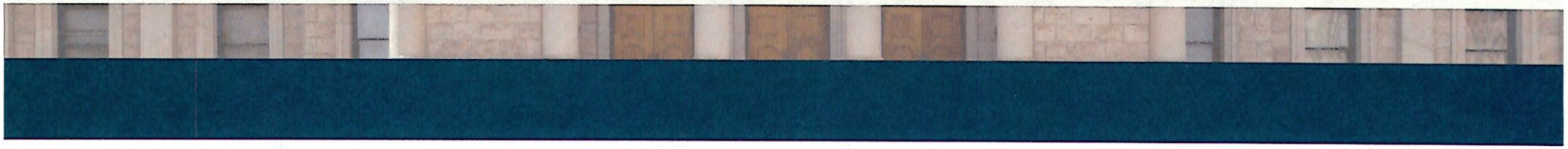


Arizona Department of Gaming, Racing Commission, and Boxing and MMA Commission

Performance Audit and Sunset Review

January 13, 2026

Liam VanPelt



PRESENTATION OVERVIEW

- Key context
- Positive performance
- Problems identified
- Why the problems matter
- What led to the problems
- Key recommendations
- Additional information and issues

KEY CONTEXT

Department history and purpose

- Department of Gaming established in 1995 to fulfill Tribal-State Gaming Compact responsibilities
- Jackie Johnson serves as director
- Auditor General conducted Department's last sunset review in 2018

KEY CONTEXT

Department's key responsibilities

- Regulating tribal gaming, event wagering and fantasy sports contests, and horse racing
- Supporting education, prevention, and treatment efforts aimed at reducing problem gambling
- Providing staff support to the Racing Commission and the Boxing and MMA Commission

KEY CONTEXT

Racing Commission history and responsibilities

- Racing Commission established in 1949 to regulate and supervise horse racing and wagering in the State
- Racing Commission consists of 5 Governor-appointed members
- Racing Commission responsible for approving racetrack permits
- Auditor General last reviewed Racing Commission in 2007 and it conducted a self-review in 2024

KEY CONTEXT

Boxing and MMA Commission history and responsibilities

- Boxing/MMA Commission established in 1958 and is responsible for regulating and supervising all boxing, kickboxing, tough man, and mixed martial arts events in Arizona
- Boxing/MMA Commission consists of 3 Governor-appointed members
- Boxing/MMA Commission responsibilities including issuing licenses to event promoters and participants
- Auditor General last reviewed Boxing/MMA Commission in 2000 and it conducted a self-review in 2017

POSITIVE PERFORMANCE

Department met requirements for some responsibilities

- Distributed more than $158 million in tribal contributions to various State programs and funds in FY 2024, in accordance with statute
- Issued event wagering operator licenses to qualified applicants

POSITIVE PERFORMANCE

Racing Commission met requirements for key statutory responsibility

- Commission conducted hearings related to and approved application for renewal of commercial racetrack permit
- First hearing on permit application in July 2024
  - Not granted due to necessary racetrack repairs and financial review
- Approved application in August 2025

PROBLEMS IDENTIFIED

1

Department did not consistently obtain and review operators' independent audit reports

2

Department and Commissions did not comply with some conflict-of-interest requirements

3

Department and Boxing/MMA Commission lacked complaint handling processes

KEY CONTEXT

Licensed event wagering and fantasy sports operators statutorily required to pay privilege fees

- Event wagering and fantasy sports contest operators must pay monthly fees to the Department for privilege of operating event wagering or fantasy sports contests in the State
- Most privilege fee revenues are remitted to State General Fund
- Privilege fees for event wagering and fantasy sports operators based on adjusted receipts or revenues

PROBLEM IDENTIFIED

Department did not consistently obtain and review independent audit reports to ensure accuracy of reported revenues and associated privilege fees

- Department policy requires staff to review operators' independent audit reports to verify revenues and associated fee amounts due
- In 2023, Department did not review audit reports for:
  - 15 of 17 licensed event wagering operators
  - All 10 licensed fantasy sports contest operators

WHY THE PROBLEM MATTERS

Risks of not reviewing independent audit reports to verify operators paid correct privilege fee amounts

- Failure to identify operator underpayments results in lost State revenues
- Failure to identify operator overpayments could negatively impact the operators' revenues and profits

WHAT LED TO THIS PROBLEM

Department lacks accountability mechanisms for ensuring it obtains and reviews audit reports

- Department lacked process to track receipt of and review independent audit reports and:
  - Follow up with operators or their independent auditors
  - Take disciplinary action, such as issuing fines, to noncompliant operators

PROBLEMS IDENTIFIED

1

Department did not consistently obtain and review operators' independent audit reports

2

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3

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PROBLEM AND WHY IT MATTERS

Failure to comply with conflict-of-interest requirements

- Department and commissions lacked comprehensive conflict-of-interest policies and procedures
- Noncompliance with conflict-of-interest requirements increases risk that substantial interests that might influence or affect official conduct are not disclosed

PROBLEM IDENTIFIED

1

Department did not consistently obtain and review operators' independent audit reports

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Department and Commissions did not comply with some conflict-of-interest requirements

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Department and Boxing/MMA Commission lacked complaint handling processes

PROBLEM AND WHY IT MATTERS

Department and Boxing and MMA Commission lacked processes for tracking and resolving all complaints

- Department unable to demonstrate if it timely and appropriately investigated and resolved most complaints it received
- Both Department and Boxing and MMA Commission lacked comprehensive processes for handling and resolving complaints
- Lack of comprehensive complaint-handling processes limits ability to ensure complaints are timely investigated and resolved, increasing risk to public welfare and safety

RECOMMENDATIONS OVERVIEW

16 recommendations to Department, including:

- Obtain and review independent audit reports
- Develop and implement conflict-of-interest policies and procedures
- Establish comprehensive complaint-handling processes

5 recommendations to Racing Commission, including:

- Develop and implement conflict-of-interest policies and procedures

9 recommendations to Boxing and MMA Commission, including:

- Develop and implement conflict-of-interest policies and procedures
- Establish comprehensive complaint-handling processes

ADDITIONAL INFORMATION

Tribal-State Gaming Compact Questions and Answers

- Information on the Compact's development and requirements
- Key changes to Compact negotiated between Governor's Office and tribes in 2021
  - New gaming categories
  - Changes to the number of casinos allotted to certain tribes

ADDITIONAL INFORMATION

Tribal-State Gaming Compact Questions and Answers

- Compact Trust Fund established to mitigate impacts to certain tribes from expanded gaming
- Department responsible for distributing monies to beneficiary tribes consisting of:
  - Category 2 tribes, which do not conduct gaming operations
  - Category 3 tribes, which conduct gaming operations

PROBLEM IDENTIFIED

Department has not timely made payments to some tribes

- Department distributed monies to 2 Category 2 tribes 5 months late in FY 2024.
- Department has not yet distributed monies to any Category 3 tribes
  - Category 3 tribes in ongoing negotiations regarding formula for distributions
- 2 recommendations to the Department

OTHER ISSUES IDENTIFIED

18 additional recommendations to Department

- Lacked policies and procedures for some State information technology (IT) security requirements
- Lacked documentation to demonstrate qualification of horse racing licensing applicants
- Has not developed a process to regularly evaluate appropriateness of horse racing license and permit fees
- Noncompliance in other sunset factor areas including rule adoption and fulfilling public records requests

OTHER ISSUES IDENTIFIED

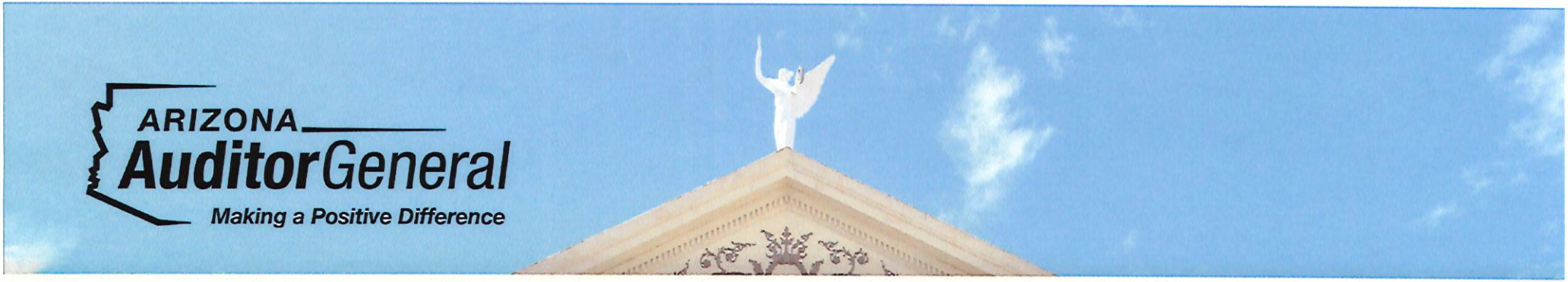
1 additional Racing Commission recommendation

- Require staff to provide a written notice explaining to requestors the reason for any delays in fulfilling a public records request

OTHER ISSUES IDENTIFIED

4 additional recommendations to the Boxing and MMA Commission

- Issued licenses to some applicants who did not demonstrate they met all statutory and rule requirements in CY 2023
- Had not developed a process to regularly evaluate its licensing and permit fees, nor regularly assessed the costs of regulatory activities

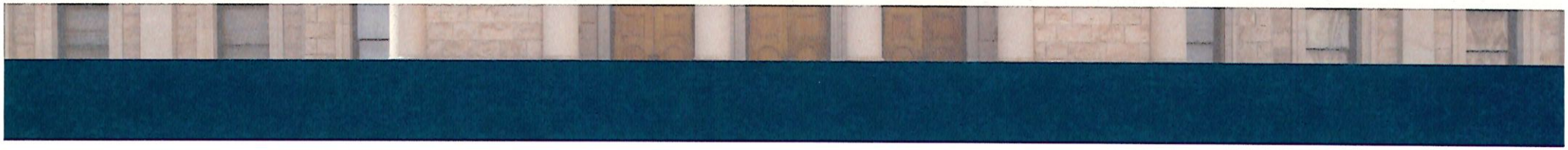


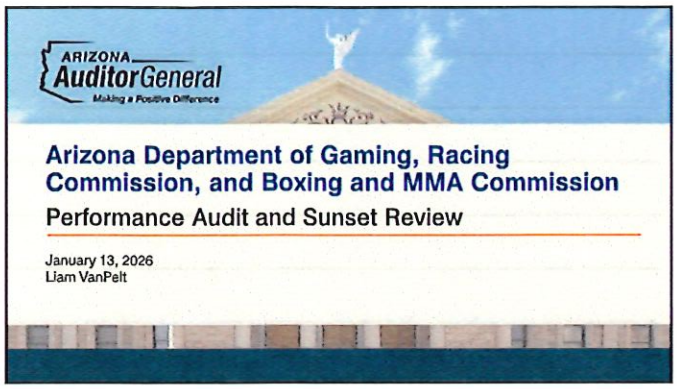
Arizona Department of Gaming, Racing Commission, and Boxing and MMA Commission

Performance Audit and Sunset Review

January 13, 2026

Liam VanPelt





1

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WHY THE PROBLEM MATTERS

Risks of not reviewing independent audit reports to verify operators paid correct privilege fee amounts

- Failure to identify operator underpayments results in lost State revenues
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WHAT LED TO THIS PROBLEM

Department lacks accountability mechanisms for ensuring it obtains and reviews audit reports

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PROBLEMS IDENTIFIED

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PROBLEM AND WHY IT MATTERS

Failure to comply with conflict-of-interest requirements

- Department and commissions lacked comprehensive conflict-of-interest policies and procedures
- Noncompliance with conflict-of-interest requirements increases risk that substantial interests that might influence or affect official conduct are not disclosed

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PROBLEM IDENTIFIED

1. Department did not consistently obtain and review operators' independent audit reports
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RECOMMENDATIONS OVERVIEW

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- Establish comprehensive complaint-handling processes

5 recommendations to Racing Commission, including:
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- Lacked documentation to demonstrate qualification of horse racing licensing applicants
- Has not developed a process to regularly evaluate appropriateness of horse racing license and permit fees
- Noncompliance in other sunset factor areas including rule adoption and fulfilling public records requests

22

OTHER ISSUES IDENTIFIED

1 additional Racing Commission recommendation

- Require staff to provide a written notice explaining to requestors the reason for any delays in fulfilling a public records request

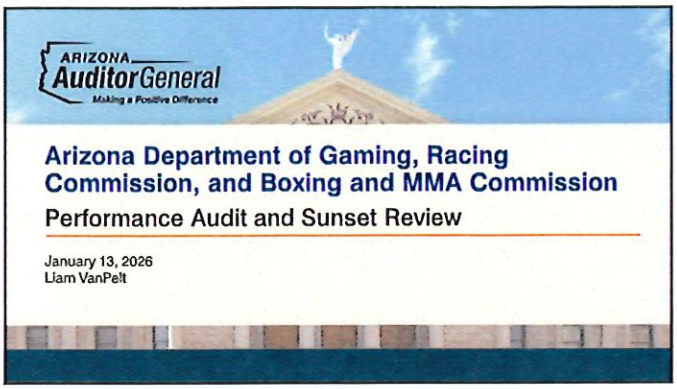
23

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4 additional recommendations to the Boxing and MMA Commission

- Issued licenses to some applicants who did not demonstrate they met all statutory and rule requirements in CY 2023
- Had not developed a process to regularly evaluate its licensing and permit fees, nor regularly assessed the costs of regulatory activities

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ARIZONA
AuditorGeneral
Making a Positive Difference
Arizona Department of Gaming, Racing Commission, and Boxing and MMA Commission
Performance Audit and Sunset Review
January 13, 2026
Liam VanPelt

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ATTACHMENT 5

AZ DEPARTMENT OF GAMING

Performance Audit and Sunset Review
Presentation to Committee of Reference

January 13, 2026

Arizona Department of Gaming
– Director Jackie Johnson

Agency Overview

Established by the Arizona State Legislature in 1995.

118 FTE & $37.6M Budget

The Department is funded primarily through tribal gaming contributions, event wagering privilege fees, fantasy sports privilege fees, and regulatory assessments.

Our North Star:

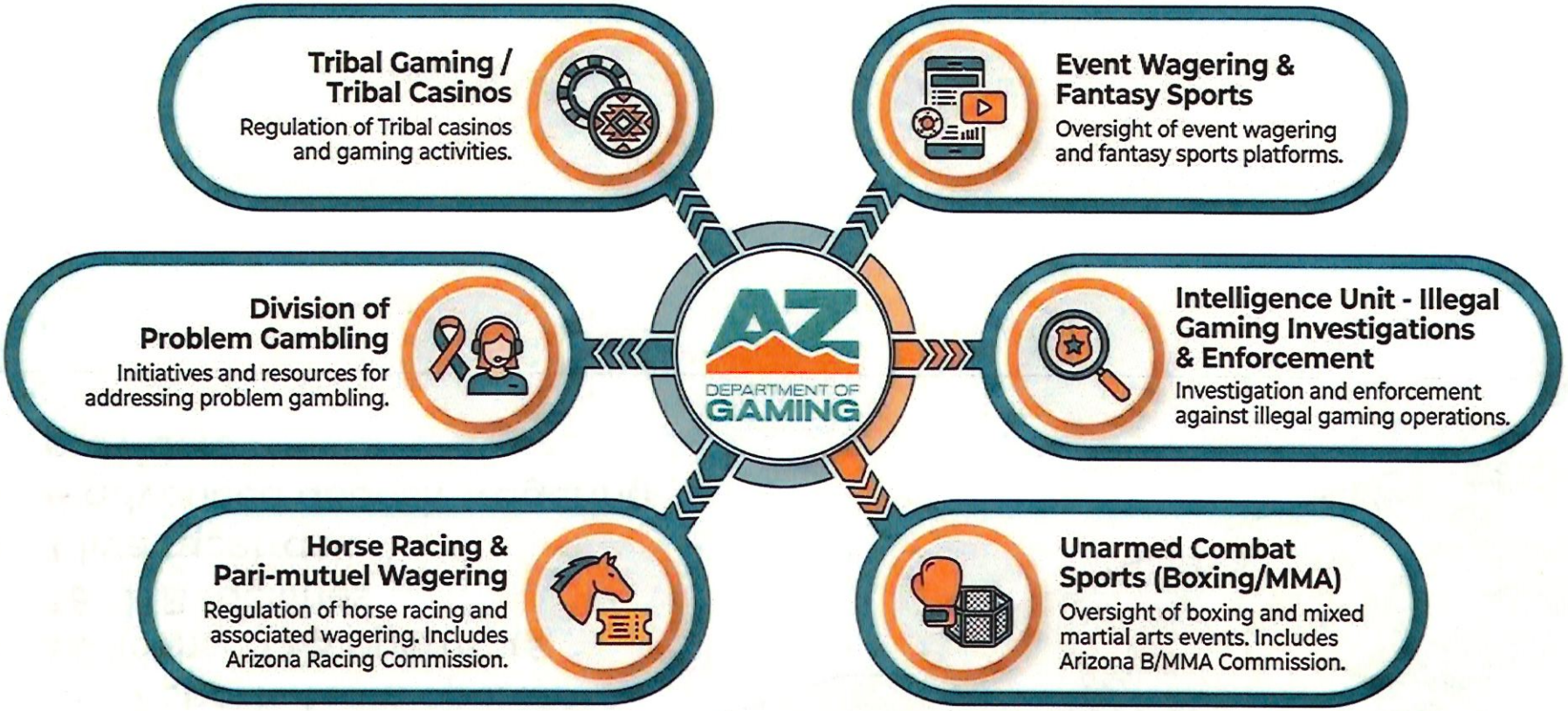
- World-class gaming regulation benefitting all of Arizona

How We Achieve This:

- Fair and effective regulation
- Collaboration and transparency with tribal and intergovernmental partners and industry stakeholders
- Education for consumers including how to access problem gambling support

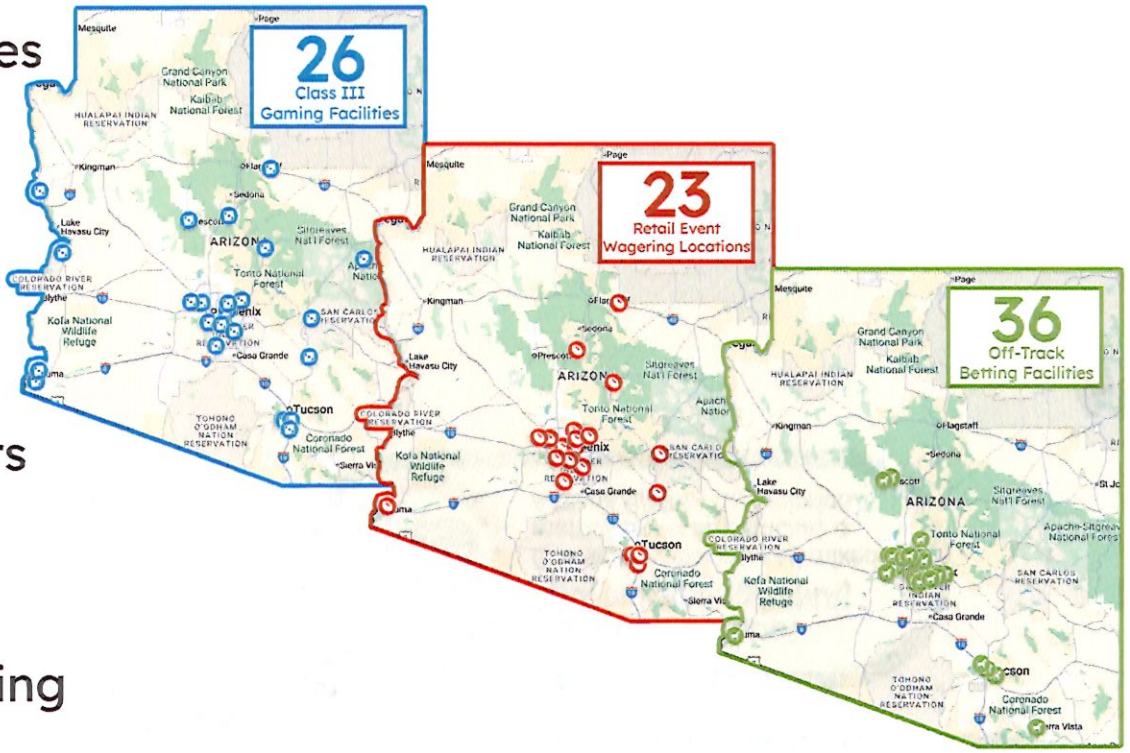
AZ GAMING

The Department At-a-Glance



State of Gaming in AZ

- **26** Class III gaming facilities operated by 16 Tribes
- **23** retail EW facilities
  - **20** tribal facilities
  - **3** sports team facilities
- **14** licensed EW operators
  - **7** tribal operators
  - **7** sports team operators
- **14** licensed FS operators
- **36** OTB facilities
- **1** live racetrack
- **4** advanced deposit wagering providers

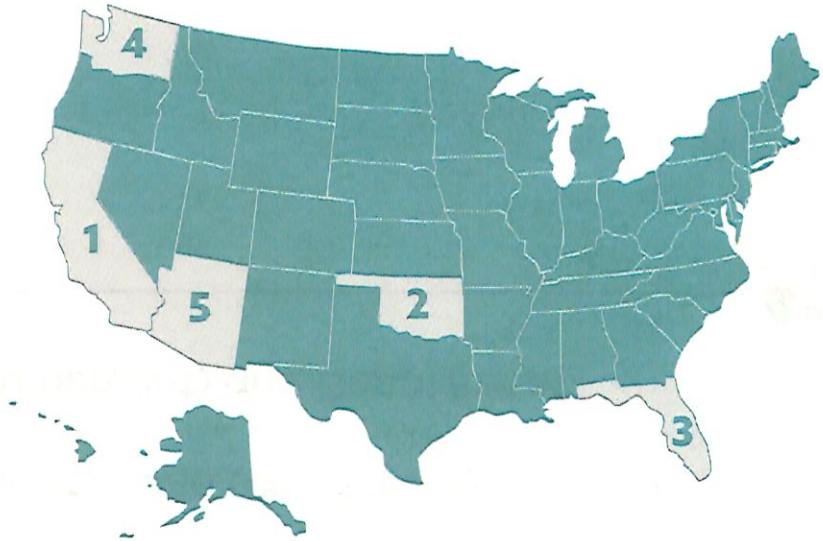


Economic Impact of Gaming

Cumulative financial impacts to Arizona:

- Tribal Casinos since 2004: $2.2 billion to the state and $281 million to local governments; a total of $2.5 billion through 12/31/2025.
- Event Wagering & Fantasy Sports since 2021: $162 million to the state through 12/31/2025.

AZ is 5th in Tribal Revenue Share Nationwide



AZ DEPARTMENT OF GAMING

Fiscal Year 2025 & Where the Money Goes

Financial impacts to the state, cities, towns, and counties:

Tribal contributions in last fiscal year:

- $163 million to the state
- $22 million to cities, towns, and counties

EWFS privilege fees in last fiscal year:

- $44 million to the state via EW privilege fees
- $1.5 million to the state via FS privilege fees

Where the money goes:

- Tribal contributions go to the Arizona Benefits Fund (88 percent) and Cities, Towns, and Counties (12 percent)
- Privilege fees flow to the General Fund (90 percent) and Department regulation (10 percent)

Combating Illegal Gaming Operations

THE THREAT: ILLEGAL GAMING



Undermines consumer protections.

Bypasses regulatory safeguards.

Diverts revenue from lawful operators and public programs.

COLLABORATION & ACTION

Works closely with local, state, and federal law enforcement & prosecutors.

Investigates and takes action against illegal operations.

ENFORCEMENT GOALS

Protecting the public.

Maintaining the integrity of Arizona's regulated gaming markets.

Ensuring a level playing field for compliant operators.

Consumer Protection & Public Safety

Check Your Bet: statewide initiative to combat illegal gambling, connecting the public with trusted resources and information.

Too Young To Bet: new statewide initiative to raise awareness about the risks of youth gambling and help prevent early exposure to gambling.





Serving Arizonans



Key milestones and wins include:

- Launched legal event wagering on September 9, 2021, just five months after legalization, one of the fastest regulatory rollouts in the country.
- The Department's Debt Set-Off Program intercepted $1.66 million in event wagering/fantasy sports winnings on behalf of Arizona courts and other state agencies since the beginning of its intergovernmental collaboration.
- The Division of Problem Gambling funded $1.5 million in direct treatment for problem gambling in FY25 and recently awarded the state's first-ever peer support program dedicated exclusively to problem gambling.
- Digital public service campaigns generated over 4 million digital impressions in FY 2025, driving consumer awareness and knowledge of responsible gambling and problem gambling.

Department Audit Response & Progress

100%

Percent of recommendations in progress

Finding #1: The Department did not consistently obtain & review EWFS operators' third-party audit reports

- Agrees to all recommendations
- Has begun implementation of the 6 recommendations

Recommendation 1: The Dept. has begun implementation of the recommendation through issuing guidance to operators on 3rd party audits and the implementation of a new system (Salesforce) to modernize and streamline the audit report process.

Recommendation 2-4: The Dept. has begun conducting a comprehensive review of event wagering and fantasy sports operators' independent audit reports submitted since 2021. The Department will require corrective action for any identified deficiencies, overpayments, or underpayments, and will update internal policies, procedures, and staff training to support ongoing compliance.

Recommendation 5-6: The Dept. has begun reviewing and revising applicable policies and procedures related to the review of independent audit reports for event wagering and fantasy sports operators. Revised policies will be communicated to licensed operators, and agency staff will be trained to support consistent and effective implementation.

AZ DEPARTMENT OF GAMING

Department Audit Response & Progress

100%

Percent of recommendations in progress

Finding #2: The Department lacks a comprehensive complaint handling processes

- Agrees to all recommendations
- Has begun implementation of the 6 recommendations

Recommendation 7-9: The Dept. identified constituent inquiry and complaint handling as a strategic breakthrough project on our strategic plan. This initiative includes developing and implementing comprehensive policies and procedures, establishing complaint-tracking mechanisms to ensure timely investigation and resolution, and making complaint-handling information readily available on the Department's website.

Recommendation 10: The Dept. has begun revising its complaint-tracking processes to ensure Tribal Gaming Offices are notified within 48 hours of the receipt or report of a complaint alleging Compact noncompliance.

Recommendation 11: The Dept. has established processes and is updating its electronic complaint-tracking system to ensure final letters are sent to complainants within five days after completing an investigation, where an investigation is warranted.

Recommendation 12: The Dept. has incorporated Ombudsman-requested language into patron communications and developing policies and procedures to ensure timely status updates to complainants and appropriate follow-up with licensees that fail to take or respond to recommended corrective actions.

AZ DEPARTMENT OF GAMING

Department Audit Response & Progress

75%

Percent of recommendations completed

Finding #3: Department, Racing Commission, and Boxing and MMA Commission did not comply with some State conflict of interest requirements.

- Agrees to all recommendations
- Has completed 3 of the 4 recommendations and the 4th is in progress

Recommendation 13 & 16: The Department has finalized a conflict-of-interest policy and disclosure forms for Department staff, requiring disclosures upon hire, annually, and when circumstances change, and has provided Department-wide conflict-of-interest and procurement ethics training in 2025. The next Department-wide annual training is scheduled for January 30th where staff will be required to complete the disclosure forms.

Recommendation 14 & 15: The Department has created a separate file to store staff disclosure forms, which is available for public inspection. The Department has also created a process to review and remediate disclosed conflicts.

AZ DEPARTMENT OF GAMING

Department of Gaming Sunset Factor Recommendations & Progress

Sunset Factor	Recommendations	Number Completed	Details
2: The Department's effectiveness & efficiency in fulfilling its key statutory objectives & purposes.	17	14	• Agrees to all recommendations. • Has begun implementation of all items. • Additional details on next slide.
4: The extent to which rules adopted by the Department are consistent with the legislative mandate.	2	0	• Agrees to all recommendations. • The Dept. has begun its internal review of the BMMA & Fantasy Sports rules and will include rule changes to address the requirements to the extent necessary.
5: The extent to which the Department has provided appropriate public access to records, meetings, & rulemakings, including soliciting public input in making rules & decisions.	1	All	• Agrees to the recommendation. • The Dept. has completed implementation.

In Detail: Sunset Factor 2 Highlights

The Department's effectiveness & efficiency in fulfilling its key statutory objectives & purposes.

Problem Gambling	Tribal Gaming	Event Wagering & Fantasy Sports	Horse Racing	Department-wide Policies & Controls
Ongoing: developing a time-bound plan detailing outside Evaluator recommendations and next steps (only 1 recommendation in this area)	Completed: Implemented procedures for reconciling Class III net win reporting Completed: Compact Compliance Review changes: problem gambling, game machines, game tables	Completed: Added Ombudsmen's language for emails with complainants Ongoing: Developing improvements for timely status updates on investigations	Completed: Incorporated national infractions database into processes Drafted: Commission specific COI policies Ongoing: Implementing COI items	Ongoing: Implementing complaint tracking system Ongoing: Implementing drafted COI disclosure policy and training staff

Arizona Racing Commission

ARIZONA
DEPARTMENT OF GAMING

Commission Overview

The Arizona Racing Commission was established by the legislature in 1949 to provide for legal, regulated racing. In 2015, the legislature consolidated Racing into the ADG.

The five Commissioners are:

- Kandace French Contreras (Chair)
- Tracy Olson (Vice Chair)
- Chuck Coolidge
- Jay Zucker
- James Padish

Key Statutory Responsibilities

► Establishing rules for racing in Arizona to protect the welfare of race horses and protect and promote public health, safety, and the proper conduct of racing and pari-mutuel wagering in Arizona.

► Conducting hearings on and approving or denying permits, and setting race dates.

Appointment by Governor

► The Governor appoints Commissioners. They serve a five year term.

AZ DEPARTMENT OF GAMING

History of Racing in Arizona (in brief)

Year over year, the Racing Commission continues to meet in a public setting. Commissioners vote on permitting and other matters as appropriate.

1949
Beginning of legal and regulatory structure
The Arizona Legislature establishes the Arizona Racing Commission.

1956
Regulated horse racing begins
Turf Paradise Race Track opens for live horse racing in Phoenix.

2021
Online pari-mutuel betting is legalized
Governor Doug Ducey signs legislation allowing online pari-mutuel betting.

2025 - 2026
Racing Season
November through May – the 70th racing season. Skyfall 7 is the permittee.

Safety and Leadership Highlights

Arizona recorded its **lowest equine fatality rate** last season – its lowest since the state began tracking these metrics. With strong regulation and safety these past few months, the Department is on track to extend this achievement into 2026.

This season, the Department has a new **Racing Division Director** – Shannon Nelson, who is also continuing her ADG role as Deputy Director of Regulation.

337
Pre-Race TC02 Tests

1,370
Post-Race Blood Tests

1,180
Post-Race Urine Tests

100%
Completion of Pre-Race Exams

94%
Completion of Post-Race Exams

93%
Review of Red Flag Horses

↓

Resulting in

0.89
Fatalities Per 1,000 Starts

Racing Commission Audit Response & Progress

40%

Percent of recommendations completed

Finding #3: Department, Racing Commission, and Boxing and MMA Commission did not comply with some State conflict of interest requirements.

- Agrees to all recommendations
- Has completed 2 of 5 recommendations and has begun implementation of the other 3 recommendations

Recommendation 1 & 5: The Dept. has developed a Commission-specific conflict-of-interest disclosure form and a Conflicts of Interest Policy which includes Commission-specific requirements. Commissioners are required to complete disclosures upon appointment, annually, and when circumstances change. Commissioners will be receive annual training and complete the disclosure form.

Recommendation 2: The Dept. has incorporated reminders into annual conflict-of-interest training that Commissioners must fully disclose conflicts of interest during public meetings.

Recommendation 3 & 4: The Department's Division of Racing has created a separate file to store Commissioner disclosure forms, which is available for public inspection. The Conflicts of Interest Policy includes a process to review and remediate disclosed conflicts.

AZ DEPARTMENT OF GAMING

Sunset Factor 5 Recommendation & Progress

100%

Percent complete of recommendation

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

- Agrees to the recommendation and has completed implementation of Recommendation 6

We continue to adhere to A.R.S. § 38-431.02, Notice of Meetings, which requires public bodies to properly inform and engage the public:

(a) Conspicuously post a statement on their website stating where all public notices of their meetings will be posted, including the physical and electronic locations, and shall give additional public notice as is reasonable and practicable as to all meetings.
(b) Post all public meeting notices on their website and give additional public notice as is reasonable and practicable as to all meetings.

Recommendation 6:

The Commission has updated and implemented its policies and procedures to require staff to provide a written notice explaining to requestors the reason(s) for any delay(s) in fulfilling a public records request.

AZ DEPARTMENT OF GAMING



Boxing & MMA Commission

ARIZONA
DEPARTMENT OF GAMING

Commission Overview

The Arizona Boxing & MMA (Mixed Martial Arts) Commission is the public body charged with regulating all professional boxing and unarmed combat sports. In 2015, it became part of the Department.

The three Commissioners are:

- Scott Fletcher
- Ara Feinstein
- Xavier "Alex" Carpio

Key Statutory Responsibilities

► Regulating boxing contests, toughman contests, and mixed martial arts contests held in the State, including supervising weigh-ins and assigning referees.

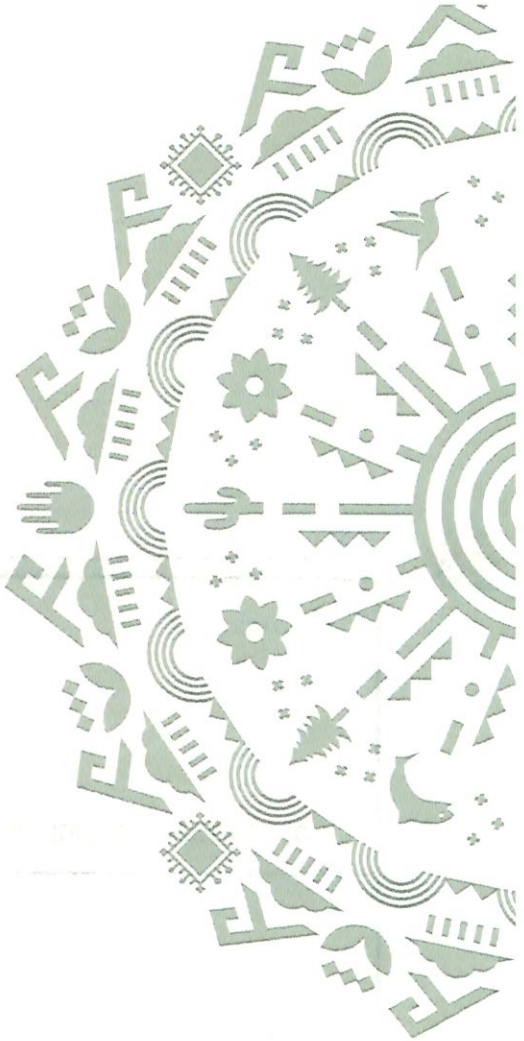
► Granting licenses for all boxing, tough man, and mixed martial arts contests held in the State, including fighters/participants, referees, judges, inspectors, and physicians.

Appointment by Governor

► The Governor appoints Commissioners. They serve a three year term.

AZ GAMING

Highlights from Boxing & MMA



- Launched a **baseline concussion testing protocol** as a tool to enhance safety for participants in unarmed combat sports (FY 2025).
- Successfully implemented **Senate Bill 1679** (2024), helping to modernize oversight and regulation, for example consistent licensing periods (valid for a full year), which improves compliance and reduces financial burdens for fighters, promoters, and organizers
- Licensed **1,027** fighters, promoters, and event officials while holding **28** events including nine Arizona events televised worldwide (FY 2025).

Boxing & MMA Commission Audit Response & Progress

50%

Percent of recommendations completed

Finding #3: Department, Racing Commission, and Boxing and MMA Commission did not comply with some State conflict of interest requirements.

- Agrees to all recommendations
- Has completed 2 of the 4 recommendations and has begun implementation of the other 2 recommendations

Recommendation 1 & 4: The Dept. has developed a Commission-specific conflict-of-interest disclosure form and a Conflicts of Interest Policy which includes Commission-specific requirements. Commissioners are required to complete disclosures upon appointment, annually, and when circumstances change. Commissioners will receive annual training and complete the disclosure form.

Recommendation 2: The Department's Division of BMMA has created a separate file to store Commissioner disclosure forms, which is available for public inspection.

Recommendation 3: The Conflicts of Interest Policy includes a process to review and remediate disclosed conflicts.

AZ DEPARTMENT OF GAMING

Sunset Factor 2 Recommendations & Progress

The Commission's effectiveness & efficiency in fulfilling its key statutory objectives & purposes.

Recommendation 5	Recommendation 6	Recommendation 7	Recommendation 8
100% Complete The Dept. has revised and implemented standardized licensing policies and procedures to ensure all boxing and MMA applicants meet initial and renewal licensing requirements, including submitting a signed code of conduct and fingerprints for criminal history background checks, prior to license issuance.	**In Progress** The Dept. is conducting a review of boxing and MMA licensing applicants approved in calendar year 2025 to determine whether any applicants failed to meet all licensing requirements and will take corrective action, including requiring criminal history background checks, where deficiencies are identified.	**100% Complete** The Dept. requires applicable licensing applicants to submit a signed code of conduct and to track fingerprint submissions to ensure license applications are not processed without all statutory and regulatory requirements being met.	**In Progress** The Department has begun revising and implementing policies and procedures for periodically evaluating boxing and MMA regulatory costs and fee amounts, including developing a cost methodology to assess fee appropriateness and support budgeting and financial planning.

AZ DEPARTMENT OF GAMING

Sunset Factor 6 Recommendations & Progress

100%

Percent of recommendations in progress

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

- Agrees to all recommendations
- Has begun implementation of the 5 recommendations

Recommendation 9-13: The Department has begun implementing all complaint-handling recommendations for the Boxing & MMA Commission as part of the Department-wide constituent inquiry and complaint-handling breakthrough project.

This initiative will establish accessible complaint submission methods, standardized documentation requirements, defined timelines for investigation and resolution, required notifications to involved parties, and centralized tracking and monitoring to ensure complaints within the Commission's jurisdiction are investigated and resolved in a timely and consistent manner.

AZ DEPARTMENT OF GAMING

Thank You

Find us online at gaming.az.gov

ARIZONA HOUSE OF REPRESENTATIVES
Fifty-seventh Legislature - Second Regular Session

ROLL CALL VOTE

COMMITTEE ON Commerce ~~BILL NO~~. Recommendation

DATE January 13, 2026 MOTION: Gaming 2 year

	PASS	AYE	NAY	PRESENT	ABSENT
Aguilar			✓		
Blackman		✓			
Carter N		✓			
Cavero			✓		
Connolly			✓		
Diaz		✓			
Hendrix		✓			
Villegas			✓		
Wilmeth		✓			
Way, Vice-Chairman		✓			
Weninger, Chairman		✓			
		7	4	0	0

Jana Babel
COMMITTEE SECRETARY

APPROVED:

JEFF WENINGER, Chairman
MICHAEL WAY, Vice-Chairman

ATTACHMENT 6

ARIZONA HOUSE OF REPRESENTATIVES
Fifty-seventh Legislature - Second Regular Session

ROLL CALL VOTE

COMMITTEE ON Commerce ~~BILL NO.~~ Recommendation

DATE January 13, 2026 MOTION: Racing Commission Cont. 6 years

	PASS	AYE	NAY	PRESENT	ABSENT
Aguilar		✓			
Blackman		✓			
Carter N		✓			
Cavero		✓			
Connolly		✓			
Diaz		✓			
Hendrix			✓		
Villegas		✓			
Wilmeth		✓			
Way, Vice-Chairman		✓			
Weninger, Chairman		✓			
		10	1	0	0

Jana Baber
COMMITTEE SECRETARY

APPROVED:

JEFF WENINGER, Chairman
MICHAEL WAY, Vice-Chairman

ATTACHMENT 7

ARIZONA HOUSE OF REPRESENTATIVES
Fifty-seventh Legislature - Second Regular Session

ROLL CALL VOTE

COMMITTEE ON Commerce ~~BILL NO.~~ Recommendation

DATE January 13, 2026 MOTION: Boxing & MMA Commission Cont. 6 years

	PASS	AYE	NAY	PRESENT	ABSENT
Aguilar		✓			
Blackman		✓			
Carter N		✓			
Cavero		✓			
Connolly		✓			
Diaz		✓			
Hendrix		✓			
Villegas		✓			
Wilmeth		✓			
Way, Vice-Chairman		✓			
Weninger, Chairman		✓			
		11	0	0	0

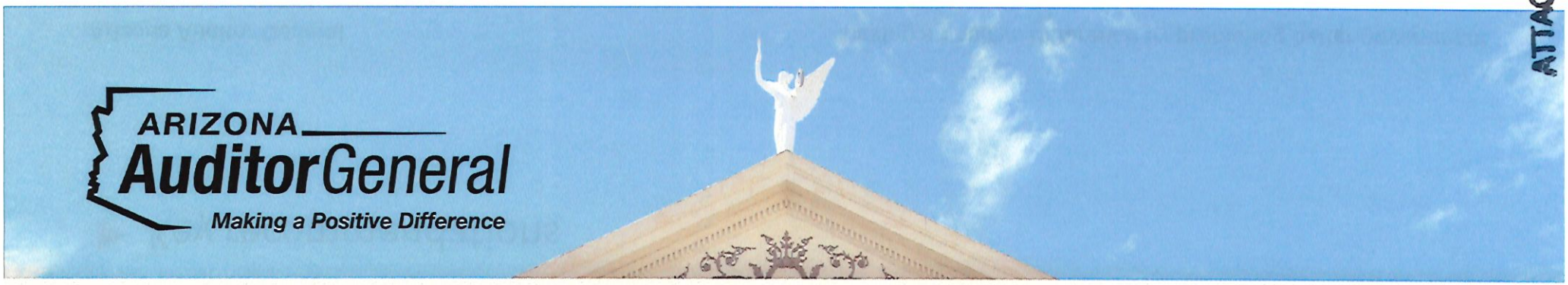
Jana Baber
COMMITTEE SECRETARY

APPROVED:

JEFF WENINGER, Chairman
MICHAEL WAY, Vice-Chairman

ATTACHMENT 8

ATTACHMENT 9



Arizona Barbering and Cosmetology Board

Performance Audit and Sunset Review

January 13, 2026

Katie Grzybowski



PRESENTATION OVERVIEW

- Key context
- Board's positive performance
- Problems identified
- Why the problems matter
- What led to the problems
- Key recommendations

KEY CONTEXT

- Board established in 1929 to regulate barbering and cosmetology fields in Arizona
  - Separated into 2 Boards in 1935
  - Consolidated into 1 Board effective January 2022
- Board consists of 9 Governor-appointed members
- Frank Migali serves as executive director
- Auditor General conducted sunset reviews of Arizona State Board of Cosmetology in 2013 and Arizona State Board of Barbers in 2021

KEY CONTEXT

Board's key responsibilities

- Issuing licenses and registrations
- Investigating complaints against licensees and registrants
- Disciplining licensees who violate statutes and rules
- Inspecting establishments and schools
- Providing information to the public about licensees and registrants

OTHER ISSUES IDENTIFIED

Examples of deficiencies identified in the sunset review and 23 additional recommendations to the Board

- Did not provide statutorily required infection prevention, sanitation, and law education to applicants or require that they complete it prior to issuing licenses
- Lacked a quality control process to ensure staff evaluated and appropriately approved only qualified applicants
- Did not include all elements required by its rules in its inspections of schools and establishments
- Other issues with open meeting law, public records law, and conflict-of-interest processes

OTHER ISSUES IDENTIFIED

Statutory changes that could enable the Board to more effectively fulfill its objective and purposes

- Statutory definition of aesthetics does not align with licensees' training or scope
- Board lacks authority to issue cease-and-desist orders to unlicensed practitioners
- Statute lacks clarity on training requirements for eyelash technicians

RECOMMENDATIONS OVERVIEW

2 recommendations to the Board, including:

- Follow its disciplinary guidelines policy to discipline licensees consistently
- Develop and implement policies and procedures to document the rationale for deviations from the policy

WHAT LED TO THIS PROBLEM

- Board used discretion rather than following established policies in taking actions against licensees
- Board lacked a process for documenting reasons for taking actions inconsistent with disciplinary guidelines

WHY THE PROBLEM MATTERS

Board's failure to take enforcement action against licensees for violations consistent with its policy:

- Increases risk of public harm if licensees do not see discipline as a deterrent or if consumers are perceived as unprotected
- Increases risk of allegations of unequal treatment of licensees

EXAMPLES

Board took inconsistent enforcement actions among licensees with similar violations and lacked documentation supporting its determination of some enforcement actions

- Board imposed $500 civil penalty for 1 licensee but dismissed complaints against 3 other licensees for operating without an establishment license required by statute
- Board imposed $500 civil penalty for 2 licensees but issued a letter of concern to 1 other licensee for possessing a prohibited hazardous substance

POSITIVE PERFORMANCE

- Timely issued licenses/registrations for applications auditors reviewed from CY 2024
- Timely resolved complaints auditors reviewed
- Prescribed school curriculum requirements in accordance with statute

KEY PROBLEM IDENTIFIED

Board failed to take enforcement action against licensees for violations consistent with its policy

- Board policy outlines disciplinary actions it can take after substantiating a licensee violation
  - Issue letter of concern or civil penalty
- Board issued inconsistent disciplinary actions among licensees with no documented reasons for doing so

PRIOR RECOMMENDATIONS

Board's status in implementing 23 recommendations from our 2021 sunset review

Implementation status	Number of recommendations
✓ Implemented	8 recommendations
✓ Implemented in a different manner	2 recommendations
N/A No longer applicable—superseded by new recommendation(s)	13 recommendations



Arizona Barbering and Cosmetology Board

Performance Audit and Sunset Review

January 13, 2026
Katie Grzybowski



ATTACHMENT 10

ARIZONA
BARBERING & COSMETOLOGY BOARD

Committee of Reference - House Commerce

January 13, 2026

Mission, Vision

BCB MISSION

To protect the public's health and safety, our agency will license qualified schools, establishments, and individuals, and ensure compliance with state statutes and regulations.

BCB VISION

Provide quality and timely service through world-class customer care.

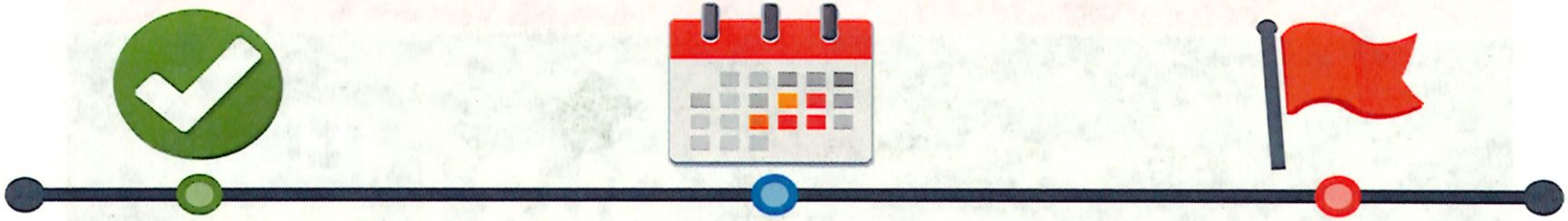
Overview - Performance/Sunset Audit

- Conducted January - September 2025
- Audit Included:
  - One Finding
    - Two Recommendations
  - 23 Recommendations
- BCB Agrees with the finding and recommendations and is committed to implementation of all items.
- Taken action on most recommendations, with a plan for the remaining.

Implementation - Finding

- Finding:
  - *"Board failed to take enforcement action against licensees for violations consistent with its policy, increasing the risk of harm to the public and unequal treatment of licensees."*
- Recommendations:
  - *"Board failed to take enforcement action against licensees for violations consistent with its policy, increasing the risk of harm to the public and unequal treatment of licensees."*
    - Updated Board Disciplinary Parameters - Effective January 1, 2026
  - *"The Board will establish and implement written policies and procedures to document all mitigating and aggravating factors that lead Board members to a deviation from its disciplinary guidelines."*
    - *Established and Implemented Policy & Procedure - Effective November 21, 2025*

Recommendation Implementation Timeline



Today:

7 Recommendations Implemented

Jan 31:

+9 Recommendations (In Progress, 74% Complete)

June 30:

+7 Recommendations (In Progress, 56% Complete)

2025 License Issuance Data



2025 Customer Service Data



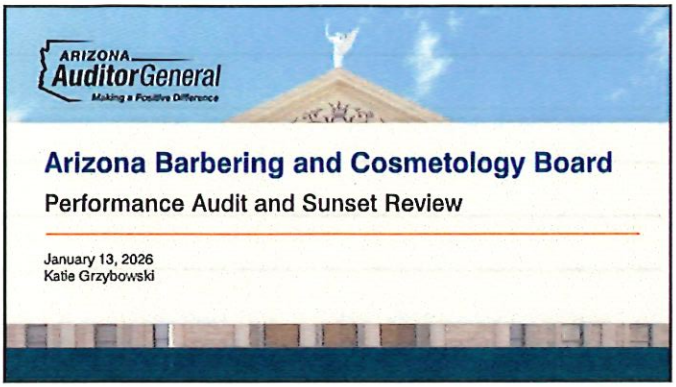
2025 Compliance Data



Appreciation & Acknowledgement

- The Auditors
- The Committee of Reference
- Arizona Barbering & Cosmetology Team





1

PRESENTATION OVERVIEW

- Key context
- Board's positive performance
- Problems identified
- Why the problems matter
- What led to the problems
- Key recommendations

2

KEY CONTEXT

- Board established in 1929 to regulate barbering and cosmetology fields in Arizona
  - Separated into 2 Boards in 1935
  - Consolidated into 1 Board effective January 2022
- Board consists of 9 Governor-appointed members
- Frank Migali serves as executive director
- Auditor General conducted sunset reviews of Arizona State Board of Cosmetology in 2013 and Arizona State Board of Barbers in 2021

3

KEY CONTEXT

Board's key responsibilities

- Issuing licenses and registrations
- Investigating complaints against licensees and registrants
- Disciplining licensees who violate statutes and rules
- Inspecting establishments and schools
- Providing information to the public about licensees and registrants

4

POSITIVE PERFORMANCE

- Timely issued licenses/registrations for applications auditors reviewed from CY 2024
- Timely resolved complaints auditors reviewed
- Prescribed school curriculum requirements in accordance with statute

5

KEY PROBLEM IDENTIFIED

Board failed to take enforcement action against licensees for violations consistent with its policy

- Board policy outlines disciplinary actions it can take after substantiating a licensee violation
  - Issue letter of concern or civil penalty
- Board issued inconsistent disciplinary actions among licensees with no documented reasons for doing so

6

EXAMPLES

Board took inconsistent enforcement actions among licensees with similar violations and lacked documentation supporting its determination of some enforcement actions

- Board imposed $500 civil penalty for 1 licensee but dismissed complaints against 3 other licensees for operating without an establishment license required by statute
- Board imposed $500 civil penalty for 2 licensees but issued a letter of concern to 1 other licensee for possessing a prohibited hazardous substance

7

WHY THE PROBLEM MATTERS

Board's failure to take enforcement action against licensees for violations consistent with its policy:

- Increases risk of public harm if licensees do not see discipline as a deterrent or if consumers are perceived as unprotected
- Increases risk of allegations of unequal treatment of licensees

8

WHAT LED TO THIS PROBLEM

- Board used discretion rather than following established policies in taking actions against licensees
- Board lacked a process for documenting reasons for taking actions inconsistent with disciplinary guidelines

9

RECOMMENDATIONS OVERVIEW

2 recommendations to the Board, including:

- Follow its disciplinary guidelines policy to discipline licensees consistently
- Develop and implement policies and procedures to document the rationale for deviations from the policy

10

OTHER ISSUES IDENTIFIED

Examples of deficiencies identified in the sunset review and 23 additional recommendations to the Board

- Did not provide statutorily required infection prevention, sanitation, and law education to applicants or require that they complete it prior to issuing licenses
- Lacked a quality control process to ensure staff evaluated and appropriately approved only qualified applicants
- Did not include all elements required by its rules in its inspections of schools and establishments
- Other issues with open meeting law, public records law, and conflict-of-interest processes

11

OTHER ISSUES IDENTIFIED

Statutory changes that could enable the Board to more effectively fulfill its objective and purposes

- Statutory definition of aesthetics does not align with licensees' training or scope
- Board lacks authority to issue cease-and-desist orders to unlicensed practitioners
- Statute lacks clarity on training requirements for eyelash technicians

12

PRIOR RECOMMENDATIONS

Board's status in implementing 23 recommendations from our 2021 sunset review

Implementation status	Number of recommendations
Implemented	8 recommendations
Implemented in a different manner	2 recommendations
N/A No longer applicable—superseded by new recommendation(s)	13 recommendations

13

ARIZONA Auditor General Making a Positive Difference

Arizona Barbering and Cosmetology Board

Performance Audit and Sunset Review

January 13, 2026
Katie Grzybowski

14

ARIZONA HOUSE OF REPRESENTATIVES
Fifty-seventh Legislature - First Regular Session

ROLL CALL VOTE

COMMITTEE ON Commerce BILL NO. Recommendation

DATE 1-13-26 MOTION: Board of Barbers & Cosmetology Cont. 6 years

	PASS	AYE	NAY	PRESENT	ABSENT
Aguilar		✓			
Blackman		✓			
Cavero					✓
Connolly		✓			
Diaz		✓			
Hendrix		✓			
Villegas		✓			
Wilmeth		✓			
Way, Vice-Chairman		✓			
Weninger, Chairman		✓			
Carter		✓	0	0	1
		10			

Dana Babel
COMMITTEE SECRETARY

APPROVED:

Jeff Weninger
JEFF WENINGER, Chairman
MICHAEL WAY, Vice-Chairman

ATTACHMENT 11

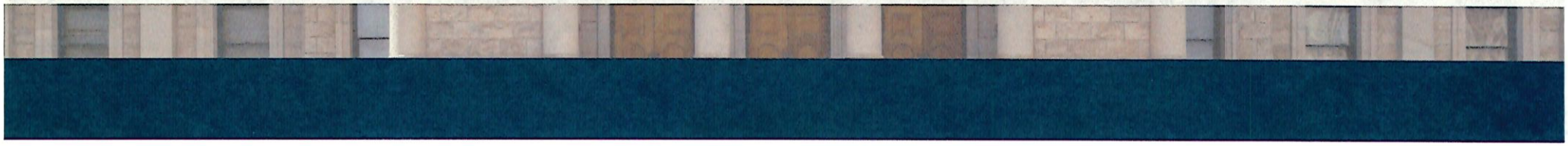
ATTACHMENT 12



Arizona Sports and Tourism Authority

Performance Audit

January 13, 2026
Katie Grzybowski



PRESENTATION OVERVIEW

- Key context
- Authority's positive performance
- Problems identified
- Why the problems matter
- What led to the problems
- Key recommendations
- Additional information and issues

KEY CONTEXT

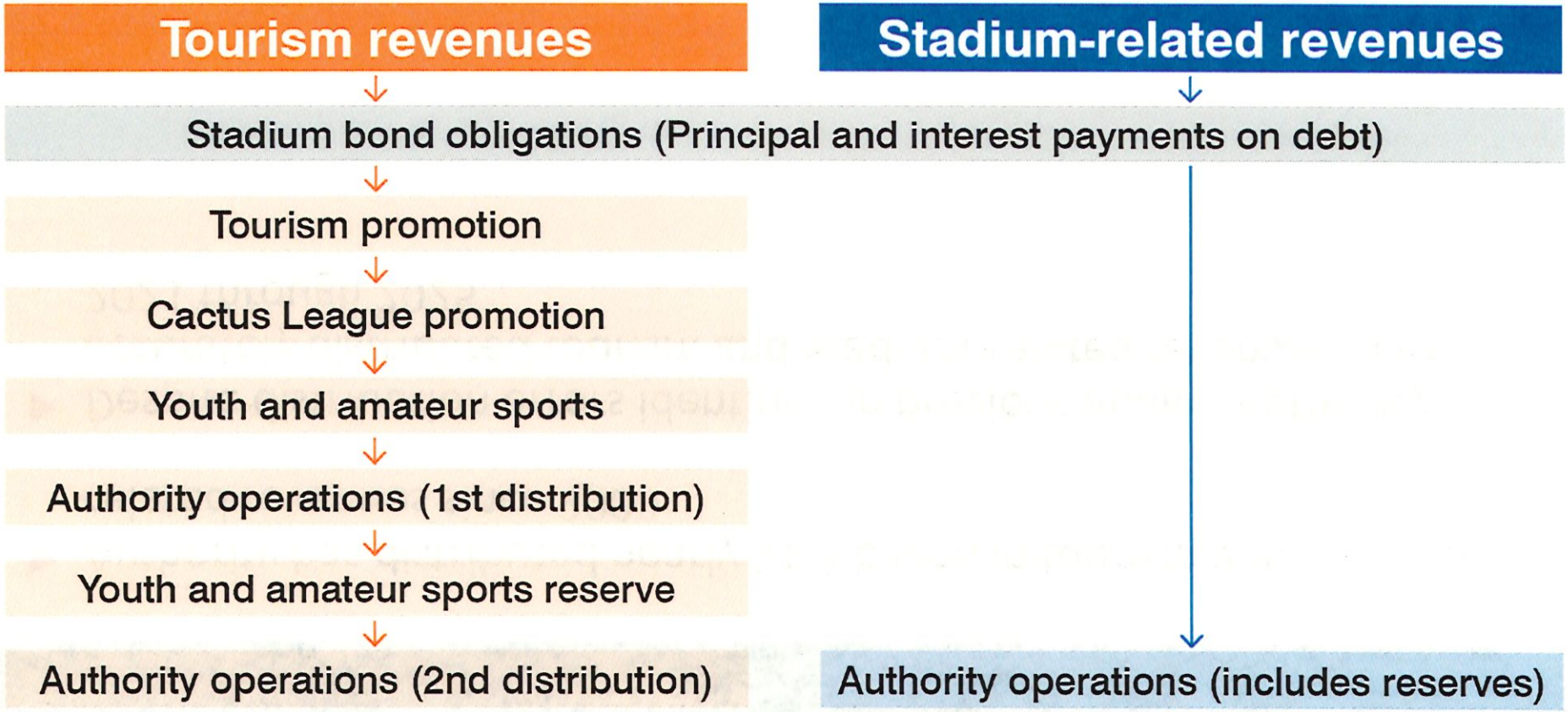
- Authority established in 2000 upon voter approval of Proposition 302
- Authority owns State Farm Stadium
- Authority is governed by a 9-member board of directors
- Tom Sadler serves as President/CEO
- Auditor General conducted prior performance audit in 2020

KEY CONTEXT

Authority's key responsibilities

- Maintaining, operating, and marketing State Farm Stadium
  - Contracts with a facility manager to manage Stadium operations
- Receiving tourism and Stadium-related revenues
  - Tourism revenues: Maricopa County hotel bed tax and rental car surcharge
  - Stadium-related revenues: Income taxes paid by Cardinals organization and employees and revenue generated by stadium events, including sales tax
- Distributing revenues according to statutory requirements

REVENUE DISTRIBUTION PRIORITIES



POSITIVE PERFORMANCE

- Authority has distributed nearly $1.2 billion in tourism and Stadium-related revenues since 2000
- Despite distribution errors identified in previous audits, Authority accurately distributed tourism and Stadium-related revenues in FYs 2021 through 2025

KEY PROBLEMS IDENTIFIED

1

Did not ensure concessions and event revenues it received were accurate

2

Did not comply with some conflict-of-interest requirements

PROBLEM IDENTIFIED

Authority did not ensure Stadium concessions revenue and event fees it received were accurate

- Facility manager did not verify concessions revenue received by the Authority was accurate, as contractually required
  - Compliant with concessions agreement percentage of sales provision
  - Calculated using reliable information
- Authority did not review monthly event settlements, as required by its policy, between July 2024 and May 2025

WHY THE PROBLEM MATTERS

Authority may not have received all revenue it was entitled to

- Concession revenue received by the Authority may not reflect the actual amounts due under contract
- The Authority increased the risk of over or underpaying event promoters for Stadium events
- Past 5 years, Authority received approximately
  - $18 million from concessions
  - $229 million from events

WHAT LED TO THIS PROBLEM

- Authority did not establish accountability mechanisms for facility manager's concessions management responsibilities
- Authority assumed concessions revenues were accurate because:
  - Concession contractor's financials were independently audited
  - The Cardinals—who were also entitled to a portion of concession revenues—were likely monitoring distribution amounts
- Authority's president/CEO did not ensure that staff complied with its event settlement review policy

KEY PROBLEMS IDENTIFIED

1

Did not ensure concessions and event fees it received were accurate

2

Did not comply with some conflict-of-interest requirements

PROBLEM AND WHY IT MATTERS

Authority had not complied with some State conflict-of-interest requirements, and processes were not fully aligned with recommended practices

- Authority's policies were missing key elements
- Authority did not provide conflict-of-interest training related to staff or Board member roles and responsibilities
- Noncompliance with conflict-of-interest requirements increases risk that substantial interests that might influence of affect official conduct are not disclosed

RECOMMENDATIONS OVERVIEW

10 recommendations to the Board, including:

- Verify concession revenues received for FYs 2021 through 2025 were accurate
- Follow its facility management oversight procedures to ensure it receives accurate event revenues
- Revise its conflict-of-interest policy to include all statutory requirements

ADDITIONAL INFORMATION

COVID-19 pandemic's impact on Authority's bond obligations and Stadium-related revenues

- Authority was able to pay its Stadium bond obligations
  - Used some monies in its reserves and a greater proportion of its Stadium-related revenues to pay July and August 2020 bond obligations
- Stadium-related revenues increased year-over-year in FYs 2022 to 2025
- Revenue growth enabled the Authority to establish reserves
  - FY 2025 exceeded required reserve amount by about $17.5 million

ADDITIONAL INFORMATION

Tourism revenues were insufficient to meet all statutorily required monthly distribution amounts

- Tourism revenues were insufficient to meet all statutorily required monthly distribution amounts during most months of FY 2021
  - No Cactus League promotion distributions from July 2020 to April 2021, resulting in $7.1 million less than the statutorily required amount
- FYs 2022 to 2025 tourism distributions were $6.5 million less than amounts outlined in statute

ADDITIONAL INFORMATION

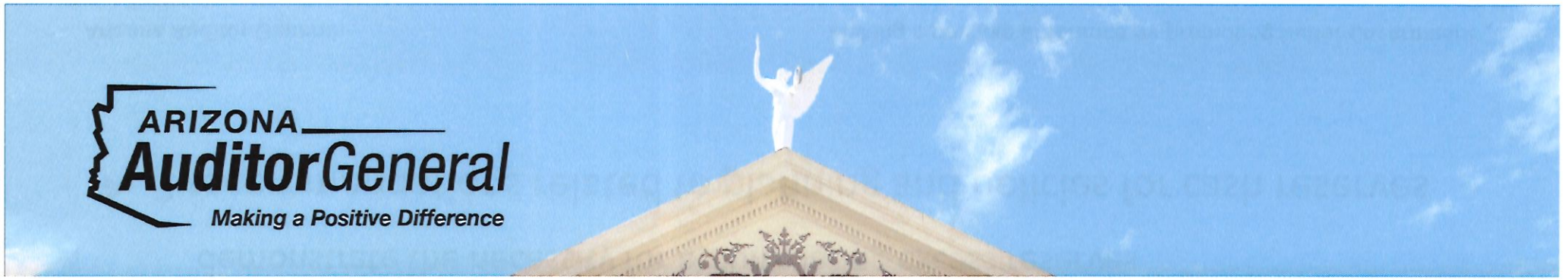
Authorized uses of monies that exceed statutorily required cash reserves

- Operating and maintaining the Stadium
- Repair, replacement, and removal of the Stadium
- Stadium bond obligations, enabling Authority to:
  - Reduce amount of tourism revenues it distributes to bond obligations, thereby allowing more tourism revenues for tourism promotion, Cactus League promotion, and youth and amateur sports

OTHER ISSUE IDENTIFIED

Authority lacks a plan for using cash reserves in excess of its required reserve amounts

- Authority reported it will prioritize accumulating cash reserves instead of using operating monies to pay for bond obligations
  - Monies in excess of its minimum required reserve amounts are reportedly necessary for future repair, replacement, and removal costs of the Stadium
  - Authority lacks long-term projections of renovation needs or costs to demonstrate the necessity for accumulating excess reserves
- 3 recommendations related to planning and policies for cash reserves

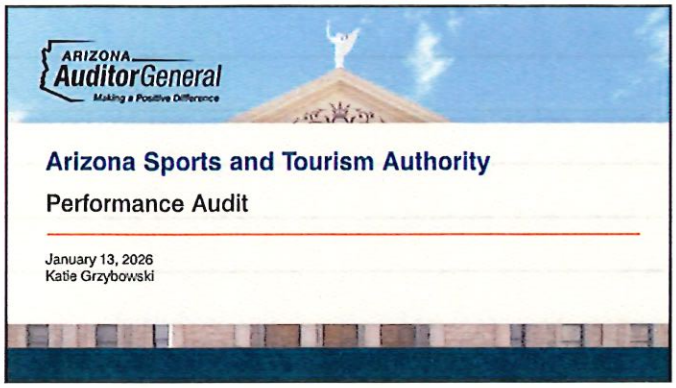


Arizona Sports and Tourism Authority

Performance Audit

January 13, 2026
Katie Grzybowski





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PRESENTATION OVERVIEW

- Key context
- Authority's positive performance
- Problems identified
- Why the problems matter
- What led to the problems
- Key recommendations
- Additional information and issues

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KEY CONTEXT

- Authority established in 2000 upon voter approval of Proposition 302
- Authority owns State Farm Stadium
- Authority is governed by a 9-member board of directors
- Tom Sadler serves as President/CEO
- Auditor General conducted prior performance audit in 2020

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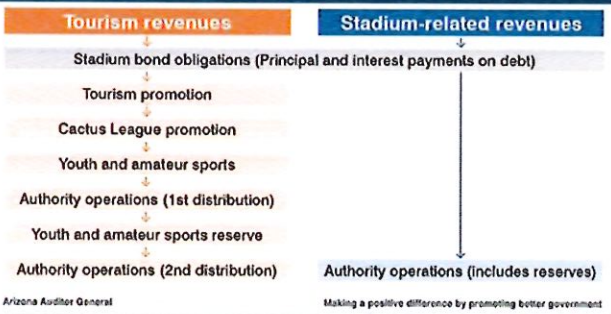
KEY CONTEXT

Authority's key responsibilities

- Maintaining, operating, and marketing State Farm Stadium
  - Contracts with a facility manager to manage Stadium operations
- Receiving tourism and Stadium-related revenues
  - Tourism revenues: Maricopa County hotel bed tax and rental car surcharge
  - Stadium-related revenues: Income taxes paid by Cardinals organization and employees and revenue generated by stadium events, including sales tax
- Distributing revenues according to statutory requirements

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REVENUE DISTRIBUTION PRIORITIES



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POSITIVE PERFORMANCE

- Authority has distributed nearly $1.2 billion in tourism and Stadium-related revenues since 2000
- Despite distribution errors identified in previous audits, Authority accurately distributed tourism and Stadium-related revenues in FYs 2021 through 2025

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KEY PROBLEMS IDENTIFIED

1. Did not ensure concessions and event revenues it received were accurate
2. Did not comply with some conflict-of-interest requirements

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PROBLEM IDENTIFIED

Authority did not ensure Stadium concessions revenue and event fees it received were accurate

- Facility manager did not verify concessions revenue received by the Authority was accurate, as contractually required
  - Compliant with concessions agreement percentage of sales provision
  - Calculated using reliable information
- Authority did not review monthly event settlements, as required by its policy, between July 2024 and May 2025

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WHY THE PROBLEM MATTERS

Authority may not have received all revenue it was entitled to

- Concession revenue received by the Authority may not reflect the actual amounts due under contract
- The Authority increased the risk of over or underpaying event promoters for Stadium events
- Past 5 years, Authority received approximately
  - $18 million from concessions
  - $229 million from events

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WHAT LED TO THIS PROBLEM

- Authority did not establish accountability mechanisms for facility manager's concessions management responsibilities
- Authority assumed concessions revenues were accurate because:
  - Concession contractor's financials were independently audited
  - The Cardinals—who were also entitled to a portion of concession revenues—were likely monitoring distribution amounts
- Authority's president/CEO did not ensure that staff complied with its event settlement review policy

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KEY PROBLEMS IDENTIFIED

1. Did not ensure concessions and event fees it received were accurate
2. Did not comply with some conflict-of-interest requirements

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PROBLEM AND WHY IT MATTERS

Authority had not complied with some State conflict-of-interest requirements, and processes were not fully aligned with recommended practices

- Authority's policies were missing key elements
- Authority did not provide conflict-of-interest training related to staff or Board member roles and responsibilities
- Noncompliance with conflict-of-interest requirements increases risk that substantial interests that might influence of affect official conduct are not disclosed

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RECOMMENDATIONS OVERVIEW

10 recommendations to the Board, including:

- Verify concession revenues received for FYs 2021 through 2025 were accurate
- Follow its facility management oversight procedures to ensure it receives accurate event revenues
- Revise its conflict-of-interest policy to include all statutory requirements

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ADDITIONAL INFORMATION

COVID-19 pandemic's impact on Authority's bond obligations and Stadium-related revenues

- Authority was able to pay its Stadium bond obligations
  - Used some monies in its reserves and a greater proportion of its Stadium-related revenues to pay July and August 2020 bond obligations
- Stadium-related revenues increased year-over-year in FYs 2022 to 2025
- Revenue growth enabled the Authority to establish reserves
  - FY 2025 exceeded required reserve amount by about $17.5 million

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ADDITIONAL INFORMATION

Tourism revenues were insufficient to meet all statutorily required monthly distribution amounts

- Tourism revenues were insufficient to meet all statutorily required monthly distribution amounts during most months of FY 2021
  - No Cactus League promotion distributions from July 2020 to April 2021, resulting in $7.1 million less than the statutorily required amount
- FYs 2022 to 2025 tourism distributions were $6.5 million less than amounts outlined in statute

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ADDITIONAL INFORMATION

Authorized uses of monies that exceed statutorily required cash reserves

- Operating and maintaining the Stadium
- Repair, replacement, and removal of the Stadium
- Stadium bond obligations, enabling Authority to:
  - Reduce amount of tourism revenues it distributes to bond obligations, thereby allowing more tourism revenues for tourism promotion, Cactus League promotion, and youth and amateur sports

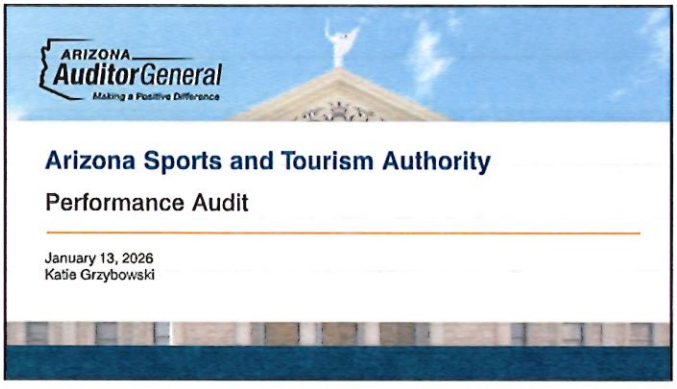
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OTHER ISSUE IDENTIFIED

Authority lacks a plan for using cash reserves in excess of its required reserve amounts

- Authority reported it will prioritize accumulating cash reserves instead of using operating monies to pay for bond obligations
  - Monies in excess of its minimum required reserve amounts are reportedly necessary for future repair, replacement, and removal costs of the Stadium
  - Authority lacks long-term projections of renovation needs or costs to demonstrate the necessity for accumulating excess reserves
- 3 recommendations related to planning and policies for cash reserves

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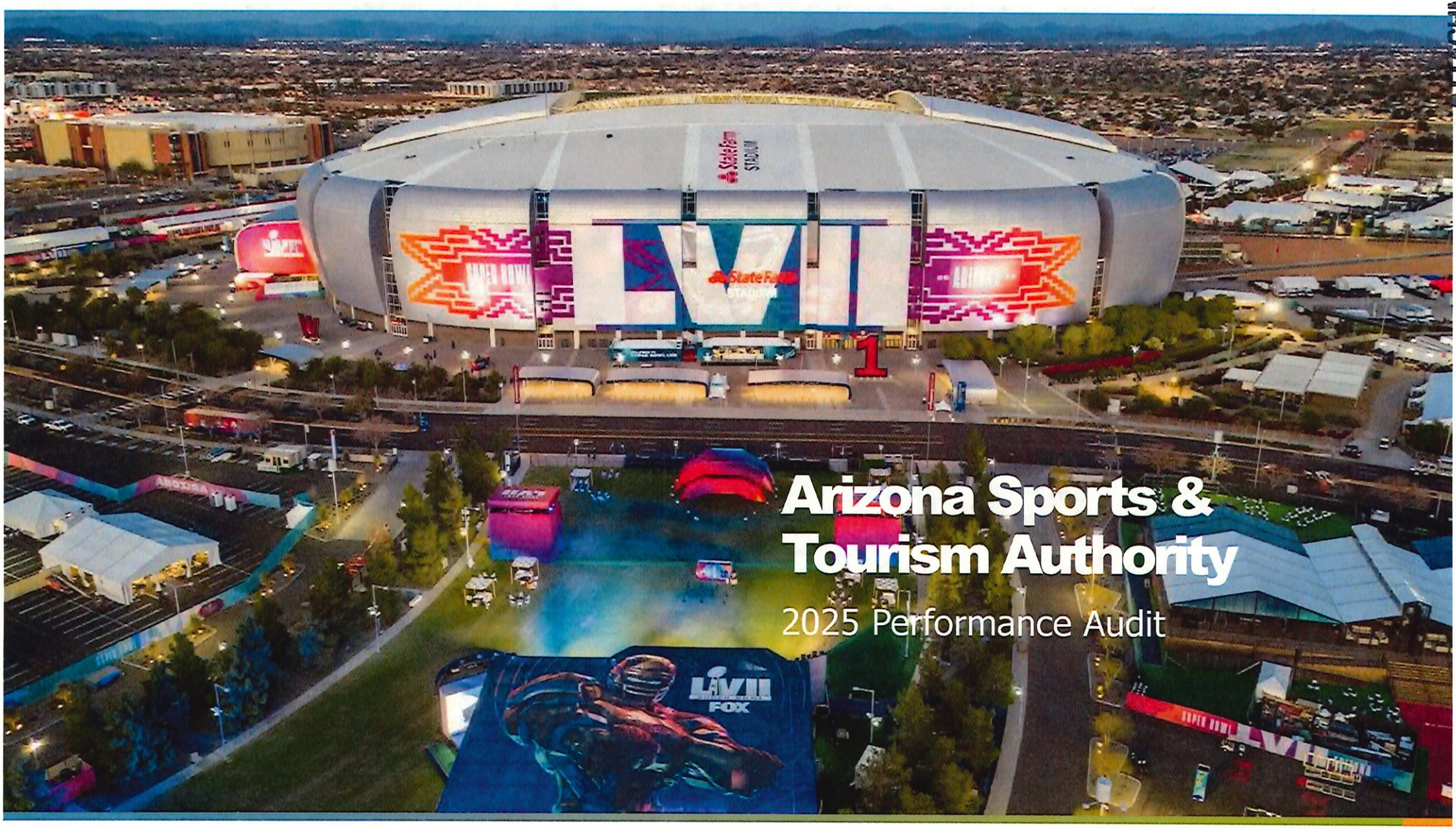
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ATTACHMENT 13

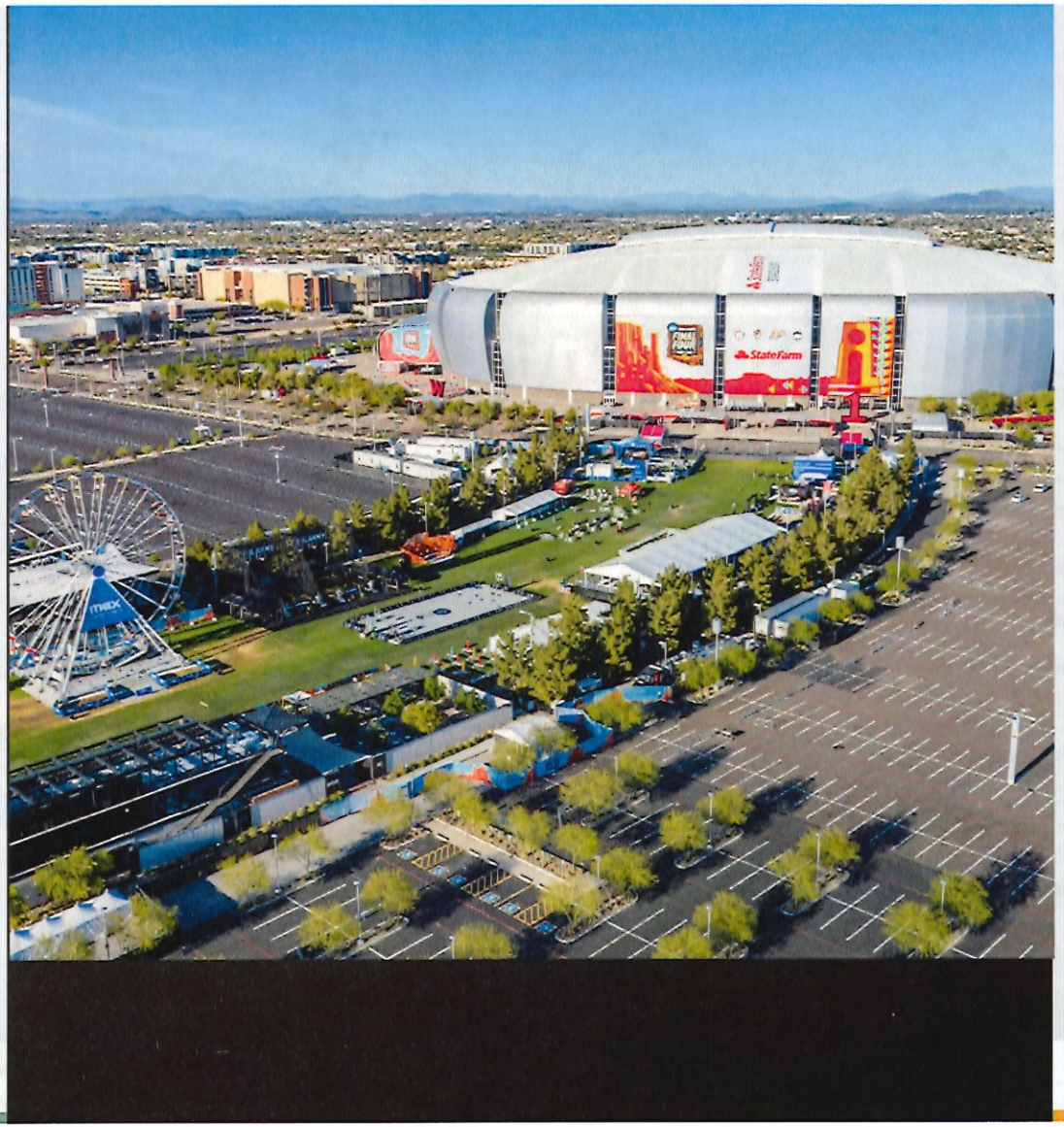


Arizona Sports & Tourism Authority

2025 Performance Audit

AZSTA's Mission

Is to enhance our economy and our community's quality of life through the development of professional and amateur sports facilities, the attraction of entertainment, sporting and business events, and through tourism promotion.



ARIZONA SPORTS & TOURISM AUTHORITY

AZSTA was formed by voter approved Proposition 302 in November 2000.

Funding

- Tourism Revenue
- Facility Revenue

Responsibility

- Repaying bonds for State Farm Stadium
- Funding Tourism in Maricopa County
- Funding construction/renovation for Cactus League Spring Training Facilities
- Funding Youth and Amateur Sports Grants
- Owning and operating State Farm Stadium

AZSTA
ARIZONA SPORTS & TOURISM AUTHORITY



Economic & Community Impact

ECONOMIC & COMMUNITY IMPACT

- State Farm Stadium has generated over $6 billion in economic impact in its first 18 years, numerous independent studies show
- Awarded approximately 700 grants at nearly $39 million to organizations promoting youth and amateur sports in Maricopa County
- 2023 Super Bowl: $1.3 billion
  Source: ASU WP Carey School of Business study
- 2023 Cactus League: $710.2 million
  Source: ASU WP Carey School of Business study
- 2024 NCAA Men's Final Four: $429 million
  Source: ASU WP Carey School of Business study

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ARIZONA SPORTS & TOURISM AUTHORITY

2025 Performance Audit

Findings & Recommendations

Finding 1

Authority did not ensure Stadium concessions or event fees it received were accurate, potentially resulting in the Authority not receiving revenues it was entitled to.

Recommendation 1: Require the facility manager to verify concession revenues received in fiscal years 2021 through 2025 were accurate and complete.

Authority response: The Authority will determine best practices for requiring the facility manager to verify concession revenues received in fiscal years 2021 through 2025, ensuring accuracy and completeness.

Recommendation 2: Develop and implement policies and procedures to oversee the facility manager to ensure that amounts remitted from concession sales are consistent with its contractual arrangement.

Authority response: The Authority will develop and implement policies and procedures that will ensure the facility manager is reviewing the amounts remitted from concession sales in alignment with the contractual agreement.

Recommendation 3: Follow its policy to review event settlements monthly.

Authority response: The Authority will continue to follow its policy to review event settlements monthly and review internal procedures for potential improvements.

Finding 1 (cont.)

Authority did not ensure Stadium concessions or event fees it received were accurate, potentially resulting in the Authority not receiving revenues it was entitled to.

Recommendation 4: Conduct fiscal year 2025 event settlement reviews.

Authority response: The Authority is in the process of conducting the fiscal year 2025 event settlement reviews and anticipates completion by the end of the calendar year.

Recommendation 5: Hire additional personnel in accordance with the Authority's budget to support the CFO in fiscal responsibilities and help ensure settlement reviews are completed in a timely manner.

Authority response: The Authority will begin the process of hiring a part-time accounting clerk to support the CFO in fiscal responsibilities such as ensuring settlement reviews are completed on time. Funding for additional staff was approved by the Board of Directors in June 2025 for the FY2026 budget.

Finding 2

Authority did not comply with some State conflict-of-interest requirements or fully align its processes with recommended practices, increasing the risk that employees and Board members did not disclose substantial interests that might influence or could affect their official conduct.

Recommendation 6: Revise its policy to include all statutory requirements and recommended practices, including but not limited to prohibitions of direct or indirect financial interests; procedures for reviewing and remediating conflicts; requiring the minutes to reflect the reason for Board members abstaining from voting; specifying roles and timelines for distributing, collecting, and reviewing conflict-of-interest disclosure forms; outlining how conflicts will be addressed; maintaining a special file; and providing periodic training.

Authority response: Complete. The policy revision has been completed and was implemented by the Board of Directors at the December 1, 2025 meeting.

Recommendation 7: Follow its policy to maintain a special file to memorialize disclosures of substantial interest, as statutorily required.

Authority response: Complete. The required special file has been created by the Authority to memorialize disclosures of substantial interest.

Finding 2 (cont.)

Authority did not comply with some State conflict-of-interest requirements or fully align its processes with recommended practices, increasing the risk that employees and Board members did not disclose substantial interests that might influence or could affect their official conduct.

Recommendation 8: Revise its conflict-of-interest disclosure form to comply with statute and recommended practices, such as requiring an "affirmative no" or indication of potential conflict, affirmation that no prohibited interests exist, and a completion date.

Authority response: Complete. The form was updated to include an "affirmative no" for each potential conflict question and includes a secure digital signature stamp that will capture the date of completion.

Recommendation 9: After revising its conflict-of-interest disclosure form, obtain updated disclosure forms from Board members and staff.

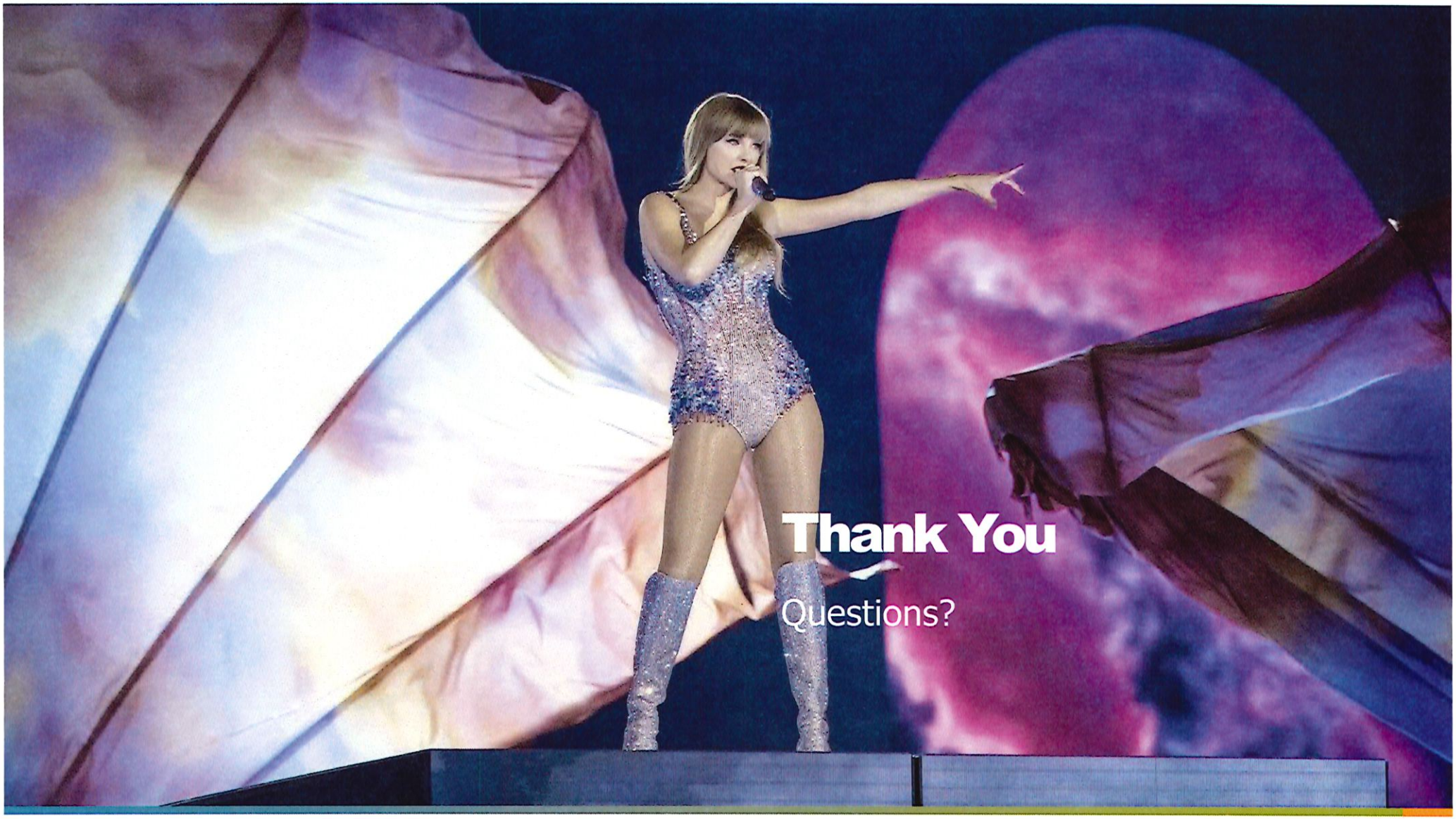
Authority response: Complete. The updated Disclosure form has been distributed to the Board members and staff for completion.

Finding 2 (cont.)

Authority did not comply with some State conflict-of-interest requirements or fully align its processes with recommended practices, increasing the risk that employees and Board members did not disclose substantial interests that might influence or could affect their official conduct.

Recommendation 10: Continue to provide annual training on its conflict-of-interest requirements, process, and disclosure form, including providing training to all Board members and staff on how the State's conflict-of-interest requirements relate to their unique functions or responsibilities.

Authority response: Annual training will be provided at the final fiscal year Board of Directors meeting to review the conflict-of-interest requirements, process, and reporting procedures. Following the meeting, the Disclosure form will be distributed to all Board members and staff for completion.


Thank You
Questions?