



Stephanie Palmertree, CPA, CFE, CGMA

2168 Main Street, Suite A
Madison, MS 39110

RE: Coconino County Public Works Road Maintenance Sales Tax 10-Year Audit

Dear Ms. Palmertree,

The Coconino County Public Works Department has completed a comprehensive review of Novum Advisory, PLLC's report and appreciates the opportunity to respond to the audit findings. We will be implementing the recommendations as outlined in the attached response.

As a department, we are firmly committed to operational integrity, continuous improvement, and the delivery of high-quality public service. The findings from the audit serve as a valuable resource to help us further strengthen our internal controls, refine administrative procedures, and enhance service delivery to the communities we serve.

We recognize and thank Novum Advisory, PLLC for its professionalism and collaborative approach throughout the audit process. Your team's diligence and objectivity contributed to a constructive experience, and we look forward to building on the recommendations to improve transparency, efficiency, and accountability within Public Works.

Should you have any questions or require further information, please contact me directly at (928) 679-8317 or ctressler@coconino.az.gov.

Sincerely,

A handwritten signature in black ink, appearing to read "Christopher Tressler".

Christopher Tressler, PE

Director, Coconino County Public Works
5600 E Commerce Ave
Flagstaff, AZ 86004

Finding 1: No unallowable salary or wage expenditures were identified during the review. However, Coconino County did not present a documented methodology or calculation to demonstrate that salary and wage transfers were planned, verified, or aligned with statutory requirements. Compliance was ultimately demonstrated through the auditors' independent analysis during the course of the audit.

Coconino County Response: The audit finding is agreed to.

Response Explanation: Coconino County acknowledges the finding regarding the lack of a documented methodology to support salary and wage transfers from the Road Maintenance Sales Tax (RMST) fund. While the audit confirmed that no unallowable salary or wage expenditures occurred during the review period, we recognize the importance of formalizing our internal processes to ensure transparent, auditable, and statutory-aligned fund allocations.

Planned Improvements and Commitments:

1. Formal Policy Development

The County is currently developing a written policy that clearly defines the methodology used to allocate personnel costs to restricted transportation revenue sources, including RMST and the Highway User Revenue Fund (HURF). This policy will establish:

- Eligibility criteria for allocation
- Approved calculation methods (e.g., time-based or functional allocation)
- Required documentation standards

2. Enhanced Timekeeping and Project Coding

We will implement improvements to our payroll and time-tracking process to allow for the assignment of employee time to specific, eligible transportation projects and activities. This will include:

- Use of job/project codes within timekeeping tools
- Supervisor-level verification of time allocations
- Integration with financial reporting for traceability

3. Periodic Compliance Reviews

A process will be instituted for conducting **annual internal compliance reviews** of salary and wage allocations to transportation funds. These reviews will:

- Assess alignment with statutory and internal policy
- Confirm consistency of documentation
- Identify and address any discrepancies proactively

4. Training and Communication

Relevant staff in Public Works, Finance, and Payroll will receive regular training on the allowable uses of RMST and the documentation requirements for personnel cost allocations. This initiative will reinforce understanding of both legal requirements and internal expectations.

Conclusion

Coconino County appreciates the audit team's diligence in identifying areas for improvement. While compliance was ultimately demonstrated during the audit, we fully support the recommendation to formalize our methodology and enhance accountability. We are committed to implementing the above corrective actions during the current fiscal year and will document all progress accordingly.

Recommendation 1: Implement a process to track and allocate salary and wage expenditures based on actual time spent on eligible road and highway activities.

Coconino County Response: The audit recommendation will be implemented.

Response Explanation

The County will implement updated procedures to improve transparency around wages and salary reporting, ensuring that documentation clearly demonstrates compliance with the specific requirements outlined in the voter mandate. Public Works will implement a direct charge method in the enterprise resource system to enable salaries and employee-related expenses (EREs) to be charged directly to projects funded by the Road Maintenance Sales Tax.

Recommendation 2: Develop and adopt a formal policy that outlines the methodology to allocate salary and wage costs to transportation related funding.

Coconino County Response: The audit recommendation will be implemented.

Response Explanation

The County will develop and implement a policy for identifying and tracking salaries and employee-related expenses (EREs) associated with projects deemed eligible for streets and roads purposes. This will ensure that wages and salary information are more transparent, and the documentation more clearly supports how they meet the specific requirements in the voter intent.

The policy will define, eligibility criteria; timekeeping and documentation standards and use of project ledgers.

Recommendation 3: Establish a process for conducting periodic compliance reviews of salary and wage allocations charged to transportation funds.

Coconino County Response: The audit recommendation will be implemented.

Response Explanation

Internal reviews will be conducted on a quarterly basis, with an annual comprehensive audit-style review to ensure compliance with the Road Maintenance Sales Tax voter mandate and internal cost allocation guidelines.