

May 29, 2026

Stephanie C. Palmertree, CPA, CFE, CGMA
Novum Advisory, PLLC
2168 Main Street, Suite A
Madison, MS 39110

Dear Ms. Palmertree,

Please see the Town of Mammoth response below to Novum's recommendations for the 2026 Pinal County Excise Tax Audit.

Finding 1: Mammoth lacked the ability to demonstrate it spent all excise tax monies appropriately.

Mammoth response: The finding is agreed to.

Response explanation: The Town of Mammoth acknowledges the documentation and continuity concerns identified in the audit. The Town recognizes the importance of maintaining complete supporting documentation and formalized procedures for transportation excise tax expenditures. The Town has already begun reviewing and organizing available records and intends to strengthen its policies, documentation practices, and oversight processes to ensure future compliance with applicable statutory requirements.

Recommendation 1: Develop and implement formal written policies and procedures for the administration of excise tax monies. These policies and procedures should address allowable uses, documentation standards, review and approval responsibilities, records retention requirements, and periodic management review of fund activity.

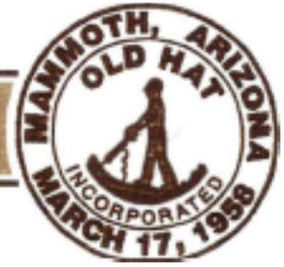
Mammoth response: The audit recommendation will be implemented.

Response explanation: The Town plans to develop and adopt written policies and procedures addressing allowable uses, documentation standards, review and approval responsibilities, records retention requirements, and periodic management review of transportation excise tax activity.

Recommendation 2: Organize excise tax project files and expenditure records in a centralized manner so that supporting documentation is complete, current, and readily accessible. This should include invoices, payroll support, allocation worksheets, utility records, and other documents needed to demonstrate the purpose and allowability of each expenditure.

Mammoth response: The audit recommendation will be implemented.

Response explanation: The Town plans to centralize transportation excise tax records and supporting documentation, including invoices, payroll support, allocation schedules, and utility records, to improve accessibility and continuity.



Recommendation 3: Maintain supporting documentation for all payroll, administrative, utility, and project charges paid from excise tax monies, including salary allocation schedules for all years in which payroll and related costs are charged to the fund. This documentation should clearly identify the nature of the cost, its connection to eligible highway and street purposes, and the basis for charging the expenditure to the fund. If supporting allocation schedules for prior years cannot be located, Mammoth should reconstruct them to the extent possible using available payroll and accounting records and determine whether any reclassification or repayment is necessary.

Mammoth response: The audit recommendation will be implemented.

Response explanation: The Town plans to maintain and retain supporting documentation for all expenditures charged to transportation excise tax monies and, where feasible, reconstruct missing allocation schedules using available payroll and accounting records.

Recommendation 4: Demonstrate that all excise tax monies were used for allowable purposes. Mammoth should maintain sufficient documentation to demonstrate that all excise tax monies were spent only for allowable highway and street purposes. Documentation should identify the nature of each expenditure, show its connection to eligible highway and street activities, and support the basis for charging the expenditure to excise tax monies.

Mammoth response: The audit recommendation will be implemented.

Response explanation: The Town plans to strengthen its documentation and monitoring processes to ensure all expenditures charged to transportation excise tax monies are adequately supported and clearly connected to allowable highway and street purposes.

A handwritten signature in black ink, appearing to read "H. Moreno", written over a horizontal line.

Hector Moreno
Mammoth Town Manager