



Auditor's Comments on Authority Response

The Joint Legislative Audit Committee requires all agencies to respond to whether they agree with the findings and plan to implement the recommendations. We appreciate the Authority's response, including its agreement to implement or implement the recommendations in a different manner. However, the Authority has included certain statements in its response that necessitate the following clarifications. Specifically:

The Authority's three-phase overview document does not address the planning deficiencies identified in Finding 1

On pages 1 and 4 of its response, the Authority states that it has a coherent, comprehensive, and thoughtful plan for the Long-Term Water Augmentation Fund. It further states that this plan is available on its website. The plan linked in its response is a two-page overview identifying three phases: soliciting qualified teams, paying for work product, and project development. Although these phases describe the Authority's general approach for identifying and selecting water augmentation projects, the overview does not identify the program's current phase, including not indicating that the Authority has completed the first phase. The document also lacks target dates or reasonable date ranges for completing each phase, responsible parties and dependencies, regulatory approvals, decision points, project-selection criteria, construction milestones, or significant risks that could affect the schedule.¹ As a result, the plan linked in the Authority's response does not constitute a consolidated and updated comprehensive plan as recommended in the report.

Characterizing time frames as aspirational does not resolve inconsistencies in the Authority's published information

On page 1 of its response, the Authority states that the report incorrectly interprets its five-year strategic frameworks because they represent aspirational goals rather than specific timing. We disagree with this characterization of the finding. A time frame can be aspirational and still communicate a specific expectation about when an activity will occur. The finding does not depend on treating the Authority's targets as guaranteed completion dates. It addresses whether the Authority's published information consistently communicates its expectations and explains changes.

For example, the Authority's August 2024 strategic framework identifies the end of 2024 as the target for publishing a water augmentation project solicitation. However, the "Path

¹ Water Infrastructure Finance Authority of Arizona, *Long-Term Water Augmentation Fund Competitive Project Development Process*, one-page overview linked in the Authority's September 21, 2026, response, pages 1 and 4. The three-phase graphic is also reproduced on page 1 of the response.

Forward” discussion on the same page states that the Authority intends to publish the solicitation by midyear, with project selection occurring by the end of 2024.² These are differing descriptions within the same version of the framework, not simply changes between successive versions. Calling the dates aspirational does not reconcile those descriptions or tell stakeholders which time frame reflects the Authority’s expectations.

The recommendations accommodate the Authority’s approach of using aspirational goals rather than specific timing. Recommendation 1 allows target dates or reasonable date ranges and calls for distinguishing activities within the Authority’s control from those dependent on other parties. Recommendation 2 calls for communicating schedule changes, reasons for delays, and updated estimates. Neither recommendation requires the Authority to guarantee decisions by developers, potential water purchasers, regulators, financing parties, or other governments. Where a meaningful estimate cannot yet be developed, the recommendations would allow the Authority flexibility to explain what remains unresolved and what information or decisions are needed before an estimate can be provided.

The recommendations specify the improvements needed and how they should be communicated

On page 3 of its response, the Authority states that the finding is unclear and that the report does not explain what the recommended plan should contain, how it should be communicated, or what would make its existing plan more adequate. However, Recommendations 1 and 2 directly address these questions. Recommendation 1 identifies the plan’s content, specifies that it should extend through anticipated first water delivery, and calls for Board approval and website publication. Recommendation 2 identifies the audiences and information to be addressed in periodic reporting, including completed and upcoming milestones, schedule variances, reasons for delays, corrective actions, changes in risks, and updated estimates for project selection, construction, and water delivery. It also calls for consistency with the Authority’s other public materials.

These recommendations are directed at the condition and cause described in Finding 1. Consolidating information and addressing omissions would improve the completeness and accessibility of the Authority’s planning information. Periodically updating that information, explaining changes, and maintaining consistency across public materials would address the continuing risk that stakeholders could misunderstand the program’s status. The recommendations therefore call for specific improvements, not simply more documents or additional outreach.

Finally, auditors must avoid being too prescriptive with recommendations to avoid appearing to make management decisions. Specifically, Government Auditing Standards require that auditors guard against threats to independence, including management participation threats that could lead an auditor to take a position that is not objective if the auditor takes on the role of management or otherwise performs management functions on

² Water Infrastructure Finance Authority of Arizona, *Five-Year Strategic Framework, Fiscal Year 2024–2028*, revised August 2024, augmentation section, milestone list and “Path Forward” discussion.

behalf of the audited entity. Such a threat could occur if an auditor prepares management's corrective action plan to deal with the deficiencies detected in the engagement.

The cited guidance applies to planning for future infrastructure and communicating program information

On page 3 of its response, the Authority disputes the relevance of the external guidelines cited in the report, despite their broad applicability to public entities. For example:

- ▶ The Authority disputes the applicability of the Government Finance Officers Association's (GFOA) capital-planning guidance because it does not currently manage capital assets and its projects are not sufficiently defined for inclusion in a budget. GFOA's *Multi-Year Capital Planning* guidance expressly addresses identifying future infrastructure needs and planning for procurement, design, and construction, not merely managing assets already in service. It specifically recommends defining project scope and timing during the early stages of planning and identifies water services as an area for which capital planning is critical. The guidance does not establish a particular cost-estimate classification as a prerequisite for its use.³ These principles are relevant to the Authority's decisions about evaluating, financing, and advancing future water infrastructure. Their relevance does not depend on the Authority already owning the assets or having selected a construction-ready project.
- ▶ The GFOA *Capital Planning Policies* guidance cited by the Authority reinforces this distinction. It supports tailoring policies to an organization's circumstances, but expressly states that planning policies do not constitute the capital plan itself. It also recommends provisions for multi-year planning, decision-making, monitoring, reporting, and changes to the plan.⁴ Tailoring the Authority's approach is therefore consistent with the recommendations; it does not eliminate the need for the consolidated and updated planning information they identify.
- ▶ In addition, the Authority disputes the use of the U.S. Government Accountability Office's (GAO) *Standards for Internal Control in the Federal Government*, commonly called the *Green Book*, GAO Principle 15, stating that GAO principal 15 provides guidance for communication between a federal entity and external stakeholders and that the principle does not outline a specific set of objectives for a comprehensive plan. However, the *Green Book* is not limited to use by federal entities. Paragraph OV4.20 expressly states that state, local, and quasi-governmental entities may apply it as an internal control framework.⁵ Principle 15 addresses communicating relevant, quality information to appropriate external parties, and paragraph 15.09 recognizes that government entities report to the public as well as legislators and regulators.⁶

³ Government Finance Officers Association, *Multi-Year Capital Planning*, updated September 2022, introductory discussion and "Identify needs" and "Determine financial impacts" sections.

⁴ Government Finance Officers Association, *Capital Planning Policies*, approved September 30, 2013, introductory discussion and recommendations 5, 9, and 12.

⁵ U.S. Government Accountability Office, *Standards for Internal Control in the Federal Government*, 2025 revision, GAO-25-107721, paragraph OV4.20, "Use by Other Entities," page 27.

⁶ U.S. Government Accountability Office, *Standards for Internal Control in the Federal Government*, 2025 revision, Principle 15, "Communicate Externally," paragraphs 15.01 through 15.03 and 15.09, pages 87 and 89.

We agree that Principle 15 does not prescribe the contents of a comprehensive capital plan. Its relevance is to the communication component of the finding, while the GFOA guidance provides the capital-planning principles.

- ▶ Finally, the report uses the GFOA guidance and the *Green Book*, as recommended practices for evaluating planning and communication, not as publications the Authority is legally required to adopt. Whether guidance is mandatory is a different question from whether its principles are relevant to the activities being evaluated. The absence of a legal requirement to adopt a particular publication does not, by itself, make that publication unsuitable as audit criteria. GAO's *Government Auditing Standards*, 2024 revision, commonly called the *Yellow Book*, explains that the purpose of performance auditing is to "...provide objective analysis, findings, and conclusions to assist management and those charged with governance and oversight with, among other things, improving program performance and operations, reducing costs, facilitating decision making by parties responsible for overseeing or initiating corrective action, and contributing to public accountability."⁷ Moreover, paragraphs 8.17 and 8.18 explain that audit criteria may identify either a required or a desired condition and may include technically developed standards, defined business practices, and benchmarks.⁸

⁷ U.S. Government Accountability Office, *Government Auditing Standards*, 2024 revision, GAO-24-106786, paragraph 1.21, page 11.

⁸ U.S. Government Accountability Office, *Government Auditing Standards*, 2024 revision, paragraph 1.22, page 11, and paragraphs 8.17 and 8.18, page 185.