

# **Town of Oro Valley**

Report on Federal Awards

June 30, 2024

# Town of Oro Valley

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**Report on Internal Control  
Over Financial Reporting and on Compliance  
and Other Matters Based on an Audit of  
Financial Statements Performed in Accordance  
With *Government Auditing Standards***

**Independent Auditors' Report**

To the Honorable Mayor and Town Council of  
Town of Oro Valley

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Oro Valley (the Town), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated December 12, 2024.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Town's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

## **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Town's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Baker Tilly US, LLP*

Tempe, Arizona  
December 12, 2024

**Report on Compliance  
for Each Major Federal Program;  
Report on Internal Control Over Compliance; and  
Report on the Schedule of Expenditures of  
Federal Awards Required by the Uniform Guidance**

**Independent Auditors' Report**

To the Honorable Mayor and Town Council of  
Town of Oro Valley

**Report on Compliance for Each Major Federal Program**

***Opinion on Each Major Federal Program***

We have audited the Town of Oro Valley's (the Town) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Town's major federal programs for the year ended June 30, 2024. The Town's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Town complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2024.

***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Town and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Town's compliance with the compliance requirements referred to above.

***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Town's federal programs.

## ***Auditors' Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Town's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Town's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Town's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Town's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

## ***Other Matters***

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2024-001. Our opinion on each major federal program is not modified with respect to this matter.

*Government Auditing Standards* requires the auditor to perform limited procedures on the Town's response to the noncompliance finding identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The Town's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The Town is responsible for preparing a corrective action plan to address each audit finding included in our auditor's report. The Town's corrective action plan was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

## ***Report on Internal Control Over Compliance***

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify a deficiency in internal control over compliance that we consider to be a significant deficiency.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2024-001, to be a significant deficiency.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

*Government Auditing Standards* requires the auditor to perform limited procedures the Town's response to the internal control over compliance finding identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The Town's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The Town is responsible for preparing a corrective action plan to address each audit finding included in our auditor's report. The Town's corrective action plan was not subjected to the auditing procedures applied in the audit of the compliance and, accordingly, we express no opinion on it.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

#### **Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements. We issued our report thereon dated December 12, 2024, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the basic financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

*Baker Tilly US, LLP*

Tempe, Arizona  
December 12, 2024

# Town of Oro Valley

Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2024

Federal Grantor/ Program Title	Assistance Listing Number	Pass-Through Agency	Pass-Through Agency Grant Number	Federal Expenditures
<b>Federal Programs</b>				
<b>U.S. Department of Transportation</b>				
Federal Transit Cluster:				
Federal Transit Formula Grants	20.507	N/A	N/A	\$ 318,996
Total Federal Transit Cluster				<u>318,996</u>
Transit Services Program Cluster:				
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	Governor's Office of Highway Safety	ADOT 5310 -GRT-21-0008317-T	<u>537,235</u>
Total Transit Services Program Cluster				<u>537,235</u>
Highway Safety Cluster:				
National Priority Safety Programs	20.616	Governor's Office of Highway Safety	2023-PTS-040, 2023-AL-022, 2024-AL-023, 2024-PTS-039, 2024-AI-013	<u>82,609</u>
Total Highway Safety Cluster				<u>82,609</u>
Total U.S. Department of Transportation				<u>938,840</u>
<b>U.S. Department of Justice</b>				
Bulletproof Vest Partnership Program:	16.607	Bureau of Justice Assistance	OMB #1121-0235	<u>22,313</u>
Total U.S. Department of Justice				<u>22,313</u>
<b>Executive Office of the President, Office of National Drug Control Policy</b>				
High Intensity Drug Trafficking Areas Program	95.001	City of Tucson and Pima County	G23SA0007A, G24SA0007A	<u>97,611</u>
Total Executive Office of the President, Office of National Drug Control Policy				<u>97,611</u>
<b>U.S. Department of Interior</b>				
Outdoor Recreation Acquisition, Development and Planning	15.916	Department of Parks, Arizona	P23AP01894-00, 04-00793	<u>1,000,000 *</u>
Total U.S. Department of Interior				<u>1,000,000</u>
<b>U.S. Department of Justice</b>				
Homeland Security Grant Program:	97.067	Arizona Department of Homeland Security	220432-02, 210436-01, 220432-01	88,385
United States Secret Service	97.UO1	N/A	N/A	<u>5,500</u>
Total U.S. Department of Justice				<u>93,885</u>
<b>U.S. Department of Treasury</b>				
COVID-19 - State and Local Fiscal Recovery Fund	21.027	N/A	AZ-0035	<u>1,572,125 *</u>
Total U.S. Department of Treasury				<u>1,572,125</u>
Total federal programs				<u>\$ 3,724,774</u>

\* Denotes major program tested

See notes to schedule of expenditures of federal awards



# Town of Oro Valley

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Notes to Schedule of Expenditures of Federal Awards  
June 30, 2024

## 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the Town under programs of the federal government for the year ended June 30, 2024. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Town of Oro Valley, Arizona, it is not intended to and does not present the financial position, changes in net position or cash flows of the Town of Oro Valley, Arizona.

## 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual or modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

The underlying accounting records for some grant programs are maintained on the modified accrual basis of accounting. Under the modified accrual basis, revenues are recorded when susceptible to accrual, i.e., both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the liability is incurred. The accounting records for other grant programs are maintained on the accrual basis, i.e., when the revenue has been earned and the liability is incurred.

## 3. Indirect Cost Rate

The Town of Oro Valley has not elected to use the 10% de minimis indirect cost rate.

## Town of Oro Valley

Schedule of Findings and Questioned Costs  
Year Ended June 30, 2024

### Section I - Summary of Auditors' Results

#### Financial Statements

Type of report the auditors issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? \_\_\_\_\_ yes X no  
Significant deficiency(ies) identified? \_\_\_\_\_ yes X none reported

Noncompliance material to financial statements noted? \_\_\_\_\_ yes X no

#### Federal Awards

Internal control over major federal programs:

Material weakness(es) identified? \_\_\_\_\_ yes X no  
Significant deficiency(ies) identified? X yes \_\_\_\_\_ none reported

Type of auditors' report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR 200.516(a) of the Uniform Guidance? \_\_\_\_\_ yes X no

Auditee qualified as low-risk auditee? X yes \_\_\_\_\_ no

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Identification of major federal programs:

Assistance Listing Number	Name of Federal Program or Cluster
21.027	COVID-19 - State and Local Fiscal Recovery Fund
15.916	Outdoor Recreation Acquisition, Development and Planning

### Section II - Financial Statement Findings Required to be Reported in Accordance With Government Auditing Standards

None noted.

## Town of Oro Valley

Schedule of Findings and Questioned Costs  
Year Ended June 30, 2024

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### Section III - Federal Awards Findings and Questioned Costs

Program: Assistance Listing No.: 15.916

Federal program title: Outdoor Recreation Acquisition,  
Development and Planning.

Award No.: P23AP01894/04-00793

Award Year: 2024

Name of pass-through entity, when applicable:

Arizona State Parks and Trails

#### **Finding 2024-001: Significant Deficiency - Maintenance and Recording of Federally Purchased Capital Assets**

*Criteria:* Per 2 CFR § 200.313 (Uniform Guidance) for managing federally funded property, recipients must: maintain records of capital assets purchased with federal funds including detailed descriptions, serial numbers, acquisition dates, and funding sources. The recipients must also perform physical inventories at least every two years to ensure assets are accounted for, and establish internal controls to safeguard assets from loss, damage, or unauthorized use.

*Condition:* During the audit, we noted that the Town did not segregate capital assets acquired utilizing federal funds in its capital asset software, including records of asset locations and condition. Since federally funded capital assets were not separately tracked in the capital asset system, we were unable to determine which disposals during the current year, if any were federally purchased assets. Lastly, the Town did not maintain records of any federally purchased asset inventory counts completed during the last two years.

*Cause:* The Town lacked sufficient internal controls and formalized procedures to track federally funded assets.

*Effect or Potential Effect:* Inadequate records increase the risk of asset misappropriation, misuse or loss. Failure to account for disposals could lead to questioned costs during federal audits. Sale of federally purchased assets could result in a gain and the requirement for the Town to perform program income procedures with the pass-through entity or the related federal agency.

*Recommendation:* We recommend the Town update their capital asset tracking schedule to include information on which assets are purchased using federal funds. Furthermore, we suggest the Town begin to keep records of any inventory count taken and begin scheduling inventory counts to be completed at least once every two years.

*Management's Response:* Management concurs with the finding and has already begun taking steps to address the issue. They plan on updating their capital asset tracking module to include documentation of federally purchased assets. Additionally, the Town is in the process of scheduling inventory counts to be completed at least once every two years, and to maintain documentation of any inventory count completed.

*See corrective action plan.*



**Town of Oro Valley**  
Finance Department

**Town of Oro Valley  
Corrective Action Plan  
For the Year Ended June 30, 2024**

**Finding 2024-001**

*Condition*

During the audit, we noted that the Town did not segregate capital assets acquired utilizing federal funds in its capital asset software, including records of asset locations and condition. Since federally funded capital assets were not separately tracked in the capital asset system, we were unable to determine which disposals during the current year, if any were federally purchased assets. Lastly, the Town did not maintain records of any federally purchased asset inventory counts completed during the last two years.

*Corrective Action Plan*

Corrective Action Planned: Town management concurs with the finding, and while audit staff were still onsite for field work, Town staff implemented and added tracking and documentation information for all federally funded capital assets, to include unique descriptors, Catalog of Federal Domestic Assistance grant number, funding source and amount. In addition, inventory counts for federally funded assets will be conducted and recorded at least once every two years.

Name(s) of Contact Person(s) Responsible for Corrective Action: Wendy Gomez, Deputy Finance Director and Nancy Arvizu, Senior Accountant

Anticipated Completion Date: December 11, 2024

*Oro Valley, it's in our nature*