



NOTICE AND AGENDA OF PUBLIC MEETING AND POSSIBLE EXECUTIVE  
SESSION OF THE BOARD OF DIRECTORS (BOD) OF THE NORTHERN ARIZONA  
INTERGOVERNMENTAL PUBLIC TRANSPORTATION AUTHORITY

Pursuant to A.R.S. §38-431.02, notice is hereby given to the members of the Board of Directors (BOD) of the Northern Arizona Intergovernmental Public Transportation Authority (“Mountain Line”) and to the general public that the Board will hold a special session on:

Thursday, March 26, 2026  
1:30 pm  
Mountain Line Ponderosa Room  
216 W Phoenix Avenue  
Flagstaff, AZ 86001

Unless otherwise noted, meetings held in the conference room are open to the public. This is a WEB BASED meeting. Members of the Board of Directors may attend in person, by internet conferencing, or by telephone. The public may observe and participate in the meeting at the address above.

**The Board of Directors may vote to hold an executive session for the purpose of obtaining legal advice from Mountain Line’s attorney on any matter listed on the agenda pursuant to A.R.S. § 38-431.03(A)(3). The executive session may be held at any time during the meeting. Executive sessions are not open to the public, pursuant to Arizona Open Meeting Law.**

**Pursuant to the Americans with Disabilities Act, persons with a disability may request a reasonable accommodation, such as a sign language interpreter, by contacting the Clerk of the Board of Directors at 928-679-8922 (TTY Service 800.367.8939). Requests should be made as early as possible to allow time to arrange the accommodation.**

**Public Comment Process**

The Mountain Line Board of Directors welcomes public comments during meetings. Members of the public can comment on items not on the agenda under the general call to the public and on items on the agenda at the time the item is considered, in the agenda order. There are three ways to submit comments:

1. Written Comments: Members of the public can submit public comments by email up until 12:00 p.m. on the day of the meeting. Comments can be emailed to [publiccomment@mountainline.az.gov](mailto:publiccomment@mountainline.az.gov) and should reference if the comment is part of the general call to the public or in reference to a specific agenda item. Every email, if received by 12:00 p.m. on the day of the meeting, will be entered into the official record.
2. Virtual Comments: Members of the public can join the meeting virtually to deliver public comments. Those wishing to attend virtually must email [publiccomment@mountainline.az.gov](mailto:publiccomment@mountainline.az.gov) by 12:00 p.m. on the day of the meeting with their name and agenda item for which they wish to provide comment. The Clerk of the Board will provide a link to access the meeting via Zoom and will introduce those giving public comments at the appropriate time in the agenda.





- 3. In-Person Comments: Members of the public can attend any Board meeting in-person and submit a speaker card to the Clerk of the Board.

The agenda for the meeting is as follows:

-pages 1-3

- 1. CALL TO ORDER
- 2. ROLL CALL
- 3. SAFETY MINUTE  
-Sam Short, Workforce Director

**EXECUTIVE SESSION**

Executive sessions are closed to the public.

The Board will consider a motion to convene an executive session pursuant to A.R.S. § 38-431.03(A) for the following purpose:

- 1. Consultation and discussion with Mountain Line’s legal counsel for legal advice and with Mountain Line’s legal counsel, CEO and General Manager, and staff as appropriate regarding the CEO and General Manager Corrective Action and performance review. A.R.S. § 38-431.03(A)(1), (3) & (4).

Following the conclusion of the Executive Session, the Board will reconvene the public meeting.

**DISCUSSION / ACTION ITEMS:**

- 4. FY2025 FINANCIAL AUDIT REPORT AND CORRECTIVE ACTION PLAN  
-Megan Coons, Finance Director -pages 4-9  
Staff recommends the Board of Directors: 1) Approve the FY2025 Financial Audit Report as completed by HeinfeldMeech and filed as required by March 31, 2026; and 2) Approve the related Corrective Action Plans for implementing changes necessary to ensure financial management is done within policy and as required by regulations.

**ITEMS FROM COMMITTEE AND STAFF:**

SCHEDULE FOR THE NEXT MEETING DATE AND IDENTIFY AGENDA ITEMS

The next Board meeting will be held on April 15, 2026 and it will be a hybrid in-person and Zoom meeting based in Flagstaff in the Mountain Line Ponderosa Room, 216 W. Phoenix Ave., Flagstaff, AZ 86001 at 10am. The public is invited to attend. April agenda items may include but not be limited to the Close





## **Mountain Line**

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Service Changes Public Comment Period, Operating Budget Overview, Capital Budget Overview, Mountain Express Update, Drug and Alcohol Program Compliance Corrective Action Plan Report, Downtown Connection Center Update, Operational Assessment Update, and Delegation of Authority Updates. The April agenda will be available for review on Mountain Line's website and at Mountain Line's public posting places (listed on the Mountain Line website) at least 24 hours prior to the meeting and should be consulted for a list of items that will come before the Board.

### **5. ADJOURNMENT**

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**DATE PREPARED:** March 17, 2026

**MEETING DATE:** March 26, 2026

**TO:** Honorable Chair and Members of the Board

**FROM:** Megan Coons, Finance Director

**SUBJECT:** FY2025 Financial Audit Report and Corrective Action Plan

**RECOMMENDATION:**

Staff recommends the Board of Directors: 1) Approve the FY2025 Financial Audit Report as completed by HeinfeldMeech and filed as required by March 31, 2026; and 2) Approve the related Corrective Action Plans for implementing changes necessary to ensure financial management is done within policy and as required by regulations.

**RELATED STRATEGIC PLAN OBJECTIVE:**

- ❖ Goal: Service Excellence
  - ❖ Objective: Develop and improve community partnerships and interagency relationships to enhance transit and improve our ability to meet community needs and deliver public transit services.
- ❖ Goal: Community Engagement
  - ❖ Objective: Increase the community's awareness of Mountain Line's value to the community.
- ❖ Goal: Fiscal Responsibility
  - ❖ Objective: Ensure a sustainable financial future through long-term financial planning.

**BACKGROUND:**

In accordance with A.R.S. 28-9101 et seq. to establish an intergovernmental public transportation authority and Mountain Line's Master IGA, the Board will initiate an annual audit within 120 days of the end of each fiscal year and formally approve the report before submitting a certified copy to the Auditor General's Office.

The FY2025 audit began in January of 2026 with off-site document testing. The audit covered many areas of review to test the conformity of Mountain Line's prepared financial statements with U.S. generally accepted accounting principles (GAAP). During the off-site testing and through electronic document collection and review, staff from the auditing firm selected documents for review, including but not limited to grant expenditures, fixed asset recording, purchasing policy compliance, and internal controls.

The onsite portion of the process was conducted in February 2026 where further test work was completed for the topics above. Ninety percent of audit work was completed by the end of the February





site visit. During the normal course of work completed during the audit, Mountain Line staff were available and responsible for timely submission of documents and information.

Based on the draft report and feedback from the auditors, the following are predicted results:

1. A material weakness of internal controls over accounting records and segregation of duties was identified, which was caused by lack of review procedures, lack of segregation of duties, and lack of enforcement of adopted policies. These weaknesses in internal controls resulted in misconduct by an employee. A corrective action plan has been developed to strengthen internal controls and ensure this material weakness does not occur in future years.
2. A material weakness over financial reporting was identified, which was caused primarily by the omission of \$1,487,236 from the FY2024 Financial Audit Report. Beginning net position for July 1, 2024 was restated in the financial statements, and a corrective action plan has been developed to ensure this weakness does not occur in future years.
3. Testing of compliance with other laws, regulations, contracts, and grant agreements disclosed no other instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.
4. All significant transactions have been recognized in the financial statements in the proper period.
5. Reasonable estimates were developed by staff for amounts due to other governments and depreciation of assets.
6. No difficulties were experienced in dealing with management.
7. There were no disagreements with management.
8. Mountain Line did not qualify as a low-risk auditee.
9. Mountain Line did not consult another firm for a 2<sup>nd</sup> opinion on any matters.

Staff have developed the required corrective action plans, which will be part of the Audit report submission. Staff is seeking approval from the Board on the Corrective Action plans as developed and is seeking additional feedback if there is any. Staff is receptive to additional corrective action as needed to address concerns about financial oversight in general.

**ALTERNATIVES:**

- 1) Approve the FY2025 Financial Audit report and corrective action plan (**recommended**): Approval of the report is consistent with the Master IGA. Approval of corrective actions will allow staff to implement changes needed for good internal controls.
- 2) Do not approve the FY2025 Financial Audit report (**not recommended**): If the report is not approved, staff would need to engage in a second or an independent audit of the work completed by HeinfeldMeech.

**SUBMITTED BY:**

*Megan Coons*

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Megan Coons  
Management Services Director

**APPROVED BY:**

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Heather Dalmolin  
CEO and General Manager





## Mountain Line

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### ATTACHMENTS:

- |                                    |                                 |
|------------------------------------|---------------------------------|
| 1. 2025-001 Corrective Action Plan | -pages 7-8                      |
| 2. 2025-002 Corrective Action Plan | -page 9                         |
| 3. FY2025 Financial Audit Report   | -will be provided when received |

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## Corrective Action Plan Year Ended June 30, 2025

### March 16, 2026

We have prepared the following corrective action plan as required by the standards applicable to financial audits contained in Government Auditing Standards and by 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). Specifically, for each finding we are providing you with the names of the contact people responsible for corrective action, the corrective action planned, and the anticipated completion date.

#### **Financial Statement Finding**

#### **2025-001 Internal Controls Over Accounting Records and Segregation of Duties**

**Recommendation:** The Authority should allocate necessary resources to implement controls and procedures to ensure accounting records are being appropriately recorded and reviewed in the Authority's financial system.

**Corrective Action:** The Authority has implemented procedures requiring all bank reconciliations to be completed within 10 days of the end of the month. Each reconciliation will be reviewed and approved by a second authorized individual independent of the preparation process. Documentation of preparation and review will be retained.

The Authority will develop a long-term plan to centralize User Management and Security Roles within the IT Department. Access permissions will be reviewed and updated to align with each employee's job duties and follow the principle of least privilege.

The Authority has implemented procedures requiring that all manual journal entries be reviewed and approved by a second qualified employee prior to posting.

Ongoing training will be provided to staff emphasizing that itemized receipts are required for all purchases made with Authority funds. Transactions without appropriate documentation may be denied or require repayment.





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Enhanced workflow has been implemented in the Authority's accounts payable system to ensure at least two steps of approval for all payments. The ability to make payments via bank transfer has been removed.

Ongoing training will be provided to staff emphasizing procurement procedures requiring approved purchase orders for certain transactions before committing Authority funds. Periodic reviews of procurement activity will be conducted to monitor for compliance.

The Authority has strengthened payroll controls by implementing segregation of duties between payroll processing and payroll record maintenance. Employees will be restricted from modifying their own payroll records. A report detailing manual payroll edits will be run and reviewed by multiple parties to verify the appropriateness of all manual payroll changes.

Completion Date: March 31, 2026

Contact Person: Megan Coons, Finance Director

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Corrective Action Plan  
Year Ended June 30, 2025

**March 16, 2026**

We have prepared the following corrective action plan as required by the standards applicable to financial audits contained in Government Auditing Standards and by 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). Specifically, for each finding we are providing you with the names of the contact people responsible for corrective action, the corrective action planned, and the anticipated completion date.

**Financial Statement Finding**  
**2025-002 Internal Controls Over Financial Reporting**

**Recommendation:** The Authority should allocate necessary resources to implement controls and procedures to ensure accounting records are being appropriately recorded and reviewed in the Authority's financial system.

**Corrective Action:** The Authority concurs and will develop formal written procedures and standardized templates to support real-time monitoring and reconciliation of accounting transactions and account balances. All finance staff will also attend formal training sessions sponsored by the Authority's accounting system vendor to ensure that all transactions are properly recorded in the system in accordance with GAAP. Lastly, the Authority will develop an audit timeline and checklist of year-end procedures to ensure timely single audit completion.

This finding is considered a repeat due to the timing of the current and prior fiscal year audits. The prior audit report was finalized in January 2026 and as a result, the Authority had limited time to fully implement and demonstrate the effectiveness of enhanced internal control procedures. The procedures above have been integrated into the Authority's financial management practices and are expected to prevent recurrence of the issue in future audits.

**Completion Date:** March 31, 2026

**Contact Person:** Megan Coons, Finance Director

