



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:

Wednesday, April 29, 2026
2:00 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 4:00 p.m. on the day before the meeting. Comments can be emailed to 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 4:00 p.m. on the day before 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 by 4:00 p.m. on the day before 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:

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 Roles and Expectations of the CEO and Board of Directors. 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. FORENSIC AUDIT -pages 4-8
-Heather Dalmolin, CEO and General Manager
No action is recommended by staff; the Board may direct staff to take additional actions to bring updated information for future action.

ITEMS TO / FROM THE BOARD OF DIRECTORS AND CEO:

SCHEDULE FOR THE NEXT MEETING DATE AND IDENTIFY AGENDA ITEMS

The next Board meeting will be held on Thursday, May 21, 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 8am. The public is invited to attend. May agenda items may include but not be limited to the Procurement Resolution, Fare Collection Procurement Award, RFP 2022-270 Arch and Bio Amendment 2, Roles and Expectations of the CEO and Board of Directors, Financial Plan Review, Budget Presentation, Fare Free Discussion, Bus Stop Improvement Plan, Operational Assessment Update,





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Delegation of Authority Updates, Equal Employment Opportunity (EEO) Program, and Workforce Utilization Report. The May 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: April 20, 2026
DATE: April 29, 2026
TO: Honorable Chair and Members of the Board
FROM: Heather Dalmolin, CEO and General Manager
SUBJECT: Forensic Audit

RECOMMENDATION:

No action is recommended by staff; the Board may direct staff to take additional actions to bring updated information for future action.

RELATED STRATEGIC PLAN SUCCESS OUTCOMES

- ❖ Financial Stability
- ❖ Community Value

BACKGROUND:

On April 3, 2026, Director Matthews provided a recommendation to Mountain Line CEO and Board of Directors that as a result of the fraud identified in the FY2025 Single Audit that the Mountain Line should have a Forensic Audit conducted. In looking at the typical triggers for a forensic audit, identified fraud can indicate a forensic audit should be conducted. (see attached research)

To date:

- All revenues since 2024 have been reviewed and are accounted for through our bank and treasurer account reconciliations.
- All vendors and third-party expenses (not payroll related) have been reviewed to ensure they 1) were processed with adequate documentation and 2) that vendors are legitimate and known to our agency for our projects and work.
- All payroll expenses for the employee involved have been reviewed as part of the investigation and the theft amount calculated was reported to the police with a full recovery of the stolen funds.

We strongly believe this fraud was committed as the employee was unhappy about being demoted with a reduction in pay. They then responded by increasing the total take home pay to pre-demotion amounts and processed pay increases that would have been otherwise available in the pre-demotion role. We have found no indication that there were other fraudulent activities. We feel like we have taken the appropriate steps to ensure there is no additional fraud through rerouted revenues or inaccurate expense postings.

If the Board wishes to proceed, we will issue a solicitation to have the requested Forensic Audit completed. We estimate the cost will be between \$10,000 and \$50,000, however the Board should anticipate the cost

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will reach more than \$100,000 due to the complexity of our accounting system due to our federal funding and program structure.

FISCAL IMPACT:

If a Forensic Audit is conducted, the cost will be unbudgeted. Staff would need to use the NAIPTA General Fund, prior and current year advertising revenues, to offset the cost and ensure it does not flow through to the City of Flagstaff.

ALTERNATIVES:

- 1) Instruct staff to solicit and award a contract for a professional firm to conduct a Forensic Audit within 120 days as per Mountain Line Purchasing Policy (not recommended): As stated in the staff report, staff do not recommend a Forensic Audit, and the expense of the audit is not necessary.
- 2) Instruct staff to solicit a professional firm to conduct a Forensic Audit within 120 days and present proposals to the Board of Directors for award (not recommended): An award for Forensic Audit requiring Board action exceeds \$100,000 and staff do not believe that additional fraud exists warranting this unbudgeted expense.

SUBMITTED BY:

Heather Dalmolin
CEO and General Manager

ATTACHMENTS:

- | | |
|-------------------------------------|------------|
| 1) Forensic Audit, What and When | -pages 6-7 |
| 2) Forensic Audit, Anticipated Cost | -page 8 |



What is a forensic audit?

A forensic audit's purpose is to investigate, detect, and document financial fraud, embezzlement, or misconduct, producing evidence suitable for legal proceedings. It goes beyond traditional auditing to identify perpetrators, quantify financial losses, reconstruct records, and uncover hidden assets. **It is often used in legal disputes, corporate fraud, and bankruptcy.**

Key purposes of a forensic audit include:

- **Detecting and Investigating Fraud:** Uncovering specific financial crimes such as asset misappropriation, bribery, or financial statement manipulation.
- **Providing Expert Evidence:** Gathering evidence to support criminal cases or civil litigation. Forensic auditors often act as expert witnesses in court.
- **Quantifying Losses:** Determining the precise monetary loss experienced due to fraud or misconduct.
- **Identifying Perpetrators:** Identifying the parties responsible for financial wrongdoing.
- **Reconstructing Records:** Rebuilding financial data that has been intentionally manipulated or destroyed.
- **Preventative Assessment:** Conducting proactive audits to find weaknesses in internal controls to prevent future fraud.

Forensic audits are commonly employed in cases of employee fraud, vendor disputes, merging and acquisitions (due diligence), and high-risk investigations

When to do a forensic audit?

A public agency should initiate a forensic audit when there is strong evidence or suspicion of fraud, embezzlement, or financial mismanagement, rather than for routine compliance. **It is designed to investigate specific wrongdoing, such as unaccounted funds, vendor kickbacks, or payroll fraud, to produce evidence suitable for legal proceedings or criminal prosecution.**

Key Triggers for a Forensic Audit in a Public Agency:

- **Suspicion of Fraud or Misconduct:** Strong reasons to believe theft, embezzlement, or "cooking the books" is occurring.

- **Whistleblower Complaints:** Specific allegations from employees or citizens regarding irregularities.
- **Missing Funds or Assets:** Unexplained financial losses or inventory shortages.
- **Questionable Procurement Processes:** Potential bid-rigging, conflict of interest, or vendor kickbacks in government contracting.
- **Unusual Financial Patterns:** Rapid, unexplained cash flow changes or consistent discrepancies in budget reports.
- **Litigation Support:** Need for expert investigation to support a lawsuit, civil case, or criminal investigation against a public official.
- **Grant/Federal Fund Misuse:** Concern that federal or state grant money was used for unauthorized purposes.

Forensic audits are distinct from routine audits as they are **reactive, forensic, and detailed**, aimed at pinpointing the "who, what, when, and how" of financial misconduct.

Anticipated Cost - Forensic Audit

Costs vary widely depending on complexity, data volume, and urgency. Typical ranges:

Key Cost Drivers

- Scope breadth (single issue vs. systemic review)
- Time period under review (months vs. years)
- Volume and quality of records
- Need for digital forensics or e-discovery
- Number of interviews
- Urgency (expedited work increases cost)
- Coordination with legal counsel

Small / Targeted Review

- **\$15,000 – \$50,000**
- Narrow scope (e.g., one department or issue)
- Limited data and interviews

Mid-Size Investigation

- **\$50,000 – \$150,000**
- **Multiple risk areas or moderate transaction volume**
- **Some data analytics and several interviews**

Large / Complex Investigation

- **\$150,000 – \$500,000+**
- Organization-wide scope or multi-year review
- Significant digital forensics, legal coordination, and reporting
- Potential litigation support