

**AUDIT COMMITTEE OF THE
ARIZONA COMMERCE AUTHORITY BOARD OF DIRECTORS**

PUBLIC MEETING MINUTES

**Wednesday, August 20, 2025 at 3:00 p.m.
100 North 7th Avenue, Suite 400 Phoenix, AZ 85007**

I. Call to Order and Roll Call

Tony Astorga, Chairman, called the Arizona Commerce Authority Audit Committee meeting to order at 3:02 PM. The meeting was properly noticed and posted. Quorum of voting members present.

Committee Members present via conference call

Tony Astorga, Chairman
Clate Mask

Arizona Commerce Authority (ACA) staff present

Ken Burns, COO
Peter Montalvo, CFO
Robin Hansen, Controller
Lauren Masseur, SVP Operational Excellence

Others present via conference call

Jean Dietrich, Director, CliftonLarsonAllen, LLP

II. Welcome

Tony Astorga welcomed all attendees and thanked all for attending.

III. Approval of April 28, 2025 Minutes

Tony Astorga made a motion to approve the minutes of the April 28, 2025 meeting. Clate Mask seconded. Motion approved.

IV. Presentation by CliftonLarsonAllen, LLP on upcoming Year End Audit Procedures and Timelines

Ms. Dietrich, CliftonLarsonAllen LLP (CLA), provided an overview of the ACA's Fiscal Year 2025 Audit Plan including audit scope and process, fiscal year overview, prior year management letter recommendations, audit timeline and responsibilities, and industry insights.

The scope and deliverables includes financial statement audit and Single Audit test work, internal control and compliance reporting (GAS, UG), preparation of financial



statements and SEFA, assistance with new accounting standards, and communications with governance and state auditors.

The audit process focus areas include internal controls, revenue recognition, significant estimates, state appropriations, related party transactions, lease renewals, and follows a risk-based approach.

The proposed Audit Timeline is as follows:

- July–August: Preliminary procedures
- September–October: Fieldwork
- November: Final reporting

Additional time may be needed for the Single Audit. The Single Audit test work is due Jan 30, 2026. If controls and program compliance requirements are clearly defined, it should be done earlier. If the Single Audit test work will delay issuance of the audited financial reports, the opinions may be presented under two dates to allow for timely transmission of the financial reports.

Some noted risk considerations include revenue recognition and management override of controls flagged as significant fraud risks. CLA will use data analytics and annual test rotation will be used to mitigate detection risk, and preliminary risk assessment to reduce audit risk.

Roles and responsibilities were outlined as follows:

- Governance: Strategic direction, accountability, fraud prevention
- Management: Internal controls, fair presentation, accounting policies
- Auditors: Independent opinion, risk-based audit, reasonable assurance

Ms. Dietrich asked the following questions to management:

- Will ACA have any reversions of funds back to the State this year? Mr. Burns indicated that no reversions are expected as part of this year's State budget.
- Were there any unusual transactions in Fiscal Year 2025? Mr. Montalvo indicated that there were no unusual transactions. Mr. Burns added that there was a continuation of federal grant programs consistent with the prior year.
- Are proper internal control updates implemented to respond to prior year recommendations, including fund balances, proper revenue recognition including grants, and trial balance preparation? Mr. Burns said yes, additional processes are in place this year to ensure proper preparation. Mr. Montalvo asked Ms. Dietrich to forward additional information on the "finding related to fund balance and net position." Ms. Dietrich agreed to send the information.

Ms. Dietrich noted that the Arizona Auditor General's Office has requested a test of the Coronavirus State and Local Fiscal Recovery Fund and the Coronavirus Capital Projects Fund to include a risk assessment of programs. CLA's final risk assessment is due to the Auditor General by August 29, 2025. Ms. Dietrich noted that they will need a preliminary expenditure listing for Federal Grants to complete this requirement.

Ms. Dietrich asked for Governance input. There were no areas of concern, fraud awareness, or operational or legal issues identified. Mr. Mask asked for an explanation of the single audit and Ms. Dietrich explained that while the ACA has had previous federal expenditures, no expenditures reached the state single audit threshold, currently \$40 million. This year the single audit will include a review of subrecipient monitoring, cash management for specific programs and more extensive testing from what the ACA has had in the past.

Ms. Dietrich noted industry insights may include identification of key challenges for state/local governments such as cybersecurity and tech costs, labor shortages and retention, cash management, and legislative uncertainty.

The audit will also include cybersecurity recommendations related to asset protection prioritization, vulnerability identification, incident response planning, cyber awareness training, and policy development.

GASB standards updates were identified for the current audit:

- **GASB 101**: Compensated absences (effective Dec 31, 2024)
- **GASB 102**: Risk disclosures (effective June 30, 2025)

GASB standards updates were identified for next year's audit:

- **GASB 103**: Financial reporting module (effective June 30, 2026)
- **GASB 104**: Capital asset disclosures (likely effective June 30, 2026)

Mr. Astorga asked if the cybersecurity assessment was conducted at a state or agency level and Ms. Dietrich confirmed that the IT consultant works with ACA IT to complete an assessment, which they also conducted last year.

Mr. Astorga also inquired if the ACA felt there is adequate staff to conduct the preliminary fieldwork and Mr. Burns affirmed that he will work closely with CFO, Peter Montalvo, and Controller, Robin Hansen.

Mr. Astorga noted that he would welcome a third member to the Committee should someone wish to serve.

Mr. Astorga thanked the Auditors for their time and for preparing a presentation.

V. Call to Public

No public present.

VI. Adjournment

Tony Astorga moved to adjourn the Arizona Commerce Authority Audit Committee meeting. Clate Mask seconded. Motion approved. Meeting adjourned at 3:31 PM.