



NEWS RELEASE

Arizona State Legislature
Representative Matt Gress (R-4)

Senator Mark Finchem (R-1)

1700 West Washington • Phoenix, Arizona • 85007

Tuesday, September 22, 2026
FOR IMMEDIATE RELEASE

JLAC Chairman Gress, Co-Chairman Finchem Demand Accountability After HHS Calls Arizona's Single Audit Response "Inadequate"

HHS official tells JLAC repeated delays are unacceptable as Arizona faces potential federal enforcement over delinquent audit

STATE CAPITOL, PHOENIX – Joint Legislative Audit Committee Chairman Matt Gress and Co-Chairman Mark Finchem today called for immediate action from the Hobbs administration after a senior federal official told lawmakers that Arizona's response to its delinquent Single Audit is inadequate.

Assistant Secretary for Financial Resources Gustav Chiarello [appeared before JLAC Monday](#) as the committee examined Arizona's failure to meet the federal Single Audit deadline for four consecutive fiscal years and the consequences the State could face if it does not return to compliance.

Asked by Chairman Gress about the State's corrective action plan and changing timeline for completing the fiscal year 2025 audit, Assistant Secretary Chiarello said:

"Frankly, I find it inadequate, and I would appreciate greater engagement as to how we're solving some of those problems."

Assistant Secretary Chiarello also expressed concern about the State's changing projections.

"The correspondence from Arizona has been a moving target," Assistant Secretary Chiarello said, adding that the shifting information made it difficult for HHS to have confidence in the State's response. He also raised concern about whether people are being hurt when federally funded programs are not accountable.

Arizona's fiscal year 2025 Single Audit was due March 31, 2026, and remains outstanding. Auditor General Lindsey Perry has projected that it may not be issued until March 5, 2027, less than four weeks before the fiscal year 2026 audit is due. HHS formally notified Governor Katie Hobbs in July that Arizona was not in compliance and cited a pattern of repeated late submissions.

A Single Audit is a federally required annual review of the State's financial reporting and compliance with federal award requirements. The Arizona Department of Administration prepares the State's Annual Comprehensive Financial Report and Schedule of Expenditures of Federal Awards using information provided by State agencies, and the Auditor General audits that information as part of the State's federal reporting package.

“The State has had years to get this problem under control, and at Monday’s hearing we heard directly from HHS that serious concerns remain,” Chairman Gress said. “Deadlines have been missed, timelines have changed, and the federal government still does not have the timely information it needs to properly oversee these programs. My focus is on getting this fixed. The administration needs to provide a credible plan to get Arizona caught up and make sure this does not happen again. If we fail to do that, federal funding could be put at risk, and the Arizonans who depend on these programs should not have to pay the price for the State’s failure to meet basic federal accountability requirements.”

HHS warned Governor Hobbs in July that continued noncompliance could result in additional conditions on federal awards, temporarily withheld payments, disallowed costs, suspension or termination of federal awards, or other program-specific enforcement actions.

Despite that notice and HHS’s requirement for corrective action, Assistant Secretary Chiarello testified that neither Governor Hobbs nor her office had directly engaged with him or his staff about resolving the delinquency.

“Four consecutive missed deadlines require more than another promise that things will improve,” Co-Chairman Finchem said. “HHS is asking for a credible timeline, discipline, and direct engagement. The Governor’s Office and the agencies responsible for these delays need to deliver. Arizona has to provide accurate financial information and meet the federal requirements that come with receiving these funds. Because of four years of mismanagement, Arizona will lose federal taxpayer dollars that would have benefitted Arizonans most in need.”

Assistant Secretary Chiarello later said, “I don’t find any of this acceptable.” He said he wants “a better timeline,” “more discipline,” and “more communication” from Arizona.

Assistant Secretary Chiarello told lawmakers that lengthy audit delays leave federal officials without timely information to identify weaknesses and work with the State on corrective action. When audits arrive long after the fiscal year closes, he said, federal oversight is left behind the problems it is supposed to address. HHS has separately described timely corrective action and enforcement follow-through as central to its current Single Audit oversight initiative.

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