



CITY AUDITOR'S OFFICE

E-Verify Compliance FY 2025/26

February 17, 2026

AUDIT NO. 2602

CITY COUNCIL

Mayor Lisa Borowsky
Barry Graham
Jan Dubauskas
Vice Mayor Adam Kwasman
Kathy Littlefield
Maryann McAllen
Solange Whitehead



February 17, 2026

Honorable Mayor and Members of the City Council:

Enclosed is the audit report for *E-Verify Compliance FY 2025/26*, which was included on the Council-approved FY 2025/26 Audit Plan. This is a regularly scheduled audit to confirm whether selected City contractors and their subcontractors are using the E-Verify program to verify employment eligibility of those working on City contracts, as required by Arizona law.

We randomly selected 10 contractors and 6 subcontractors for review and found that, with minor exceptions, most selected contractors and subcontractors are using the E-Verify program to verify employment eligibility for their workers on City contracts. For one contractor that was unable to provide the requested documentation for 1 of the 5 employees we reviewed, we have notified the company of this non-compliance, as well as the City contract administrator and the Purchasing department for further follow-up. One subcontractor that was previously not using E-Verify is now registered and using the system.

If you need additional information or have any questions, please contact me at (480) 312-7851.

Sincerely,


Lai Cluff, CIA
Acting City Auditor

Audit Team:

Mandi Bradley, CFE – Auditor



E-Verify Compliance FY 2025/26

Audit No. 2602

WHAT WE FOUND

With minor exceptions, most selected contractors and subcontractors are using the E-Verify program for their workers on City contracts.

Of these 16 contractors and subcontractors reviewed, we found that:

- Ten demonstrated compliance with the use of E-Verify; two others did not have qualifying employees.
- Two provided the requested documentation, but some or all E-Verify documentation was dated after our audit request rather than within three days of hire.
- Two were missing E-Verify documentation for one or more selected employees:
 1. One subcontractor was unable to provide documentation for 4 of 5 selected employees because they were hired before the company enrolled in the E-Verify program in May 2024. Our review of the E-Verify enrollment data confirms this enrollment date. With the exception of federal contractors, the current system policies do not allow employers to verify employees hired prior to the program enrollment date.
 2. One contractor was unable to provide E-Verify documentation for one of the five employees we selected for review.

The contractors were notified of the audit results, and the City contract administrator and the Purchasing department were notified of any non-compliance for further follow-up. A summary of the number of employees reviewed is shown in Table 1, below.

Table 1. E-Verify Compliance for Selected Service Contractors and Subcontractors.

	No. Reviewed	No. of Employees Reviewed	Confirmed Use of E-Verify	E-Verify dated after Audit Request
Contractors	10	45	44	8
Subcontractors	6	22	18	0
Total	16	67	62	8

SOURCE: Auditor analysis of selected service contractors' and subcontractors' E-Verify documentation.

WHY WE DID THIS AUDIT

An audit of E-Verify Compliance was included in the City Council-approved fiscal year (FY) 2025/26 Audit Plan. This is a regularly scheduled audit to confirm whether selected City contractors and their subcontractors are using the E-Verify program to verify employment eligibility of those working on City contracts, as required by Arizona law.

BACKGROUND

The City is required by state law to conduct random verification of the employment records of its service contractors to ensure compliance with required use of the E-Verify employment eligibility program (Arizona Revised Statutes §41-4401).

To meet this legal requirement, the City Auditor's Office has periodically audited selected vendors' compliance with the required use of the federal E-Verify system. E-Verify is a web-based application that allows any US employer to electronically confirm the employment eligibility of its newly hired employees. These requirements are also detailed in City contracts.

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OBJECTIVE & SCOPE

An audit of *E-Verify Compliance* was conducted pursuant to the City Council-approved fiscal year (FY) 2025/26 Audit Plan. This is a regularly scheduled audit to confirm whether selected City contractors and their subcontractors are using the E-Verify program to verify employment eligibility of those working on City contracts, as required by Arizona law.

Our audit selected from City contracts with open purchase orders as of September 2025 and audit sampling prioritized contractor employees and subcontractors that worked on the City contract. Non-compliance with the use of E-Verify does not mean that the employee is not employment eligible, only that the employer did not use the system to verify eligibility.

BACKGROUND

In 2008 the Arizona Legislature passed the Legal Arizona Workers Act (LAWA), making it unlawful for any employer to intentionally, or knowingly, employ an unauthorized alien. Arizona Revised Statutes (A.R.S.) §23-214(A) specifically requires every employer to use the federal E-Verify program to confirm the employment eligibility of every employee hired after December 31, 2007.

The City is required by state law to conduct random verification of the employment records of its service contractors to ensure compliance with required use of the E-Verify employment eligibility program. To meet this legal requirement, the City Auditor's Office has periodically audited selected vendors' compliance with the required use of the federal E-Verify system. E-Verify is a web-based application that allows any US employer to electronically confirm the employment eligibility of its newly hired employees. City contracts detail this requirement as shown below.

Standard City Contract Terms:

IMMIGRATION LAW COMPLIANCE

Under the provisions of A.R.S. §41-4401, the Contractor warrants to the City that the Contractor and all its subcontractors will comply with all Federal Immigration laws and regulations that relate to their employees and that the Contractor and all its subcontractors now comply with the E-Verify Program under A.R.S. §23-214(A).

A breach of this warranty by the Contractor or any of its subcontractors will be considered a material breach of this Contract and may subject the Contractor or Subcontractor to penalties up to and including termination of this Contract or any subcontract. The Contractor will take appropriate steps to assure that all subcontractors comply with the requirements of the E-Verify Program. The Contractor's failure to assure compliance by all its subcontractors with the E-Verify Program may be considered a material breach of this Contract by the City. The City retains the legal right to inspect the papers of any employee of the Contractor or any subcontractor who works on this Contract to ensure that the Contractor or any subcontractor is complying with the warranty given above.

The City may conduct random verification of the employment records of the Contractor and any of its subcontractors to ensure compliance with this warranty. The Contractor agrees to indemnify, defend and hold the City harmless for, from and against all losses and liabilities arising from any and all violations of these statutes.

SOURCE: Excerpt from standard terms and condition in the City Services Contract.

FINDINGS AND ANALYSIS

1. With minor exceptions, most selected contractors and subcontractors are using the E-Verify program for their workers on City contracts.

Ten contractors and six of their subcontractors with City services contracts with open purchase orders as of September 2025 were randomly selected for E-Verify compliance testing. For a selection of their applicable employees, we asked these 16 contractors and subcontractors to provide documentation of the E-Verify confirmation performed.

Of these 16 contractors and subcontractors reviewed we found that:

- Ten demonstrated compliance with the use of E-Verify; two others did not have qualifying employees.
- Two provided the requested documentation, but some or all E-Verify documentation was dated after our audit request rather than within three days of hire.
- Two were missing E-Verify documentation for one or more selected employees:
 1. One subcontractor was unable to provide documentation for 4 of 5 selected employees because they were hired before the company enrolled in the E-Verify program in May 2024. Our review of the E-Verify enrollment data confirms this enrollment date. With the exception of federal contractors, the current system policies do not allow employers to verify employees hired prior to the program enrollment date.
 2. One contractor was unable to provide E-Verify documentation for one of the five employees we selected for review.

A summary of the number of employees reviewed is shown in Table 1, below.

Table 1. E-Verify Compliance for Selected Service Contractors and Subcontractors.

	No. Reviewed	No. of Employees Reviewed	Confirmed Use of E-Verify	E-Verify dated after Audit Request
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Subcontractors	6	22	18	0
Total	16	67	62	8

SOURCE: Auditor analysis of selected service contractors' and subcontractors' E-Verify documentation.

Failure to comply with the E-Verify requirement may subject a contractor or subcontractor to penalties up to and including termination for breach of City contract. For the identified noncompliance, the contractor has been notified. The City contract administrator and the Purchasing department have also been notified and will follow up to confirm ongoing compliance.

METHODOLOGY

We performed the following steps to complete this audit:

- Reviewed City policies, applicable state and federal laws, and prior City Attorney’s Office guidance on implementation of these laws.
- Reviewed the U.S. Citizenship and Immigration Services’ *E-Verify User Manual* (May 2025 version).
- Using City financial reports of open purchase orders as of September 2025, we identified a population of 670 contractors with open purchase orders and active contracts for City services. We selected 10 contractors using weighted random sampling, ensuring adequate representation of construction services contracts to cover state-funded areas that request E-Verify audit. Each contract was reviewed to ensure it was service-related, active, and contained the E-Verify audit clause. The City contract administrators were notified of the audit and asked to confirm contact information. Specific procedures were as follows:
 - For the selected contracts, we contacted each company and requested information on employees and subcontractors who worked on the City contracts. If the contract was not project-specific, we requested a listing of their 10 most recent hires. Where applicable, we randomly selected two subcontractors who worked on the City contract and requested the same employee listing.
 - From the employee information provided, we randomly selected up to 5 employees from each contractor and/or subcontractor hired after the law’s effective date or the company’s initial enrollment in E-Verify.
 - Used the E-Verify Employer Search tool on the E-Verify website to confirm contractor enrollment in the program.
- Audit results were communicated to the individual contractors, contract administrators, and the Purchasing department.

Audit Standards

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. Audit work took place from September 2025 to January 2026.

City Auditor's Office

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Elizabeth Brandt, Senior Auditor
Mel Merrill, Senior Auditor
Mandi Bradley, Auditor
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Audit Committee

Councilman Barry Graham
Councilwoman Maryann McAllen, Chair
Councilwoman Solange Whitehead

Our Mission

The City Auditor's Office conducts audits to promote operational efficiency, effectiveness, accountability and integrity in City Operations.

Scottsdale City Auditor

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