

APPROVED ON 06/27/2022



**CITY OF SCOTTSDALE
AUDIT COMMITTEE
REGULAR MEETING MINUTES**

**Community Design Studio - Nave
7506 E. Indian School Road
Scottsdale, Arizona 85251**

Monday, April 25, 2022

PRESENT: Kathy Littlefield, Chair
Tom Durham, Councilmember
Solange Whitehead, Councilwoman

STAFF: Sharron Walker, City Auditor
Elizabeth Brandt, Senior Auditor
Paul Christiansen, Senior Auditor
Lai Cluff, Senior Auditor
Brad Hubert, Senior Auditor
Shelby Trimaloff, Executive Asst. to City Auditor
Adam Yaron, Principal Planner
Jesus Murillo, Senior Planner
Jackie Johnson, Diversity Program Director
Anna Henthorn, Accounting Director
Sarah Delgado, Accounting Manager
Christopher Downey, Accounting Manager
Jeff Walther, Chief of Police
Helen Gandara, Assistant Chief Operational Support
Cassie Johnson, Police Operations Support Director
Bill Murphy, Assistant City Manager
Kira Peters, Community Services Administrator
Nick Molinari, Parks and Recreation Director
Denise Clayton, Parks and Recreation Manager
Kyu Bin Hyun, Parks and Recreation Manager
Dan Bachman, Community Services Operations Supervisor
Philip Hershkowitz, Community Services Operations Supervisor

Stephanie Tippett, Stadium Supervisor
Kelsey Lamper, Recreation Leader Senior
Efrain Enriquez, Recreation Leader Senior

GUESTS: Emily Hinchman, Human Relations Committee Chair
James Eaneman, Human Relations Commissioner
Brittney Williams, Heinfeld Meech
Jared Young, Heinfeld Meech

CALL TO ORDER

The meeting was called to order at 4:01 p.m. A formal roll call confirmed the presence of all Committee Members as noted above.

PUBLIC COMMENT

No written comments were submitted, and no members of the public had requested to speak.

REGULAR AGENDA

1. Approval of Minutes, Regular Meeting, January 24, 2022

Chair Littlefield called for approval of the minutes.

COUNCILWOMAN WHITEHEAD MOVED TO APPROVE THE MINUTES OF THE JANUARY 24, 2022 REGULAR MEETING AS PRESENTED. COUNCILMEMBER DURHAM SECONDED THE MOTION, WHICH CARRIED 3-0 WITH CHAIR LITTLEFIELD, COUNCILMEMBER DURHAM AND COUNCILWOMAN WHITEHEAD VOTING IN THE AFFIRMATIVE.

2. Discussion and possible direction to staff regarding the Historic Preservation Commission Sunset Review

Brad Hubert, Senior Auditor, explained that the purpose of the Historic Preservation Commission includes developing a comprehensive Historic Preservation Program and establishing a process for identifying the city's historic, archaeological, and cultural resources. Per Resolution 8823, the Audit Committee is asked to recommend to the City Council whether to continue or terminate the commission.

Jesus Murillo, Senior Planner, stated all seats on the Commission were filled in FY 2021 with excited and passionate individuals. The Commission reviewed and overhauled the Historic Residential Exterior Rehabilitation (HRER) Program funding process that is offered to single family homeowners. The important focus is on the HRER program, continuing to strengthen the archeological ordinances and provide direction and focus to

the Commission. In June, the Commission will have a retreat to work on educational pieces and review and update documents.

Councilwoman Whitehead commented on the tremendous impact the Commission has had in Scottsdale and stated 1 of 3 parcels recently purchased by a developer has been designated as historic and \$1.3 million will be invested in restoring the building on the site.

COUNCILWOMAN WHITEHEAD MOVED TO RECOMMEND TO THE CITY COUNCIL TO CONTINUE THE HISTORIC PRESERVATION COMMISSION. COUNCILMEMBER DURHAM SECONDED THE MOTION, WHICH CARRIED 3-0 WITH CHAIR LITTLEFIELD, COUNCILMEMBER DURHAM AND COUNCILWOMAN WHITEHEAD VOTING IN THE AFFIRMATIVE.

3. Discussion and possible direction to staff regarding the Human Relations Commission Sunset Review

Brad Hubert, Senior Auditor, noted that the Human Relations Commission's purpose is to advocate and promote all dimensions of diversity and to act as an advisory body to the Mayor, City Council, and staff on ways to encourage mutual respect and understanding among people, to discourage prejudice and discrimination, and to work towards cultural awareness and unity. The Audit Committee is asked to recommend to the City Council whether to continue or to terminate the commission.

Jackie Johnson, Diversity Program Director, stated Town Hall meetings are held to discuss relevant topics related to diversity, equity, and inclusion. The Commission worked with the city to pass the anti-discrimination ordinance in April 2021. She also stated that the anti-discrimination complaint form is now available online and that the Human Relations Commission has been working with other commissions across jurisdictions.

Councilwoman Whitehead thanked the Commission and noted how fast the anti-discrimination ordinance went through.

Councilmember Durham asked how many complaints are filed per year that require action. Ms. Johnson stated since the initiation of the ordinance only one complaint was filed, but it was not within the jurisdiction of Scottsdale.

COUNCILWOMAN WHITEHEAD MOVED TO RECOMMEND TO THE CITY COUNCIL TO CONTINUE THE HUMAN RELATIONS COMMISSION. COUNCILMEMBER DURHAM SECONDED THE MOTION, WHICH CARRIED 3-0 WITH CHAIR LITTLEFIELD, COUNCILMEMBER DURHAM AND COUNCILWOMAN WHITEHEAD VOTING IN THE AFFIRMATIVE.

4. Discussion and possible direction to staff regarding annual financial audits

Ms. Brittany Williams of Heinfeld Meech, engagement Partner for the City of Scottsdale external financial audit, noted that on January 31, the Annual Expenditure Limitation Report was submitted to the Auditor General stating the city was within the annual expenditure limitations. In mid-April, accountant reports were submitted to the HUD REAC

system. And the last reports for FY 2021 were submitted today, the 990 forms for the Municipal Property Corporation and the Scottsdale Preserve Authority.

Jared Young, Heinfeld Meech, advised that in the FY 2022 audit, they will be looking into the revenue sources for the airport, claims testing for self-insurance programs, and the American Rescue federal funding.

5. Discussion and possible direction to staff regarding Audit No. 2007, Crime Statistics Reporting

Lai Cluff, Senior Auditor, stated the audit was performed to evaluate controls over and reliability of crime statistics reporting. While the audit was initially planned in 2020, the Police department was transitioning to incident-based reporting at the time. As of January 1, 2021, the department is reporting NIBRS crime data, which is more automated and data-intensive method of reporting crimes. As well, the department is in the process of implementing a new software system to replace its records management and CAD systems. So, our audit focused on controls for ensuring accurate and reliable information that would apply with any records management system.

Overall, the audit found that the crime statistics were generally reported accurately. The audit report details minor exceptions that were found and makes recommendations for improvements to the department's quality control processes.

- With the transition to the new reporting method, crimes that occurred in prior years but were reported in 2021 were not included in the crime statistics.
- The accuracy of crime reporting may be affected by minor errors and outdated information in the statute mapping table that links the various charges to the crime reporting offense codes.
- When UCR codes were manually overridden to "not reportable" or a different offense code, the override reason was not documented. Overrides should be routinely reviewed by the department for compliance with UCR definitions.

Other recommendations included establishing written procedures to promote consistency in the quality review process, evaluating whether reviews for duplicate clearances are still needed, and providing information on the department's website about the city's crime statistics.

Councilmember Durham commented that in reading the report there did not appear to be major issues, and the Police department is working with the Auditor's Office to correct any technical issues so they will be in good shape.

Councilwoman Whitehead asked what steps are being taken to fix the one-year glitch. Cassie Johnson, Police Operations Support Director, clarified that the previous system used the date the crime was reported, and the new system uses the date the crime occurred. So, the unreported crimes are the result of this change and not due to a glitch. There will be less of an impact as they move further away from the summary reporting period, prior to 2021.

Police Chief Jeff Walther stated he appreciates the audit and the recommendations to increase the attention to detail. The rollout of the new automated dispatch and records

management systems will help compile the data better and resolve the minor technical issues.

Ms. Johnson stated they have worked closely with technology services and the vendor to ensure NIBRS rules and coding will be resolved in the new system. They will have the program manual set up to ensure this is all consistent when the new system is rolled out.

COUNCILWOMAN WHITEHEAD MOVED TO ACCEPT AUDIT NO. 2007, CRIME REPORTING STATISTICS. CHAIR LITTLEFIELD SECONDED THE MOTION, WHICH CARRIED 3-0 WITH CHAIR LITTLEFIELD, COUNCILMEMBER DURHAM AND COUNCILWOMAN WHITEHEAD VOTING IN THE AFFIRMATIVE.

6. Discussion and possible direction to staff regarding Audit No. 2202, E-Verify Compliance Audit

Paul Christiansen, Senior Auditor, stated Arizona law requires governments to randomly verify that their service contractors and subcontractors are using the federal E-Verify system to verify employment eligibility of their employees working on government contracts. For FY 2020/21, auditors randomly selected five city service contractors and nine of their subcontractors for testing. Overall, most of the tested contractors and their subcontractors provided the required E-Verify documentation. However, three contractors and seven subcontractors provided some E-Verify documentation dated after the audit request. Three subcontractors did not provide any documentation for a total of five selected employees. The audit recommended the Purchasing department work with contract administrators and the City Attorney's Office to follow up with the subcontractors who did not provide E-Verify documentation during the audit.

Councilmember Durham asked what the legal significance is for providing verification after the audit. City Auditor Sharron Walker stated this is a federal requirement; presently no penalty is built into the city's system. The city is just trying to get them in compliance or they will not be able to work on city contracts.

Chair Littlefield inquired what the city's liability is if contractors do not come into compliance. Ms. Walker stated if the contractor and/or subcontractor is not in compliance, the contract terms provide that their contract could be terminated.

Councilmember Durham noted based on the example provided, subcontractors are spotty; and asked if this should be looked at more broadly. Ms. Walker stated the city's contracts include the requirement for subcontractors to comply with the federal E-Verify system. Past E-Verify audits have also found that the smaller companies with fewer resources, generally subcontractors, are the ones not in compliance. This compliance audit will continue annually, selecting contractors and subcontractors on a random basis.

COUNCILMEMBER DURHAM MOVED TO ACCEPT AUDIT NO. 2202, E-VERIFY COMPLIANCE AUDIT DURING FY 2020/21. COUNCILWOMAN WHITEHEAD SECONDED THE MOTION, WHICH CARRIED 3-0 WITH CHAIR LITTLEFIELD, COUNCILMEMBER DURHAM AND COUNCILWOMAN WHITEHEAD VOTING IN THE AFFIRMATIVE.

7. Discussion and possible direction to staff regarding Audit No. 2208, Parks and Recreation Resource Management

Mr. Hubert stated the Parks and Recreation department manages 1,115 acres of parks and four aquatic facilities. Among these are 109 sports fields, including 49 soccer fields, 35 baseball fields, and 25 softball fields. These include 51 school fields for which the department manages after-school use as part of intergovernmental agreements. As shown on page 5 of the report, athletic fields, pools, and other facilities are equitably distributed throughout the city, with additional resources scheduled to open over the next few years.

The department allocates field and pool usage among city-sponsored programs, partnerships with non-profit youth sports groups, and rentals to groups or individuals. The department uses ActiveNet for cashiering, accounting, reservations, membership management, program registration, and scheduling.

Mr. Hubert commented that the first audit finding noted that field and pool resource management can be improved by standardizing processes, narrowing maintenance windows and configuring the system more effectively. Specifically:

- Field use varies from 12% to 57% on weekdays and up to 28% on weekends, and availability is affected by closures, locked fields, scheduled maintenance, and activity set-up hours.
- Some available fields are not listed on the department's webpages, and reservations can only be made by contacting the department, not directly by the users.
- Although its fees are primarily lane-based, Aquatics does not use the ActiveNet system to track individual lane use. Instead, staff uses a manual process involving printed pool maps. And a policy is not in place to ensure swim lanes are reserved to be available for public use.
- The Youth Sports Field Allocation office is not following the department's policy to calculate field allocations. They have not asked partner organizations to submit team rosters as required by their agreements with the city. This is necessary to determine the number of Scottsdale residents being served by the organizations. Instead, field allocations have remained static since 2014.

The second finding noted that the ActiveNet system is not configured to effectively ensure the correct aquatic fees are charged, and the cost recovery amounts calculated for pools and fields rates and fees are not reliable.

The audit recommended the Parks and Recreation Department:

- Standardize field scheduling, particularly how the groups indicate hours of operation and field closures, review practices for blocking and recording maintenance and setup times.
- Accurately update the website information to include all reservable fields and their amenities and allow users to make reservations directly through the website, with the option to call for assistance if needed.
- Configure the ActiveNet system to track pool use by lane and develop a policy to ensure swim lanes are reserved and available for public use. Also, configure ActiveNet to simplify the process for inputting fees and general ledger accounts to be more efficient and reduce the risk of errors.

- Follow field allocation procedures, including collecting team rosters to verify partner organizations remain in good standing and calculating field allocations based on the number of Scottsdale residents served.
- Calculate cost recovery rates following the city's financial policy, including all relevant direct and indirect costs.

Mr. Hubert stated the Parks and Recreation department partially agreed with the recommendations and noted they would work to implement them to the greatest degree possible though there may be some field maintenance, system, and similar limitations.

Nick Molinari, Parks and Recreation Director, stated the audit and recommendations for improvement in utilization of ActiveNet are useful. Many of the recommendations have been or are in the process of being implemented. They are working with their ActiveNet liaison to implement some of the changes.

Chair Littlefield commented that the city's pools and fields are in high demand, so maximizing their use while maintaining them is something we need to work on.

Kira Peters, Community Services Administrator, stated it is important to communicate with the public on what it takes to maintain the fields, such as the rest and recovery periods that are needed, so that they understand why a field is just sitting there.

Councilwoman Whitehead commented that she is a big fan and frequent user of the city's parks. She asked if there is a ratio or standard that the department is striving for to minimize maintenance time and maximize field use and to evaluate and gauge success. Mr. Molinari stated the current youth sports field allocation process indicates levels of priority use. It outlines that city programs and maintenance come first and how fields are allocated to partner organizations meeting certain criteria for City of Scottsdale participation and private rentals. The department has some tightening up to do based on the audit results. Some of the youth sports organizations feel they should not have to provide their participants' residency information. The department is working with the City Attorney's office to evaluate ways to validate registration. But currently, no metric is in place to determine optimal utilization of the fields. The city has a wide range of fields with a wide range of use, and the department has received complaints about the condition of some fields that has resulted from overuse. So, it is a balance, and there needs to be more transparent communication with the public about what the department does and why they do it.

Councilwoman Whitehead stated if we can better identify who is using the fields and that we have balance with the public, team, and private usage, that will assist in justifying additional funding for additional park amenities. Councilwoman Whitehead stated she is very interested in the public use aspect and what the department is doing to keep the fields unlocked and open. Mr. Molinari asked for her definition of public use and if that means the fields being totally open without registrations. Councilwoman Whitehead commented that the city's job is to provide equality of use for all its citizens, and a child who cannot afford to be part of a team sport should not be excluded from playing on a field. She is not looking to set those fields aside, but fields are being locked when a team sport is not happening, so kids that would otherwise be able to play do not have access to those fields. And it is the department's job to figure out how much time they should not have a team on them.

Councilwoman Whitehead stated her other question is whether, within reason, anybody can show up and play on the fields when teams are not on them, such as at the Bell Road and Sports Complex fields. When someone rents the field at \$30 for an hour, they have paid for an hour rather than the whole day, and other kids should be able to come and play. Councilwoman Whitehead noted that she always describes Scottsdale as effortlessly elegant. Everywhere you go, you can play ball, swim in one of our pools, or ride down the greenbelt. And, although it takes a lot of effort and cost to maintain, she thinks it is who we are as a city.

Councilwoman Whitehead commented she is a big proponent of more pools and thinks it is important to have data on our pool lane use, such as drop-in public use versus private instructor or coach teaching someone.

Councilmember Durham asked if changes to the computer system would possibly address Councilwoman Whitehead's questions, and he commented that might be a way to set aside periods for community use. Mr. Molinari stated with enhancements to the ActiveNet system, they can better understand the thousands of residents served through the activities held on the sports fields. There are times when fields are locked, and with limited resources, field maintenance and preparation have to be managed. Just opening everything up would have significant citizen impacts, so there is a balance.

Councilwoman Whitehead commented that while we will have to lock/gate some fields, she would like to have that more documented and justified. As well, she complimented the department on its recent ads that resulted in full lifeguard staffing for the pools.

Chair Littlefield stated that based on the audit there are a few things that can be done, especially as more citizens want consistent use of the fields. These include standardizing the processes, making field availability more public online, and perhaps asking for volunteers for field maintenance and preparation. ActiveNet should be configured so the correct and current information is available for the public. Also, comparing the fee chart to surrounding cities so that we know we are competitive. This is one of the areas that gives Scottsdale the reputation of being family- and citizen-oriented, so it is well done. But the audit recommendations need to be implemented.

Councilmember Durham stated there were a lot of good comments and recommendations in the audit, particularly for better utilization of the computer system. That will make staff's jobs easier, especially with people able to make reservations through the system.

Councilwoman Whitehead asked if park closures for special events, such as the Sports Complex being closed for the Open, is accounted for. Mr. Molinari stated they are standardizing how they document closures to allow better communication on why the fields are closed.

COUNCILWOMAN WHITEHEAD MOVED TO ACCEPT AUDIT NO. 2208, PARKS AND RECREATION RESOURCE MANAGEMENT. COUNCILMEMBER DURHAM SECONDED THE MOTION, WHICH CARRIED 3-0 WITH CHAIR LITTLEFIELD, COUNCILMEMBER DURHAM AND COUNCILWOMAN WHITEHEAD VOTING IN THE AFFIRMATIVE.

8. Discussion and possible direction to staff regarding 3rd Quarter FY 2021/22 Follow Up on Status of Audit Recommendations

Ms. Walker presented a graphic for the third quarter showing the implemented and partially implemented recommendations compared to the prior three fiscal years. She noted departments are making great progress overall. During this quarter, Economic Development has implemented almost all recommendations related to activity tracking and has a new customer relationship management (CRM) system. Also, Facilities Management automated their project review notification for supervisors. These completions accounted for most of the increase in the implemented status.

9. Preliminary discussion about potential audits for FY 2022/23 Audit Plan

Ms. Walker stated the purpose of this agenda item is to obtain the Audit Committee's input on what should be considered as priorities in preparing the proposed audit plan that will be presented at the June meeting. She described the three groupings of departments presented with potential audit topics for the FY 2022/23 Audit Plan. The groups were divided into high, middle, and low risk ratings and then sorted by the number of years since their last audit. The departments with asterisks were part of this year's contingency audits, which are typically carried over into the following year's plan.

Councilwoman Whitehead commented on audits on the "A" list, including WestWorld, Risk Management, Street Operations, and Benefits, and that it looked like a good list. And that for Parks and Recreation, the auditors did a fabulous job on today's audit. Ms. Walker commented that Capital Project Management (CPM), on the A list, is one they keep on the plan every year. These projects involve a large amount of money, so they try to look at a construction contract or type of contract every year. Councilwoman Whitehead agreed with that. Chair Littlefield noted that some staff are put in charge of contracts without training, so it is very important to have at least one contract on our audit list every year.

Ms. Walker explained that these lists do not mean everything listed will be done. Those departments on the A list are audited more frequently. Because a Parks and Recreation audit was just completed, it may not rise to the top of the list for a potential audit (for FY 2022/23). And Water Resources shows a couple years since last audited. That was the state-required Biennial Certified Audit of their infrastructure improvement plan, land use assumptions, and development fees, which has to be done every couple years. But there are other areas that could be audited, so they remain on the list. Risk Management and WestWorld, as well as Victim Services from the C list, are ones that would typically be carried forward to the 2022/23 plan since they were contingency audits or an audit that did not get completed from this year's plan. Also, these lists include information on what program areas are included in the various departments. In prior years, just the department names were listed, and they relied on recall to explain what is included.

Chair Littlefield commented that she likes to not overly burden any particular department and prefers to focus on areas that have not had an audit in a while. She would like to make sure they are getting the training they need to do the job right, and she is interested in figuring out how to fix any problem before it gets bad. So the audit plan should also address areas that have not been audited recently.

Ms. Walker noted that length of time since the last audit is a good indicator, along with which risk group that the departments are in, like the lists for today.

Councilmember Durham noted that in Group C, the Civil Division and Prosecution Division are both over 8 years since their last audits. Audit Committee members agreed these areas should be considered for audit.

Chair Littlefield stated that Libraries are opening and have changed their operations a lot since Covid. Checking their progress and changes might be good. She suggested since a Police audit was just done, maybe do another one later next year. And she agreed the WestWorld audit is a good one.

Councilmember Durham agreed on the WestWorld audit and asked about the recent Police Administration audit. Ms. Walker responded that today's Crime Reporting Statistics audit falls into the administrative area, and she noted that Police Investigative Services in Group B has not been audited in a very long time. Chair Littlefield noted that may be a good one to audit. She asked if the Risk Management areas of insurance, bonds, claims and workers compensation have never been audited. Ms. Walker explained that the asterisks mean it was one of this year's contingency audits and is expected to be put on the proposed plan for next year. This was an area the Audit Committee recommended for the audit plan last year and, as a contingency audit, it was not completed yet.

Chair Littlefield asked if Audit Committee members had other comments or suggestions. Councilwoman Whitehead commented that they rely on the City Auditor to make strong recommendations on the plan. Chair Littlefield suggested there could be one Police and one Fire audit. In response to Councilmember Durham's inquiry, Ms. Walker noted that Fire is in the Group B list and has a lower rating due to the ambulance contract a year ago. Mr. Hubert commented that, in addition, a Fire and Life Safety audit was completed a couple years ago. Chair Littlefield suggested that the Investigation Services would be a good area. In response to Chair Littlefield's question, Ms. Walker agreed that the discussion today provides a good start for audit planning.

10. City Auditor updates, including status of FY 2021/22 Audit Plan

Ms. Walker advised they are keeping up with the plan, with the exception of the two audits that will roll into next year, as discussed at the prior meeting.

11. Discussion and possible direction to staff regarding potential agenda items for next Audit Committee Meeting

Ms. Walker noted that three audit reports and two annual reports may be presented at the next meeting, as listed on the draft agenda. The next meeting will be in June, a week later than originally planned due to the new Juneteenth holiday.

Adjournment

With no further business to discuss, being duly moved by Councilwoman Whitehead and seconded by Councilmember Durham, the meeting adjourned at 5:18 p.m.

SUBMITTED BY:

eScribers, LLC