

**APPROVED MINUTES
APPROVED ON 3/20/2017**



**CITY OF SCOTTSDALE
AUDIT COMMITTEE**

Monday, January 23, 2017

**City Hall, Kiva Conference Room
3939 North Drinkwater Blvd
Scottsdale, AZ 85251**

REGULAR MEETING

PRESENT: Suzanne Klapp, Chair
Virginia Korte, Councilmember
Kathy Littlefield, Vice Mayor

STAFF: Sharron Walker, City Auditor
Kyla Anderson, Senior Auditor
Cathleen Davis, Senior Auditor
Karen Churchard, Tourism & Events Director
Joyce Gilbride, Treasurer's Office
Anna Henthorn, Treasurer's Office
Gary Mascaro, Aviation Director
Jeff Nichols, City Treasurer
Rachel Smetana, Chief of Staff to Mayor
Brent Stockwell, Assistant City Manager
Jim Thompson, City Manager

GUESTS: John Celigoy, Chair, Airport Advisory Commission

CALL TO ORDER

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

1. Approval of Minutes, Regular Meeting, November 14, 2016

VICE MAYOR LITTLEFIELD MOVED TO APPROVE THE MINUTES OF THE NOVEMBER 14, 2016 REGULAR MEETING AS PRESENTED. COUNCILMEMBER KORTE SECONDED THE MOTION, WHICH CARRIED BY A UNANIMOUS VOTE OF THREE (3) TO ZERO (0).

2. Discussion and Possible Direction to Staff Regarding Airport Advisory Commission Sunset Review

Cathleen Davis, Senior Auditor, stated that the Airport Advisory Commission is established in the Scottsdale Revised Code. In October 2014, the Scottsdale Revised Code was clarified for information related to the Airport Appeals Board. Staff provided the Airport Advisory Commission's most recent annual report for calendar year 2016 as well as the two prior annual reports. Ms. Davis noted that Aviation Director Gary Mascaro and the Commission chair were present.

VICE MAYOR LITTLEFIELD MOVED TO RECOMMEND TO COUNCIL THE CONTINUATION OF THE AIRPORT ADVISORY COMMISSION. COUNCILMEMBER KORTE SECONDED THE MOTION, WHICH CARRIED BY A UNANIMOUS VOTE OF THREE (3) TO ZERO (0).

3. Discussion and Possible Direction to Staff Regarding Audit No. 1702, E-Verify Compliance

Ms. Davis stated that the E-Verify compliance audit was performed to confirm for selected City contractors the use of the E-Verify program, as required by state and federal law. The City is required by state law to check contractor compliance; this audit has been performed periodically over the last few years. The audit found that City contractors and subcontractors are generally using the E-Verify program for their workers. Most of the contractors provided the required E-Verify documentation for the selected employees. In some instances, the E-Verify information was dated after the audit request. In three instances, contractors did not provide the E-Verify documentation indicating employment eligibility for one or two of their employees. Generally these were for employees that had already separated from service and their records were no longer available.

One subcontractor did not provide any documentation for the employees selected for testing. The Purchasing Department agreed with the audit recommendations, which were to provide direction to contract administrators to emphasize that E-Verify is a requirement of the City's contracts and that the City Auditor's department does audit this periodically. The Purchasing director should follow up on the contractors that still had exceptions at the close of the audit.

Sharron Walker, City Auditor, added that Jim Flanagan, the Purchasing director, is already at work following up on the exceptions.

Chair Klapp asked whether the results were similar to last E-Verify audit in terms of the number of issues identified. Ms. Walker said that the last E-Verify audit was performed a couple of years ago. This most recent audit had a few more exceptions with this selection, possibly due to the selection of construction contracts. There were also a few smaller contractors, and small companies are generally not as familiar with the requirements.

In response to a question from Vice Mayor Littlefield, Ms. Walker confirmed that the E-Verify requirement is included in City contracts and is required to be in their subcontractor contracts.

Councilmember Korte inquired about implications for chronic violators. Ms. Walker stated that violators tend to respond quickly when the Purchasing director contacts them. The Purchasing director communicates to the contractor that the City will not contract with them if there is continued noncompliance.

Vice Mayor Littlefield asked whether contractors must provide that verification they are performing E-Verify when the contract is executed. Ms. Walker explained that one of the statements the contractor is required to confirm in the City contract is that they are performing E-verify.

COUNCILMEMBER KORTE MOVED TO ACCEPT REPORT NUMBER 1702. VICE MAYOR LITTLEFIELD SECONDED THE MOTION, WHICH CARRIED BY A UNANIMOUS VOTE OF THREE (3) TO ZERO (0).

4. Discussion and Possible Direction to Staff Regarding Audit No. 1705, Destination Marketing Contract

Ms. Walker reviewed that this audit had been discussed in detail at the previous meeting. The Audit Committee had previously directed that staff meet with Experience Scottsdale and the contract administrator. These meetings have taken place and the report is being presented to the Committee once again for questions and consideration.

In response to a question from Councilmember Korte, Ms. Walker replied that there were no changes from the original draft, other than clarifying that the town of Paradise Valley had made a couple additional payments for the Fiesta Bowl contract.

Vice Mayor Littlefield asked whether staff was happy with the response it received and the recommendations that have been accepted. Ms. Walker stated that she would leave it up to the City Manager's staff to comment further, but they did not ask to change their response. The recommendations are that they consider the points in the audit and that they consider making sure the data performance measurement matches the statistic description. The recommendations will likely require time to work through.

Vice Mayor Littlefield stated that her concern is not with the current contract, but she is interested in making sure that the next contract has the specifications lacking in the current contract. Ms. Walker shared her understanding that staff will be reviewing this.

VICE MAYOR LITTLEFIELD MOVED TO ACCEPT REPORT NUMBER 1705. CHAIR KLAPP SECONDED THE MOTION, WHICH CARRIED BY A VOTE OF TWO (2) TO ONE (1). COUNCILMEMBER KORTE DISSENTED.

5. Discussion and Possible Direction to Staff Regarding FY 2016/17 2nd Quarter Follow-Up on Status of Audit Recommendations

Ms. Walker summarized that of the 273 recommendations being tracked for audits between August 2013 and September 2016, approximately 68 percent have been implemented or partly implemented, 24 percent are in progress. Last year at the second quarter, the status was 69 percent implemented and 16 percent in progress.

Vice Mayor Littlefield asked whether there are any areas of particular concern. Ms. Walker stated that most of the recommendations that are not implemented are older. There were some in the procurement area that she plans to discuss with the new City Manager. And HR just contacted Ms. Walker to follow up on a couple that had previously not been implemented. Other than continuing these discussions, there were not any of particular concern.

6. Discussion and Possible Direction to Staff Regarding CY 2016 Taxpayer Problem Resolution Officer Report

Ms. Walker stated that the customer surveys are generally positive as always, in the 93-97% positive range. There was a previous question regarding additional customer survey results on tax audits. Business Services has indicated four tax audits remain from the time prior to the State beginning to oversee the tax audit responsibilities. It is expected that these will be complete in the next several months.

7. Discussion and Possible Direction to Staff Regarding Status of FY2016/17 Audit Plan and Related Tentative Meeting Dates

Ms. Walker stated that although slightly below the anticipated progress, the status of reports is solid in comparison to the past four to five years. A meeting will not be required for February, as some audits are going to be pushed to a March timeline. A couple additional audits will take longer and move into an April timeline. A May meeting may also not be necessary at this point.

8. Discussion and Possible Direction to Staff Regarding Agenda Items for Next Audit Committee Meeting

Ms. Walker stated that expected audit reports for March include the commercial solid waste operations audit, and an IT software acquisition and implementation audit report. In addition, staff will bring a preliminary list of topics for the FY 2017/18 audit plan.

Public Comment

No members of the public wished to address the Committee.

Adjournment

The meeting adjourned at approximately 4:22 p.m.

SUBMITTED BY:

eScribers, LLC