

APPROVED MINUTES APPROVED ON 04/19/2021



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

**Monday, February 22, 2021
Meeting Held Electronically**

PRESENT: Kathy Littlefield, Chair
Tom Durham, Councilmember (joined at 4:14 p.m.)
Solange Whitehead, Councilwoman

STAFF: Sharron Walker, City Auditor
Kyla Anderson, Senior Auditor
Paul Christiansen, Senior Auditor
Cathleen Davis, Senior Auditor
Brad Hubert, Senior Auditor
Shelby Trimaloff, Executive Assistant
Joseph Olcavage, Presiding Judge, City Court
Ken Kung, Court Administrator
Brent Stockwell, Assistant City Manager
Randy Grant, Planning and Development Director
Raun Keagy, Planning and Development Area Director

CALL TO ORDER

The meeting was called to order at 4:04 p.m. A formal roll call confirmed the presence of all Committee Members as noted above. Chair Littlefield welcomed Councilmember Durham to the Audit Committee and noted that he would be arriving late. She thanked Councilwoman Whitehead for her continued service.

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, December 8, 2020

Chair Littlefield called for comments/changes to the minutes.

COUNCILWOMAN WHITEHEAD MOVED TO APPROVE THE MINUTES OF THE DECEMBER 8, 2020 REGULAR MEETING AS PRESENTED. CHAIR LITTLEFIELD SECONDED THE MOTION, WHICH CARRIED 2-0 WITH CHAIR LITTLEFIELD AND COUNCILWOMAN WHITEHEAD VOTING IN THE AFFIRMATIVE. COUNCILMEMBER DURHAM HAD NOT YET JOINED THE MEETING.

2. Discussion and Possible Direction to Staff Regarding Report No. 2104, City Court's Minimum Accounting Standards Review

Paul Christiansen, Senior Auditor, stated that the Administrative Office of the Courts (AOC) requires an independent review of the City Court's accounting records and financial procedures every three years. Because the City Auditor is a certified public accountant and is independent of the City Court, the Court does not have to pay a contracted firm for the review. The AOC specifies the procedures for this independent review, and City Auditor responsibility is to perform the specified procedures and report the results, so this work is substantially less than an audit. However, City Auditor staff performed the work in accordance with the professional standards that apply to these types of engagements. No exceptions were noted to any of the specified procedures.

Presiding Judge Joseph Olcavage stated that the Court strives to always remain in compliance and, as the audit shows, Court staff does a great job.

Chair Littlefield commented that it is very rare to have such a clean audit, and the Judge and his staff are to be highly commended for it. Councilwoman Whitehead thanked the Judge and Court Administrator Ken Kung for having such good records and the auditors for confirming it.

City Auditor Sharron Walker commented that the next step is that her office will ensure the report gets transmitted to the State Court Administrator's office to finish up the process for the City Court.

COUNCILWOMAN WHITEHEAD MOVED TO ACCEPT REPORT NO. 2104. CHAIR LITTLEFIELD SECONDED THE MOTION, WHICH CARRIED 2-0 WITH CHAIR LITTLEFIELD AND COUNCILWOMAN WHITEHEAD VOTING IN THE AFFIRMATIVE. COUNCILMEMBER DURHAM HAD NOT YET JOINED THE MEETING.

3. Discussion and possible direction to staff regarding Audit No. 2102, E-Verify Compliance, FY 2019/20

Brad Hubert, Senior Auditor, stated that since 2010, the State has required Arizona government agencies to audit their contractors and subcontractors to ensure use of the federal E-Verify system to confirm employment eligibility for their employees working on government contracts. This audit found that the selected City contractors and subcontractors were generally using the program for their workers on City of Scottsdale contracts.

Five contractors and five of their subcontractors were selected for testing. Two of the five contractors and four of five subcontractors performed verification before they were contacted for the audit. The remainder provided E-Verify documentation dated after the audit request.

E-Verification documentation was provided for all 72 sampled employees. However, one subcontractor employee was shown as “tentative non-confirmation” when the report was run. The company was unable to resolve the issue as the individual was no longer employed by the company.

The audit contains no recommendations because the Purchasing department continues to remind contract administrators that City contractors are subject to the E-Verify requirement and that they may be selected for this annual audit.

COUNCILMEMBER DURHAM MOVED TO ACCEPT REPORT NO. 2102. CHAIR LITTLEFIELD SECONDED THE MOTION, WHICH CARRIED 3-0 WITH CHAIR LITTLEFIELD, COUNCILWOMAN WHITEHEAD AND COUNCILMEMBER DURHAM VOTING IN THE AFFIRMATIVE.

4. Discussion and possible direction to staff regarding Audit No. 2108, Code Enforcement Operations

Kyla Anderson, Senior Auditor, stated that the audit was conducted to assess management controls and operations of the Code Enforcement Program. The following issues were identified:

Performance measures are not appropriately designed to measure program effectiveness. Activity levels of code inspectors are not managed effectively. For example, some inspectors’ activity accounts for substantially fewer hours than their scheduled work hours, and sign collection done on weekend overtime could be completed during normal working hours. Supervisors do not follow consistent methods to manage inspectors’ activities. Written policies and procedures and regular staff meetings would help in standardizing direction provided to staff. Adding GPS to staff vehicles would aid in supervisory review as well as improve inspector safety.

Code Enforcement has a high management and administrative staff to field staff ratio. The program has more supervisory staff than similar areas in the City, such as building and fire inspections. Additionally, nearly all program staff are eligible to retire at any time;

however, the program has not taken steps to ensure a smooth transition of staff, continuity of service and sufficient documentation for all case activity.

Code Enforcement has not been effectively working to collect unpaid amounts due. For example, 38 notices of violations for nuisance parties were at least 30 days overdue with some being more than 6 months overdue. In addition, the department has been writing off balances due for abatement services in the same year they are assessed.

The Code Enforcement Tracking System has more users and administrators than needed, and user roles were not based on the principle of least privilege. Finally, performance measures are not being calculated correctly.

Ms. Anderson noted that the department agreed with the findings and has started making changes already.

Councilmember Durham inquired as to a schedule for addressing the deficiencies. Ms. Walker stated that the management action plan outlines the timing for improvement implementation.

Raun Keagy, Planning and Development Area Director, addressed each of the categories in the management action plan along with the planned timeline. Mr. Keagy stated that they will be reviewing their statistics, making sure that policies and procedures manual is updated, adding GPS tracking tools, and have addressed vehicle use by sending a memo to staff. Regarding consolidation to one location, he stated this is out of their control as upper management and Facilities Management will need to weigh in, but they will follow through on this. While other inspectors follow a very specific rigid day, Code Enforcement staff respond to immediate concerns that occur in the field during real time inspections. Therefore, they believe a higher supervisor inspection ratio is appropriate. Mr. Keagy commented that they have begun cross-training for inspection area 4, the downtown. Also, they have worked with Revenue Recovery to establish a new process to capture delinquent accounts and have reviewed and updated code enforcement system access. They have also begun the process on reviewing performance measure calculations. Mr. Keagy stated that he will provide regular updates on these deliverables.

In response to questions from Councilwoman Whitehead, Mr. Keagy stated that the department has eight field inspectors and one graffiti specialist and acknowledged that they should be looking at a succession plan to replace employees who may be retiring in the near future. In response to a further question, Mr. Keagy commented they have "indicators of decline" that they should be proactively paying attention to, but in terms of prioritization, health and safety issues are the number one priority. He further commented that Code enforcement inspectors are rotated every two years for a variety of reasons, including so that they understand issues that happen throughout the City.

Randy Grant, Planning and Development Director, commented that the audit looks at operations, which may be a little different than looking at effectiveness. Approaching property owners about resolving property maintenance issues can be a difficult process. Oftentimes staff take an approach that leads to a longer, more permanent resolution. There is a lot of great work that goes on and effectiveness of the program is what you can see driving down the street.

Chair Littlefield asked whether they work in conjunction with other City programs to assist residents with required repairs. Mr. Grant responded that there is coordination with Operation Fix-It, which is part of the Planning, Development and Tourism Division.

Councilmember Durham commented that he has seen recent references to mental health assistance for some instances of property clean up as well and asked if that is true. Mr. Keagy confirmed that they have an interdepartmental team to coordinate all aspects of the situation. Councilwoman Whitehead expressed appreciation for all that the department does to resolve the issues that have come to her.

Chair Littlefield stressed the need to get a good handle on the issues. City Council receives a significant number of emails regarding code enforcement. Perhaps part of the solution is to keep people informed on particular issues as Scottsdale citizens pay great attention to them. Understanding that the issues are complex with a lot of laws and regulations involved, of particular concern are cases more than 90 days old that have remained without a plan of action in place. It is important that the department maintain GPS in its vehicles for safety reasons. As well, they should provide timely feedback to people who have lodged complaints and make sure these are getting resolved. Chair Littlefield further noted that Mr. Keagy gave a good report, and she is asking that the auditors provide feedback to the Committee on how management's plan is progressing.

COUNCILWOMAN WHITEHEAD MOVED TO ACCEPT REPORT NO. 2108. COUNCILMEMBER DURHAM SECONDED THE MOTION, WHICH CARRIED 3-0 WITH CHAIR LITTLEFIELD, COUNCILWOMAN WHITEHEAD AND COUNCILMEMBER DURHAM VOTING IN THE AFFIRMATIVE.

5. Discussion and possible direction to staff regarding 2nd Quarter FY 2020/21 Follow up on status of Audit Recommendations

Ms. Walker first stated that there will be follow-ups on Audit No. 2108, and she will provide the Committee with updates.

Ms. Walker further noted that she has updated the follow-up report chart to show the three prior fiscal years' results plus the current year-to-date. This new chart shows that the status of audit recommendations has settled into a pattern of approximately 67 to 70 percent being fully or partly implemented and approximately 27 to 30 percent are in progress.

6. City Auditor Updates, Including Status of FY 2020/21 Audit Plan

Ms. Walker provided an update on the Taxpayer Problem Resolution Officer (TPRO) survey results that have been reported historically. Business Services is using a new system and the process for sending out surveys is not yet in place. While discussing this, the acting director clarified that currently, they are only issuing regulatory licenses. None of the services are TPT-related, other than the tax audits that are overseen by the State. Therefore, the City Auditor will no longer be reporting on TPRO customer surveys.

For the Fiscal Year 2019/20 financial compliance audit, a couple items were not wrapped up with the annual audit, as the federal guidance for auditing COVID monies had not yet

been issued. The guidance has since been issued and the CPA firm finished its testing. The state expenditure limitation report has been completed. The CPA is finishing a federal funding database input review. These items will be on the Committee's April agenda.

The Scottsdale Unified School District governing board approved the School District Audit Services Intergovernmental Agreement on February 16th. Ms. Walker noted that she placed the agreement on the City Council's March 16th agenda. If approved, an audit plan update will be provided at the Audit Committee's April meeting.

In terms of planned audits this year, some projects are being delayed, including the crime statistics reporting audit. This audit is being pushed back to allow the department more time in the new reporting system before starting the audit. Also, the peer review of the City Auditor's Office was on this year's audit plan. Because of the pandemic, the Association of Local Government Auditors is not currently scheduling any peer reviews. Ms. Walker stated that the Association will likely have several reviews to catch up before the Scottsdale review is scheduled.

With some projects delayed, the Office has started work on contingency audits, including preliminary work on the Coronado Golf Course lease audit and the Economic Development audit.

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

Ms. Walker provided a list of planned and potential agenda items. In addition, as Chair Littlefield suggested, there will be an agenda item to address election of a new chair now that Mayor has named the new committee members.

Chair Littlefield again welcomed new Committee member Councilmember Durham.

Adjournment

With no further business to discuss, being duly moved by Councilwoman Whitehead and seconded by Councilmember Durham, the meeting adjourned at 4:58 p.m.

SUBMITTED BY:

eScribers, LLC