

APPROVED ON 08/30/2021



**CITY OF SCOTTSDALE
AUDIT COMMITTEE**

**REGULAR MEETING MINUTES
Monday, June 21, 2021
Meeting Held Electronically**

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

STAFF: Sharron Walker, City Auditor
Kyla Anderson, Senior Auditor
Lai Cluff, Senior Auditor
Brad Hubert, Senior Auditor
Shelby Trimaloff, Executive Asst. to City Auditor
Bill Murphy, Assistant City Manager
Kira Peters, Community Services Administrator
Amy Herring, Library Administrative Secretary
Robert Fisher, Acting Chief Information Officer
Greg Bestgen, Human Services Director
Irma Hollamby, Community Assistance Manager

GUESTS: Shiela Reyman, Library Board Chair

CALL TO ORDER

The meeting was called to order at 4:07 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, April 19, 2021

Chair Littlefield called for comments/changes to the minutes.

COUNCILWOMAN WHITEHEAD MOVED TO APPROVE THE MINUTES OF THE APRIL 19, 2021 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 Library Board Sunset Review

Brad Hubert, Senior Auditor, stated that the Library Board's purpose stated in City Code is to advise the City Manager through the City Council on general policy relating to library operations. The requested action is to evaluate whether the Board is serving its intended purpose, whether the purpose should be maintained or modified, and whether the purpose has been served or is no longer required. The Audit Committee is then to recommend to City Council whether to continue or terminate the Board. He noted that the Library Board Chair Shiela Reyman and Community Services Administrator Kira Peters are available.

Councilmember Durham said he receives many inquiries regarding the timing of the library reopening and operations. Ms. Peters stated that there is a phase one reopening plan for the library system currently in the works. This includes a modified reopening of Arabian Library and expanding hours of operation at the Civic Center Library. Currently, Appaloosa Library is available to the public using new technology, and Mustang Library is also open for in-person visits. Chair Littlefield commented that people missing them so much is a testament to how good the Library system is, and it is wonderful to look forward to them opening back up.

COUNCILWOMAN WHITEHEAD MOVED TO RECOMMEND TO THE CITY COUNCIL TO CONTINUE THE LIBRARY BOARD. 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 Audit No. 2106, Network Security Audit

Lai Cluff, Senior Auditor, stated that the audit objective was to evaluate the effectiveness of the City's network security controls. Berry Dunn was contracted to perform this specialized work, which included external vulnerability scanning and penetration testing, server configuration assessment and IT governance controls review. While the technical review found no critical issues at the time of its testing, certain recommendations were made to strengthen IT governance controls and enhance and mature the security of the City's network. The detailed results were not included in the public report due to their

sensitive nature. Ms. Cluff noted that Robert Fisher, Acting Chief Information Officer, is also available.

Chair Littlefield noted that the report states the department agreed with the recommendations and is already taking corrective actions. Mr. Fisher stated that staff agrees with the findings and is actively working on the resolutions. Several items related to governance may take a bit longer. Chair Littlefield asked for the department's timeline. Mr. Fisher commented that the first set of actions should be completed by year-end, while the second may take longer as several systems throughout the City are being upgraded and replaced. Those will probably take until December 2022.

Councilmember Durham asked about the status of backup systems and protocols. Mr. Fisher confirmed that the City has good backup architecture in place, and the City is continuing to work on disaster recovery planning. The department also has existing tools and contracts in place for cybersecurity protection.

Chair Littlefield commented she has reported to the computer techs several emails that seemed to be probing for a way in.

In response to a question from Councilmember Whitehead, Mr. Fisher stated an account is disabled once they are notified, usually the day they leave. In many cases those accounts might exist in a business continuity or a litigation hold, so their email account is still active. Typically, if an account is going to be left active it will have an out of the office notice in place, but those accounts are disabled from someone being able to log in and trying to do something with those credentials.

COUNCILMEMBER DURHAM MOVED TO ACCEPT REPORT NO. 2106, NETWORK SECURITY AUDIT. COUNCILWOMAN WHITEHEAD 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 Audit No. 2109, Housing Rehabilitation and Repair Programs

Kyla Anderson, Senior Auditor, stated that the audit was conducted to evaluate the effectiveness of the City's housing rehabilitation and repair programs. These programs are intended to assist income-qualified homeowners in maintaining existing housing, encourage green building principles and housing revitalization, and support residents in remaining in their neighborhoods. Audit work found the following areas for improvement: Green housing rehabilitation projects should document alignment with program guidelines. Program guidelines include providing cost-effective improvements to minimize environmental impact and reduce energy consumption while contributing to the health of the home occupants; addressing any structural deficiencies that fail to meet or will soon fail to meet City building code or section 8 housing quality standards; and providing special devices and ramps for the elderly and disabled. Current evaluation tools do not effectively measure whether the project's repair or rehabilitation needs are within program guidelines. Additionally, program staff dropped an applicant from the wait list for 17 months and records are unclear regarding how the error was identified, when it was corrected and whether it delayed assistance to the applicant.

The Community Assistance Office's procurement processes can be improved. Program staff recruit potential contractors only from recommendations of participating homeowners, other contractors or similar program staff in other cities. The solicitation method for low-cost projects, of stating it is a direct (or noncompetitive) selection, may result in higher costs. On four occasions, the department allowed a change order that authorized work that was already included in the original scope of work. In these instances, the duplicate work only totaled \$1,600 but change order review procedures are not sufficient to avoid unnecessary costs.

And finally, additional communication methods may improve emergency repair program outreach. From July 2018 through March 2021, 25 of 85 homeowners received emergency assistance multiple times. While the program allows this, additional communications could improve eligible City residents' awareness of the availability of this program. Ms. Anderson noted that Greg Bestgen, the Human Services Director, and Irma Hollamby, the Community Assistance Manager, are also available for questions.

In response to Councilwoman Whitehead's request, Mr. Bestgen stated that he would put together more information on the various programs and provide the details to the Committee as soon as possible.

Chair Littlefield commented on the importance of the program at this time, particularly in light of COVID, loss of employment, fluctuation in income and housing challenges, and agreed that outreach efforts should be improved.

Ms. Hollamby stated that staff concurs with all the audit recommendations. Their plans include hard timelines to complete these items, and they anticipate full resolution by December 2021.

Councilmember Durham asked if the terms for emergency repair and roof repair and replacement projects include similar loan forgiveness as the green housing rehabilitation program provides. Ms. Anderson stated that these programs are grants rather than loans, so they do not require repayment.

Chair Littlefield suggested sharing success stories on the City's television station. Mr. Bestgen stated that they have a promotional video from a couple years ago and they could look at updating it.

Councilwoman Whitehead commented that she agrees with what has been stated and asked how the staff can be enabled to do more to define the green housing-related work. Working to reduce energy bills is good because they are part of what can cause people to not be able to afford their homes. Mr. Bestgen commented they can work with Anthony Floyd in the City's green building area to learn from him. Ms. Walker commented that the program has guidelines that were developed with that area, but it did not have a checklist or other way to connect the work actually being done to those guidelines.

COUNCILWOMAN WHITEHEAD MOVED TO ACCEPT REPORT NO. 2109, HOUSING REHABILITATION AND REPAIR PROGRAMS. COUNCILMEMBER DURHAM SECONDED THE MOTION, WHICH CARRIED 3-0 WITH CHAIR LITTLEFIELD, COUNCILMEMBER DURHAM, AND COUNCILWOMAN WHITEHEAD VOTING IN THE AFFIRMATIVE.

5. Discussion and possible direction to staff regarding Report No. 2111, FY 2020/21 Annual Follow Up on Status of Audit Recommendations

Ms. Walker noted that much progress was made this fiscal year in terms of implementing audit recommendations from the past 3 years plus the current fiscal year. These totaled about 200 recommendations. There are two open audits with unresolved recommendations for more than two years, the ActiveNet Application Controls and Infrastructure Condition Assessment audits. Both areas continue to work on these recommendations. Currently, there is a total of 95 percent of implemented, partly implemented and in progress audit recommendations. Last year, those categories totaled 90 percent. The 95 percent also represents an 18-percentage point improvement over the first formal audit follow-up in 2009, which was 77 percent.

Councilwoman Whitehead and Chair Littlefield expressed appreciation to all the staff involved in making that progress.

COUNCILMEMBER DURHAM MOVED TO ACCEPT REPORT NO. 2111, FY 2020/21 ANNUAL FOLLOW UP ON STATUS OF AUDIT RECOMMENDATIONS. COUNCILWOMAN WHITEHEAD 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 Report No. 2112, FY 2020/21 Annual Integrity Line Report

Ms. Walker stated that half of this fiscal year's ten contacts came through the website form, and at least seven contacts came from members of the public. Regarding dispositions, there were two submissions that are still being reviewed. About half of the contacts received were referred to departments that were appropriate for handling the type of issue: two concerns related to employee performance, one was based on protection of personally identifiable information and the other was based on the timing of business transactions. The issues were verified and reported to management. Management responses indicate that the concerns are being appropriately addressed. Those were not items that Ms. Walker considered to be higher level concerns, like fraud, rather they were issues that management could address. Two concerns could not be substantiated based on the information available. Two concerns were listed as no action were both related to non-City matters.

In response to questions from Councilmember Durham, Ms. Walker confirmed that she follows up with the departments on how referred matters are being addressed. Also, those who submit issues have the option to remain anonymous. Most submissions have been anonymous, which makes it more challenging when the concern should be referred outside the City.

COUNCILWOMAN WHITEHEAD MOVED TO ACCEPT REPORT NO. 2112, FY 2020/21 ANNUAL INTEGRITY LINE REPORT. CHAIR LITTLEFIELD 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 Proposed FY 2021/22 Audit Plan

Ms. Walker provided a brief overview of the proposed audit plan, including recurring reports that are required for a variety of reasons, carryforward audits from the current fiscal year, and the additional proposed audits. There is a total of 16 audits and other reports plus three contingency audits on the proposed plan.

Chair Littlefield referred to the SUSD audit on the plan, asking Ms. Walker to elaborate on the value that SUSD has already been receiving from the audit work. Ms. Walker stated that as the school construction bond project audit is progressing, she is providing the Superintendent with early feedback on proposed improvements because the District has other bond projects getting underway. He commented that it has been helpful to the district to receive information that may help improve contracts for these next two bond projects.

In response to a question from Councilmember Durham regarding the review of the City Auditor's office, Ms. Walker explained that City Charter and Code require the office to follow government auditing standards, and that requires a peer review every three years. The Association of Local Government Auditors assigns team members from other cities in other states to perform the review. They review the office's policies and procedures and a sample of audits to see if standards are being followed. The reviews are performed according to standards set by the federal Government Accountability Office (GAO).

COUNCILMEMBER DURHAM MOVED TO ACCEPT THE FY 2021/22 AUDIT PLAN. COUNCILWOMAN WHITEHEAD SECONDED THE MOTION, WHICH CARRIED 3-0 WITH CHAIR LITTLEFIELD, COUNCILWOMAN WHITEHEAD AND COUNCILMEMBER DURHAM VOTING IN THE AFFIRMATIVE.

8. City Auditor updates, including status of FY 2020/21 Audit Plan

Ms. Walker stated that, while some planned audits were not completed, the 14 reports that were completed falls within the range of 13 to 15 typically completed each year.

9. Discussion and Possible Direction to Staff Regarding Potential Agenda Items for Next Audit Committee Meeting (tentative date: August 23, 2021)

Ms. Walker reported that a couple sunset reviews are scheduled for August. In addition, she is expecting that the Economic Development Programs audit report will be ready by August. Since City meetings are opening back up to the public, she will figure out a feasible place to hold the meeting and will update the Committee as that plan develops.

Adjournment

With no further business to discuss, being duly moved by Councilwoman Whitehead and seconded by Councilmember Durham, the meeting adjourned at 5:01 p.m.

SUBMITTED BY:

eScribers, LLC