

APPROVED ON 06-26-23



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

**City Hall
Kiva Conference Room
3939 N. Drinkwater Blvd.
Scottsdale, Arizona 85251**

Monday, May 15, 2023

PRESENT: Vice Mayor Kathy Littlefield, Chair
Barry Graham, Councilmember
Solange Whitehead, Councilwoman

STAFF: Lai Cluff, Acting City Auditor
Brad Hubert, Senior Auditor
Shelby Trimaloff, Executive Assistant to City Auditor
Kelly Corsette, Communications and Public Affairs Director
Sherry Henry, Chair, Tourism Development Commission
Steve Geiogamah, Tourism Development Manager
Karen Churchard, Director of Tourism and Events
Anna Henthorn, Accounting Director
Sarah Delgado, Accounting Manager
Bill Murphy, Assistant City Manager

GUESTS: Brittney Williams, Heinfeld Meech Audit Partner

CALL TO ORDER

The meeting was called to order at 2:05 p.m. A formal roll call confirmed the presence of all Committee Members as noted above.

PUBLIC COMMENT

No comments were submitted.

REGULAR AGENDA

1. Approval of Minutes, Regular Meeting, March 20, 2023

Chair Littlefield called for approval of the minutes.

COUNCILWOMAN WHITEHEAD MOVED TO APPROVE THE MINUTES OF THE REGULAR MEETING MINUTES OF MARCH 20, 2023 AS PRESENTED. COUNCILMEMBER GRAHAM SECONDED THE MOTION, WHICH CARRIED 3-0 WITH CHAIR LITTLEFIELD, COUNCILMEMBER GRAHAM AND COUNCILWOMAN WHITEHEAD VOTING IN THE AFFIRMATIVE.

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

Brad Hubert, Senior Auditor, provided an overview of the Veterans Advisory Commissions purpose and what is being asked of the Audit Commission, noting this is the first time this commission has come before the Board since its inception in 2020. The Commission's purpose is to advise City Council and make recommendations on military veteran programs, policies, and practices designed to improve the quality of life for veterans; educate the community on the status of military veteran rights, needs, and contributions to our community; recommend ways to strengthen existing services for military veterans while pursuing the creation of new program service opportunities; to assist in creating and supporting a community connection point to inform, guide, and direct military veterans seeking personal and professional enhancement services including education, mentoring, workforce support, health and wellness, advise and make recommendations on other issues and matters relating to military veterans as the City Council may direct. The Commission's annual reports for calendar years 2020 and 2021 were provided.

In response to a question from Councilmember Graham, Mr. Corsette stated the Commission is fulfilling its purpose. Corsette noted that veteran support within Scottsdale communities is widespread and the veteran programs are embraced. Chair Littlefield noted she attended a recent meeting and feels they are fulfilling their purpose.

COUNCILWOMAN WHITEHEAD MOVED TO RECOMMEND TO CITY COUNCIL THE CONTINUANCE OF THE VETERANS ADVISORY COMMISSION. COUNCILMEMBER GRAHAM SECONDED THE MOTION, WHICH CARRIED 3-0 WITH CHAIR LITTLEFIELD, COUNCILMEMBER GRAHAM AND COUNCILWOMAN WHITEHEAD VOTING IN THE AFFIRMATIVE.

3. Discussion and Possible Direction to Staff Regarding Tourism Development Commission Sunset Review

Brad Hubert, Senior Auditor, provided an overview of the Tourism Development Commission's purpose and what is being asked of the Audit Commission, noting the purpose is to act as an advisory board to City Council on matters concerning the expenditure of revenues from the special revenue fund designated for tourism development. Specifically, the Commission recommends if City Council should approve, conditionally approve, or deny uses of the funds which are designated for tourism development. They prescribe the application procedure and establish criteria to determine

how those funds are allocated, review the City's long-range plans for the tourism industry as proposed by staff, and make recommendations regarding the five-year strategic tourism development marketing plan. The Commission's annual reports for calendar years 2019, 2020, and 2021 were provided.

In response to a question from Councilmember Graham on whether the commission should include more than hotel owners, Ms. Henry stated the Commission comprises seven members, four of whom must be from the hotel community and live in Scottsdale. The other three seats are open to members from other tourism-related industries and all applicants must go through a comprehensive application process. The commission seats are ultimately filled through appointment by the Mayor and City Council. Ms. Henry stated that this is a very active and passionate commission making sure the funds are used in the best way possible to continue to attract tourism to Scottsdale.

Councilwoman Whitehead stated this commission has a lot of responsibility and control over the tourism funds and it is crucial the members understand tourism. She believes that they have done a great job expanding tourism and bringing tourists to Scottsdale. The commission also provides grants for new events. Chair Littlefield stated the commission is recommending a variety of programs that open up new places and things that meet the needs of people throughout Scottsdale.

COUNCILWOMAN WHITEHEAD MOVED TO RECOMMEND TO CITY COUNCIL THE CONTINUANCE OF THE TOURISM DEVELOPMENT COMMISSION. COUNCILMEMBER GRAHAM SECONDED THE MOTION, WHICH CARRIED 3-0 WITH CHAIR LITTLEFIELD, COUNCILMEMBER GRAHAM AND COUNCILWOMAN WHITEHEAD VOTING IN THE AFFIRMATIVE.

4. Discussion and Possible Direction to Staff Regarding Annual Financial Audits

Brittney Williams, Heinfeld Meech Audit Partner for the City of Scottsdale, provided an update on the annual financial audits, noting the HUD REACT, MPC, and SPA 990 reports were issued at the end of March. The Finance Department develops a plan, timeline, and dates that they adhere to as much as possible.

In response to questions from Councilmember Graham, Ms. Williams stated the audit will kick off the week of June 5, 2023. Although they do much of their work remotely, they still come on site to conduct interviews, internal control walk-throughs, and to meet with staff. The audit report is generally issued at the end of October, with Scottsdale being one of the first ones completed due to their early implementation of reporting standards. A discussion ensued regarding the reporting standards. Councilmember Graham expressed interest in the reports, including the management letter comments. Ms. Williams stated they maintain open lines of communication and councilmembers can reach out to her at any time to check on the status of the audit and ask questions.

In response to Committee member questions, Ms. Williams explained that major program determinations are made through a risk-based assessment. Due to Covid funding over the last couple of years, the Federal Government has been more prescriptive in dictating what must be tested. More direction will be provided by the end of this month. They are prepared to look at CBDG, Section 8, and the Coronavirus State and Local Fiscal Recovery Funds, but there may be some additional programs.

5. Update Regarding Completion of Audit No. 2311, SUSD Human Resource Audit

Lai Cluff, Acting City Auditor, provided an update on the Scottsdale Unified School District (SUSD) Human Resource Audit, noting the report was presented to the SUSD Audit Committee on March 10, 2023, and the Governing Board on May 2, 2023. The report revealed areas of improvement in respect to recruitment retention processes. It was recommended they address these areas to allow the information to be used for making strategic decisions. The District agreed with all recommendations and began working on them already.

In response to questions from councilmembers, Ms. Cluff stated that there is an IGA for this work with the District. Follow-up has been done internally as it is not specifically part of the contract with the school district, but they can ask if they need or want additional assistance. For the previous audit, recommendation follow-up was provided to their audit committee by District staff. The audit topic was determined by their audit committee, and approved by the Governing Board and Council. Auditors planned their work to address the broader objective. This audit report is a public record that can also be found on the City of Scottsdale's website. A similar audit has not been conducted for the City.

6. Preliminary Discussion of Potential Audits for the FY 2023/24 Audit Plan

Lai Cluff, Acting City Auditor, discussed potential audits for FY 2023/24 Audit Plan. A list of all audit areas was provided to the committee that included all department areas, the last time they were audited, examples of audit topics, and risk ranking, with A being a higher risk. Ms. Cluff clarified that a topic listed within the "A" category does not necessarily mean it has to be done right away as they tend to be in that category year after year, based on the size and complexity of the operations. Those tend to be audited more frequently already. Departments in the lower risk category are also routinely included in the audit plan for periodic review, and the committee has specifically wanted this in the past.

Topics discussed by the committee included:

- Follow-up on the infrastructure assessments audit – deeper dive relating to bridge inspection and maintenance findings.
- Police
- Fire, specifically training and recruitment efforts
- Solid Waste / Green Waste
- Tourism, specifically Scottsdale Arts
- Benefits Management
- Procurement of construction services
- Anything that has not been audited for a while and justifies an audit

Ms. Cluff will generate a proposed plan for the next meeting.

7. City Auditor Updates, Including Status of FY 2022/23 Audit Plan

Lai Cluff, Acting City Auditor, provided an update on the FY 2022/23 Audit Plan and reviewed status of the remaining audit projects. The emergency management services and contracted IT audit reports will be available for the next committee meeting. The construction contract audit will be completed after June due to being postponed and delayed for various reasons. The victim services audit is still in the data collection phase and the report should be completed after the June meeting. The risk management audit has just started, and the investigative services audit has not been started, but will be carried forward to the next FY.

Annual reports on the Integrity Line and the follow-ups conducted throughout the year will be completed for the June meeting. Other projects completed include the implementation and transition to new software, Missionmark, for managing the audit workflow; also a minor project assisting IT and City Court with annual reporting of IT assessments was also completed.

An update was provided on the purchasing card audit follow up status related to recommendations made. The audit had found that out of approximately 320 cardholders, there was missing documentation for 129 of them. After contacting and requesting documentation during the audit, approximately \$45,000 or \$50,000 were still missing, primarily from cardholders that no longer worked for the city. The committee accepted Ms. Cluff's offer to have the purchasing department come to the next meeting to provide an update.

A brief discussion ensued pertaining to Ms. Cluff's potential conflict and how audits will be handled going forward.

8. Discussion and Possible Direction to Staff Regarding Potential Agenda Items for Next Audit Committee Meeting (June 26, 2023)

No additional agenda items were noted.

Adjournment

With no further business to discuss, being duly moved by Councilwoman Whitehead and seconded by Councilmember Graham, the meeting adjourned at 3:14 p.m.

SUBMITTED BY:

eScribers, LLC