

**APPROVED MINUTES
APPROVED ON 01/22/2018**



**CITY OF SCOTTSDALE
AUDIT COMMITTEE**

Monday, November 13, 2017

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

REGULAR MEETING

PRESENT: Suzanne Klapp, Chair
Virginia Korte, Councilmember
Kathy Littlefield, Councilwoman

STAFF: Sharron Walker, City Auditor
Kyla Anderson, Senior Auditor
Cathleen Davis, Senior Auditor
Joyce Gilbride, Accounting Director
Anna Henthorn, Accounting Manager

GUESTS: Jill Shaw, Heinfeld Meech & Co., P.C.
Tucker Kaufmann, JPMorgan Chase Bank

CALL TO ORDER

Chair Klapp called the meeting to order at 3:31 p.m. A formal roll call confirmed the presence of all Committee Members as noted above.

- 1. Approval of Minutes, Regular Meeting, September 18, 2017**

COUNCILWOMAN LITTLEFIELD MOVED TO APPROVE THE MINUTES OF THE SEPTEMBER 18, 2017, 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 McDowell Sonoran Preserve Commission Sunset Review

Cathleen Davis, Senior Auditor, stated that as provided in Scottsdale Revised Code Section 21-7, the McDowell Sonoran Preserve Commission, with the assistance of City staff, is to make recommendations to the City Council on the development and acquisition of the Preserve. The Commission's most recent annual report and the two prior annual reports were provided to the Audit Committee. The Audit Committee is to evaluate whether the Commission is serving its intended purpose, whether it should be maintained or modified and whether the purpose has been served or is no longer required. The Audit Committee is to recommend to City Council whether to continue or terminate the Commission.

COUNCILMEMBER KORTE MOVED TO RECOMMEND TO CONTINUE THE MCDOWELL SONORAN PRESERVE COMMISSION. COUNCILWOMAN LITTLEFIELD 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. 1801, FY 2016/17 External Financial Audit

Kyla Anderson, Senior Auditor, introduced Jill Shaw of Heinfeld Meech, who presented the audit. Ms. Shaw said the audit was begun in June with preliminary field work, and was completed in September. Since then, they have completed quality control review of the 600 page audit. The audit is accompanied by a communication with governance letter, which summarizes the audit results. This year there were no changes to significant accounting policies from previous years. A couple of new accounting standards were implemented for tax abatement disclosures and debt extinguishment issues. There are estimates in the financial statements, including depreciable capital assets, whose useful lives can be open to interpretation. Other estimates are items that require an actuarial evaluation, such as pension liabilities, outstanding insurance claims and the pollution remediation liability.

No difficulties were encountered in performing the audit. Ms. Shaw thanked the Treasurer's Office Accounting department for their assistance in providing all the necessary documents, which included uploading over 1,000 documents to the audit portal. No audit adjustments to the financial statements were identified, and there were no disagreements with management. At the end of the audit, management provided the auditors with a representation letter accepting responsibility for the financial statements. The auditors issued an independent auditor's report, which was an unmodified opinion this year, meaning there were no material misstatements in the numbers.

Separate audit reports were issued for each of the CFDs, the SPA and the MPC. Several other reports are also issued, including the federal single audit reporting

package. Within this report is a letter regarding internal controls. In the report, a couple of recommendations were made due to deficiencies in internal controls that were noted. Each year, auditors look at a different federal program. This year, they looked at Section 8 and Federal Transit programs. One compliance deficiency was noted in the Section 8 Program.

Another report encompasses the opinion on whether Highway User funds are being used for transportation-related purposes. A couple more reports will follow over the next couple months, including an opinion on the expenditure limitation report and an opinion on a report that goes to HUD in relation to housing funds.

Chair Klapp noted that it was a good audit with no major issues with record keeping. Ms. Shaw stated that the internal control weakness noted are being addressed by management. Councilwoman Littlefield thanked the Treasurer's Office. Chair Klapp added that last year, the Committee had the City Auditor report to the full City Council on the audit. She suggested that the motion include this direction.

In response to Councilwoman Littlefield's inquiry, Ms. Walker agreed to report back to the Committee when the HUD and expenditure limitation reports are finalized in early 2018.

COUNCILMEMBER KORTE MOVED TO RECOMMEND TO THE CITY COUNCIL THE ACCEPTANCE OF THE CITY'S FY 2016/17 FINANCIAL AND COMPLIANCE AUDIT REPORTS AND LOOK FORWARD TO THE PRESENTATION BY THE CITY AUDITOR TO THE CITY COUNCIL. COUNCILWOMAN LITTLEFIELD SECONDED THE MOTION, WHICH CARRIED BY A UNANIMOUS VOTE OF THREE (3) TO ZERO (0).

4. Information report regarding the 3rd Quarter CY 2017 Taxpayer Problem Resolution Officer Report

Sharon Walker, City Auditor, said this is an information item unless there are questions by Committee members. In response to a question from Chair Klapp, Ms. Walker said that the report will continue, as it is required in the Model City Tax Code. The Taxpayer Problem Resolution Officer is to report quarterly on the survey results. Most taxpayer issues in the past related to the audit side.

5. Discussion and Possible Direction to Staff Regarding 1st Quarter 2017/18 Follow-Up on Status of Audit Recommendations

Ms. Walker stated that, in summary, the statistics for this quarter are about the same as the statistics a year ago. Sixty-seven percent of recommendations have been implemented or partly implemented with another 30 percent in progress. It was also 97 percent total for the same quarter last year. Not implemented recommendations consist of a handful of recommendations (2 percent), the same as a year ago. There were four recommendations related to the purchasing audit and one that related to the Preserve audit. The City Manager is aware of the outstanding issues.

6. Discussion and Possible Direction to Staff Regarding Status of FY 2017/18 Audit Plan and CY 2018 Planned Meeting Schedule

Ms. Walker stated that six items are in progress right now, which will result in at least four reports. There are no concerns with audit plan progress.

Ms. Walker indicated the 2018 meeting schedule in the packet is the one sent out for review and no issues were identified yet. These meeting dates will be put on the Committee members' calendars and they can be adjusted if conflicts arise. There was discussion that the July and December meetings are unlikely to take place, so they are grayed out on the schedule. Ms. Walker noted that the February and April meetings may not be needed, but those dates will remain on the list for now. None of these planned meeting dates currently conflict with the planned 2018 City Council meeting dates.

7. Discussion and Possible Direction to Staff Regarding Agenda Items for Next Audit Committee Meeting (January 22, 2018)

Ms. Walker noted that the January meeting's reports are expected to include City Court's minimum accounting standards review, WestWorld marketing and concession contracts and Scottsdale Arts contract.

Public Comment

There were no public comments

Adjournment

The meeting adjourned at approximately 3:58 p.m.

SUBMITTED BY:

eScribers, LLC