

**APPROVED ON 05/15/2023**



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

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

**Monday, March 20, 2023**

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

**STAFF:** Lai Cluff, Acting City Auditor  
Elizabeth Brandt, Senior Auditor  
Travis Attkisson, Senior Auditor  
Shelby Trimaloff, Executive Assistant to City Auditor  
Tiffany Domingo, Aviation Administrative Assistant  
Bill Murphy, Assistant City Manager  
Nick Molinari, Parks and Recreation Director  
Stephanie Tippett, Parks and Recreation Manager  
Brian Biesemeyer, Water Resources Executive Director  
Gina Kirklin, Enterprise and Finance Director  
Robert Schoepe, Purchasing Director

**GUESTS:** Kevin Burnett, Willdan Financial Services

**CALL TO ORDER**

The meeting was called to order at 4:09 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, November 14, 2022**

Chair Littlefield called for approval of the minutes.

COUNCILWOMAN WHITEHEAD MOVED TO APPROVE THE MINUTES OF THE NOVEMBER 14, 2022 REGULAR MEETING AS PRESENTED. CHAIR LITTLEFIELD SECONDED THE MOTION, WHICH CARRIED 3-0 WITH CHAIR LITTLEFIELD, COUNCILMEMBER GRAHAM AND COUNCILWOMAN WHITEHEAD VOTING IN THE AFFIRMATIVE.

### **2. Nominations and election of Audit Committee Chair**

COUNCILWOMAN WHITEHEAD NOMINATED CHAIR LITTLEFIELD. COUNCILMEMBER GRAHAM SECONDED THE NOMINATION. COUNCILWOMAN LITTLEFIELD ELECTED AS CHAIR 3-0, WITH CHAIR LITTLEFIELD, COUNCILMEMBER GRAHAM AND COUNCILWOMAN WHITEHEAD VOTING IN THE AFFIRMATIVE.

### **3. Discussion and possible direction to staff regarding Airport Advisory Commission Sunset Review**

Elizabeth Brandt, Senior Auditor, provided an overview of the Commission's purpose, which is to advise City Council on a number of items, including:

- The Airport capital improvement program and financial plan
- Rules, regulations, and minimum operating standards
- Environmental policies affecting Airport operations and projects
- Aviation-related development proposals or land use policies
- Fees imposed by the City in connection with the Airport and the Airpark
- Lease policies regarding City-owned property at the Airport
- Land use policies at and surrounding the Airport
- The future role of the Airport as part of the statewide air transportation system
- Safety matters under the jurisdiction of the Airport
- Such other matters as the City Council may direct

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

**4. Update regarding completion of FY2021/22 Annual Expenditure Limitation Report**

Ms. Cluff stated that the independent accountant's report for the Fiscal Year 21/22 Annual Expenditure Limitation Report was completed in February 2022 by Heinfeld Meech, the City's audit firm. The report is required to be filed with the State Auditor General's Office and it was submitted on February 16, 2023. As required, the report has been posted on the City's website and will be posted on the audit reports webpage.

**5. Discussion and possible direction to staff regarding Report No. 2304, Biennial Certified Audit of LUA, IIP and Development Impact Fees**

Ms. Cluff stated that state legislation places several requirements on a municipality's development impact fees. As such, the City contracted for a biennial certified audit of its Land Use Assumptions (LUA), Infrastructure Improvements Plan (IIP) and development impact fees. It is required that the audit be posted on the City's website and that the City must conduct a public hearing within 60 days. The audit was posted for the Audit Committee agenda on March 10th and will be added to the audit reports page. The public hearing will be scheduled in conjunction with the City Council agenda. Statute also requires that the audit be performed by a qualified professional that is not an employee of the City and did not prepare the IIP Plan. The City contracted with Willdan Financial Services to complete the audit.

Kevin Burnett, Willdan Financial Services, provided a brief overview of the audit results, which focused on:

1. Development projections encompassed in the development fee process and the City's progression compared to report projections
2. Capital improvement funding actual expenditures versus projections
3. Reviewing level of service

For Item 1, there were discrepancies between projections and actual development, however nothing of significant concern. For Item 2, all projects that received funding were identified in the IIP and were legitimate projects. Some projects changed name, some were pushed out and others advanced. All of this activity is acceptable according to state statute. For Item 3, between 2018 and 2021, there was a decrease in water use per account while utilizing conservation measures. No issues were found with categorization of permits. The City was found to be in compliance with state statutes.

In response to a question from Councilmember Graham, Mr. Burnett provided a brief overview of the audit cycle timeline.

COUNCILWOMAN WHITEHEAD MOVED TO ACCEPT AUDIT NO. 2304 AND PROCEED WITH THE REQUIRED PUBLIC HEARING. COUNCILMEMBER GRAHAM SECONDED THE MOTION, WHICH CARRIED 3-0 WITH CHAIR LITTLEFIELD, COUNCILMEMBER GRAHAM AND COUNCILWOMAN WHITEHEAD VOTING IN THE AFFIRMATIVE WITH NO DISSENTING VOTES.

**6. Discussion and possible direction to staff regarding Audit No. 2302 E-Verify Compliance Audit FY 2021/22**

Travis Attkisson, Senior Auditor, stated that most recent E-Verify audit for Fiscal Year 21/22, found that the selected City contractors and subcontractors are generally using the E-Verify program for their workers on City of Scottsdale contracts. A sample of City contractors and subcontractors were selected for testing with a total 37 employees reviewed. The review found that one of the five selected contractors and one of the two selected subcontractors were each not able to provide documentation showing that E-Verification was performed for one of their sampled employees. However, one of the employees was no longer with the contractor and had been employed for less than four months. For the other, the subcontractor could not tell if the employee had actually been run through the system, as the hire date was prior to the company switching from paper form to a digital online system. One of the selected subcontractors performed E-Verification for one of their sampled employees after the date of the audit request. The remaining contractors and subcontractors provided E-Verify documentation that was dated prior to the audit request. The audit recommends that purchasing continue to remind City contractors that they are subject to the E-Verify requirement and that they may be selected for the annual audit.

In response to a question from Councilmember Graham, Ms. Cluff stated that the audit sample was limited to contractors who provided services and the total pool was approximately 280. Councilmember Graham inquired further concerning the sampling methodology and Ms. Cluff responded that the total pool is reduced to remove vendors who have been audited under E-Verify previously in order to provide more overall coverage .

Councilmember Graham asked about failures with compliance in the past. Mr. Attkisson confirmed that there have been some fails in the past and the intent is to identify any failures to ensure future compliance. The Purchasing department works with those contractors to ensure future compliance. Councilmember Graham commented that he would like to see those with past non-compliance included for potential future E-Verify audits.

Councilmember Graham inquired as to any contractual consequences for noncompliance. Mr. Attkisson stated that the contractor or subcontractor could be barred from future contracting opportunities with the City. Ms. Cluff added that noncompliance is reported to the purchasing department, who is in charge with monitoring contract compliance. Robert Schoepe, Purchasing Director confirmed that staff works with the City Attorney's Office in following up with vendors. To date, all vendors have essentially complied, with none outright refusing. The requirements are included in the terms and conditions of the contract.

Councilwoman Whitehead commented that there is demonstrated good compliance with few exceptions; this process is a good example for the institution of checks and balances in government.

COUNCILWOMAN WHITEHEAD MOVED TO ACCEPT AUDIT NO. 2302 AS SUBMITTED. COUNCILMEMBER GRAHAM SECONDED THE MOTION, WHICH CARRIED 3-0 WITH CHAIR LITTLEFIELD, COUNCILMEMBER GRAHAM AND COUNCILWOMAN WHITEHEAD VOTING IN THE AFFIRMATIVE WITH NO DISSENTING VOTES.

**7. Discussion regarding audit follow up status update on Audit No. 2208, Parks and Recreation Resource Management**

Nick Molinari, Parks and Recreation Director, stated that to date, the department has implemented all of the audit recommendations, except for the quantification of direct and indirect fees, as this is a complicated process, especially considering shared resources for utility staffing. Over the past 14 months, the department has worked on updating its use of sports field allocation policy. A high-level overview of that policy was provided to City Council at its recent retreat. The draft was presented to the Parks and Recreation Commission for review last week, with adoption planned next month.

Councilwoman Whitehead inquired about availability of specialty fields for youth when not in use, in particular the ball fields and the sports complex fields. Mr. Molinari stated that there are different maintenance standards for specialty fields, depending on location. The sports complexes do allow for drop-in use, however some fields have scheduled rest periods.

In response to a question from Councilwoman Whitehead regarding information on field availability, Stephanie Tippett, Parks and Recreation Manager, stated that they are in the process of updating signage, including development of QR codes that link to live field availability updates. Councilwoman Whitehead expressed appreciation of the progress made and commented on the importance of access to open outdoor space.

In response to a question from Chair Littlefield, Mr. Molinari stated that there is an IGA with Scottsdale Unified School District on shared maintenance responsibility of ball fields owned by the District but reservable for use by City programs. In response to follow-up question from Councilwoman Whitehead, Ms. Tippett also added that partner organizations in the Youth Sports Allocation program are also responsible for light maintenance of the fields when using them.

**8. Discussion and possible direction to staff regarding 2nd Quarter FY 2022-23 follow up on status of audit recommendations**

Ms. Cluff provided a brief update on implementation of audit recommendations. Approximately 78 percent of recommendations have been implemented or partially implemented with approximately 20 percent in progress and 2 percent not implemented. Two audits have been slow to implement recommendations, including the Fire Station construction contracts audit, issued in 2021. This was initially attributable to staffing changes but most recommendations continue to be in progress. The crime reporting statistics audit has also had some delays in implementation, as the department is transitioning to a new report management system.

**9. Update on Audit No. 2311, SUSD Human Resources Audit**

Ms. Cluff reported that the audit has been completed. The audit objective was approved by the governing board and City Council in August of 2022. This was to examine the District's human resource's organizational function, including strategic and operational planning and staff services. There was a focus on the HR department's ability to meet strategic goals related to recruiting, hiring and retaining employees. The report was presented to the District's audit committee on March 10th. Overall, the feedback was positive. The District

has begun implementing some recommendations. Once the report has gone to the governing board, it will be submitted to the Audit Committee.

**10. City Auditor updates, including status of FY 2022/23 Audit Plan**

Ms. Cluff provided a status of projects scheduled for this year. Two audits will likely not be completed before the June 30th end of fiscal year and will carry over to the next year. In terms of staffing, there have been one - two vacancies over the past year. The last recruitment was successful and it is hoped that a new auditor will be starting in April, 2023. Councilmember Graham commented on a potential conflict of interest because Ms. Cluff's spouse is also City employee who oversees a significant area. Ms. Cluff said that based on their previous discussion she would be looking for ways to address that issue. Councilmember Graham inquired about the audit selection process. Ms. Cluff explained that the Auditor would submit a proposed plan and the Audit Committee could suggest changes or approve as proposed.

**11. Preliminary discussion of FY 2023-24 Audit Plan**

Ms. Cluff reviewed the types of recurring audits that are typically included on the Audit Plan and stated that next year, the City is due for its triennial City Court minimum accounting standards review, as required by the Administrative Offices of the Court. Also due is the triennial peer review. Typically included each year is a construction contract audit and IT audit. Audits not completed by the end of the fiscal year will be carried forward, so there will be approximately four to five additional audits for selection. Potential audits from the contingency list approved for this year include cash handling and accountability, and library operations management. Chair Littlefield stated that those two would be good audits to keep on the Plan. It is important to keep cash handling process tight and also there have been many changes to library operations recently. Councilwoman Whitehead referred to the audit on infrastructure maintenance from a several years ago and stated that she would like to see a deep dive on the status. Chair Littlefield commented that as a potential future audit, not for this next year, the ambulance program should be reviewed when they bring the program in-house. Ms. Cluff stated that for the next Audit Committee meeting she will provide the risk ratings by department and a listing of potential audit topics for each area.

**12. Discussion and possible direction to staff regarding potential agenda items for next Audit Committee meeting**

The next meeting is scheduled for May 15<sup>th</sup>. It will include the last financial audit report for this year, and financial auditors Heinfeld Meech will be there to talk about the start of the next year's financial audit, as well as the audit of emergency management services.

**Adjournment**

With no further business to discuss, being duly moved by Chair Littlefield and seconded by Councilwoman Whitehead, the meeting adjourned at 5:15 p.m.

SUBMITTED BY:

eScribers, LLC