

**APPROVED MINUTES  
APPROVED ON 2/22/2016**



**CITY OF SCOTTSDALE  
AUDIT COMMITTEE**

**MONDAY, JANUARY 25, 2016**

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

**REGULAR MEETING**

**PRESENT:** Suzanne Klapp, Chair  
Virginia Korte, Councilmember  
Kathy Littlefield, Councilwoman (arrived at 4:10 p.m.)

**STAFF:** Sharron Walker, City Auditor  
Kyla Anderson, City Auditor's Office  
Cathleen Davis, City Auditor's Office  
Greg Bestgen, Human Services Department  
Bill Murphy, Community Services Division  
Steve Venker, Planning & Development Department

**CALL TO ORDER**

Chair Klapp called the meeting to order at 4:00 p.m. A formal roll call confirmed the presence of all Committee Members as noted above.

- 1. Approval of Minutes, Regular Meeting, November 16, 2015**

**COUNCILMEMBER KORTE MOVED TO APPROVE THE MINUTES OF THE NOVEMBER 16, 2015, REGULAR MEETING. CHAIR KLAPP SECONDED THE MOTION, WHICH CARRIED BY A VOTE OF TWO (2) TO ZERO (0). COUNCILWOMAN LITTLEFIELD HAD NOT YET ARRIVED.**

## **2. Discussion and Possible Direction to Staff regarding Historic Preservation Commission and Sunset Review**

Sharron Walker, City Auditor, provided a brief overview of the Historic Preservation Commission's purpose, which is to assist the City with a comprehensive historic preservation program, including the list of related duties to help the City with processes and the evaluation of resources. A detailed description of the Commission's purpose is contained in the Scottsdale Revised Code with a summary purpose in the zoning ordinance. The Audit Committee's purpose is to evaluate whether the Historic Preservation Commission is serving its intended purpose, whether the purpose should be maintained or modified, whether the purpose has been served or is no longer required. The Audit Committee is to recommend to the City Council whether to continue or terminate the Commission. Ms. Walker noted that Steve Venker is present representing the Commission.

Chair Klapp commented that a member of the Historic Preservation Commission has missed several meetings and asked whether this is being addressed. Councilmember Korte commented that such absences violate the policies of attendance for any commission. Mr. Steve Venker, staff representative for the Historic Preservation Commission, indicated that he was currently in communications with the Commission Chair to address the situation with the member and that a resolution is anticipated prior to the Commission's upcoming meeting in March. Chair Klapp commented that the attendance issue was her only question; she had no reasons to discontinue the Historic Preservation Commission.

**COUNCILMEMBER KORTE MOVED TO KEEP THE HISTORIC PRESERVATION COMMISSION IN OPERATION. CHAIR KLAPP SECONDED THE MOTION, WHICH CARRIED BY A VOTE OF TWO (2) TO ZERO (0). COUNCILWOMAN LITTLEFIELD HAD NOT YET ARRIVED.**

## **3. Discussion and possible direction to staff regarding Audit No. 1610 Human Services Information Controls**

Cathleen Davis, Senior Auditor, provided an overview of the report. The audit was performed to review Human Services information controls, particularly security management and information system access to protect clients' personally identifiable information (PII). The Human Services Department manages federal, state, local and private resources to provide safe and sanitary housing, social services, economic growth, self-sufficiency, reasonable accommodations for persons with disabilities or low to moderate income as well as senior programs.

As part of the Community Services Division, the Department operates seven facilities. To participate in most of the Department's programs, individuals must provide varying types and amounts of PII. Some PII, such as a Social Security or bank account number, is more sensitive and requires stricter handling guidelines as it could substantially harm an individual if lost, compromised or disclosed without authorization.

The audit found that comprehensive policies, procedures and records management could better ensure client data is protected. While department staff collects sensitive PII

from their clients, City and department policies and procedures do not currently provide staff with sufficient guidance on protecting the information. Further, a coordinated records management program and staff training could help reinforce PII protection.

Physical storage of PII can be better secured. Improvements can be made in the Department's physical controls over areas where PII is stored, including access controls to both facilities and client files, issuance and control of keys and protection of network access. While all facilities have areas for improvement, the Community Assistance Office generally had strong physical controls in place over PII.

Information technology management and controls can be strengthened. User access to the Department's systems, including the new Human Services Client Assistant Management System (CAMS) and shared network folders are not needs based. In addition, system implementation can be more effectively managed.

Chair Klapp noted that the Community Services Department has indicated agreement with necessary changes and added that identity theft remains a significant concern. Bill Murphy, Community Services Division Director, agreed that the audit serves as an effective tool for identification of issues. Chair Klapp commented that the Department employs a significant number of volunteers, who do not necessarily report to the City. Greg Bestgen, Human Services Department Director, noted that this is a good opportunity for the department to fine-tune its processes.

#### **4. Discussion and Possible Direction to Staff Regarding FY 2015/2016 2nd Quarter Follow-up on Status of Audit Recommendations**

Sharron Walker, City Auditor, summarized the report. Approximately 69 percent of audit recommendations have been implemented or partly implemented and another 16.4 percent are in progress. In comparison to statistics from the corresponding quarter from a year ago, there are approximately the same number of recommendations. This quarter's report included approximately 10 percent of recommendations listed as not due, as compared to last year at this time, where the number totaled 7.4 percent. Ms. Walker noted that additional management responses were received for some of these, but auditors had not yet evaluated the responses so they were not reflected in the statistics.

Councilwoman Littlefield arrived at 4:10 p.m.

#### **5. Discussion and Possible Direction to Staff Regarding CY 2015 Taxpayer Problem Resolution Officer Report.**

Ms. Davis presented the report. Responses to the City Treasurer's Office surveys for service, billing and tax audit areas showed consistently positive results. As previously discussed, the oversight for tax audit is being transferred to the Arizona Department of Revenue. In response to Chair Klapp's question, Ms. Walker responded that the state has an ombudsman-type position rather than a TPRO and she is not aware that they have the same requirement for customer service surveys. During the fourth quarter, no taxpayer requests for TPRO assistance were received.

## **6. Discussion of City Auditor Integrity Line Update**

Sharron Walker, City Auditor, provided the update. Integrity Line activity has been limited for the first half of the fiscal year. One HR type issue was received and referred to the appropriate department manager. Several unrelated calls were received on the Integrity Line, which appeared to be caused by the City's website redesign. These calls are not being tracked with Integrity Line statistics. Ms. Walker will work with the Communications office to readvertise the Integrity Line to City employees.

## **7. Discussion and Possible Direction to Staff Regarding status of FY 2015/2016 Audit Plan.**

Sharron Walker, City Auditor, provided the status update. The SkySong residential report has been provided to management for review and should be ready for presentation in February. It is also anticipated that the Preserve audit will be available in February.

Three responses were received for the development impact fees audit RFP. The Evaluation Committee has chosen a firm to recommend. A draft contract has been prepared and is under review by purchasing and legal staff. Efforts are being made to get the Contract award onto the Council's February 9th agenda. The report deadline goal is June 30th.

Ms. Walker is seeking the Audit Committee's direction on an issue regarding the Scottsdale Road Improvements Construction Contract Audit. At the time, there was concern from the Committee, the City Manager and others that there should be more construction contract audits. As such, Ms. Walker is recommending moving the Preventative Maintenance and Repair audit that is included on the approved plan to next year's plan in order to accommodate starting another construction contract audit this fiscal year.

**COUNCILMEMBER KORTE MOVED TO MOVE THE PREVENTATIVE REPAIR AND MAINTENANCE AUDIT TO THE FISCAL YEAR 16/17 AUDIT PLAN AND BEGIN A NEW CONSTRUCTION CONTRACT AUDIT IN FEBRUARY OF 2016. COUNCILWOMAN LITTLEFIELD SECONDED THE MOTION, WHICH CARRIED UNANIMOUSLY BY A VOTE OF THREE (3) TO ZERO (0).**

## **8. Discussion and Possible Direction to Staff Regarding Agenda Items for Next Audit Committee Meeting**

The next Audit Committee meeting is scheduled for February 22, 2016, and is expected to include the Preserve Operations audit as well as the SkySong Residential Rent audit. There may be time to discuss the audit field work process. It is anticipated that there will likely not be the need for a March meeting.

### **Public Comment**

No members of the public wished to address the Committee.

### **Adjournment**

The meeting adjourned at approximately 4:20 p.m.

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