

**APPROVED ON 09/18/23**



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

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

**Monday, June 26, 2023**

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

**STAFF:** Lai Cluff, Acting City Auditor  
Travis Attkisson, Senior Auditor  
Brad Hubert, Senior Auditor  
Shelby Trimaloff, Executive Assistant to City Auditor  
Kelly Corsette, Communications and Public Affairs Director  
Bianca Lochner, Chief Information Officer  
Don Thelander, Chief Information Security Officer  
Troy Lutrick, Emergency Manager  
Jacob Johnson, Emergency Management Coordinator  
Aren Hansen, Deputy Fire Chief  
Lynn Gustafson, Purchasing Supervisor

**CALL TO ORDER**

The meeting was called to order at 4:00 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, May 15, 2023**

Chair Littlefield called for approval of the minutes.

COUNCILWOMAN WHITEHEAD MOVED TO APPROVE THE MINUTES OF THE REGULAR MEETING OF MAY 15, 2023, AS PRESENTED. COUNCILMEMBER GRAHAM SECONDED THE MOTION, WHICH CARRIED 3-0.

### **2. Discussion and Possible Direction to Staff Regarding Audit No. 2303, Ransomware Readiness Assessment**

Travis Attkisson, Senior Auditor, provided an overview of what ransomware is and how it can affect the City's computer systems. A summary of the Ransomware Readiness Assessment conducted by BerryDunn, an independent IT audit consultant, was provided to councilmembers. Areas for improvement included developing and enhancing response plans, security policies, communication paths, and personnel responsibilities during an event. The IT Department agreed with the recommendations and will be implementing the necessary enhancements in phases based on priority, with completion of all enhancements by December 2024.

In response to councilmembers' questions, Bianca Lochner, Chief Information Officer, stated that cybersecurity and protecting the City's assets are of the utmost importance and that with the approved two full-time employees and additional resources, the IT Department will be able to implement the recommendations. They hope to have the two positions filled soon. Don Thelander, Chief Information Security Officer, advised that the City has experienced isolated cybersecurity events, but with the various layers of defense, they have avoided ransomware attacks. Councilmembers can schedule time with Ms. Lochner to review the full confidential report.

COUNCILWOMAN WHITEHEAD MOVED TO ACCEPT AUDIT NO. 2303, RANSOMWARE READINESS ASSESSMENT. COUNCILMEMBER GRAHAM SECONDED THE MOTION, WHICH CARRIED 3-0.

### **3. Discussion and Possible Direction to Staff Regarding Audit No. 2307, Emergency Management Services**

Brad Hubert, Senior Auditor, provided an overview of the Emergency Management Audit and the responsibilities of the Emergency Management Department. These include emergency preparedness training, the planning and coordination of emergency management functions, the implementation of the City's Emergency Operations Plan, management of the Emergency Operations Center, and oversight of the continuity of operations plans (COOPs) for the City and the City departments. The audit recommended that the Emergency Operations Plan be reviewed and approved by City Council every five years and annually by the Emergency Manager and City Manager. Also, Emergency Management should conduct an annual review of all departmental COOPs.

The current plan has not been reviewed by City Council since July 2016, no annual reviews have not been conducted, and annual departmental COOP reviews have not been conducted in more than three years. As of December 2021, all city employees were required to complete two emergency-management courses. As of March 2023, only 45% of City employees have completed at least one course. The audit recommends the Emergency Manager establish

procedures to effectively monitor that training requirements are met, further develop plans for implementing other phases of the training plan, and create a training plan to educate residents and businesses on emergency preparedness. Lastly, Emergency Management's role in special-events planning must be better defined and standardized for efficient guidance of special-events teams.

In response to councilmembers' questions, Troy Lutrick, Emergency Manager, clarified that employees are required to take basic online courses (two for all city employees and four for public-safety employees) only once, not annually, per FEMA requirements established in 2006 for organizations that receive federal funding. Upon completion, the certificates must be captured, stored, and auditable. In October 2022, Scottsdale University purchased and implemented a Learning Management System to assign, score, and track the courses for city employees. Mr. Hubert clarified that the Emergency-Management Operation Plan was last reviewed by the City Manager and approved by City Council in July 2016. These requirements are required for emergency reimbursable federal grant funding. Mr. Lutrick provided an overview of his management response to the audit, noting the Emergency Operation Plan needs to be updated and put into electronic form. The process needs to be updated and revised, and an ongoing plan to remain compliant with National Incident Management System and National Response Plan requirements needs to be created. Council members inquired concerning compliance requirements and potential repercussions for federal grants. Mr. Hubert noted that noncompliance could result in denial and/or claw back of funding, but clarified that the compliance requirements are primarily related to federal emergency grants.

COUNCILWOMAN WHITEHEAD MOVED TO ACCEPT AUDIT NO. 2307, EMERGENCY MANAGEMENT, WITH A REVIEW IN ONE YEAR. CHAIR LITTLEFIELD SECONDED THE MOTION, WHICH CARRIED 3-0.

#### **4. Discussion Regarding Audit Follow-up Status Update on Audit No. 2205, Purchasing Card Controls**

Lynn Gustafson, Purchasing Supervisor, provided an update on the Purchasing Card Controls, noting they will be hiring a Technology Specialist to assist with automation processes. They are partnering with HR on receiving and deactivating cards for employees who transferred or left employment. The annual review of spend limits was completed, and employees have been notified of decreased spend limits or cancellation of their cards, which takes effect July 1, 2023. The updated procedure for deactivating users is complete and will be sent to councilmembers.

Lai Cluff, Acting City Auditor, noted the Purchasing Department has implemented some of the recommendations, which have been closed out, and followed up on items identified during the audit, including working with card holders that have repeat issues.

Chair Littlefield recommended working with City Clerk Ben Lane.

#### **5. Discussion and Possible Direction to Staff Regarding Report No. 2309, FY 2022/23 Annual Follow-up on Status of Audit Recommendations**

Lai Cluff, Acting City Auditor, provided an update on the status of audit recommendations for FY 2022/23, noting some of the recommendations will take longer to implement than others and some are delayed due to changes in leadership and reporting systems. The Fire Station Construction audit is one that is taking longer than anticipated.

In response to an inquiry from Councilmember Graham, Chair Littlefield stated the Audit Department works closely with departments on implementing recommendations or setting new

timelines, etc. Should the Audit Department need assistance, they will come to the Audit Committee for support.

COUNCILWOMAN WHITEHEAD MOVED TO ACCEPT AUDIT REPORT NO. 2309, FY 2022/23 ANNUAL FOLLOW-UP ON STATUS OF AUDIT RECOMMENDATIONS. COUNCILMEMBER GRAHAM SECONDED THE MOTION, WHICH CARRIED 3-0.

**6. Discussion and Possible Direction to Staff Regarding Report No. 2310, FY 2022/23 Annual Report on the City Auditor's Integrity Line**

Lai Cluff, Acting City Auditor, noted the Annual Integrity Report summarizes contacts received from the Integrity line reporting fraud, waste, or abuse of City resources. An overview of the 21 contacts received this year and action taken was provided to the committee.

COUNCILMAN GRAHAM MOVED TO ACCEPT AUDIT REPORT NO. 2310, FY 2022/23 ANNUAL REPORT ON THE CITY AUDITOR'S INTEGRITY LINE. COUNCILWOMAN WHITEHEAD SECONDED THE MOTION, WHICH CARRIED 3-0.

**7. Discussion and Possible Direction to Staff Regarding Proposed FY 2023/24 Audit Plan**

Lai Cluff, Acting City Auditor, provided an overview of the FY 2023/24 Audit Plan, stating the proposed plan is as discussed at the prior meeting and the committee's suggested audit topics were incorporated under "Additional Audits." One audit was moved from this year's list to next year's contingency audits to allow for higher priority audits.

COUNCILMEMBER GRAHAM MOVED TO APPROVE THE PROPOSED FY 2023/24 AUDIT PLAN. COUNCILWOMAN WHITEHEAD SECONDED THE MOTION, WHICH CARRIED 3-0.

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

Lai Cluff, Acting City Auditor, provided a status update for the FY 2022/23 Audit Plan as of June 2023, noting that Victim Services and Risk-Management Services audits are in progress and should be completed by the end of the summer. The Investigative Services audit was moved to the contingency list for next year but will be performed if time allows.

COUNCILMEMBER GRAHAM MOVED TO APPROVE THE STATUS OF FY 2022/23 AUDIT PLAN. COUNCILWOMAN WHITEHEAD SECONDED THE MOTION, WHICH CARRIED 3-0.

**9. Discussion and Possible Direction to Staff Regarding Potential Agenda Items for Next Audit Committee Meeting (August 21 or September 18, 2023)**

Lai Cluff, Acting City Auditor, noted the August 21, 2023, meeting conflicts with the City Council meeting and would need to be pushed back to 2:00 p.m. or canceled. After a brief discussion, the committee chose to cancel the August 21, 2023, meeting.

**Adjournment**

With no further business to discuss, being duly moved by Councilwoman Whitehead and seconded by Councilmember Graham, the meeting adjourned at 5:00 p.m.

SUBMITTED BY:  
eScribers, LLC