

**APPROVED ON 02/26/2024**



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

**One Civic Center  
Community Development 1 Conference Room  
7447 E Indian School Rd, Ste 105  
Scottsdale, AZ 85251**

**Monday, November 13, 2023**

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

**STAFF:** Lai Cluff, Acting City Auditor  
Travis Attkisson, Senior Auditor  
Elizabeth Brandt, Senior Auditor  
Brad Hubert, Senior Auditor  
Mel Merrill, Senior Auditor  
Shelby Trimaloff, Executive Assistant to City Auditor  
Bill Murphy, Assistant City Manager  
Scott Hamilton, Preserve Planning and Administration Manager  
Anna Henthorn, Accounting Director  
Sarah Delgado, Accounting Manager  
Mary Witkofski, Community Assistance Manager  
Chad Beougher, Housing Supervisor  
Sherry Scott, City Attorney  
George Woods, Risk Management Director  
Kevin Cullins, Safety Manager  
Eric Valliere, Assistant Fire Chief  
Dave Bennett, Solid Waste Management Director

**GUESTS:** Brittney Williams, Audit Partner, Heinfeld Meech

## **CALL TO ORDER**

The meeting was called to order at 2:09 p.m. A formal roll call confirmed the presence of all Committee Members as noted above.

## **PUBLIC COMMENT**

Ms. Cluff stated that two requests to speak were received for agenda item #4.

## **REGULAR AGENDA**

### **1. Approval of Regular Meeting Minutes, September 18, 2023**

Chair Littlefield called for approval of the minutes.

VICE MAYOR WHITEHEAD MOVED TO APPROVE THE MINUTES OF THE REGULAR MEETING MINUTES OF SEPTEMBER 18, 2023, AS PRESENTED. COUNCILMEMBER GRAHAM SECONDED THE MOTION, WHICH CARRIED 3-0 WITH CHAIR LITTLEFIELD, COUNCILMEMBER GRAHAM, AND VICE MAYOR WHITEHEAD VOTING IN THE AFFIRMATIVE.

### **2. Discussion and Possible Action Regarding the McDowell Sonoran Preserve Commission Sunset Review**

Brad Hubert, Senior Auditor, provided an overview of the purpose of the McDowell Sonoran Preserve Commission. There are eight parts to the purpose including:

1. Developing a preservation strategy for an integrated mountain and desert open space system
2. Develop a realistic funding plan
3. Service the Citizens Oversight Committee for the Preserve land acquisitions and use funds from the voter approved privilege and use tax
4. Developing an educational and promotional program
5. Prepare a conceptual master plan
6. Develop a detailed action plan for preserving the open space system
7. Respond to requests from the City Council related to the Preserve
8. Report to City Council on a quarterly basis regarding the Preserve

Annual reports were provided for calendar years 2020 through 2022.

Scott Hamilton, Manager of Preserve Planning and Administration, was present and answered questions from Councilmember Graham regarding meeting frequency and the size of the Commission. According to Mr. Hamilton, the McDowell Sonoran Preserve Commission conducts eight regular meetings per bylaws and each meeting lasts an average of 1½ to 2 hours. The meetings are productive with great involvement from passionate and enthusiastic commissioners.

VICE MAYOR WHITEHEAD MOVED TO RECOMMEND TO CITY COUNCIL TO CONTINUE THE MCDOWELL SONORAN PRESERVE COMMISSION. COUNCILMEMBER GRAHAM SECONDED THE MOTION, WHICH CARRIED 3-0 WITH

CHAIR LITTLEFIELD, COUNCILMEMBER GRAHAM, AND VICE MAYOR WHITEHEAD VOTING IN THE AFFIRMATIVE.

**3. Discussion and Possible Action Regarding Report No. 2401, FY 2022/23 External Financial and Compliance Audit**

Brittney Williams, Audit Partner of Heinfeld Meech, provided an overview of the seven reports issued for the City of Scottsdale. There are some lingering reports, and the Scottsdale Preserve Authority has been discontinued so no report was issued. Each report contained a communication to governance, a report on internal control over financial reporting and compliance, which is a review of internal controls, and an independent auditor's opinion related to materially correct financial statements. An unmodified opinion was issued, which means it was a clean opinion and everything looked good on the financials with no significant deficiencies, material weaknesses, and no noncompliance. Two significant deficiencies related to noncompliance for the CDBG and Housing Voucher Federal Programs were found, related to lack of documentation due to staff turnover.

In response to questions from Councilmember Graham, Ms. Williams explained there were a total of six deficiencies related to CDBG and Housing Voucher clusters and within each of those there are six compliance requirements that must be looked at and they require their own reporting. The noncompliance issues consisted of quarterly and annual financial reporting issues. Staff have been working diligently with HUD consultants to reconcile the balances and make sure everything is reported correctly. The corrective action plan lays out the planned corrective actions for each issue and some have already been completed. Points of contact for financial statements is Accounting Director Anna Henthorn and Accounting Manager Sarah Delgado. For single audits, the contacts vary based on the federal programs being tested. The contact for the Housing portion this year is Community Assistance Manager Mary Witkofski, and there are regular status update meetings with Ms. Cluff throughout the audit. Staff work diligently and provide the most prepared audit documents. There are still the 990's tax-exempt filing statuses, Expenditure Limitation Report, and the HUD React report to complete, but they are not due until March 31, 2024

VICE MAYOR WHITEHEAD MOVED TO RECOMMEND TO CITY COUNCIL TO APPROVE REPORT NO. 2401, FY 2022/23 FINANCIAL AND COMPLIANCE AUDIT, AS SUBMITTED. COUNCILMEMBER GRAHAM SECONDED THE MOTION, WHICH CARRIED 3-0 WITH CHAIR LITTLEFIELD, COUNCILMEMBER GRAHAM, AND VICE MAYOR WHITEHEAD VOTING IN THE AFFIRMATIVE.

**4. Discussion and Possible Action Regarding Audit No. 2306, Risk Management Services**

Elizabeth Brandt, Senior Auditor, provided an overview of the Risk Management Services Audit. Safety and Risk Management is a department with the City Attorney's Office that manages the City's self-insurance fund and administers safety, loss prevention, insurance, contractual risk transfer, and claims administration programs. The objective of the audit was to evaluate controls over and effectiveness of the operations. The audit work primarily focused on safety and loss prevention programs and included a review of the workers' compensation program as part of worker safety.

The findings include:

- a. The first finding noted that the identification of safety risk exposures could be improved by formalizing a facility inspection program and more comprehensive review of job hazards. Additional guidance and monitoring is recommended.
- b. The second finding noted improvements to workers' compensation claims processes, emergency planning, and employee engagement could strengthen employee safety programs. A recommendation was made for implementation of a structured approach to root cause analysis and injury review.
- c. The third finding noted data could be leveraged to further assess the effectiveness of safety programs and allocation of resources.

Public Comments for Item 4:

Assistant Fire Chief Eric Valliere stated that the relationship and partnership with the Risk Management team is extraordinary. They have been responsive and available for the National Fire Protection Association 1500 Audit, an internal review of safety, health, and wellness programs.

Solid Waste Director Dave Bennett reported that the support and expertise provided by the Risk Management team have helped create significant improvements and reductions in accident and injury claims. With the installation of dash cams, a fire suppression system, and the purchase of additional tractors, Risk Management claims have decreased significantly since fiscal year 2021. A program called Triage Now was also implemented, that encourages all employees to contact a nurse case management service for a recommended course of action. The implementation of these programs has also increased employee retention.

Staff and Committee Comments:

George Woods, Risk Management Director, commended the audit on identifying opportunities within Risk and noted work has begun on some of the items. He noted that a lot of the issues revolve around manpower and putting things in place that probably should have already been in place. Committees are being established to address some of the needs with anticipated resolution within a 12 to 13-month period.

Sherry Scott, City Attorney, stated a lot of work has been completed by the Risk team over the past three years and that they are looking forward to accomplishing more and moving the Risk team forward. Staff appreciated working with the audit team who were professional and patient.

In response to questions from Councilmember Graham regarding the Emergency Action Plan, Mr. Woods confirmed a committee has been established to create a new City Emergency Action Plan as the previous one is outdated. Mr. Woods stated that the committees could assist Risk in establishing and obtaining a Safety and Training Coordinator position at the police department, because they generate 39% of the claims within the City. History shows implementation of this position would decrease injuries.

VICE MAYOR WHITEHEAD MOVED TO ACCEPT AUDIT NO. 2306, RISK MANAGEMENT SERVICES AS SUBMITTED. COUNCILMEMBER GRAHAM SECONDED THE MOTION, WHICH CARRIED 3-0 WITH CHAIR LITTLEFIELD, COUNCILMEMBER GRAHAM, AND VICE MAYOR WHITEHEAD VOTING IN THE AFFIRMATIVE.

**5. Information and Discussion Regarding City Auditor Updates, Including Status of FY 2023/24 Audit Plan and Tentative Meeting dates for Calendar Year 2024**

Lai Cluff, Acting City Auditor, provided the following updates.

- A tentative schedule for Audit Committee meetings in 2024 was provided, noting the meetings are generally scheduled for the third Monday of each month starting at 4:00 p.m., with some exceptions based on the Council calendar. The monthly meeting can be canceled if it is not needed.
- Audits have been started for the Bridge Infrastructure, Scottsdale Unified School District, Library Operations, E-Verify, and IT.
- A link will be sent to committee members to access the new Recommendation Dashboard. A link will be added to the City's website for public access.
- The Auditor's office partnered with other Valley cities to host the Regional Conference for the Association of Local Government Auditors (ALGA) in Scottsdale. The conference was also a joint training with the AZ chapter of the Association of Certified Fraud Examiners (ACFE).
- The management action plan portion of the report will be simplified to include a recommendation and action plan. Management notes will be added to the memo or comment section.

In response to an inquiry from Vice Mayor Whitehead regarding the Scottsdale Arts contract, Ms. Cluff will investigate the dates for the contract renewal and upcoming audit.

**6. Discussion and Possible Direction to Staff Regarding Potential Agenda Items for Next Audit Committee Meeting (January 29, 2024 or February 26, 2024)**

Lai Cluff, Acting City Auditor, stated the Library Operations and Bridge Infrastructure Assessment Audits are planned for the next meeting. The financial audit will be on the City Council's regular agenda for the December 5<sup>th</sup> meeting.

**Adjournment**

With no further business to discuss, being duly moved by Vice Mayor Whitehead and seconded by Councilmember Graham, the meeting adjourned at 3:01 p.m.

SUBMITTED BY:

eScribers, LLC