

**APPROVED ON 06-24-24**



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

**City Hall Kiva Conference Room  
3939 N. Drinkwater Boulevard  
Scottsdale, AZ 85251**

**Monday, May 20, 2024**

**PRESENT:** Councilwoman Kathy Littlefield, Chair  
Councilmember Barry Graham (by teleconference; arrived at 4:06 PM)  
Vice Mayor Solange Whitehead

**STAFF:** Elizabeth Brandt, City Auditor  
Lai Cluff, Acting City Auditor  
Mel Merrill, Senior Auditor  
Shelby Trimaloff, Executive Assistant to City Auditor  
Taylor Reynolds, Principal Planner  
Jen Myers, Purchasing Director (by teleconference)  
Judy Doyle, Community Services Assistant Executive Director  
Mike Beck, Library Director

**GUESTS:** Brittney Williams, Audit Partner, Heinfeld Meech (by teleconference)

**CALL TO ORDER / ROLL CALL**

The meeting was called to order at 4:03 p.m. A formal roll call confirmed the presence of all Committee Members as noted above.

**PUBLIC COMMENT**

No spoken or written comments were presented.

**REGULAR AGENDA**

- 1. Approval of Minutes, Regular Meeting – February 26, 2024**

Chair Littlefield called for approval of the minutes.

VICE MAYOR WHITEHEAD MOVED TO APPROVE THE REGULAR MEETING MINUTES OF FEBRUARY 26, 2024. CHAIR LITTLEFIELD SECONDED THE MOTION WHICH CARRIED 2-0 WITH CHAIR LITTLEFIELD AND VICE MAYOR WHITEHEAD VOTING IN THE AFFIRMATIVE.

**2. Discussion and Possible Action Regarding the Neighborhood Advisory Commission Sunset Review**

Elizabeth Brandt, Senior Auditor, provided an overview of Neighborhood Advisory Commission's (NAC) purpose as well as annual reports for calendar years 2020 through 2022. The Audit Committee has been asked to evaluate whether the NAC is serving its intended purpose and make a recommendation to the City Council whether to continue, modify, or terminate the NAC. Taylor Reynolds, Principal Planner, was available to answer any questions.

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

**3. Presentation and Discussion of FY 2022-23 HUD Report Package and FY 2023-24 Financial Audit initiation**

Lai Cluff, Acting City Auditor, noted the HUD report package was issued in March and is available for review. She also introduced Brittney Williams, Audit Partner, Heinfeld Meech, to review the start of the 2023-24 audits. Ms. Williams provided an overview of the HUD REAC accountant's report and the report on the financial data schedules submitted with the HUD REAC report annually. This is an independent accountant's report on agreed upon procedures for submitting information to the Department of Housing and Urban Development regarding any federal grants or funds received. There were no issues, and everything looked good this year. No action was taken on this agenda item.

**4. Discussion and Possible Action Regarding Audit No. 2402 E-Verify Compliance FY 20220-23**

Mel Merrill, Senior Auditor, provided an overview of the results of the random verifications the City is required to conduct that ensure contractors and subcontractors are following the E-Verify employment eligibility programs. Five contractors were selected and reviewed for compliance through review of randomly selected employees and subcontractor employees that worked on City projects. Of those five, two contractors had subcontractors not in compliance with the use of E-Verify. The contractors were reminded that they are responsible for taking the appropriate steps to ensure all subcontractors comply with the E-Verify requirements and noncompliance subjects the contractor or subcontractor to penalties up to and including termination for breach of contract.

In response to questions, Ms. Cluff noted the two subcontractors who were not previously using E-Verify are now enrolled and using the program. For the subcontractors not in

compliance, the projects were completed already, so moving forward, the City will make sure they are compliant for future projects. If they are still not in compliance, the City can hold them in breach of contract. A discussion ensued regarding vetting contractors before signing a contract with them and providing information to 3rd parties of noncompliance statuses. Ms. Cluff noted she has been in touch with Purchasing and notified them of these exceptions and will work with them on future audits of E-Verify to identify active contracts for audit. Vice Mayor Whitehead noted the purpose of E-Verify is to ensure the employee is legally allowed to work in this Country.

VICE MAYOR WHITEHEAD MOVED TO ACCEPT AUDIT NO. 2402, E-VERIFY COMPLIANCE FY 2022-23 AS SUBMITTED. COUNCILMEMBER GRAHAM SECONDED THE MOTION WHICH CARRIED 3-0 WITH CHAIR LITTLEFIELD, VICE MAYOR WHITEHEAD AND COUNCILMEMBER GRAHAM VOTING IN THE AFFIRMATIVE.

## **5. Discussion and Possible Action Regarding Audit No. 2406, Library Operations Management**

Mel Merrill, Senior Auditor, provided an overview of the audit of library operations, including evaluating the potential impacts of policy changes as the results of the evolving library environment. In the first finding on the fine free program, performance metrics to evaluate the results of the Fine Free program and other initiatives, had not been established and data for assessing the programs is limited. Certain detailed data on patron accounts and library items were incomplete because patron and item records are routinely deleted from the library management system. However, summary reports showed an increase in hold fulfillment times and returns of lost items, indicating patrons may be keeping materials longer in the absence of late fees. It is recommended that the library work with the software vendor to develop reliable methods of measuring program outcomes as well as identifying key metrics for evaluating program outcomes when implementing new initiatives. It is also recommended that the Library further evaluate their auto-renewal policy. Second, Library revenues decreased by about 30% between FY 2018/19 and FY 2022/23. Strategies to increase library visits could improve certain revenues such as library shop and facility rental fees. Also, stronger controls over removal and disposition of materials from the library collection to ensure accountability and periodic inventory verifications are needed to ensure proper asset management. Lastly, further developing its staffing model could allow the Library to better evaluate its service efficiency, including its ability to resume longer operating hours. Branch staffing hours are similar to pre-pandemic levels, but operating hours have decreased.

In response to questions, Community Services Assistant Executive Director Judy Doyle noted it is standard practice for libraries to eliminate late fees, and if fees were to be reimplemented, you run the risk of losing patrons. Library Director Mike Beck advised that Scottsdale is a leader in the fine free initiative, which has proven to be a good thing operationally and it is more inclusive and competitive with the neighboring systems also being fine free. There are other revenue opportunities such as meeting room rentals, such as extending the available hours. The use of hold lockers is a new initiative that is becoming very popular as the community learns about it. Increasing meeting room rentals is an option to bring revenue into the library, along with other programs and cost comparisons. Also, should a book be kept too long, a vendor is contracted to send reminders for the book to be returned. The Library has had success recovering some of those missing books. Councilmember Graham expressed some skepticism of the fine free program due to longer

wait times for patrons, but it is a complex issue that he is still undecided about. He also commented that revenues are going down and more can be done to use the facilities as rental places and public spaces for people to assemble and connect.

VICE MAYOR WHITEHEAD MOVED TO ACCEPT AUDIT NO. 2406, LIBRARY OPERATIONS MANAGEMENT, AS SUBMITTED. CHAIR LITTLEFIELD SECONDED THE MOTION. MOTION APPROVED 3-0 WITH CHAIR LITTLEFIELD, COUNCILMEMBER GRAHAM, AND VICE MAYOR WHITEHEAD VOTING IN THE AFFIRMATIVE.

**6. Discussion and Possible Action Regarding Sunset Review Process and Draft 3-Year Schedule for FY 2024-25 to FY 2026-27**

Lai Cluff, Acting City Auditor, presented the Sunset Review Process and Draft 3-year schedule for the Audit Committee's review and recommendation.

VICE MAYOR WHITEHEAD MOVED TO ACCEPT THE PROPOSED FY 2024-25 THROUGH FY 2026-27 SUNSET REVIEW SCHEDULE AND PROCESS, AS SUBMITTED. CHAIR LITTLEFIELD SECONDED THE MOTION. MOTION APPROVED 3-0 WITH CHAIR LITTLEFIELD, COUNCILMEMBER GRAHAM, AND VICE MAYOR WHITEHEAD VOTING IN THE AFFIRMATIVE.

**7. Information and Discussion Regarding City Auditor Updates and Preliminary FY 2024-25 Audit Plan Discussion**

Lai Cluff, Acting City Auditor, provided updates on the audit plan, noting there are several reports in the reporting process that are expected to be ready for the Audit Committee meeting in June, such as the Bridge Infrastructure Assessment and IT Audit on identity and access management. The SUSD audit was completed in March and the district finalized their management response in April. The report has been finalized and submitted to them and is anticipated to be presented to the SUSD audit committee at their June meeting.

An audit has been initiated on the Scottsdale Arts and the Police Departments Equitable Sharing Program – Financial Reporting. Additionally, there are currently two peer reviewers from Virginia on site and working on the triennial peer review.

Any audits on the plan that have not yet been started will be carried forward to next year. The preliminary audit plan for next year includes recurring items such as the Annual Financial Audit, E-Verify, and IT. More than likely application control audits will be conducted for new systems being implemented across the City. Also on next year's schedule will be the Biennial Audit of Land Use Assumptions, Infrastructure Improvement Plan and Development Impact Fees. In addition, the carry-forward of audits already underway include Scottsdale Arts and the Police Equitable Sharing Program, and also Procurement of Construction Services, and Fire Department Succession Planning, which have not yet started. Contingency audits for Police Investigative Services Case Management and citywide Cash Handling are also optional to be carried over.

Chair Littlefield noted the importance of keeping the Police audit on the schedule as they are such a big part of the community. Committee members discussed looking at infrastructure in general, especially anything that involves safety. In response to questions, Ms. Cluff

explained as part of the annual risk assessment they look at the expenditures, budget, and FTE changes. For example, significant turnover would merit a higher risk rating. Also, in response to a question from Councilmember Graham, Ms. Cluff stated the audit of the procurement construction services that is already on the plan and carryforward to the next year will provide more information on the on-call engineering and job order contracting process.

Next steps will be to gather more information, obtain any additional input from city departments or councilmembers, and prepare the proposed plan for the next meeting.

#### **8. Discussion on Possible Agenda Items for Next Meeting**

Ms. Cluff stated that the next meeting is June 24, 2024. Agenda items will consist of the annual reports including the summary of Integrity Line activity for the year and results of audit recommendation follow-ups, the Library Board Sunset Review, three reports that are in the reporting process, an update on the Fire Station Construction Audit recommendation status, and proposed Audit Plan.

#### **Adjournment**

With no further business to discuss, being duly moved by Chair Littlefield and seconded by Vice Mayor Whitehead, the meeting adjourned at 4:51 p.m.

SUBMITTED BY:

eScribers, LLC.