

APPROVED ON 09/17/2024



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

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

Monday, June 24, 2024

PRESENT: Councilwoman Kathy Littlefield, Chair
Councilwoman Solange Whitehead

ABSENT: Vice Mayor Barry Graham

STAFF: Travis Attkisson, Senior Auditor
Elizabeth Brandt, Senior Auditor
Lai Cluff, Acting City Auditor
Shelby Trimaloff, Executive Assistant to City Auditor
Mike Beck, Library Director
Bianca Lochner, Chief Information Officer
Kurt Lieber, Chief Information Security Officer
Chris Phelps, Court Administrator
Samantha Mounsey, Deputy Court Administrator
Dan Worth, Public Works Director
Mark Melnychenko, Transportation & Streets Director
Alison Tymkiw, City Engineer

CALL TO ORDER / ROLL CALL

The meeting was called to order at 4:10 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 – May 20, 2024

Chair Littlefield called for approval of the minutes.

COUNCILWOMAN WHITEHEAD MOVED TO APPROVE THE REGULAR MEETING MINUTES OF MAY 20, 2024. CHAIR LITTLEFIELD SECONDED THE MOTION, WHICH CARRIED 2-0 WITH CHAIR LITTLEFIELD AND COUNCILWOMAN WHITEHEAD VOTING IN THE AFFIRMATIVE.

2. Library Board Sunset Review

Elizabeth Brandt, Senior Auditor, provided an overview of the Library Board's purpose as well as annual reports for calendar years 2020 through 2022. The Audit Committee has been asked to evaluate whether the Library Board is serving its intended purpose and make a recommendation to the City Council whether to continue, modify, or terminate the Board. Micheal Beck, Library Director, was available to answer any questions.

COUNCILWOMAN WHITEHEAD MOVED TO RECOMMEND TO CITY COUNCIL TO CONTINUE THE LIBRARY BOARD. CHAIR LITTLEFIELD SECONDED THE MOTION WHICH CARRIED 2-0 WITH CHAIR LITTLEFIELD AND COUNCILWOMAN WHITEHEAD VOTING IN THE AFFIRMATIVE.

3. Audit No. 2403, Identity and Access Management

Travis Attkisson, Senior Auditor, provided an overview of the Identity and Access Management (IAM) audit, noting they contracted with Protiviti, an independent IT audit consultant, to conduct the audit. The results of the audit were reviewed, noting a critical area for improvement related to the number of privileged user accounts and inconsistent implementation of multifactor authentication. The IT Department has reviewed and agreed to the recommendations and plans to implement improvements in phases with a completion date of December 2025.

Chair Littlefield suggested management should also remove all inactive service accounts and conduct periodic reviews of them.

COUNCILWOMAN WHITEHEAD MOVED TO ACCEPT AUDIT NO. 2403, IDENTITY AND ACCESS MANAGEMENT, AS SUBMITTED. CHAIR LITTLEFIELD SECONDED THE MOTION, WHICH CARRIED 2-0 WITH CHAIR LITTLEFIELD AND COUNCILWOMAN WHITEHEAD VOTING IN THE AFFIRMATIVE.

4. Audit No. 2404, City Court Minimum Accounting Standards

Travis Attkisson, Senior Auditor, provided an overview of the City Court's compliance with the Minimal Accounting Standards (MAS) established by the Arizona Supreme Court through the Administrative Office of the Courts (AOC). The audit was conducted in accordance with the Government Auditing Standards and the requirements outlined in the AOC Guide, and covered the period from January 2021 through December 2023. The Court complied with all MAS requirements in the period reviewed.

COUNCILWOMAN WHITEHEAD MOVED TO ACCEPT AUDIT NO. 2404, CITY COURT MINIMUM ACCOUNTING STANDARDS, AS SUBMITTED. CHAIR LITTLEFIELD SECONDED THE MOTION, WHICH CARRIED 2-0 WITH CHAIR LITTLEFIELD AND COUNCILWOMAN WHITEHEAD VOTING IN THE AFFIRMATIVE.

5. Audit No. 2407, Bridge Infrastructure Assessments

Elizabeth Brandt, Senior Auditor, provided an overview of the bridge infrastructure assessment audit that included a review of the processes and control for bridge construction, repair, and maintenance and a status review on findings from the 2019 infrastructure condition assessment audit. Transportation and Streets within the Public Works Department are responsible for inspections, maintenance and repairs for most City-owned bridges and culverts. Through an intergovernmental agreement, ADOT performs inspections on bridges that meet National Bridge Inspection Standards (NBIS) criteria and provides the completed reports to the appropriate department to perform the maintenance and repairs.

The audit found that more than half of recent ADOT inspection reports have not been obtained and reviewed and more effective monitoring of inspection results and work orders is needed. Recommendations from the audit include developing procedures to ensure inspection reports are received; establish defined procedures to identify new structures, submit them to ADOT, and ensure structure information is accurate; develop procedures for monitoring work order status and following up on deferred work orders. Also, identify non-NBIS bridges and establish a program to regularly inspect, maintain, and repair them.

Dan Worth, Public Works Director, and Mark Melnychenko, Transportation and Streets Director, provided information on steps they are taking to develop procedures for an asset management program.

Councilwoman Whitehead questioned whether it is a staffing or manpower issue and asked for a timeline to resolve the items, especially the non-NBIS bridges that are not on the ADOT report. Mr. Worth noted that there has been turnover in the position handling the asset database and a new person starts next week. Mr. Melnychenko explained that a new system is coming onboard and there is a dedicated 2-man crew to handle the bridge structures. Lai Cluff added that department reported an estimated completion of January 2025 in its Management Action Plan. Dan Worth agreed with this timeline.

Chair Littlefield noted everyone seems to be on the same track to establish a plan for periodic assessment and inspections within the City, especially regarding reports from ADOT indicating that work is needed and ensuring it is completed successfully, any deferred work is completed, and necessary procedures are developed.

COUNCILWOMAN WHITEHEAD MOVED TO ACCEPT AUDIT NO. 2407, BRIDGE INFRASTRUCTURE ASSESSMENTS, AS SUBMITTED. CHAIR LITTLEFIELD SECONDED THE MOTION, WHICH CARRIED 2-0 WITH CHAIR LITTLEFIELD AND COUNCILWOMAN WHITEHEAD VOTING IN THE AFFIRMATIVE.

6. Status Review of Audit Recommendations for Audit No. 2107, Fire Station Construction Contracts

This audit was issued several years ago and has open recommendations. Lai Cluff, Acting City Auditor, provided a review of the 2021 construction contract audit for the three fire stations, and discussed recommendations 1a through 1d, which included explanations and current status for each.

Alison Tymkiw, City Engineer, discussed the pending status of recommendation 1a, *"...services acquired through the Design Consultant to evaluate which services are necessary to be contracted rather than performed internally and the level of the services required."* There are times when the design consultants, project management staff, project managers, and construction administration staff vary by project due to workloads, creating variances in the audit. Often, the design consultant is being relied on heavily during construction to perform construction administration duties. A guideline for project managers to use for negotiating the design consultant services during construction is being developed.

Mr. Worth explained the guideline does not standardize who performs the service but that the service is done consistently.

Ms. Cluff reviewed the findings and recommendations for findings 2a through 2e.

Ms. Tymkiw discussed steps taken on processes and procedures, such as creating new Contingency Use Authorization and Substantial Completion forms. They are also working with Purchasing and the City Attorney's Office to update contingency use language in contracts, as well as direction to staff regarding a new tracking spreadsheet for design review comments and deadlines. They have begun updating an outdated Construction Administration Procedures Guide and note that an important part of the process will be obtaining project management software to aid in creating digital files, monitoring deadlines, submitting documents, and retaining records.

Councilwoman Whitehead concluded the discussion by stating that it appears the department is transitioning to new systems, processes, and experienced staff.

7. Report No. 2411, FY 2023-24 Follow Up on Status of Audit Recommendations

Lai Cluff, Acting City Auditor, provided an update on the eleven audit follow-ups conducted in FY 2023-24, noting the recommendations are at the "in-progress" stage primarily due to department staffing issues as well as system changes that impact the implementation of the recommendations.

In response to comments, Ms. Cluff advised that there is quarterly follow up on the status of the eleven audits conducted during FY 2023-24 so they do not get lost.

COUNCILWOMAN WHITEHEAD MOVED TO ACCEPT AUDIT NO. 2411, FY 2023-24 FOLLOW UP ON STATUS OF AUDIT RECOMMENDATIONS, AS SUBMITTED. CHAIR LITTLEFIELD SECONDED THE MOTION, WHICH CARRIED 2-0 WITH CHAIR LITTLEFIELD AND COUNCILWOMAN WHITEHEAD VOTING IN THE AFFIRMATIVE.

8. Report No. 2405, City Auditor's Office External Quality Control Review 2021-23

Ms. Cluff presented the External Quality Control Peer Review, noting it was completed last month. The City received the highest rating (pass), meaning they are in full compliance with the Government Auditing Standards. This information will be posted on the City's website. The next review will be completed in three years.

9. Report No. 2412, FY 2023-24 Annual Integrity Line Report

Ms. Cluff provided a summary of activity from the Integrity Line, noting nineteen contacts were received this year. Many of the contacts were referred to other departments or agencies because they did not relate to fraud, waste, or abuse. There are two contacts open because one was recent and the other was referred to law enforcement for further investigation.

CHAIR LITTLEFIELD MOVED TO ACCEPT AUDIT NO. 2412, FY 2023-24 ANNUAL INTEGRITY LINE REPORT, AS SUBMITTED. COUNCILWOMAN WHITEHEAD SECONDED THE MOTION, WHICH CARRIED 2-0 WITH CHAIR LITTLEFIELD AND COUNCILWOMAN WHITEHEAD VOTING IN THE AFFIRMATIVE.

10. Proposed FY 2024-25 Audit Plan

Ms. Cluff reviewed the proposed FY 2024-25 Audit Plan, noting the addition of the Police Equitable Sharing Program Financial Reporting Audit and Use of Cooperative Purchasing. There is a placeholder for the Scottsdale Unified School District audit, as their audit committee is in the process of discussing what will be audited next year. Additionally, the Biennial Certified Land Use Assumptions, Infrastructure Improvement Plan and Development Impact Fee audit is included under recurring audits.

In response to questions, Ms. Cluff provided an explanation of how the intergovernmental agreement with SUSD works, including the approval process for any audit work. She also clarified that cooperative purchasing contracts are contracts procured by other entities. There are risks and benefits to this type of purchasing and the process should be audited.

COUNCILWOMAN WHITEHEAD MOVED TO ACCEPT THE PROPOSED FY 2024/25 AUDIT PLAN AND RECOMMEND IT TO THE CITY COUNCIL FOR APPROVAL. CHAIR LITTLEFIELD SECONDED THE MOTION, WHICH CARRIED 2-0 WITH CHAIR LITTLEFIELD AND COUNCILWOMAN WHITEHEAD VOTING IN THE AFFIRMATIVE.

11. Possible Items for Next Meeting

Ms. Cluff stated that the next meeting is scheduled for August 19, 2024. Agenda items will consist of sunset reviews for the Building Advisory Board of Appeals and the Board of Adjustments, the Police Equitable Sharing Program report, and possibly the TGTF Construction audit.

Adjournment

With no further business to discuss, being duly moved by Chair Littlefield and seconded by Councilwoman Whitehead, the meeting adjourned at 5:14 p.m.

SUBMITTED BY:

eScribers, LLC.