

**APPROVED ON 11/18/2024**



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

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

**Monday, September 16, 2024**

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

**STAFF:** Travis Attkisson, Senior Auditor  
Mel Merrill, Senior Auditor  
Lai Cluff, Acting City Auditor  
Shelby Trimaloff, Executive Assistant to City Auditor  
Michael Clack, Planning & Development Area Director  
Bryan Cluff, Planning & Development Area Manager  
Jeff Walther, Chief, Scottsdale Police Department

**CALL TO ORDER / ROLL CALL**

The meeting was called to order at 4:01 p.m. A formal roll call confirmed the presence of all Committee Members as noted above.

**PUBLIC COMMENT**

No spoken comments were received. One written comment card was received for item #3.

**REGULAR AGENDA**

**1. Approval of Minutes, Regular Meeting – June 24, 2024**

Chair Littlefield called for approval of the minutes.

COUNCILWOMAN WHITEHEAD MOVED TO APPROVE THE REGULAR MEETING MINUTES OF JUNE 24, 2024. VICE MAYOR GRAHAM SECONDED THE MOTION, WHICH CARRIED 3-0 WITH CHAIR LITTLEFIELD, VICE MAYOR GRAHAM, AND COUNCILWOMAN WHITEHEAD VOTING IN THE AFFIRMATIVE.

## **2. Building Advisory Board of Appeals Sunset Review**

Travis Attkisson, Senior Auditor, provided an overview of the Building Advisory Board of Appeals purpose as well as annual reports for calendar years 2021 through 2023. The Audit Committee has been asked to evaluate whether the Building Advisory Board of Appeals is serving its intended purpose and make a recommendation to the City Council whether to continue, modify, or terminate the Board. Michael Clack, Planning and Development Area Director, was available to answer any questions.

In response to a question from Councilwoman Whitehead regarding the number of meetings the Board has had this past year, Mr. Clack said they have met a lot more than in times past. He stated that this is a very active and engaged board, staying involved in the issues of the department and how they operate. They have revived their bylaws making them more comprehensive and coherent. They stay on top of any issues with the building code and there have not been any appeals to the codes since he has been in the position for nearly 20 years. They will be discussing processes and procedures for the next adoption of the codes at the board's next meeting on September 19, 2024.

COUNCILWOMAN WHITEHEAD MOVED TO RECOMMEND TO CITY COUNCIL TO CONTINUE THE BUILDING ADVISORY BOARD OF APPEALS BOARD. CHAIR LITTLEFIELD SECONDED THE MOTION WHICH CARRIED 3-0 WITH CHAIR LITTLEFIELD, VICE MAYOR GRAHAM, AND COUNCILWOMAN WHITEHEAD VOTING IN THE AFFIRMATIVE.

## **3. Board of Adjustment Sunset Review**

Travis Attkisson, Senior Auditor provided an overview of the Board of Adjustment's purpose as well as annual reports for calendar years 2021 through 2023. The Audit Committee has been asked to evaluate whether the Board of Adjustment is serving its intended purpose and make a recommendation to the City Council whether to continue, modify, or terminate the Board. Bryan Cluff, Planning and Development Area Manager, was available to answer any questions.

Ms. Cluff read the written comment from Executive Director for the Coalition of Greater Scottsdale, Sonnie Kirtley, into record commending the Board of Adjustment for their work. No further questions were received.

COUNCILWOMAN WHITEHEAD MOVED TO RECOMMEND TO CITY COUNCIL TO CONTINUE THE BOARD OF ADJUSTMENT. CHAIR LITTLEFIELD SECONDED THE MOTION WHICH CARRIED 3-0 WITH CHAIR LITTLEFIELD, VICE MAYOR GRAHAM, AND COUNCILWOMAN WHITEHEAD VOTING IN THE AFFIRMATIVE.

## **4. Audit No. 2415, Police Equitable Sharing Program Financial Reporting**

Mel Merrill, Senior Auditor, provided an overview of the audit requested by the Scottsdale Police Department to verify unresolved differences within fund balances and with meeting federal reporting requirements for the Equitable Sharing Agreement and Certification Program (ESAC). Proceeds resulting from federal cases may be shared with state, local, or tribal law enforcement agencies that participated in applicable investigations through this program. The funds are administered through the Department of Justice and the Department of Treasury. The audit evaluated the effectiveness, accuracy, and completeness of controls over reporting of federal forfeiture fund amounts for FY 2015/16 to FY 2022/23 and fiscal year to date activity through June 2024.

The Scottsdale Police Department (SPD) identified a difference of approximately \$31,000 in amounts reported on the ESAC, compared to the balances reported by the Maricopa County Attorney's Office, who serve as the custodian of the funds. The Auditor's review found that for the period between FY 2015/16 and FY2023/24, All city expenditures from the federal forfeiture cost center had been approved and reimbursed by MCAO, and all reimbursements issued by MCAO had been received and recorded by the City. However, the amounts reported on the Equitable Sharing Agreement and Certification by the Scottsdale Police Department during this period were not well-documented and contained inaccuracies including the following: Errors in reporting the interest income, one quarterly reimbursement was reported to the wrong federal program and two quarters were not reported at all, and MCAO corrections to forfeiture allocations were incorrectly reported on the ESAC. Recommendations were made to update the tracking worksheets to require reconciliation to the MCAO reports, and additional documentation. It was also found that the city was not separating the two programs' activities in its accounting records, as well as the schedule of expenditures of federal awards as required by the Equitable Sharing Program. Separately accounting for these programs would facilitate more accurate reporting.

Chief Jeff Walther, spoke about the exceptional job Lai Cluff and her team did to find the errors in a timely manner and resolve them. He said they are great partners in the City and that the auditors are a great resource for departments needing to tune things up. He thanked his SPD budget team for the amazing job they have done in finding these discrepancies which prompted him to request this audit of their multiple special revenue accounts. The auditor team had a very difficult task of understanding asset forfeiture; not only did they find it, but they also found it in a timely manner and some of those accounting errors have been resolved. Special revenue is not something that you just spend. It has a lot of control mechanisms in place, a lot of oversight for all of the accounts. Auditors quickly located the accounting errors and they are now in the process of implementing the recommendations to improve the processes.

Councilwoman Whitehead commented that this was an interesting audit and she is very impressed that the Police Department went to the City Auditor and that they got this done successfully.

Chair Littlefield commented on the interdepartmental work that was conducted and the importance of maintaining a positive relationship such as this to continue to get the job done and accomplish positive results.

Vice Mayor Graham asked Ms. Cluff whether the audit was a planned audit, and if not, was there another audit that was delayed because of this requested audit. Ms. Cluff explained the ESAC audit was not a planned audit, but they wanted to get it done before their federal report was due. This audit was planned as a smaller scope audit, and delayed one auditor from joining another audit by 2 to 3 weeks. A brief overview of the ESAC reporting differences was provided and it was noted that the report was sent to the Money Laundering Division by the SPD. Chief Walther discussed the budget team and Director of Strategic Initiatives that are involved in the checks and balances of expenditures for the police department. Specifically, SPD Division Finance Manager Marcus Steele signs off on the ESAC documents.

COUNCILWOMAN WHITEHEAD MOVED TO ACCEPT AUDIT NO. 2415, POLICE EQUITABLE SHARING PROGRAM FINANCIAL REPORTING, AS SUBMITTED. VICE MAYOR GRAHAM SECONDED THE MOTION, WHICH CARRIED 3-0 WITH CHAIR LITTLEFIELD, VICE MAYOR GRAHAM, AND COUNCILWOMAN WHITEHEAD VOTING IN THE AFFIRMATIVE.

## **5. City Auditor Updates, Including Status of FY 2024/24 Audit Plan**

Lai Cluff, Acting City Auditor, provided an overview on the progress of current and upcoming audits.

- Scottsdale Arts – Began in the summer. There were some delays due to difficulty in obtaining certain detailed reports. A draft is expected to go to the Tourism Department and City Manager in the first part of October 2024.
- TGTF Construction – Was previously put on hold because the project had not fully closed, and documentation was not uploaded. It is back on track and being wrapped up and hopefully ready at the next meeting.
- DC Ranch Maintenance – This was added to the audit plan by the City Manager after approval by the Audit Committee but prior to going to City Council. It is a limited review on what was proposed to the community facility district for maintenance funding. A meeting is scheduled to discuss the documentation request. The audit itself should not take a lot of time.
- IT Audits – Currently reviewing the risk assessment to determine which area to audit. These audits are typically contracted out to a specialist.
- SUSD Audit – Was previously noted as tentative but their Audit Committee is requesting a transportation program audit. This will cover operational efficiency and effectiveness, with a primary focus on safety and contract management. The scope and amendment are being defined and will be presented to the School Board and City Council for approval.

Ms. Cluff suggested scheduling an executive session to discuss technology audits due to confidential and sensitive information. Committee members agreed with the suggestion. There is a status update on Ransomware scheduled for the next meeting, this update will be provided in the executive session.

## **6. Possible Items for Next Meeting**

Ms. Cluff stated that the next regular meeting is scheduled for November 18, 2024. Regular agenda items planned are a sunset review, the Heinfeld Meech Financial Audit, the Scottsdale Arts audit, and the TGTF Construction audit, as well as first quarter follow ups. An executive session can be added to talk about follow-up to the ransomware assessment.

### **Adjournment**

With no further business to discuss, being duly moved by Councilwoman Whitehead and seconded by Vice Mayor Graham, the meeting adjourned at 4:34 p.m.

SUBMITTED BY:

eScribers, LLC.