

APPROVED ON 04/11/2025



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

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

Monday, November 18, 2024

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

STAFF: Elizabeth Brandt, Senior Auditor
Mel Merrill, Senior Auditor
Lai Cluff, Acting City Auditor
Shelby Trimaloff, Executive Assistant to City Auditor
Lisa McNeilly, Sustainability Program Director
Rachel Smetana, Tourism and Events Director

GUESTS: Brittney Williams, Audit Partner, Heinfeld Meech
Gerd Wuestemann, CEO, Scottsdale Arts

CALL TO ORDER / ROLL CALL

The meeting was called to order at 4:05 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 – September 16, 2024

Chair Littlefield called for approval of the minutes.

COUNCILWOMAN WHITEHEAD MOVED TO APPROVE THE REGULAR MEETING MINUTES OF SEPTEMBER 16, 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. Environmental Advisory Commission Sunset Review

Mel Merrill, Senior Auditor, provided an overview of the Environmental Advisory Commission's purpose as well as the last three annual reports from the Commission. The Audit Committee has been asked to evaluate whether the Commission is serving its intended purpose and make a recommendation to the City Council whether to continue, modify, or terminate the Commission. Lisa McNeilly, Program Director, was available to answer any questions.

COUNCILWOMAN WHITEHEAD MOVED TO RECOMMEND TO CITY COUNCIL TO CONTINUE THE ENVIRONMENTAL ADVISORY COMMISSION. CHAIR LITTLEFIELD SECONDED THE MOTION WHICH CARRIED 2-1 WITH CHAIR LITTLEFIELD AND COUNCILWOMAN WHITEHEAD VOTING IN THE AFFIRMATIVE. VICE MAYOR GRAHAM WAS A DISSENTING VOTE.

VICE MAYOR GRAHAM MOVED TO RECOMMEND TO CITY COUNCIL TO END THE ENVIRONMENTAL ADVISORY COMMISSION. (no second was received)

Vice Mayor Graham stated in his opinion the Environmental Advisory Commission has not put the residents at the top of their mission and has a controversial sustainability plan. Councilwoman Whitehead respectfully disagreed and noted several plans that have been implemented that benefited the residents. Chair Littlefield explained it was important to have an alternate voice and ideas.

3. Report No. 2501, FY 2023/24 External Financial and Compliance Audit

Brittney Williams, Audit Partner, Heinfeld Meech, external audit firm for COS provided an overview of the Annual Financial Audit Report. There are five reports that have been issued to date and three that will be worked on after the holidays. The City Annual Comprehensive Financial Report, Audit Opinion, User Revenue Fund Compliance Report, and Single Audit Report were also issued. Overall, the reports were clean with no issues or internal control findings. The General Representation Letter issued included a Pass Adjusting Journal Entry (PAJE) section related to ASRS and PSPRS.

In response to Vice Mayor Graham's questions, Ms. Williams explained in more detail the reason for the PAJE. Additionally, there were no other comments raised in the Management letter. Lastly, the City of Scottsdale has a healthy cash reserve.

COUNCILWOMAN WHITEHEAD MOVED TO RECOMMEND TO THE CITY COUNCIL TO APPROVE REPORT NO. 2501, FY 2023/24 EXTERNAL FINANCIAL AND COMPLIANCE AUDIT, 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

4. Audit No. 2410, Scottsdale Arts

Elizabeth Brandt, Senior Auditor, provided an overview of the Scottsdale Arts Audit. Scottsdale Arts is a nonprofit corporation that provides advisory and management services for the city arts and culture programs. A Management Service Agreement with Scottsdale Arts was approved in November 2020, which is set to expire June 30, 2025. The City is in the process of contract

negotiations. The audit evaluated contract compliance, effectiveness, and administration of management services. There were three findings related to operations of city owned facilities, performance metrics, and contract compliance. Findings and recommendations were reviewed in detail.

Gerd Wuestemann, President of Scottsdale Arts, explained the audit provides an opportunity for growth, become better partners to the city, and more responsible in their work and use of funding. Mr. Wuestemann discussed the uniqueness of Scottsdale Arts, the overarching situations, and pending growth opportunities.

Vice Mayor Graham expressed his concern to Mr. Wuestemann, noting it is not a positive report and there is a lot to digest. Councilwoman Whitehead discussed the audit report, noting it does not appear complete, and the unevenness should be addressed. In response, Ms. Cluff provided some clarity to Mr. Wuestemann's comments. Mr. Wuestemann commented illustrating capacity is not only how often the venue can be used but how many staff members are available and can be afforded. Vice Mayor Graham suggested performing a cost benefit analysis to assess if contracted staff can be used to supplement existing staff during busy seasons. Chair Littlefield suggested conducting market research to determine what people want to see to ensure the best financial use.

Rachel Smetana, Tourism and Events Director and Contract Administrator, thanked everyone for their input and feedback and looks forward to developing a successful Management Service Agreement with clear definitions, expectations, and building tools for arts and culture.

COUNCILWOMAN WHITEHEAD MOVED TO ACCEPT AUDIT NO. 2410, SCOTTSDALE ARTS, AS SUBMITTED. CHAIR LITTLEFIELD SECONDED THE MOTION WHICH CARRIED 3-0 WITH CHAIR LITTLEFIELD, VICE MAYOR GRAHAM, AND COUNCILWOMAN WHITEHEAD VOTING IN THE AFFIRMATIVE.

5. 1st Qtr FY 2024/25 Follow Up on Status of Audit Recommendations

Lai Cluff, Acting City Auditor provided an overview of the in-progress recommendations, which are moving along. It is anticipated the recommendations for WestWorld will progress with the hiring of a new General Manager. Status updates will be provided at the next meeting for library operations, bridge infrastructure, and identity and access management audits.

6. City Auditor Updates, Including Status of FY2024/25 Audit Plan

Lai Cluff, Acting City Auditor, provided a summary of the audit plan and projects, noting the External Financial Audit should be marked as completed on the status update. A new five-year contract with Heinfeld and Meech is in the procurement process and will be brought back to the committee for approval.

7. Possible Items for next meeting

Lai Cluff, Acting City Auditor, discussed next year's meeting schedule and possibly moving the meeting day to the 3rd or 4th Thursday. Councilwoman Whitehead commented that with possible new committee appointments coming up, finalizing the schedule could wait for the new committee members to approve. The next meeting is on hold until the new committee appointments are final.

Vice Mayor Graham departed the meeting at 5:17 p.m.

Adjournment

With no further business to discuss, being duly moved by Councilwoman Whitehead and seconded by Chair Littlefield, the meeting adjourned at 5:18 p.m.

SUBMITTED BY:

eScribers, LLC.