

APPROVED ON 09/26/2025



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

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

Thursday, June 26, 2025

PRESENT: Councilwoman Maryann McAllen, Chair
Councilman Barry Graham (Joined via video conference at 4:09 p.m.)
Councilwoman Solange Whitehead

STAFF: Lai Cluff, Acting City Auditor
Travis Attkisson, Senior Auditor
Mel Merrill, Senior Auditor
Shelby Trimaloff, Executive Assistant to City Auditor
Kelly Corsette, Communications and Public Affairs Director
Michael Keran, Police Operational Support Division Director, Scottsdale PD
Richard Slavin, Assistant Chief Uniformed Services Bureau, Scottsdale PD
Jenn Myers, Purchasing Director

GUESTS: Brittney Williams, Audit Partner, Heinfeld Meech
Dr. Tina Drews, Chair, Human Relations Commission
Cynthia Romagnolo, Vice Chair, Human Relations Commission

CALL TO ORDER / ROLL CALL

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

PUBLIC COMMENT

No spoken or written comments were presented.

REGULAR AGENDA

1. Approval of Minutes

- a. **Regular Meeting – April 11, 2025**
- b. **Special Meeting – June 13, 2025**

Chair McAllen called for approval of the minutes.

COUNCILWOMAN WHITEHEAD MOVED FOR APPROVAL OF THE REGULAR MEETING MINUTES OF APRIL 11, 2025, AND THE SPECIAL MEETING MINUTES OF JUNE 13, 2025. CHAIR MCALLEN SECONDED THE MOTION. MOTION APPROVED 2-0 WITH CHAIR MCALLEN AND COUNCILWOMAN WHITEHEAD VOTING IN THE AFFIRMATIVE.

2. Human Relations Commission Sunset Review

Travis Attkisson, Senior Auditor, provided an overview of the Human Relations Commission's purpose per Scottsdale's Revised Code §2-363. Annual Reports for calendar years 2022 to 2024 and related supplementary Commission information were provided to the Committee. Mr. Attkisson reminded the Committee they are to make a recommendation to the City Council to continue or terminate the Commission or modify its purpose.

Present on behalf of the Human Relations Commission were staff liaison Communications and Public Affairs Director Kelly Corsette, Chair Dr. Tina Drews, and Vice Chair Cindy Romagnolo.

Chair Drews spoke of the challenges the Commission faced with the new City Ordinance that terminated the Office of Diversity, Equity, and Inclusion. She explained goals that have been set for the upcoming year, which included community partnerships and collaboration. There is an emphasis on building partnerships with other areas of the organization, such as other boards and commissions in the City because they can be stronger together.

Councilwoman Whitehead stated that she supports the Human Relations Commission and wonders how it will accomplish the things the City Council wants them to do considering all the changes.

Chair McAllen stated this is very personal to her and going backwards is not acceptable.

COUNCILWOMAN WHITEHEAD MOVED TO RECOMMEND TO THE CITY COUNCIL TO CONTINUE THE HUMAN RELATIONS COMMISSION. CHAIR MCALLEN SECONDED THE MOTION. MOTION APPROVED 2-1 WITH CHAIR MCALLEN AND COUNCILWOMAN WHITEHEAD VOTING IN THE AFFIRMATIVE. COUNCILMAN GRAHAM VOTED IN THE DISSENT.

3. FY 2024/25 External Financial Audit Initiation

Lai Cluff, Acting City Auditor, introduced Brittany Williams, Audit Partner with Heinfeld Meech, the audit partner tasked with conducting the annual external financial audit for the City of Scottsdale.

Ms. Williams stated the firm was pleased to receive the City of Scottsdale contract again, stating all engagement letters have been signed. She reviewed and discussed the audits the firm will conduct this year, including the Single Audit which will include the Housing Voucher Cluster, Highway Planning and Construction Grant, as well as potentially testing the Assistance to Firefighter's Grant this year. Regarding payroll and disbursements, the focus will be on analyzing cash receipts from utility billings, WestWorld receipts, and Parks and Recreation receipts.

Preliminary field work was performed during the week of June 2, 2025, and additional field work will be conducted on September 8th and 9th, 2025, and during the weeks of September 22nd and 29th, 2025. During this field work, the firm works closely with the Finance Department and reviews the final Annual Comprehensive Financial Reports. A timeline is prepared by City staff which assists in moving the process along to submission in late October or early November. The biggest change this year is the Governmental Accounting Standards Board statement number 101, a change in how compensated absences are reported.

Ms. Cluff stated with the Enterprise Resource Planning (ERP) implementation, there may be a slight delay in the reports this year and the November Audit Committee meeting will be rescheduled if needed. Ms. Williams clarified the official deadline is December 31.

4. Audit No. 2503 Police Application Controls IT Audit

Travis Attkisson, Senior Auditor, provided an overview of the Mark43 Application Controls Audit performed by Securance Consultant. The audit was to determine if the IT general and application controls were designed, implemented, and operating effectively to provide reasonable assurance of security, availability, and processing integrity, as well as compliance with related Criminal Justice Information Systems requirements.

20 system controls were assessed and no critical areas of concern were noted; however, there were three findings with recommendations to improve security and control over the Mark43 application. Detailed results of the audit were provided to Scottsdale Police Department in a separate confidential report to which they agreed with the audit recommendations, and resolutions shall be completed by December 31, 2025.

1. Use of shared accounts limits the ability to monitor user activity within the system.

Recommendation: Discontinue use of shared administration accounts to reduce the risk of inappropriate access and allow for the monitoring of specific user activity.

2. Inadequate controls ensuring separation of duties could increase the risk of inappropriate or unauthorized access to sensitive data.

Recommendation: Evaluate and approve roles and permissions assigned to users in accordance with principles of least privileges and separation of duties. A periodic review performed to ensure access continues to be appropriate based on each user's current job position and duties.

3. Policies and Procedures do not include guidance specific to SaaS systems, an administrative regulation.

Recommendation: Policy guidance on SaaS systems should address session management, data access restrictions, and provide guidance on the need to obtain and review third-party assurance reports. Scottsdale Police Department should work with the City IT Department to assess risks related to SaaS systems and update the existing policies and procedures.

Michael Keran, Police Operational Support Division Director, commented on the audit, stating it was extensive and that they agreed with the results and recommendations. The shared admin account has been discontinued, while the roles and permissions and policies and procedures will be worked on with the IT Department. There are many roles that have access to the Mark43 application that must be

documented and memorialized along with the permissions.

Councilwoman Whitehead noted this is an example of the Audit Department being a partner with other departments.

Chair McAllen commended the Police Department on addressing one of the recommendations and stated another one is seen in other departments as well.

COUNCILWOMAN WHITEHEAD MOVED TO ACCEPT AUDIT NO. 2503, MARK43 APPLICATION CONTROLS IT AUDIT, AS SUBMITTED. COUNCILMAN GRAHAM SECONDED THE MOTION. MOTION APPROVED 3-0 WITH CHAIR MCALLEN, COUNCILMAN GRAHAM, AND COUNCILWOMAN WHITEHEAD VOTING IN THE AFFIRMATIVE.

5. Audit No. 2505, E-Verify Compliance

Mel Merrill, Senior Auditor, provided an overview of the Audit of City contractors and subcontractors for compliance with required use of the federal E-Verify system. Arizona State Law states that every Arizona government agency that enters a service contract is required to conduct random verifications to ensure contractors and subcontractors comply with the required use of E-Verify Employment Eligibility Program.

Mr. Merrill reviewed the process of selecting contractors to audit, and requesting E-Verify documentation from selected contractor employees and subcontractors. This process revealed that five out of nine contractors and subcontractors had not fully complied with the requirement to use E-Verify. Three were not enrolled but did so during this audit and indicated continued use going forward. Two were enrolled but were unable to provide E-Verify documentation for one or more employees selected for review.

Staff recommended the Purchasing Department require contractors to confirm E-Verify program enrollment during the procurement process.

Chair McAllen commented that the findings seem consistent with what is happening in other organizations. Ms. Cluff noted the contract administrator will be following up with the three contractors who registered during the audit to ensure compliance, and the contractors not in compliance must come into compliance or risk breach of contract with the City.

COUNCILWOMAN WHITEHEAD MOVED TO ACCEPT AUDIT NO. 2505, E-VERIFY COMPLIANCE, AS SUBMITTED. COUNCILMAN GRAHAM SECONDED THE MOTION. MOTION APPROVED 3-0 WITH CHAIR MCALLEN, COUNCILMAN GRAHAM, AND COUNCILWOMAN WHITEHEAD VOTING IN THE AFFIRMATIVE.

6. Report No. 2509, FY 2024/25 Follow up on Status of Audit Recommendations

Lai Cluff, Acting City Auditor, provided an overview of the status of audit recommendations performed during the fiscal year.

The WestWorld audit follow-up process is being closed. The audit was completed about two and a half years ago and several recommendations are still in progress and their completion date was unclear. These items are related to analyzing operating costs, facility usage, market comparison of rates, and rate structure. The department is developing a strategic plan that will address these items. Many organizational changes have occurred since the completion of the audit, and the best option is to

conduct a follow-up audit on these items after the Strategic Plan is developed and implemented. Therefore, this audit will be closed and the remaining recommendations will be marked as in progress with a follow-up audit to be conducted in the future.

In response to Chair McAllen's inquiry, Ms. Cluff advised that the senior auditor met with Judy Doyle, Senior Director of Enterprise Operations overseeing WestWorld, and discussed the audit recommendations. Ms. Cluff noted a misconception that the audit recommends recovering all costs through their rates. Instead, the department should identify their full costs, compare that to the market, and come up with a reasonable method when applying rate discounts, as well as conduct a market analysis of rates and analysis of facility usage.

Ms. Cluff also pointed out that the Scottsdale Arts recommendations related to their contract extension are still pending because they are in the process of negotiating contracts. Where proposed changes in the contract extension addressed recommendations, they were marked as implemented. However, between when auditors completed the follow-up report and the contract extension went to Council for approval earlier that week, one change related to the Civic Center Mall's shared revenue definition, did not make it into the extension. Ms. Cluff noted that the follow-up report shows the recommendation as implemented, but it has not been implemented.

In response to Councilwoman Whitehead's inquiry, Ms. Cluff clarified that the issue pertains to the amendment presented to the City Council last week. The proposed amendment provided to auditors contained clarification of the definition of shared revenue. However, through negotiations, it was removed and the recommendation has not been implemented, contrary to previous belief and indication. Chair McAllen confirmed that the City Manager is aware of the situation. Ms. Cluff further mentioned that depending on the outcome of the new negotiations, many recommendations may no longer be applicable.

Councilman Graham stated the revenue definition should not be ambiguous and must be hammered down.

COUNCILWOMAN WHITEHEAD MOVED TO ACCEPT REPORT NO. 2509, FY 2024/25 FOLLOW-UP ON STATUS OF AUDIT RECOMMENDATIONS, WITH STIPULATION FOR THE CITY AUDITOR TO FOLLOW-UP WITH CITY MANAGER ON THE IMPLEMENTATION OF SCOTTSDALE ARTS AUDIT RECOMMENDATION RELATING TO CLARIFYING THE CONTRACT DEFINITION OF REVENUE, AND PROVIDE FUTURE UPDATE TO THE AUDIT COMMITTEE ON RESOLUTION OF SCOTTSDALE ARTS AUDIT RECOMMENDATIONS. COUNCILMAN GRAHAM SECONDED THE MOTION. MOTION APPROVED 3-0 WITH CHAIR MCALLEN, COUNCILMAN GRAHAM, AND COUNCILWOMAN WHITEHEAD VOTING IN THE AFFIRMATIVE.

7. Report No. 2510, FY2024/25 Annual Integrity Line Report

Lai Cluff, Acting City Auditor, discussed the Annual Integrity Line report for FY2024/25, noting 16 new contacts were received. The City transitioned to a new website, fewer contracts were received through the integrity line form, possibly because it was more difficult to locate. However, there were increases in direct emails and calls.

Many were not related to fraud, waste, or abuse and were referred to outside agencies or city departments that could address the concerns presented. Some of the calls were marked as no action due to not providing enough information, not responding to phone calls, or not providing contact information. Staff reviewed three situations and found the concerns were not substantiated. Ms. Cluff reviewed and discussed the three situations. There is one listed in progress that was referred to law enforcement for investigation last year and remains under investigation.

COUNCILWOMAN WHITEHEAD MOVED TO ACCEPT REPORT NO. 2510, FY 2024/25 ANNUAL INTEGRITY LINE REPORT, AS SUBMITTED. COUNCILMAN GRAHAM SECONDED THE MOTION. MOTION APPROVED 3-0 WITH CHAIR MCALLEN, COUNCILMAN GRAHAM, AND COUNCILWOMAN WHITEHEAD VOTING IN THE AFFIRMATIVE.

8. Status of FY 2024/25 Audit Plan and Proposed FY 2025/26 Audit Plan

Lai Cluff, Acting City Auditor, reviewed the status of the FY 2024/25 Audit Plan, noting there are two items still in progress that are anticipated to be completed by the end of July or August 2025. There are two audits listed as postponed that were previously discussed at the last Audit Committee meeting. All remaining audits have been completed.

The proposed FY2025/26 Audit Plan was reviewed and discussed. The Procurement of Construction Services and Fire Department Staffing and Succession Planning were carried forward from FY 2024/25 Audit Plan. The proposed plan includes a contingency audit for potential request from Scottsdale Unified School District; however, after meeting with their audit committee, they were advised that a specialist may be better suited for the audit they were seeking. The plan also included annual reports, other projects, and sunset reviews. The plan will be adjusted to accommodate any special requests.

COUNCILWOMAN WHITEHEAD MOVED TO RECOMMEND THE PROPOSED FY2025/26 AUDIT PLAN TO THE CITY COUNCIL AS SUBMITTED. COUNCILMAN GRAHAM SECONDED THE MOTION. MOTION APPROVED 3-0 WITH CHAIR MCALLEN, COUNCILMAN GRAHAM, AND COUNCILWOMAN WHITEHEAD VOTING IN THE AFFIRMATIVE.

9. Possible Items for the Next Meeting

Lai Cluff, Acting City Auditor, advised the Committee that the next meeting will be August 28, 2025, or September 25, 2025. The potential topics will include two sunset reviews and the two audits currently in progress.

Adjournment

With no further business to discuss, being duly moved by Councilwoman Whitehead and seconded by Councilman Graham, the meeting adjourned at 4:54 p.m.

SUBMITTED BY:

eScribers, LLC.