

APPROVED ON 02/27/26



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

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

Friday, December 12, 2025

- PRESENT:** Councilwoman Maryann McAllen, Chair
Councilman Barry Graham (via Teams)
- ABSENT:** Councilwoman Solange Whitehead
- STAFF:** Lai Cluff, Acting City Auditor
Mel Merrill, Senior Auditor
Travis Attkisson, Senior Auditor
Shelby Trimaloff, Executive Assistant to City Auditor
Mary Witkowski, Interim Human Services Dir./Housing & Community Asst. Mgr.
Nathan Domme, Transportation Planning Manager
Susan Conklu, Senior Transportation Planner
Alison Tymkiw, Senior Director – City Engineer
- GUESTS:** Brittany Williams, Audit Partner, Heinfeld Meech
Roger Lurie, Chair, Human Services Advisory Committee

CALL TO ORDER / ROLL CALL

The meeting was called to order at 3:00 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, Regular Meeting – September 26, 2025

COUNCILMAN GRAHAM MOVED FOR APPROVAL OF THE REGULAR MEETING MINUTES OF SEPTEMBER 26, 2025, AS WRITTEN. CHAIR MCALLEN SECONDED THE MOTION. MOTION APPROVED 2-0 WITH CHAIR MCALLEN AND COUNCILMAN GRAHAM VOTING IN THE AFFIRMATIVE.

2. Human Services Advisory Committee Sunset Review

Mel Merrill, Senior Auditor, provided an overview of the Human Services Advisory Committee's purpose per Scottsdale's Revised Code §2-279. Annual reports for calendar years 2022 to 2024 and related supplementary commission information were provided to the Committee. Mr. Merrill reminded the Committee they are to make a recommendation to the City Council to continue or terminate the Committee after their review.

Present on behalf of the Human Services Advisory Committee were Chair Roger Lurie and Mary Witkofski, Interim Human Services Director and Housing and Community Assistant Manager, to answer any questions.

In response to Councilman Graham's question, Ms. Witkowski discussed the difference between the Human Services Advisory Commission and the Human Relations Committee, noting that the former addresses needs relating to the Human Services Department and social service programs. Human Relations looks at the relationship between the City and residents.

COUNCILMAN GRAHAM MOVED TO RECOMMEND TO THE CITY COUNCIL TO CONTINUE THE HUMAN SERVICES ADVISORY COMMITTEE. CHAIR MCALLEN SECONDED THE MOTION. MOTION APPROVED 2-0 WITH CHAIR MCALLEN AND COUNCILMAN GRAHAM VOTING IN THE AFFIRMATIVE.

3. Transportation Commission Sunset Review

Mel Merrill, Senior Auditor, provided an overview of the Transportation Commission's purpose per Scottsdale's Revised Code. Annual reports for calendar years 2022 through 2024 were provided to the Committee. Mr. Merrill reminded the Committee they are to make a recommendation to the City Council to continue or terminate the Commission after their review.

Present on behalf of the Transportation Commission to answer any questions were Transportation Planning Manager Nathan Domme and Senior Transportation Planner Susan Conklu.

COUNCILMAN GRAHAM MOVED TO RECOMMEND TO THE CITY COUNCIL TO CONTINUE THE TRANSPORTATION COMMISSION. CHAIR MCALLEN SECONDED THE MOTION. MOTION APPROVED 2-0 WITH CHAIR MCALLEN AND COUNCILMAN GRAHAM VOTING IN THE AFFIRMATIVE. THERE WERE NO DISSENTING VOTES.

4. Paths and Trails Subcommittee Sunset Review

Mel Merrill, Senior Auditor, provided an overview of the purpose of the Paths and Trails Subcommittee (of the Transportation Commission) per Scottsdale's Revised Code. Annual Reports for calendar years 2022-2024 were provided to the Committee. Mr. Merrill reminded the Committee they are to make a recommendation to the City Council to continue or terminate the Subcommittee after their review.

Present on behalf of the Paths and Trails Subcommittee to answer any questions were Nathan Domme, Transportation Planning Manager, and Susan Conklu, Senior Transportation Planner.

COUNCILMAN GRAHAM MOVED TO RECOMMEND TO CITY COUNCIL TO CONTINUE THE PATHS AND TRAILS SUBCOMMITTEE OF THE TRANSPORTATION COMMISSION. CHAIR MCALLEN SECONDED THE MOTION. MOTION APPROVED 2-0 WITH CHAIR MCALLEN AND COUNCILMAN GRAHAM VOTING IN THE AFFIRMATIVE.

5. Report No. 2601, FY 2024/25 External Financial and Compliance Audit

Lai Cluff, Acting City Auditor, advised the Committee of the status of the financial reports and introduced Brittany Williams, Heinfeld Meech Audit Partner.

Ms. Williams stated the Independent Auditor's Report, including all five component units – the City's Annual Comprehensive Financial Report, the Independent Accountants Report on the Highway User Revenue Fund, Internal Control over Financial Reporting and Compliance, also known as the Government Auditing Standards letter for all engagements, and Communication to Governance for each of these reports – were issued. There were no concerns with any of these reports, and clean opinions were issued on all six items.

The federal government delayed issuing the compliance supplement to test the federal programs until immediately before Thanksgiving. Upon completion of the reports and with a deadline of December 31, 2025, staff will circle back to complete the Single Audit. The additional outstanding reports to be completed after December 31st are the Single Audit Report, the Expenditure Limitation Report, the U.S. Department of Housing and Urban Development's (HUD's) Real Estate Assessment Center, and the supplemental schedule to the HUD report.

In response to an inquiry by Councilman Graham, Ms. Williams advised that it was a clean report and there were no management comments or a management letter issued this year. She also noted that the report on internal controls was issued early. It normally goes out with the Single Audit but it needs to be issued within a certain number of days after the Independent Auditor's Report.

COUNCILMAN GRAHAM MOVED TO RECOMMEND TO THE CITY COUNCIL ACCEPTANCE OF REPORT NO. 2601, FY 2024/25 EXTERNAL FINANCIAL AND COMPLIANCE AUDIT, AS SUBMITTED. CHAIR MCALLEN SECONDED THE MOTION. MOTION APPROVED 2-0 WITH CHAIR MCALLEN AND COUNCILMAN GRAHAM VOTING IN THE AFFIRMATIVE.

6. Audit No. 2408, Procurement of Construction Services

Travis Attkisson, Senior Auditor, provided an overview of Audit No. 2408, Procurement of Construction Services. The purpose of the audit was to evaluate the effectiveness of control over procurement of construction services which are currently handled by the Purchasing Department and Project Engineering Division within Transportation and Infrastructure (T&I) Department. Construction procurements using Invitation for Bid (IFB), commonly referred to as “low-bid”, are handled by the Purchasing Department. Since 2008, procurement for construction using alternative delivery methods has been delegated to Project Engineering. Alternative procurements use a request for qualifications method of selecting contractors based on qualifications instead of price.

Mr. Attkisson provided a detailed review of the three findings with associated recommendations.

1. T&I needs stronger controls over delegated procurements that are needed to ensure compliance and transparency, and to align with those adopted by Purchasing. Specific examples include separation of duties, sufficient oversight, monitoring, and document compliance with requirements, among others. It is recommended that the e-procurement system be utilized to impose stronger controls, and delegation of authority needs to be updated and re-evaluated for changes in organizational structure.
2. Alternative delivery method construction: options to further incorporate construction pricing into the contracting process should be evaluated. A key provision under Arizona Revised Statute (ARS) Title 34 with regards to procurement of construction services using alternative delivery methods is that candidates must be selected based on qualifications only before negotiating compensation with the top firm. T&I meets these requirements but only procurement services fees for CMAR and DB projects are negotiated during the procurement process. Fees for JOC contracting are not negotiated during procurement but approved in individual job orders. Negotiating certain rates and fees before awarding a contract could improve the City’s negotiating leverage. Examples include overhead and profit rates, setting expectations and limits on labor burden, adoption of a simplified procurement process, and utilization of a two-step procurement method.
3. Strengthening certain contract terms and procurement policies: expanding safety plan requirements, including site-specific safety plans, to address project risks could reduce City liability and exposure. It was recommended to establish a structured approach to determining projects that are appropriate for JOC and procedures to ensure fair and transparent pricing. Consistent procedures for notification of intent to award need to be applied to all procurements, including posting notices to the e-procurement website for potential protests.

Allison Tymkiw, Senior Director/ City Engineer, presented and discussed what has been done between Purchasing and T&I to address the recommendations in the audit. They are working on a transition plan for moving all solicitations under the oversight of the purchasing department. Several procedures have been updated, and staff is scheduled for training in January. Bonfire is the system that will be used to evaluate and rank contractors along with maintaining documentation. The evaluation panel members, that includes one outside contractor, will sign an ethics agreement within Bonfire. There are plans to work with the Attorney’s Office and Risk Management to incorporate a safety provision in the contracts

requiring a site-specific safety plan.

In response to Chair McAllen's questions, Ms. Tymkiw noted contractors on the evaluation panel are rotated from a robust selection. The revised procedures include separation of duties and responsibilities, ensuring that solicitation is reviewed before posting, and overall making sure the proper steps are taken to select the correct contractor.

Councilman Graham inquired who oversees procurement in the City. Mr. Attkisson advised him that the Purchasing Department handles Invitation for Bid (IFB) solicitations, and that alternative delivery method procurements have been delegated to T&I. Councilmember Graham asked whether procurement is under Treasury, and Ms. Cluff clarified that procurement is under Treasury, and T&I is in the City Manager's Office. The delegation of construction procurement is based on the type of procurement method used.

In response to an inquiry by Councilman Graham, Mr. Attkisson stated that the audit covered all construction procurements, whether managed by Purchasing or T&I. The procurements reviewed included procurements that were completed or substantially completed during calendar years 2023 through 2025. Ms. Cluff noted assessment of controls and staff interviews were focused on current procedures, and procurements were selected from last couple of years to have a larger pool of projects for review.

Councilman Graham asked about the separation of duties. Ms. Cluff clarified that oversight of the procurement activities within T&I has not been established and so T&I project managers, as the contract administrators, are also managing the procurements. Additional separation is needed as the contract administrator should not oversee procurement activities. A brief discussion ensued. Chair McAllen clarified the purpose is to align Purchasing and T&I for consistency and not create a weak point. Ms. Tymkiw confirmed they will be transitioning procurement of Title 34 projects that are alternative delivery methods into Purchasing to create the consistency and allow for separation of duties.

Councilman Graham inquired about procedures to monitor and document compliance. Ms. Tymkiw reiterated the inability to utilize Bonfire to its fullest capacity until recently, and Purchasing will be testing it. Councilman Graham clarified his concern with solicitations being accessed prior to the bid process closing and asked for assurance this will be complied with. Ms. Tymkiw advised that it is the procedure currently being followed which should be better documented.

In response to Councilman Graham's inquiry regarding options to further incorporate construction pricing into the contracting process, Ms. Tymkiw reviewed the phases for procuring a construction contract. Councilman Graham expressed concern with the process of retaining a construction company, working on scope and design, then negotiating the price. Ms. Tymkiw reiterated that Title 34 utilizes qualification-based selection, and cities are precluded from getting pricing prior to selecting the contractor. Ms. Cluff stated that per statute, the city selects a final list of candidates based on qualifications only, then negotiates compensation with the top candidate. If an agreement cannot be reached, there is an option to negotiate with the next on the list.

In response to Chair McAllen's questions, Mr. Attkisson clarified that the lack of documentation included things like emails that were not accessible because an employee had left and they were not retained. This could be corrected with the use of Bonfire. Ms. Tymkiw

noted they have not been able to use Bonfire to its full capacity until recently. Project management software was approved for this year's budget, which will also help with maintaining documentation.

COUNCILMAN GRAHAM MOVED TO ACCEPT AUDIT NO. 2408, PROCUREMENT OF CONSTRUCTION SERVICES, AS SUBMITTED. CHAIR MCALLEN SECONDED THE MOTION. MOTION APPROVED 2-0 WITH CHAIR MCALLEN AND COUNCILMAN GRAHAM VOTING IN THE AFFIRMATIVE.

7. 1Q FY 2025/26 Follow Up on Status of Audit Recommendations

Lai Cluff, Acting City Auditor, provided a brief update on the progress of the audits towards implementation, specifically noting that the Streets department has made progress on the Bridge Infrastructure audit recommendations, and Emergency Management is close to wrapping up their recommendations.

8. City Auditor updates, Including Status of FY 2025/26 Audit Plan and Tentative 2026 Meeting Dates

Lai Cluff, Acting City Auditor, noted the E-Verify and Fleet Maintenance audits are in progress and hopefully will be ready for presentation at the next meeting. The financial controls audit is being moved up due to the implementation of a new financial system and will include looking the new point of sale system and cash handling.

Tentative meeting dates for 2026 were presented and the Committee confirmed that the Friday 3:00 p.m. time is still preferred.

9. Possible Items for Next Meeting

Lai Cluff, Acting City Auditor, provided an overview of possible agenda items for the tentative February 27, 2026, agenda.

Adjournment

With no further business to discuss, being duly moved by Chair McAllen and seconded by Councilman Graham, the meeting adjourned at 3:45 p.m.

SUBMITTED BY:
eScribers, LLC.