APPROVED ON 10/21/2026

CITY OF SCOTTSDALE
AUDIT COMMITTEE
REGULAR MEETING MINUTES

Community Development Conference Room 1
One Civic Center
7447 E. Indian School Rd.
Scottsdale, AZ 85251

Wednesday, June 24, 2026

PRESENT:	Vice Mayor Maryann McAllen, Chair Councilwoman Solange Whitehead
ABSENT:	Councilman Barry Graham
STAFF:	Lai Cluff, Acting City Auditor Mel Merrill, Senior Auditor Shelby Trimaloff, Executive Assistant to City Auditor Anna Henthorn, Assistant City Treasurer Matthew Reams, Accounting Director Kevin Burke, Sr. Director, Economic Development
GUESTS:	Jared Young, Audit Manager, Heinfeld Meech Brittney Williams, Audit Partner, Heinfeld Meech

CALL TO ORDER / ROLL CALL

The meeting was called to order at 3:06 p.m. A formal roll call confirmed the presence of Committee Members as noted above.

PUBLIC COMMENT

A public comment Request to Speak for Agenda Item 3 was received from Sonnie Kirtley, Coalition of Greater Scottsdale (COGS).

REGULAR AGENDA

1. Approval of Minutes, Regular Meeting – April 24, 2026

COUNCILWOMAN WHITEHEAD MOVED FOR APPROVAL OF THE REGULAR MEETING MINUTES OF APRIL 24, 2026, AS WRITTEN. CHAIR MCALLEN SECONDED THE MOTION. MOTION APPROVED 2-0 WITH CHAIR MCALLEN AND COUNCILWOMAN WHITEHEAD VOTING IN THE AFFIRMATIVE.

2. FY 2025/26 External Financial Audit initiation

Jared Young, Audit Manager from Heinfeld Meech, presented highlights for the FY 2025/26 External Financial Audit.

- Changes to GASB 103 will improve clarify and fullness of the information in the financial statements.
- Program testing for the Single Audit is mostly completed. The Highway Planning Construction grant and the Police Equitable Sharing grant are being tested this year.
- With the ERP financial system implementation, the audit team will be performing more documentation of the general IT controls that govern accuracy and reliability of the information, which is essential for accurate financial reporting. Additionally, each year they rotate testing of revenues and cash receipts, and this information also feed into the system.
- Preliminary audit work started in June and will continue through early October. Audit work for the component units is expected to be completed by early September. By early November, he expects the audit opinion on the ACFR (Annual Comprehensive Financial Report) and the HURF (Highway User Revenue Fund) will be issued and hopefully also the Single Audit. Mr. Young noted that the timing for completion of the Single Audit will depend on when the federal Compliance Supplement will be issued. Mr. Young and Ms. Williams stated it is still unknown when the Supplement will be released. The annual expenditure limitation report opinion will be issued in late January and the HUD reports in early March.

Discussion ensued regarding impact of the Compliance Supplement issuance to the audit timeline. Mr. Young noted that the team will complete everything that they can beforehand and work diligently to complete the rest when the supplement is released.

3. Report No. 2609, FY 2025/26 Follow Ups on Status of Audit Recommendations

Lai Cluff, Acting City Auditor, provided a brief update on the status of audit recommendations conducted in fiscal year 2025/26. She noted that auditors conducted follow ups on approximately 70 recommendations for 15 audits issued between 2021 and 2025. Ms. Cluff reported that about half of the audits that had a few open or pending recommendations were closed out this year. In response to a question from Chair McAllen, Ms. Cluff clarified that E-Verify audit recommendation relating to vendor registration in the E-Verify program had been implemented. The Purchasing department is now requiring new vendors to confirm that they are registered in the program. Ms. Cluff also provided a brief overview of the E-Verify audit process. Ms. Cluff noted that the responses for the Identity and Access Management audit were received this last week and would be reviewed and a separate update will be sent out.

Public Comment on Item No. 3: Sonnie Kirley, Coalition of Great Scottsdale (COGS), congratulated the audit team on the follow-up report, noting the useful format that includes the follow-up history. She was glad to see that the past purchasing card recommendations have been addressed. She expressed concern about findings on change order procedures, and specifically regarding partial implementation of Audit 2107 recommendation on authorization of large change orders, which had been delegated from the City Manager to the Public Works Director.

Discussion ensued regarding Audit 2107 recommendations (Fire Stations Construction Contracts). Ms. Cluff clarified that change orders referenced were for the design contracts. Based on the Procurement Code, if cumulative change orders exceeded 20% or 25% of the original contract amount, change orders had to be approved by the City Manager. Councilwoman Whitehead expressed concern regarding the high dollar threshold and the limited reserves available in current projects. Ms. Cluff provided clarification that these change orders were for construction administration services added to the design contracts. Regarding the delegation for approval of large change orders to the Public Works Executive Director, Councilwoman Whitehead also commented that the position no longer exists. Ms. Cluff commented that a related recommendation was recently made to update those references in the Procurement Code and the Purchasing department is working on this. Since this recommendation was made some time ago, Ms. Cluff will follow up with the current City Manager to confirm whether the approval delegation is still in place. In response to a question from Chair McAllen regarding process for changes to the Procurement Code, Ms. Cluff clarified that changes would initiate through the Treasurer's office and updates to the Procurement Code would need to go to Council for approval. The last revision was several years ago.

COUNCILWOMAN WHITEHEAD MOVED TO ACCEPT AUDIT NO. 2609, FY 2025/26 FOLLOW UPS ON STATUS OF AUDIT RECOMMENDATIONS, AS SUBMITTED. CHAIR MCALLEN SECONDED THE MOTION, WHICH CARRIED 2-0 WITH CHAIR LITTLEFIELD AND COUNCILWOMAN WHITEHEAD VOTING IN THE AFFIRMATIVE.

4. Report 2610, FY 2025/26 City Auditor's Annual Integrity Line

Lai Cluff, Acting City Auditor, provided a summary of activity from the City's Integrity Line during the fiscal year. She noted that the majority were received through direct email or phone. Of the 22 concerns received, there was one substantiated case and it was referred to Human Resources and two that were found to be unsubstantiated. The remainder were either not related to fraud, waste and abuse; did not contain sufficient information for further investigation; or continue to be under review. Where possible, the City Auditor coordinates with other city departments to assist in resolving resident concerns.

COUNCILWOMAN WHITEHEAD MOVED TO ACCEPT AUDIT NO. 2610, FY 2025/26 CITY AUDITOR'S ANNUAL INTEGRITY LINE, AS SUBMITTED. CHAIR MCALLEN SECONDED THE MOTION, WHICH CARRIED 2-0 WITH CHAIR MCALLEN AND COUNCILWOMAN WHITEHEAD VOTING IN THE AFFIRMATIVE.

5. Proposed FY 2026/27 Audit Plan and Status of FY 2025/26 Audit Plan

Acting City Auditor Lai Cluff discussed the status of the current audit plan including audits completed, in progress, carried forward, and on the contingency list. She reported that

progress has been impacted by auditor vacancies and recruitment is underway. These vacancies could also impact the department's ability to complete the proposed plan, and if recruitment is not successful, she would update the committee on the impacts to the plan. Ms. Cluff reviewed the items on the proposed FY 2026/27 Audit Plan, noting that several were recurring and required audits. Councilwoman Whitehead inquired about the Destination Marketing Contract timing since an audit was recently completed. Ms. Cluff noted that the last one was in 2022, before the contract renewal, and it is up for renewal again in 2027. The last audit was fairly comprehensive so this time it will focus on the newer financial requirements. Councilwoman Whitehead noted interest in ensuring that funding was focused on Scottsdale, something that came up in the prior audit, and meaningful performance metrics. Ms. Cluff stated that auditors will work with Kevin Burke, the contract administrator, to identify any other risk areas that need to be reviewed. In response to a question from Kevin Burke, Sr. Director, Economic Development, Ms. Cluff clarified that there is no requirement for cyclical audit of this contract, but it is often done due to Council interest when it is due for renewal.

Councilwoman Whitehead and Chair McAllen expressed interest in a potential audit of water rates and suggested that they could revisit that topic in the future. Chair McAllen asked about the process of making changes to the audit plan if needed and Ms. Cluff said she would confirm the code language and share that information.

COUNCILWOMAN WHITEHEAD MOVED TO ACCEPT THE PROPOSED FY 2026/27 AUDIT PLAN AND RECOMMEND IT TO THE CITY COUNCIL FOR APPROVAL. CHAIR MCALLEN SECONDED THE MOTION, WHICH CARRIED 2-0 WITH CHAIR MCALLEN AND COUNCILWOMAN WHITEHEAD VOTING IN THE AFFIRMATIVE.

6. Possible Items for Next Meeting

Ms. Cluff stated that the next meeting is scheduled for September 25, 2026. Agenda items will consist of sunset reviews for the Parks and Recreation Commission, McDowell Sonoran Preserve Commission, and the Development Review Board. Audit reports that should be ready for presentation include Selected Financial Controls - User Access and Workflow Management, and IT Asset Management - Mobile Computers and Devices. No other items were proposed for addition to the agenda.

Adjournment

With no further business to discuss, being duly moved by Councilwoman Whitehead and seconded by Chair McAllen, the meeting adjourned at 4:05 p.m.

SUBMITTED BY:
Shelby Trimaloff, Executive Assistant to the City Auditor

REVIEWED BY:
Lai Cluff, Acting City Auditor