

**APPROVED MINUTES
APPROVED ON 3/16/2015**



**CITY OF SCOTTSDALE
AUDIT COMMITTEE**

MONDAY, JANUARY 26, 2015

**CITY HALL
KIVA CONFERENCE ROOM
3939 NORTH DRINKWATER BOULEVARD
SCOTTSDALE, AZ 85251**

REGULAR MEETING

PRESENT: Suzanne Klapp, Chair
Virginia Korte, Councilmember

STAFF: Tim Curtis, Planning and Development Services
Julie Dybas, City Court
Randy Grant, Planning and Development Services
Ken Kung, City Court
Steve Venker, Planning and Development Services
Kyla Anderson, City Auditor's Office
Cathleen Davis, City Auditor's Office
Sharron Walker, City Auditor

GUESTS:
Ed Grant, Chair, Planning Commission
Kathy Littlefield, Councilwoman

CALL TO ORDER

Chair Klapp called the meeting to order at 4:00 p.m. A formal roll call confirmed the presence of all Committee Members as noted above.

- 1. Approval of Minutes, Regular Meeting, December 15, 2014**

COUNCILMEMBER KORTE MOVED TO APPROVE THE MINUTES OF THE DECEMBER 15, 2014 REGULAR MEETING. CHAIR KLAPP SECONDED THE MOTION, WHICH CARRIED BY A UNANIMOUS VOTE OF TWO (2) TO ZERO (0).

2. Discussion and possible direction to staff regarding Development Review Board Sunset Review

City Auditor Sharron Walker outlined the Development Review Board's purpose in the sunset review agenda materials and summarized the Audit Committee's charge to evaluate whether the intended purpose is being served, whether it should be maintained or modified and whether it has been served or is no longer required. Specifically the Audit Committee is to recommend to the Council whether to continue or terminate the board. Ms. Walker noted that the staff liaison, Mr. Steve Venker of the Planning Department, was in attendance.

COUNCILMEMBER KORTE MADE A MOTION TO RECOMMEND TO THE COUNCIL THE CONTINUATION OF THE DEVELOPMENT REVIEW BOARD. CHAIR KLAPP SECONDED THE MOTION, WHICH CARRIED BY A UNANIMOUS VOTE OF TWO (2) TO ZERO (0).

3. Discussion and possible direction to staff regarding Planning Commission Sunset Review

Ms. Walker outlined the Planning Commission's purpose in the sunset review agenda materials and noted that the staff liaison, Mr. Tim Curtis of the Planning Department, and Mr. Ed Grant, Chair of the Planning Commission, were in attendance.

COUNCILMEMBER KORTE MADE A MOTION TO RECOMMEND TO THE COUNCIL THE CONTINUATION OF THE PLANNING COMMISSION. CHAIR KLAPP SECONDED THE MOTION, WHICH CARRIED BY A UNANIMOUS VOTE OF TWO (2) TO ZERO (0).

4. Discussion and Possible Direction to staff regarding Report No. 1502, Independent Review of Scottsdale City Court's Compliance with Minimum Accounting Standards

Cathleen Davis of the City Auditor's Office presented the report, noting that the Arizona Supreme Court, Administrative Office of the Courts requires that an independent review of municipal courts be conducted at least once every three years to determine their compliance with minimum accounting standards. The previous review was completed in 2012.

This review covered calendar years 2012 through 2014 and the auditors found no exceptions or deviations. However, the auditors make no representations as to the sufficiency of these procedures for the purpose for which the report has been requested, or for any purpose. In an agreed upon procedures engagement, the sufficiency of the procedures is the sole responsibility of the requestors - in this case the Administrative Office of the Courts, and the Scottsdale City Court. The City Court was the party responsible for complying with the specified requirements - the Minimum Accounting Standards. Because of the type of engagement, the auditors noted that this report is intended solely for the information and use of the Administrative Office of the Courts in

evaluating the Court's compliance with its minimum accounting standards. But even with that caveat, it is still a matter of public record.

Ms. Davis noted that Ms. Julie Dybas and Mr. Ken Kung of the City Court were in attendance. Ms. Walker added that the Court has sound internal controls and does a good job of meeting expectations.

COUNCILMEMBER KORTE MOVED TO SUBMIT AUDIT REPORT NO. 1502, CITY COURT MINIMUM ACCOUNTING STANDARDS, TO MARICOPA COUNTY SUPERIOR COURT AND THE ADMINISTRATIVE OFFICE OF THE COURTS. CHAIR KLAPP SECONDED THE MOTION, WHICH CARRIED BY A UNANIMOUS VOTE OF TWO (2) TO ZERO (0).

5 Discussion and possible direction to staff regarding 2014 Annual Report of the Taxpayer Problem Resolution Officer

Ms. Walker presented the annual report of the Taxpayer Problem Resolution Officer. She noted she received one TPRO appeal in the final quarter of 2014. The taxpayer wanted to pay delinquent transaction privilege tax on an installment plan and get the business relicensed immediately so it could reopen. Ms. Walker said she reviewed the file, and because several years of staff efforts had not resulted in compliance, she did not grant the taxpayer's request to order a new business license to be issued. As allowed, the taxpayer appealed the TPRO decision to the City Manager, who arranged for the taxpayer to pay a substantial portion of the delinquent tax and obtain a new license. The taxpayer has since paid all delinquent transaction privilege tax.

6 Discussion and Possible Direction to Staff Regarding FY 2014/15 Second Quarter Follow-up Report

Ms. Walker said results are similar to previous reports over the time the program has been in place. She noted some adjustments made to combining the categories in this report. Councilmember Korte commented that a couple departments, WestWorld and the Treasurer's office, have the highest non-implementation numbers and asked if there are some anomalies there. Chair Klapp also questioned if Human Resources is one of those. Ms. Walker noted that Human Resources has made a lot of progress since the change in management. The Treasurer's Office has been more resistant to the auditors' recommendations, but sometimes over the 5-year tracking period they come around to see the practicality of recommendations. Several of the WestWorld recommendations dealt with becoming more financially stable. The related initiatives, like the marketing contract, renegotiating long-term contracts, et cetera, take some time. In the past, the City Council had not formally required WestWorld to breakeven so this is a new focus. However, WestWorld staff is making progress on the auditors' recommendations.

7 Discussion and Possible Direction to Staff Regarding the FY 2014/15 Audit Plan Status

Ms. Walker stated that the audit plan status is on schedule. Although much appears to be scheduled for the June meeting, she noted that many of the reports are summary activity reports.

She has added an item based on information received through the integrity line and anticipates completing this in April.

The network vulnerability audit has been contracted. The IT Department requested that work begin after the Super Bowl due to their involvement in supporting special event activities. Ms. Walker agreed, so this audit will start in February and she expects to report at the June meeting.

Ms. Walker noted that this year the Auditor's Office is to be audited by peer auditors. This is a requirement once every three years. Typically two reviewers come in from other cities out of state. The cost to the City is just the visitors' travel expenses and participation on other reviews. Chair Klapp commented that she recalled that Ms. Walker had participated in another out-of-state city's review last year.

8 Discussion and Possible Direction to Staff Regarding Agenda Items for Next Audit Committee Meeting (March 16, 2015)

Ms. Walker said the auditors will present the disaster recovery business continuity report. She will provide an update on the integrity line and present initial proposals for the FY 2015/16 audit plan.

Public Comment

No members of the public wished to address the Committee.

Adjournment

The meeting adjourned at approximately 4:25 p.m.

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