

APPROVED ON 09/19/2022



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

**Community Design Studio - Nave
7506 E. Indian School Road
Scottsdale, Arizona 85251**

Monday, June 27, 2022

PRESENT: Kathy Littlefield, Chair
Tom Durham, Vice Mayor
Solange Whitehead, Councilwoman

STAFF: Sharron Walker, City Auditor
Elizabeth Brandt, Senior Auditor
Lai Cluff, Senior Auditor
Brad Hubert, Senior Auditor
Shelby Trimaloff, Executive Asst. to City Auditor
Bianca Lochner, Chief Information Officer
Robert Fisher, IT Director
Owen Ellington, IT Communications Manager
Ben Lane, City Clerk
Cathie Butteweg, Deputy City Clerk
Brent Stockwell, Assistant City Manager

CALL TO ORDER

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

PUBLIC COMMENT

No comments were submitted.

REGULAR AGENDA

1. Approval of Minutes, Regular Meeting, April 25, 2022

Chair Littlefield called for approval of the minutes.

COUNCILWOMAN WHITEHEAD MOVED TO APPROVE THE MINUTES OF THE APRIL 25, 2022 REGULAR MEETING AS PRESENTED. VICE MAYOR DURHAM SECONDED THE MOTION, WHICH CARRIED 3-0 WITH CHAIR LITTLEFIELD, VICE MAYOR DURHAM AND COUNCILWOMAN WHITEHEAD VOTING IN THE AFFIRMATIVE.

2. Discussion and possible direction to staff regarding Audit No. 2203, Wireless Network Security

Lai Cluff, Senior Auditor, stated that the wireless access to the City's enterprise network is available at some City buildings, allowing users to connect to the City's systems and data through wireless devices. In addition, internet-only wireless access, which does not connect to the City enterprise network, is provided at many facilities. Wireless networks introduce security risks to an organization. The City Auditor's Office contracted with Berry Dunn to review wireless network controls, including a governance review of policies and procedures, and a technical review of the wireless network controls. The governance review recommended that the IT Department formalize hardening standards for wireless network components and clarify and refine definitions and policies for enterprise and public wireless networks. Overall, security, encryption and authentication protocols were found to be at acceptable levels for enterprise class wireless networks and penetration testing was unsuccessful. Recommendations included not reusing passphrases and reducing the number of SSIDs used. Detailed findings and recommendations were provided to the IT department and are not detailed in this public report due to the sensitive nature of the information. The department agreed with the recommendations and plans to implement them by the end of calendar year 2023.

Vice Mayor Durham stated he was pleased to read this report as it involves critical elements to the City's security.

VICE MAYOR DURHAM MOVED TO ACCEPT AUDIT NO. 2203, WIRELESS NETWORK SECURITY, AS SUBMITTED. COUNCILWOMAN WHITEHEAD SECONDED THE MOTION, WHICH CARRIED 3-0 WITH CHAIR LITTLEFIELD, VICE MAYOR DURHAM AND COUNCILWOMAN WHITEHEAD VOTING IN THE AFFIRMATIVE.

3. Discussion and possible direction to staff regarding Audit No. 2207, City Clerk Operations

Elizabeth Brandt, Senior Auditor, provided a brief overview of the City Clerk's responsibilities. The audit identified that the City's records management program can be improved by aligning enhanced program activities under a cyclical process. The City Clerk last provided records management training for records coordinators in April 2019. In-person training was suspended due to the pandemic. The Records Manager has continued to provide one-on-one training as requested. However, in response to the audit

survey, many records coordinators reported that they have not recently received training or support. The Records Management Manual requires that records inventories be updated at least every two years. Audit staff reviewed 75 records inventories, and 70 of them did not indicate whether they had been reviewed within the past two years. Audit staff also reviewed 174 records series listed in 11 selected inventories. Of these, five record series had inaccurate retention periods and seven record series had inaccurate references to State Library Retention Schedules.

The Records Management Manual requires records coordinators to file a certificate of records destruction when destroying department records. Many departments are not submitting the certificates annually, which may mean records are not being destroyed timely or they are, but the certificates are not being filed. More than 50 percent of records coordinators noted that they have not destroyed electronic and paper records during the last couple of years, or do not recall doing so. The 20 certificates auditors reviewed had issues, including two record series destroyed before their eligible destruction dates. Monthly records inspections have not occurred since 2019. Current records management processes are manual and time-consuming.

Audit recommendations included developing a comprehensive records management training, ensuring records inventories and certificates of records destruction are current and accurate, and resuming records inspections. In addition, the Clerk's Office should automate key tasks where feasible and consider offering computer-based training. In the management response, the City Clerk has indicated his intent to implement the recommendations by March 2023.

Ben Lane, City Clerk, expressed appreciation for the thorough audit and its recommendations. He also noted that the office is proud of several recent process improvements, including use of an online system for candidates to gather nomination petition signatures and methods of taking citizen input at City Council meetings. His office looks forward to adding further improvements by implemented the recommended changes to the city's records management program.

Councilwoman Whitehead stated her appreciation of the Clerk's office and the willingness to implement the additional improvements in the audit.

Vice Mayor Durham asked what is involved in doing an inventory review and whether it includes verifying everything on the inventory list. Mr. Lane stated that they have two separate processes, with one reviewing the records inventories which are the City's retention schedules, and the other checking the records in the departments. The city must follow state law on retention schedules, so they look at state retention schedules on a regular basis to ensure the City's schedules are in line with them. In the past, Deputy City Clerk Cathie Butteweg has included a "last update" date on the City's retention schedules to indicate when there is a change. In the future, she will be adding a "last reviewed" date as well. Ms. Butteweg also explained that when she visits departments, she and the records coordinator review the inventory together and she inspects a random selection of records to check compliance with record retention requirements. In response to Vice Mayor Durham's question, Ms. Butteweg confirmed that it is not necessary to verify the inventory line by line.

Mr. Lane added they are also planning to strengthen the records management training program by meeting with the records coordinators twice a year and by providing an online

overview training that would be accessible for a refresher. In addition, they will continue to offer one-on-one training.

Chair Littlefield shared her main concern was that required records sometimes could not be found. Everyone responsible for record retention needs to be kept up to date on current laws. Also, records storage procedures should be updated and part of ongoing training. Chair Littlefield also acknowledged that it has been a tough couple of years, not a normal situation, and she is glad this is going to be addressed.

VICE MAYOR DURHAM MOVED TO ACCEPT AUDIT NO. 2207, CITY CLERK OPERATIONS, AS SUBMITTED. COUNCILWOMAN WHITEHEAD SECONDED THE MOTION, WHICH CARRIED 3-0 WITH CHAIR LITTLEFIELD, VICE MAYOR DURHAM AND COUNCILWOMAN WHITEHEAD VOTING IN THE AFFIRMATIVE.

4. Discussion and possible direction to staff regarding Report Number 2210, FY 2021/22 Follow Up on Status of Audit Recommendations

Sharron Walker, City Auditor, provided a brief overview of the status of recommendations. Overall, the status is very good. Departments are making solid progress on the recommendations, with 90 percent of audit recommendations implemented, in progress or partly implemented.

COUNCILWOMAN WHITEHEAD MOVED TO ACCEPT REPORT NO. 2210, FY 2021/22 FOLLOW UP ON STATUS OF AUDIT RECOMMENDATIONS. VICE MAYOR DURHAM SECONDED THE MOTION, WHICH CARRIED 3-0 WITH CHAIR LITTLEFIELD, VICE MAYOR DURHAM AND COUNCILWOMAN WHITEHEAD VOTING IN THE AFFIRMATIVE.

5. Discussion and possible direction to staff regarding Report No. 2211, FY 2021/22 Report on the City Auditor's Integrity Line

Ms. Walker stated that ten Integrity Line contacts were received this fiscal year, with most through the web-based form. Most concerns have been resolved through referral to the appropriate department. The Integrity Line did not result in any separate investigative reports being issued this fiscal year.

Vice Mayor Durham asked if there have been any allegations that have come close to fraud or malfeasance. Ms. Walker responded that at times there have been, such as concerns about city time being used for personal business or fraudulent use of city time. Another example was a concern about a traffic ticket being changed. That one was not valid since the dates that were being changed were because the person did not show up for his court dates.

VICE MAYOR DURHAM MOVED TO ACCEPT REPORT NO. 2211, FY 2021/22 REPORT ON THE CITY AUDITOR'S INTEGRITY LINE. COUNCILWOMAN WHITEHEAD SECONDED THE MOTION, WHICH CARRIED 3-0 WITH CHAIR LITTLEFIELD, VICE MAYOR DURHAM AND COUNCILWOMAN WHITEHEAD VOTING IN THE AFFIRMATIVE.

6. Discussion and possible direction to staff regarding proposed FY 2022/23 Audit Plan

Ms. Walker briefly reviewed the recurring audits/annual reports, carryforward audits from FY 2021/22, and the proposed additional audits, contingency audits, and other projects. In total 13 audits/reports are proposed for the regular plan, with three contingency audits.

Chair Littlefield noted that many of the upcoming audits were discussed by the Committee at the previous meeting and have not been performed for quite some time.

In response to a question from Vice Mayor Durham, Ms. Walker noted that the Integrity Line is included as a recurring report.

Brent Stockwell, Assistant City Manager, noted that Emergency Management is also included on the City Council priorities list. It was identified as a priority in the Council retreat this year, and a work study will be held in the fall and may help identify some areas for audit.

In response to a question from Vice Mayor Durham, Ms. Walker clarified that the SUSD audit is a placeholder for a potential District-requested audit that will require Council approval once the audit topic has been determined by the District's Audit Committee.

COUNCILWOMAN WHITEHEAD MOVED TO ACCEPT THE FY 2022/23 AUDIT PLAN AND RECOMMEND IT TO THE CITY COUNCIL FOR APPROVAL. VICE MAYOR DURHAM SECONDED THE MOTION, WHICH CARRIED 3-0 WITH CHAIR LITTLEFIELD, VICE MAYOR DURHAM AND COUNCILWOMAN WHITEHEAD VOTING IN THE AFFIRMATIVE WITH NO DISSENTING VOTES.

7. City Auditor updates, including status of FY 2021/22 Audit Plan

Ms. Walker noted that purchasing card controls, construction contract, and WestWorld operations audits will be completed in the coming fiscal year. The FY 2021/22 Audit Plan estimated finishing 16 reports, which included completing three audits underway at the end of the prior fiscal year. But with the three audits that will carry forward, the auditors completed a total of 13 reports this fiscal year.

8. Discussion and possible direction to staff regarding potential agenda items for next Audit Committee meeting

Ms. Walker stated that there will be two sunset reviews at the next meeting. Also, she expects the purchasing card controls report will be ready. There is also an update planned for the Parks and Recreation audit later in September. The next meeting is scheduled for August 15, 2022.

Adjournment

With no further business to discuss, being duly moved by Councilwoman Whitehead and seconded by Vice Mayor Durham, the meeting adjourned at 4:42 p.m.

SUBMITTED BY:

eScribers, LLC