

**MINUTES OF THE AUDIT COMMITTEE MEETING
SCOTTSDALE UNIFIED SCHOOL DISTRICT NO. 48
Mohave District Annex, Conference Room D, 8500 E. Jackrabbit Rd, Scottsdale, AZ 85250
July 28, 2023 at 9:00 AM**

The meeting was called to order at 9:02 AM on July 28, 2023.

Call to Order – Ms. Regan, called the meeting to order.

One or more members of the Audit Committee and non-Audit Committee members participated in the meeting via video or internet conferencing - Zoom

Roll Call-

Audit Committee members in attendance were Sara Regan, Chair; Jason Klonoski, Vice Chair; Jeanne Beasley; and Carine Werner, Governing Board Member. Dale Belt was absent. Dr. Scott A. Menzel, Superintendent; Shannon Crosier, Chief Financial Officer; Jennifer MacLennan, Esq., Outside Counsel; and Elizabeth Brandt, Sr. Auditor – City of Scottsdale were also present. A quorum was present.

Information/Discussion and Possible Action

3. Approval of Prior Meeting Minutes – June 8, 2023 – Action

Mr. Klonoski moved to approve the Audit Committee Meeting Minutes of June 8, 2023. Mrs. Werner seconded the motion. The motion was approved with a vote of 5 - 0.

4. Review of Scope and Responsibility of the Audit Committee - Information

a) Policy and Charter

- Years ago, the District had an internal auditor. Conversations started with the City of Scottsdale. Policies were modified in order to consider hiring internal and/or doing an IGA with the City of Scottsdale.
- The Audit Committee has conducted a couple of audits: the first was demonstrating the ROI with the Hohokam audit, the second was the HR audit - the District continues to implement the plans that were outlined. The District is moving toward the third audit which is a Compensation & Benefits study. The amended IGA is in the works.
- The committee has not developed an annual audit plan.
- The committee needs to do quarterly reporting – guidance, accountability/expectations, what should the reporting look like?
- Mr. Klonoski recommended that a quarterly update be done along with a year-to-date budget with expectations.
- Ms. Crosier will send monthly financial reports to the Audit Committee.
- Ms. Beasley asked about process if a committee member has a question(s) outside of a scheduled meeting. How are questions addressed? Send question(s) to appropriate District staff member and cc Dr. Menzel. The answer(s) will be sent to all members of the Audit Committee. The committee is subject to Open Meeting Law (OML).
- If something surfaces in Let's Talk that may warrant an independent audit consideration, put it on an agenda for consideration by the Audit Committee. Reporting can be submitted anonymously in Let's Talk.
- The Board acts on recommendations from the Audit Committee. Decide how the committee wants to report committee activities to the Board.

- Heinfeld & Meech was selected as the District's new auditor.
- What the committee wants to accomplish today is to get close to pulling together an audit plan.
- What else can the committee do to help surface risk and analyze it for the District?
- Audit plan:
 - Refresh the risk management survey/matrix/assessment from the City of Scottsdale. Cast a wider net than last time.
 - The SUSD strategic plan will be sent to committee members. There are a couple of areas that are of particular interest and importance: goal 3 (attract and retain talent) and goal 5 (optimized resources). Both areas are critical when it comes to the internal audit function.
 - The budget for the Audit Committee is separate from the money paid for the required financial audit.
 - Are there some things we want to review every 3 years?
 - The estimated hours and cost for a compensation and benefits audit is 600 hours and \$58,000 (The City of Scottsdale will conduct the benefits audit and an outside vendor will conduct the compensation audit as the City of Scottsdale does not do compensation studies).

b) Compliance with Open Meeting Law

- Presentation on Open Meeting Law and Public Records Law by Jennifer MacLennan, Esq., Outside Counsel for the District.
- The Audit Committee is subject to Open Meeting Law – outside of agendaized meetings posted, the members of the committee cannot have conversations among three members.
- Addressed frequently encountered situations, issues and problems.
- Discussed requirements of public records laws.
- Discussed legal requirements of the Open Meeting Law.

c) Typical Audit Function

- Not discussed.

d) Types of Audits

- Financial Audit – The outside vendor is Heinfeld & Meech. This audit is conducted on an annual cycle. The vendor uses a Uniform System of Financial Records (USFR) and within that there are about 175 questions asked regarding budget, finances, procurement, transportation records, ADM, enrollment, cash handling and the Governing Board to ensure the District is in compliance. A Single Audit (annual) is also conducted which looks at grants that are \$750,000 or more with a further review, time and effort requirements. The Self Insurance Trust (covers medical, property/casualty and workers compensation) is also audited to look at recording process. An AFR – comprehensive annual financial report is conducted as well.
- City of Scottsdale Audits – Hohokam Rebuild, HR Audit and upcoming Compensation and Benefits Audit.
- ADE (Arizona Department of Education) – A semi-annual fiscal monitoring for state and federal grants.
- ADM (Average Daily Membership) – A 3-year audit cycle, random Districts are selected. Audit of attendance records and everything to do with enrollment.

- Title Cluster (I, II, IV)/Federal Funds - Cyle 4 and 6 (year 4 and 6 of the grant) reviews have different audits – look at how Title funds are being used and compliance with federal rules and regulations.
 - Food Services - Audited through financials every year and are also part of the single audit. Food services also has a tri-annual audit by ADE which is done every 3 years.
 - Auditor General – Performance audit, Districts selected at random, AGs office conducts about 10 a year.
 - Procurement Audit – Was an annual audit, the District is no longer required to do this audit. This was brought to the Audit Committee and the recommendation was to not conduct this audit unless any issues arise within procurement. May possibly bring back and do every 3 years.
 - Special Audits – Examples of some special audits that were completed: audit of land line phones and cell phones as well as different school audits and PTO audits.
 - Ms. Regan requested an audit report be presented at every Audit Committee meeting that details different types of audits and where the District is in the audit cycle.
- e) Calendar of Scheduled Audits
- Timelines stated in d (Types of Audits).

5. Creation of an Audit Plan - Information

- Refresh the Risk Assessment – Start next week and hopefully complete and review by the September 8th Audit Committee meeting. Email Ms. Crosier any topics.
- Discuss and create an audit plan for the next 12 months.
- If something elevates as high risk and time sensitive, we can go to the Board with an ask, reach out to the City of Scottsdale for a price estimate then ask the Board for additional resources and why.
- Shannon will share the list of existing audits to the committee members for review.
- If an audit plan is created on September 8th, suggest/recommend the audit plan for Board approval. If possible, Audit Committee members should attend the September 12th or October 3rd Board meeting.

6. Review - Information

a) Schedule of Meetings

- Quarterly – the second Friday of every three months at 9am.

b) Standing Agenda Topics

- Email Ms. Regan any ideas/topics.
- What are the emerging risks - open dialogue/discussion.
- Monitor completed audits that have open findings.
- Keep an eye on the Audit Committee budget.

c) Measure(s) of Impact of the Work of the Committee

- Report to the Board the things that the Audit Committee is doing that is value add to the District. Continue discussion at next Audit Committee meeting.

7. Adjournment

At 10:58 AM, Mr. Klonoski moved to adjourn the Audit Committee meeting. Ms. Beasley seconded the motion. The motion was approved with a vote of 4 – 0.

Dated this 28th day of July 2023