

**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
September 13, 2024 at 9:00 AM**

The meeting was called to order at 9:02 AM on September 13, 2024.

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

Roll Call-

Audit Committee members in attendance were Sara Regan, Chair; Jeanne Beasley and Patty Beckman. Jason Klonoski, Vice Chair and Carine Werner, Governing Board Member were absent. A quorum was present.

Dr. Scott A. Menzel, Superintendent; Shannon Crosier, Chief Financial Officer; Dr. Heather Cruz, Assistant Superintendent of Human Resources, Nicholas Buzan, General Counsel; David Jacobson, Director of Transportation; Dr. Susan Lugo, Director of Human Resources for Certified; Amy Goff, Director of Human Resources for Classified and from the City of Scottsdale: Lai Cluff, Acting City Auditor were also present.

Information/Discussion and Possible Action

3. Approval of Prior Meeting Minutes – August 8, 2024 - Action

Ms. Beasley moved to approve the Audit Committee Meeting Minutes of August 8, 2024. Mrs. Beckman seconded the motion. The motion was approved with a vote of 3 - 0.

4. Compensation Practices Audit Update – Dr. Heather Cruz, Assistant Superintendent of Human Resources – Information

- The Goal is to establish stronger systems and controls.
- Finding 1: Controls over salary placement need to be strengthened and data quality needs to be improved to prevent and identify potential errors.
 - Design and implement stronger manual and system controls to help ensure accurate employee salary placement. Establish processes to improve data entry accuracy in fields such as years of experience and employment status. Evaluate ways to automate salary placement processes to reduce errors and create exception reporting to identify potential errors.
 - Established: Monthly trainings on hiring process and placement; New Hire placement schedules for all certified and classified employee groups (no later than December 2024); Two verifications for salary placements required for new hire placements.
 - In Progress: Creating the system for a monthly auditing routine into HR practice (will be in place October 2024); Developing a placement schedule for administrators.
 - Review and correct errors identified in salary or rate placement.
 - HR and Payroll have identified these employees and their salaries have been corrected (April 2024).

- Establish procedures to ensure ERP system salary schedules align with Governing Board approved schedules, and address discrepancies with Governing Board approved schedules.
 - Payroll addressed the discrepancies.
 - HR verified this was completed and aligned with Governing Board adopted salary schedules (April 2024).
- Establish procedures for verifying accuracy of calculations for District-wide pay increases and salary schedule changes.
 - Payroll created a standard operating procedure (SOP) to district-wide pay.
 - Increases and salary schedule changes.
 - HR verified the increases for accuracy.
 - Work with IBN to ensure a comprehensive salary schedule and will work to eliminate any outliers.
- Obtain approval for extended versions of certified salary schedule, and other expanded versions of position schedules in use, as applicable.
 - All salary schedules have been approved by the Governing Board.
 - If employees are over the upper boundary of the approved salary schedule, the amount that is taken back to the Governing Board for approval is listed as a Salary Differential.
 - For FY26 moving forward, salary schedules will be adjusted to include all salary amounts for employees (no salary differentials).
- Establish procedures to ensure supplemental pay is authorized in accordance with District policies.
 - The supplemental salary schedule has been updated to reflect all supplemental pays for the District.
 - Daily rates for substitutes have been added to the supplemental salary schedules for transparency.
 - If any other supplementals are found throughout the year that are not reflected on the supplemental salary schedule, that schedule will be brought back to the Governing Board for approval before those are paid to any employee.
- Review and correct data inconsistencies within key data fields such as Description and Primary Job Title.
 - Compensation and Classification Study will inform realignment of “Primary Job Description” and “Primary Job Title.”
 - Will wait for the information from the studies above to complete this action (Spring 2025).
- Finding 2: District has not adopted employment policies for all employment classes to guide employment contract terms and practices.
 - Develop classification and compensation policies for Governing Board approval, that address all employee groups and identifies the positions that are categorized within each of those groups.
 - This will be addressed through the Interest-Based Negotiations (IBN) process. Kick-off meeting held with all four employee associations on August 28th.
 - Will capture in policy (1st and 2nd read to the Board – completion date approximately April 2025).
 - Evaluate ways to simplify administrator contract forms, and ensure all contract forms cover key terms, such as leave and buyout programs, and ensure the correct contract forms are used for each position.

- Will be completed through the FY25 contract issuance.
 - Will continue to evaluate all contract templates to look at new statute.
 - All employees will also have to be evaluated through the lens of the new Fair Labor Standards Act (FLSA) ruling.
 - Many employees may/will need to be re-categorized according to the new ruling approved in April 2024 (will work with Legal Counsel on this).
- Establish procedures to ensure that all employees annually review and accept their employment contract/notices. Issue new employment contracts to employees that have an inaccurate type of contract.
 - HR provided weekly data to school/department supervisors to track acceptance of contracts. Corrected contracts were issued for 2024-2025 for those employees identified in the audit.
 - HR will continue to refine this process for the 2025-2026 (FY26) school year.
- Finding 3: Several leave plans do not align with benefit policies approved by the Board.
 - Establish procedures to ensure ERP system leave plans accurately reflect approved benefit plans, remove unauthorized leave plans and address discrepancies with Governing Board approved accruals and assigned leave plans.
 - SOP document has been created by the Payroll Department.
 - Unused leave plans have been removed from the Visions system.
 - Payroll conducted an internal audit to ensure employees were placed on the correct leave plan for the current year.
 - Review and correct errors with employee leave data/records.
 - Human Resources collaborated with Payroll to utilize data analytics to compare work calendar schedules and contract types to ensure correct leave records.
 - The Payroll team will conduct internal audits to ensure continued accuracy.
- Finding 4: A periodic review of job descriptions is needed to ensure compliance with overtime pay requirements.
 - Perform a review of job descriptions at risk of FLSA misclassification.
 - Currently in progress – much more work to be done.
 - Initial conversations have begun with the employees identified in the audit.
 - An initial report has been generated from the Visions system.
 - Dr. Cruz will be meeting with Legal Counsel to begin the analysis for all positions through the new FLSA ruling on 9/17/24.
 - Expected completion date - late winter/spring 2025.
 - Establish a formal process for periodic review and update of job descriptions, including tracking request dates, responses, and last review dates. Also, ensure that job descriptions are reviewed for accuracy of FLSA status and payment determination when the documents are updated.
 - The District engaged in a Compensation and Classification study as part of the work from audit number one.
 - The Compensation stage has been completed.
 - An update was provided to the Governing Board on 8/23/2024.
 - The Classification stage is beginning this month. HR had a meeting with Logic Compensation Group on 9/9/24.
 - Tentative completion date: January 2025.
 - Ensure that job descriptions are maintained for all District positions and approved by the Governing Board.

- At the current time, all new job descriptions and any job descriptions that have substantive changes, are taken to the Governing Board for approval.
- The Classification Study that will be conducted during the Fall of 2024 will inform any job descriptions that need to be updated and/or changed.
- Any substantive changes or new job descriptions will be brought to the Governing Board for approval.
- All Governing Board approved job descriptions to be maintained and updated in TalentEd Recruit & Hire.
- Dr. Cruz will provide a written update on outstanding items to the Audit Committee members.

5. Follow Up to Board Presentation on Audit Plan - Discussion

- Ms. Regan presented the audit plan to the Governing Board on September 10th.
- The Governing Board unanimously approved the audit plan as presented – Transportation, Insurance, Maintenance and Purchasing/Procurement.
- Ms. Crosier will upload the audit questionnaire (170+ questions) to the shared drive.
- Recommendation and proposed timeline (annually) - prepare the annual audit plan report and present at the first Governing Board meeting in August.

6. Transportation Audit Timeline and Process - Discussion

- Ms. Cluff will meet with Ms. Crosier and Dr. Menzel to discuss scope and cost.
- Possible start time with City of Scottsdale Auditor could be November – provide interim communications to the committee about scope, cost, anticipated timeline (fieldwork, findings).
- The scope and amendment need to be approved by the Board and City of Scottsdale's City Council. The goal is to send the scope of work to the Audit Committee and the amendment processed by the October 22nd or November 12th Governing Board meeting.
- Areas of focus:
 - Cost
 - Hire/retain bus drivers
 - Policies and processes
 - Keep students safe
 - Outsourcing
 - Structure of the department and the system
 - Challenges
 - Operational efficiencies
 - Market comparison with neighboring districts (similar to HR audit)
 - Add - Program transportation (athletics and field trips)
- Two paths in Transportation:
 - Physical – buses (do we have enough buses, are they safe, retirement process of buses, are we getting enough money when we sell the old buses?).
 - Talent – drivers/compensation (do we have enough bus drivers, are we hiring the best, what would it take to hire the best, what are the barriers, are we doing enough to hire and keep the talent?).

7. Future Agenda Topics

- December 13th - Presentation on Self-Insurance Plan (in-person) – Shannon Crosier along with insurance representatives. They will also cover coverage on cyber security. Ms. Crosier will send the committee the self-insurance trust slide deck.

- Follow Up and Timeline on Auditor General's Security Report – Dr. Scott Menzel, Superintendent – receive/send copy of report (may be 1st quarter of 2025) – tentative for December 13th agenda (dependent on report status).
- December 13th - Technology/Cyber Security Update – Dr. Michelle Watt, Chief Systems Officer – in-person.
- December 13th - Think about scope and details for Insurance and Maintenance audits – procure for Insurance and scope for Maintenance.
- December 13th - Walk through Transportation audit – scope and cost.

8. Future Meeting Date – Friday, December 13, 2024

9. Adjournment

At 9:54 AM, Mrs. Beckman moved to adjourn the Audit Committee meeting. Ms. Beasley seconded the motion. The motion was approved with a vote of 3 – 0.

Dated this 13th day of September 2024