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
December 13, 2024 at 9:00 AM

The meeting was called to order at 9:00 AM on December 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; Carine Werner, Governing Board Member, and Jeanne Beasley. Jason Klonoski, Vice Chair and Patty Beckman 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; 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 – September 13, 2024 - Action
   Ms. Beasley moved to approve the Audit Committee Meeting Minutes of September 13, 2024. Ms. Regan seconded the motion. The motion was approved with a vote of 3 - 0.

4. Auditor General's Security Report General Overview – Dr. Scott A. Menzel, Superintendent – Information
   - Arizona School Safety Emergency Operations Planning report highlights and key findings were presented.
   - At this time, staff was not prepared to present the more detailed report which will need to be done in Executive Session. The report should be ready when the Audit Committee meets in March.
   - No school in the state did well.
   - Primary reason:
     - Some EOP Minimum Standards are too vague, may be impractical, or lack a clear purpose. A comprehensive review and update of the EOP Minimum Standards could help ensure all standards are necessary and clearly explained.
   - Another reason: SUSD templates for the emergency response letters are electronic and not printed out in an EOP.
   - There are opportunities for the expectations to be clarified and opportunities for improvement.
   - From an overview perspective, an audit like this is important and should continue.
   - The State should take seriously updating the minimum standards in partnership with the Department of Emergency Management. Take into account what can be online vs print form and the difference between small schools and large school districts.
   - Recommendation: after the first of the year and after the audit has been presented to the Governing Board - hold an executive session with the Adut Committee to go into more detail some of the recommendations specific to Scottsdale.

- There is no mechanism currently for enforcement.
- Unsure when this report will go to the Governing Board – most likely the January 28, 2025 meeting.

5. Scottsdale Human Resources Audit Update – Dr. Heather Cruz, Assistant Superintendent of Human Resources - Information

Finding 1: Controls over salary placement need to be strengthened and data quality needs to be improved to prevent and identify potential errors.

- 1.1 Design and implement stronger manual and system controls to help ensure accurate employee salary placement.
    - Most have been established.
    - In progress: developing placement schedule for administrators which will move through the IBN process.
    - Draft of Principals and APs done – will be taken to their IBN group.
    - Will work on other Administrators through the District Administrators Association after the break.
    - The target date to go to the Governing Board is February 2025.
- 1.2 Review and correct errors identified in salary or rate placement.
    - All salaries were corrected as of April 2024.
- 1.3 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.
    - Human Resources verified this was completed and aligned with the Governing Board adopted salary schedules.
    - All completed April 2024.
- 1.4 Establish procedures for verifying accuracy of calculations for District-wide pay increases and salary schedule changes.
    - Established - Payroll created a standard operating procedure (SOP) to district-wide pay increases and salary schedule changes.
    - Human Resources verified the increases for accuracy.
    - In Progress: Work through IBN to ensure a comprehensive salary schedule - anticipated date – February 2025.
- 1.5 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 as listed as a salary differential.
    - For FY26 moving forward, salary schedules will be adjusted to include all salary amounts for employees.
- 1.6 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.
- 1.7 Review and correct data inconsistencies within key data fields such as description and primary job title.
    - In Progress: Compensation and Classification Study will inform realignment of “Primary Job Description” and “Primary Job Title.” Anticipated Date - Spring 2025.

Finding 2: **Controls over salary placement need to be strengthened and data quality needs to be improved to prevent and identify potential errors**.

- 2.1 Develop classification and compensation policies for Governing Board approval, which address all employee groups and identify the positions that are categorized within each of those groups.
    - IBN is well underway. Will not be discussing salary until into the second semester and until there is information from the Legislature.
    - The classification study is also underway. All employees have been provided with the opportunity to submit a Position Description Questionnaire (PDQ).
    - Some groups will be provided with the opportunity to participate in a focus group.
    - Hoping to have actionable data from this study by February 2025.
- 2.2 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.
    - All contract templates have been sent to legal counsel for review for FY26 contract issuance.
    - They are being reviewed for statute updates as well as any updates required by the Federal Labor Standards Act (FLSA).
    - All templates will go to the Governing Board for approval prior to any contract issuance.
- 2.3 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.
    - Human Resources (HR) will continue to provide data to supervisors in order for proper monitoring and communication.
    - HR will also communicate frequently with all employees' groups through the many channels provided by SUSD.
    - HR has added this item to the monthly audit processes.

Finding 3: Several leave plans do not align with benefit policies approved by the Board.

- 3.1 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.
    - Completed - Payroll created an SOP for this item.
    - HR will also audit this based on the monthly audit schedule.
- 3.2 Review and correct errors with employee leave data/records.
    - This has been added to the HR monthly audit schedule.

Finding 4: A periodic review of job descriptions is needed to ensure compliance with overtime pay requirements.

- 4.1 Perform a review of job descriptions at risk of FLSA misclassification.
    - Currently working with legal counsel on this.
    - All employees that will be identified as non-exempt per the updated FLSA ruling will be notified prior to the winter break.
    - Upon their return on January 6, 2025, they will be required to begin clocking in and out utilizing Time Clock Plus.
    - Current fringe benefits will be transitioned to their new classification beginning July 1, 2025.
    - When work agreements are issued for FY26, they will be issued a work agreement that reflects their new classification.
- 4.2 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.
    - This will be a part of the work associated with the classification study that is currently taking place.
    - We will add a piece to the monthly audit schedule to ensure job classifications are consistently reviewed in alignment with FLSA requirements.
- 4.3 Ensure that job descriptions are maintained for all District positions and approved by the Governing Board.
    - Any job descriptions that have changes/updates will be taken to the Governing Board for approval.
    - All Governing Board approved job descriptions will be maintained and updated in TalentEd Recruit & Hire.
- Request for Dr. Cruz to provide another update on outstanding items at the March meeting.

6. Presentation on Self-Insurance Plan – Shannon Crosier, Chief Financial Officer – Information
    - What does it mean to be self-insured?
        - More flexibility
        - Control over what plans look like
        - Plan designs
        - What we offer
        - We don't pay a premium, but we pay all claims – more risk
    - Kairos is the District's administrator over medical and ancillary insurance – their administrative expense is about 6%.
    - Reviewed the 4 health plans SUSD offers.
    - Pharmacy is the #1 cost driver.
    - Valley Schools is another Trust – Ms. Crosier reached out to them to obtain an analysis and is currently waiting on the comparison between the 2 Trusts (Kairos and Valley Schools).
    - Continuing to have conversations with Kairos on how to reduce costs.
    - Claims this year are trending better than they have been.
    - What is driving up the cost of insurance for SUSD?
        - SUSD's average age is older than other districts insured by Kairos – 41 vs. 38
        - SUSD is experiencing large claims and members are making choices to reject cost saving measures. High claims: cancer, diabetes and muscular skeletal.
        - Pharmacy
        - Medical

- What is being done to lower costs?
    - Adjustments to pharmacy costs for employees.
    - Employee Wellness Committee.
    - Utilization of the Kairos Pro Nurse Navigators
    - Cost shifting now can educate and help employees make better choices.
    - Have an established PCP.
    - Teledoc is currently free.
- Ms. Regan would like insurance to be an annual agenda item presented every December. Ms. Crosier will provide an update to the Audit Committee.

7. Future Meeting Date – Friday, March 14, 2025 (Spring Break – Select an Alternative Date)
    - New date is April 4, 2025
    - Agenda items:
        - Discuss the Transportation Audit
        - Auditor General's Security Report
        - Cybersecurity/Tech Update from Dr. Michelle Watt
        - HR Outstanding Items Update from Dr. Cruz
        - Discuss the next audit on the list - Insurance

8. Adjournment

    At 9:59 AM, Mrs. Beasley moved to adjourn the Audit Committee meeting. Mrs. Werner seconded the motion. The motion was approved with a vote of 3 – 0.

Dated this 13th day of December 2024