

**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
April 4, 2025 at 9:00 AM**

The meeting was called to order at 9:05 AM on April 4, 2025.

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; Jason Klonoski, Vice Chair (via video/internet conferencing); Mike Sharkey, Governing Board Member; Jeanne Beasley and Patty Beckman (via video/internet conferencing). A quorum was present.

Dr. Scott A. Menzel, Superintendent (via video/internet conferencing); Shannon Crosier, Chief Financial Officer; Dr. Heather Cruz, Assistant Superintendent of Human Resources, Nicholas Buzan, General Counsel, Josh Friedman, Director of Safety and Security add Johnny Williams, Transportation Supervisor; and from the City of Scottsdale: Lai Cluff, Acting City Auditor and Elizabeth Brandt were also present.

Information/Discussion and Possible Action

3. Approval of Prior Meeting Minutes – December 13, 2024 - Action

Ms. Beasley moved to approve the Audit Committee Meeting Minutes of September 13, 2024. Mr. Sharkey seconded the motion. The motion was approved.

**4. SUSD Transportation Audit Report – Lai Cluff, Acting City Auditor - City of Scottsdale
– Information**

- Audit Objective: To assess the operational efficiency and effectiveness of the District's transportation program, including safety, staffing and recruitment, outsourced services, and operating efficiency.
- Transportation Department Mission: To transport students safely to and from school. In addition to the daily routes, the department provides student transportation for athletic and activity trips and maintains the bus fleet.
- Properly sizing the bus fleet, further evaluating route efficiency, and formalizing maintenance policies would improve the effectiveness of the transportation program.
 - Fewer than 60% of buses are used daily for school routes. Maintaining too many spare buses increases mechanic workload and certain operating costs.
 - Assessment of the bus fleet is impacted by potential future reductions to contracted transportation.
 - Further evaluation of route efficiency should be considered due to declining ridership and systemic driver shortages.
 - Formalizing bus inspection and maintenance requirements and utilizing system capabilities to monitor completion of these tasks would help ensure that operational standards are met.
- Recommendations:
 - Assess the optimal size and composition of the bus fleet.

- Evaluate the use of routing software and data-driven tools for route optimization.
- Adopt bus inspection and maintenance policies.
- Ensure that existing software systems correctly reflect the active fleet of buses.
- Maximize the use of available technology solutions to manage inspections.
- Establish processes to ensure accurate and complete maintenance data.
- Improvement to contract monitoring practices are needed.
 - Key contract terms, such as driver qualifications, vehicle maintenance, and insurance coverage, need to be actively monitored.
 - Invoices lack documentation to assess the accuracy of charges.
- Recommendations
 - Develop a contract administration policy for approval.
 - Monitor contractor compliance with key contract requirements.
 - Request contractors to provide detailed service reports.
 - Consider establishing additional policies or requirements for contractors.
- Driver retention appears to be improving but additional recruitment efforts are needed to reach operational goals.
 - The number of bus drivers has been steadily decreasing, but drivers staying with the district appears to be improving.
- Recommendation
 - Consider re-instituting recruitment practices such as referral program and continue evaluation of extending contracts.
- Request for follow up at June meeting – progress on the action plan.

5. Follow Up and Timeline on Auditor General's Security Report – Dr. Scott Menzel, Superintendent and Josh Friedman, Director of Safety and Security - **Executive Session**

- At 9:47 AM Mr. Sharkey moved to convene in Executive Session to discuss the follow up and timeline on the Auditor General's Security Report. Mrs. Beasley seconded the motion. The motion was approved with a vote of 5 – 0.
- At 10:14 AM Ms. Regan adjourned the Executive Session.
- At 10:15 AM Ms. Regan reconvened the Audit Committee meeting.

6. Scottsdale Human Resources Audit - Outstanding Items 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.
 - Implementing now - most have been established.
 - In progress: developing placement schedule for administrators - in the final stages of this development for principals and district administrators – anticipated date: May 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.
 - 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: Established and completed - all salary schedules and salary differentials were Governing Board approved on April 1, 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.
 - Salary differentials were included in salary schedules to ensure all compensation is on the adopted salary schedule and approved by the Governing Board.
- 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. This was taken back for revision at the April 1, 2025 Governing Board meeting.
- 1.7 Review and correct data inconsistencies within key data fields such as description and primary job title.
 - In Compensation and Classification Study will inform realignment of “Primary Job Description” and “Primary Job Title.”
 - Information from the studies will inform this action – anticipated date mid-May 2025.
 - Will come up with an action plan for the 2025-2026 school year.

Finding 2: District has not adopted employment policies for all employment classes to guide employment contract terms and practices.

- 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.
 - Scottsdale District Administrators Association was recognized last spring by the SUSD Governing Board – SUSD now has 4 employee associations, they cover all employees except the Superintendent.
 - Working with the 4 employee groups to pull out pieces from their employment agreements to put in policies.
 - All four groups are currently working collaboratively on general leave.
- 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 for 2025-2026 were reviewed by legal counsel.
 - All contract templates were also reviewed for statute updates as well as any updates required by the Fair Labor Standards Act (FLSA).

- All templates were approved by the Governing Board at the February 11, 2025 meeting.
- 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.
 - Certified contracts were issued on March 17, 2025.
 - Reports sent to supervisors every Sunday to ensure they are following up with employees who have not signed their contracts.
 - Human Resources (HR) will continue to provide data to supervisors for proper monitoring and communication.
 - Human Resources will continue this practice following the issuance of administrative contracts and classified work agreements.

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.
 - Payroll created a 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.
 - Work began on this with legal counsel in October 2024.
 - The review is complete; there is a formal legal opinion on which positions are not in compliance with the Fair Labor Standards Act (FLSA).
 - All affected employees have been noticed.
 - Fringe benefits will be transitioned for all affected employees - a plan was approved at the April 1, 2025 Governing Board meeting.
 - When work agreements are issued for FY26, the affected employees 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.
 - Review of each job description when there is a change/update to a job description prior to it going to the Governing Board for approval.
- 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 report on the status of updated items at the June meeting.

7. Discuss City of Scottsdale Audit Budget Reduction

- Discussion to reduce the Audit Committee budget.
- The budget was originally set for \$100,000 - recommendation to reduce to \$67,000.
- Mr. Sharkey suggested leaving the budget at \$100,000, scope out audits during July planning and use best estimates to figure out dollar amounts. Potentially set future years plans in April.
- There is \$23,000 yet unspent this year. Dr. Menzel suggested to budget in the next fiscal year \$80,000 but allow the carry forward which offers a buffer for that year to implement the plan that Mr. Sharkey outlined. Committee members were comfortable with this suggestion.

8. Discuss Next Audit (Insurance) and Future Agenda Topics

- The City of Scottsdale may not be the best suited to perform the insurance (health) audit.
- What does the Audit Committee want audited within health insurance? Narrow the scope.
- Seek recommendations – identify an auditor.
- Ms. Cluff will look at the pool of auditors they consult with.
- Ms. Crosier will reach out to Heinfeld Meech for auditor recommendations.
- Take aways: first identify an auditor then start working through scope, timing and cost.
- Bring back at the June meeting.

9. Adjournment

At 10:58 AM, Mrs. Beasley moved to adjourn the Audit Committee meeting. Mr. Sharkey seconded the motion. Mrs. Beckman and Mr. Klonoski left early. The motion was approved with a vote of 3 – 0.

Dated this 4th day of April 2025