

**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
June 12, 2025 at 10:00 AM**

The meeting was called to order at 10:04 AM on June 12, 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 Mike Sharkey, Governing Board Member; Jeanne Beasley and Patty Beckman (via video/internet conferencing). A quorum was present.

Dr. Scott A. Menzel, Superintendent; Shannon Crosier, Chief Financial Officer; Dr. Heather Cruz, Assistant Superintendent of Human Resources; Dr. Michelle Watt, Chief Systems Officer; Kristine Harrington, Director of Communications and Marketing; David Jacobson, Director of Transportation; and from the City of Scottsdale: Lai Cluff, Acting City Auditor was also present.

Information/Discussion and Possible Action

3. Approval of Prior Meeting Minutes – April 4, 2025 - Action

Mr. Klonoski moved to approve the Audit Committee Meeting Minutes of April 4, 2025. Ms. Beasley seconded the motion. The motion was approved with a vote of 5 – 0.

4. SUSD Transportation Audit Report: Follow Up on Action Plan – Shannon Crosier, Chief Financial Officer and David Jacobson, Director of Transportation – Information

- Findings
 - Properly sizing the fleet
 - Further evaluating route efficiency
 - Formalizing maintenance policies
 - Improvements to contract monitoring practices
 - Driver recruitment efforts to reach operational goals
- 1.1: Assess the optimal size and composition of the bus fleet, taking into consideration possible changes to bus routes for route efficiency or to decrease reliance on transportation contractors.
 - Action Item: Transportation will review fleet size considering age of buses and possible drivers needed to reduce or eliminate contracting this service.
 - To be completed in September 2025 and then ongoing.
 - Current Status: Three buses were retired due to age to use as parts. Student ridership and bus driver staff will be evaluated in August after school starts.
- 1.2: Evaluate the use of routing software and data-driven tools to help create more efficient routes and regularly reassess routes as ridership changes.
 - Action Item: District staff currently utilizes the routing software and data tools, such as the driver count sheets to form routes. Routes are researched and adjusted throughout the year as necessary. The Director of Transportation will continue to work with the

- routing software vendor to see if there are more efficient ways to utilize the software when developing routes.
 - Ongoing effort.
 - Current Status: Using both software and student count to create efficient routes.
- 1.3: Adopt bus inspection and maintenance policies that address the fleet's varying composition and improve department accountability by measuring compliance with adopted policies.
 - Action Item: Transportation Operations Supervisor of Mechanics will develop procedures to address expectations on the different types of buses and work with mechanics to enforce those expectations.
 - Completed by September 2025.
 - Current Status: Supervisor has completed a shop service procedures with this expectation and trained mechanics. Procedure and expectation are posted in bus garages.
- 1.4: Ensure that existing software systems correctly reflect the active fleet of buses used to transport students.
 - Action Item: Transportation will work to move inactive vehicles off the asset listing.
 - Completed by December 2025.
 - Current Status: This has been completed.
- 1.5: Maximize the use of available technology solution to more effectively manage inspection schedule, ensuring that system policies align with department policies.
 - Action Item: Transportation Operations Supervisor of Mechanics has fixed the wrong intervals in the system.
 - Status: Completed prior to issuance of Audit Findings
- 1.6 Establish process to ensure accurate and complete maintenance data. Consider scanning and retaining electronic copies of inspections or leveraging other technology tools to improve efficiency and the quality of maintenance records.
 - Action Item: Purchase a scanner to scan all hard/written copies into the permanent electronic file for each bus.
 - To be Completed by August 2025.
 - Status: Scanners will be purchased in July so all hard copies will be scanned into electronic file.
- 2.1: Develop a contract administration policy for the District's Governing Board approval. The policy should outline responsibilities for contract management, including assignment of those responsibilities.
 - Action Item: CFO will work with Legal and Purchasing on developing a policy for contract management.
 - To be completed by May 2026.
 - Status: Directors are required to manage contracts under their scope of work.
- 2.2: Monitor contractor compliance with key contract requirements including driver qualifications, vehicle maintenance, and insurance coverage. Monitoring activities may include onsite visits, requests for employee information, or assurances regarding internal review of files.
 - Action Item: Director of Transportation will work with transportation service providers to monitor key contract requirements through quarterly spot checks.
 - Ongoing.

- Status: Director met with Care Transit provider to address monitoring issue that was discovered during audit. This has been addressed, and Care Transit has corrected the issue and implemented new procedures.
- 2.3: Request contractors to provide detailed reports regarding miles driven, trips taken, and number of transported students. Use that information to review contractor invoices and track the unit cost of the service (miles driven or cost per rider).
 - Action Item: Current vendors are providing more detailed information. Transportation will continue to work with future vendors to ensure invoices contain more detailed reports.
 - Ongoing.
 - Status: No longer using the vendor whose invoices were not providing detailed reports.
- 2.4: Consider establishing additional District policies or performance requirements for transportation contractors to ensure consistency across multiple contract vehicles. For example, expectations for vehicle inspections and maintenance, required reporting, access to contractor records, and require prompt communication of all incidents to the designated contract administrator.
 - Action Item: Current vendors used are from cooperative agreements so there is no direct contract with SUSD. Requirements added such as: cameras are a must to work with Scottsdale. Will continue to communicate with vendors on expectations.
 - Ongoing.
 - Status: Have contracted with new companies and expectations have been communicated.
 - Discovered some companies were charging for camera use – that has stopped - cost savings of \$100,000.
- 3.1: Consider re-instituting recruiting practices such as referral program to increase bus driver applicants and continue to evaluate providing options for extending contract days and/or daily work hours.
 - Action Item: Director of Transportation will work with CFO and Assistant Superintendent of Human Resources on a possible referral program and will review options for extending the bus driver contracts.
 - Spring 2026 and ongoing.
 - Status: CFO is looking at the cost of extending contract days. Tried referral programs in the past with no success. Will be discussed as a part of the Interest Based Negotiation starting in Fall 2025.

5. Scottsdale Human Resources Audit: Status of Updated Items – Dr. Heather Cruz, Assistant Superintendent of Human Resources – Information

- Updates under Finding 1: Controls over salary placement need to be strengthened and data quality needs to be improved to prevent and identify potential errors.
 - Established
 - All placement schedules have been deployed.
 - They will be utilized to place all new hires.
 - In Progress
 - The Compensation and Classification Study is taking longer than expected – will try to wrap that up in July.

- Compensation and Classification Study will inform realignment of “Primary Job Description” and “Primary Job Title.”
- The information from the studies will inform this action.
- Work to clean up fields, along with other outcomes from the compensation and classification study will be the focus of work for this fall.
 - ❖ This allows for the appropriate change management to take place organizationally. This will be work for the school year FY26.
- Any changes to the updates (job descriptions, etc.) will go to the Board for approval.
- Request for another update at the next meeting in July.

6. Technology/Cybersecurity Update – Dr. Michelle Watt, Chief Systems Officer - Information

- IT Vision and Mission: Our vision is to support a dynamic, technology-rich environment that empowers all students and staff to become passionate life-long learners and productive participants in our society. Our mission in integrating technology is to enable staff and students to be academically successful, technologically aware and fully engaged in the learning process.
- In the IT Department the main priority is to support the teaching and learning that is happening in the classroom.
- It is also a priority to support the systems that Transportation rely on, Nutrition Services, our business functions – all in support of the learning in the classroom.
- Protecting the confidentiality, integrity and availability of our data and systems is a high priority.
- Threats to K-12 education organizations are increasing – grateful for community support in the face of rising threats.
- Core Functions of Managing Cybersecurity Risk according to the National Institute of Standards and Technology (NIST)
 - Maintaining Confidentiality, Integrity, and Availability
 - Identify – making sure we know the different assets that we have in our system and where they are (physically knowing where devices are and where data resides).
 - Protect – technologies, processes and procedures in place around managing all information.
 - Detect – proactively looking, making sure things that are supposed to be a certain way are that way – also detecting if there are threats and/or bad actors working to access devices and systems.
 - Respond - being able to respond to threats and things out of compliance, identifying processes that need to be improved and improving those processes, identifying systems that are end of life and replacing those systems and identifying potential attacks and responding to those.
 - Recover – being able to recover.
- Cybersecurity Insurance Requirements (The Trust)
 - SUSD qualifies for the highest-level tier for cybersecurity insurance from The Trust.
 - Secure Air-Gapped Backups
 - Regular Phishing Simulations and Training
 - Multi-Factor Authentication (MFA)
 - Vulnerability Scanning
 - Endpoint Detection and Response (EDR) Software

- Software Patching – keep up to date
- Managing End-of-Life Software – stay up to date
- Current Audit/Assessment/Tabletop Cycles
 - Annually answering questions from internal auditors about practices and providing evidence around those.
 - Assessed on certain Auditor General requirements.
 - Values collection (data encryption) requested annually from The Trust.
 - Cyber risk assessment performed annually.
 - Perform scenario-based tabletop exercises regularly.
- Cybersecurity Awareness Campaigns – messages shared every October which is also Cybersecurity Awareness Month.
- Next Steps
 - Continually perform testing.
 - Windows 11 – this summer will be the big push for all mobile and desk top devices.
 - Kicking off migration from Mitel to Ring Central (Mitel is at end-of-life).
 - Infrastructure projects happening constantly.
 - Budget approval.
 - Scheduled times to upgrade the cooling in the data center.
 - Last year the site servers were upgraded at many sites – will continue to upgrade more site servers in the new school year.
 - Upgrade switches in network operation center.
 - Almost at the tail end of upgrading and transitioning to a new identity and access management system.

Mrs. Beckman left the meeting at 11:17am

7. Discuss Health Insurance Audit (Identify Auditor, Scope, Timing, Cost) – Information

- Received proposals from Arthur J. Gallagher and Navion.
- The scopes of both proposals are similar, and pricing is close – the Gallagher proposal covers more, but on a slower timeline.
- A big component is pharmacy – there is more detail in the Gallagher proposal.
- Kairos is aware that we are going down this road and we will need them to provide information for the audit.
- The health insurance audit needs to be completed by December 2025.

A. Approve Vendor for Health Insurance Audit - Action

Mr. Klonoski moved to approve the lower cost option for Gallagher (\$40,000 scope) with the caveat that when the District negotiates the agreement with Gallagher that they move the timeline up so that the audit is completed no later than early December. Mr. Sharkey seconded the motion. The motion was approved with a vote of 4 – 0.

8. Discuss Future Agenda Topics

- July 25, 2025 meeting
 - Scottsdale Human Resources Audit: Status of Updated Items.
 - Review and discuss risk assessment and what the audit plan will look like for the next year.
 - Discuss what the report to the Governing Board looks like.

- Ms. Crosier will email the committee a survey/questionnaire to complete and will compile answers/results.

9. Adjournment

At 11:51 AM, Mr. Klonoski moved to adjourn the Audit Committee meeting. Ms. Beasley seconded the motion. Mrs. Beckman left early. The motion was approved with a vote of 4 – 0.

Dated this 12th day of June 2025