

**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
January 16, 2026 at 10:00 AM**

The meeting was called to order at 10:04 AM on January 16, 2026.

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 or internet conferencing); Mike Sharkey, Governing Board Member; Jeanne Beasley; and Derek Hampshire. A quorum was present.

Dr. Scott A. Menzel, Superintendent; Shannon Crosier, Chief Financial Officer; Dr. Heather Cruz, Assistant Superintendent of Human Resources; from the City of Scottsdale: Lai Cluff, Acting City Auditor; and guest presenter Patrick Dittman, Area Vice President for Gallagher Benefit Services were also present.

Welcome new Audit Committee member, Derek Hampshire!

Information/Discussion and Possible Action

3. Approval of Prior Meeting Minutes – December 19, 2025 - Action

Mrs. Beasley moved to approve the Audit Committee Meeting Minutes of December 19, 2025. Mr. Sharkey seconded the motion. The motion was approved with a vote of 5 – 0.

4. Prior Audit Updates – Information

A. Human Resources - Dr. Heather Cruz, Assistant Superintendent of Human Resources

- The only outstanding item is the Compensation/Classification study.
- Next steps will be to bring recommendations to the Superintendent and Cabinet.
- An update and recommendations will go to the Audit Committee this calendar year.
- Dr. Cruz will share the entire report with the Audit Committee when it's ready.
- Dr. Cruz will share an executive report with the Audit Committee in the next few weeks.
- The Audit Committee will determine which upcoming meeting agenda will include the Human Resources Compensation/Classification study.

B. Transportation - Shannon Crosier, Chief Financial Officer

- There were a few outstanding items from the Transportation Audit.
 - Establish processes to ensure accurate and complete maintenance data, purchase and use of scanners – complete.
 - Develop a contract administration policy for Governing Board approval which requires discussion with legal counsel and review of how other districts are structuring similar policies – remains outstanding.
 - Monitor bus routes, how many students are on the buses and software used – corrected and remains ongoing.

- Referral program/recruiting practice to hire more bus drivers and potentially eliminate use of contracted services. A “Sign and Drive” event is underway targeted around February or March - will be coordinating with the Communications Department as those plans move forward.
- Addition of a new job description for drivers that does not require a CDL license due to a change in DPS law. Drivers cannot drive the big yellow student bus, but can drive a 14-passenger yellow bus. There are currently 5 open positions.
- One potential cost-saving strategy to reduce reliance on contracted services is adjusting driver work calendars based on feedback from the audit survey. At present, most bus drivers are on 9-month contracts, which is consistent with surrounding districts - exploring the possibility of moving drivers to a 10-month calendar, providing a few additional workdays and paid holidays.
- Additionally, considering converting approximately 15 positions to 12-month roles. Currently, we provide summer stipends for drivers who support summer school and other seasonal programs. Transitioning select positions to 12 months could create more consistency, improve coverage for summer operations, and potentially reduce overall costs associated with contracted services.
- If the district is able to reduce contracted services by 25%, combined with adjustments to work calendars, the projected savings would total approximately \$175,000.
- The district has partnered with Indeed.com to sponsor jobs and recruiting.
- Transportation is receiving significantly more applicants than ever before, reflecting substantial progress in recruitment efforts.

5. Health Insurance/Prescription Drug Audit Update – Patrick Dittman, Area Vice President – Gallagher Benefit Services – Information

- The final report will be ready within 8 weeks (around mid to end of March) and will aim to present an update at the next Audit Committee meeting on March 13th.
- Current delays include:
 - In need of some inclusion and exclusion drug files from the pharmacy benefit manager in order to determine drug rebates and discount guarantees on what drugs are included that fall into those discount and rebate guarantees and which ones are excluded.
 - Some information received was incomplete in regard to timelines; a deposit for rebate amount (need to know timeframe for when rebates were received). Need details and specific information other than just a dollar amount or what was earned during a specific time period – need time period dates.
- There were a few challenges with the current contract in regard to obtaining data.
- Kairos has been helpful in providing data.
- In reviewing administrative fees, some discrepancies have been identified, such as overcharge. Looking at the admin fees based on the number of drugs that were dispensed vs what the admin fees were supposed to be paid out at.
- Questioning the calculation of the admin fee – has not been shared.
- Noticed some shortfalls on the actual discount guarantees – requesting that Kairos address the shortfalls.
- Will push for information to be submitted before the March 13th meeting.
- When the final audit report is presented, request that recommendations include what to look for in the future.

6. Discussion of Cash Handling Audit – Scope and Price – Information

- Ms. Crosier reached out to HeinfeldMeech to get an idea of what this audit will look like and pricing.
- Their recommendation is to set up the project as a process review with transaction review, pricing dictated by time and course and dependent on and sites and types of receipts that would drive the time estimate.
- Process review:
 - Information on existing controls
 - Whether these controls are being followed
 - Where efficiencies may be gained
 - Areas to consider: the number of sites to be reviewed and types of cash process
- Fiscal review:
 - Written operational procedures with respect to cash handling at sites
 - Review of segregation of duties
 - Onsite walk throughs
 - Interviews with employees involved with cash handling at each site selected
 - Review of cash handling practices executed at each site selected
 - Review of sample of cash transactions at each site selected
 - Issuance of written report containing the results of the review
- Ms. Crosier recommended an overview of various areas that handle cash: District Office, Nutrition Services, Community Education, school sites and a sampling within Elementary Schools, Middle Schools, High Schools.
- Consensus to focus on Community Ed and Nutritional Services - operational audit: process, procedures, internal controls, fraud/risk mitigation (thefts, visible checks).
- Ms. Crosier will take the feedback and will ask HeinfeldMeech to develop a proposal and price with respect to scope of work that that covers Nutrition Services and Community Education to include process and procedures.
- Audit Committee to decided whether to green light the scope, modify and assess whether or not the dollar amount is worth the investment.
- Ms. Crosier will reach out to HeinfeldMeech and will have information by the March 13th meeting or sooner.
- Ms. Crosier will send the proposal to the Audit Committee as soon as she receives it.

7. Discussion Regarding Renewal of the City of Scottsdale Intergovernmental Agreement (IGA) Regarding Audit Services and Confirm Recommendation to the Governing Board – Action

- The IGA is set to expire March 2026 and the recommendation is to extend the IGA for at least a year, through June 30, 2027.
- Ms. Cluff does not see any issues with extending the IGA for another year.
- No recommended changes from the district except the extension of the date.
- Agreement on a one-year extension now and think about a longer-term IGA in the future.

Mr. Hampshire moved that the Audit Committee recommend to the Governing Board the Renewal of the City of Scottsdale Intergovernmental Agreement (IGA) Regarding Audit Services through June 30, 2027. Mr. Sharkey abstained. Mrs. Beasley seconded the motion. The motion was approved with a vote of 4 – 0 – 1.

8. Future Agenda Topics – Information

1. Cybersecurity (Trust Audit) and Potential Tabletop Exercises (Schedule and Results) Updates – may or may not have tabletop exercises ready by March – Kristine Harrington, Chief Communications and Information Officer
2. Security Update (physical security) in Executive Session – Josh Friedman, Director of Safety and Security
3. Additional Topics
 - Annual Fiscal Audit
 - Proposal of Cash Handling Audit Scope and Price
 - Prescription Drug Audit Update – Patrick Dittman, Area Vice President – Gallagher Benefit Services

9. Next Meeting: March 13, 2026 – **Information**

- Ms. Regan requested that the March 13th meeting be extended to 2 hours.

10. Adjournment

At 11:20 AM, Mr. Hampshire moved to adjourn the Audit Committee meeting. Mrs. Beasley seconded the motion. The motion was approved with a vote of 5 – 0.

Dated this 16th day of January 2026