MINUTES OF THE AUDIT COMMITTEE MEETING
SCOTTSDALE UNIFIED SCHOOL DISTRICT NO. 48
Online Platform – Microsoft Teams
June 10, 2026 at 9:00 AM

The meeting was called to order at 9:02 AM on June 10, 2026.

Call to Order – Mr. Klonoski 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 Jason Klonoski, Vice Chair; Mike Sharkey, Governing Board Member; Jeanne Beasley; and Derek Hampshire. Sara Regan was absent. A quorum was present.

Dr. Scott A. Menzel, Superintendent; Shannon Crosier, Chief Financial Officer; Dr. Heather Cruz, Assistant Superintendent of Human Resources; and from the City of Scottsdale: Lai Cluff, Acting City Auditor.

Information/Discussion and Possible Action

3. Approval of Prior Meeting Minutes – March 13, 2026 - **Action**

   Mr. Klonoski moved to approve the Audit Committee Meeting Minutes of March 13, 2026. No second. The motion was approved with a vote of 4 – 0.

4. Prescription Drug Audit Update – Sherri Ballou with Gallagher Benefit Services – **Information**
   - Gallagher conducted a pharmacy claims administration audit of Maxor on behalf of Scottsdale Unified School District for the period of July 1, 2023, through June 30, 2024.
   - The audit reviewed 24,358 net paid claims totaling approximately $5.58 million.
   - Key areas reviewed included pricing accuracy, rebate administration, financial guarantees, administrative fees, duplicate claims, and pass-through pricing.
   - SUSD's claims did not meet the discounts or dispensing fee guarantees under Kairos' book of business.
   - There was a shortfall with the guarantees.
   - Gallagher calculated a financial performance shortfall of $66,240 which exceeded the shortfall of $59,744 reported by Maxor in its reconciliation file.
   - This shortfall is not owed to SUSD as the discount and dispensing fee guarantees are inclusive of Kairos' book of business and are not specific to SUSD. No further action required.
   - Action item for management: follow-up with Kairos around potential shortfall guarantee that will be paid back to SUSD as part of the overall reconciliation including other schools and SUSD.
   - Gallagher confirmed that Maxor accurately calculated the minimum rebate guarantees for each channel. Maxor paid $1,176,447 in rebates to Kairos and confirmed that 100% of those rebates were passed through to SUSD.

- Gallagher was unable to verify that the rebates Maxor reported as being collected matched the rebates received from the Pharmaceutical Manufacturers.
- Gallagher was unable to assess the percentage of rebates collected versus rebates invoiced to evaluate alignment within a reasonable range.
- Gallagher found that Maxor accurately applied lower of pricing logic to SUSD's claims. No further action required.
- Gallagher did not identify any duplicate claims in the data. No further action required.
- Gallagher confirmed that Maxor adjudicated claims at the correct AWP price according to the methodology applied. Gallagher utilized the AWP pricing in Maxor's reconciliation file as the foundation for its financial analysis.
- Gallagher confirmed that Maxor accurately calculated the plan pay amount using the outlined formula, except for 65 claims totaling $268.08 in reported sales tax, which was not charged to SUSD.
- Pass through pricing - Gallagher determined that the amount remitted to the pharmacy matched the billed amount in the claims data for all claims reviewed.
- Gallagher confirmed that SUSD's ledger fees included additional contractual fees which were not included in Maxor's or Gallaghers' fee calculation. The variance was resolved and no issues were noted.
- Based on the testing performed, the responses received and the documentation provided by Maxor for the audit, it appears that the administrative fees related to SUSD's net paid claims were accurately managed during the audit period. No further action required.
- Recommended Follow-Up: Continue monitoring pharmacy claims and rebate administration through routine audits. Verify whether any state tax obligations exist related to the identified tax variance.

5. Cash Handling Audit Update - Sara Kirk with Heinfeld/Meech – **Information**
    - The District engaged Heinfeld/Meech to perform a detailed review of cash handling.
    - Sites/departments that were visited in April and May 2026:
        - Arcadia High School
        - Tonalea Middle School
        - Navajo Elementary School
        - Copper Ridge School
        - Laguna Prep School
        - Finance Department
        - Nutrition Services Department
        - Community Education Department
    - The review included interviewing employees, document collection and review of written policies and procedures.
    - Review Results – Overall
        - On demand cash handling training should be developed.
        - Routine internal audits of cash handling procedures are not consistently performed across all sites/departments.
        - Written procedures do not outline the specific supporting documentation that should be maintained for cash transactions at each level.

    - The District does not have a standardized process to document the receipt and handling of monies at all sites and departments, resulting in instances of undocumented chain of custody and an inability to verify deposits are made within one week of physical receipt.
    - Safe combinations or codes were not changed after personnel changes or regularly. One school safe was portable.
    - Change funds issued to schools have not been evaluated for potential reductions as cash handling processes have changed. One change fund was not established properly. Change funds were not accompanied by documentation of the value in the safe.
- Review Results – Student Activities
    - Approved event information is not shared centrally with site or district level personnel involved with cash handling/receipting.
    - Reporting could be improved to provide sponsors and coaches with account balances on a more regular basis.
    - Documentation did not support that club sponsors completed the required Student Activities acknowledgement prior to conducting fundraising activities.
    - Student activities cash receipt transactions reviewed were missing required documentation.
- Review Results – Community Education
    - Multiple employees within the Community Education Department have the ability to assign and modify user access rights with the Arux system.
    - Duplicate transaction tracking is being performed in the electronic payment system and a spreadsheet.
    - Cross training for the Fiscal Support Coordinator position is needed.
- Review Results - Nutrition Services
    - Cash drawers were shared or were not secured during lunch service.
    - Cash drawer counts and closeout at Arcadia High School was performed in the cashier area rather than the secure office or area.
    - One cash register at Cooper Ridge Middle School was not functional with respect to its locking mechanism.
    - Special circumstances have required District staff to personally transport cash deposits to the bank, which has raised safety concerns.
    - Some Cafeteria Managers are not reviewing available system reports, such as daily deposit information and transaction voids, and indicated limited familiarity with generating this information for review.

6. <u>Future Agenda Topics</u>
    - Management response to the cash handling audit update – July
    - Follow up on the compensation study/close out – July
    - Identify the next audit in the queue – July
    - Review the new PBM vendor and follow up on the closeout of the current vendor and the transition to the new vendor – September
    - Medical claims discussion (cost, utilization, benefit) – flag as a future agenda topic

7. Next Meeting: July 24, 2026

8. Adjournment

   At 10:57 AM, Mrs. Beasley moved to adjourn the Audit Committee meeting. Mr. Klonoski seconded the motion. The motion was approved with a vote of 4 – 0.

Dated this 10th day of June 2026