

CITY COUNCIL REPORT



Meeting Date: September 19, 2023
 General Plan Element: *Public Services & Facilities*
 General Plan Goal: *Partner with other jurisdictions and agencies*

ACTION

Adopt Resolution No. 12926 authorizing Contract No. 2021-023-COS-A2. Resolution No. 12926 authorizes Contract No. 2021-023-COS-A2 with the Scottsdale Unified School District No. 48 (SUSD). This intergovernmental agreement provides that SUSD will reimburse the City \$57,000 for the City Auditor to conduct the defined audit services.

BACKGROUND

In March 2021, the City Council approved an intergovernmental agreement (Contract No. 2021-023-COS) authorizing the City Auditor to conduct a specific audit for SUSD. This contract also contemplated that the agreement might be extended for future audits.

Subsequently, the Scottsdale Unified School District has adopted its internal audit policy and established an Audit Committee to guide development of its audit function.

After successful completion of two audits conducted under the intergovernmental agreement, SUSD is now asking that the City Council authorize the City Auditor to provide additional audit services and agrees to reimburse the city for the requested services. (Contract No. 2021-023-COS-A2)

The City Auditor developed the reimbursement amount stated in this proposed amendment based on the estimated time to complete the requested audit. To obtain reimbursement, the City Auditor's office will bill actual audit hours up to the estimated amount. The City Auditor will be required to obtain the district's written approval if any additional time and cost is needed for this audit.

At its September 12, 2023 meeting, the SUSD Governing Board will vote to approve this amendment to the intergovernmental agreement with the City of Scottsdale for the defined audit services and the specified reimbursement.

ANALYSIS & ASSESSMENT

Recent Staff Action

In conjunction with the SUSD Superintendent and SUSD Audit Committee, the Acting City Auditor developed the proposed contract amendment to define the desired audit services and the related reimbursement.

Action Taken Approved on Consent

Policy Implications

The intergovernmental agreement and this proposed contract amendment are consistent with the City Council’s goal of partnering with other jurisdictions, particularly with the school districts.

RESOURCE IMPACTS

Staffing, Workload Impact

Currently, the City Auditor’s FY 2023/24 Audit Plan includes a placeholder for a potential requested SUSD audit. Approval of this contract will result in the SUSD audit being incorporated into the office’s ongoing work schedule. The audit team’s prior audit experience with SUSD and Arizona school district performance audits should increase efficiency and effectiveness in completing the proposed SUSD audit.

Future Budget Implications

Should this agreement be extended to future audits on an ongoing basis, the City Auditor and City Manager will identify the necessary staff resources and related funding to offset the impact on the office’s city audit services.

Cost Recovery Options

As proposed, SUSD will pay for the City Auditor’s operating costs of providing the audit services. This cost recovery will be deposited to the City’s General Fund, which funds the office.

OPTIONS & STAFF RECOMMENDATION

Recommended Approach

Adopt Resolution No. 12926 authorizing Contract No. 2021-023-COS-A2, a second amendment to the original intergovernmental agreement to provide audit services for the Scottsdale Unified School District.

Description of Option B

Direct the Acting City Auditor regarding desired modifications for a renegotiated agreement.

Description of Option C

Not approve Resolution No. 12926 and Contract No. 2021-023-COS-A2.

Proposed Next Steps

If the City Council approves the intergovernmental agreement, the City Auditor will assign staff to conduct the proposed SUSD audit. Also, the City Auditor’s periodic Audit Plan updates to the City Council’s Audit Committee will include the status of this audit.

RESPONSIBLE DEPARTMENT(S)

City Auditor

STAFF CONTACT(S)

Lai Cluff, Acting City Auditor, LCluff@ScottsdaleAZ.gov

APPROVED BY



Lai Cluff, Acting City Auditor

8/31/2023

Date

(480) 312-7851 LCluff@ScottsdaleAZ.gov

ATTACHMENTS

1. Resolution No. 12926
2. Contract No. 2021-023-COS-A2

RESOLUTION NO. 12926

A RESOLUTION OF THE COUNCIL OF THE CITY OF SCOTTSDALE, MARICOPA COUNTY, ARIZONA, AUTHORIZING A SECOND AMENDMENT TO THE INTERGOVERNMENTAL AGREEMENT CONTRACT NO. 2021-023-COS WITH SCOTTSDALE UNIFIED SCHOOL DISTRICT NO. 48 FOR FUTURE AUDITS

WHEREAS, the City of Scottsdale ("City") and Scottsdale Unified School District No. 48 ("School District") are the original parties to that certain Intergovernmental Agreement (Contract No. 2021-023-COS) dated March 16, 2021 (the "Agreement"); and

WHEREAS, the City and the School District previously amended the Agreement through No. 2021-023-COS-A1 for the City to provide additional audit services; and

WHEREAS, City and School District now wish to further amend the Agreement to clarify roles and responsibilities as well as add additional audit scope;

NOW, THEREFORE, BE IT RESOLVED THAT:

Section 1. The Mayor is authorized and directed to execute on behalf of the City of Scottsdale Contract No. 2021-023-COS-A2 with Scottsdale Unified School District No. 48 for clarification of roles and responsibilities and additional audit scope as anticipated in section 12. Future Audits and as further defined in the Audit Scope and Billing sections of this amendment.

Section 2. The City Auditor or designee is authorized to approve and execute such other documents as are necessary to carry out the purposes of this resolution.

PASSED AND ADOPTED by the Council of the City of Scottsdale this _____ day of _____, 2023.

CITY OF SCOTTSDALE, an Arizona
municipal corporation

ATTEST:

David D. Ortega, Mayor

By:

Ben Lane, City Clerk

APPROVED AS TO FORM:

Sherry R. Scott, City Attorney

By: Eric C. Anderson, Senior Assistant City Attorney

SECOND AMENDMENT TO
INTERGOVERNMENTAL AGREEMENT

THIS SECOND AMENDMENT TO INTERGOVERNMENTAL AGREEMENT (the "Agreement") is made this _____ day of _____, 2023 between the SCOTTSDALE UNIFIED SCHOOL DISTRICT NO. 48, an Arizona corporation ("School District") and the CITY OF SCOTTSDALE, an Arizona municipal corporation ("City").

RECITALS

A. Scottsdale Unified School District No. 48 and the City of Scottsdale previously entered into an Intergovernmental Agreement, City Agreement Number 2021-023-COS ("Agreement") on March 16th, 2021.

B. The Agreement was approved by City of Scottsdale City Council by Resolution number 12083 on March 16, 2021.

C. Paragraph 12 of the Agreement contemplates that the Parties may agree to extend their intergovernmental agreement to provide additional audit services.

D. The First Amended Agreement was approved by City of Scottsdale City Council by Resolution 12574 on August 2, 2022.

NOW, THEREFORE, in consideration of the foregoing and intending that the City rely upon this Second Amended Agreement in undertaking to extend their intergovernmental agreement to provide additional audit services, the parties agree as follows:

A. Paragraph 4 and 5 of the Agreement are amended to read as follows:

4. School District Responsibilities. School District shall provide to the City Auditor free and open access to all documentation reasonably related to the audit scope and objective, including electronic records. The School District will also provide free and open access during normal working hours to all necessary School District personnel who have direct knowledge of the audited area. As needed, the School District will also facilitate the City Auditor's access to all necessary contractor and subcontractor records as allowed by its contracts and will provide the City Auditor with adequate and appropriate workspace when requested.
5. City Responsibilities. The City Auditor shall follow generally accepted government auditing standards in conducting this audit. The City Auditor will give the School District and its contractors reasonable advance notice of requested records, as may be required by the District's contracts. The City Auditor or designee will provide monthly updates on the status of audit work and any issues preventing its progress. Upon completion of the audit, the City Auditor shall provide a written audit report for the School District Governing Board. As requested, the City Auditor shall also provide any

necessary presentations to the School District Governing Board or its subcommittees and shall provide assistance for audit follow up and resolution of issues that may be identified by the audit.

B. The Agreement IS FURTHER AMENDED TO provide for additional audit functions through the addition of paragraphs 6.2 and 10.2 which shall READ AS FOLLOWS:

6.2 Additional Audit Scope. This audit will review the School District's compensation and benefit practices, evaluating how current compensation practices align with established District policies, including employee classifications, salary placement and administration, and benefits eligibility. Additionally, the audit will review the various agreements with employee groups, as well as employment agreements, evaluating the terms against benchmark comparisons. The audit scope is not expected to include evaluation of staffing levels or a compensation study. Any limitations to this audit scope will be presented by the City Auditor to the Contract Administrator or designee and included in the audit report as appropriate by auditing standards.

10.2 Billing. The School District agrees to pay the City \$57,000 for the additional audit services set forth in Section 6.2; payments to be based on percentage of completion. The City Auditor estimates that the City will employ approximately 600 hours of auditor time for the audit ("Project Estimate"), including necessary presentations and assistance for follow up and resolution of audit issues. The City will bill the School District quarterly by the *tenth* day of the month following the quarter. The City Auditor agrees to contact School District in writing if the Project Estimate may be exceeded and receive written approval prior to incurring any expense that would exceed Project Estimate.

C. ALL OTHER TERMS AND CONDITIONS OF THE INTERGOVERNMENTAL AGREEMENT NOT AMENDED HEREIN WILL REMAIN AS PREVIOUSLY ADOPTED.

IN WITNESS WHEREOF, the parties have subscribed their names as of the date first stated above.

EXECUTED as of the date first given above.

**SCOTTSDALE UNIFIED SCHOOL DISTRICT
No. 48**

By: _____
Name Printed: _____
Title: Superintendent

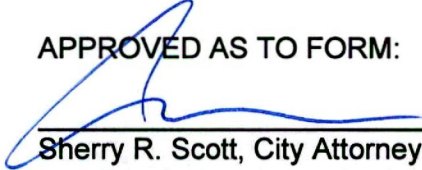
CITY OF SCOTTSDALE, an Arizona municipal corporation

By: _____
David D. Ortega, Mayor

ATTEST:

Ben Lane, City Clerk

APPROVED AS TO FORM:



Sherry R. Scott, City Attorney
By: Eric C. Anderson, Senior Assistant City Attorney

Jennifer N. MacLennan, Esq.
Gust Rosenfeld, Attorney for
Scottsdale Unified School District

CONTRACT ADMINISTRATOR:

By: 

Lai Cluff, Acting City Auditor

By: 

George Woods, Risk Management Director