

CITY COUNCIL REPORT



Meeting Date: October 22, 2024
 General Plan Element: **Public Services & Facilities**
 General Plan Goal: **Partner with other jurisdictions and agencies**

ACTION

Adopt Resolution No. 13261 authorizing Contract No. 2021-023-COS-A3. Resolution No. 13261 authorizes Contract No. 2021-023-COS-A3 with the Scottsdale Unified School District No. 48 (SUSD). This third amendment to the intergovernmental agreement provides that SUSD will reimburse the City \$77,000 for the City Auditor to conduct the defined audit services. Additionally, future amendments for additional audit services may be executed by the City Auditor.

BACKGROUND

In March 2021, the City Council approved an intergovernmental agreement (“IGA”) (Contract No. 2021-023- COS) authorizing the City Auditor to conduct a specific audit for SUSD. This IGA also provided that it could be amended to add future additional audits.

Subsequently, the Scottsdale Unified School District adopted its internal audit policy and established an Audit Committee to guide development of its audit function. Thereafter, the City and SUSD amended the agreement in 2022 (Contract No. 2021-023-COS-A1) and 2023 (2021-023-COA-A2) to add additional audits during those respective years.

After successful completion of three audits conducted under the IGA, 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.

The reimbursement amount stated in this proposed amendment is 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.

Additionally, to streamline the approval process for potential future additional audits, the proposed amendment would allow future amendments for additional audit services to be executed by the City Auditor on behalf of the city. Requests for audits are typically initiated through the SUSD Audit Committee. After the audit scope and terms for audit services are refined by the City Auditor's Office, the amendment and related expenditure must be approved by the Governing Board before it is agendized for City Council approval. Currently, the City Auditor's Annual Audit Plan, approved by Audit Committee and City Council, includes a potential SUSD audit as a contingency audit that may be

performed during the year. With the proposed amendment, following approval of the Annual Audit Plan by the Audit Committee and City Council, the City Auditor would be authorized to execute amendments to the IGA to provide those additional audit services.

At its October 1, 2024 meeting, the SUSD Governing Board voted 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.

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. 13261 authorizing Contract No. 2021-023-COS-A3, an amendment to the original IGA to provide audit services for the Scottsdale Unified School District.

Description of Option B

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

Description of Option C

Not approve No. 13261 authorizing Contract No. 2021-023-COS-A3

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.

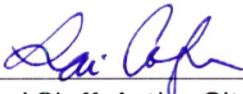
RESPONSIBLE DEPARTMENT(S)

City Auditor

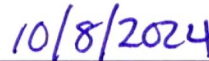
STAFF CONTACT(S)

Lai Cluff, Acting City Auditor LCluff@ScottsdaleAZ.gov

APPROVED BY



Lai Cluff, Acting City Auditor



Date

(480) 312-7851 LCluff@ScottsdaleAZ.gov

ATTACHMENTS

- 1. Resolution No. 13261
- 2. Contract No. 2021-023-COS-A3

RESOLUTION NO. 13261

A RESOLUTION OF THE COUNCIL OF THE CITY OF SCOTTSDALE, MARICOPA COUNTY, ARIZONA, AUTHORIZING: 1) CONTRACT NO. 2021-023-COS-A3, A THIRD AMENDMENT TO THE INTERGOVERNMENTAL AGREEMENT (IGA) BETWEEN THE CITY AND SCOTTSDALE UNIFIED SCHOOL DISTRICT NO. 48 FOR DEFINED AUDIT SERVICES; AND 2) THE CITY AUDITOR OR DESIGNEE TO EXECUTE SUCH OTHER DOCUMENTS AND TAKE SUCH OTHER ACTIONS AS NECESSARY TO CARRY OUT THE INTENT OF THIS RESOLUTION.

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

WHEREAS, the City and the District previously amended the Agreement through amendments bearing City Contract No. 2021-023-COS-A1 (the "First Amendment") and 2021-023-COA-A2 (the "Second Amendment"); and

WHEREAS, the City and the District now wish to further amend the Agreement to add additional audit services and to authorize amendments for future audits to be executed on behalf of the City by the City Auditor, as provided in City Contract No. 2021-023-COS-A3.

NOW, THEREFORE, BE IT RESOLVED by the Council of the City of Scottsdale, Maricopa County, Arizona, as follows:

Section 1. The City Council hereby authorizes, approves, and directs the Mayor to execute, on behalf of the City, Contract No. 2024-023-COS-A3, a Third Amendment to the Intergovernmental Agreement between the City and Scottsdale Unified School District No. 48 for defined audit services.

Section 2. The City Council hereby authorizes the City Auditor or designee to execute such other documents and take such other actions as necessary to carry out the intent of this Resolution.

PASSED AND ADOPTED by the Council of the City of Scottsdale, Maricopa County, Arizona this _____ day of _____, 2024.

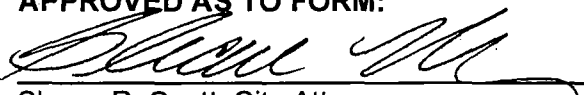
CITY OF SCOTTSDALE, an Arizona
municipal corporation

ATTEST:

David D. Ortega, Mayor

Ben Lane, City Clerk

APPROVED AS TO FORM:



Sherry R. Scott, City Attorney
By: Shane C. Morrison, Assistant City Attorney

ATTACHMENT 1

THIRD AMENDMENT TO
INTERGOVERNMENTAL AGREEMENT

THIS THIRD AMENDMENT TO INTERGOVERNMENTAL AGREEMENT (the "Third Amendment") is made this _____ day of October, 2024 between the SCOTTSDALE UNIFIED SCHOOL DISTRICT NO. 48, an Arizona school district ("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 (the "Agreement") on March 16th, 2021.

B. The Agreement was approved by City of Scottsdale City Council by Resolution 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.

E. The Second Amended Agreement was approved by City of Scottsdale City Council by Resolution 12926 on September 19, 2023.

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

A. The Agreement is AMENDED to delete Paragraphs 12 and 26 in their entirety and replace them with the following, respectively:

12. Future Audits. The Parties anticipate that future audits may be required by the School District using City assistance. This Agreement may be amended to include one or more additional audits, the scope and cost of which shall be in writing and approved by the governing bodies of the Parties pursuant to paragraph 26. Amendment(s) become effective upon the date of the last signature of a Party to such amendment. The foregoing notwithstanding, if approval of City's Council is required for execution of this Agreement and any subsequent amendments thereto, and such approval has been obtained, then future amendments related to additional audits may be executed on behalf of the City by the City Auditor.

26. Amendments. No modification or amendment of any term of this Agreement will be effective unless in writing and signed by the Parties. Amendments

related to additional audits may be executed on behalf of the City by the City Auditor, subject to the requirements of paragraph 12.

B. The Agreement IS FURTHER AMENDED TO provide for additional audit functions through the addition of paragraphs 6.3 and 10.3 which shall READ AS FOLLOWS:

6.3 Additional Audit Scope. The audit objective is to assess the operational efficiency and effectiveness of the School District's transportation program, including (but not limited to) safety, staffing and recruitment, outsourced services, and operating efficiency. The audit planning phase will include a preliminary risk assessment to further develop the audit approach and methodology. As applicable, the audit will apply criteria from DPS *Minimum Standards*, Arizona Administrative Code, District policies, comparisons to peer districts, and industry best practices. 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.

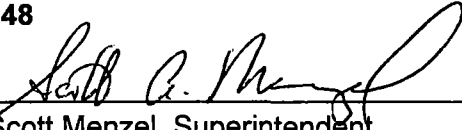
10.3 Billing. The School District agrees to pay the City \$77,000 for the additional audit services set forth in Section 6.3; payments to be based on percentage of completion. The City Auditor estimates that the City will employ approximately 700 hours of auditor time for the audit ("Project Estimate"). 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 is expected to be exceeded and receive written approval prior to incurring any expense that would exceed Project Estimate.

C. ALL OTHER TERMS AND CONDITIONS OF THE AGREEMENT NOT AMENDED HEREIN WILL REMAIN IN FULL FORCE AND EFFECT AS PREVIOUSLY ADOPTED.

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

**SCOTTSDALE UNIFIED SCHOOL DISTRICT
No. 48**

By: 
Scott Menzel, Superintendent

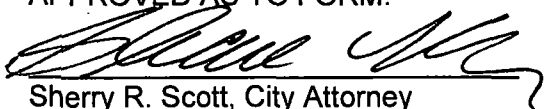
**CITY OF SCOTTSDALE, an Arizona municipal
corporation**

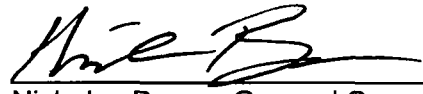
By: _____
David D. Ortega, Mayor

ATTEST:

Ben Lane, City Clerk


APPROVED AS TO FORM:


Sherry R. Scott, City Attorney
By: Shane C. Morrison, Assistant City Attorney


Nicholas Buzan, General Counsel
Scottsdale Unified School District

CONTRACT ADMINISTRATOR:

By: 
Lai Cluff, Acting City Auditor

By: 
George Woods, Risk Management Director