Item # 28

City of Carson City
Agenda Report

Date Submitted: 09/08/09

Agenda Date Requested: 09/17/09
Time Requested: 10 mins

To: Carson City Board of Supervisors

From: City Manager

Subject Title: Action to introduce on first reading, Bill No. ____, an ordinance amending Carson City Municipal Code Title 2 ADMINISTRATION AND PERSONNEL, Chapter 2.14 CARSON CITY AUDIT COMMITTEE, Section 2.14.030 COMPOSITION by removing one of the Board of Supervisors from the committee, removing the Finance Director from the committee, increasing the number of Public-At-Large Members from two to four and removing the requirement that members must possess certain qualifications, Section 2.14.040 MEETINGS OF THE CARSON CITY AUDIT COMMITTEE by removing the language regarding monthly meetings and other matters properly related thereto. (Larry Werner, City Manager)

Staff Summary: At the August 20, 2009 Board of Supervisors meeting there was discussion regarding the composition of the Audit Committee. The Board directed staff to bring back an ordinance that would change the number of Board members from two to one, remove the Finance Director from the committee and create four public-at-large positions. This ordinance accomplishes the direction requested by the Board and also removes the requirement that an applicant must possess certain qualifications, but encourages applicants to possess them and allows the Board to select members who meet the recommended qualifications. In addition, old language was deleted from municipal code regarding monthly meetings.

Type of Action Requested: (check one)

(____) Resolution
(____) Formal Action/Motion
(X) Ordinance (First Reading)
(____) Other (Specify)

Does This Action Require A Business Impact Statement: (__) Yes (X) No

Recommended Board Action: I move to introduce on first reading, Bill No. ____, an ordinance amending Carson City Municipal Code Title 2 ADMINISTRATION AND PERSONNEL, Chapter 2.14 CARSON CITY AUDIT COMMITTEE, Section 2.14.030 COMPOSITION by removing one of the Board of Supervisors from the committee, removing the Finance Director from the committee, increasing the number of Public-At-Large Members from two to four and removing the requirement that members must possess certain qualifications, Section 2.14.040 MEETINGS OF THE CARSON CITY AUDIT COMMITTEE by removing the language regarding monthly meetings and other matters properly related thereto.

Explanation for Recommended Board Action: At the August 20, 2009 Board of Supervisors meeting there was discussion regarding the composition of the Audit Committee. The Board directed staff to bring back an ordinance that would change the number of Board members from two to one, remove the Finance Director from the committee and create four public-at-large positions. This ordinance accomplishes the direction requested by the Board and also removes the requirement that an applicant must possess certain qualifications, but encourages applicants to possess them and allows the Board to select members who meet the recommended qualifications. In addition, old language was deleted from municipal code regarding monthly meetings.

Applicable Statute, Code, Policy, Rule or Regulation: Carson City Municipal Code Chapter 2.14

Fiscal Impact: N/A

Supporting Material: Proposed Ordinance

Prepared By: Melanie Bruketta, Chief Deputy D.A.

Reviewed By:

______________________ Date: 9-8-09
(City Manager)

Melanie Bruketta Date: 9-8-09
(District Attorney)

Nancy Paulson Date: 9/8/09
(Finance Director)

Board Action Taken:

Motion: ______________________ 1) ______________ 2) ______________ Aye/Nay

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______
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______
______

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(Vote Recorded By)

Chapter 2.14 CARSON CITY AUDIT COMMITTEE

Sections:

2.14.010 Introduction.

As the demand for enhanced accountability and the increased examination of an adequate system of internal controls occurs in the public sector due to the Sarbanes-Oxley Act, so does the significance and importance of an audit committee.

The independence and objectivity between the Carson City audit committee and the city's management team ensures that internal controls are a key management objective of the city's operation. The Government Finance Officers Association and the Institute of Internal Auditors encourage the effective use of an audit committee in the public sector and considers this committee an integral element of public accountability and governance. The Carson City audit committee plays a key role with respect to integrity of the city's financial information; its systems of internal controls, the legal and ethical conduct of management and employees, and is an invaluable tool for ensuring that those responsible for financial management (management, auditors, and governing boards) meet the respective responsibilities for internal control compliance and financial reporting. Additionally, the Carson City audit committee provides a vehicle for open communications between the board of supervisors, the city management team, internal audit, and the independent external auditors.

(Ord. 2008-10 § 3, 2008)

2.14.020 Purpose of the Carson City audit committee.

The role of the Carson City audit committee is to maintain oversight of the auditing function, both internal and external resulting in increased integrity and efficiency of the audit processes for the city and the city's system of internal controls and financial reporting. The committee has three primary characteristics for it to successfully fill its obligations:

1. Independence. The Carson City audit committee will be independent both in fact and in appearance and requires processes to be in place to ensure such independence is maintained at all times.
2. Communication. The Carson City audit committee will maintain an open line of communication with the board of supervisors, city management, internal and external auditors; providing direction for the city's audit function and a framework of accountability.
3. Accountability. The Carson City audit committee contributes to the integrity of the financial reporting process and reinforces the culture of a strong system of internal controls throughout the city.

The Carson City audit committee shall provide oversight to the city's internal controls by assuring that the system of internal controls established by management are reviewed on a regular and systematic basis for functionality and effectiveness. The Carson City audit committee's duties shall include, but are not limited to, development of the risk assessment and annual work plan, review of all individual audit reports, review of the annual report of audits completed, review the status of corrective actions, the annual budget, and the performance of the internal auditor. Upon completion of these reviews, the Carson City audit committee will make appropriate recommendations to the board of supervisors.
(Ord. 2008-10 § 4, 2008)

2.14.030 Composition of the Carson City audit committee.
1. The Carson City audit committee will be independent and objective in its collective mindset individually and as a group. The committee will reflect the following attributes:
a. Excellent communication skills with each other and with others;
b. A willingness to fully participate in complex and sensitive matters that require resolution;
c. Public accounting, governmental accounting and auditing experience.
2. The Carson City audit committee shall be comprised of 5 members; 2 members from the board of supervisors, 2 members from the public at-large and the city's director of finance.
a. 2 members of the Carson City audit committee will be selected from the board of supervisors. The board members shall be selected each January when the board of supervisors addresses board and commission assignments; these 2 positions will have staggered 2 year terms.
b. The 2 members at-large of the Carson City audit committee will be interviewed and selected by the board of supervisors. These members must be from the private sector with no less than 5 years of experience in financial services, public accounting, and/or governmental auditing, and current knowledge of public laws and regulations governing an audit committee. The terms shall be for staggered 2 years; expiring on each alternate year.
c. The members at-large shall not accept any consulting, advisory, or other compensatory fees from the city and may not be an affiliated person with the city or any subsidiary thereof.
3. Should a vacancy occur in any position on the Carson City audit committee, the board of supervisors must follow the procedure set forth above to select a new member for the committee. The selection must occur within one month of the vacancy occurring.
4. When deemed necessary, the Carson City audit committee may request that the city manager and other management employees attend a Carson City audit committee meeting in an advisory capacity. This individual may be requested to provide necessary information relative to internal controls, data, and analysis related to the specific objectives of the Carson City audit committee.
(Ord. 2008-10 § 5, 2008)

2.14.040 Responsibilities of the Carson City audit committee.

1. The Carson City audit committee will review and make recommendations to the board of supervisors regarding the annual financial audit, performance, compliance and efficiency audits, including specific issues of concern providing a higher level of accountability over the use of public funds. As appropriate, background documents related to specific audit issues will be sent to the committee during the course of each year.

2. The Carson City audit committee will:

a. Provide input into the annual risk assessment plan developed by the city auditor to identify areas of risk or exposure facing the city's organization; review and assess the steps necessary to minimize such risks in the future and improve operating efficiencies;

b. Identify with key directors significant risks or exposures facing their organizations/operations to develop a "risk plan" and "audit work plan" to prioritize the city auditor's work load and assess the need for professional services;

c. Annually review the audit scope and work plan of the city auditor in conjunction with the external auditors plan to address the coordination of audit efforts to ensure the completeness of coverage, reduction of redundant efforts and effective use of audit resources;

d. Discuss the fiscal health of the city in relation to the adopted budget with the city manager and the director of finance;

e. Consider matters related to the systems of internal controls, including overseeing compliance by management with applicable policies and procedures;

f. Review and make recommendations to the board of supervisors regarding audit findings including the status and implementation of recommendations for both internal and external audits;

g. Review and make recommendations to the board of supervisors pertaining to the internal audit budget for operating expenses and capital expenditures;

h. Oversee the appointment of the independent auditors to be engaged by the board of supervisors for external reporting and recommend to the board of supervisors the related audit fees;

i. Recommend to the board of supervisors to engage outside professional services when deemed appropriate for audit issues;

j. Review the internal audit charter and make recommendations to the board of supervisors when changes are deemed necessary;

k. Review and make recommendations to the board of supervisors for special requests for audit projects and have the authority to perform other duties as may be delegated to it by the board of supervisors;

3. Generally Accepted Auditing Standards (GAAS) and Government Auditing Standards require an independent auditor to evaluate the city's internal controls in connection with determining the extent of their audit procedures. The external auditors are required to alert the Carson City audit committee and the governing body regarding material matters. The Carson City audit committee will:

a. Review and make recommendations to the board of supervisors pertaining to the external auditors annual audit plan and inquire into external audit matters as deemed appropriate;

b. Oversee the appointment of the independent auditors to be engaged by the board of supervisors for external reporting and establish the related audit fees; review and evaluate the performance of the independent auditors and establish a regular schedule for periodically re-bidding the annual audit;

c. Review and make recommendations to the board of supervisors regarding all significant written communications between the independent auditors and management, such as any management letter or schedule of unadjusted differences.

(Ord. 2008-10 § 6, 2008)

2.14.050 Meetings of the Carson City audit committee.

1. The Carson City audit committee will meet once a month, on the second Tuesday of each month for the first six months and then quarterly thereafter. All members are expected to attend on a regular basis.

2. The Carson City audit committee may ask members of management or others to attend meetings and to provide pertinent information when necessary.

3. Meetings are scheduled in accordance with the state's open meeting laws. The city auditor shall establish the agenda for meetings and will provide to members in advance, all appropriate briefing material.

(Ord. 2008-10 § 7, 2008)