

**Carson City Audit Committee
Agenda Report**

Date Submitted: April 23, 2012

Agenda Date Requested: May 8, 2012

To: Chair and Members

From: Bill Prowse, Vice Chairman

Subject Title: For Possible Action: To recommend the Board of Supervisors amend Carson City Municipal Code, Title 2, Administration and Personnel, Chapter 2.14, Carson City Audit Committee, amending Section 2.14.040, Responsibilities of the Carson City Audit Committee, by adding additional review and recommendation responsibilities regarding the adequacy of city department and office performance measures for the purposes of internal audits, setting forth auditing standards, and requiring the committee to oversee the internal auditor's creation and implementation of fraud, waste and abuse identification processes and reporting.

Summary: The original ordinance, as amended, listed a number of responsibilities of the Carson City audit committee but did not require the internal auditor to perform his duties in conformance with professional standards, such as are required for external financial auditors, the legal profession, engineers, building inspectors and other professions. Such standards are required of internal audit organizations worldwide. These standards help ensure any persons performing internal audit work for Carson City meets basic levels of independence, qualifications, experience, ability and that conclusions and recommendations are adequately reported. Further, the existing ordinance does not include provisions that the internal auditor review the adequacy of the city departments' or offices' performance measures. Finally, the City does not have established processes to identify potential fraud, waste and abuse (FWB) of city resources and property nor to respond to such situations if identified. The amended ordinance directs the internal auditor to create and implement processes to identify potential FWB of city resources and property and establish a findings protocol regarding any such issues identified by the internal auditor.

Type of Action Requested: (check one)

☐ Resolution	☐ Ordinance
☒ Formal Action/Motion	☐ Other (Specify)

Does This Action Require A Business Impact Statement: ☐ Yes ☒ No

Recommended Committee Action: I move to recommend the Board of Supervisors amend Carson City Municipal Code, Title 2, Administration and Personnel, Chapter 2.14, Carson City Audit Committee, amending Section 2.14.040, Responsibilities of the Carson City Audit Committee, by adding additional review and recommendation responsibilities regarding the adequacy of city department and office performance measures for the purposes of internal audits, setting forth auditing standards, and requiring the committee to oversee the internal auditor's creation and implementation of fraud, waste and abuse identification processes and reporting.

Applicable Statute, Code, Policy, Rule or Regulation: CCMC 2.14

Fiscal Impact: N/A

Explanation of Impact: N/A

Funding Source: N/A

Alternatives: None

Supporting Material: Amended ordinance

Prepared By: Janet Busse, City Manager's Office

Reviewed By:  **Date:** 4/27/12
(Finance Director)

Board Action Taken:

Motion: _____

	Member	Aye/Nay
1)	_____	_____
2)	_____	_____
3)	_____	_____
4)	_____	_____
5)	_____	_____

(Vote Recorded By)

ORDINANCE NO. _____

BILL NO. _____

AN ORDINANCE AMENDING THE CARSON CITY MUNICIPAL CODE TITLE 2 - ADMINISTRATION AND PERSONNEL, CHAPTER 2.14 - CARSON CITY AUDIT COMMITTEE, AMENDING SECTION 2.14.040 – RESPONSIBILITIES OF THE CARSON CITY AUDIT COMMITTEE, BY ADDING ADDITIONAL REVIEW AND RECOMMENDATION RESPONSIBILITIES REGARDING THE ADEQUACY OF CITY DEPARTMENT AND OFFICE PERFORMANCE MEASURES FOR THE PURPOSES OF INTERNAL AUDITS, SETTING FORTH AUDITING STANDARDS, AND REQUIRING THE COMMITTEE TO OVERSEE THE INTERNAL AUDITOR'S CREATION AND IMPLEMENTATION OF FRAUD, WASTE AND ABUSE IDENTIFICATION PROCESSES AND REPORTING, AND OTHER MATTERS PROPERLY RELATED THERETO.

THE BOARD OF SUPERVISORS OF CARSON CITY DO ORDAIN:

Section I: Title 2, Chapter 2.14, Section 2.14.040 of the Carson City Municipal Code is hereby amended as follows:

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 and the adequacy of any city department or office performance measure for internal audit purposes. Reviews and recommendations for internal audits will be guided by the internal auditing standards selected by the audit committee from standards that are widely accepted by the internal auditing profession. 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; oversee the internal auditor's creation and implementation of processes to identify potential fraud, waste and abuse of city resources and property and a findings reporting protocol;

- 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.

Section II: If any clause, sentence, section, provision or part of this chapter shall be adjudged to be unconstitutional or invalid for any reason by any court of competent jurisdiction, such judgment shall not invalidate, impair or affect the remainder of this chapter.

Section III: That no other provisions of the Carson City Municipal Code are affected by this ordinance.

PROPOSED on _____ (month) _____ (day), 2012.

PROPOSED by _____.

PASSED _____ (month) _____ (day), 2012.

VOTE: AYES: SUPERVISORS: _____

NAYS: SUPERVISORS: _____

ABSENT: SUPERVISORS: _____

Robert L. Crowell, Mayor

ATTEST:

ALAN GLOVER
CLERK/RECORDER

This ordinance shall be in force and effect from and after the ___ day of the month
of _____ of the year, 2012.