



MEMORANDUM

City Manager/Finance

DATE: 12/15/2011

TO: CHARTER REVIEW COMMITTEE

FROM: PAUL C. SUNDEEN, ASSISTANT CITY MANAGER/CFO

CC:

RE: EXTERNAL AUDITOR COMMITTEE

SUMMARYRECOMMENDATION:

The Charter Review Committee ("CRC") has discussed a possible Charter amendment relative to the creation of an Audit Committee to serve as the initial point of reporting for the City's external auditors regarding the outcome of their audit of the City's accounts on an annual basis. Staff's recommendation to the CRC is that there is insufficient benefit derived from the creation of such a committee. The current practice of reporting to the City's Finance Committee is an open process during which all interested parties can attend, ask questions and comment, as desired.

BACKGROUND:

Throughout the CRC's deliberations the suggestion has been made on several occasions that "an additional set of eyes is always a good thing," with the thought that a "Citizens' Audit Committee" would be a positive addition to the City's current committee structure. Staff agrees that greater financial transparency results in better credibility with the public it serves. However, it believes that any benefit achieved by the addition of a Citizens' Audit Committee is equally available through the current structure of the Finance Committee serving as the Audit Committee when needed.

The current structure is consistent with how the private sector establishes their audit committees. Private companies create Audit Committees as a subset of the full Board of Directors; private citizens are not brought in to serve in this capacity. Further, the current structure allows a committee member to bring any individual they believe would be helpful to adequately evaluate the report of the external auditors. Lastly, the public is able to attend the current meetings and hear first-hand the findings of the external auditors. All are able to receive the various reports issued by the external auditors.

The following new section has been prepared by staff, based upon direction given by the Charter Review Committee at the November 28, 2011 meeting

New: Sec. 1406. Citizens Financial Audit Review Committee.

In November, and every two years thereafter, the City Council shall appoint a Citizens Financial Audit Review Committee. The committee shall have the power and duty to:

- (a) Review the final audit and report submitted by the City's independent auditor.
- (b) Hold public meetings to review that final audit and report.
- (c) Present a final report to the Finance Committee of the City Council within 180 days of the committee's appointment by the City Council with any recommendations as to the independent audit. It may, in its discretion, make interim reports to the City Council.

FINANCE COMMITTEE MEETINGS 2010-11

<u>Meeting Date</u>	<u>Public Attendance</u>
11-10-2010	3+
12-08-2010	5+
02-09-2011	0
03-09-2011	5
04-13-2011	9
05-11-2011	2
06-15-2011	4
07-13-2011	11+
08-10-2011	2
09-14-2011	5+
10-12-2011	4
11-16-2011	10+