
CITY OF OCALA

CITY COUNCIL REPORT

Council Meeting Date: 03/16/10

Subject: Audit Committee

Submitted By: Ricky A Horst

Department: City Manager's Office

STAFF RECOMMENDATION (Motion Ready): Approve Agenda Item (ID # 1573) request that City Council support moving forward with recommendations stated herein for the Audit Committee (see memo from City Manager attached.)

OCALA'S RELEVANT STRATEGIC GOALS:

PROOF OF PUBLICATION:

BACKGROUND:

SUPPORT MATERIALS:

March 9 Audit Committee II (PDF)



CITY OF OCALA
Office of the City Manager

Date: March 9, 2010

To: President Kent Guinn and Members of the Ocala City Council
Mayor Randy Ewers

From: Ricky A. Horst, City Manager

Subject: Audit Committee

“Good...Better...Best”

Three main groups are responsible for the quality of financial reporting: the governing body, financial management, and the independent auditors. Of these three, the governing body must be seen as the “first among equals” because of their unique position as the ultimate monitor of the financial reporting process. The City has had an Audit Committee for many years which has varied in composition and responsibility, moving from oversight of the internal audit function only, to including responsibility for the external audit as well. Typically there are at least two challenges in the way of a governing body effectively exercising its oversight responsibility for internal control and financial reporting. First, the topic is unlikely to emerge at all on a typical governing bodies “radar screen” unless something actually goes wrong. Second, management may compromise the independence of the financial statement audit (a key component of financial reporting) by inserting itself into the process in a way that impedes regular direct communication between the independent auditors and the governing body.

From my prospective as City Manager and in compliance with my fiduciary responsibility to keep the Council fully advised as to the financial condition and future needs of the City¹, it is my opinion that the Audit Committee as presently constituted does not go far enough to fully eliminate the above reference challenges. Therefore herein proposed is the following:

- The Audit Committee as presently constituted shall be dissolved.
 - The Audit Committee current consists of the Finance Director, City Manager, Director of the Treasury, and two members of the City Council.

¹ City Charter, Article IV, City Manager, Section 4.03 (7)

- That the City Council, collectively become the Audit Committee, providing review and oversight of the government's financial reporting process, internal controls and the work of both the internal and external auditors.
- The City Council shall continue to be directly responsible for the appointment, compensation, retention, and oversight of any independent accountants engaged for the purpose of preparing or issuing an independent audit report or performing other independent audits, review, or attest services.
- It shall be the responsibility of management to ensure the government's financial reporting practices, internal controls and compliance with laws and regulations over financial reporting are adequate. It is the external auditors responsibility to report on the same, based upon their audit performed in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in Government Accounting Standards, issued by the Comptroller General of the United States.
- The Annual Audit Report will be present annually to the full governing body as presented by the Independent Auditors. Work sessions shall be scheduled as appropriate in order to fulfill this requirement followed by formal presentation and acceptance of the audit in a regular session of the City Council.
- The governing body, financial management staff, as supported by the independent auditors shall review the audit and shall make a report of financial reporting practices, internal controls, and/or shall disclose any deficiencies and action steps necessary to correct said deficiencies.
- The City Manager and/or a senior finance manager(s) shall provide financial reports at the second meeting of the City Council each month.

We have reviewed the proposal above with Purvis Gray & Company to ensure that it is consistent with current best practices and recommendations from GFOA, AICPA and other similar entities and they have provided us with their concurrence, indicating that they believe it is a positive step forward for the City to move to this structure. We herein seek your full support in moving forward the above stated recommendations.

cc: Purvis Gray and Company...City of Ocala External Auditors
Office of Budget and Management
Office of Business and Finance
Oscar Claudio, Internal Auditor
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