



## Legislation Details (With Text)

**File #:** O-45-20      **Version:** 1      **Name:**

**Type:** Ordinance      **Status:** Adopted

**File created:** 10/16/2020      **In control:** City Council

**On agenda:** 1/11/2021      **Final action:** 1/11/2021

**Title:** Audit Committee - For the purpose of clarifying the responsibilities of the audit committee members; specifying reporting requirements; providing for external and internal reporting services; providing program metrics, measurements, and evaluation; and generally relating to the audit committee.

**Sponsors:** Fred Paone, Elly Tierney, Rhonda Pindell Charles

**Indexes:** Rules and City Government Committee

**Code sections:**

**Attachments:** 1. O-45-20 Audit Committee First Reader.pdf, 2. O-45-20 Staff Report.pdf, 3. O-45-20 Fiscal Impact Note, 4. O-45-20 Amendments 1-5 Tierney, 5. O-45-20 Amendments 6-7 Savidge, 6. O-45-20 SIGNED

| Date       | Ver. | Action By                           | Action                                  | Result |
|------------|------|-------------------------------------|---|--------|
| 1/11/2021  | 1    | City Council                        | adopt on second reader                  | Pass   |
| 1/11/2021  | 1    | City Council                        | amended                                 | Pass   |
| 1/11/2021  | 1    | City Council                        | amended                                 | Fail   |
| 1/11/2021  | 1    | City Council                        | adopt as amended                        | Pass   |
| 1/11/2021  | 1    | City Council                        | adopt on third reader                   | Pass   |
| 1/11/2021  | 1    | City Council                        | reconsider                              | Pass   |
| 12/9/2020  | 1    | Rules and City Government Committee | recommend favorably                     | Pass   |
| 12/9/2020  | 1    | Rules and City Government Committee | Recommend Favorably-Amendment           | Fail   |
| 12/1/2020  | 1    | Rules and City Government Committee | postpone                                | Pass   |
| 11/23/2020 | 1    | City Council                        | Cosponsor added                         |        |
| 11/23/2020 | 1    | City Council                        | declare the public hearing closed       |        |
| 10/26/2020 | 1    | City Council                        | adopt on first reader                   | Pass   |
| 10/26/2020 | 1    | City Council                        | refer to Annapolis Education Commission |        |
| 10/26/2020 | 1    | City Council                        | refer to Annapolis Education Commission |        |

**Audit Committee** - For the purpose of clarifying the responsibilities of the audit committee members; specifying reporting requirements; providing for external and internal reporting services; providing program metrics, measurements, and evaluation; and generally relating to the audit committee.

### CITY COUNCIL OF THE City of Annapolis

#### Ordinance 45-20

**Introduced by: Alderman Paone**  
**Co-sponsored by: Alderwoman Tierney and Alderwoman Pindell Charles**

**Referred to**  
**Rules and City Government**

AN ORDINANCE concerning

**Audit Committee**

**FOR** the purpose of clarifying the responsibilities of the audit committee members; specifying reporting requirements; providing for external and internal reporting services; providing program metrics, measurements, and evaluation; and generally relating to the audit committee .

**BY** repealing and re-enacting with amendments the following portions of the Code of the City of Annapolis, 2020 Edition  
2.48.400  
2.48.410  
2.48.420

**BY** repealing the following portion of the Code of the City of Annapolis, 2020 Edition  
2.48.430

**BY** adding following portions to the Code of the City of Annapolis, 2020 Edition  
2.48.430  
2.48.440  
2.48.450

**SECTION 1: BE IT ESTABLISHED AND ORDAINED BY THE ANNAPOLIS CITY COUNCIL** that the Code of the City of Annapolis shall be amended to read as follows:

**Title 2 - ADMINISTRATION**

**Chapter 2.48 - BOARDS, COMMISSIONS, AND COMMITTEES**

**Article XV - Audit Committee**

**Section 2.48.400 - Composition.**

A. The Audit Committee shall consist of three Alderpersons, three ~~volunteer civilians~~ APPOINTED CITIZENS and one member ~~of~~ SELECTED BY the Financial Advisory Commission FROM AMONG ITS MEMBERSHIP. THE APPOINTED CITIZENS SHALL HAVE EXPERIENCE IN ONE OR MORE OF THE FOLLOWING AREAS: MUNICIPAL FINANCE; CITY OPERATIONS; OR FINANCIAL REPORTING, ACCOUNTING, AND AUDITING. THE AUDIT COMMITTEE SHALL REPORT TO THE CITY COUNCIL. ~~who have financial reporting, audit committee or auditing experience.~~ The Alderperson members shall be appointed by the Mayor and confirmed by the City Council. The ~~civilian members~~ APPOINTED CITIZENS shall be ~~appointed~~ NOMINATED by the Alderpersons ~~on the committee~~ ALDERPERSON MEMBERS and confirmed by the City Council. The terms of the Alderpersons shall be identical with their terms of office. The initial terms of office for the three ~~civilian~~

~~members~~ APPOINTED CITIZENS shall be two, three and four years respectively. Thereafter, each ~~civilian~~ CITIZEN member shall serve for a term of three years, or until the member's successor is appointed, ~~and qualified, commencing on the first day of June, the term of no more than one civilian member expiring each year.~~ All members of the Audit Committee shall have equal voting rights, ~~except that the Finance Director and City Manager shall be nonvoting members of the Committee.~~ The Audit Committee shall report to the City Council. THE CITY MANAGER AND FINANCE DIRECTOR, OR HIS/HER DESIGNEE, SHALL ATTEND THE MEETINGS OF THE AUDIT COMMITTEE UNLESS OTHERWISE NOTIFIED BY THE CHAIR THAT THEIR PRESENCE IS NOT REQUIRED. FURTHER, ~~EACH~~ THE CITY MANAGER, THE FINANCE DIRECTOR, OR DESIGNEE SHALL PRESENT A REPORT AT EACH MEETING TO THE AUDIT COMMITTEE REGARDING THE STATE OF THE CITY'S FINANCES. HOWEVER, THE CITY MANAGER AND THE FINANCE DIRECTOR SHALL NOT BE REGARDED AS FORMAL MEMBERS OF THE AUDIT COMMITTEE.

- B. THE AUDIT COMMITTEE SHALL REPORT TO THE CITY COUNCIL ANNUALLY AND SUPPLEMENT THESE REPORTS FROM TIME TO TIME AS DETERMINED BY THE AUDIT COMMITTEE OR THE CITY COUNCIL.

#### **2.48.410 - Purpose.**

The purpose of the Audit Committee is to provide independent review and oversight of the City's financial reporting processes, internal controls; AND RISK MANAGEMENT ASSESSMENTS; PROGRAM PERFORMANCE METRICS, MEASUREMENTS AND EVALUATION; ~~external/independent auditors~~ AUDITS; COMPLIANCE WITH FINANCIAL POLICIES, and City internal audit services.

#### **2.48.420 - Responsibilities.**

- A. The Audit Committee shall be responsible for the REVIEW, retention and oversight of the work of any external ~~independent auditors engaged for the purpose of preparing or issuing an independent audit report or performing other independent audit, review, or attest~~ TO PERFORM INDEPENDENT AUDIT, REVIEW, OR ATTESTATION services. ~~All external, independent auditors shall report FINDINGS directly to the Audit Committee AND SHALL DIRECTLY RECEIVE ALL REQUIRED COMMUNICATIONS ISSUED. ALL EXTERNAL AUDITORS SHALL REPORT FINDINGS DIRECTLY TO THE AUDIT COMMITTEE.~~ ADDITIONALLY, ALL EXTERNAL AUDITORS SHALL PROVIDE TO THE AUDIT COMMITTEE A COPY OF ALL REQUIRED COMMUNICATIONS TO THE CITY COUNCIL. EXTERNAL AUDIT SERVICES SHALL BE CONTRACTED FOR IN ACCORDANCE WITH THE CITY'S STANDARD PROCUREMENT PROCEDURES UNDER THE DIRECTION OF THE CITY PROCUREMENT OFFICER AFTER THE SCOPE OF WORK AS BEEN REVIEWED AND APPROVED BY THE AUDIT COMMITTEE.; ~~but shall provide copies of all reports and recommendations to the City Council and City Manager. An external Independent Auditor shall be hired in accordance with the City's Standard Procurement Procedures and in coordination with the Procurement Officer.~~
- B. The Audit Committee shall BE RESPONSIBLE FOR THE OVERSIGHT OF ANY INTERNAL AUDITORS, EMPLOYEES, AND CONSULTANTS ENGAGED TO PROVIDE INTERNAL AUDIT SERVICES TO THE CITY. THE AUDIT COMMITTEE SHALL make recommendations to the City Manager for the appointment and retention of individuals OR FIRMS ~~who perform~~PERFORMING internal audit services, ~~in accordance with the City's standard hiring or consultant retention practices and in coordination with the Human Resources Manager or Procurement Office, as appropriate.~~ The City Manager shall accept the recommendations of the Audit Committee unless there ~~are~~IS compelling reasons REASON to the contrary PRESENTED TO THE CITY. THE WORK PRODUCT OF ANY INDIVIDUAL

- OR FIRM ENGAGED TO PERFORM INTERNAL AUDIT SERVICES SHALL BE FURNISHED DIRECTLY TO THE AUDIT COMMITTEE. The Audit Committee shall have oversight over the internal audit services. Individuals performing internal audit services shall: (i) report directly and exclusively to the Audit Committee; (ii) perform the duties set forth in Section 2-48.430 of this chapter; and (iii) provide copies of all reports and recommendations to the Finance Director, Mayor, City Manager, and any affected Department Director.
- C. The Audit Committee shall present no less than quarterly ANNUALLY to the City Council a written report of how it has discharged its duties and met its responsibilities. The Audit Committee's report shall be made public and shall include copies of all reports received from any INTERNAL OR EXTERNAL Auditors ISSUED SINCE THE LAST WRITTEN REPORT. (external or internal) during the year reviewed.
- D. The Audit Committee ~~may~~SHALL establish written rules and regulations for the governance of its meetings and responsibilities. Such written rules and regulations shall, at a minimum, include a procedure for the receipt, retention, and treatment of complaints regarding accounting, internal controls, fraud, waste, abuse, or other auditing matters, and procedures to protect the confidentiality of anonymous complainants.
- E. The Finance Director and Finance Department shall cooperate with the Audit Committee to assist the Committee in performing its duties and responsibilities. THE AUDIT COMMITTEE SHALL OVERSEE THE ESTABLISHMENT AND EXECUTION OF PROCEDURES FOR THE RECEIPT, RETENTION, TREATMENT, AND RESOLUTION OF ALLEGATIONS OF IMPROPER PROCEDURES, IRREGULARITIES, FRAUD, WASTE, OR ABUSE IN CITY GOVERNMENT.
- F. THE FINANCE DIRECTOR AND FINANCE DEPARTMENT SHALL COOPERATE WITH THE AUDIT COMMITTEE TO ASSIST THE COMMITTEE IN PERFORMING ITS OVERSIGHT DUTIES AND RESPONSIBILITIES BY FULFILLING REQUESTS FOR INFORMATION AND ADMINISTRATIVE SUPPORT IN A RESPONSIVE MANNER.

#### **2.48.430 – City internal audit services.**

- A. Individuals performing internal audit services (hereinafter "Internal Auditor") shall be performed by a Certified Public Accountant, Certified Internal Auditor, Certified Fraud Examiner or Certified Government Audit Professional, and a member of a firm licensed for the practice of his or her profession under the laws of the State of Maryland, and shall have at least five years experience in governmental accounting and auditing.
- B. ~~The Internal Audit Services shall include, but not be limited to:~~
1. ~~Submission to the Audit Committee of reports of audits of City offices and departments as soon as practicable upon their completion. Such reports may include explanatory comments as the Internal Auditor deems appropriate. Copies of the reports shall be provided to the Finance Director, City Manager, and any affected Department Director. All records and files pertaining to the receipt and expenditure of City funds by all agents and employees of the City and all offices and departments thereof, shall at all times be open to inspection by the Internal Auditor;~~
  2. ~~Monitoring implementation of internal controls overseen by management, to include those internal controls designed to prevent or detect City management override;~~
  3. ~~Revolving audits of all City offices and departments and, with the approval of the Audit Committee, examinations and audits of all accounts, books and records reflecting transactions involving the financial activities and affairs of the City including those for which the City has a responsibility as an agent, custodian or trustee;~~
  4. ~~Prompt reporting to the Audit Committee, Mayor and City Council, with notice to any affected Department Director of any perceived or actual irregularity or improper procedure. The affected City Department Director shall be provided with an opportunity to respond to such report and to provide additional information or evidence, as applicable. The Audit Committee shall consider whether any~~

corrective action is warranted based on all information presented, and shall make recommendations to the Mayor and City Council as to any corrective action. The Mayor and City Council shall make a final decision concerning any corrective action in accordance with their respective powers and authorities as set forth in the Annapolis Charter and Code;

- 5. Prompt reporting of any special examination or audit to the Audit Committee, the Mayor, City Council, Finance Director, City Manager, and any affected Department Director.
- C. The Audit Committee shall have the power to implement the provisions of this article and to assign additional functions, duties and personnel to internal audit services not inconsistent with those provided in this article or the City Charter.

**2.48.430 - EXTERNAL AUDIT SERVICES.**

- A. EXTERNAL AUDIT SERVICES INCLUDE AUDIT, REVIEW, AND ATTESTATION SERVICES PROVIDED IN ACCORDANCE WITH PROFESSIONAL STANDARDS ISSUED BY THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTS OR GOVERNMENT AUDITING STANDARDS ISSUED BY THE U.S. GOVERNMENT ACCOUNTABILITY OFFICE.
- B. EXTERNAL AUDITORS SHALL BE CERTIFIED PUBLIC ACCOUNTANTS LICENSED TO PRACTICE IN THE STATE OF MARYLAND.
- C. EXTERNAL AUDIT REPORTS SHALL BE FURNISHED DIRECTLY TO THE AUDIT COMMITTEE BY THE VENDORS PERFORMING SUCH SERVICES. THE CITY DEPARTMENT SUBJECT TO THE AUDIT SHALL BRIEF TO THE AUDIT COMMITTEE WITH THEIR INTENDED RESPONSES TO AUDIT REPORT FINDINGS OR RECOMMENDATIONS WITHIN 90 DAYS OF THE REPORT SUBMISSION TO THE CITY. THE CITY DEPARTMENT SUBJECT TO THE AUDIT SHALL PROVIDE A WRITTEN RESPONSE TO THE EXTERNAL AUDITOR'S FINDINGS AND RECOMMENDATIONS NO LATER THAN 60 DAYS AFTER THE AUDIT REPORT HAS BEEN SUBMITTED TO THE CITY.

**2.48.440 - CITY INTERNAL AUDIT SERVICES.**

- A. INTERNAL AUDIT SERVICES MAY INCLUDE, BUT ARE NOT LIMITED TO:
  - 1. EXAMINATION AND AUDITS OF ACCOUNTS, BOOKS, AND RECORDS PERTAINING TO THE FINANCIAL ACTIVITIES, PROGRAM PERFORMANCE, COMPLIANCE WITH TESTIMONY TO THE CITY COUNCIL AND OTHER CITY OFFICIALS AND AFFAIRS OF THE CITY IN GENERAL, INCLUDING THOSE FOR WHICH THE CITY HAS A RESPONSIBILITY AS AN AGENT, CUSTODIAN, OR TRUSTEE; AND
  - 2. EVALUATIONS OF THE INTERNAL CONTROLS IMPLEMENTED BY MANAGEMENT OVER FINANCIAL TRANSACTIONS AND FINANCIAL REPORTING.
- B. THE FINANCE DIRECTOR SHALL CONSULT WITH THE AUDIT COMMITTEE ON THE APPOINTMENT OF INDIVIDUALS RETAINED TO PERFORM INTERNAL AUDIT SERVICES. THE RECOMMENDATIONS OF THE AUDIT COMMITTEE SHALL BE ACCEPTED UNLESS THERE IS COMPELLING REASON TO THE CONTRARY PRESENTED TO THE COMMITTEE.
- C. INTERNAL AUDIT REPORTS SHALL BE FURNISHED DIRECTLY TO THE AUDIT COMMITTEE BY THE INDIVIDUALS PERFORMING SUCH SERVICES. THE CITY DEPARTMENT THAT WAS THE SUBJECT OF THE AUDIT SHALL RESPOND TO THE FINDINGS

OR RECOMMENDATIONS IN THE AUDITOR'S REPORT. THE CITY DEPARTMENT SUBJECT TO THE AUDIT SHALL BRIEF THE AUDIT COMMITTEE WITH THEIR INTENDED RESPONSES TO AUDIT REPORT FINDINGS OR RECOMMENDATIONS WITHIN 90 DAYS OF THE REPORT SUBMISSION TO THE CITY. THE CITY DEPARTMENT SUBJECT TO THE AUDIT SHALL PROVIDE A WRITTEN RESPONSE TO THE AUDIT REPORT FINDINGS AND RECOMMENDATIONS NO LATER THAN 60 DAYS AFTER THE AUDIT REPORT HAS BEEN SUBMITTED TO THE CITY.

D. ALL RECORDS AND FILES PERTAINING TO THE RECEIPT AND EXPENDITURE OF CITY FUNDS BY ALL AGENTS AND EMPLOYEES OF THE CITY AND ALL OFFICES AND DEPARTMENTS THEREOF SHALL AT ALL TIMES BE OPEN TO INSPECTION BY INTERNAL AUDITORS DESIGNATED IN WRITING BY THE CITY.

**2.48.450 - PROGRAM METRICS, MEASUREMENTS, AND EVALUATION.**

A. THE AUDIT COMMITTEE SHALL FROM TIME TO TIME CONSULT, COORDINATE WITH AND ADVISE THE FINANCE COMMITTEE AND CITY COUNCIL ON THE COMPLIANCE AND CONFORMANCE WITH PERFORMANCE STANDARDS PRESENTED TO THE FINANCE COMMITTEE AND CITY COUNCIL TO JUSTIFY THE VALUE OF INDIVIDUAL PROGRAMS BY THE VARIOUS DEPARTMENTS AND OFFICES. AUDITS INVOLVING EVALUATION OR FINDINGS RELATED TO PERFORMANCE OF INDIVIDUAL CITY PROGRAMS AND OF VALIDATED FINDINGS OF FRAUD, WASTE, OR ABUSE WITHIN A PROGRAM SHALL BE SHARED BY THE AUDIT COMMITTEE WITH THE FINANCE COMMITTEE AND ANY OTHER APPROPRIATE COUNCIL COMMITTEE OR CITY BOARD OR COMMISSION.

B. THE AUDIT COMMITTEE SHALL HAVE THE POWER TO IMPLEMENT THE PROVISIONS OF THIS ARTICLE.

**SECTION II: AND BE IT FURTHER ESTABLISHED AND ORDAINED BY THE ANNAPOLIS CITY COUNCIL** that this ordinance shall take effect from the date of its passage.

**Explanation:**

UPPERCASE indicates matter added to existing law.  
~~Strikethrough~~ indicates matter stricken from existing law.  
Underlining indicates amendments.