



Legislation Details (With Text)

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Type: Ordinance **Status:** Adopted

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On agenda: 7/31/2017 **Final action:** 7/31/2017

Title: Audit Committee - For the purpose of establishing an Audit Committee; authorizing the powers and duties of the Audit Committee; and matters generally relating to said Audit Committee.

Sponsors: Jared Littmann, Sheila Finlayson, Ross Arnett

Indexes: Finance Committee, Financial Advisory Commission, Rules and City Government Committee

Code sections:

Attachments: 1. O-30-17 Audit Committee Ordinance.pdf, 2. O-30-17 Staff Report.pdf, 3. O-30-17 Fiscal Impact.pdf, 4. O-30-17 RCG Proposed Amendments.pdf, 5. O-30-17 Revised Littmann Proposed Amendments.pdf, 6. O-30-17 SIGNED.pdf

Date	Ver.	Action By	Action	Result
7/31/2017	1	City Council	adopt on second reader	Pass
7/31/2017	1	City Council	amendment(s) approved	Pass
7/31/2017	1	City Council	amendment(s) approved	Pass
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7/31/2017	1	City Council	amendment(s) approved	Pass
7/31/2017	1	City Council	amended	Pass
7/31/2017	1	City Council	adopt on third reader	Pass
7/18/2017	1	Finance Committee		
7/18/2017	1	Finance Committee		
7/18/2017	1	Finance Committee		
7/11/2017	1	Rules & City Government Committee		
7/11/2017	1	Rules & City Government Committee		
7/11/2017	1	Rules & City Government Committee		
7/11/2017	1	Rules & City Government Committee		
7/11/2017	1	Rules & City Government Committee		
7/5/2017	1	Finance Committee		
6/19/2017	1	City Council	declare the public hearing closed	

6/12/2017	1	City Council	refer	
6/12/2017	1	City Council	refer	
6/12/2017	1	City Council	adopt on first reader	Pass

Audit Committee - For the purpose of establishing an Audit Committee; authorizing the powers and duties of the Audit Committee; and matters generally relating to said Audit Committee.

**CITY COUNCIL OF THE
City of Annapolis**

Ordinance 30-17 Amended

Introduced by: Alderman Littmann, Alderwoman Finlayson, Alderman Arnett and Alderman Paone

Referred to

Finance Committee
Rules and City Government Committee

AN ORDINANCE concerning

Audit Committee

FOR the purpose of establishing an Audit Committee; authorizing the powers and duties of the Audit Committee; and matters generally relating to said Audit Committee.

BY adding the following portions to the Code of the City of Annapolis, 2016 Edition
2.48.400
2.48.410
2.48.420
2.48.430

WHEREAS, the Maryland Annotated Code, Local Government Article, Section 16-305, requires that each municipality shall have its financial records audited at least once each fiscal year, at which time an external, independent auditor shall examine the methods, accuracy, and legality of the financial records of the municipality; and

WHEREAS, an Audit Committee is a practical means for a municipality to provide much needed independent review and oversight of its financial reporting processes, internal controls and independent auditors; and

WHEREAS, an Audit Committee provides a forum separate from City management in which auditors and other interested parties can candidly discuss concerns; and

WHEREAS, an Audit Committee helps to ensure that City management properly develops and adheres to a sound system of internal controls, that procedures are in place to objectively assess City management's practices, and that the independent auditors, through their own review,

objectively assess the City's financial reporting practices.

NOW, THEREFORE,

SECTION I: 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.

THE AUDIT COMMITTEE SHALL CONSIST OF THREE ALDERPERSONS, AND TWOTHREE VOLUNTEER CIVILIANS AND ONE MEMBER OF THE FINANCIAL ADVISORY COMMISSION 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 SHALL BE APPOINTED BY THE ALDERPERSONS ON THE COMMITTEE 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 SHALL BE TWO, THREE AND FOUR YEARS RESPECTIVELY. THEREAFTER, EACH CIVILIAN 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.

SECTION 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, EXTERNAL/INDEPENDENT AUDITORS, AND CITY INTERNAL AUDITORSAUDIT SERVICES.

SECTION 2.48.420 - RESPONSIBILITIES

- A. THE AUDIT COMMITTEE SHALL BE RESPONSIBLE FOR THE 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 SERVICES. ALL EXTERNAL, INDEPENDENT AUDITORS SHALL REPORT DIRECTLY TO THE AUDIT COMMITTEE, BUT SHALL PROVIDE COPIES OF ALL REPORTS AND RECOMMENDATIONS TO THE FINANCE DIRECTOR, MAYOR, CITY COUNCIL, AND CITY MANAGER, AND ANY AFFECTED DEPARTMENT DIRECTOR. 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 MAKE RECOMMENDATIONS TO THE CITY MANAGER FOR THE APPOINTMENT AND RETENTION OF ~~AN INTERNAL AUDITOR~~ INDIVIDUALS WHO PERFORM 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 COMPELLING REASONS TO THE CONTRARY. THE AUDIT COMMITTEE SHALL HAVE OVERSIGHT OVER ~~THE WORK OF THE~~ INTERNAL AUDITOR SERVICES. ~~THE INTERNAL AUDITOR~~ INDIVIDUALS PERFORMING INTERNAL AUDIT SERVICES SHALL: (i) REPORT DIRECTLY AND EXCLUSIVELY TO THE AUDIT COMMITTEE; (ii) ~~AND SHALL~~ PERFORM THE DUTIES SET FORTH IN SECTION 2.48.430 OF THIS CHAPTER; ~~THE INTERNAL AUDITOR SHALL~~; 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 ~~ANNUALLY~~ NO LESS THAN QUARTERLY 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 AUDITORS (EXTERNAL OR INTERNAL) DURING THE YEAR REVIEWED.
- D. THE AUDIT COMMITTEE MAY ESTABLISH WRITTEN RULES AND REGULATIONS FOR THE GOVERNANCE OF ITS MEETINGS AND RESPONSIBILITIES; ~~WHICH, IF ESTABLISHED, SHALL BE ADOPTED AS SPECIFIED IN SECTION 2.48.020.F BELOW.~~ 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.

SECTION 2.48.430 - CITY INTERNAL AUDIT SERVICES.

- A. ~~THE~~ 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 ~~ALL~~ CITY OFFICES AND DEPARTMENTS AS SOON AS PRACTICABLE UPON THEIR COMPLETION.

ALL AUDITS SHALL BE COMPLETED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS PROMULGATED BY THE U.S. GOVERNMENT ACCOUNTABILITY OFFICE. 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.

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~~ ON DECEMBER 4TH 2017.

EXPLANATION

CAPITAL LETTERS indicate matter added to existing law.

~~Strikethrough~~ indicates matter stricken from existing law.
Underlining indicates amendments