



**COUNTY ADMINISTRATIVE OFFICE
COUNTY OF TULARE
AGENDA ITEM**

BOARD OF SUPERVISORS

ALLEN ISHIDA
District One
PETE VANDER POEL
District Two
PHILLIP A. COX
District Three
J. STEVEN WORTHLEY
District Four
MIKE ENNIS
District Five

AGENDA DATE: January 29, 2013 - **REVISED**

Public Hearing Required	Yes <input type="checkbox"/>	N/A <input checked="" type="checkbox"/>
Scheduled Public Hearing w/Clerk	Yes <input type="checkbox"/>	N/A <input checked="" type="checkbox"/>
Published Notice Required	Yes <input type="checkbox"/>	N/A <input checked="" type="checkbox"/>
Advertised Published Notice	Yes <input type="checkbox"/>	N/A <input checked="" type="checkbox"/>
Meet & Confer Required	Yes <input type="checkbox"/>	N/A <input checked="" type="checkbox"/>
Electronic file(s) has been sent	Yes <input checked="" type="checkbox"/>	N/A <input type="checkbox"/>
Budget Transfer (Aud 308) attached	Yes <input type="checkbox"/>	N/A <input checked="" type="checkbox"/>
Personnel Resolution attached	Yes <input type="checkbox"/>	N/A <input checked="" type="checkbox"/>
Agreements are attached and signature line for Chairman is marked with tab(s)/flag(s)	Yes <input type="checkbox"/>	N/A <input checked="" type="checkbox"/>
CONTACT PERSON: Paul Guerrero PHONE: 636-5005		

SUBJECT: Create Audit Committee

REQUEST(S):

That the Board of Supervisors:

1. Approve the creation of an Audit Committee for the County of Tulare.
2. Approve the Bylaws for the Audit Committee.

SUMMARY:

The Board of Supervisors is responsible for the fiscal health and internal control of the government. The purpose of the Audit Committee is to provide additional accountability and oversight of the County's financial reporting, internal controls, and monitoring activities. This committee would provide a forum separate from management for auditors and other interested parties to:

- Assess the auditor's reports and findings.
- Ensure that the County's financial reporting practices are independently assessed.
- Inquire of management regarding significant risks and exposure.
- Communicate monitoring results and ensure that adequate corrective action occurs.
- Ensure that controls are in place to adequately safeguard the County's assets.

Establishment of an Audit Committee may assist the Board in early identification and prevention of internal control weaknesses within departments.

The Auditor-Controller prepares the County financial statements, prescribes

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County-wide accounting policies, and procedures and manages the independent audit for the County Board of Supervisors. While the elected status of the office provides a layer of independence, audit committees are recommended as a best practice by the Governmental Finance Officers Association. However, for governmental organizations this is currently only a voluntary practice.

The creation of an audit committee would enhance communication of internal control issues to those responsible and provide a means for follow-up on corrective action. The committee would provide a forum for parties to discuss financial reporting practices, findings, and recommendations, and results of compliance reports including those related to the Comprehensive Annual Financial Report, Single Audit, Special Districts, and Departmental Audits. The committee will carry out these responsibilities and others as defined in the Audit Committee Bylaws.

The Audit Committee will consist of five members:

- Two members of the Board of Supervisors
- The County Administrative Officer or his/her designee
- County Counsel or his/her designee
- One Department Head

The Board of Supervisors Chairman will appoint the two Board of Supervisors members. Appointees will sit at the pleasure of the Board of Supervisors. The Department Head will rotate annually.

FISCAL IMPACT/FINANCING:

This committee's cost would be absorbed within existing budgets.

LINKAGE TO THE COUNTY OF TULARE STRATEGIC BUSINESS PLAN:

The County's five-year strategic plan includes Initiative 4: Organizational Performance – Continuously improve organizational effectiveness and fiscal stability. The creation of the Audit Committee would ensure fiscal health and stability of County's finances.

ADMINISTRATIVE SIGN-OFF:

Paul Guerrero
Administrative Analyst

Cc: Auditor-Controller
County Counsel
County Administrative Office (2)

Attachment(s) County of Tulare Audit Committee Bylaws

**BEFORE THE BOARD OF SUPERVISORS
COUNTY OF TULARE, STATE OF CALIFORNIA**

**IN THE MATTER OF CREATE AUDIT
COMMITTEE**

Resolution No. _____

UPON MOTION OF SUPERVISOR _____, SECONDED BY
SUPERVISOR _____, THE FOLLOWING WAS ADOPTED BY THE
BOARD OF SUPERVISORS, AT AN OFFICIAL MEETING HELD _____
_____, BY THE FOLLOWING VOTE:

AYES:
NOES:
ABSTAIN:
ABSENT:

ATTEST: JEAN M. ROUSSEAU
COUNTY ADMINISTRATIVE OFFICER/
CLERK, BOARD OF SUPERVISORS

BY: _____
Deputy Clerk

* * * * *

1. Approved the creation of an Audit Committee for the County of Tulare.
2. Approved the Bylaws for the Audit Committee

**COUNTY OF TULARE
AUDIT COMMITTEE
BYLAWS**

PURPOSE

To assist the Board of Supervisors (Board) in fulfilling its oversight responsibilities for the financial reporting process, the system of internal control, the audit process, and the County of Tulare's (County) process for monitoring compliance with laws and regulations and the code of conduct.

AUTHORITY

The Audit Committee has authority to conduct or authorize investigations into any matters within its scope of responsibility. It is empowered to:

- Appoint, compensate, and oversee the work of any registered public accounting firm employed by the County.
- Resolve any disagreements between management and the auditor regarding financial reporting.
- Pre-approve all auditing and non-audit services.
- Retain independent counsel, accountants, or others to advise the committee or assist in the conduct of an investigation.
- Seek any information it requires from employees-all of whom are directed to cooperate with the committee's requests-or external parties.
- Meet with county officers, external auditors, or outside counsel, as necessary.

COMPOSITION AND TERMS

The Audit Committee will consist of:

- Two members of the Board of Supervisors
- The County Administrative Officer or his/her Designee
- County Counsel or his/her Designee
- One department head

The Board of Supervisors Chairman will appoint the two Board of Supervisors members and the Department Head. The appointees shall not have fixed terms, but sit at the pleasure of the pleasure of the Board of Supervisors. The Board of Supervisors intends to rotate the department head appointee on an annually basis.

Each committee member will be both independent and financially literate. At least one member shall be designated as the "financial expert," as defined by applicable legislation and regulation.

REGULAR MEETING PLACE

Except as the Committee may from time to time otherwise provide, the regular meeting place of the Committee shall be in the Tulare County Board of Supervisors Board Chambers, 2800 W. Burrel Avenue, Visalia, CA 93291, Conference Room A and B, as identified on the meeting agenda. If by reason of emergency, it is unsafe to meet at the regular meeting place of the Committee, meetings may be held at any place designated by the Chair or by majority vote of the Committee. Additionally, teleconference meetings are permitted subject to the requirements of the Brown Act.

ELECTION OF CHAIR & VICE CHAIR

The Committee shall, in regular session following the first day of March of every year, elect from its members a Chair and Vice-Chair. The term of office shall be for one (1) year. The Chair and Vice-Chair shall serve at the Pleasure of the Committee during the term of office and may be removed from office by the Committee at any time for any reason. The Vice-Chair shall perform the duties of the Chair in the absence or incapacity of the Chair. In case of the resignation or death of the Chair, the Vice-Chair shall perform such duties as are imposed on the Chair, until such time as the members shall elect a new Chair.

POWERS AND DUTIES OF CHAIR

The Chair shall have the following powers and duties:

- Preside at all meetings of the Committee, and at all hearings conducted by the Committee.
- Perform such other duties as may be required of the Chairperson either by State law or by resolution or order of the Committee consistent with State law and shall perform such other duties as may be necessary to perform the required duties of the Chairperson.
- Confer with staff as appropriate to set the agenda for Committee meetings.

POWERS AND DUTIES OF VICE-CHAIR

The Vice-Chair shall have the following powers and duties:

- Have and perform all powers and duties of the Chairperson in the event of and during the absence or disability of the Chairperson.
- Shall preside as Chairperson at all meetings and hearings of the Committee in the event of and during the absence or disability of the Chairperson.
- Shall perform such other duties as may be required of the Vice-Chair either by State law or by resolution or order of the Committee consistent with State law and such other duties as may be necessary to perform the required duties of the Vice-Chair.

VACANCY IN OFFICE

If the Vice-Chair should cease to be a member of the Committee, or if for any other reason the office of the Vice-Chair should become vacant prior to the expiration of the term of office, the Committee shall elect a successor to the office of Vice-Chair for the unexpired portion of the term.

VACANCY OF CHAIR AND VICE CHAIR

In the event of vacancies in offices of the Chair and Vice-Chair, or in the event of the absence of the Chair and Vice-Chair, at the time of any meeting, the Committee may elect one of its members Chair Pro Tempore to preside over such meeting during such vacancies or absences. The Chair Pro Tempore shall have all the powers and duties of the Chair during such meeting.

APPOINTMENT SECRETARY/CLERK OF THE BOARD

The Chief Clerk to the Board of Supervisors shall serve as the Clerk of the Committee and shall serve as Secretary to the Committee.

POWERS AND DUTIES

The Clerk of the Board shall have the following powers and duties:

- Attend all meetings of the Committee and shall record and keep minutes of all that transpires;
- Shall attest to all Resolutions approved by the Audit Committee.
- Preserve, and be custodian of, all minutes, books, records, papers and tapes of the Committee.
- Whenever necessary he or she shall certify true copies of Committee documents; and
- Perform all duties required of him or her by these rules and regulations or required of him or her by resolution or order of the Committee consistent with State law, including, without limitation, the Brown Act.

TIME AND DAY OF REGULAR MEETINGS

The Audit Committee shall hold monthly regular meetings for the transaction of general business on the Third Friday of each calendar month at 11:00 a.m. Regular scheduled meetings may be cancelled by the Clerk/Secretary of the Board by giving 72 hour notice.

CLOSED SESSIONS

Every meeting of the Committee shall be open and public, and closed sessions shall not be held unless essential for the conduct of business. The public must be afforded an opportunity to comment on closed session items prior to adjournment to closed session. Subject to these requirements and those in the Brown Act, the Committee may hold closed session during a

Tulare County Audit Committee Bylaws

regular or special meeting. It is the intent of the Committee to strictly limit closed sessions. The Committee understands that it always has the option of discussing matters in open session notwithstanding that the Brown Act may entitle the Committee to hold a closed session, and the Committee intends to so exercise its prerogative in favor of open sessions to the greatest extent possible

QUORUM

Three (3) members of the Committee shall constitute a quorum to transact business. A lesser number of members present at a meeting may constitute a quorum solely to adjourn the meeting or adjourn the meeting to a stated time.

VOTING

No action shall be taken by the Committee except by affirmative vote of not less than three (3) members of the Committee; provided, a majority of a lesser number present may adjourn or adjourn to a stated time.

MANNER AND RECORDATION OF VOTES

Voting by members of the Committee shall be by “ayes” and “nays,” and the result of each vote shall be entered by the Secretary in the record of the Committee proceedings. Upon the request of any Committee member, a roll call vote shall be taken on any matter upon which a vote is called, and each vote shall be recorded by the Secretary to the record of the Committee proceedings.

DISQUALIFICATION

Any member who is legally disqualified from participating in Committee action on any particular matter shall take no part in the discussion, debate, or vote on such matter; and as soon as such matter is reached on the agenda such member shall disclose the member’s disqualification and the reason therefor, or if disqualification is not known to the member at the time such matter is reached on the agenda the member shall make such disclosure as soon as the disqualification is known to that member.

PETITIONS AND COMMUNICATIONS; FILING, REPORT, AND INSPECTION THEREOF

All written petitions and communications on the agenda of a meeting shall be filed with the Committee at such meeting and shall be so marked by the Clerk of the Committee and a copy shall be provided to each Committee member. The substance of such petitions and communications shall be orally reported to the Committee by the Clerk of the Committee; upon the request of any member of the Committee present at the meeting, any such petition or communication shall be read aloud in its entirety by the Secretary. Such petitions and communications may be inspected at any time by any member of the Committee.

DOCUMENTS AND OBJECTS PRESENTED TO COMMITTEE; FILING AND INSPECTION THEREOF

All documents and all physical objects presented to the Committee at any meeting by any person shall be filed with the Committee at such meeting and shall be so marked by the Secretary. Any such document or object filed with the Committee may be inspected at any time by any member of the Committee. True copies or photographs of such documents and objects may be filed in lieu of the originals thereof.

RESPONSIBILITIES

The Committee will carry out the following responsibilities:

Financial Statements

- Review significant accounting and reporting issues, including complex or unusual transactions and highly judgmental areas, and recent professional and regulatory pronouncements, and understand their impact on the financial statements.
- Review with management and the external auditors the results of the audit, including any difficulties encountered.
- Review the annual financial statements, and consider whether they are complete, consistent with information known to Committee members, and reflect appropriate accounting principles.
- Review other sections of the annual report and related regulatory filings before release and consider the accuracy and completeness of the information.
- Review with management and the external auditors all matters required to be communicated to the Committee under generally accepted auditing standards.
- Understand how management develops interim financial information, and the nature and extent of internal and external auditor involvement.

Internal Control

- Consider the effectiveness of the County's internal control system, including information technology security and control.
- Understand the scope of internal and external auditors' review of internal control over financial reporting, and obtain reports on significant findings and recommendations, together with management's responses.

Internal Audit

- Review with management and the chief audit executive, activities, staffing, and organizational structure of the internal audit function.
- Have final authority to review and approve the annual audit plan and all major changes to the plan.

Tulare County Audit Committee Bylaws

- Review the effectiveness of the internal audit function, including compliance with The Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing.

External Audit

- Review the external auditors' proposed audit scope and approach, including coordination of audit effort with internal audit.
- Review the performance of the external auditors, and exercise final approval on the appointment or discharge of the auditors.
- Review and confirm the independence of the external auditors by obtaining statements from the auditors on relationships between the auditors and the County, including non-audit services, and discussing the relationships with the auditors.

Compliance

- Review the effectiveness of the system for monitoring compliance with laws and regulations and the results of management's investigation and follow-up (including disciplinary action) of any instances of noncompliance.
- Review the findings of any examinations by regulatory agencies, and any auditor observations.
- Review the process for communicating the code of conduct to county personnel, and for monitoring compliance therewith.
- Obtain regular updates from management and County Counsel regarding compliance matters.

Reporting Responsibilities

- Provide an open avenue of communication between internal audit, the External Auditors, and the Board of Supervisors.
- Review any other reports the County issues that relate to Committee responsibilities.

Other Responsibilities

- Institute and oversee special investigations as needed.
- Review and assess the adequacy of the Committee bylaws annually, requesting board approval for proposed changes, and ensure appropriate disclosure as may be required by law or regulation.
- Evaluate the Committee's and individual members' performance on a regular basis.

HISTORY

1. Original bylaws approved by Board of Supervisors on _____, 2013 (Res. No. 2013-____).