



CITY OF NORTH SALT LAKE

AUDIT COMMITTEE MEETING NOTICE & AGENDA

September 17, 2024

5:00 P.M.

Notice is given that the City of North Salt Lake's Audit Committee will hold a meeting on **September 17, 2024 at 5:00 p.m.** The meeting will be held in the Council Conference Room on the 2nd Floor of City Hall, 10 East Center Street, North Salt Lake, Utah. Some members may participate electronically.

The following items of business will be discussed; the order of business may be changed as time permits.

AGENDA ITEMS

1. Welcome
2. Discussion on Role of Internal Audit
3. Review of Audit Committee Charter and Responsibilities
4. Review of Current Financial Policies and Organizational Structure
5. Update on Annual External Audit
6. Discussion on Agenda and Schedule for Next Meeting
7. Adjourn

Audit Committee meetings are open to the public. If you need special accommodation to participate in the meeting, please call (801) 335-8709 with at least 24 hours' notice.

Notice of Posting:

I, the duly appointed City Recorder for the City of North Salt Lake, certify that copies of the agenda for the Audit Committee meeting to be held **September 17, 2024** were posted on the Utah Public Notice Website: <https://www.utah.gov/pmn/>, City's Website: <https://www.nslcity.org>, and at City Hall: 10 E. Center St. NSL.

Date Posted: September 12, 2024


Wendy Page, City Recorder





Audit Committee Charter

Audit Committee Authority

Pursuant to resolution number 2020-16R, dated June 16, 2020, the City Council of the City of North Salt Lake has established an audit committee to assist the City Council in the oversight of both the internal and external audit functions.

Mission

The City Council of the City of North Salt Lake has established an audit committee to provide independent advice, assistance, and recommendations to the City Council in the oversight of the internal and external audit functions of the City of North Salt Lake.

Composition and Requisite Skills

The City of North Salt Lake Audit Committee is comprised of a subset of City Council members. This ensures that investigations regarding the work of management, external auditors, and internal auditors remain confidential until reports are made public to the governing body. The committee shall include: The Mayor and two City Councilmembers chosen by the Governing Body as established by Resolution No. 2020-16R.

The Committee members collectively should possess the knowledge in accounting, auditing, and financial reporting needed to understand and evaluate the City of North Salt Lake's financial statements, the external audit, and the entity's internal audit activities. Accordingly, the Audit Committee's members, collectively, should:

- 1) Possess the requisite knowledge necessary to understand technical and complex financial reporting issues.
- 2) Have the ability to communicate with auditors, public finance officers and the governing body.
- 3) Be knowledgeable about internal controls, financial statement audits and management/operational audits.
 - a. If the audit committee chooses, it may select a financial expert (either volunteer or paid) advisor.
 - i. The financial expert advisor must:
 1. Be independent of management
 2. Be present for meetings
 3. Not be a member of the audit committee
 4. Not vote on committee actions

Duties and Responsibilities

The duties and responsibilities of the City of North Salt Lake Audit Committee include the following:

1) External Audit Focus

- a. Provide recommendations regarding the selection of the external auditor
- b. Meet with the external auditor prior to commencement of the audit to, among other things, review the engagement letter.
- c. Review and discuss with the external auditor any risk assessment of the entity's fiscal operations developed as part of the auditor's responsibilities under governmental auditing standards for a financial statement audit and federal single audit standards, if applicable.
- d. Receive and review the draft annual audit report and accompanying draft management letter, including the external auditor's assessment of the entity's system of internal controls, and, working directly with the external auditor, assist the governing body in interpreting such documents.
- e. Make a recommendation to the governing body on accepting the annual audit report.
- f. Review every corrective action plan developed by the City of North Salt Lake management and assist the governing body in the implementation of such plans.

2) Internal Audit Focus

- a. Make recommendations to the governing body regarding the appointment of the internal auditor.
- b. Assist in the oversight of the internal audit function, including reviewing the annual internal audit plan to ensure that high risk areas and key control activities are periodically evaluated and tested, and reviewing the results of internal audit activities.
- c. Review significant recommendations and findings of the internal auditor.
- d. Monitor management's implementation of the internal auditor's recommendations by management.
- e. Participate in the evaluation of the performance of the internal audit function.
- f. Oversee Hotline complaints received and investigated by the internal auditor.

3) Administrative Matters

- a. Hold regularly scheduled meetings.
- b. Review and revise the Audit Committee Charter, as necessary.

Membership

The membership duties of the City of North Salt Lake Audit Committee include the following:

- 1) Good Faith – Members of the Committee shall perform their duties in good faith, in a manner they reasonably believe to be in the best interests of the Committee

and the City of North Salt Lake with such care as a generally prudent person in a similar position would use under similar circumstances.

- 2) Independence – An individual may not serve on an audit committee if he or she:
 - a. Is employed by the entity (other than governing board members).
 - b. Currently provides, or within the prior two years, has provided, goods or services to the entity.
 - c. Is a family member of an employee or officer.
 - d. Is the owner of or has a direct and material interest in a company providing goods or services to the entity.
- 3) Confidentiality – During the exercise of duties and responsibilities, the Committee members may have access to confidential information. The Committee shall have an obligation to the City of North Salt Lake to maintain the confidentiality of such information.

Meetings and Notification

The City of North Salt Lake Audit Committee shall meet a minimum of 4 times each year. An agenda of each meeting should be clearly determined in advance and the Audit Committee should receive supporting documents in advance, for reasonable review and consideration.

The Audit Committee shall create meeting minutes which include the meeting:

- 1) Agenda
- 2) Time, date, and location
- 3) Attendance
- 4) Findings requiring further investigation
- 5) Items to report to the governing body

Decision-Making Process

All decisions shall be reached by vote of a simple majority of the total membership of the committee. A quorum constitutes a simple majority of the total membership and meetings will not be conducted unless a quorum is present.

Reporting Requirements

The [entity name] Audit Committee has the duty and responsibility to report its activities to the [governing body] as needed, but not less than annually. Periodic written reports of Audit Committee activities are an important communication link between the Audit Committee and the [governing body] on key decisions and responsibilities. The Audit Committee's reporting requirements are to:

- 1) Report on the scope and breadth of committee activities so that the City of North Salt Lake is kept informed of its work.

- 2) Provide minutes or a summary of minutes of meetings which clearly record the actions and recommendations of the Committee.
- 3) Report on their review of the City of North Salt Lake's draft annual audit report and accompanying management letter and their review of significant findings.
- 4) Report on suspected fraud, waste or abuse, or significant internal control findings and activities of the internal control function.
- 5) Report on indications of material or significant non-compliances with laws or [entity] policies and regulations.
- 6) Report on any other matters that the committee believes should be disclosed to the City of North Salt Lake.

Charter Review

The City of North Salt Lake Audit Committee shall assess and report to the City Council on the adequacy of this Charter no less than an annual basis or as necessary. Charter modifications, as recommended by the Audit Committee, should be presented to the City Council in writing for their review and action.



Ethical Behavior Policy

Employee Code of Ethics

Prohibited Conduct

No current employee or officer, as specified, shall:

1. Disqualification from Acting on City of North Salt Lake Business.
 - a. Engage in any transaction or activity, which is, or would to a reasonable person appear to be, in conflict with or incompatible with the proper discharge of official duties, or which impairs, or would to a reasonable person appear to impair, the employee's independence of judgment or action in the performance of official duties and fail to disqualify him or herself from official action in those instances where conflict occurs;
 - b. Have a financial or other private interest, direct or indirect, personally or through a member of his or her immediate family, in any matter upon which the employee is required to act in the discharge of his or her official duties, and fail to disqualify him or herself from acting or participating;
 - c. Fail to disqualify him or herself from acting on any transaction which involves the City of North Salt Lake and any person who is, or at any time within the preceding twelve (12) month period has been a private client of his or hers, or of his or her firm or partnership;
 - d. Have a financial or other private interest, direct or indirect, personally or through a member of his or her immediate family, in any contract or transaction to which the City of North Salt Lake or any City agency may be a party, and fails to disclose such interest to the appropriate authority prior to the formation of the contract or the time the City or City agency enters into the transaction; provided, that this paragraph shall not apply to any contract awarded through the public bid process in accordance with applicable law.

2. Improper Use of Official Position.
 - a. Use his or her official position for a purpose that is, or would to a reasonable person appear to be primarily for the private benefit of the employee, rather than primarily for the benefit of City; or to achieve a private gain or an exemption from duty or responsibility for the employee or any other person;
 - b. Use or permit the use of any person, funds, or property under his or her official control, direction, or custody, or of any City funds or property, for a purpose which is, or to a reasonable person would appear to be, for something other than a legitimate purpose.
 - c. Except in the course of official duties, assist any person in any transaction where the employee's assistance is, or to a reasonable person would appear to be, enhanced by that employee's position with the City; provided

that this subsection shall not apply to: any employee appearing on his or her own behalf or representing himself or herself as to any matter in which he or she has a proprietary interest, if not otherwise prohibited by ordinance;

- d. Regardless of prior disclosure thereof, have a financial interest, direct or indirect, personally or through a member of his or her immediate family, in a business entity doing or seeking to do business with the City, and influence or attempt to influence the selection of, or the conduct of business with that business or entity.
3. Accept Gifts or Loans.
- a. Ask for or receive, directly or indirectly, any compensation, gift, gratuity, or thing of value, or promise thereof, for performing or for omitting or deferring the performance of any official duty; except that the following shall be allowed:
 - i. Unsolicited flowers, plants, and floral arrangements;
 - ii. Unsolicited advertising or promotional items of nominal value, such as pens and notepads;
 - iii. Unsolicited token or awards of appreciation in the form of a plaque, trophy, desk item, wall memento, or similar item;
 - iv. Unsolicited food items given to a department when the contents are shared among employees and the public;
 - v. Unsolicited items received for the purpose of evaluation or review provided the officer or employee has no personal beneficial interest in the eventual use or acquisition of the item by the City;
 - vi. Information material, publications, or subscriptions related to the recipient's performance of official duties;
 - vii. Food and beverages consumed at hosted receptions where attendance is related to official duties;
 - viii. Meals, beverages, and lodging associated with retreats or other meetings where the official serves as a representative, designee or is otherwise assigned to another organization or entity from the City;
 - ix. Travel costs, lodging, and tuition costs associated with City sanctioned training or education when not provided by a private entity under contract with the City;
 - x. Admission to, and the cost of food and beverages consumed at, events sponsored by or in conjunction with a civic, charitable, governmental, or community organization and other officials or employees of similar agencies are in attendance;
 - xi. Unsolicited gifts from dignitaries from another entity or other jurisdiction that are intended to be personal in nature;
 - xii. Campaign contributions; and
 - xiii. Unsolicited gifts with an aggregate economic value of \$50.00 or less from a single source in a calendar year received either directly or indirectly by the official or employee.

4. Disclose Privileged Information.
 - a. Disclose or use any privileged or proprietary information gained by reason of his or her official position for the immediate or anticipated personal gain or benefit of the employee or any other person or entity; provided, that nothing shall prohibit the disclosure or use of information which is a matter of public knowledge, or which is available to the public on request.
5. Financial or Beneficial Interest in Transactions.
 - a. Participate in or benefit from (personally or through his or her family and regardless of prior disclosure) a contract or agreement where that employee or officer acted as an agent of the City. This includes receiving compensation, gratuity or other benefit from an interested party of an agreement or contract with the City of North Salt Lake.
6. Nepotism.
 - a. Violate *Utah Code* § 52-3, which prohibits employment of relatives, with few exceptions.
7. Misuse of Public Resources or Property.
 - a. Violate *Utah Code* § 76-8-4, which delineates the unlawful use of public funds and destruction of property, including records.
8. Outside Employment.
 - a. Retain secondary employment outside of City employment, which, as determined by the City Council and/or the City Manager, and according to Utah Administrative Code R477-9-2:
 - i. Interferes with an employee's performance.
 - ii. Conflicts with the interests of the City of North Salt Lake or the State of Utah.
 - iii. Gives reason for criticism or suspicion of conflicting interests or duties.
9. Political Activity.
 - a. Except as otherwise provided by law:
 - i. The partisan political activity, political opinion, or political affiliation of an applicant for a position with the City may not provide a basis for denying employment to the applicant.
 - ii. A City officer's or employee's partisan political activity, political opinion, or political affiliation may not provide the basis for the officer or employee's employment, promotion, disciplinary action, demotion, or dismissal.
 - iii. A City employee may not engage in political campaigning or solicit political contributions during hours of employment.
 - iv. A City officer or employee may not use City equipment while engaged in campaigning or other political activity.
 - v. A City officer or employee may not directly or indirectly coerce, command, or advise another City officer or employee to pay, lend, or contribute part of the officer's or employee's salary or

compensation, or anything else of value to a political party, committee, organization, agency, or person for political purposes.

- vi. A City officer or employee may not attempt to make another officer or employee's employment status dependent on the officers or employee's support or lack of support of a political party, affiliation, opinion, committee, organization, agency, or person engaged in political activity.
 - b. A City employee who has filed a declaration of candidacy may:
 - i. be given a leave of absence for the period between the primary election and the general election; and
 - ii. Use any vacation or other leave available to engage in campaign activities.
 - c. Neither the filing of a declaration of candidacy nor a leave of absence under this section may be used as the basis for an adverse employment action, including discipline and termination, against the employee.
 - d. Nothing in this chapter shall be construed to:
 - i. prohibit a City officer or employee's voluntary contribution to a party or candidate of the officer or employee's choice; or
 - ii. Permit a City officer or employee partisan political activity that is prohibited under federal law.
 - e. No City officer or employee shall solicit or participate in soliciting any assessment, subscription, or contribution to any political party during working hours on the premises of any City property.
 - f. No City officer or employee shall promise any appointment to any position with the City as a reward for any political activity.
 - g. A City employee who is elected to an office with the City shall terminate City employment prior to being sworn into the elected office.
10. Fair and Equal Treatment.
- a. No person shall be appointed to, removed from, or in any way favored or discriminated against with respect to any appointive public office because of such person's race, color, age, religion, sex, national origin, or functional limitation as defined by applicable state or federal laws, if otherwise qualified for the position or office.
 - b. No City officer or employee shall grant any special consideration, treatment or advantage to any citizen beyond that which is available to every other citizen.
11. Prohibited Conduct After Leaving the City of North Salt Lake.
- a. No former employee shall, during the period of one (1) year after leaving City office or employment:
 - i. Disclose or use any privileged or proprietary information gained by reason of his/her City employment for his/her gain or anticipated gain, or for the gain or anticipated gain of any person, unless the information is a matter of public knowledge or is available to the public on request;
 - ii. Assist any person in proceedings involving an agency of the City with which he/she was previously employed, involving a matter in

which he or she was officially involved, participated or acted in the course of duty;

- iii. Represent any person as an advocate in any matter in which the former employee was officially involved while a City employee;
- iv. Participate as a competitor in any competitive selection process for a City contract in which he or she assisted the City in determining the project or work to be done or the process to be used.



City of North Salt Lake

**AUDIT
COMMITTEE
MEETING**

SEPTEMBER 17, 2024, 5:00 PM



AGENDA

1. Welcome
2. Role of Internal Audit
3. Review of Audit Committee Charter and Responsibilities
4. Review of Current Financial Policies and Organizational Structure
5. Update on FY 24 External Audit
6. Discussion on Agenda and Schedule for next Meeting
7. Adjourn

INTERNAL AUDIT

EXTERNAL AUDIT

Audit Focus

Prevention of fraud,
waste, and abuse

Ensure accuracy and
compliance in
financial reporting

Achieved By

- 1) Consistent application of internal controls
- 2) Separation of duties
- 3) Regular training of staff and governing body

Asset
protection

- 1) Competent staff
- 2) Consistent policy application
- 3) Compliance with GAAP/
GASB, and other regulatory
orgs.

Verified By

- 1) Self Assessment
- 2) Audit Committee
Oversight, Involvement

Independent
Review

- 1) Annual audit by
independent auditing firm
- 2) Audit Committee
Oversight, Involvement

AUDIT COMMITTEE BACKGROUND

Committee established on June 16, 2020 through Resolution 2020-16R in response to the Utah State Auditors request that all Utah local governments formalize the internal audit function in their respective entities.

Original Charter largely based on template and guidance from the State Auditor, but may be updated and revised by the Audit Committee.

AUDIT COMMITTEE CHARTER



01

External Audit Focus

- Recommend selection of external auditor.
- Review annual fraud risk assessment and present any concerns to external auditor.
- Review the draft annual financial report (ACFR), assist the governing body in interpreting the external auditors assessment, and make recommendations to the governing body regarding acceptance of ACFR.
- Should a corrective action plan be presented, assist the governing body in its implementation.

AUDIT COMMITTEE BACKGROUND

AUDIT COMMITTEE CHARTER (CONT)



02

Internal Audit Focus

- Recommend selection/appointment of internal auditor (may be an independent party).
- Assist with the oversight of the internal audit function, assess areas of risk that may require additional evaluation and testing.
- Monitor management's implementation and performance of internal audit recommendations.
- Address complaints received through the SAO Fraud Hotline or other external sources.

AUDIT COMMITTEE BACKGROUND

AUDIT COMMITTEE CHARTER (CONT)



03

Administrative Matters

- Hold regular meetings (current requirement is 4x/year).
- Review and revise the Audit Committee Charter, as necessary.

NSL FINANCIAL POLICIES (EXISTING):

- **ACFR Note 1 Summary of Significant Accounting Policies** (pg. 28-36)
- **Ethical Behavior Policy/Pledge (2020)**
 - Establishes prohibited conduct, including improper use of official position, accepting gifts, and misuse of public resources
 - Includes guidance on post-employment conduct (1st year)
- **Fraud Hotline Policy (2020)**
 - Establishes the Utah State Auditors Office as the official website for reporting citizen concerns
- **Credit Card Policy (2020)**
 - Sets forth parameters for use of City issued credit cards
- **Personnel Policies and Procedures**
 - Guidance on employment processes such as hiring and selection, disciplinary, and benefits eligibility and administration.
- **Chapter 11 - Procurement**

FUTURE:

- **Procurement (Update)**
 - Criteria for vendor selection based on qualifications/best value rather than least cost.
- **Cash/Fund Balance Reserves**
- **Investment**
- **Cash Receipting and Deposits**
- **IT and Computer Security**

Internal Controls to Prevent Opportunity

The City has adapted its financial procedures to remove opportunities for fraud within its workgroups, including:

- Creating multiple points of authorization/review
- Eliminating the ability for a sole employee to have custody of a financial transaction from beginning to end
- Removing overlapping responsibilities of the Finance Director and the City Treasurer, and
- Eliminating off-site cash activity/transactions



PROCEDURAL INTERNAL CONTROL EXAMPLES 1 & 2

Example 1 - Utility Billing Refunds



April Bernabe
Utility Billing Clerk

- Closes utility accounts for final bills, proposes refund for any remaining balances and forwards refund report to Treasurer and Finance Director



Stacey Steckler
City Treasurer

- Reviews proposed refunds for proper payment application and forwards approval to Accounts Payable for check processing



Alysia Halls
Part-time AP Clerk

- Prepares and mails the refund check to the customer after verifying new mailing address

Example 2 - Adding/Updating EE Records



Dept Head & City Mgr

- Department head prepares a personnel action form (PAF) and forwards to City Manager for review and signature



Sue Cole
Payroll Specialist

- Verifies signatures and supporting documentation and updates the financial system



Heidi Voordeckers
Finance Director

- Prior to next payday, reviews report of changes to employee records and compares to documentation/previous approvals

FINAPROCEDURAL INTERNAL CONTROL EXAMPLE 3

Example 3 - Weekly AP Check Runs



Dept Head

- Enters purchase order to initiate payment request



Heidi Voordeckers Finance Director

- Reviews proposed payments for budgetary compliance, GL coding, and financial reporting period recognition



City Mgr or City Council

- Authorizes purchases over \$5,000
- Verifies purchase for supplies, materials, and equipment over \$25,000 have been properly bid and authorized by City Council



Stacey Steckler City Treasurer

- Ensures cash balances meet payment demands and transfers cash as needed
- Distributes exact check stock to AP clerk



Alysia Halls Part-time AP Clerk

- Verifies purchase order signatures
- Enters invoices for payment
- Selects those items payable based on due date and requests approval from Finance Director



City Council

- At their individual discretion, reviews internal reports and authorizations for all checks processed each month

FY 2024 External Audit Update

- Audit work began in July with spot checking water department inventory counts
- Approximately 75% of the requested records have been uploaded for review (remaining information will be available next week)
- Anticipate Auditors will be onsite for testing mid-October
- Draft financial reports available sometime mid-November
- Final ACFR completed and distributed by 12/31

AUDIT COMMITTEE PROPOSED MEETING SCHEDULE

FUTURE MEETINGS AND AGENDA



November 2024

- Invite current auditors to discuss this years audit
- Discuss potential changes to Chapter 11 - Procurement

January 2025

- Meet with external auditors to review FY 2024 ACFR
- Staff presentation of draft RFP for External Audit services

March 2025

- Possible review of RFP responses and recommendation prep

May/June 2025

- Review annual Fraud Risk Assessment results
- Entrance meeting for FY 2025 external audit



City of North Salt Lake

ADJOURN

Abel Lish - 2023 1st Place (Adult)