

CITY OF NORTH SALT LAKE  
AUDIT COMMITTEE MEETING  
COUNCIL CONFERENCE ROOM  
10 EAST CENTER STREET, NORTH SALT LAKE  
SEPTEMBER 17, 2024

**FINAL**

Heidi Voordeckers called the meeting to order at 5:05 p.m.

COMMITTEE MEMBERS PRESENT: Brian Horrocks, Mayor; Lisa Watts Baskin, City Council; Suzette Jackson, City Council.

STAFF PRESENT: Ken Leetham, City Manager; Heidi Voordeckers, Finance Director; Wendy Page, City Recorder.

1. DISCUSSION ON ROLE OF INTERNAL AUDIT

Heidi Voordeckers stated this would include a brief overview of audits including internal and external audits. She spoke on the need to review the charter as well as soliciting for an external auditor. She explained an external audit included a focus on materiality and accuracy of financial statements and encompassed correct reporting, categorizing, and other technical aspects. She shared that the external auditor reviewed financial statements related to regulations and rigorous testing to detect inaccuracies, but not necessarily fraud. Ms. Voordeckers compared this to an internal audit with a focus on the prevention of fraud and abuse through internal controls such as separation of duties, training, and financial policies to protect assets. She said aspects of internal audit are verified by an annual fraud risk assessment with Audit Committee oversight.

2. REVIEW OF AUDIT COMMITTEE CHARTER AND RESPONSIBILITIES

Heidi Voordeckers reviewed the Audit Committee Charter which consisted of three areas of focus including external audit, internal audit, and selection on an external auditor. She commented that the Audit Committee was formed by resolution in 2020. She mentioned that the original Charter was very generic and should be updated. She said the City had utilized the same audit firm since 2009 and mentioned that it was encouraged to rotate between firms.

The Committee discussed audit costs, experiences with prior firms. Heidi Voordeckers commented that the transparency website should show what other cities had paid. She mentioned all audits increased by 25% in 2020 due to COVID requirements and never decreased.

Ms. Voordeckers spoke on other external audit functions including review of annual fraud risk assessment with presentation of concerns to the external auditor. She said this self assessment should be reviewed by the Audit Committee. She mentioned that the Audit Committee review

the draft Annual Comprehensive Financial Report (ACFR) with the external auditor and then make recommendation of approval to the City Council. She shared that any corrected action plan by the external auditor would then be reviewed by the Audit Committee for a course of action.

Heidi Voordeckers reviewed internal audits and the need to select an internal auditor. She explained that the Utah Government Finance Officers Association would be compiling a consortium of internal auditors as this role required special certification. She explained that the City had not required an internal investigation to date but spoke on how helpful a review of internal controls by an outside entity would be.

Ken Leetham questioned if the City would need to hire a third party auditor. Heidi Voordeckers recommended setting a regular meeting schedule for the Audit Committee, hire a new external auditor, update the procurement policy, review each policy, and then have these policies reviewed by an auditor for any gaps. She clarified that the external auditor reviewed all the documentation to ensure that the financial data was accurate, reviewed the minutes, and reviewed contracts for purchases over \$25,000.

Heidi Voordeckers spoke on the information sent to the external auditors including all the bank reconciliations, a full list of financial transactions, all accounts payable, and check registers for the year. She said the external auditor reviewed whether the financial statements were free of material misstatement which was helpful for the bond rating agencies. She mentioned that the City's bond rating was AA. She analyzed the functions of the Audit Committee including oversight of the internal audit functions, assess areas of risk that may require additional testing, monitor implementation of internal audit recommendations, and address any complaints received. She said the other requirements of the Committee were to hold regular meetings (four times per year) and to review the charter as necessary.

### 3. REVIEW OF CURRENT FINANCIAL POLICIES AND ORGANIZATIONAL STRUCTURE

Heidi Voordeckers reviewed the current financial policies and organizational structure.

Mayor Horrocks asked about the role of State Auditor, John Dougall. Heidi Voordeckers replied that the State Auditor was only involved in the event of significant concerns such as fraud in county or state financial systems.

Councilmember Baskin commented that one benefit of the Auditor's Office was to review if an organization had submitted annual filings. Heidi Voordeckers said the State Auditor's Office was ensuring compliance of reporting by withholding sales tax. She also mentioned residents could submit concerns to the State Auditor's office through the fraud hotline.

Heidi Voordeckers spoke on the technical side of the financial accounting policies which was incorporated into the audit including capitalization of equipment. She shared policies and procedures related to the audit including the depreciation schedule, ethical behavior policy and pledge for employees, guidance for post employment, credit card, personnel, and procurement. Additional polices could include cash and fund balance reserves, investments, cash receiving and deposits, and IT and computer security. She suggested that the Committee could set thresholds for the cash and fund balance reserves.

Ken Leetham clarified that the City paid for IT and computer security which was different than a written policy statement related to employee behavior. He gave the example of a “no pornography” policy for electronic devices and the need to train employees on these policies.

Heidi Voordeckers spoke on other internal controls and policies and suggested multi factor authentication, longer passwords, and password resets/expiration for employee email accounts. She mentioned the fraud triangle consisting of pressure, rationalization, and opportunity and how these three components increase exposure. She noted the measures for preventing opportunities for fraud including multiple points of authorization and review of financial transactions, elimination of cash, credit card use policies, and merchandise inventory at the golf course. She also reviewed internal processes including utility account refunds, updates to employee records (performance review, promotion, new hire), and thresholds for purchase orders. She provided an overview of processes and gave an example of how accounts were paid via check including the review by multiple individuals to help eliminate mistakes or fraud.

#### 4. UPDATE ON ANNUAL EXTERNAL AUDIT

Heidi Voordeckers shared an update on the annual external audit.

#### 5. DISCUSSION ON AGENDA AND SCHEDULE FOR NEXT MEETING

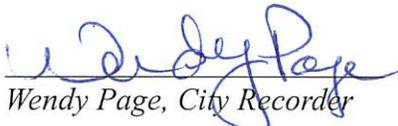
Heidi Voordeckers proposed a future meeting schedule to accomplish the external auditor selection including a November meeting with the current auditors, and a January meeting to review the ACFR followed by approval by the City Council. She said the auditor selection process would occur in May/June for fiscal year 2025. She then suggested an entrance meeting with the new audit firm. She spoke on preparing a draft policy for procurement model and a draft RFP for external audit services in March 2025.

Mayor Horrocks commented that he was in favor of Heidi Voordeckers providing corrections and updates to the Charter for approval. Councilmember Baskin commented that she could also review the Charter. Heidi Voordeckers said she would provide examples for the Committee to review to update the Charter.

6. ADJOURN

The meeting was adjourned at 6:03 p.m.

*The foregoing was approved by the Audit Committee of the City of North Salt Lake on November 19, 2024 by unanimous vote of all members present.*

  
Wendy Page, City Recorder

