

BEFORE THE METRO COUNCIL

FOR THE PURPOSE OF ESTABLISHING AN)	ORDINANCE NO. 10-1233
AUDIT COMMITTEE AND AMENDING)	
METRO CODE SECTION 2.15.080 EXTERNAL)	Introduced by Suzanne Flynn, Metro Auditor,
AUDITS AND ADDING A NEW METRO CODE)	with consent by David Bragdon, Council
SECTION 2.19.250 AUDIT COMMITTEE)	President

WHEREAS, pursuant to Metro Code Chapter 2.15 Metro Auditor, the Office of Auditor provides financial and performance audits of Metro; and

WHEREAS, the Office of Auditor is committed to ensuring the independence of the external auditor; and

WHEREAS, an audit committee helps to ensure that management properly develops and adheres to a sound system of internal controls, that procedures are in place to objectively assess management's practices, and that the independent auditors, through their own review, objectively and independently assess the government's financial reporting practices.; and

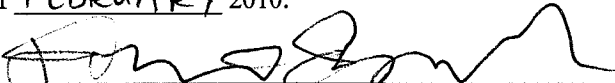
WHEREAS, Metro Code Section 2.15.080 External Audits is amended as shown in the attached Exhibit "A"; and

WHEREAS, a new Metro Code Section 2.19.250 Audit Committee is added to Metro Code Chapter 2.19; as shown in the attached Exhibit "B"; now therefore


THE METRO COUNCIL ORDAINS AS FOLLOWS:

- Section 1. Metro Code Section 2.15.080 External Audits is hereby amended, attached hereto as Exhibit "A."
- Section 2. Metro Code Chapter 2.19.250 Audit Committee is hereby added to Metro Code Chapter 2.19, attached hereto as Exhibit "B."

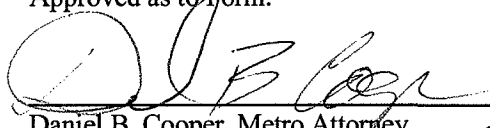
ADOPTED by the Metro Council this 11 TH day of FEBRUARY 2010.



 David Bragdon, Council President

Attest: 

 Tony Andersen, Recording Secretary

Approved as to Form:


 Daniel B. Cooper, Metro Attorney

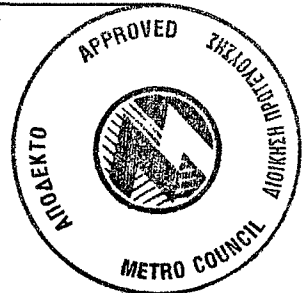


Exhibit A to Ordinance No. 10-1233
Amendments to Metro Code Chapter 2.15 Metro Auditor
Section 2.15.080 External Audits

2.15.080 External Audits

Subject to the requirements of the Metro Code pertaining to contracts, the Metro Auditor shall appoint external certified public accountants to conduct certified financial statement audits, as specified by state or local law. The Metro Auditor will monitor the process for the annual financial audit with the advice of the Audit Committee provided for in Section 2.19.250. The Metro Auditor shall coordinate and monitor the conduct of and the responses to external financial statement audits. The Metro Auditor shall work toward the elimination of duplicative audit work through cooperation with state, federal and external auditors. The Metro Auditor may also, within budgeted appropriations, contract with other professionals to assist in the performance of the audit function. The Metro Auditor will coordinate and monitor audit related assistance provided by such professionals.

(Ordinance No. 95-610A, Sec. 1.)

2.19.250 Audit Committee

(a) Committee Established. There is established an Audit Committee to serve as a liaison between the Metro Council, the independent external auditor, the Metro Auditor and management, as their duties relate to financial accounting, reporting, and internal controls and compliance.

(b) Duties. The Committee assists the Metro Council in reviewing Metro Council accounting policies and reporting practices as they relate to the Metro Council's Comprehensive Annual Financial Report. The Committee is the Metro Council's agent in assuring the independence of the Council's external auditors, the integrity of management, and the adequacy of disclosures to the public.

(c) Meetings. The Committee meets at least twice annually and as many times as it deems necessary to:

- (1) Review, prior to the annual audit, the scope and general extent of the external auditor's planned examination, including their engagement letter.
- (2) Review with management, the Metro Auditor and the external auditor, upon completion of their audit, financial results for the year prior to the presentation to the Metro Council. This review should encompass:
 - (A) The Metro Council's Comprehensive Annual Financial Report and Supplemental Disclosures required by General Accepted Accounting Principles (GAAP).
 - (B) Significant transactions not a normal part of the Metro Council's operations.
 - (C) Selection of and changes, if any during the year, in the Metro Council's accounting principles or their application.
 - (D) Significant adjustment proposed by the external auditor.
 - (E) Any disagreements between the external

Exhibit B to Ordinance No. 10-1233
Metro Code Chapter 2.19 Metro Advisory Committees
New Metro Code Section 2.19.250 Audit Committee

auditor and management about matters that could be significant to the Metro Council's financial statement or the Metro Auditor's report.

- (F) Difficulties encountered in performance of the audit.
 - (G) Violation of federal and state law, Metro Council ordinance, and contractual agreements reported by the external auditor.
- (3) Request comments from management regarding the responsiveness of the external auditor to the Metro Council's needs. Inquire of the Metro Auditor whether there have been any disagreements with management that, if not satisfactorily resolved, would have caused them to issue a nonstandard report on the Metro Council's financial statements.
 - (4) Review with the external auditor the performance of the Metro Council's financial and accounting personnel and any recommendations that the external auditor may have. Topics to be considered during this discussion include improving internal financial controls, controls over compliance, the selection of accounting principles, and financial reporting systems.
 - (5) Review written responses of management to "letter of comments and commendations" from the external auditor and discuss with management the status of implementation of prior period recommendations and corrective action plans.
 - (6) Ensure the final report is presented to the Metro Council within 90 days of completion of the audit. Upon presentation to the Metro Council, the audit will be considered complete.
 - (7) Recommend to the Metro Council revisions that should be made to the Metro Council's financial policies or internal controls.

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Metro Code Chapter 2.19 Metro Advisory Committees
New Metro Code Section 2.19.250 Audit Committee

- (8) Recommend to the Metro Council appropriate extensions or changes in the duties of the Committee.
- (9) Assist with external auditor selection:
 - (A) The selection of the external auditor by the Metro Auditor shall be made according to Oregon Revised Statutes (ORS) and Metro procurement procedures, rules and regulations concerning proper selection procedures.
 - (B) The Metro Auditor shall, after consultation with the Committee, procure a request for proposals for the external auditor at least every five (5) years for the Metro Council's Comprehensive Annual Financial Report.
 - (C) The Committee will review the responses to the requests for proposals and make a recommendation to the Metro Auditor on the selection of the external auditor.
- (10) Adopt rules or bylaws consistent with this section and all state and federal laws for its operation.

(d) Membership. The Committee is composed of:

- (A) A Metro Councilor.
- (B) A MERC Commissioner.
- (C) The Metro Auditor (Non-Voting Capacity).
- (D) Four (4) citizens recommended by the Metro Auditor.
- (E) Metro's head finance staff person as designated by the Metro Chief Operating Officer (Non-Voting Capacity).

(e) Appointments. Appointments of voting members shall be made by the Metro Council President subject to confirmation by

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the Metro Council.

(f) Selection. Selection of the Audit Committee will be designed to ensure the maximum degree of independence for the audit management process. At least two (2) of the four (4) independent citizen members should have financial expertise. Voting members must reside in the jurisdictional Metro Area in the counties of Multnomah, Clackamas and Washington. The citizen members shall serve four (4) year terms, with the terms of the initial members being staggered so that in any one year only one term expires. In the event of a vacancy, the appointment shall be only for the remainder of the term.

(g) Members of the Committee must have no monetary or investment interest in any matters concerning the selection of the external auditor.

(h) Metro employees and employees of any organization providing or competing for audit contract services to Metro are not eligible for membership on the Committee.

(i) The Committee elects or appoints a chairperson to preside at all meetings. The chairperson's duties rotate annually, with no chairperson presiding for more than one year in any term. The Committee designates a person as chair-elect to preside as vice-chair.

(j) The Office of Metro Auditor provides technical and clerical support to the Committee and arranges meetings for the Committee.

STAFF REPORT

IN CONSIDERATION OF ORDINANCE NO. 10-1233 FOR THE PURPOSE OF
ESTABLISHING AN AUDIT COMMITTEE AND AMENDING METRO CODE SECTION
2.15.080 EXTERNAL AUDITS AND ADDING A NEW METRO CODE SECTION 2.19.250
AUDIT COMMITTEE

Date: February 4, 2009

Prepared by: Suzanne Flynn
Metro Auditor
503-797-1891

BACKGROUND

The Government Finance Officers Association and the American Institute of Certified Public Accountants recommend an audit committee as a best practice. It is a practical means for a governing body to provide independent review and oversight of the government's financial reporting processes, internal controls, and independent auditors. An audit committee also provides a forum separate from management in which auditors and other interested parties can candidly discuss concerns.

Since 2007, the Office of the Metro Auditor has appointed an audit committee to assist in monitoring the activities of the external audit, reviewing the response of management, and selecting the external auditor. This support has been extraordinarily valuable but creating an audit committee as an agent of the Metro Council would strengthen and clarify their role.

ANALYSIS/INFORMATION

1. **Known Opposition:** None Known
2. **Legal Antecedents:** Metro Code Chapters 2.15 and 2.19 provide authority for the Metro Auditor and for the creation of advisory committees.
3. **Anticipated Effects:** The establishment of an audit committee as an agent of the Metro Council will increase the ability of the external auditor to maintain independence and objectivity. It will provide additional assurance to the Metro Council that financial reporting processes are strong.
4. **Budget Impacts:** None. The Metro Auditor has supported meetings of an auditor-appointed audit committee since 2007 within the current Office's budget.

RECOMMENDED ACTION

It is recommended that the Council approve amendment to Metro Code Chapter 2.15 Metro Auditor Section 2.15.080 External Audits and the addition of a new Metro Code Section 2.19.250 Audit Committee to Metro Code Chapter 2.19 Metro Advisory Committees.