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Audit and Finance Committee	4

Meeting Date: October 25, 2010

TOWN OF MORAGA STAFF REPORT

To: **Audit and Finance Committee**

From: **Emily Boyd, Interim Administrative Services Director**

Subject: **Review the Audit and Finance Committee (AFC) Charter and Consider Establishing Regularly Scheduled AFC Meetings**

Request

Review the Audit and Finance Committee (AFC) Charter and Consider Establishing Regularly Scheduled AFC Meetings.

Background

On January 24, 2007, the Moraga Town Council adopted Resolution # 03-2007 establishing the Audit and Finance Committee (AFC) and approving the charter. As an oversight committee, the AFC serves to provide the public and the Town Council with assurance that the Town's finances are being handled appropriately.

As the charter for a newly formed committee, the 2007 document was drafted with the intent of providing a basic framework under which the AFC could begin work. It was the opinion of staff and others involved that this Charter would need revision once the AFC had been operating for some time and a better evaluation of the Committee's functions would be known. It has now been approximately 3-1/2 years since AFC was established.

The AFC met on August 18, 2010, to discuss amendments to the Charter. The AFC's recommendations were presented to the Town Council on August 25, 2010. The Town Council did not approve the revised Charter and provided direction to staff. Attachment A is a mark-up of the January 24, 2007, charter including recommended amendments.

Amendments

Annual Audit

The Town Council expressed concern that the cuts made in the Annual Audit section went too deep. Staff has reinstated the original wording and added the sub headers "Prior to Audit" and "Following the Audit". Prior to audit, staff envisions AFC reviewing

the engagement letter and scope of audit at its quarterly meeting in April. Following the audit, staff envisions AFC reviewing the draft financials and meeting with the auditor at its quarterly meeting in January. Additionally, as part of the audit process, the auditor will likely want to meet with one or more AFC members individually.

Financial Reporting and Budgets

This section has been revised with the vision that AFC members would have sufficient familiarity with the Town's finances to provide competent review, analysis, and recommendations on the Town's quarterly financial reports, annual and mid-year budgets, and financial management.

Financial Planning and Investment Policy

This section has been expanded to reflect the vision that the AFC would provide oversight for the Town's investments and long term financial plans.

Town Treasurer

For general law cities, Government Code Section 36501 requires a city treasurer. Whether the treasurer is elected, appointed, or a staff member varies from city to city.

Staff conducted an informal survey of the members of the California Society of Municipal Finance Officers and had 28 respondents. Of these seven had elected treasurers and 21 had appointed treasurers. Appointed treasurers include those appointed by the city council and/or city manager. Appointed treasurers were city staff persons usually in the positions of Finance Director, Administrative Services Director, or City Manager. Some of the elected treasurer's handled investments but most were largely ceremonial positions.

Moraga Municipal Code Section 2.08.040, the Town Manager does not have the power to appoint, remove, promote, or demote the Treasurer. For this reason, it would make sense to continue the current practice of having the Moraga Town Treasurer be a public member of the AFC. As a practical matter, the duties of the treasurer as outlined in Government Code Section 410001-41007 (Attachment C) are being performed by Town staff, currently the Interim Administrative Services Director. The AFC and the Town Council may decide to continue this arrangement wherein the treasurer tacitly delegates the treasurer duties to staff. Under Government Code Section 41006, a treasurer may delegate the duties.

Regularly Scheduled AFC Meetings

Staff recommends establishing regularly scheduled meetings of this oversight committee in order to provide the committee greater credibility and opportunity for involvement in financial management, reporting, and planning.

Benefits of regularly scheduled meetings include:

- Provide Town Council members and members of the public a regular opportunity to question Staff regarding financial issues the Town faces.
- Offers greater transparency regarding the Town's financial planning process.
- Saves time in scheduling the next meeting.
- Allows staff, committee members, and members of the public to plan their upcoming schedules in advance.

Staff recommends 5 meetings per year on the 4th Monday of the month following the end of a quarter. The meetings would be held from 5-7 p.m. A proposed schedule and agenda topics follows:

Meeting Date (last week of month)	**Agenda Topics**
July	6-30 Investment Report
	6-30 Budget-to-Actual Report
	Other items as needed
October	9-30 Investment Report
	9-30 Budget-to-Actual Report
	Other items as needed
January	12-31 Investment Report
	12-31 Budget-to-Actual Report
	Mid-year Budget Review
	Review of Audited Financial Statements
April	3-31 Investment Report
	3-31 Budget-to-Actual Report
	Next FY Preliminary Budget Review
May	Next FY Budget Review

Fiscal Impact

A positive fiscal impact may result from AFC's participation in the Town's financial planning and reporting. The direct fiscal impact of the AFC involves staff time in preparing for meetings and implementing recommendations as well as incidentals costs such as photocopying meeting materials.

Alternatives

1) Recommend amendments to the AFC Charter.
2) Recommend regularly scheduled meetings.

Recommendations

Approve amendments to the AFC Charter.
Establish regularly scheduled meetings.

Report reviewed by: D. Michael Segrest, Town Manager

Attachments:

A. AFC Charter with mark-ups.