



"The Best Waterfront City in Which to Live, Work And Play."

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## CITY OF RIVIERA BEACH

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**TO:** HON. MAYOR, CHAIRPERSON, AND CITY COUNCIL

**THROUGH:** JONATHAN EVANS, CITY MANAGER, MPA, MD, ICMA-CM

**FROM:** ELENA GEORGIEV, CPA, CGMA, CIA, CISA, INTERNAL AUDITOR

**SUBJECT:** OFFICE OF THE INDEPENDENT AUDITOR

**DATE:** JULY 7, 2021

**CC:** GENERAL PUBLIC

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### **Background:**

Performance auditing strengthens public governance by enhancing the government's accountability to the public for stewardship of resources and achievement of the community's goals. Performance auditors issue rigorously researched and persuasive reports to recommend service delivery improvements, identify savings and revenue opportunities, and detect and deter fraud. An effective, independent performance audit function can increase a government's credibility with the public, oversight agencies, granting authorities and bond markets.

Local governments can enact legislation and procedures to ensure the audit function's organizational independence, unrestricted access to employees and records, and sufficient funding. The governing body, usually through an audit committee, works with the auditor to help ensure stakeholder support and competent, objective, audit leadership and staff.

### **City Goals:**

City Administration wishes to:

- **Establish, through a formal mandate, the auditor position with the following duties and responsibilities:**
  - (a) To conduct financial, operational and compliance audits of the City in order to independently and objectively determine whether:

1. Activities and programs being implemented have been authorized by the Charter or Code, state law or applicable federal law or regulations and are being conducted and funds expended in compliance with applicable laws;
  2. The City is acquiring, managing, protecting, and using its resources, including public funds, personnel, property, equipment, and space, economically, efficiently, equitably, and effectively and in a manner consistent with the objectives intended by the authorizing entity or enabling legislation;
  3. The City, its programs, activities, functions, or policies are effective, including the identification of any causes of inefficiencies or uneconomical practices;
  4. The desired result or benefits are being achieved;
  5. Financial and other reports are being provided that disclose fairly, accurately, and fully all information required by law, to ascertain the nature and scope of programs and activities, and to establish a proper basis for evaluating the programs and activities including the collection of, accounting for, and depositing of, revenues and other resources;
  6. City management has established adequate operating and administrative procedures and practices, systems or accounting internal control systems and internal management controls; and
  7. Investigate allegations of fraud, abuse or illegal acts.
- (b) To establish a "hotline" to receive complaints, from either anonymous or identified persons.
- (c) If the Auditor becomes aware of abuse or illegal acts or indications of such acts that could affect the governmental entity, the Auditor shall report the irregularities to the Audit Committee and the City Manager immediately, who shall report them to City Council and the Mayor. If the City Manager is believed to be a party to abuse or illegal acts, the Auditor shall report the acts to the Audit Committee, City Council and the Mayor.
- (d) If the Auditor suspects possible mismanagement of a contract (misuse or loss exceeding \$5,000), fraud, theft, bribery, or other violation of law which appears to fall within the jurisdiction of the Palm Beach County Office of the Inspector General, the Auditor may notify the Inspector General.
- (e) If the Auditor suspects a possible violation of any state, federal or local law, he or she shall notify the appropriate law enforcement agencies.
- (f) To obtain the services of professional experts necessary to perform audit work.
- (g) To engage in prevention and outreach activities, including, but not limited to, developing public awareness and informing government officials and staff, as well as the general public, of the powers and duties of the Auditor and his or her staff.
- (h) In addition to the functions described above, the Auditor and his or her staff shall:
1. Serve as a liaison between the City and outside auditors including the Palm Beach County Office of the Inspector General;
  2. Provide available staff or other assistance to the independent audit firm in order to reduce the cost of the city-wide audit;
  3. Assist in resolving items in the independent audit firm's management letter;
  4. Provide advice and assistance in the preparation of policy and procedures to all departments and review the adequacy of policies and procedures relating to financial controls. In order to maintain independence, the Auditor shall have no responsibility for the actual preparation of the policies and procedures; and

5. Aid, through the City Manager, City Council, the Mayor, the City Attorney and department directors in identifying and recommending improvements in internal control.
  - (i) To submit a one year audit plan, developed using risk-based methodology, to the Audit Committee for review and comment by September 1 of each calendar year.
  - (j) To submit an annual report to the Audit Committee and/or City Council, the Mayor and the City Manager by October 1 of each calendar year.
- **Create an organizational structure where the auditor reports to an Audit Committee with the following duties and responsibilities:**
    - (a) To review and concur in the appointment, replacement, reassignment, or dismissal of the Auditor;
    - (b) To provide oversight and general direction to the Auditor by:
      1. Reviewing the Auditor's annual audit plan; providing suggestions and comments;
      2. Reviewing and approving the Auditor's reports before the final reports are made available to City Council and the general public;
      3. Monitoring follow-up on reported findings to assure corrective action is taken by management;
      4. Reviewing any difficulties the Auditor and his or her staff encounter;
      5. Reporting, through the City Manager, to the City Council on problems or problem areas at such times as deemed appropriate;
      6. The Chairperson, in collaboration with the City Manager, will perform regular evaluations of the Auditor; and
      7. Evaluating the findings and recommendations of the peer review.
    - (c) Conduct and oversee the requests for proposal and selection process for an independent audit firm required to complete the City's annual financial statement audit;
    - (d) Provide oversight to the independent audit firm by:
      1. At least annually, meeting separately with the City Manager, the Auditor, the Finance Director, and the independent audit firm, to evaluate the condition of the entity's controls, systems and risk, and to discuss other matters staff and the independent audit firm desire or are required to bring to the Audit Committee's attention such as fraud, illegal acts, and financial and control weaknesses;
      2. Reviewing with management and the independent audit firm the effect of any new regulatory and accounting initiatives;
      3. Reviewing with management and the independent audit firm all critical accounting policies and practices used by the City of Riviera Beach, all alternative treatments of financial information, and all material written communications between the independent audit firm and management, such as any management letter or schedule of unadjusted differences;
      4. Reviewing with management and the independent audit firm the City of Riviera Beach annual financial statements and related footnotes, the independent audit firm's audit of the financial statements and their report, any significant changes required in the independent audit firm's audit plan and any serious difficulties or disputes with management encountered during the audit;
      5. Reviewing with the Auditor and the independent audit firm the adequacy of the City of Riviera Beach internal controls including computerized information system controls

- and security, and any related significant findings, recommendations and management responses of the independent auditors and internal audit;
6. Review the corrective actions taken by management to address any management letter comments; and
  7. Evaluating the independent audit firm.

- **Provide the auditor with unrestricted access to records and employees; and**
- **Protect the auditor from interference in their work.**

**Fiscal/Budget Impact:**

Amounts usually expended in connection with this activity.

**Recommendation:**

City Administration and the City's Independent Auditor recommend that City Council formally enact legislation to formally recognize the Office of the Independent Auditor and the Audit Committee.

**Attachments:**

1. Draft 06-24-2021