

Audit Committee

date Monday, June 12, 2017

time 11:00am – 12:00pm

place San Diego Workforce Partnership, 3910 University Ave., San Diego, CA
Executive Boardroom, 4th Floor

AGENDA

Welcome

- Omar Passons – Chair
 - Call the meeting to order
 - Non-agenda public comment

Action Items

- Omar Passons – Chair
 - Item #1: Minutes of the May 3 Audit Committee Meeting

Information Items

- Item #2: Audit Committee Charter
- Item #3: Scope of Internal Controls Testing

Adjournment

- Set next meeting

Item #1: Minutes of the May 3 Audit Committee Meeting

Members Present

Omar Passons, Chair
Ed Hidalgo
Marlene Taylor
Tracy Sandoval
Rolando Charvel

Staff Present

Peter Callstrom
Andy Hall
Chris Burlaka

All reports, memoranda and letters contained in the agenda or distributed at the meeting shall by this reference become part of the original minutes.

The meeting was called to order by Omar Passons, at 1:07pm at SDWP with a quorum.

Public Comment

None

The following items were approved

1-05/03/2017 - Item 1

FY 2015-2016 Financial Statements/Single Audit Report

Approved SDWP FY 2015-2016 Financial Statements/Single Audit Report.

Motioned, Seconded, Carried Unanimously (Sandoval/Charvel)

DISCUSSION

SDWP's audit partner Brad Welebir from Rogers, Anderson, Malody & Scott reviewed the FY16 financial statements and single audit report with the Audit Committee. Brad discussed the report on compliance for each major federal program; report on internal control over compliance; and report on schedule of expenditures of federal awards required by the uniform guidance.

The Audit Committee members discussed the financial health, opportunities and risks of SDWP. Members also discussed the importance of developing clear roles, responsibilities, and guidelines

for the Audit Committee, and asked SDWP staff to develop a draft audit charter for discussion and approval at a future meeting.

The Audit Committee also discussed the importance of having an additional third party test SDWP's internal controls. SDWP shared that the County of San Diego, the State of California Employment Development Department, the US Department of Labor, and other oversight agencies annually and/or monthly test internal controls and audit program and financial files. Audit Committee members discussed the extent and scope of these reviews with SDWP staff and asked SDWP staff to explore options for a CPA firm to conduct a review of internal controls. Audit Committee members asked for this scope to be discussed at a future meeting.

Adjournment

The meeting was adjourned at 2:20 pm.

Next meeting: June 12, 2017

Item #2: **Audit Committee Charter**

INFORMATION ITEM – NO ACTION REQUIRED

At the May 3, 2017 Audit Committee meeting, committee members discussed the importance of developing a clear committee charter that outlines the roles and responsibilities of the Audit Committee. The attached draft of the charter will be discussed and revised during the meeting.

ATTACHMENT

SDWP Audit Committee Charter (v.1 – Last Updated: 5.8.17)

SDWP AUDIT COMMITTEE CHARTER

v.1 – Last Updated: 5.8.17

PURPOSE OF AUDIT COMMITTEE

To assist the board of directors in fulfilling its oversight responsibilities for the financial reporting process, the system of internal control, the audit process, and the company's process for monitoring compliance with laws and regulations and the code of conduct.

The Audit Committee has authority to conduct or authorize investigations into any matters within its scope of responsibility. It is empowered to:

- Appoint, compensate, and oversee the work of any registered public accounting firm employed by the organization (i.e. single audit, internal controls testing, etc.).
- Resolve any disagreements between management and the auditor regarding financial reporting.
- Seek any information it requires from employees – all of whom are directed to cooperate with the committee's requests – or external parties.
- Meet with company officers, external auditors, or outside counsel, as necessary.
- Make recommendations to the Workforce Development Board (WDB) and Policy Board on any actions related to audits, internal controls, financial statements, and other matters related to the organization's fiscal health.

COMPOSITION

The Audit Committee will consist of five members:

- Three (3) members will be Workforce Development Board (WDB) members (appointed by the WDB chair).
- One (1) member will be an executive level finance professional from the City of San Diego.
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MEETINGS

- The committee will meet at least two times a year, with authority to convene additional meetings at the committee's discretion.
- Quorum of Audit Committee will be three or more members.
- All Audit Committee meeting rules will be governed by the Brown Act (all meeting materials will be posted at least 72 hours to the meeting, meetings will be open to the public, etc.).

RESPONSIBILITIES

The committee will carry out the following responsibilities:

Financial Statements

- Review with management and the external auditors the results of the annual single audit, including any difficulties encountered.
- Select external auditors for single audit, evaluate the firm's performance, and outline and review the scope of the single audit prior to auditor's field work.
- Review the annual financial statement, and consider whether they are complete, consistent with information known to committee members, and reflect appropriate accounting principles.
- Review with management and the external auditors all matters required to be communicated to the committee under General Accepted Auditing Standards.
- Review financial reports with management and the external auditors before filing with regulators, and consider whether they are complete and consistent with the information known to committee members.

External Audit

- Review the external auditors' proposed audit scope and approach, including coordination of audit effort with internal audit.
- Review the performance of the external auditors, and exercise final approval on the appointment or discharge of the auditors.
- Review and confirm the independence of the external auditors by obtaining statements from the auditors on relationships between the auditors and the company, including non-audit services, and discussing the relationships with the auditors.
- Meet separately with the external auditors to discuss any matters that the committee or auditors believe should be discussed privately

Internal Controls

- Review the effectiveness of the company's internal control systems.
- Understand the scope of internal and external auditors' or funders' review of internal control over financial reporting, and obtain reports on significant findings and recommendations, together with management's responses.

Compliance

- Review the effectiveness of the system for monitoring compliance with laws and regulations and the results of management's investigation and follow-up of any instances of noncompliance.
- Review the findings of any examinations by regulatory agencies, and any auditor observations.

Reporting Responsibilities

- Report to the board of directors about committee activities, issues, and related recommendations.
- Provide an open avenue of communication between the external auditors and the board of directors.

Other Responsibilities

- Perform other activities related to this charter as requested by the board of directors.
- Direct and oversee special investigations as needed.
- Review and assess the adequacy of the committee charter annually, requesting board approval for proposed changes, and ensure appropriate disclosure as may be required by law or regulation.
- Confirm annually that all responsibilities outlined in this charter have been carried out.

Item #3: Scope of Internal Controls Testing

INFORMATION ITEM – NO ACTION REQUIRED

At the May 3, 2017 Audit Committee meeting, members asked staff to explore entering into an agreement with a CPA firm that specializes in third party internal controls testing. This item is to discuss the scope and timing of the project.