



City of Lockport

Audit Committee Policy

Resolution 041223.9

Resolved, pursuant to internal control measures outlined by the New York State Comptroller's Office, the City of Lockport establishes an Audit Committee Policy as follows:

The Audit Committee is composed of financial professionals in the community who are tasked with oversight of the City of Lockport's financial reporting, management capability, and independent third party audit.

Purpose and Mission Statement

A decade ago, the City experienced significant financial distress that required the City to undergo NYS Financing Deficit and annual budgetary review by the NYS Comptroller's Office (NYS OSC). This strain was caused by mismanagement of funds, lack of cohesive budget and planning, a delinquent RFP process, and a weak system of financial reporting and management. Continuous years of budgetary deficits and diminishing fund balances had caused a cash flow shortage that required NYS intervention and funding to resolve.

The City has since made strides to mitigate financial managerial risk and its impact on taxpayers. Though careful planning, budgeting, and accounting, the City has managed to build a strong and robust fund balance in recent years with an increasing cash flow to support operations. While effort has been made into improving our financial conditions and capabilities, there is always room for both improvement as well as oversight to ensure that all measures possible are being taken to ensure no such mismanagement occurs again.

The mission of the Audit Committee is to ensure that the financial management and auditing capabilities are sufficient to fit the ever-changing needs of the City.

Responsibilities

- Review financial data and reports to identify any substantive trends or concerns that may be overlooked.
- Make recommendations on methods to improve financial data, reporting capabilities, accessibility, and internal controls.
- Review City-made corrective-action-plans (CAPs) and ensure that curative action is being done to minimize future audit findings.
- Ensure that a logical methodology is being used in the contracting and RFP (request for proposal) process / selection of the 3rd party auditor.
- Meet with third party auditor to independently review management letter and financial statements.

Composition of the Committee and Selection of Members

The audit committee shall be established appointed by the Mayor. The audit Committee shall consist of at least three members of the public who are independent of City operations. Audit committee members shall be prohibited from being an employee of the City. In addition, audit committee members shall not engage in any private business transactions with the City or receives compensation from an entity that has material business relationships with the City.

It is the expectation that all members on the audit committee shall possess or obtain a basic understanding of governmental financial reporting and auditing.

Meetings and Materials

The audit committee will meet with City officials (typically the Mayor, Treasurer, and Finance Director) three times per year. Once a year, around May, the audit committee members will meet with the third party auditor independent of City officials in order to ask questions and discuss areas of concern with the auditors directly. These four meetings will be documented with meeting minutes that are to be provided to the City Clerk. These quarterly meetings may occur digitally or via phone calls as well as in-person.

Additional meeting may be required to adequately fulfill all of the responsibilities as defined in this policy. Independent communication between the committee members for more frequent review of data is optional.

Materials to be reviewed will primarily consist of:

- Data on the City's Online Open Financial Portal (<https://lockportny.gov/lockports-open-financial-data-portal/>) which includes balance sheets, budget statements, cash/metric/utility benchmarking, and more.
- Current and prior year financial statements and management letters, obtained on the City's Finance Department website (<https://lockportny.gov/departments/finance-department/>).
- Other data, reports, and policies published on the City's Finance Department website (<https://lockportny.gov/departments/finance-department/>).
- Internal monthly finance update reports, to be provided by the Finance Director via email.
- On an annual basis, the third party auditor will provide the audit committee members a draft copy of the upcoming audit findings and financial statements for their review.
- Other materials may be requested to the Finance Director and Treasurer as required.

Committee Expectations and Outputs

Once a year, the committee is responsible for putting together a report addressed to the Mayor that identifies areas of concern / possible improvement as defined in the areas of responsibilities in this policy. Both the minutes and the report will be published online to the City of Lockport's Committees and Boards webpage (<https://lockportny.gov/list-of-committeesboard/>).

This policy supersedes any resolution regarding this committee.