

# MIAMIBEACH

OFFICE OF THE CITY MANAGER

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NO. LTC # 223-2014

## LETTER TO COMMISSION

TO: Mayor Philip Levine and Members of the City Commission

FROM: Jimmy L. Morales, City Manager

DATE: July 1, 2014

SUBJECT: Audit Committee

We need to issue an RFP for Audit Services and sought the guidance of the City Attorney as to the requirement of an audit committee pursuant to FS 218.391. Contrary to past practice, the City Attorney has opined that an audit committee must be established to select the external auditor for the City.

Therefore, I am requesting that the Mayor and each Commissioner plan to nominate a member for the audit committee at the July 23 Commission meeting.

The primary purpose of an audit committee is to assist the governing body in selecting an auditor to conduct the annual financial audit required in FS 218.39; however, the audit committee may serve other audit oversight purposes as determined by the entity's governing body. Under FS 218.391 the Audit Committee shall:

- 1 – Establish factors to use for the evaluation of audit services to be provided by a certified public accounting firm;
- 2 – Evaluate proposals provided by qualified firms;
- 3 – Rank and recommend in order of preference no fewer than three firms deemed to be the most highly qualified to perform the required services.

The GFOA Recommended Practice for Audit Committees is that ideally, all members of the committee possess or obtain a basic understanding of governmental financial reporting and auditing. The audit committee also should have access to the services of at least one financial expert, either a committee member or an outside party engaged by the committee for this purpose. Such a financial expert should through both education and experience, and in a manner specifically relevant to the government sector, possess 1) an understanding of generally accepted accounting principles and financial statements; 2) experience in preparing or auditing financial statements of comparable entities; 3) experience in applying such principles in connection with the accounting for estimates, accruals, and reserves; 4) experience with internal accounting controls; and 5) an understanding of audit committee functions.

Please contact me if you have any questions.

JLM/PDW

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