

AUDIT COMMITTEE MINUTES

February 8, 2022 – 1:00 p.m. PUBLIC MEETING

Suspended to Date and Time Certain and Continued on

February 10, 2022 – 1:00 p.m.

City Hall – 1 Junkins Avenue – CITY OF PORTSMOUTH, NH

The Audit Committee (AC) held the February 8, 2022 meeting in the Planning Department Conference Room.

AC Members present: Chair Christopher M. White, Councilors John Tabor and Kate Cook, Secretary Harry (Hawk) Furman and Jesse Lynch.

City management representative: Deputy City Manager Suzanne Woodland

Public participation: Petra Huda, former Audit Committee Chair, spoke during the public-comment session at the end of the public meeting.

Call to Order

Chair White called the meeting to order at 1:03 p.m.

Chair White took roll call. Councilors Tabor and Cook, Mr. Furman and Mr. Lynch indicated that they are present. Attorney Woodland indicated she was present.

Approval of January 25, 2022 Minutes

The minutes for the January 25, 2022 meeting were approved as amended, on a vote of 5 – 0.

Statement by Chair

Chair White read from a prepared statement drafted in response to the extensive January 25, 2022 comments made by Councilors Cook and Tabor regarding the Audit Committee's duties and responsibilities as defined by Ordinance 1.414. This statement is attached to these minutes.

Public Comments

Petra Huda, former chair of the Portsmouth Audit Committee, spoke. She resides at 280 South Street. Her comments are attached to these minutes.

Review of Proposals Received from the 12/16/21 Auditor RFP

Mr. Furman moved to go into nonpublic session to discuss confidential information pertaining to commercial or financial material as per RSA 91 – A:5 and 91 – A:3 II (c)(d)(I). The motion was seconded by Mr. Lynch. On a 5 – 0 vote, the motion passed at 1:16 p.m.

During non-public session, meeting was suspended to date and time certain, February 10, 2022 at 1:00 p.m., upon motion by Councilor Cook and seconded by Councilor Tabor and unanimously agreed to.

February 10, 2022 at 1:00 p.m. – Return to Non-Public Session and Continue Meeting

Councilor Tabor moved to end the nonpublic session, re-enter the public session, seal the nonpublic minutes, and adjourn the public session. The motion was seconded by Councilor Cook. On a 5 – 0 vote, the motion passed at 3:17 p.m. on February 10, 2022.

The next Audit Committee meeting is scheduled for February 15, 2022 at 1:30 p.m.

Date approved: _____

Minutes Respectfully Submitted by

Christopher White, Chair

Statements Attached

Chair White's Response to Councilors Cook and Tabor's Comments on January 25, 2022

Origin of Audit Committee

The City Council set about in January 2021 to establish an Audit Committee to bring the City into compliance with its City Charter and specifically Section 7.4. Section 7.4 requires the City to conduct an audit of the City's finances at least annually and it requires that that audit be independent.

Definition of an Independent Audit

For an audit to be independent, it must be conducted by an auditor that has no conflicts of interest with the entity being audited. It also must be supervised and controlled by parties that have no financial interest in the outcome of the audit. For independence to be achieved, the auditor's work must be supervised and controlled by the City Council and its appointed Audit Committee, not management. Management clearly has a financial interest in the outcome of the audit. Presently, management supervises the audit, exerting control over its findings and compromising the independence of the audit.

Ordinance 1.414 Wording

Ordinance 1.414 states that "there shall be a permanent Audit Committee established and maintained for the purpose of advising the City Council on the adherence to the City Charter – Section 7.4 INDEPENDENT AUDIT." Under Paragraph B. of the Ordinance, Duties and Powers are enumerated. This paragraph states "the primary purpose of the Audit Committee is to recommend an external auditor to the City Council. In the event the auditor identifies any serious exceptions, the Audit Committee shall advise and work with the City Council as to next steps."

It is appropriate that the permanent Audit Committee has a primary purpose to recommend an external auditor per Paragraph B. But the first sentence of the Ordinance clearly states that there is a broader purpose for the Audit Committee than just recommending an auditor. The Committee must be vigilant, observing if the financial audit as required by the City Charter is indeed being conducted in an independent fashion. This is the Audit Committee's overarching purpose.

During the financial audit, the Ordinance, to comply with the City Charter, requires that the Audit Committee and City Council receive interim reports from the auditor verifying that the audit is being conducted in an independent fashion, free of management supervision and control. Only by having this reporting structure clearly established can the Audit Committee and City Council stay current regarding the status of the audit. This would enable the Audit Committee to carry out its responsibilities in the first sentence of Ordinance 1.414.

The City's Request for Proposal, RFP #20-22, was prepared and issued by City management on December 16, 2021. It recognizes the need for the Audit Committee to receive interim reports as indicated in I.D.10 on Page 6 of the RFP where the Audit Committee is to receive the report titled *Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards*. I.D.12 and I.D.13 further require additional reports being made to the Audit Committee during the audit.

Audit Committee Charter

The Audit Committee Charter was adopted by the Audit Committee unanimously on December 15, 2021. It reflects best practices for audit committees. While not all provisions represent today's practices, it gives a roadmap for where the Committee is today and where it must head over the coming years.

Conclusion

It is necessary for the auditor to have this interim reporting structure in place so that the Audit Committee can knowledgeably advise the City Council of exceptions, serious or otherwise, of the financial audit regarding its independence as judged by the Audit Committee or the City Council. The City Charter requires no less.

PUBLIC COMMENT BY PETRA HUDA FOR AUDIT COMMITTEE MEETING 2.8.22

I WANT TO SPEAK IN SUPPORT FOR CHAIR WHITE'S POSITION AS STATED IN THE OPENING RESPONSE TO THE LAST MEETING.

THE POSITION TAKEN BY THE NEW COUNCILORS & CITY STAFF IN THE INITIAL MEETING WAS AN OBVIOUS ATTEMPT TO DE-LEGITIMIZE THIS AUDIT COMMITTEE BY FURTHER LIMITING ANY INVOLVEMENT WITH THE RECOMMENDATION OF AN AUDIT FIRM TO THE COUNCIL & FOLLOWING UP WITH A CONTRACT THAT IS INCLUSIVE OF THE REQUIREMENTS OF THE RFP.

I FIND IT REMARKABLE AS A TAXPAYER, SEEKING TRANSPARENCY IN THE IMPLEMENTATION OF BEST PRACTICES THAT THE CITY MANAGEMENT INSISTS ON INTERFERING & TAKING OVER A PROCESS ASSIGNED TO THIS AUDIT COMMITTEE THAT WAS SUCCESSFULLY REVAMPED LAST YEAR BY THIS COMMITTEE & CULMINATED IN THE TIMELY AUDIT PROCESS.

THE DEVELOPMENT OF THE RFP, AND NOW THE CONTRACT FOR SERVICES HAS BEEN TAKEN BACK BY MANAGEMENT UNDER THE GUISE OF "THIS BEING A STAFF RESPONSIBILITY" IS A BLATANT DISREGARD FOR THE WORD "INDEPENDENT" AUDIT!

THIS COMMITTEE WAS CREATED TO ASSIST THE COUNCIL BY BRINGING TOGETHER VOLUNTEER FINANCIAL EXPERTS THAT ARE HERE TO BRING THEIR COLLECTIVE FINANCIAL BACKGROUNDS & CREATE THE THIRD PARTY INDEPENDENT SEPARATION AS REQUIRED BY SECTION 7.4 OF THE CITY CHARTER, BY WORKING IN COLLABORATION WITH THE CITY ADMINISTRATIVE STAFF, INSTEAD THESE VOLUNTEERS HAVE MET WITH CONSTANT PUSHBACK EVERY STEP OF THE WAY.

THE SUGGESTION BY COUNCILOR TABOR THAT THE RECOMMENDED PROPOSER FOR AUDITOR DO A PHONE INTERVIEW WITH THE ENTIRE COUNCIL IS ABSURD AND UNPRECEDENTED!

I WOULD ASK IF OR WHEN THE ENTIRE CITY COUNCIL HAS EVER IN THE PAST OR WILL BE IN THE FUTURE, DONE INTERVIEWS OR REVIEWED PROPOSALS FOR ENGINEERING SERVICES, CONSTRUCTION CONTRACTS, LANDSCAPING SERVICES, THEN WHY IS THIS PROCESS BEING SUGGESTED FOR THE AC???

THIS SUGGESTION WAS MADE TO CIRCUMVENT THE MAIN PURPOSE OF THE AUDIT COMMITTEE AS STATED IN THE ORDINANCE. 1.414 INDEPENDENT AUDIT. INDEPENDENT MEANS THE AUDITOR MEETS WITH A THIRD PARTY INDEPENDENT OF THE CITY MANAGEMENT THAT IT IS AUDITING!

THE OTHER POINT I WOULD ADDRESS IS THAT THE AUDIT COMMITTEE ADOPTED A CHARTER GUIDED BY THE GFOA BEST PRACTICES IN DECEMBER BY VOTE.

YES, GUIDED BY THE SAME GFOA BEST PRACTICES THAT THE CITY RECEIVES IT MUCH TOUTED GFOA AWARDS FROM & SPENDS TAXPAYER DOLLARS TO SEND CITY EMPLOYEES TO TRAINING TO KEEP UP ON THESE SAME BEST PRACTICES & BELONG TO THIS ORGANIZATION.

WHAT IS THE PURPOSE OF THE CITY LEGAL STAFF REVIEWING THIS CHARTER & GIVING OPINIONS, AS REQUESTED BY THE COUNCILORS, EXCEPT TO UNDERMINE THE GUIDANCE GIVEN BY THE COUNCIL & THE GFOA BEST PRACTICES? ESPECIALLY IN THE FIRST MEETING SINCE JOINING THE AC!