

AUDIT COMMITTEE MINUTES

October 21, 2022 – 11:00 a.m. PUBLIC MEETING

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

The Audit Committee (AC) held the October 21, 2022 meeting in Conference Room A.

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

City management representative: Deputy City Manager Suzanne Woodland

Call to Order

Chair White called the meeting to order at 11:02 a.m.

Chair White took roll call. Mr. Furman and Mr. Lynch indicated they were present. Councilor Tabor indicated that he is present. Attorney Woodland indicated she was present.

Approval of the July 25, 2022 Minutes

Deputy City Manager Woodland and Councilor Tabor asked that the approval of the Minutes be postponed due to edits they wished to draft. Review and approval will now be undertaken at the next Audit Committee.

Review of Draft Policy Regarding Auditor Rotation as Proposed by the Governance Committee

Chair White introduced a memorandum he had written addressing the draft policy written by Chair Cook of the Governance Committee regarding the stipulated rotation of auditors and auditing firms. Unfortunately, the City computers and printers were not able to distribute the memorandum Chair White had written. Chair White stated he did not want to push through the approval of the memorandum by the Audit Committee without Committee members having had the opportunity to review it. However, he will keep the memorandum as drafted and will send it to the Mayor and City Council for the City Council meeting on October 24th.

In essence, the memorandum cautioned the City Council to not mandate the turnover of audit firms since it would potentially tie the hands of the Audit Committee. Requiring that the auditing team from a firm rotate every three years is acceptable. But the entire issue is more nuanced than what is captured in the proposed policy by the Governance Committee. First of all, the considered set of auditing firms needs to be expanded to outside of New Hampshire in order to find firms large enough and knowledgeable enough to handle Portsmouth's needs. Secondly, a larger firm would have the staff size to allow for three auditing teams. Each team would serve a maximum of three years for two maximum rotations and a third team serving as back-up. Thirdly, the Audit Committee must be involved in the audit from beginning to end. It must review the auditors for the quality of work, thoroughness and independence. It must

meet with the auditors in a confidential forum independent of City management. This third point is important for assessing how well the auditor is doing its work and whether it is time to conduct a new search to find a potential replacement.

By observing these points, the Audit Committee is fulfilling its responsibilities to achieve an independent audit. These qualities are better captured by the Committee being diligent than by following a policy mandating time limits authored by another Committee.

Review and Status of Final RFP as Amended by City Management

Deputy City Manager Woodland highlighted the 70% - 30% weights to be given to judging the proposal's quality and cost. Otherwise, she did not cite any changes she had made to the RFP beyond the several typographical edits necessary for issuing the new RFP. Chair White highlighted two parts of the RFP that were worth mentioning. The first was the requirement that the auditor meet with the Audit Committee at least once during the audit (I.G.9. on Page 9 of 15). The second was the removal of any mention of nonattest services and inserting language stating that the auditor would, among other things, prepare the financial statements of the City (I.D.2. and I.D.3.). Chair White expressed concern that without the expressed referral of this work to nonattest services, Deputy City Manager Woodland breaks the critical connection to the regulatory body of requirements guiding how the City and auditor are to perform their duties. Deputy City Manager Woodland stated that these issues can be handled when she drafts the contract, a copy of which is not given to the Audit Committee.

Public Comments

Petra Huda spoke to the draft policy originating in the Governance Committee, stating that the Audit Committee was never notified of its existence or that the Mayor and City Council wanted the Audit Committee to review it. Regarding any shortcomings in the RFP being addressed in a final contract, the RFP is an important legal document that will be examined by future respondents to guide the formulation of proposals. These firms won't have the benefit of seeing contracts. Finally, she reflected on Councilor Tabor's comment that there were only two proposers. Who else knows this? How did he find this out? Did Deputy City Attorney inform him? Were the submissions opened prematurely by Deputy City Attorney Woodland?

Sue Polidura also spoke. She expressed frustration with the convoluted process followed by the City Council for passing a new Ordinance to replace Ordinance 1.414 – Audit Committee. By her reckoning, there have been such significant revisions to what's proposed that the City Council needs to go to a Second Reading with attendant public comment or even table the entire effort. She also spoke from her vocational experience that if we really only have two proposers as Councilor Tabor states, we need to focus even more on quality than on cost. Fewer proposals require this. Regarding auditor rotation, staff rotation is not a panacea for bringing in fresh eyes. She had been impressed with CLA, given what she had seen for the FY2022 audit search.

Motion to Enter Nonpublic Session for a Preliminary Review of Auditor Proposals

Councilor John Tabor moved to go into nonpublic session to discuss confidential information pertaining to commercial or financial information as per RSA 91 -A:5 and 91 – A:3 II (c) (d) (l). The motion was seconded by Mr. Furman. On a vote of 4-0, the motion passed at 11:57 a.m.

Motion to Return to Public Session and Conduct Any Other Necessary Business

Councilor John Tabor moved to end the nonpublic session and re-enter the public session. Mr. Furman seconded the motion. On a vote of 4-0, the motion passed at 12:25 p.m.

Motion to Seal the Minutes of the Nonpublic Session

Councilor John Tabor moved to seal the minutes of the nonpublic session. Mr. Furman seconded the motion. On a vote of 4-0, the motion passed at 12:28 p.m.

Motion to Adjourn

Councilor John Tabor moved to adjourn. Mr. Furman seconded the motion. On a vote of 4-0, the motion passed at 12:29 p.m.

Date approved: January 5, 2023

Minutes Respectfully Submitted by

Christopher White, Chair