



# Charter of the Humboldt County Audit Committee

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## SECTION I – INTRODUCTION

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The County of Humboldt is publicly accountable for the proper utilization of resources entrusted to it by the taxpayers. This fiscal accountability is demonstrated through strong internal control, budgetary compliance, accurate and timely financial reporting, regular auditing and follow-up.

## SECTION II – PURPOSE

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On Feb. 23, 2021, the Board of Supervisors directed staff to prepare documentation to establish an Audit Committee. The purpose was for the Board to provide leadership on audit and other important fiscal matters to ensure good stewardship of public resources. The primary function of the Audit Committee (the Committee) is to assist the Board of Supervisors in its oversight of:

1. The integrity of the county’s financial statements and annual audits
2. The systems of internal controls, policies and procedures
3. The qualifications and independence of the county’s external auditor (“the Independent Auditors), and
4. The performance of the county’s corrective action plans.

## SECTION III – AUDIT COMMITTEE ADMINISTRATION

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### A. Membership

All members of the Audit Committee shall be independent and possess or obtain a basic understanding of governmental financial reporting or auditing. In this context, independent means devoid of any potential conflict of interest, such as described in Section V. The Committee shall have access to the services of at least one Accounting Expert, either a voting-Committee member or an outside party engaged by the Committee for this purpose. Committee members shall serve without compensation.

The Audit Committee shall consist of 5 voting members and County Advisory Staff, who will serve an advisory role. Individual voting Committee members are as follows:

1. Voting Members:
  - a. Two representatives of the Board of Supervisors
  - b. One representative of the Special Districts or Schools in Humboldt County
  - c. Two representatives who are Humboldt County residents

2. Representatives of the Board of Supervisors
  - a. Shall be the Chair and Vice Chair of the Board of Supervisors and rotate, and change as the Board Chair and Vice Chair change.
  - b. The Chair and Vice Chair shall be in consultation with the County Advisory Staff on a regular basis.
  - c. The Vice Chair shall assume the duties of the Chair in his/her absence.
  - d. The Chair's duties include:
    - i. Presiding over, and calling to order, all Committee meetings,
    - ii. Approving agendas with administrative support staff prior to agenda publication,
    - iii. Signing communications on behalf of the Committee,
    - iv. Exercise general supervision of the committee and call for any meetings that are in addition to the meetings prescribed by the Committee Charter.
3. Representative of the Special Districts or Schools in Humboldt County
  - a. Shall be chosen by a majority of the Board of Supervisors and serve 2-year terms.
  - b. Shall either be a current or former employee or Board member (or equivalent) of a Special District or School in Humboldt County.
  - c. File a Form 700 annually.
  - d. In addition to the above, the representative for Special Districts or Schools in Humboldt County shall:
    - i. Possess an understanding of generally accepted accounting principles and financial statements; the ability to assess the general application of such principles in connection with the accounting for estimates, accruals and reserves; knowledgeable of or have experience in preparing, auditing, analyzing or evaluating financial statements; and possess an understanding of internal controls and procedures for financial reporting;
4. Humboldt County Resident Members
  - a. Shall be qualified and knowledgeable in government finances and are chosen by a majority of the Board of Supervisors.
  - b. Humboldt County Resident Members shall serve staggering 2-year terms. The Board shall determine at the first meeting where it appoints Resident Members one appointee to serve for only one year, so that appointments will thereafter be staggered.
  - c. In addition to the above, Resident Members shall:
    - i. At a minimum possess a Bachelor's Degree in Accounting. Certified Public Accountants are preferred but not required;

- ii. Possess an understanding of generally accepted accounting principles and financial statements; the ability to assess the general application of such principles in connection with the accounting for estimates, accruals and reserves; knowledgeable of or have experience in preparing, auditing, analyzing or evaluating financial statements; and possess an understanding of internal controls and procedures for financial reporting;
- iii. Possess the ability to exercise an appropriate degree of “professional skepticism” when dealing with any audit-related issues;
- iv. Not have any financial interest in any entity doing business with the county, any conflict of interest with an entity doing business with the county, or have an immediate family member employed in a financial capacity at the County of Humboldt or serving as a volunteer in any capacity with the County of Humboldt that would potentially be the subject of a financial audit.
- v. File a Form 700 annually.

5. County Advisory Staff

- a. County Advisory Staff shall consist of the County Auditor-Controller, Treasurer-Tax Collector, and County Administrative Officer;
- b. Shall serve on the Committee in an advisory capacity and not have a vote;
- c. Shall attend all Audit Committee meetings. If County Advisory Staff cannot attend, they may send a designee, however, these instances should only be infrequent and for unavoidable circumstances;
- d. Shall assist Administrative Support Staff preparing reports and Committee agenda items.

6. Resignation, Removal, and Filling Vacancies

- a. A resignation from a Committee member may be submitted at any time by giving written notice to the Clerk of the Board.
- b. In the event that a voting member of the Committee shall absent himself/herself from three consecutive regular meetings of the Committee without showing good cause therefore to the Chair and the Clerk of the Board, at the fourth such consecutive regular meeting from which he/she is absent his/her place shall automatically become vacant.
- c. A member of the Committee may be removed for cause from their post by action of the Board of Supervisors.
  - i. The Committee may, by two-thirds vote, recommend to the Board that a member be removed. At a public meeting

within 30 days of the Committee's recommendation, the Board shall decide, in its sole discretion whether or not to remove the member from the Committee.

- d. Vacancies occurring during the terms of appointment shall be filled as soon as practicable, as determined by the category of the Committee member position that is vacant.
  - i. The appointment shall begin the respective term, except in the case of the Board of Supervisors member, who shall be re-considered for appointment at the normal time as other committees.
  - ii. The Clerk of the Board shall seek recommendations from Committee members and any other appropriate sources to fill vacancies occurring on the committee.

## B. Meetings, Administrative Support and Records

### 1. Meetings

- a. All members are expected to attend all regularly scheduled committee meetings.
- b. Regular meetings of the Committee shall occur at least two times each fiscal year upon completion of the audit and at mid-year, and at other times when considered appropriate by the Committee Chair.
- c. Special meetings may be called by the Chair or, in their absence from the county, by the Vice Chair, or at the written request of two or more voting members of the Committee.
  - i. Special meetings shall be effective for the transaction of business only if notice has been given to each member (voting and non-voting) at least 24 hours in advance of the special meeting, and the notice shall contain the subject of the meeting and the agenda shall be posted in appropriate locations.
  - ii. The agenda shall state the time, place, and business to be transacted at the meeting, and no other business shall be considered at the special meeting.
- d. No action taken at either regular or special meetings shall be valid unless approved by a majority of the members of the Committee present and voting, and unless a quorum is present.
- e. A quorum shall consist of three voting members of the committee.
- f. Meetings of the Audit Committee shall be open and subject to the Ralph M. Brown Act.
  - i. Per the Brown Act, the Committee may meet in closed session pursuant to Government Code 54950 et seq.

### 2. Administrative Support for Committee

- a. The Clerk of the Board’s Office shall provide Administrative Support for the Committee.
  - b. Shall support the Committee, prepare agendas in coordination with the Chair, County Administrative Officer and Auditor-Controller, and distribute materials to members of the Committee and the public in advance of the meetings pursuant to the Brown Act.
  - c. Shall prepare minutes and post all agenda materials to the county website.
3. Records
- a. The records of the Committee shall constitute public records subject to the California Public Records Act.

## SECTION IV – Authority and Responsibilities

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### A. Authority

1. The Committee may make recommendations to the Board of Supervisors (the Board) to appoint, retain, dismiss, and determine the compensation for, any Independent Auditors or auditors engaged for the purpose of preparing or issuing an independent audit report.
  - a. Such appointments shall be subject to the county’s procurement policies and budget appropriation by the Board of Supervisors.
  - b. Funding for such appointments shall come from the budget of the Board of Supervisors.
  - c. Recommendations to appoint, retain, dismiss and determine compensation for Independent Auditors or other auditors may only be done by majority vote.
2. The Committee shall have the authority to recommend the county retain such outside counsel, accountants and other experts or advisors as the Committee may deem appropriate.. The Committee will make every effort to keep related fees and retention terms, subject to a maximum annual commitment of \$50,000.
  - a. Board of Supervisors approval is required for fees to an outside counsel, expert or other advisor.
  - b. This amount would be in addition to expenses related to Independent Auditors or other auditors as detailed in Section IV.A.1.
  - c. Approving recommendations of related fees and retention terms may only be done by majority vote of the Committee.
3. The committee is authorized to review, discuss and monitor recommended corrective action plans in consultation with affected

Departments.

4. The Committee shall have access to any and all reports and external auditors.
5. The Committee is authorized to conduct follow-up review to regulatory audits conducted by oversight agencies, such as state and/or federal regulators and grantors.
6. The Committee may request the presence of any elected or appointed official, or their staff with the approval of the appointing authority, to attend any of its meetings.
  - a. The Committee's investigative findings shall be presented first to the Committee, then in a report to the Board of Supervisors.

#### B. General Responsibilities

1. Provide independent review and provide oversight of the county's financial reporting process, internal controls and Independent Auditors as requested by the any member of the Advisory Staff.
2. The Committee must report actions to the Board of Supervisors and may make appropriate recommendations.
3. The Committee will provide open avenues of communication among county staff, elected and appointed county officials, external auditors and the Board of Supervisors.

#### C. Specific Responsibilities

1. The Committee may assist in the selection and evaluation of the Independent Auditors, evaluate all audit services and determine whether the services will be used by any county agency prior to their engagement with the county.
  - a. The Committee may review and set any fees paid to the Independent Auditors and review and approve dismissal of the Independent Auditors.
2. The Committee may consider, in consultation with the Independent Auditors, the audit scope and work plans made by Independent Auditors.
  - a. The Committee may address the coordination of audit efforts to assure the completeness of coverage, reduction of redundant

- efforts, and the effective use of audit resources.
- b. Pursuant to the authority provided in Government Code 26882, the Auditor-Controller shall deliver to the Committee upon completion the county annual audit.
  - c. The Independent Auditors shall present to the Board of Supervisors as soon as reasonable after the Single Audit is issued and the Committee shall be extended an invitation to attend.
  - d. The Auditor-Controller will share a draft of the Single Audit with the Committee for review at least two weeks prior to the presentation with the Board of Supervisors
3. The Committee will consider requests of county departments, Auditor-Controller, or the primary Independent Auditors if either requests the county engage additional auditors.
    - a. The Committee will decide whether to engage an additional firm, and recommend to the Board for selecting said firm.
  4. The Committee will review, at least on an annual basis, the following with the Independent Auditors and/or Auditor-Controller:
    - a. The adequacy of the county's internal controls, including computerized information system controls and security.
    - b. Any significant findings and recommendations made by the Independent Accountant, together with the county's response to them.
  5. During the Annual Audit:
    - a. The Advisory Staff shall notify, through email to the full Committee as soon as reasonable of:
      - i. Any issues causing delays of progressing through the annual audit;
      - ii. Any significant action being taken, or significant developments that occur, during the annual audit.
    - b. If the above are not adequately resolved, the Advisory Staff will call a meeting with the Committee.
  6. Shortly after the annual audit is completed, the Committee will review the following with the Advisory Staff, Independent Auditors and/or other agencies/county departments, as needed:
    - a. The county annual financial statements and related footnotes.
    - b. The Independent Accountant's audit of and report on the financial statements.
    - c. The Independent Accountant's qualitative judgements about the appropriateness and acceptability of the county's financial



- disclosures and application of accounting principles.
  - d. Any serious difficulties or disputes with county officials or employees encountered during the course of the audit.
  - e. Critical accounting policies and practices used by the county, including appointed and elected officials.
  - f. All significant written communications between the Independent Auditors and any county official or employees, such as any management letter or schedule of unadjusted differences.
  - g. Any significant changes required in the Independent Accountant's audit plan.
  - h. Review the annual financial statements, and consider whether they are complete and consistent.
  - i. Review and discuss the audit findings.
  - j. Review, discuss and monitor recommended corrective action plans and/or work plans in consultation with the affected Departments.
  - k. Throughout the fiscal year and before the next audit cycle, the Committee will receive status report for each corrective action implementation.
  - l. Review with management and the external auditors the results of annual audit, including significant issues identified and findings.
  - m. Review the report and related regulatory filings before release and consider the accuracy and completeness of the information.
  - n. Anything else about the audit procedures or findings that Government Auditing Standards requires the auditors to discuss with the Committee.
7. The Committee will assist in the resolution of material disagreements between the Independent Auditor and county Auditor-Controller.
8. Complaints: The Committee shall receive, retain and develop appropriate actions to take as it relates to complaints regarding accounting, internal accounting controls, or auditing matters.
- a. Confidential and anonymous submission of complaints by county employees, public agencies and members of the public regarding accounting or auditing matters can be submitted to the Board of Supervisor using the standard Complaint Form.
  - b. This section does not supersede or remove the ability of other county agencies, the Grand Jury and/or county officers to receive complaints on county matters.
  - c. Specifically, this section does not supersede Government Code 53087.6 which allows the Auditor-Controller to maintain a whistleblower hotline to receive calls from persons who have

- information regarding fraud, waste, or abuse by local government employees.
- d. Complaints will be reviewed by the two Public Member appointees for determination of appropriate action.
  - e. A special meeting will be called at the discretion of the public member appointees in consultations with any member of the Advisory Staff should a complaint require immediate action or raise special concern.
9. As needed the Audit Committee shall present to the Board of Supervisors a written report of how it has discharged its duties and met its responsibilities.
- a. Any report shall be made public.
  - b. The report may specifically state whether the Audit Committee has discussed the most recent annual audit with county management, with Independent Auditors in private, and privately among committee members, and whether members of the Audit Committee believe that the annual audit are fairly presented, to the extent such a determination can be made solely on the basis of such conversations.

## SECTION V – Conflict of Interest

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### A. Conflict of Interest

1. A Committee member (voting or non-voting) shall disclose to the Committee at the next regular meeting any activities they took part in that directly or indirectly raised money for: a candidate for local Treasurer-Tax Collector, local Auditor-Controller, or a member of the Board of Supervisors or any local agency that has deposited funds in the county treasury while a member of the committee.
  - a. Raising money includes soliciting, receiving, or controlling campaign funds of a candidate, but not the member's individual campaign contributions or non-financial support. This condition does not apply to a member raising money for their own campaign.
2. A Committee member shall disclose to the Committee at its next regular meeting any contributions, in the previous 3 years or during the period that employee is a member of the Committee, by any employer to: the campaign of a candidate for the Office of Treasurer-Tax Collector, Office of the Auditor-Controller, or to the campaign of a candidate to be a member of a legislative body of any local agency that has deposited funds in the county treasury.
3. A Committee member may not secure employment with, or be employed

by, bond underwriters, bond counsel, security brokerages or dealers, or with financial services firms with whom the county Treasurer-Tax Collector is doing business during the period that the person is a member of the Committee or for 1 year after leaving the Committee.

- a. This subsection only applies to employment or soliciting employment, and not other relationships with such companies
4. Committee members who had any supervisory responsibility over any program under audit and that is subject of discussion shall recuse themselves during that part of the discussion.
5. Committee members shall annually file a Form 700 with the county.
6. If any Committee member is found in breach of the Conflict of Interest section of this charter, they must resign from this committee.

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Board Approved:

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Chair Humboldt County Board of Supervisors

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Date

Pursuant to Board Order \_\_\_\_\_ Dated \_\_\_\_\_