

CDIAC

**CALIFORNIA
DEBT AND
INVESTMENT
ADVISORY
COMMISSION**

SESSION 4

**ONGOING MONITORING AND OVERSIGHT:
WHEN TO REVIEW AND UPDATE PRACTICES AND PROCEDURES?**

Learning Objectives

During this session we will discuss:

- 1) Who should be involved in the oversight – internal or external.
- 2) Should the audit function be internal or external.
- 3) How often is refresher training needed.



Audience Polling

Detailed Directions in Program

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Questions

Does your agency have an Oversight Committee?

Who makes up your Oversight Committee?

If you attend Oversight Committee Meetings, what is your role?

Oversight Bodies/Committees

- Identify oversight bodies/committees
 - Governing Boards or Councils – elected or appointed
 - Oversight and approval
 - Bond Accountability Reporting
 - Capital/Facilities Planning Committee
 - Responsible for planning and project approval
 - Review of financing needs and establishment of budget for capital improvements
 - Ongoing project status updates
 - Best practices may include
 - Pre-issuance accountability reporting
 - Quarterly reporting of bond programs on issuances and spending
 - Citizens Oversight Committee
 - Commissions and other Oversight Agencies
 - Legislative and statutory approval and oversight

Bond Program Information

- To be effective, information needs to be reliable and timely
- Options for Dissemination of Information
 - Presentation at governing body meeting
 - Posting on dedicated website
 - Creatively display bond program accomplishments
 - Establish deadlines for periodic reporting and updating
 - Be cognizant of securities laws governing disclosure
 - Example: <https://www.lbcc.edu/facilities-maintenance>
 - Electronic delivery of FAQ's focused on bond program information

Appropriate Use of Bond Proceeds

- Provide reasonable assurance bond proceeds used for legal and intended purposes
- Provide reasonable assurance bond funds are properly accounted for, managed and safeguarded
- Perform annual audits designed to ensure compliance with legal requirements, best practices and internal controls
- Monitoring of conduit financings requires testing of control functions of the conduit borrower

Whistleblower or Fraud Hotlines

- Establish Whistleblower or Fraud Hotlines
 - ▣ Website or Telephonic
 - ▣ Anonymous tips provide another layer of oversight
 - ▣ Example: WeTip -
https://wetip.com/?option=com_wrapper&view=wrapper&Itemid=159
- Monitoring of conduit financings should include provision of whistleblower or fraud hotlines for the conduit borrower

Bond Oversight Committees

- Voter approved bond measures frequently include “bond oversight committees”
 - ▣ Citizen oversight
 - ▣ Roles and responsibilities often left to local agency to define after bond sale
 - ▣ Prop. 39 GO Bonds for K-14 Districts require citizens oversight committees

Prop. 39 COC Required Representatives

- ❑ Business organization
- ❑ Taxpayers organization
- ❑ Senior citizens organization
- ❑ Parents and Guardians at K-12 district
- ❑ Student at a community college district
- ❑ Parents active in support of the District, e.g., a member of the PTA or school site council
- ❑ Cannot include an employee, vendor, contractor or consultant of district



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Questions

Does your agency conduct annual audits?

What types of audits of your bond program does your agency conduct?

Annual Financial Audit

- Annual Independent Financial Audit
- Specific Independent Financial Audit and report of the bond expenditures
- Citizen's Oversight Committee review of Annual Independent Audit and expenditure/delivery of public projects/facilities

Policies and Procedures

- Continual Review
- Updates to Policies and Procedures necessary to reflect changes in federal and state law
- Updates to reflect changes in internal processes and procedures
- Documentation critical in era where
 - Constrained staffing resources
 - Staff organizational tenure declining
- Institutional memory needs to and must be documented!

Internal Audit

- Why Audit?
 - An internal audit plays an important role in helping management to maintain a comprehensive framework of internal controls.
 - An internal audit is defined by the International Institute of Auditors as an: Independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

Auditing the Internal Controls

- Periodic review of internal controls
- On going monitoring of the effectiveness of internal control
- Effective information and communication
- Frequent evaluation that internal controls are performed
- Mandatory staff training

Audit Committee

- The audit committee should:
 - ▣ Provide oversight over the government's system of internal controls;
 - ▣ Monitor controls performed directly by senior management as well as controls designed to prevent or detect senior management override of other controls;
 - ▣ Be formally established by charter, enabling resolution, or other appropriate legal means; and
 - ▣ Be directly responsible for the appointment, compensation, retention and oversight of the work of any independent accountants.

Audit Committee - Continued

- The audit committee should:
 - ▣ Have access to the services of at least one financial expert;
 - ▣ May have access to internal auditor reports and annual internal audit work plans;
 - ▣ Present annually to the full governing body;
 - ▣ Establish procedures for the receipt, retention, and treatment of complaints regarding accounting, internal accounting controls, or auditing matters; and
 - ▣ Be able to meet privately with the independent auditors, as needed.

QUESTIONS