

## **RESOLUTION NO. 23-105**

### **A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF CARSON, CALIFORNIA, ESTABLISHING A STANDING FINANCE AND AUDIT COMMITTEE**

**WHEREAS**, the California State Controller’s office reviewed the City’s internal control system to determine the adequacy of the City’s controls for conducting operations, preparing financial reports, safeguarding assets, and ensuring proper use of public funds. The review was conducted pursuant to California Government Code Section 12422.5, which authorizes the Controller to “audit any local agency for purposes of determining whether the agency’s internal controls are adequate to detect and prevent financial errors and fraud.”

**WHEREAS**, the Controller’s review, which resulted in a Review Report dated February 8, 2023 (the “Report”), found deficiencies in the City’s internal control system. The Controller’s evaluation of the City’s internal control system was based on conditions that existed during the review period of July 1, 2018, through June 30, 2020.

**WHEREAS**, among other things, the Report found that the City lacks an established audit committee. The Report found that “[i]n May 2013, the city approved the formation of a two-member ad hoc Audit Committee. The Mayor Pro Tem and another city council member were appointed to serve for the FY 2012-13 term. It was proposed that all five city council members would take turns serving an annual term. The current committee members were appointed on May 3, 2016. No meetings have been held since May 3, 2017.”

**WHEREAS**, as stated in the Report, “[t]he purpose of an audit committee is to oversee all aspects of the financial reporting process, including preparation and filing of financial statements, internal control over financial reporting, and related risks. An audit committee’s major areas of responsibility include oversight of the internal control system, oversight of the internal audit function and external auditors, review of financial filings, and establishment and oversight of a ‘whistleblower’ process.”

**WHEREAS**, the Report recommended that the City formally establish a standing audit committee to provide independent review and oversight to the City’s financial reporting processes, internal control system, and independent auditors. The Report stated that the audit committee should be formally established through a City resolution.

**WHEREAS**, the City Council now sees fit and intends to implement the aforementioned recommendation of the Report by formally establishing a standing finance and audit committee pursuant to this resolution. The committee will be governed by the provisions of the City’s Charter, Sections 600 – 605, inclusive, with respect to all matters addressed therein (e.g., appointments, vacancies, removals, officers, meetings, compensation, etc.) except as otherwise provided herein pursuant to authority granted by said Charter provisions.

**NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF CARSON,  
CALIFORNIA, DOES HEREBY RESOLVE, DECLARE, DETERMINE AND ORDER AS  
FOLLOWS:**

**SECTION 1.** The foregoing recitals are true and correct and are incorporated herein by reference.

**SECTION 2.** With respect to the ad hoc Audit Committee referenced in the Report as having been formed by the City Council in May 2013, if and to the extent it remains in existence, it is hereby disbanded and dissolved.

**SECTION 3. City of Carson Finance and Audit Committee – Rules and Regulations.**

A. Establishment. The City Council hereby establishes the City of Carson Finance and Audit Committee (the “Committee”).

B. Purpose. The Committee’s purpose shall be to provide independent review and oversight to the City’s financial reporting processes, internal control system, and independent auditors.

C. Membership and Appointment; Terms; Staff Liaison. The Committee will consist of two City Council members (which may include the Mayor). The Committee members shall be appointed by the Mayor with approval of a majority of the City Council. Committee members shall be appointed in April or May of each year for one-year terms corresponding to the fiscal year (July 1- June 30), except that no City Councilmember may serve consecutive terms on the Committee. Notwithstanding the foregoing, for the first fiscal year of the Committee’s existence (FY 2023-2024), due to the timing of establishment of the Committee pursuant to this resolution, appointments will occur later than the April-May preceding the relevant fiscal year term, and the members’ terms shall be from the date of the appointment or July 1, 2023, whichever is later, through June 30, 2024. The City’s Deputy City Manager, who oversees the Finance Department, shall be the staff liaison to the Committee and shall attend all Committee meetings. The City’s City Treasurer shall also attend Committee meetings to provide information when requested by the Committee.

D. Meetings. Unless otherwise provided in rules of proceeding promulgated by the Committee, the Committee shall hold regular meetings on the first Wednesday of each quarter (July, October, January, and April), or the next business day if any such date falls on a holiday or municipal election day, at 6:30 p.m. The Committee is subject to the Ralph M. Brown Act (Government Code Sections 54950 *et seq.*), and all Committee meetings shall be held in accordance therewith. Unless otherwise provided in rules of proceeding promulgated by the Committee, the location of Committee’s meetings shall be the Helen Kawagoe Council Chambers in City Hall, 701 E. Carson St., Carson, CA 90745, subject to teleconferencing as permitted by the Ralph M. Brown Act.

E. Conflict of Interest. All members of the Committee, and the staff liaison, will be subject to the requirements of the City’s Conflicts of Interest Code and all applicable conflict of interest-related laws of the State of California.

F. Duties of the Committee. The Committee shall have the following duties and responsibilities on an ongoing basis:

1. Provide independent oversight of the City’s internal control system. Monitor the adequacy of the internal control structure on an ongoing basis, such as cash disbursements, cash receipting, treasury transactions, etc., as examined by the internal audit function and the independent financial auditor. Ensure that any control weaknesses and legal

compliance violations identified in the course of the financial statement audit are promptly and effectively remedied.

2. Provide independent oversight of the internal audit function and external auditors. Recommend the selection of the independent financial auditors for financial statement audits. Serve as a direct communications link between the City Council and the independent auditors. Participate in meetings with the City's independent auditors and various County, State and Federal auditors as needed. Monitor the progress of, and evaluate the results of, the financial statement audits;

3. Review City's financial filings. Monitor the City's monthly financial reports and comprehensive annual financial reports for the purpose of reporting potential issues, and make periodic reports thereon to the City Council.

4. Provide recommendations to the City Council regarding establishment of, and provide oversight of, a 'whistleblower' process related to reporting of weaknesses or legal compliance violations associated with the City's internal control system.

**SECTION 4.** The City Council declares that, should any provision, section, paragraph, sentence or word of this Resolution be rendered or declared invalid by any final court action in a court of competent jurisdiction or by reason of any preemptive legislation, the remaining provisions, sections, paragraphs, sentences or words of this Resolution as hereby adopted shall remain in full force and effect.

**SECTION 5.** The City Clerk shall certify to the adoption of this Resolution and enter it into the book of original Resolutions.

**SECTION 6.** This Resolution shall take effect immediately upon its adoption.

PASSED, APPROVED AND ADOPTED this 20<sup>th</sup> day of June, 2023.

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Lula Davis-Holmes, Mayor

APPROVED AS TO FORM:

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Sunny K. Soltani, City Attorney

ATTEST:

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Dr. Khaleah K. Bradshaw, City Clerk

STATE OF CALIFORNIA        )  
COUNTY OF LOS ANGELES ) SS:  
CITY OF CARSON                )

I, Dr. Khaleah K. Bradshaw, City Clerk of the City of Carson, do hereby certify that the foregoing Resolution, being Resolution No. 23-\_\_\_ was passed and approved by the City Council of the City of Carson, at its meeting held on June 20, 2023, by the following vote:

AYES:  
NOES:  
ABSENT:  
ABSTAIN:

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Dr. Khaleah K. Bradshaw, City Clerk