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November 28, 2011

To: City Council

From: Board of Finance

Re: Report on Expansion of the Scope of the Audit

At its October 17, 2011 meeting, the City Council adopted a resolution requesting that the Board of Finance considers the pros and cons of broadening the scope of the audit by providing for a greater examination of departments that rely on grant funding, those departments that have had significant deficiencies in past audits, those departments that have outstanding and repeat deficiencies, and all enterprise funds in general; with the Board providing a written response to this resolution outlining the possibility of broadening the scope of the audit and any applicable costs.

Findings:

The Board of Finance met on November 14, 2011 to take up this issue and hear from Scott McIntyre, a representative from the Audit firm currently conducting the City's FY 2011 Single Audit. During Mr. McIntyre's testimony, he stated that the industry standards require that, when assessing risk, an auditor look for guidance on the level of assessment beyond that provided by the administration, i.e. Rich Goodwin and Scott Schrader but also to receive input and direction from those charged with governance, i.e. the Board of Finance. Mr. McIntyre further stated that the current scope of the audit his firm is conducting includes discussions with the governing body concerning risk. Mr. Goodwin and Mr. McIntyre did indicate that it was not advisable to change the scope of the 2011 audit to add the more intense examination as suggested in the Resolution at this late date; that doing so could jeopardize the timely completion and filing of the Single Audit. Mr. McIntyre stated that the prior year's Management Letter did contain a wide range of findings and recommendations that should be the focus of the City. He further stated that, being that his firm is auditing the City for the first time, it was his opinion that discussions regarding risk assessment and the scope of examination should be addressed as part of next year's audit and detailed in that year's engagement letter. There was some debate as to the role of the City's newly formed Audit Advisory Committee in the determination of risk assessment and scope of audit, and that they should be involved in the discussion. It was determined that the Resolution creating the Audit Advisory Committee detailed a specific role for the Committee. Primary among that role is "review and make recommendations regarding the overall scope of auditing the City's operation."

Recommendation:

The Board of Finance recommends that the City Administration and the Audit Advisory Committee meet with representatives from Melanson, Heath in May of 2012 to discuss the assessment of risk and recommend changes in the scope of the audit (if any) to the Board of Finance for inclusion in the FY 2012 Audit Engagement.

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