SUBJECT: INTERNAL AUDIT

SOURCE: Council Member Stadtherr

COMMENT: Over the past year several aspects of city operations have been brought into question. Examples include proper classification of golf course revenue, sufficiency of oversight over farming operations, and cost accounting for anticipated recycling operations.

The council and the public need to have confidence in the information provided by staff and the necessary level of confidence may not be achieved if the same staff is called upon to investigate their own work. In private industry confidence is obtained by have an internal auditor that is continually testing internal controls and systems and reports directly to the board of directors. The auditor can also be called upon to conduct special investigations on an ad hoc basis. Similarly, larger cities have internal auditors that serve a similar function and reports directly to the city council.

For discussion is whether Porterville has reached the level, either in size of population or in need of increased confidence in internal controls, at which the creation of the position of internal auditor is necessary.

RECOMMENDATION: For Council discussion only. Not an action item.