



ADMINISTRATIVE SERVICES DEPARTMENT

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CITY COUNCIL STAFF REPORT

Meeting: October 7, 2025

Subject

Study session on amendments to Audit Committee Duties, Powers, and Responsibilities

Recommended Action

Conduct study session on the Audit Committee's recommendation to amend Municipal Code Section 2.88.100 to reflect the following changes:

1. Change the committee's name to "Audit and Finance Committee."
2. Modify Section 2.88.100(g) to read: "To review the City's internal controls and internal audit reports."
3. Add Section 2.88.100(i): "To review the use of artificial intelligence in the City's financial reporting, internal controls over financial reporting, risk management, and compliance."

Background

On May 20, 2025, the City Council directed the Audit Committee to consider amendments to its scope of duties and recommend changes for Council's consideration. Following this directive, the Audit Committee engaged in a series of discussions, informed by Government Finance Officers Association (GFOA) best practices and input from the City's internal auditors, Baker Tilly.

During the July 28th, 2025, meeting, the Audit Committee unanimously voted to recommend three specific changes to its duties, powers, and responsibilities: (1) renaming the committee as the "Audit and Finance Committee" to reflect its broader oversight role, (2) clarifying Section 2.88.100(g) to ensure clear oversight of the City's internal controls and audit reports, and (3) adding a new provision related to the review of artificial intelligence as it relates to financial management, internal controls, risk, and compliance.

The Audit Committee's duties were last updated in February 2023 following a comprehensive review of City commissions and committees. Those updates streamlined oversight functions and adjusted reporting frequencies, and since then, the committee has operated efficiently under its revised structure.

Analysis

The proposed amendments are intended to modernize the committee's scope and align it with evolving best practices in public sector financial oversight. Specifically:

- Name change: Renaming the committee as the "Audit and Finance Committee" signals its role in both financial and audit-related oversight.
- Section 2.88.100(g): Clarifying this section strengthens accountability around the City's system of internal controls while maintaining existing oversight of internal audit reports.
- Section 2.88.100(i): Adding this new duty recognizes the increasing use of artificial intelligence tools in financial reporting, internal controls, risk management, and compliance, and ensures the committee remains equipped to evaluate emerging risks and opportunities.

Next Steps

With Council direction, staff will prepare amendments to Municipal Code Section 2.88.100 for Council consideration. The proposed ordinance is tentatively scheduled for first reading on October 21, 2025, with second reading on November 4, 2025. The ordinance will take effect 30 days after the second reading, on December 4, 2025.

Sustainability Impact

No sustainability impacts.

Fiscal Impact

No fiscal impact.

City Work Program Item/Description

None

City Council Goal

Fiscal Strategy

California Environmental Quality Act

Not applicable.

Prepared by: Jonathan Orozco, Finance Manager

Reviewed by: Kristina Alfaro, Director of Administrative Services and City Treasurer

Approved for Submission by: Tina Kapoor, Interim City Manager

Attachments:

A – Municipal Code - Chapter 2.88 Audit Committee