

**THE CITY OF MARCO ISLAND, FL
AUDIT AND FINANCE ADVISORY COMMITTEE
OBJECTIVES AND RESPONSIBILITIES
VERSION: OCTOBER 17, 2025**

CLEAN FINAL VERSION

The Audit and Finance Advisory Committee ("AFAC") has been commissioned by City Council to assist it in the oversight of the preparation of the City's financial information, provide insights on opportunities to improve the City's financial performance going forward and risk management, monitor the effectiveness of the system of internal accounting controls, and interface with the City's external auditors in connection with the audit of the Annual Comprehensive Financial Report ("ACFR") and other required special audits.

Specific objectives and responsibilities within each area are as follows:

FINANCIAL REPORTING:

1. Through inquiry of the Finance Director and the external auditors, gain a general understanding of:
 - a. the current areas of greatest financial risk, including fraud and fraud protection procedures, and how these are being managed by City Management;
 - b. critical accounting policies and practices, and any changes in them;
 - c. accounting entries requiring a significant element of judgment and estimation; and
 - d. the extent to which the financial statements are affected by known significant or unusual transactions and related disclosures.
2. Meet with appropriate City Management and external auditors to review:
 - a. the financial statements, ACFR and other required audited reports or statements and the results of the audit;
 - b. significant adjustment(s) arising from the audit(s);
 - c. significant unrecorded adjustments and the impact on the ACFR;
 - d. disagreements between City Management and the external auditors, whether or not resolved, that would have had an impact (favorable or unfavorable) on the audit opinion(s); and
 - e. internal control weaknesses, recommended actions and corrective action plans, and progress on those plans.
3. Prepare an evaluation of external auditors in connection with the audit, and, if applicable, the City Manager and Finance Director solely in connection with the conduct of the audit.

FINANCIAL PERFORMANCE INSIGHTS:

1. The AFAC will review all relevant financial reports the Finance Director prepares for the City Council, along with the Treasurer's Report, any other reports that present the conditions of the General Fund Reserves, and the City's investment policy.
2. The AFAC will provide well-reasoned and financially sound insights and advice to City Management and the City Council on opportunities to improve the City's financial performance, efficiency, and sustainability.
3. At the request of the City Council, the AFAC shall serve as a resource to provide insights to external experts who lead efficiency review initiatives.

INTERNAL CONTROLS:

1. The AFAC will serve as a resource for City Management in developing and documenting its internal control systems, as well as the method the City uses to communicate its philosophy to maintain a control driven culture among City employees.
2. The AFAC will inquire whether City Management has adequately addressed recommendations made by the external auditors, including corrective actions, where deemed necessary.

EXTERNAL AUDITORS:

1. The AFAC will assess the qualifications, independence and performance of the external auditors and make recommendations to City Council for their appointment, reappointment or termination, as well as fee proposals and terms for recurring and nonrecurring services.
2. The AFAC will meet with the external auditors at least five times per year:
 - a. upon initiating audit planning;
 - b. during the audit planning phase;
 - c. during the audit;
 - d. prior to completion of the audit; and
 - e. upon completion of the audit and prior to the issuance of their report(s) on the ACFR.
3. The Chairperson of the AFAC may participate in any meeting, along with City Management, in which the external auditor provides City Management early indications of potential audit findings or potential modified opinion prior to completing the report.

REGULATORY COMPLIANCE:

The AFAC will inquire of City Management (Finance Director) whether the:

1. City has established a process to address compliance with relevant financial reporting laws and regulations;
2. Financial statements reflect provisions, if applicable, for the results of any regulatory agencies' reports or examinations; and
3. Financial statements include provisions, if applicable, for pending or threatened litigation.

RISK MANAGEMENT:

The AFAC will provide City Management well-reasoned insights into major risks that could affect finances, operations, or long-term stability, along with advice on policies and practices to manage those risks, so that City Management may consider that in its overall approach to enterprise risk management.

OTHER MATTERS:

1. Membership:
 - a. No members appointed to any boards, committees or commissions may serve more than a total of eight (8) continuous years on any single board, committee or commission. The terms will be staggered and mirror the terms of the appointing City Council Members but run from June 1 through May 31.
 - b. AFAC members shall be a resident of the City and shall be a registered elector of the City and serve without compensation (Sec 2-202).
 - c. AFAC members will have demonstrated financial acumen and expertise in running a business and / or financial reporting, controls, and risk management.
 - d. AFAC members will be
 - e. financially independent of any City operations or City financial obligations.
 - f. Annually, all AFAC members will attend an orientation session presented by the Chairperson of the AFAC with assistance from City Management, where appropriate, covering such items as:
 - i. responsibilities,
 - ii. city governance and management structure,
 - iii. government (fund) accounting, iv. the ACFR,
 - v. the security of computer systems and applications,
 - vi. contingency plans for processing financial information in the event of a system breakdown (disaster recovery plan) and
 - iv. the prevention and/or detection of fraud or misuse of the City's resources.
2. The Chairperson of the AFAC will make presentations, as requested, to City Council no less than:
 - a. Prior to the end of the current fiscal year, give a brief presentation on the status of any material weaknesses or significant deficiencies communicated by the External Auditors;
 - b. After the completion of the audit, give a brief presentation as to the activities of the AFAC, an overview of the results of the audit of the ACFR and any communications received from the External Auditors that are deemed necessary to report to City Council; and
 - c. As requested.

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3. The AFAC will meet as follows, at a minimum:

Month	Business Items*	Objectives Supported
October		
November (1st half of month)	Ext. Auditor Update (via Video) Update on CAP Progress Review Prelim. Year-End Financials	External Auditors Fin. Reporting / Int. Controls Fin. Performance Insights Risk Management
December	Ext. Auditor Update to AFAC Chair and Finance Director (via Email)**	External Auditors
January		
February (middle of month)	Ext. Audit Update CAP Update (if relevant) 1Q Financial Review	External Auditors Fin. Reporting / Int. Controls Fin. Performance Insights Risk Management
March (target ~20th)	Ext. Auditor Prelim. Audit Presentation	External Auditors Fin. Reporting / Int. Controls Regulatory Compliance Risk Management
April		
May	Ext. Auditor Performance Evaluation CAPs Update (if relevant) 2Q Financial Review	External Auditors Fin. Reporting / Int. Controls Fin. Performance Insights Regulatory Compliance Risk Management
June		
July		
August	Ext. Auditor Kicks Off Audit Planning 3Q Financial Review CAPs Update (if relevant)	External Auditors Fin. Reporting / Int. Controls Fin. Performance Insights Regulatory Compliance Risk Management
September		
*At a minimum.		
**AFAC Chair and Finance Director to determine if it is necessary to convene AFAC based on External Auditor's email update.		

4. The AFAC will consider assisting in any other ad hoc functions as requested by City Council.

The above objectives and responsibilities have been designed to comply with the requirements of all rules, regulations, provisions and responsibilities set forth in Florida Statute, Title XIV, Chapter 218.391, as amended from time to time.

THE CITY OF MARCO ISLAND, FL
 AUDIT ~~AND FINANCE~~ ADVISORY COMMITTEE
 OBJECTIVES AND RESPONSIBILITIES
 VERSION: ~~NOVEMBER 12, 2019~~ OCTOBER 17, 2025

The Audit ~~and Finance~~ Advisory Committee ("~~AACAFAC~~") ~~was established~~ has been commissioned by City Council to assist it in the oversight of the preparation of the City's financial information, provide insights on opportunities to improve the City's financial performance going forward and risk management, monitoring the effectiveness of the system of internal accounting controls, and ~~to~~ interface with the City's external auditors in connection with the audit of the ~~Comprehensive~~ Annual Comprehensive Financial Report ("~~CAFRACFR~~") and other required special audits.

Specific objectives and responsibilities within each area are as follows:

FINANCIAL REPORTING:

1. Through inquiry of the ~~Director of Finance~~ Director and the external auditors, gain a general understanding of:
 - a. the current areas of greatest financial risk, including fraud and fraud protection procedures, and how these are being managed by City Management;
 - b. ~~the critical~~ critical accounting policies and practices, and any changes in them;
 - c. accounting entries requiring a significant element of judgment and estimation; and
 - d. the extent to which the financial statements are affected by known significant or unusual transactions and related disclosures.
2. Meet with appropriate City Management and external auditors to review:
 - a. the financial statements, ~~CAFRACFR~~ and other required audited reports or statements and the results of the audit;
 - b. significant adjustment(s) arising from the audit(s);
 - c. significant unrecorded adjustments and the impact on the ~~CAFRACFR~~;
 - d. disagreements between City Management and the external auditors, whether or not resolved, that would have had an impact (favorable or unfavorable) on the audit opinion(s); and
 - e. internal control weaknesses, ~~and~~ recommended actions and corrective action plans, and progress on those plans.
3. Prepare an evaluation of external auditors in connection with the audit, and, if applicable, the City Manager and Finance Director solely in connection with the conduct of the audit.
4. —

FINANCIAL PERFORMANCE INSIGHTS:

1. The AFAC will review all relevant financial reports the ~~Finance Director~~ Director of Finance prepares for the City Council, along with the Treasurer's Report, any other reports that present the conditions of the General Fund Reserves, and the City's investment policy.
2. The AFAC will provide well-reasoned and financially sound insights and advice to City Management and the City Council on opportunities to improve the City's financial performance, efficiency, and sustainability.

3. At the request of the City Council, the AFAC shall serve as a resource to provide insights to external experts who lead efficiency review initiatives.

INTERNAL CONTROLS:

1. The ~~AACAFAC~~ will serve as a resource for City Management in developing and documenting its internal control systems, as well as the method the City uses to communicate its philosophy to maintain a control driven culture among ~~city~~-City employees.
2. The ~~AACAFAC~~ will inquire whether City Management has adequately addressed recommendations made by the external auditors, including corrective actions, where deemed necessary.

EXTERNAL AUDITORS:

- ~~1.~~ The ~~AACAFAC~~ will assess the qualifications, independence and performance of the external auditors and make recommendations to City Council for their appointment, reappointment or termination, as well as fee proposals and terms for recurring and nonrecurring services.
- ~~1.~~
2. The ~~AACAFAC~~ will meet with the external auditors at least ~~three-five~~ times per year:
 - a. upon initiating audit planning;
 - b. during the audit planning phase;
 - ~~a.~~ during the audit;
 - c.
 - ~~b.~~ prior to completion of the audit; and
 - d.
 - e. upon completion of the audit and prior to the issuance of their report(s) on the CAFRACFR.
3. The Chairperson of the AAFC may participate in any meeting, along with City Management, in which the external auditor provides City Management early indications of potential audit findings or potential modified opinion prior to completing the report.
- ~~a.~~

REGULATORY COMPLIANCE:

The ~~AACAFAC~~ will inquire of City Management (Finance Director) whether the:

1. City has established a process to address compliance with ~~laws and regulations~~ relevant financial reporting laws and regulations;
2. ~~F~~inancial statements reflect provisions, if applicable, for the results of any regulatory agencies' reports or examinations; and
3. ~~F~~inancial statements include provisions, if applicable, for pending or threatened litigation.

RISK MANAGEMENT:

The AFAC will provide City Management well-reasoned insights into major risks that could affect finances, operations, or long-term stability, along with advice on policies and practices to manage those risks, so that City Management may consider that in its overall approach to enterprise risk management. Risk Management is a pervasive and integral element of City Management's objective setting and the

link between those objectives and the setting of internal controls, both financial and operational, to ensure that risks are maintained at an acceptable level while still achieving the desired objectives. Some risks can be quantified and be determined objectively; others are subjective in nature. Some risks are directly related to financial reporting; others are directly related to ongoing operations of the City.

If City Council decides that the City will implement such a comprehensive Risk Management program to be developed, implemented and monitored by City Management, the AAC will be a resource to City Management in this endeavor.

OTHER MATTERS:

1. Membership:

- a. No members appointed to any boards, committees or commissions may serve more than a total of eight (8) continuous years on any single board, committee or commission. The term of membership on the AACAFAC will be for up to two consecutive four-year terms or eight years in total. The terms will be staggered and mirror the terms of the appointing City Council ~~Members, but~~ Members but run from June 1 through May 31.
- b. AFAC members shall be a resident of the City and shall be a registered elector of the City and serve without compensation (Sec 2-202).
- c. AACAFAC members will have demonstrated financial acumen and expertise in running a business and / or financial reporting, controls, and risk management.
- d. AFAC members will be
- ~~b.e.~~ be financially literate and financially independent of any City operations or City financial obligations.
- ~~c.f.~~ Annually, all AACAFAC members will attend an orientation session presented by the Chairperson of the AACAFAC with assistance ~~offrom~~ City Management, where appropriate, covering such items as:
 - i. responsibilities,
 - ii. city governance and management structure,
 - iii. government (fund) accounting, iv. the ~~CAFRACFR~~,
 - v. the security of computer systems and applications,
 - vi. contingency plans for processing financial information in the event of a system breakdown (disaster recovery plan) and
 - ~~vii.~~ the prevention and/or detection of fraud or misuse of the City's resources.
 - ~~iv.~~

2. The Chairperson of the AACAFAC will make presentations, as requested, to City Council no less than:

- a. Prior to the end of the current fiscal year, give a brief presentation on the status of any material weaknesses or significant deficiencies communicated by the External Auditors~~;~~
- b. After the completion of the audit, give a brief presentation as to the activities of the AACAFAC, an overview of the results of the audit of the CAFRACFR and any communications received from the External Auditors that are deemed necessary to report to City Council; and
- ~~b.c.~~ As requested.

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3. The AFAC will meet as follows, at a minimum:

Month	Business Items*	Objectives Supported
<u>October</u>	-	-
<u>November (1st half of month)</u>	<u>Ext. Auditor Update (via Video)</u> <u>Update on CAP Progress</u> <u>Review Prelim. Year-End Financials</u>	<u>External Auditors</u> <u>Fin. Reporting / Int. Controls</u> <u>Fin. Performance Insights</u> <u>Risk Management</u>
<u>December</u>	<u>Ext. Auditor Update to AFAC Chair and Finance Director (via Email)**</u>	<u>External Auditors</u>
<u>January</u>	-	-
<u>February (middle of month)</u>	<u>Ext. Audit Update</u> <u>CAP Update (if relevant)</u> <u>1Q Financial Review</u>	<u>External Auditors</u> <u>Fin. Reporting / Int. Controls</u> <u>Fin. Performance Insights</u> <u>Risk Management</u>
<u>March (target ~20th)</u>	<u>Ext. Auditor Prelim. Audit Presentation</u>	<u>External Auditors</u> <u>Fin. Reporting / Int. Controls</u> <u>Regulatory Compliance</u> <u>Risk Management</u>
<u>April</u>	-	-
<u>May</u>	<u>Ext. Auditor Performance Evaluation</u> <u>CAPs Update (if relevant)</u> <u>2Q Financial Review</u>	<u>External Auditors</u> <u>Fin. Reporting / Int. Controls</u> <u>Fin. Performance Insights</u> <u>Regulatory Compliance</u> <u>Risk Management</u>
<u>June</u>	-	-
<u>July</u>	-	-
<u>August</u>	<u>Ext. Auditor Kicks Off Audit Planning</u> <u>3Q Financial Review</u> <u>CAPs Update (if relevant)</u>	<u>External Auditors</u> <u>Fin. Reporting / Int. Controls</u> <u>Fin. Performance Insights</u> <u>Regulatory Compliance</u> <u>Risk Management</u>
<u>September</u>	-	-
<u>*At a minimum.</u>		
<u>**AFAC Chair and Finance Director to determine if it is necessary to convene AFAC based on External Auditor's email update.</u>		

3.4. The ~~AACAFAC~~ will consider assisting in any other ad hoc functions as requested by City Council.

The above objectives and responsibilities have been designed to comply with the requirements of all rules, regulations, provisions and responsibilities set forth in Florida Statute, Title XIV, Chapter 218.391, as amended from time to time.