

RECOMMENDED BOND OVERSIGHT COMMITTEE GUIDELINES/PRINCIPLES

The overarching purposes of independent financial oversight committees is two fold: (i) improving financial control/oversight, and (ii) strengthening stakeholder (i.e., taxpayer/ratepayer, elected officials, etc.) confidence by ensuring that bond funds are wisely spent.

The following financial oversight guidelines/principles have been developed by staff while discussing/researching this topic. The relevance of the principles will depend in large measure on the size of the bond portfolio, the frequency of bond issues, and the responsibilities of the oversight committee. Staff believes that some, if not all, of such principles are embedded (either explicitly or implicitly) in the work of all City oversight committees.

A. Process Oriented Guidelines.

- *Committee Bylaws.* Committees should adopt bylaws to govern its operations. Bylaws serve as a useful reference for committee members, and serve to order the conduct of meetings, election of officers, publication of reports, etc.
- *Committee Work Plan.* Depending on its workload/responsibilities, the Committee should consider developing a work plan to guide its activities. The work plan should be flexible to address developing matters/issues.
- *Committee Membership.* Committee should ensure that its membership has the necessary technical expertise (e.g., accounting, finance, construction management, etc.) to carry out its functions.
- *Committee Outreach.* To ensure stakeholder confidence, the Committee should ensure that its activities (e.g., meetings, reports, facility inspections, etc.) are widely publicized.
- *Committee Independence.* To ensure stakeholder confidence and to ensure its credibility, the Committee should take steps to maintain its independence from the oversight entity.

B. Effective Oversight Guidelines.

- *Strategic execution plans for asset construction, repair and modernization.* Committee should have access to or knowledge of any funding department's strategic execution plans which would include a mission statement, guiding principles, goals, lists of specific projects, milestones, budget, time schedules, management controls, information systems, cost controls, early warning systems, and the assignment of responsibility and accountability.
- *Progress reports; other internal reports.* Committee should have knowledge of progress reports, and the frequency of their preparation, to identify progress made, significant schedule and budget variances, plan revisions and current estimates for cost and completion. Committee should endeavor to learn what other audit reports are being conducted on

relevant contract performance or project evaluation by internal or external auditing entities, and obtain a copy of such report or a presentation of the same, as appropriate.

- *Early warning memos process.* Committee should be aware of internal processes for development of internal memoranda which report when a construction, repair or modernization project is likely to exceed the budgeted cost by a stated percent or more.
- *Knowledge Transfer.* Committee should also understand internal processes by which department (s) obtains/transfers “lessons learned” from/to other City departments engaged in capital asset acquisition/construction.
- *A rational and timely audit system.* Committee should be aware of processes for annual audits, including annual financial and performance audits (as required by law), audits of new construction, repair and modernization contracts, if any. Committee may propose to oversight department a schedule for any of the forgoing.
- *Independent oversight reports and evaluations.* Oversight Committee may seek services of Oversight Consultant to assist Committee with the development of annual work planning activities. Committee should, where appropriate, commission independent reports and evaluations to assist it carry out its mission.