Written materials relating to an item on this agenda that are distributed to the legislative bodies within 72 hours before the item is to be considered at its regularly scheduled meeting will be made available for public inspection at the City Clerk's Office, 300 West Third Street 4th Floor during customary business hours. Agenda reports are also on the City of Oxnard web site at www.oxnard.org.

CITY OF OXNARD CALIFORNIA

AGENDA
OXNARD CITY COUNCIL
FINANCE AND GOVERNANCE COMMITTEE
Council Chambers, 305 West Third Street
April 23, 2019
Regular Meeting - 9:30 to 10:45 AM

A. ROLL CALL / POSTING OF AGENDA

B. PUBLIC COMMENTS ON ITEMS NOT ON THE AGENDA

At this time, the legislative body will consider public comments for a maximum of fifteen minutes. A person may address the legislative body only on matters not appearing on the agenda and within the subject matter jurisdiction of the legislative body. Speaker cards will not be accepted after the beginning of the general public comment period. Based on the number of speaker cards submitted, the presiding officer may impose time limits per speaker. Typically, speakers are limited to two minutes, but shorter time may be established as deemed necessary. A person not able to address the legislative body at this time because the fifteen minutes expires may do so just prior to adjournment of the meeting. The legislative body cannot enter into a detailed discussion or take action on any items presented during public comments at this time. Such items may only be referred to the City Manager for administrative action or scheduled on a subsequent agenda for discussion.

C. CONSENT AGENDA

City Clerk Department

1. SUBJECT: Approval of Minutes.
RECOMMENDATION: That the Finance and Governance Committee approve the minutes of the April 9, 2019 Regular Meeting as presented.
Contact: Michelle Ascencion Phone: (805) 385-7805

D. REPORTS

Finance Department

1. SUBJECT: Status Update of Internal Audit Projects Memo. (10/5/5)
RECOMMENDATION: That the Finance and Governance Committee receive an update from the Internal Auditors on the status of the current projects in progress related to the Internal Audit Department and authorize the Internal Auditors to present the item to the City Council.
Contact: Kevin Riper Phone: (805) 385-7475

In compliance with the Americans with Disabilities Act, if you require special assistance to participate in a meeting, please contact the City Clerk's Office at 385-7803. Notice at least 72 hours prior to the meeting will enable the City to reasonably arrange for your accessibility to the meeting.

Agenda Item time estimates: (Staff Presentation / Committee Discussion / Public Comment)

2. SUBJECT: Internal Audit Department Protocol For Investigation of City Management Personnel. (10/5/5)
RECOMMENDATION: That the Finance and Governance Committee receive an update from the Internal Auditors on the appropriate protocol for investigating members of the City of Oxnard's management and authorize the Internal Auditors to present the item to the City Council.
Contact: Kevin Riper Phone: (805) 385-7475

3. SUBJECT: Presentation on Corrective Action Plan. (20/10/5)
RECOMMENDATION: That the Finance and Governance Committee receives an update on the Corrective Action Plan (CAP) and gives authorization for staff to present the item to the City Council.
Contact: Kevin Riper Phone: (805) 385-7475

E. ITEMS FOR FUTURE AGENDAS

F. ADJOURNMENT

M I N U T E S
OXNARD CITY COUNCIL
FINANCE AND GOVERNANCE COMMITTEE
Regular Meeting
April 9, 2019

A. ROLL CALL / POSTING OF AGENDA

At 9:30 a.m., Chair Flynn called to order the regular meeting of the Oxnard City Council Finance and Governance Committee in the City Hall Council Chambers, 305 W. Third Street, Oxnard, California. The City Clerk called the roll and announced the posting of the agenda. Members Gabriela Basua, Bert Perello, and Chair Tim Flynn were present.

Staff members present were Alexander Nguyen, City Manager; Stephen Fischer, City Attorney; Shiri Klima, Deputy City Manager; Donna Ventura, Assistant Chief Financial Officer; Kevin Riper, Chief Financial Officer; and Michelle Ascencion, City Clerk.

B. PUBLIC COMMENTS ON ITEMS NOT ON THE AGENDA

Public comments were received from Ray Blattel (recently adopted Oxnard Police Officers Association memorandum of understanding).

C. CONSENT AGENDA

City Clerk Department

1. SUBJECT: Approval of Minutes.
   RECOMMENDATION: That the Finance and Governance Committee approve the minutes of the March 26, 2019 Regular Meeting as presented.

It was moved by Member Basua, seconded by Member Perello, to approve the minutes as presented. VOTE: Basua, Flynn, and Perello voted in favor; the motion carried 3-0.

D. REPORTS

City Manager Department

1. SUBJECT: City Corps Retirement Plan Liability.
   RECOMMENDATION: That the Finance and Governance Committee receives an update on the City Corps Retirement Plan liability for budgetary purposes, and recommends proceeding with this update to the City Council.

The City Manager gave a report. No public comments were received. Discussion ensued among the Committee and staff.

It was moved by Member Perello, seconded by Member Basua, to approve the recommended action as presented. VOTE: Basua, Flynn, and Perello voted in favor; the motion carried 3-0.

Finance Department

2. SUBJECT: General Fund Budget Projections.
   RECOMMENDATION: That the Finance and Governance Committee receive an update on the latest budget projections for the General Fund and authorize staff to present the item to the City Council.

The Chief Financial Officer gave a report. No public comments were received. Discussion ensued among the Committee and staff.

It was moved by Member Perello, seconded by Member Basua, to approve the recommended action as presented. VOTE: Basua, Flynn, and Perello voted in favor; the motion carried 3-0.

City Attorney Department

3. SUBJECT: Council Procedures Manual Update.
   RECOMMENDATION: That the Finance and Governance Committee continue discussion of the draft update to the Council Procedures Manual, review the updated redline showing previously discussed revisions, and provide any additional comments and direction.

The City Attorney gave a report. Public comments were received from Alicia Percell. Discussion ensued among the Committee and staff. No action was required.

E. ITEMS FOR FUTURE AGENDAS (No requests were made.)

Member Perello requested a report from the internal auditors and asked that the Finance and Public Works departments explore potential revenue through providing products or services.

Chair Flynn requested a report on internal audits of overtime, the Performing Arts Center, City Corps, and the City golf course.

F. ADJOURNMENT

There being no further business on the agenda, and without objection, Chair Flynn adjourned the meeting at 10:57 a.m.

MICHELLE ASCENCION, CMC
City Clerk

TIM FLYNN
Chair

DRAFT

CITY OF OXNARD CALIFORNIA	**FINANCE AND GOVERNANCE COMMITTEE** **AGENDA REPORT**	**TYPE OF ITEM: Report** **AGENDA ITEM NO.: __1__**

DATE: April 23, 2019

TO: Finance and Governance Committee

FROM: Henry Oum, CPA, Internal Auditor for the City of Oxnard
henry@ppcpas.com, 559-299-9540

SUBJECT: Status Update of Internal Audit Projects Memo. (10/5/5)

RECOMMENDATION

That the Finance and Governance Committee receive an update from the Internal Auditors on the status of the current projects in progress related to the Internal Audit Department and authorize the Internal Auditors to present the item to the City Council.

BACKGROUND

The City of Oxnard established an Internal Audit Department to help the City accomplish its objectives and help improve the effectiveness of risk management, control and the governance process. The Internal Audit department is currently working on a number of projects based on the approved City-wide Risk Assessment and matters that have come to their attention through the City's whistleblower program. An update on the current status of projects provides the Finance and Governance Committee with an understanding of current priorities and an estimated timeline for completion.

STRATEGIC PRIORITIES

This agenda item is a routine operational item.

FINANCIAL IMPACT

No direct financial impact.

Prepared by Henry Oum, CPA, Internal Auditor for the City of Oxnard.

ATTACHMENT

City of Oxnard Internal Audit Department – Status Update of Internal Audit Projects.pdf

Memo

Date: March 26, 2019
To: Finance and Governance Committee of the City of Oxnard
From: Price Paige and Company, Internal Auditors for the City of Oxnard

Re: ***STATUS UPDATE OF INTERNAL AUDIT PROJECTS***

This memorandum will serve to report to the Finance and Governance Committee of the City of Oxnard regarding the status and estimated timeline for completion for current internal audit projects.

CITY-WIDE RISK ASSESSMENT AUDITS

Environmental Resources Cash Handling

Objective: To determine whether the Environmental Resources Department is complying with the documented internal control cash handling policies and procedures.

Status: The Internal Audit department has met with representatives of the Environmental Resources Department, including the Department Director and other management and accounting personnel, to obtain an understanding of significant cash handling controls and procedures. Internal control walkthroughs have been performed to understand the flow of receipts including cash and checks and the related documents utilized in the process. The next phase in this audit is to perform tests of transactions to determine cash handling compliance with the department's policies and procedures. The final phase of this audit will be to provide recommendations to the department for operational efficiencies and improvement.

Estimated Completion: The estimated completion of this internal audit project is in May/June 2019 with a full report to the Finance and Governance Committee.

Overtime Audit

Objective:

1. Through inquiry of personnel and observation of practices, obtain an understanding of key controls over the use and monitoring of overtime at the City of Oxnard.
2. Perform a test of compliance to determine whether the approval of overtime is consistent with the City's policies and procedures.

3. Identify and assess significant risks that directly impacts the City's high overtime usage.
4. Benchmark the City's overtime usage with comparable cities of similar size, geography, population and other relevant factors.
5. Prepare a summary report of key financial and labor metrics currently in use and in collaboration with management, determine if the metrics used are adequate or if new metrics should be added to monitor the use of overtime.

Status: The Internal Audit department has met with various department personnel to obtain an understanding of the process used to approve, track and monitor overtime usage. The overtime audit has proved to be much more challenging than anticipated. Each of the key departments maintains and processes their own overtime information, including Fire, Police and Miscellaneous (all other departments). In obtaining an understanding of the overtime usage, the Internal Audit department was required to understand three different systems for administering, tracking and monitoring overtime use. In addition, information anticipated to be routinely extracted from the financial accounting system required manual efforts by City staff to generate the information in a useful format for audit purposes. Analyses of overtime usage that could have been automated required manual review.

We have met with the Fire Department, Police Department and Payroll Department to further understand the key differences in how overtime is administered. The overtime rules differ from department to department and are complex. We have completed our testing of overtime compliance with the City's internal policies and procedures, which includes a review of personnel timesheets, supervisory approvals, overtime pay calculations and other procedures. The next phase is to meet with management personnel in the departments with high overtime usage to review the results of our overtime compliance testing. We expect to work with department management to collaboratively identify effective remedies to reduce overtime.

Estimated Completion: The estimated completion of this overtime audit is in July/August 2019 with a full report to the Finance and Governance Committee.

PERFORMANCE AUDITS

City Corps Performance Audit

Objectives:

1. Through inquiry of personnel, observation of practices, and inspection of documents obtain an understanding of key programmatic goals.
2. Identify and assess significant risks that may hinder City Corp from achieving its key programmatic goals.
3. Identify key financial and performance metrics and determine if management is utilizing these key metrics in the decision-making process.
4. Prepare a summary report of key financial and performance metrics currently in use and in collaboration with management, determine if the metrics used are adequate or if new metrics should be added.
5. Quantify the general fund subsidy over the last five years and obtain a budget from management for the next three fiscal years.

Status: The Internal Audit department met with representatives of City Corps in January 2019 to obtain an understanding of the organizational structure, the program objectives and its impact to the City of Oxnard. We have provided to the City Corps management team a list of documents needed to conduct this performance audit, which include financial and other related information. We will be conducting onsite visitations and audit fieldwork in April 2019.

Estimated Completion: The estimated completion of this performance audit is in June/July 2019 with a full report to the Finance and Governance Committee.

Performing Arts and Convention Center Performance Audit

Objectives:

1. Through inquiry of personnel, observation of practices, and inspection of documents obtain an understanding of key programmatic goals.
2. Identify and assess significant risks that may hinder the Performing Arts and Convention Center from achieving its key programmatic goals.
3. Identify key financial and performance metrics and determine if management is utilizing these key metrics in the decision-making process.
4. Prepare a summary report of key financial and performance metrics currently in use and in collaboration with management, determine if the metrics used are adequate or if new metrics should be added.
5. Quantify the general fund subsidy over the last five years and obtain a budget from management for the next three fiscal years.

Status: The Internal Audit department met with representatives of PACC in January 2019 to obtain an understanding of the organizational structure, the program objectives and its impact to the City of Oxnard. We have provided to the PACC management team a list of documents needed to conduct this performance audit, which includes financial and other related information. We will be conducting onsite visitations and audit fieldwork in April 2019.

Estimated Completion: The estimated completion of this performance audit is in June/July 2019 with a full report to the Finance and Governance Committee.

Golf Course Performance Audit

Objective:

1. Through inquiry of personnel, observation of practices, and inspection of documents obtain an understanding of key programmatic goals.
2. Identify and assess significant risks that may hinder the City's Golf Course from achieving its key programmatic goals.
3. Identify key financial and performance metrics and determine if management is utilizing these key metrics in the decision-making process.
4. Prepare a summary report of key financial and performance metrics currently in use and in collaboration with management, determine if the metrics used are adequate or if new metrics should be added.
5. Quantify the general fund subsidy over the last five years and obtain a budget from management for the next three fiscal years.
6. Identify key controls for the City to improve its oversight of the golf course operators.

Status: This performance audit has not yet commenced as the City Manager has advised that a new concessioner may be operating the golf course and the current concessioner will not be participating in the request for proposal process.

Estimated Completion: If this audit remains necessary, we anticipate that it will commence in August 2019 with an anticipated completion date of December 2019.

INTERNAL CONTROL DEFICIENCIES MONITORING, TRACKING AND FOLLOW-UP

Objective: Assist the City of Oxnard with a method for monitoring and tracking internal control findings related to the City's external audit. The Internal Audit department will work with the City's Finance Department, and all other individual departments with internal control findings, to monitor, track and follow-up on open audit findings and the implementation of the corrective action plan. Follow-up may include verification of the corrective action plan being implemented. The ultimate responsibility to correct all internal control deficiencies rests with the individual departments to which the deficiencies apply.

Status: Not started.

Estimated Completion: This is expected to be an ongoing process and will be considered complete when no audit findings are considered outstanding or pending.

INVESTIGATION OF WHISTLEBLOWER MATTERS

Objective: The City's whistleblower program allows for concerned citizens, residents, employees of the City, vendors or any other party with an opportunity to anonymously report potential fraud, waste or abuse over financial activities and related matters for follow-up and investigation. Complainants may submit their allegations through the City's website, by telephone, e-mail or other communication methods outlined in the Whistleblower policy which is received directly by the Internal Auditors. The Internal Auditors will screen the allegations to determine if the matter is fiscal related and whether predication exists to commence a formal investigation into the allegation.

Status: Currently, we are working on three active whistleblower allegations in which predication has been established. The nature of these matters is sensitive and we will not report on their status until an investigation is complete and a report is issued.

Estimated Completion: The completion of each of the whistleblower matters is highly dependent upon a number of factors, including personnel interviews, information gathering and fact finding. We will report to the Finance and Governance Committee once each of the matters has been completed.

Respectfully submitted,

Price Paige & Company

Price Paige & Company
Internal Auditors for the
City of Oxnard

(This page is intentionally blank.)

CITY OF OXNARD CALIFORNIA	**FINANCE AND GOVERNANCE COMMITTEE** **AGENDA REPORT**	**TYPE OF ITEM: Report** **AGENDA ITEM NO.: __2__**

DATE: April 23, 2019

TO: Finance and Governance Committee

FROM: Henry Oum, CPA, Internal Auditor for the City of Oxnard
henry@ppcpas.com, 559-299-9540

SUBJECT: Internal Audit Department Protocol For Investigation of City Management Personnel. (10/5/5)

RECOMMENDATION

That the Finance and Governance Committee receive an update from the Internal Auditors on the appropriate protocol for investigating members of the City of Oxnard's management and authorize the Internal Auditors to present the item to the City Council.

BACKGROUND

The City of Oxnard's Internal Audit department monitor's the City's whistleblower program, which allows for concerned citizens, residents, employees and other vested members of the community to report potential fraud, waste and abuse. The Internal Audit department has broad guidance on how to investigate members of the City of Oxnard's management team. This update from the Internal Audit Department provides clarity as to the proper protocol and approach that should be taken if those investigations are required.

STRATEGIC PRIORITIES

This agenda item provides better clarity regarding how investigations of City management personnel will be conducted and reported. This agenda item is a routine operational item.

FINANCIAL IMPACT

No direct financial impact.

Prepared by Henry Oum, CPA, Internal Auditor for the City of Oxnard

ATTACHMENTS

City of Oxnard Internal Audit Department - Internal Audit Department Protocol for Investigation of City Management Personnel
City of Oxnard Internal Audit Department – Investigations of City Management

Memo

To: Mr. Alexander Nguyen, City Manager City of Oxnard

From: Fausto Hinojosa, CPA, CFE Internal Auditor

Henry Oum, CPA, Internal Auditor

Date: April 15, 2019

Re: INTERNAL AUDIT DEPARTMENT PROTOCOL FOR INVESTIGATION OF CITY MANAGEMENT PERSONNEL

Mr. Nguyen,

Below is a summary of our protocol for conducting investigations and reporting related to certain management personnel of the City of Oxnard:

City Council Members – If allegations of wrongdoing come to the attention of the Internal Auditor through the whistle-blower hotline or by any other means, the Internal Auditor will report the matter to the City Attorney. The City Attorney should consider whether sufficient predication exists requiring an investigation. The City Attorney should consider his/her legal obligation to report the matter to outside law enforcement agencies for investigation. The Internal Auditor will not conduct investigations of City Council members because the Internal Auditor reports to the City Council as a body and is therefore not independent.

City Clerk – If allegations of wrongdoing come to the attention of the Internal Auditor through the whistle-blower hotline or by any other means, the Internal Auditor will report the matter to the City Attorney. The Internal Auditor will determine if sufficient predication exists to move forward with a formal investigation. If predication exists, the Internal Auditor will proceed with an investigation and will regularly communicate status of the investigation to the Chairman of the Finance and Governance Committee and to the City Attorney. The communication by the Internal Auditor to the Chairman of the Finance and Governance Committee is required because the Finance and Governance Committee is the body responsible for oversight of the Internal Auditor. Communication by the Internal Auditor to the City Attorney is required to help protect the interests of the City and to ensure that the investigation by the Internal Auditor is conducted in a lawful manner.

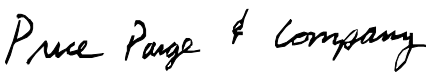
677 Scott Avenue
Clovis, CA 93612
tel 559.299.9540
fax 559.299.2344
www.ppcpas.com

City Treasurer – If allegations of wrongdoing come to the attention of the Internal Auditor through the whistle-blower hotline or by any other means, the Internal Auditor will report the matter to the City Attorney. The Internal Auditor will determine if sufficient predication exists to move forward with a formal investigation. If predication exists, the Internal Auditor will proceed with an investigation and will regularly communicate status of the investigation to the Chairman of the Finance and Governance Committee and to the City Attorney. The communication by the Internal Auditor to the Chairman of the Finance and Governance Committee is required because the Finance and Governance Committee is the body responsible for oversight of the Internal Auditor. Communication by the Internal Auditor to the City Attorney is required to help protect the interests of the City and to ensure that the investigation by the Internal Auditor is conducted in a lawful manner.

City Manager – If allegations of wrongdoing come to the attention of the Internal Auditor through the whistle-blower hotline or by any other means, the Internal Auditor will report the matter to the City Attorney. The Internal Auditor will determine if sufficient predication exists to move forward with a formal investigation. If predication exists, the Internal Auditor will proceed with an investigation and will regularly communicate status of the investigation to the Chairman of the Finance and Governance Committee and to the City Attorney. The communication by the Internal Auditor to the Chairman of the Finance and Governance Committee is required because the Finance and Governance Committee is the body responsible for oversight of the Internal Auditor. Communication by the Internal Auditor to the City Attorney is required to help protect the interests of the City and to ensure that the investigation by the Internal Auditor is conducted in a lawful manner.

City Attorney – If allegations of wrongdoing come to the attention of the Internal Auditor through the whistle-blower hotline or by any other means, the Internal Auditor will report the matter to the City Manager. The Internal Auditor will determine if sufficient predication exists to move forward with a formal investigation. If predication exists, the Internal Auditor will request that outside legal counsel be retained by the City to work in conjunction with the Internal Auditor on the investigation. The Internal Auditor and outside legal counsel will regularly communicate status of the investigation to the Chairman of the Finance and Governance Committee and to the City Manager. The communication by the Internal Auditor to the Chairman of the Finance and Governance Committee is required because the Finance and Governance Committee is the body responsible for oversight of the Internal Auditor. The retention of outside legal counsel is required to help protect the interests of the City and to ensure that the investigation by the Internal Auditor is conducted in a lawful manner.

Respectfully submitted,



Price Paige & Company
Internal Auditors for the
City of Oxnard

(This page is intentionally blank.)

Whistleblower Investigations of City of Oxnard Management Members

PRICE PAIGE & COMPANY
Accountancy Corporation

Presented by:
Internal Audit Department of the City of Oxnard

Whistleblower Investigations of City of Oxnard Management Members

- Price Paige and Company, Internal Auditors monitors the whistleblower program for the City of Oxnard
- Whistleblower program allows for concerned citizens, residents, employees of the City and any other vested community member/partner to report allegations of fraud, waste and abuse to an independent department within the City

Whistleblower Investigations of City of Oxnard Management Members

- Complaints and allegations are confidential and can be anonymous
- Internal auditors will screen the complaint for “predication”
- Many of the complaints received thus far are not fiscal related and therefore will be forwarded to the appropriate department

Whistleblower Investigations of City of Oxnard Management Members

- Questions as to how investigations of City management members will be conducted
  - City Council members
  - City management members
- What are the appropriate protocols and who do the Internal Auditors report to?

Whistleblower Investigations of City of Oxnard Management Members

- City Council Members
  - Report the matter to the City Attorney
  - City Attorney should consider whether sufficient predication exists to conduct investigation
  - City Attorney should consider their legal obligation to report to outside agencies
  - IA should not conduct investigations of City Council members because IA reports to City Council and would not be independent

Whistleblower Investigations of City of Oxnard Management Members

- City Clerk, City Treasurer and City Manager
  - Report the matter to the City Attorney
  - IA will consider whether sufficient predication exists to conduct an investigation
  - IA reports to Chairman of Finance and Governance Committee regarding status
  - IA reports to City Attorney to protect the interests of the City

Whistleblower Investigations of City of Oxnard Management Members

- City Attorney
  - Report the matter to the City Manager
  - IA will consider whether sufficient predication exists to conduct an investigation
  - IA will request the City retain outside legal counsel to work with IA on investigation
  - IA reports to Chairman of Finance and Governance Committee and City Manager regarding status
  - Outside legal protects the interests of the City

Whistleblower Investigations of City of Oxnard Management Members

Questions and comments?

CITY OF OXNARD CALIFORNIA	**FINANCE AND GOVERNANCE COMMITTEE** **AGENDA REPORT**	**TYPE OF ITEM: Report** **AGENDA ITEM NO.: 3**

DATE: April 23, 2019

TO: Finance and Governance Committee

FROM: Kevin Riper, Chief Financial Officer
kevin.riper@oxnard.org, (805) 385-7461

SUBJECT: Presentation on Corrective Action Plan. (20/10/5)

RECOMMENDATION

That the Finance and Governance Committee receives an update on the Corrective Action Plan (CAP) and gives authorization for staff to present the item to the City Council.

BACKGROUND/SUMMARY

The City's annual audit for FY 2014-15 produced 111 single-audit findings. These findings were primarily concerning the policies and procedures of the City (or lack thereof). During the FY 2015-16 audit, there were an additional five audit findings. For FY 2016-17, an additional 19 audit findings occurred, and of these, nine were repeat findings from the two prior audits. For FY 2017-18, an additional 37 audit findings have occurred, of which 13 are repeat findings from the prior three audits.

In order to correct these findings, the City is required to produce a Corrective Action Plan, or a CAP. This plan must address all unresolved findings and the steps and timeline to correct them. Following the FY 2014-15 audit, the City's Finance Department began to cure these findings, but could not create the required CAP until March 2018, when it was finalized and submitted to the State Controller's Office for final adoption.

In the past year, progress on the corrective actions has been slow primarily due to management and staff turnover and resource constraints. The Finance Department continues to be under-resourced to effectively address all the audit findings while keeping up with the day-to-day demands. Inadequate resourcing is a leading cause for several audit findings, including delays in performing reconciliations and closing the books. Finance leadership is requesting two additional full time employees (FTEs) in the FY 2019-20 budget, as follows:

1. Internal Control Senior Manager - dedicated to implementing and maintaining Internal Control Integrated Framework; facilitating resolution of remaining audit findings; driving continuous process improvement to minimize future findings; providing subject matter expertise for enterprise resource planning (ERP) software implementation.
2. Financial Analyst II/III – dedicated to developing and managing monthly financial reporting and cost allocation processes for the City.

The Finance Department will continue working on correcting the findings and will report to the City Council every six months on the continued progress.

FINANCIAL IMPACT

There is no financial impact with this item, other than for the two additional FTE positions, which are being requested through the 2019-20 budget process.

Prepared by Donna Ventura, Assistant Chief Financial Officer

ATTACHMENTS

Eadie + Payne PowerPoint Presentation on Single Audit Findings
Staff PowerPoint Presentation on Corrective Action Plan

Single Audit Report for
Fiscal Year Ended June 30, 2018

Finance & Governance Committee Meeting
April 23, 2019

CITY OF OXNARD CALIFORNIA

EADIE + PAYNE LLP

Celebrating a Century of Quality Service

Agenda

1. Introduction
2. Schedule of Expenditures of Federal Awards (SEFA)
3. Single Audit Report Findings
4. Current Year Findings – Major Federal Programs
5. Current Year Findings – Financial Statements
6. Top 4 Material Weaknesses
7. Prior Audit Findings – Implemented
8. Prior Audit Findings – In Process and Not Started
9. Questions

CITY OF OXNARD CALIFORNIA

EADIE + PAYNE LLP
Celebrating a Century of Quality Service

Introduction

CAFR

- **Issuance Date:**
- **December 12, 2018**

State Controller's Office

- **Submission Date:**
- **January 31, 2019**

Single Audit Report

- **Issuance Date:**
- **March 20, 2019**

Federal Audit Clearinghouse

- **Submission Date:**
- **March 27, 2019**

CITY OF OXNARD CALIFORNIA

EADIE + PAYNE LLP
Celebrating a Century of Quality Service

Schedule of Expenditures of Federal Awards (SEFA)

- Total Expenditures $6.9M
- Major Programs 3
- Total Programs 16

CITY OF OXNARD CALIFORNIA

EADIE + PAYNE LLP
Celebrating a Century of Quality Service

Single Audit Report Findings

- Findings Categories
  - Material weakness (MW)
  - Significant deficiency (SD)
  - Non-compliance (NC)
  - Best practice opportunity (BP)
- Current Year Findings
- Prior Year Findings

CITY OF OXNARD CALIFORNIA

EADIE + PAYNE LLP
Celebrating a Century of Quality Service

Current Year Findings – Major Federal Programs

2018-001 through 2018-008	SD
Major Federal Programs	
Department of Housing and Urban Development	8
TOTAL	**8**

6 of the 8 findings have been identified also as non-compliance (NC) findings.

Current Year Findings – Financial Statements

Finding No. and Description	MW	SD	BP	Repeat of PY
2018-009: Properties Held for Sale	✓			Yes
2018-010: Journal Entries	✓			Yes
2018-011: Accrued Receivables		✓		Yes
2018-012: Employment Tax Recordkeeping			✓	Yes
2018-013: Bank Reconciliations	✓			Yes
2018-014: Cash Receipts		✓		Yes
2018-015: Lease Agreements		✓		Yes
2018-016: Pension Plans		✓		Yes
2018-017: Year-end Closing Process	✓			No
2018-018 through 2018-037: Information Technology (IT) General Controls		✓		No
TOTAL NO. OF FINDINGS: 29	4	24	1	

CITY OF OXNARD CALIFORNIA

EADIE + PAYNE LLP
Celebrating a Century of Quality Service

Top 4 Material Weaknesses – Current Year

1. 2018-009 – Properties Held for Sale
2. 2018-010 – Journal Entries
3. 2018-013 – Bank Reconciliations
4. 2018-017 – Year-end Closing Process

CITY OF OXNARD CALIFORNIA

EADIE + PAYNE LLP
Celebrating a Century of Quality Service

UPDATE ON CORRECTIVE ACTION PLAN: FY 2015-2018 SINGLE AUDITS

Presentation to Finance & Governance Committee

Donna Ventura, Assistant CFO

April 23, 2019

AGENDA

- Status of CAP
- Resource Implications
- Questions

CAP STATUS DEFINITIONS

Complete – Auditors have tested and determined that corrective action for the finding has been effectively implemented

To Be Tested – Policies and Procedures (P&P) approved (if applicable), training completed and corrective action ready for auditors to test during the next single audit

P&P Draft – P&P drafted but not yet approved by CFO, training not yet provided

In Progress – Staff has taken steps towards implementation, but not yet drafted P&P or completed training

Not Started – Staff has not initiated mitigations, implemented resolutions or provided training

Rejected/No Longer Required – Staff disagrees with the finding and/or auditors have determined corrective action is no longer required

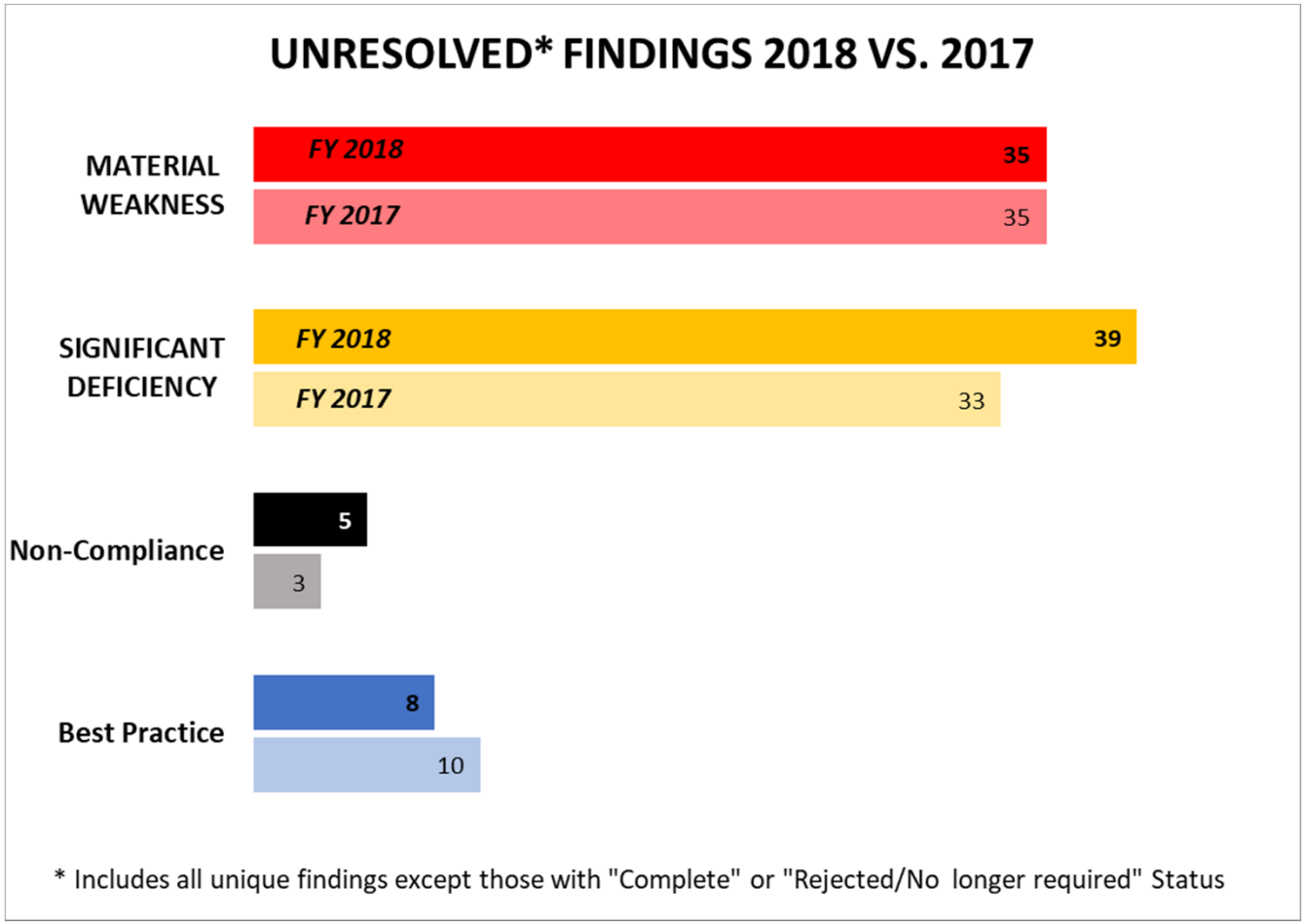
LAST YEAR, NEARLY TWO-THIRDS OF THE 135 FINDINGS WERE COMPLETE OR READY TO BE TESTED

FY 2015-2017 FINDINGS STATUS (as of October '18)	MATERIAL WEAKNESS	SIGNIFICANT DEFICIENCY	Non-Compliance	Best Practice	TOTAL
COMPLETE	29	12	2	2	45
TO BE TESTED	10	22	4	5	41
P&P DRAFT	12	1	0	1	14
IN PROGRESS	16	9	1	3	29
NOT STARTED	1	4	0	1	6
TOTAL Findings	68	48	7	12	**135**
Repeat Findings	*(4)*	*(3)*	*(2)*		*(9)*
TOTAL Unique Findings	64	45	5	12	126
TOTAL Unresolved Unique Findings	**35**	**33**	**3**	**10**	**81**

FY 2018 SINGLE AUDIT RESULTED IN 37 ADDITIONAL FINDINGS, WHILE PROGRESS ON CAP HAS SLOWED

FY 2015-2018 FINDINGS STATUS (as of March '19)	MATERIAL WEAKNESS	SIGNIFICANT DEFICIENCY	Non-Compliance	Best Practice	TOTAL
COMPLETE	30	19	2	3	54
TO BE TESTED	11	20	4	5	40
P&P DRAFT	12	1	0	1	14
IN PROGRESS	16	22	4	1	43
NOT STARTED	3	5	2	2	12
Rejected/No Longer Required	0	5	4	0	9
TOTAL Findings	72	72	16	12	172
Repeat Findings	*(4)*	*(8)*	*(5)*	*(1)*	*(18)*
TOTAL Unique Findings	68	64	11	11	154
TOTAL Unresolved Unique Findings	**38**	**40**	**5**	**8**	**91**

PROGRESS HAS SLOWED DUE TO MANAGEMENT & STAFF TURNOVER AND RESOURCE CONSTRAINTS



SEVERAL MATERIAL WEAKNESSES WILL BE ADDRESSED WITH IMPLEMENTATION OF AN INTERNAL CONTROL INTEGRATED FRAMEWORK

Unresolved Findings by Category *(Includes Repeat Findings)*	MATERIAL WEAKNESS	SIGNIFICANT DEFICIENCY	Non-Compliance	Best Practice	TOTAL
Internal Control Integrated Framework	13	2	0	0	15
IT General Controls - Information Security	0	13	0	0	13
Grant Compliance - Housing	0	4	7	0	11
Accounts & Notes Receivable / Accrued Revenue	4	5	0	0	9
Journal Entries	8	0	0	0	8
Capital Assets/CIP/Leases	5	1	0	0	6
Grants Management (all other)	0	3	0	2	5
Bank Reconciliations	3	1	0	0	4
Long-term Debt	4	0	0	0	4
All other findings (<4 per category)	5	19	3	7	34
Total	42	48	10	9	109

RESOURCE IMPLICATIONS

- Finance continues to be under-resourced to effectively address all the audit findings while keeping up with day-to-day demands
- Inadequate resourcing is a leading cause for several audit findings, including delays in performing reconciliations and closing the books
  - Of the 91 unresolved findings, 18 are repeat findings including 4 material weaknesses and 8 significant deficiencies
- Finance leadership is requesting two additional FTEs in FY 2020 budget:
  1. Internal Control Senior Manager - dedicated to implementing and maintaining Internal Control Integrated Framework; facilitating resolution of remaining audit findings; driving continuous process improvement to minimize future findings; providing subject matter expertise for ERP implementation
  2. Financial Analyst II/III – dedicated to developing and managing monthly financial reporting and cost allocation processes for the City

RECENT DEVELOPMENTS

- New management January 2019 – Deputy City Manager, CFO and Assistant CFO
- CAFR Audit and Single Audit completed on schedule
- Nearing decision on new ERP system

RECOMMENDATION

That Finance & Governance Committee receives an update on the Corrective Action Plan (CAP) and gives authorization for staff to present the item to the City Council.

Questions