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

January 28, 2020

Regular Meeting - 9:30 to 10:45 AM

A. ROLL CALL, POSTING OF AGENDA, FLAG SALUTE

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

1. City Clerk Department

   SUBJECT: Approval of Minutes.

   RECOMMENDATION: That the Finance and Governance Committee approve the minutes of the January 14, 2020 regular meeting as presented.

   Contact: Michelle Ascencion, (805) 385-7805

D. REPORTS

1. City Manager Department

   SUBJECT: Internal Audit Program Framework. (10/10/5)

   RECOMMENDATION: That the Finance and Governance Committee discuss the following proposals:

   1. Potential of contracting the whistleblower program to the County's Auditor-Controller;

2. The framework for a new internal audit program;
3. Scoping the request for proposals for the internal audit program; and
4. Potential designation of one Councilmember to participate in the internal auditor procurement process.

Contact: Shiri Klima, (805) 385-7487

E. ITEMS FOR FUTURE AGENDAS

F. ADJOURNMENT

M I N U T E S
OXNARD CITY COUNCIL
FINANCE AND GOVERNANCE COMMITTEE
Regular Meeting
January 14, 2020

A. ROLL CALL, POSTING OF AGENDA, FLAG SALUTE

At 9:31 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 at 305 W. Third Street, Oxnard, California. The City Clerk called the roll and announced the posting of the agenda. Members Gabriela Basua, Bert E. Perello, and Chair Tim Flynn were present.

Staff members present were Shiri Klima, Deputy City Manager; Stephen M. Fischer, City Attorney; Alexander Nguyen, City Manager; Kevin Riper, Chief Financial Officer; Donna Ventura, Assistant Chief Financial Officer; Christine Williams, Senior Manager for Internal Controls; Tanya Cheng, Controller; and Michelle Ascencion, City Clerk.

B. PUBLIC COMMENTS ON ITEMS NOT ON THE AGENDA

Public comments were received from Ray Blattel (public comment time) and Phillip Molina (upcoming meeting with investment broker).

C. CONSENT AGENDA

City Clerk Department

1. SUBJECT: Approval of Minutes.
   RECOMMENDATION: That the Finance and Governance Committee approve the minutes of the December 10, 2019 regular meeting as presented.

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

D. REPORTS

Finance Department

1. SUBJECT: Update on Corrective Action Plan for Single Audit Findings.
   RECOMMENDATION: That the Finance and Governance Committee receives an update on progress made on the Corrective Action Plan (CAP) in response to Single Audit findings received for audits conducted on fiscal years 2015 through 2018 and directs staff to present the item to the City Council.

The Chief Financial Officer introduced the Assistant Chief Financial Officer, who gave a report. Public comments were received from Jim Lavery. 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: FY 2018-19 Comprehensive Annual Financial Report and Summary Presentation. RECOMMENDATION: That the Finance and Governance Committee receive, and recommend that staff proceed to the full City Council with, the transmittal of the FY 2018-19 Comprehensive Annual Financial Report (CAFR) and summary presentation presented by the City's external auditors, Eadie + Payne, LLP.

Eden Casareno and Mary L. Maxion of Eadie + Payne gave a report. Public comments were received from Jim Lavery and Alicia Percell. 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.

E. ITEMS FOR FUTURE AGENDAS

Chair Flynn suggested the Committee review its list of previously made requests at a future meeting. Member Perello requested an item on the potential risks for stormwater runoff management, funding for levee SCR-3, the Simi Valley landfill, and seawalls.

F. ADJOURNMENT

There being no further business on the agenda, and without objection, Chair Flynn adjourned the meeting at 10:44 a.m.

MICHELLE ASCENCION, CMC City Clerk	TIM FLYNN Chair

CITY OF OXNARD CALIFORNIA

FINANCE AND GOVERNANCE COMMITTEE AGENDA REPORT

REPORTS
AGENDA ITEM NO. D.1.

DATE: January 28, 2020

TO: Finance & Governance Committee

FROM: Shiri Klima, Deputy City Manager, (805) 385-7487, shiri.klima@oxnard.org

SUBJECT: Internal Audit Program Framework. (10/10/5)

RECOMMENDATION

That the Finance and Governance Committee discuss the following proposals:
1. Potential of contracting the whistleblower program to the County's Auditor-Controller;
2. The framework for a new internal audit program;
3. Scoping the request for proposals for the internal audit program; and
4. Potential designation of one Councilmember to participate in the internal auditor procurement process.

BACKGROUND

In the past three years, the City has contracted with Price Paige and Company for internal auditor services. This included staffing the whistleblower hotline, preparing a risk analysis, and auditing particular programs that the Council identified. Price Paige's contract terminates in June of this year.

DISCUSSION

Whistleblower Program

Staff met with Jeff Burgh, the elected Auditor-Controller of the County of Ventura, regarding both the City and County's whistleblower programs. As of December and over the past three years, the City has received 46 allegations and complaints through the whistleblower hotline, as attached. The County, in contrast, has received hundreds of allegations and complaints regarding County matters received through the County's whistleblower hotline. We held initial discussions with Mr. Burgh regarding potentially taking in Oxnard's whistleblower program for a fee, and he is currently confirming whether he has the staffing to do so. If so, in the future, staff like to come to your Committee and later to Council with a proposed contract between the City and the County for this work. At this time, staff requests the Committee's general feedback on this approach.

Internal Audit Program Framework

When staff met with Mr. Burgh, we also learned about the County's internal auditor program. The County's program is extensive and takes a more comprehensive approach to internal auditing. Annually, each department completes a Department Internal Control Questionnaire, which allows the Auditor-Controller's office to determine where the highest risks are countywide. The Auditor-Controller then determines which departments ought to be audited on that basis and sets up a schedule for that year accordingly.

Scope of Request for Proposals (RFP) for Internal Audit Program

Staff has modeled a framework for the City's internal audit program in part after the County program, though the County program focuses on financial audits whereas this City program would focus on performance audits. As part of the scope of work, the internal auditor would have to devise a methodology--like the County's questionnaire--that vets out the quantifiable outputs in each department and then would propose a audit schedule based on that methodology. In any case, all departments would be audited once every six years. Given that we have 13 departments, some large and some small, and specialized performance audits for a large department could cost approximately $200,000 and for a small department approximately $100,000, six years is a good timeline for such efforts and expenses. This approach is more methodical and comprehensive than the City's current internal auditing approach. The proposed framework is attached.

However, while this framework is improved, the City cannot currently afford it. Thus, staff requests the Committee's feedback on the FY 20-21 scope of work before we issue a request for proposals ("RFP"). After proposals are received, staff will return to the Committee and later to Council to award a new internal auditing contract with this scope of work.

Potential for Councilmember Participation

For many reasons, it is not usually appropriate for Councilmembers to be involved in the procurement process. However, for an internal auditor who reports directly to the Finance and Governance Committee and ultimately to Council, staff requests a designation by the Committee of one Councilmember who can participate in this procurement process. That Councilmember would review proposals with staff once they come in, would interview potential firms, and would participate in the process of determining the recommended firm to the Committee and Council.

STRATEGIC PRIORITIES

This agenda item supports the Organizational Effectiveness strategy. The purpose of the Organizational Effectiveness strategy is to strengthen and stabilize the organizational foundation of the City in the areas of Finance, Information Technology, and Human Resources, and to improve workforce quality while increasing transparency to the public. This item supports the following goals and objectives:

Objective 1a. Ensure the 128 recommendations outlined in the organizational assessment are implemented through the 3 phased implementation action plans adopted by Council in July, 2015 and provide periodic reports to Council on the status of the implementation plans.

Objective 1b. Establish an Internal Audit Program to complete performance audits of identified programs to ensure compliance with state and federal law and that Council policy is adhered to.

Objective 1c. Develop written procedures to address Internal Control recommendations from Auditor.

FINANCIAL IMPACT

There is no financial impact at this time. The financial impact will be presented to the Committee and later to Council when staff returns for approval of the contracts with the County and with the internal auditor.

Prepared by: Shiri Klima, Deputy City Manager, Sarah Rowley, Administrative Assistant

ATTACHMENTS

1. City Whistleblower Allegations and Complaints since 2017
2. Internal Audit Program Framework
3. Internal Audit Program Framework Presentation

Incident #	Primary Type of Allegation	Source of Submission	Priority	Current Status
2017-3-1	Noise complaint	Website	Low	Non-fiscal related
2017-3-2	Code violation	Website	Low	Non-fiscal related
2017-3-3	Code violation	Website	Low	Non-fiscal related
2017-3-4	Compliance and regulations violation	Website	Medium	Pending substantiation
2017-3-5	Compliance and regulations violation	Website	Medium	Pending substantiation
2017-4-1	Code violation	Website	Low	Non-fiscal related
2017-4-2	Employee relations	Hotline	Low	Non-fiscal related
2017-4-3	Unrelated to the City	Website	Low	Non-fiscal related
2017-4-4	Unrelated to the City	Email	Low	Non-fiscal related
2017-4-5	Internal controls over cash receipts	Email	High	Substantiated; Investigation in progress
2017-4-6	Abuse of position or authority	Website	Medium	Referred to Department
2017-4-7	Employee relations	Hotline	Low	Non-fiscal related
2017-4-8	Unrelated to the City	Website	Low	Non-fiscal related
2017-4-9	Unrelated to the City	Website	Low	Non-fiscal related
2017-4-10	Compliance and regulations violation	Website	Low	Referred to Department
2017-4-11	Employee relations	Website	Low	Non-fiscal related
2017-4-12	Internal controls over billing	Email	High	Substantiated; Investigation in progress
2017-4-13	Unrelated to the City	Email	Low	Non-fiscal related
2017-4-14	Unrelated to the City	Website	Low	Non-fiscal related
2018-1-1	Unrelated to the City	Website	Low	Non-fiscal related
2018-2-1	Noise complaint	Website	Low	Non-fiscal related; forwarded to appropriate department
2018-2-2	Conflict of Interest	Website	Medium	Pending substantiation
2018-2-3	Personnel complaint	Website	Low	Non-fiscal related; forwarded to Human Resources
2018-2-4	Ordinance violation	Website	Low	Non-fiscal related; forwarded to appropriate department
2018-2-5	Ordinance violation	Website	Low	Non-fiscal related; forwarded to appropriate department
2018-3-1	Inefficient use of city resources	Website	Medium	IA commencement of other work covers this concern
2018-3-2	Unsolicited communication	Website	Low	Non-fiscal or City related
2018-3-3	Inefficient use of city resources	Website	Medium	IA commencement of other work covers this concern
2018-4-1	Personnel complaint	Website	Low	Non-fiscal related; complaint of Departmnet treatment
2018-4-2	Potential misappropriation of assets	Website	Low	IA work plan will include investigation of matter
2018-4-3	Potential misappropriation of assets	Website	Low	IA work plan will include investigation of matter
2018-4-4	Inappropriate neighborhood activity	Website	Low	Non-fiscal related; forwarded to appropriate department
2018-4-5	Potential conflict of interest	Email	Medium	IA determining if predication exists
2019-2-1	Potential favoritism	Website	Low	Non-fiscal related; forwarded to appropriate department
2019-2-2	Building safety concerns	Website	Low	Non-fiscal or City related
2019-2-3	Inappropriate conduct	Website	Low	Non-fiscal or City related
2019-2-4	Inefficient use of city resources	Website	Medium	IA commencement of other work covers this concern
2019-2-5	Potential favoritism	Website	Low	Non-fiscal related; forwarded to appropriate department
2019-2-6	Potential waste of overtime	Website	Medium	IA determining if predication exists
2019-3-1	Noise complaint	Website	Low	Non-fiscal or City related
2019-3-2	Employment practices	Website	Low	Non-fiscal related; forwarded to appropriate department
2019-3-3	None specific	Email	Low	Non-fiscal or City related
2019-3-4	Unsolicited City email	Website	Low	Non-fiscal related; forwarded to appropriate department
2019-3-5	Compliance and regulations violation	Website	Low	Non-fiscal related; forwarded to appropriate department
2019-4-1	Inefficient use of city resources	Email	n/a	Non-fiscal related; forwarded to appropriate department
2019-4-2	Waste/abuse of resources	Website	n/a	Non-fiscal or City related

Proposed Internal Audit Program

An effective Internal Audit program would conduct a thorough performance evaluation of each department in the City once every six years. Given that we have 13 departments, some large and some small, and specialized performance audits for a large department could cost approximately $200,000 and for a small department approximately $100,000, six years is a good timeline for such efforts and expenses. In conducting these evaluations, the Internal Auditor should be assessing the following:

1. Personnel strengths and deficiencies
2. Where personnel need more training and education
3. General financial concerns (not at the financial audit level) and weaknesses in budgeting and fiscal administration
4. Department management strengths and deficiencies
5. Areas where the department could improve efficiency in providing quantifiable output of services
6. Legal or ethical vulnerabilities

Internal Audit Program Proposed Framework

Keeping this goal in mind, the specific tasks of the Internal Auditor should include the following:

1. Preparing the initial methodology and annual schedule:

Timeline	**Task**
Within the first 90 days of Council approval of the contract	Develop and send to City management a methodology, implemented annually, for quantifiable outputs and efficiency in each department to inform the schedule by when each department should be evaluated. (See, for example, the County of Ventura's Department Internal Control Questionnaire, though it focuses on internal controls as the County focuses on financial audits.) Present that methodology to the Finance and Governance Committee ("F&GC") (called "Meeting 1").
Within 30 days of Meeting 1	Incorporate F&GC's feedback.
In year 1, within 60 days of Meeting 1. In year 2 and thereafter, by the anniversary date of Meeting 1.	Based on that methodology, develop a schedule for the first year to evaluate departments in the City. Two to three departments shall be evaluated annually; all departments should be evaluated once every six years. Review this schedule with and obtain the concurrence of management.
Within 90 days of Meeting 1. In year 2 and thereafter, within 30 days of the anniversary date of Meeting	Present to management a rubric for evaluating departments. Present that methodology to F&GC (called "Meeting 2").

1.	
Within 30 days of Meeting 2	Incorporate F&GC's feedback.

Sample proposed departmental rotation:

Year 1	**Year 2**	**Year 3**	**Year 4**	**Year 5**	**Year 6**
Police	Public Works	Fire	Community Development	Human Resources	Treasurer's
IT	Cultural & Community Services	City Attorney	Housing Department (not Housing Authority)	Finance	City Manager's & City Clerk's

2. Implementing performance evaluations per department

Timeline	**Task**
Within 60 days of Meeting 2 every year	Begin to implement performance evaluations of each department according to the annual schedule.
Monthly throughout term of contract	Send City management reports listing status of each of the outstanding department evaluations: started, 25% complete, 50% complete, 75% complete, 100% complete, or writing draft report.
Within 60 days of completion of a department's evaluation	Prepare a draft written report for the department director and City management to discuss strengths and weaknesses of each department.
Within 30 days of receiving feedback from department director and City management	Consider supplementary evidence, if any, provided and either incorporate this into written report or provide written response to department director and City management as to why supplementary evidence is not incorporated into written report.
Within 60 days of receiving feedback from department director and City management	Prepare final written report and present oral presentation for the Finance and Governance Committee regarding the strengths and weaknesses of each department.

INTERNAL AUDIT PROGRAM FRAMEWORK

Shiri Klima, Deputy City Manager
Finance and Governance Committee
January 28, 2020

RECOMMENDATIONS

That the Finance and Governance Committee discuss the following proposals:
1. Potential of contracting the whistleblower program to the County's Auditor-Controller;
2. The framework for a new internal audit program;
3. Scoping the request for proposals for the internal audit program; and
4. Potential designation of one Councilmember to participate in the internal auditor procurement process.

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IN THE PAST 3 YEARS

- City contracted with Price Paige and Company for:
  - Staffing the whistleblower hotline
  - Preparing a risk analysis
  - Auditing particular programs that the Council identified
- Price Paige's contract terminates in June

WHISTLEBLOWER PROGRAM

- Staff met with Jeff Burgh, the elected Auditor-Controller of the County of Ventura
- County has received hundreds of allegations and complaints regarding County matters received through County's whistleblower hotline
  - As of December and over the past 3 years, City has received 46 allegations and complaints through the whistleblower hotline
- Staff will get more information in this regard

INTERNAL AUDIT PROGRAM FRAMEWORK (MODELED IN PART AFTER COUNTY PROGRAM)

Thorough performance evaluation of each department in the City once every 6 years, assessing:

- Personnel strengths and deficiencies
- Where personnel need more training and education
- General financial concerns (not at the financial audit level) and weaknesses in budgeting and fiscal administration
- Department management strengths and deficiencies
- Areas where the department could improve efficiency in providing quantifiable output of services
- Legal or ethical vulnerabilities

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INTERNAL AUDIT PROGRAM PROPOSED FRAMEWORK

Timeline	Task
Within the first 90 days of Council approval of the contract	Develop annual methodology for quantifiable outputs and efficiency in each department. Present that methodology to the Finance and Governance Committee ("F&GC") (called "Meeting 1").
Within 30 days of Meeting 1	Incorporate F&GC's feedback.
In year 1, within 60 days of Meeting 1. In year 2 and thereafter, by Meeting 1's anniversary date.	Based on that methodology, develop a schedule for the first year to evaluate 2-3 departments in the City.
In year 1, within 90 days of Meeting 1. In year 2 and thereafter, within 30 days of Meeting 1's anniversary date.	Present to management a rubric for evaluating departments. Present that methodology to F&GC (called "Meeting 2").
Within 30 days of Meeting 2	Incorporate F&GC's feedback.

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SAMPLE PROPOSED DEPARTMENTAL ROTATION

Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
Police	Public Works	Fire	Community Development	Human Resources	Treasurer's
IT	Cultural & Community Services	City Attorney's	Housing Department (not Housing Authority)	Finance	City Manager's & City Clerk's

IMPLEMENTING PERFORMANCE EVALUATIONS PER DEPARTMENT

Timeline	Task
Within 60 days of F&GC's meeting regarding rubric ("Meeting 2") every year	Begin to implement performance evaluations of each department according to annual schedule.
Monthly throughout term of contract	Send City management reports listing status of each of the outstanding department evaluations.
Within 60 days of completion of a department's evaluation	Prepare a draft written report for the department director and City management.
Within 30 days of receiving director and management's feedback	Incorporate or provide written response regarding supplementary evidence provided.
Within 60 days of receiving director and management's feedback	Prepare final written report and present oral presentation for F&GC.

HOWEVER…

We cannot currently afford this program, so what should the scope of services for the FY 20-21 internal audit RFP entail?

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COUNCILMEMBER INVOLVEMENT IN INTERNAL AUDITOR PROCUREMENT

Should we involve a Councilmember in the internal auditor procurement process, and if so, who does F&GC want to designate?



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RECOMMENDATIONS

That the Finance and Governance Committee discuss the following proposals:

1. Potential of contracting the whistleblower program to the County's Auditor-Controller;
2. The framework for a new internal audit program;
3. Scoping the request for proposals for the internal audit program; and
4. Potential designation of one Councilmember to participate in the internal auditor procurement process.

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QUESTIONS?

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