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

This meeting is held pursuant to the State Emergency Services Act, the Governor's Emergency Declaration, and Governor's Executive Order N-29-20 to allow members of the City Council or staff to participate via teleconference.

Pursuant to the Ventura County Public Health Official's order and Governor's Executive Order N-33-20, all city buildings are temporarily closed to the public. The public is encouraged to view the meeting from home on the City's website at Oxnard.org/city-meetings, Spectrum channel 10, Frontier channel 35, or YouTube at Youtube.com/oxnardnews. Video recordings are typically available online immediately following the meeting.

The public may provide comments to the City Council via email at cityclerk@oxnard.org no later than 8:00 a.m. on the day of the meeting. Please identify the agenda item in the email Subject line.

A telephone option for public comments is also available at this time due to the State of California "Stay At Home" order. Requests to speak must be submitted no later than 8:00 a.m. on the day of the meeting. Use the form on the city's website to submit your request: Oxnard.org/city-meetings, or call the City Clerk's Office at (805) 385-7803, or email your request to cityclerk@oxnard.org (identify the agenda item in the Subject line).

AGENDA
OXNARD CITY COUNCIL
FINANCE AND GOVERNANCE COMMITTEE
Council Chambers, 305 West Third Street
April 14, 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 March 24, 2020 regular meeting as presented.

   Contact: Michelle Ascencion, (805) 385-7805

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)

D. REPORTS

1. City Manager Department

SUBJECT: City of Oxnard Environmental Resources Division Cash Handling Report. (15/10/10)

RECOMMENDATION: That the Finance and Governance Committee recommends City Council receive and file the Internal Auditor Report on the Environmental Resources Division Cash Handling.

Contact: Alexander Nguyen, (805) 385-7430

2. Finance Department

SUBJECT: Presentation of Single Audit Report and Update on Corrective Action Plan. (25/10/5)

RECOMMENDATION: That the Finance and Governance Committee receive the Single Audit Report from the audit firm Eadie + Payne, an update on the Corrective Action Plan (CAP) from staff, and give authorization to forward both presentations to City Council.

Contact: Kevin Riper, (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
March 24, 2020

A. ROLL CALL, POSTING OF AGENDA, FLAG SALUTE

At 9:35 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 Vianey Lopez, Bert E. Perello, and Chair Tim Flynn were present via telephone.

Staff members present were Alexander Nguyen, City Manager; Stephen M. Fischer, City Attorney; Scott Whitney, Police Chief; and Michelle Ascencion, City Clerk.

B. PUBLIC COMMENTS ON ITEMS NOT ON THE AGENDA (None received.)

C. CONSENT AGENDA

City Clerk Department

1. SUBJECT: Approval of Minutes.
   RECOMMENDATION: That the Finance and Governance Committee approve the minutes of the February 11, 2020 regular meeting as presented.

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

D. REPORTS

City Manager Department

1. SUBJECT: City of Oxnard Internal Audit Department Whistleblower Summary Update.
   RECOMMENDATION: That the Finance and Governance Committee receive and file the Internal Auditor Update on Whistleblower Matters.

Henry Oum of Price Paige and Company, gave a report. Discussion ensued among the Committee and Mr. Oum. No formal action was required.

2. SUBJECT: City of Oxnard Overtime Usage Report.
   RECOMMENDATION: That the Finance and Governance Committee recommend City Council receive and file the City of Oxnard Overtime Usage Report from the Internal Auditor.

Mr. Oum gave a report. Discussion ensued among the Committee, staff, and Mr. Oum. Public comments were received from Phillip Molina. No formal action was required.

3. SUBJECT: City of Oxnard Environmental Resources Division Cash Handling Report.

(This item was postponed due to time.)

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

F. ADJOURNMENT

There being no further business on the agenda, and without objection, Chair Flynn adjourned the meeting at 11:06 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: April 14, 2020

TO: Finance & Governance Committee

FROM: Alexander Nguyen, City Manager, (805) 385-7430, alexander.nguyen@oxnard.org

SUBJECT: City of Oxnard Environmental Resources Division Cash Handling Report. (15/10/10)

RECOMMENDATION

That the Finance and Governance Committee recommends City Council receive and file the Internal Auditor Report on the Environmental Resources Division Cash Handling.

BACKGROUND

The City of Oxnard's Internal Auditor, Price Paige & Company, helps the City accomplish its objectives and helps improve the effectiveness of risk management, control and the governance process. As a result of the City-wide risk assessment, it was identified that the Environment Resources Division of the City handles a significant amount of cash on a daily basis. Cash is a high risk area for potential misappropriations.

The objective of the cash handling audit is to determine whether the Environmental Resources Divisions have proper internal controls in place to ensure proper handling and recording of cash transactions. This includes obtaining an understanding the internal control design as well as testing the implementation of those controls. The cash handling audit was not conducted to specifically identify any instances of fraud or misappropriation of resources. As a result of the audit, recommendations to the Division and City are made for operational improvement. The Internal Auditor has completed the cash handling audit of the City of Oxnard and has issued its report.

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

The cash handling audit has been budgeted by the City of Oxnard to be included in the annual internal audit work plan.

Prepared by: Henry Oum, Price Paige & Company

ATTACHMENTS

1. City of Oxnard - ER Division Cash Handling Report (Final)
2. City of Oxnard Internal Audit Department ER Division Cash Handling

REPORT FOR

CITY OF OXNARD ENVIRONMENTAL RESOURCES DIVISION CASH HANDLING PROCEDURES AUDIT

FOR THE PERIOD JULY 1, 2016 THROUGH DECEMBER 31, 2018

September 17, 2019

Prepared by:

Price Paige and Company
Internal Auditors of the City of Oxnard

570 N. Magnolia Avenue Suite 100
Clovis, CA 93611

(559) 299-9540

CITY OF OXNARD ENVIRONMENTAL RESOURCES DIVISION
CASH HANDLING PROCEDURES AUDIT
FOR THE PERIOD JULY 1, 2016 THROUGH DECEMBER 31, 2018

TABLE OF CONTENTS

BACKGROUND AND AUDIT OBJECTIVES

The Del Norte Regional Recycling and Transfer Station ("Del Norte") is the City of Oxnard's (the "City") Material Recovery Facility ("MRF") operated by the Environmental Resources Division (the "ER Division"). Del Norte was designed in the early 1990s and opened in October of 1996. It is currently permitted to accept a total of 2,779 tons per day in the following quantities: 1,667 tons of solid waste and 1,112 tons of recyclable, organic/green-waste and other diver-table material. At current volumes, Del Norte receives, processes, and transfers approximately 1,000 tons per day of municipal solid waste, source-separated or "curbside" recyclables and organics (green waste and food waste) from the western region of Ventura County. The primary source of this material comes from the City of Oxnard; however, as a regional facility, material is also received from the City of Port Hueneme and unincorporated areas of Ventura County.

The MRF conducts business transaction at the scale house weigh station and at the recyclable buy back center. The MRF utilizes the Paradigm Software Weigh Station Program (main system) to record all transactions. The main system is backed up by the Municipal Solid Waste Disposal ticket system.

During 2018, we performed a City-wide risk assessment which considered all of the City's departments. The purpose of the risk assessment was to identify any significant risks of error or fraud. As a result of the risk assessment process, certain risks were identified within various departments and a timetable established for conducting audits to address those risks. The ER Division's audit was scheduled for the year ended June 30, 2019.

The City-wide risk assessment process included interviews with the ER Division's management personnel. Consideration was given to the size of each of the City department's operating budget, as well as staffing resources, job duties, and operational complexities within each department from a risk standpoint of potential waste, fraud or abuse. The ER Division collects approximately $2,400,000 in cash ($1.4M) and credit card receipts ($1.0M) on an annual basis. The identification of risks do not necessarily indicate issues within a department, but rather potential risks based on a department's operating environment.

The primary and key objective of the review of the ER Division's cash handling procedures is to determine the following:

1. Potential non-compliance with cash handling policies and procedures that may lead to opportunities for misappropriation or theft of cash receipts

SCOPE OF AUDIT

The scope of our audit included a review of the ER Division's policies and procedures, including testing of compliance with internal policies and procedures over cash handling, and a review of source documents including weight tickets, daily collection reports, bank deposits slips and others. This assessment reviewed the ER Division's Cash Handling Protocols developed by the ER Division since beginning the operation of the Del Norte Station prior to the establishment of formal policies and procedures effective February 1, 2019. We performed a physical tour of the ER Division and conducted various meetings and interviews with ER personnel as well as with members of the ER Division's management to obtain an understanding of their cash handling, recording and monitoring process. We also met with the City Treasurer's office to obtain an understanding of their cash receipt and collection process.

The scope of our audit was from July 1, 2016 through December 31, 2018, a total of 30 months. Through that period, the ER Division had approximately 165,000 transactions that totaled approximately $4,200,000 in net revenue for the City ($3.4M collected in cash, $2.4M collected in credit card and $1.6M dispensed in cash at the Buyback Center for the purchase of California Redemption Value CRV recycled beverage containers for a net revenue collected of approximately $4.2M). The ER Division handles a significant amount of cash on an annual basis.

AUDIT PROCEDURES

The audit procedures applied focused on a review of key components in the ER Division's cash handling process, specifically related to internal controls.

Below is a list of audit procedures performed:

Audit Procedure #1:	Review the weight tickets issued by the scale house operator for each transaction. Confirm that all weight tickets issued are supported by the appropriate documentation.
Audit Objective:	To determine whether the ER Division is complying with its internal policies and procedures for the issuance and recording of weight ticket information.
Audit Procedure #2:	Review and confirm that a Municipal Solid Waste ("MSW") disposal ticket is issued by the scale house operator in accordance with ER Division's policies and procedures.
Audit Objective:	To determine whether the ER Division is complying with its internal policies and procedures related to the issuance of MSW disposal tickets for each transaction.
Audit Procedure #3:	Review cash reconciliation sheet submitted by scale house operators for each day selected. Confirm cash reconciliation sheet submitted by the operator was initiated by the operator and verified by an Accounting Technician or other similar designee.
Audit Objective:	To determine whether the ER Division is complying with its internal policies and procedures related to the cash reconciliation review and approval process.
Audit Procedure #4:	Review and compare the cash amount listed on the deposit type by detail report generated by the Accounting Technician to the cash reconciliation submitted by each scale house operator.
Audit Objective:	To determine whether the ER Division is complying with its internal policies and procedures related to the information entered into the WeighStation computer system as it relates to cash reconciliations.
Audit Procedure #5:	Review and compare cash amounts listed on the daily main cash reconciliation to the cash reconciliations submitted by each scale house operator.
Audit Objective:	To determine whether the ER Division is complying with its internal policies and procedures related to the cash amounts reported on each operator's cash reconciliation report to the main cash reconciliation form entered into the system.
Audit Procedure #6:	Review and compare the amount listed on the daily deposit detail sheet generated by the Accounting Technician to the sum of the cash and credit card totals on the cash reconciliation from each scale house operator.
Audit Objective:	To determine whether the ER Division is complying with its internal policies and procedures related to the daily deposit detail sheet matching the cash reconciliation for each operator.

Audit Procedure #7: Review and compare the cash amount listed on the consignment log to the cash amount listed on the deposit summary.

Audit Objective: To determine that the amount listed on the consignment log is the same amount that's listed on the deposit summary, showing what was ultimately deposited with the City Treasurer's office.

Audit Procedure #8: Confirm cash collections were picked up by the armored security transport company, Garda, within a reasonable number of days.

Audit Objective: To determine whether the elapsed time of when cash was received by the ER Division to when it was ultimately deposited with the City Treasurer's office.

SUMMARY OF RESULTS AND FINDINGS

Audit Procedure #1: Review the weight tickets issued by the scale house operator for each transaction. Confirm that all weight tickets issued are supported by the appropriate documentation.

Each transaction requires a weight ticket to be issued by the scale house operator. This is an electronic ticket generated by the scale system which is called Paradigm Software WeighStation Program. This ticket contains the customer name and net weight information of the load. Customers are charged by net weight per ton. This ticket is proof that a transaction took place and will be used by the accounting team to reconcile the transaction to the supporting documentation.

Result: We reviewed a total of 250 transactions from July 1, 2016 through December 31, 2018. There were no instances in which weight tickets were not issued for each transaction identified.

Audit Procedure #2: Review and confirm that a Municipal Solid Waste disposal ticket is issued by the scale house operator in accordance with the ER Division's policies and procedures.

For each transaction, the scale house operator is also required to issue a MSW disposal ticket to the customer. A MSW ticket is a manual ticket issued by the scale house operator which serves as a backup mechanism in case the ER Division's electronic system breaks down or becomes unavailable. Information on the MSW needs to contain the customer name as well as the net weight of the load. In case of an electronic breakdown, this ticket is proof that a transaction took place and will be used by the accounting team to reconcile the transaction.

Result: We reviewed a total of 250 transactions from July 1, 2016 through December 31, 2018. We noted a total of 49 instances in which a MSW disposal ticket was not available or retained in the ER Division's records.

Audit Procedure #3: Review cash reconciliation sheet submitted by scale house operators for each day selected. Confirm cash reconciliation sheet submitted by the operator was initiated by the operator and verified by Accounting Technician or other similar designee.

The cash reconciliation sheet provides information about the scale house operator's beginning of day cash drawer amount, amounts collected during the day, and end of the day cash drawer amount. This cash reconciliation sheet is then provided to the Accounting Technician or designee to acknowledge its receipt and to provide support that it was submitted and verified by another person.

Result: We reviewed a total of 250 transactions from July 1, 2016 through December 31, 2018. We noted a total of 13 instances in which the cash reconciliation sheet was unavailable or missing. In addition; of the cash reconciliation sheets that were reviewed, we noted a total of 8 instances in which the form omitted information related to the starting cash box amount.

Audit Procedure #4: Review and compare the cash amount listed on the deposit type by detail report generated by the Accounting Technician to the cash reconciliation submitted by each scale house operator.

The scale house operator will prepare the cash reconciliation sheet at the end of the day and submit it to the Accounting Technician or other similar designee. The Accounting Technician will then pull the deposit type by detail report. This audit procedure ensures that the information received from the scale house operators were properly entered into the WeighStation computer system by the scale house operator.

Result: We reviewed a total of 250 transactions from July 1, 2016 through December 31, 2018. We noted a total of 6 instances in which the deposit type by detail report was not available or missing from the ER Division's records.

Audit Procedure #5: Review and compare cash amounts listed on the daily main cash reconciliation to the cash reconciliations submitted by each scale house operator.

The scale house operator is required to submit a daily cash reconciliation report which summaries the denomination of cash and total credit card transactions for the day. This report also provides information related to reviewer approvals. The cash amounts listed on the daily cash reconciliation schedule should agree to the reconciliations submitted by each of the scale house operators and identify who prepared the reconciliation and who reviewed it.

Result: We reviewed a total of 250 transactions from July 1, 2016 through December 31, 2018. We noted a total of 2 instances in which the daily cash reconciliation report was not available for review in the Department's records.

Audit Procedure #6: Review and compare the amount listed on the daily deposit detail sheet generated by the Accounting Technician to the sum of the cash and credit card totals on the cash reconciliation from each scale house operator.

The Account Clerk III will pull the deposit type detail report. The amount of total cash and credit cards collected during the day should reconcile to the amounts reflected in the system.

Result: We reviewed a total of 250 transactions from July 1, 2016 through December 31, 2018. We noted a total of 113 instances in which the daily deposit detail sheet did not match the sum of the cash and credit card totals on one or more of the cash reconciliations of the scale house operators.

Audit Procedure #7: Review and compare the cash amount listed on the consignment log to the cash amount listed on the deposit summary.

The cash amount listed on the consignment logs should agree to the amounts listed on the deposit summary. This confirms that what was collected by the ER Division was remitted to Garda.

Result: We reviewed a total of 250 transactions from July 1, 2016 through December 31, 2018. We noted two instances in which the daily deposit summary did not match the cash amount listed on the consignment log. For these two instances, the total amount listed on the daily deposit summary was $6,959 and what was listed on the consignment log was $6,938 a difference of $21.

In addition, we noted two other instances in which consignment logs were missing and not available for our review.

Audit Procedure #8: Confirm cash collections were picked up by the armored security transport company, Garda, within a reasonable number of days.

Once cash has been received, logged in the accounting system, and stored in the safe, Garda will be called to pick up the cash to be deposited with the City Treasurer's office. While there is no written policy for the number of days from cash receipt to deposit, a reasonable time period would be a maximum of three days.

Result: We reviewed a total of 201 transactions from July 1, 2016 through December 31, 2018. We noted 3 instances in which the elapsed time from when the cash was logged in by the ER Division and picked up by Garda was beyond 3 days. Of the 3 instances, there was one instance in which the total elapsed time was 26 days, a second instance when it was 52 days, and a third instance when it was 167 days.

RECOMMENDATIONS

Our audit was conducted specifically to address the objectives identified above and our recommendations below reflect improvements in the internal controls or processes to help mitigate risks of error or fraud. In addition, during the course of our audit, we sometimes come across opportunities for improvement in internal controls or operations as a byproduct of the audit procedures applied. These recommendations may not be a direct result of a finding or exception, but should be considered by the ER Division for implementation to improve controls or operations. The ER Division and the City should also consider the costs and related benefits of implementing these recommendations.

Recommendation #1 – Issuance of MSW Disposal Tickets

The ER Division is inconsistently issuing MSW disposal tickets. According to the ER Division's policies and procedures manual, an MSW ticket is to be issued with every transaction. MSW tickets are manual tickets which serve as a backup mechanism in case the ER Division's electronic system breaks down or becomes unavailable. Issuing and keeping track of MSW tickets with every transaction will ensure the ER Division's backup system is working in case of any breakdowns in the electronic system.

Department's Response:

We concur with the recommendation. The MSW disposal ticket was originally designed for identifying the customer transaction (i.e. deposit amount, weight, personal protective equipment, special material fees) but overtime the MSW disposal ticket has also served as a backup document in the event that the computer system was down.

The ER Division has experienced back-logged orders with its supply vendor of MSW disposal tickets. ER will work closely with its supply vendor to prevent back-log orders and having adequate supply of MSW disposal tickets.

Recommendation #2 – Timely Reconciliation of Cash

Currently, there is a time lag between when the cash is counted and dropped off by the scale house operators to when cash is reconciled by the Accounting Technicians. We recommend that the ER Division have set schedules of when cash will be reviewed and reconciled in a timely manner. Implementing a mechanism that timely reconciles the cash collected by the scale house operator to the cash collected and recorded in the system by the Accounting Technicians will reduce the potential for misappropriation of cash.

Department's Response:

We concur with the recommendation based on staff resources indicated in Recommendation #4. However, the ability to comply with this recommendation is directly related to availability of "cash-trained" staff, and affected by the differences in operational schedules between ER Division and the City Treasurer's office.

Recommendation #3 – Scheduled Armored Cash Pick-Up Days

The ER Division does not have a set schedule for Garda to pick up deposits and deliver the cash to the City Treasurer's office. Pick-ups are currently scheduled on a change order need basis, and occur an average of three pickups per week. To be specific, the term "change order" is used in a financial context: it is a request to the bank for specific currency dominations and coinage to allow for uninterrupted cash customer transactions. This has resulted in the ER Division having no viable alternative except to hold on to the cash for a long period of time. Having a set pick up schedule would minimize delays in depositing the funds to the City Treasurer's office, but would still be dependent upon availability of "cash-trained" staff.

Department's Response:

We concur with the recommendation. Currently, deposits are scheduled based on the need for change orders. There is no fixed schedule for pick up days.

Recommendation #4 – Staff Resources

As a result of our audit, we noted that there appears to be a shortage of Accounting Technicians employed by the ER Division to handle the significant volume of transactions and workload necessary in order to maintain adequate controls and recordkeeping. Currently employees appear to be working at or over capacity which results in inefficiencies and contravention of internal controls. The ER Division should conduct a full-time equivalent analysis to determine whether work can be allocated appropriately among existing employees or whether additional full time equivalents are required.

Department's Response:

We concur with the recommendation. The ER Division is currently releasing a request for proposal for a consultant to review the comprehensive business plan. This specific task is included.

Recommendation #5 – Documentation Retention

During our audit, we noted a significant number of instances in which information requested was missing or unavailable (not easily obtainable) from the ER Division. Maintaining sufficient documentation is a key part of ensuring records are complete and support the underlying transactions. A lack of or missing documentation does not provide an audit trail for subsequent review or properly documents the trail of information and related cash. We highly recommend that the ER Division ensure that documents are retained in a manner that is easily retrievable, or develop an electronic system to store this information (scanning).

Department's Response:

We concur with the recommendation. The ER Division will look into designing an electronic filing system where documents can be retained and easily retrievable. It should be noted that currently, the Division relies on four separate software systems for operations. Consolidation of those systems would be beneficial. The ER Division will also look into the City's Retention Records Policy to determine retention time for documents generated by the ER Division. Currently, weigh tickets are electronically stored. The City retention policy on weigh tickets is five years plus one year before retention time is expired.

Recommendation #6 – Staff Training

Our audit identified significant instances of the cash reconciliation forms being improperly completed or reconciled by the ER Division staff. We recommend that the ER Division implement continuous training for staff to ensure that the forms are filled out completely and accurately. The Accounting Technician's review is critical to ensuring the information is complete and accurate. Training of new staff or periodic update training of existing staff should reduce the number of errors during the form completion process.

Department's Response:

We concur with the recommendation. Due to the high turnover rate of scale house operators (Customer Service Representatives) and limited staff resources as indicated in Recommendation #4, continuous training is not always feasible given operational and regulatory mandates. Currently, new scale house operators are trained at the scale house for (3) three weeks and (1) one week at the BuyBack Center. In addition, new scale house operators complete a training checklist of duties required. However, vacancies are a common problem and contribute to the problem ER Division will create a quality control matrix to track employee training.

[redacted]

[redacted]

[redacted]

[redacted]

* * * * * * * * * * * * * * * * *

We did not perform a financial audit, the objective of which would be the expression of an opinion on the ER Division's specific records, accounts or items. Accordingly, we do not express such an opinion. The scope of our review was limited to an analysis of internal control system and compliance with policies and procedures as it relates to the Environmental Resources Division cash handling process and procedures. Had we performed additional procedures, other matters may have come to our attention which we would have reported to you.

This report is intended solely for use by the ER Division's management, Finance and Governance Committee of the City of Oxnard, and the City's management and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully,

Price Paige & Company

Price Paige & Company
Internal Auditors of the City of Oxnard

City of Oxnard Environmental Resources (ER) Division Cash Handling Procedures Audit

PRICE PAIGE & COMPANY
Accountancy Corporation

Presented by:
Internal Audit Department of the City of Oxnard

Background

- City-wide risk assessment was conducted to determine significant risk of error or fraud.
- Identification of risks do not necessarily indicate issues, but rather potential risks based on a department's operating environment.
- Cash handling identified as high risk, as the ER Division handles approximately 2.4MM in cash annually.
- Information from City personnel elevated this audit as a higher priority.

Audit Objective

Key Audit Objective:

- Potential non-compliance with cash handling policies and procedures that may lead to opportunities for misappropriation or theft of cash receipts.
- Examination of the Department's control systems related to cash handling

Audit Objective

What the audit isn't designed for

- Audit procedures are not designed to specifically look for misappropriation of cash receipts or fraud.
- Those procedures require specific identification of system vulnerabilities and expanded audit procedures.
- However, if any instances of misappropriation or fraud came to our attention, we would share that with the City

Scope of the Audit

- Audit Period - July 1, 2016 through December 31, 2018 (30 months).
- Review Environmental Resources Division's cash handling procedures and test compliance with internal policies and procedures over cash handling and recording.
- Population included approximately 165,000 transactions that totaled approximately $4.2M in net revenue for the City ($3.4M collected in cash, $2.4M collected in credit card and $1.6M dispensed in cash at the Buyback Center).

Audit Procedures

- Conducted a physical tour of the Environmental Resources Division's plant facilities and interviewed department personnel to obtain an understanding of the cash handling, recording and monitoring procedures.
- Performed detailed walkthroughs of Environmental Resources Division's cash handling procedures to document the controls in place.
- Selected 250 transaction samples for compliance testing from the period of audit.

Internal Control Procedures Testing

For 250 transactions, we performed the following:

1. Reviewed weight tickets issued by the scale house operator for each selected transaction. Confirmed that all weight tickets issued were supported by the appropriate documentation.
2. Reviewed and confirmed that a Municipal Solid Waste ("MSW") disposal ticket was issued by the scale house operator in accordance with ER Division's policies and procedures.

Internal Control Procedures Testing

For 250 transactions, we performed the following:

3. Reviewed cash reconciliation sheets submitted by the scale house operators for each day selected. Confirmed cash reconciliation sheet submitted by the operator was verified by Administrative Technician.
4. Reviewed and compared the cash amount listed on the deposit type by detail report generated by the Administrative Technician to the cash reconciliation submitted by each scale house operator.

Internal Control Procedures Testing

For 250 transactions, we performed the following:

5. Reviewed and compared cash amounts listed on the daily main cash reconciliation to the cash reconciliations submitted by each scale house operator.
6. Reviewed and compared the amount listed on the daily deposit detail sheet generated by the Administrative Technician to the sum of the cash and credit card totals on the cash reconciliation from each scale house operator.

Internal Control Procedures Testing

For 250 transactions, we performed the following:

7. Reviewed and compared the cash amount listed on the consignment log to the cash amount listed on the deposit summary.
8. Confirmed cash collections were picked up by the armored security transport company, Garda, within a reasonable number of days (3 days).

Key Audit Results/Observations

- Procedure 1 – No exceptions noted. All selected transactions had supporting weight tickets.
- Procedure 2 – Exceptions noted. Noted 49 instances in which a MSW disposal ticket was not available or retained in the Department's records.
- Procedure 3 – Exceptions noted. We noted a total of 13 instances in which the cash reconciliation sheet was unavailable or missing.
- Procedure 4 – Exceptions noted. We noted a total of 6 instances in which the Deposit Type by Detail Report was not available or missing from the Department's records.
- Procedure 5- We noted a total of 2 instances in which the daily cash reconciliation report was not available for review in the Department's records.

Key Audit Results/Observations (continued)

- Procedures 6 - Exceptions noted. Noted a total of 113 instances in which the daily deposit detail sheet did not match the sum of the cash and credit card totals on one or more of the cash reconciliations of the scale house operators.
- Procedure 7 - Exceptions noted. Noted noted 2 instances in which the daily deposit summary did not match the cash amount listed on the consignment log. For these two instances, the total amount listed on the daily deposit summary was $6,959 and what was listed on the consignment log was $6,938 a difference of $21.
- Procedure 8 – Exceptions noted. Noted 3 instances in which the elapsed time from when the cash was logged in by the Department and picked up by Garda was beyond 3 days.

Key Audit Results/Observations (continued)

Summary of Results:

Procedure #	Procedure Description	# of Transactions Tested	Exceptions
1	Weight ticket documentation	250	0
2	MSW ticket issued	250	49
3	Cash reconciliation sheet has proper approvals	250	13
4	Deposit amount collected ties to reconciliation	250	6
5	Cash on daily main reconciliation matches	250	2
6	Daily deposit total matches scale house operator total	250	113
7	Consignment log amount matches deposit summary	250	2
8	Cash picked up by Garda within reasonable number of days	201	3

Recommendations

- **#1 - MSW Tickets Issuance** - Currently, the ER Division is inconsistently issuing MSW disposal tickets. Issuing and keeping track of MSW tickets with every transaction will ensure the ER Division's compliance with its written policy and ensure the backup system is working in case of any breakdowns in the electronic system.

- **Department's Response:** The Department concurs with the recommendation. The MSW disposal ticket will serve as a backup document.

Recommendations

- **#2 - Timely Reconciliation of Cash** - Currently, there is a time lag between when the cash is counted and dropped off by the scale house operators to when cash is reconciled by the Administrative Technicians. We recommend that the ER Division have set schedules of when cash will be reviewed and reconciled in a timely manner.

- **Department's Response:** The Department concurs with the recommendation.

Recommendations

- **#3 - Scheduled Armored Cash Pickup Days** – Currently, the ER Division does not have a set schedule for Garda to pick up deposits and deliver the cash to the City Treasurer's office. Having a set pick up schedule would minimize delays in depositing the funds to the City Treasurer's office.

- **Department's Response:** The Department concurs with the recommendation. Currently, deposits are scheduled based on the need for change orders. There are no fixed schedule for pick-up days.

Recommendations

- **#4 - Staffing Resources:** There appears to be a shortage of Administrative Technicians employed by the ER Division to handle the significant volume of transactions. The Department should conduct a full-time equivalent analysis to determine whether work can be allocated appropriately among existing employees or whether additional full time equivalents are required.

- **Department's Response:** The Department concurs with the recommendation. The ER Division is currently releasing a request for proposal for a consultant to review the comprehensive business plan. This specific task is included.

Recommendations

- **#5 - Missing Documentation:** We noted a significant number of instances in which information requested was missing or unavailable from the Department. A lack of or missing documentation does not provide an audit trail for subsequent review or properly documents the trail of information and related cash. We highly recommend that the Department ensure that documents are retained in a manner that is easily retrievable, or develop an electronic system to store this information (scanning).

- **Department's Response:** The Department concurs with the recommendation. The ER Division will look into designing an electronic filing system where documents can be retained and easily retrievable.

Recommendations

- **#6 – Staff Training:** The audit identified instances of the cash reconciliation form being improperly completed or reconciled by the ER Division staff. We recommend that the Department implement training to ensure forms are filled out completely and accurately.

- **Department's Response:** The Department concurs with the recommendation. Due to the high turnover rate of scale house operators and limited staff resources, continuous training not always feasible.

Summary of Conclusions

- New staff and significant turnover creates challenges for the ER Division to operate effectively and efficiently when dealing with cash.
- The audit identified opportunities for the ER Division to improve cash handling operations to minimize the risk of theft or error of cash handling.
- The lack of documentation for certain audit procedures performed did not allow for us to quantify the cost of those errors.

City of Oxnard
Environmental Resources Division
Cash Handling Procedures Audit

Questions and comments?

CITY OF OXNARD CALIFORNIA

FINANCE AND GOVERNANCE COMMITTEE
AGENDA REPORT

REPORTS
AGENDA ITEM NO. D.2

DATE: April 14, 2020

TO: Finance & Governance Committee

FROM: Kevin Riper, Chief Financial Officer, (805) 385-7475, kevin.riper@oxnard.org

SUBJECT: Presentation of Single Audit Report and Update on Corrective Action Plan. (25/10/5)

RECOMMENDATION

That the Finance and Governance Committee receive the Single Audit Report from the audit firm Eadie + Payne, an update on the Corrective Action Plan (CAP) from staff, and give authorization to forward both presentations to City Council.

BACKGROUND

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, 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. For FY 2018-19, an additional 11 findings, of which three are repeat findings from the prior four audits totaling 183 findings through FY 2018-19.

In order to correct these findings, the City is required to produce a Corrective Action Plan, or CAP. This plan must address all unresolved findings, and the steps and timeline to correct them. In October 2019, staff provided an update to the Finance & Governance Committee (and, later, to City Council) that indicated the total number of unresolved, unique (non-repeat) findings was 57.

DISCUSSION

In the past year, staff continued to make progress on the audit findings and build technical competencies through hiring of experienced staff and greater investment in training. In the FY2019-20 Adopted Budget, a new position was approved for the Finance Department – Senior Manager, Internal Controls -- to focus primarily on helping the organization strengthen its internal controls. This additional role provides a dedicated resource to accelerate completion of the CAP and improve ongoing compliance with new processes and control procedures.

More detailed control documentation will be completed over the course of the next year to address Single Audit findings and to support implementation of the Internal Control Integrated Framework (ICIF). Over the next two to three years significant changes will affect the financial reporting environment of the City, especially the implementation of the ICIF and the implementation of a new ERP system. Many controls will be automated in the ERP such as data validation controls, which will reduce the risk of errors in financial reporting. The Finance Department – and, for a handful of items, the Information Technology Department -- will continue working to cure the findings and will report to Council every six months on progress.

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:

Goal 1. To help foster a healthy and accountable corporate foundation by strengthening the support functions of the organization, which include Finance, Information Technology and Human Resources.

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.

Objective 1d. Ensure adequate systems are established, reviewed, and updated within the Human Resources Department related to personnel policies and procedures, employee compensation, benefits, recruitments, testing and other human resources related systems.

FINANCIAL IMPACT

There is no financial impact at this time.

Prepared by: Christine Williams, Senior Manager, Internal Controls

ATTACHMENTS

1. 2019 Single Audit Presentation
2. CAP Update Presentation

Single Audit Report for
Fiscal Year Ended June 30, 2019

Finance & Governance Committee Meeting
April 14, 2020

CITY OF OXNARD CALIFORNIA

ep LLP

Agenda

CITY OF OXNARD CALIFORNIA

ep LLP

Introduction

CAFR
- Issuance Date:
- November 18, 2019

State Controller's Office
- Submission Date:
- January 29, 2020

Single Audit Report
- Issuance Date:
- February 14, 2020

Federal Audit Clearinghouse
- Submission Date:
- March 16, 2020

CITY OF OXNARD CALIFORNIA

ep LLP

-1-

Schedule of Expenditures of Federal Awards (SEFA)

• Total Expenditures	$5.8M
• Major Programs	2
• Total Programs	17

CITY OF OXNARD CALIFORNIA

ep LLP

-2-

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

-3-

Current Year Findings – Major Federal Programs

2019-001	NC
Major Federal Programs	
U.S. Department of Justice	1
TOTAL	**1**

CITY OF OXNARD CALIFORNIA

-4-

Current Year Findings – Financial Statements

Finding No. and Description	MW	SD	BP	Repeat of PY
2019-002: Bank Reconciliations		✓		Yes
2019-003: Utility Billing Rates		✓		No
2019-004: Inventory Control		✓		No
2019-005: On-call Consultants		✓		No
2019-006: Retirement Enhancement Plan Eligibility		✓		No
2019-007: Use of Credit Cards			✓	Yes
2019-008: Journal Entries			✓	No
2019-009: Payroll Records			✓	Yes
2019-010: Vendor Master File			✓	No
2019-011: General Liability and Workers' Compensation Allocation			✓	No
TOTAL NO. OF FINDINGS: 10	0	5	5	

CITY OF OXNARD CALIFORNIA

THANK YOU

Eden C. Casareno
ecasareno@eadiepaynellp.com

Mary Maxion
mmaxion@eadiepaynellp.com

UPDATE ON CORRECTIVE ACTION PLAN: FY 2015-2019 SINGLE AUDITS

Presentation to Finance & Governance Committee

Christine Williams, Senior Manager, Internal Controls

April 14, 2020

AGENDA

- Status of Corrective Action Plan
- Continued progress and additional resources
- 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

OXNARD

3

LAST YEAR OF THE 172 FINDINGS, 86 WERE COMPLETE AND 7 ARE NO LONGER REQUIRED

FINDINGS STATUS (2015-2018) (as of Oct'19)	MATERIAL WEAKNESS	SIGNIFICANT DEFICIENCY	Non-Compliance	Best Practice	TOTAL
COMPLETE	42	37	2	5	86
TO BE TESTED	0	7	4	1	12
P&P DRAFT	10	3	0	1	14
IN PROGRESS	17	17	3	5	42
NOT STARTED	3	4	2	2	11
Passed / No Longer Required	0	2	5	0	7
TOTAL Findings	**72**	**70**	**16**	**14**	**172**
Repeat Findings	*(7)*	*(9)*	*(5)*	*(1)*	*(22)*
TOTAL Unique Findings	**65**	**61**	**11**	**13**	**150**
TOTAL Unresolved Unique Findings	**23**	**22**	**4**	**8**	**57**

OXNARD

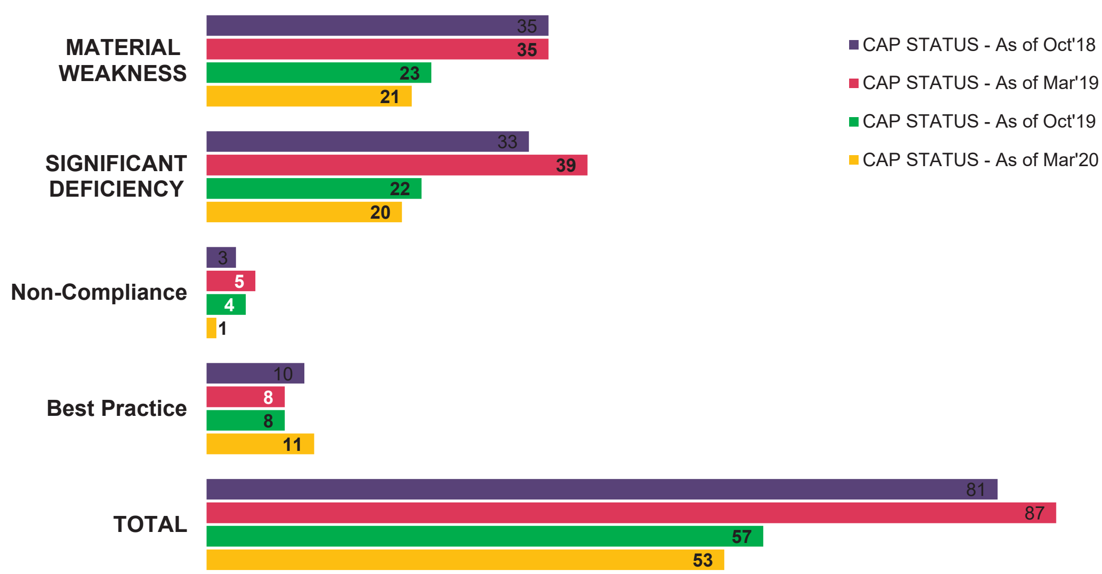
4

FY 2019 SINGLE AUDIT RESULTED IN 11 ADDITIONAL FINDINGS, 3 WERE REPEAT FINDINGS

FINDINGS STATUS (2015-2019) (as of March'20)	MATERIAL WEAKNESS	SIGNIFICANT DEFICIENCY	Non-Compliance	Best Practice	TOTAL
COMPLETE	48	47	7	5	107
TO BE TESTED	3	10	0	1	14
P&P DRAFT	8	0	0	1	9
IN PROGRESS	9	14	1	11	35
NOT STARTED	2	2	0	1	5
Passed / No Longer Required	2	2	9	0	13
TOTAL Findings	**72**	**75**	**17**	**19**	**183**
Repeat Findings	*(7)*	*(11)*	*(4)*	*(3)*	*(25)*
TOTAL Unique Findings	**65**	**64**	**13**	**16**	**158**
TOTAL Unresolved Unique Findings	**21**	**20**	**1**	**11**	**53**

PROGRESS CONTINUES

UNRESOLVED* FINDINGS 2015-2019



* Includes all unique findings excluding "Complete" or "Passed/No Longer Required" status

CONTINUED PROGRESS AND ADDITIONAL RESOURCES

- The City plans to adopt ICIF implementing policies that will address financial reporting control risks.
- More detailed control documentation will be completed over the course of the next year to address Single Audit findings and other identified issues.
- Finance leadership received 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

- Comprehensive Annual Financial Report (CAFR) and Single Audit Report completed on schedule.
- New ERP system approved by City Council in October 2019.

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