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
February 9, 2021
Regular Meeting - 5:00 to 6:30 PM
(TEMPORARY MEETING TIME CHANGE)

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. *Please see the link for the Measure M pre-recorded presentation video for each agenda item below.

The public may provide comments to the City Council via email at cityclerk@oxnard.org no later than 2:00 p.m. on the day of the meeting. Please identify the committee name, meeting date, and 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 2:00 p.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.

*The City has filed pre-election and post-election lawsuits regarding the validity of Measure M. The judge has not yet ruled on the legal sufficiency of Measure M.

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 requests shall be submitted as set forth on the first page of this agenda. Based on the number of speaker requests 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. 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. REPORTS

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: (Presentation / Committee Discussion / Public Comment)

1. Finance Department

   SUBJECT: Proposed City Council Policy for Development and Implementation of Internal Controls (0/10/5)

   RECOMMENDATION: That the Finance and Governance Committee provide feedback on a proposed City Council Policy for Development and Implementation of Internal Controls and recommend City Council approve the proposed policy.

   Please click the following link to view the required Measure M pre-recorded presentation video: https://youtu.be/yrpJBzrYjnQ

   Contact: Kevin Riper, (805) 385-7475

2. Finance Department

   SUBJECT: Audit Committee Training by Eadie + Payne (45/15/15)

   RECOMMENDATION: That the Finance and Governance Committee receive a training presentation from Eadie + Payne on the roles and responsibilities of the Audit Committee.

   (Presentation will be live upon consultant's request).

   Contact: Kevin Riper, (805) 385-7475

D. ITEMS FOR FUTURE AGENDAS

E. ADJOURNMENT

CITY OF OXNARD CALIFORNIA

FINANCE AND GOVERNANCE COMMITTEE
AGENDA REPORT

REPORTS
AGENDA ITEM NO. C.1

DATE: February 9, 2021

TO: Finance & Governance Committee

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

SUBJECT: Proposed City Council Policy for Development and Implementation of Internal Controls (0/10/5)

RECOMMENDATION

That the Finance and Governance Committee provide feedback on a proposed City Council Policy for Development and Implementation of Internal Controls and recommend City Council approve the proposed policy.

Please click the following link to view the required Measure M pre-recorded presentation video: https://youtu.be/yrpJBzrYjnQ

BACKGROUND

The City Council recognizes the need to eliminate or reduce risk based on reasonable standards and level of effort. Proper internal controls must be developed and implemented to safeguard assets and ensure the City achieves its operational objectives. The responsibility to develop those controls must be established and evaluated on an ongoing basis.

DISCUSSION

There are nine recommended policies associated with the Internal Control - Integrated Framework (ICIF). Each policy is associated with one of the five Committee of Sponsoring Organizations of the Treadway Commission (COSO) components.

On September 1, 2020, the City Council adopted the ICIF and the first four implementing policies under the COSO Control Environment component:

1) FPOL 1.01 Adoption of Internal Control - Integrated Framework
2) FPOL 1.02 Adoption of Internal Control Oversight Responsibilities
3) FPOL 1.03 Finance and Governance Committee Duties and Responsibilities
4) FPOL 1.04 Assignment of Authority and Responsibility for Achieving Operational, Reporting and Compliance Objectives

On January 5, 2021, the City Council adopted the fifth implementing policy under the COSO Risk Assessment component:

5) FPOL 1.05 City Council's Risk Assessment Responsibilities

The next COSO component is Control Activities, with a corresponding proposed implementing policy FPOL 1.06 City Council's Development and Implementation of Internal Controls. This sixth implementing policy defines the City Council's internal control activities as they relate to the development and implementation of internal controls. The draft policy reaffirms the City Council's commitment to hold management accountable for: (i) establishing and putting in place appropriate control activities; and (ii) monitoring compliance.

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

Goal 2. Increase transparency with Council, community and staff related to the City's budget and financial management processes.

FINANCIAL IMPACT

There is no financial impact.

Prepared by: Kevin Riper, Chief Financial Officer

ATTACHMENTS

1. FPOL 1.06 Development and Implementation of Internal Controls v.2
2. 2.9.21 FGC Proposed Policy for Development and Implementation of Internal Controls Presentation

CITY OF OXNARD CALIFORNIA	**City of Oxnard Finance Policy**

TITLE			PAGE
Development and Implementation of Internal Controls			1 of 2
NUMBER	VERSION	DOCUMENT OWNER	EFFECTIVE DATE
FPOL 1.06	1.0	Donna Ventura	3/16/2021

1.0 POLICY STATEMENT

1.1.1 The City Council directs the City Manager to develop internal controls that are tailored to the City's specific structure, risk exposure and resource levels. To the extent resource levels are not adequate to reduce risk in some areas; the Council will reassess its risk tolerance philosophy and provide specific direction to the City Manager.

1.1.2 City practices shall comply with Internal Control - Integrated Framework (ICIF) principles and components related to internal control.

1.1.3 Controls shall be developed that respond to and assure compliance with findings from external and/or internal audits and that consider the outcomes of risk assessments performed in accordance with the City Council's Risk Assessment Responsibilities Policy (FPOL 1.05).

2.0 SCOPE

The policy covers all of the City of Oxnard's internal control activities as they relate to the development and implementation of internal controls.

3.0 BACKGROUND

To comply with standards for ICIF principles and components, the City Council recognizes the need to eliminate or reduce risk based on reasonable standards and level of effort. Proper internal controls must be developed and implemented to safeguard assets and ensure the City achieves its operational objectives. The responsibility to develop those controls must be established and evaluated on an ongoing basis.

4.0 DEFINITIONS

Term	Definition
Internal Control – Integrated Framework (ICIF)	A system of internal control designed to address three main categories of internal control objectives which are 1. Operations 2. Reporting and 3. Compliance
Committee of Sponsoring Organizations (COSO)	A joint initiative of five private sector organizations (American Accounting Association, American Institute of Certified Public Accountants, Financial Executives International, Institute of

	Management Accountants, and the Institute of Internal Auditors) COSO develops frameworks and guidance on enterprise risk management, internal control and fraud deterrence.
Risk Assessment	A systematic process of evaluating the potential risks that may be involved in a projected activity or undertaking at all levels.
Risk Tolerance	The maximum risk that an organization is willing to accept regarding each relevant activity or event..
Risk Exposure	The measure of potential future loss resulting from a specific activity or event.

5.0 ROLES AND RESPONSIBILITIES

Role	Responsibility
City Council	Exercise its oversight duties, to ensure that management selects and develops control activities that contribute to the mitigation of risks to acceptable levels and that management and independent financial auditors monitor compliance with internal control policies and procedures that put policies in place.
City Manager	Responsible for carrying out policies along with managing the organization and ensuring accountability for performance of all employees under his or her direction.
Finance and Governance Committee (audit committee)	As defined in FPOL 1.03 Internal Control – Finance and Governance Committee Duties and Responsibilities.

CITY OF OXNARD REFERENCES

FPOL 1.01 Adoption of Internal Control – Integrated Framework
FPOL 1.02 Adoption of Internal Control Oversight Responsibilities
FPOL 1.03 Internal Control – Finance and Governance Committee Duties and Responsibilities
FPOL 1.04 Assignment of Authority and Responsibility for Achieving Operational, Reporting, and Compliance Objectives
FPOL 1.05 City Council's Risk Assessment Responsibilities

6.0 DOCUMENT HISTORY

Version	Summary of Changes	Reason for Changes
1.0	New policy	New policy

Proposed City Council's Policy for Development and Implementation of Internal Controls

Finance and Governance Committee

Donna Ventura, Assistant Chief Financial Officer
February 9, 2021

CITY OF OXNARD CALIFORNIA

Recommendation

That the Finance and Governance Committee provide feedback on a proposed City Council Policy for Development and Implementation of Internal Controls and recommend City Council approve the proposed policy.

Agenda

- Policies Associated with the Internal Control - Integrated Framework (ICIF)
- Adoption of a Policy for Development and Implementation of Internal Controls

Policies Associated with the Internal Control - Integrated Framework (ICIF)

COSO Category	City Council Policies
A. Control Environment **Adopted 9/1/20** **Previously in place**	1. Adoption of Internal Control - Integrated Framework 2. Adoption of Internal Control Oversight Responsibilities 3. Finance and Governance Committee Duties and Responsibilities 4. Assignment of Authority and Responsibility for Achieving Operational, Reporting and Compliance Objectives 5. Performance Evaluations of City Manager and City Attorney
B. Risk Assessment **Adopted 1/5/21**	6. City Council's Risk Assessment Responsibilities
C. Control Activities	7. Development and Implementation of Internal Controls
D. Information and Communication	8. Commitment to Transparent and Complete Information and Communication
E. Monitoring Activities	9. Creation of a Monitoring System

FPOL 1.06 Development and Implementation of Internal Controls

- Implementing policy defines City Council's internal control activities as they relate to the development and implementation of internal controls.
- Draft policy reaffirms City Council's commitment to hold management accountable for:
  - i. Establishing and putting in place appropriate control activities; and
  - ii. Monitoring compliance.

FPOL 1.06 Development and Implementation of Internal Controls

- Council directs the City Manager to develop internal controls tailored to the City's structure, risk exposure and resource levels. To the extent resource levels are not adequate to reduce risk in some areas, the Council will reassess its risk tolerance philosophy and provide specific direction to the City Manager.
- City practices shall comply with ICIF principles and components related to internal control.
- Controls shall be developed that respond to and assure compliance with findings from external and/or internal audits and that consider the outcomes of risk assessments performed in accordance with the City Council's Risk Assessment Responsibilities Policy (FPOL 1.05).

ICIF Next Steps

Timeline	Task
Spring 2021	Engage consulting firm to perform a comprehensive risk assessment
Remainder of 2021	Bring last 2 ICIF policies to F&GC and City Council (Information and Communication, and Monitoring Activities)

Recommendation

That the Finance and Governance Committee provide feedback on a proposed City Council Policy for Development and Implementation of Internal Controls and recommend City Council approve the proposed policy.

FINANCE AND GOVERNANCE COMMITTEE
AGENDA REPORT

REPORTS
AGENDA ITEM NO. C.2

DATE: February 9, 2021

TO: Finance & Governance Committee

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

SUBJECT: Audit Committee Training by Eadie + Payne (45/15/15)

RECOMMENDATION

That the Finance and Governance Committee receive a training presentation from Eadie + Payne on the roles and responsibilities of the Audit Committee.

(Presentation will be live upon consultant's request).

BACKGROUND

The City's contract with independent financial auditor Eadie + Payne (E+P) includes professional training by E+P audit partners.

At its meeting of July 14, 2020, the Finance and Governance Committee reviewed and recommended forwarding to City Council for approval the Internal Control Integrated Framework, or ICIF, along with the first four implementing policies.

In addition to emphasizing the need for internal control training of City staff, the Committee was interested in training for its own members on how to be successful as an audit committee, as recommended in the ICIF. The purpose of this one-hour session led by E+P (the first of four) is to provide that training to the Committee. Three additional one-hour sessions are scheduled for the Committee meetings of February 23, September 14, and November 9, 2021.

Attached is E+P's PowerPoint presentation for this meeting's live training session.

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

Goal 2. Increase transparency with Council, community and staff related to the City's budget and financial management processes.

FINANCIAL IMPACT

There is no financial impact.

Prepared by: Kevin Riper, Chief Financial Officer

ATTACHMENTS

1. Responsibilities of FG Committee - OUTLINE

OXNARD
CALIFORNIA

Responsibilities of the Finance and Governance Committee

February 9, 2021

AGENDA

- Overview (HNN)
- Financial Reporting (MM)
- Internal Control (MM)
- External Auditor (ECC)
- Internal Auditor (ECC)
- Risk Management (HNN)
- Ethics and Compliance (HNN)
- Q&A

OVERVIEW

- Ordinance No. 2949
- Bylaws (Resolution No. 15,286 & 15,379)
  - Departmental Oversight
  - Internal Audit
  - Internal Controls (ICIF)
- Key Policies and Procedures
  - General Accounting and Purchasing Policies
  - Budget
  - Investment
  - Conflict of Interest

OVERSIGHT OF FINANCIAL REPORTING

- Familiarity with processes and controls
- Significant accounting policies, estimates, and judgements
- Succession planning for key staff
- Awareness of fraud risks
  - Financial statement presentation
  - Asset misappropriation
  - Corruption

OVERSIGHT OF FINANCIAL REPORTING

- Review interim and annual (audited) financial statements
  - Obtain variance explanations
  - Inquire of significant financial reporting issues
  - Facilitate any resolutions needed
- Review management letters, incl management responses

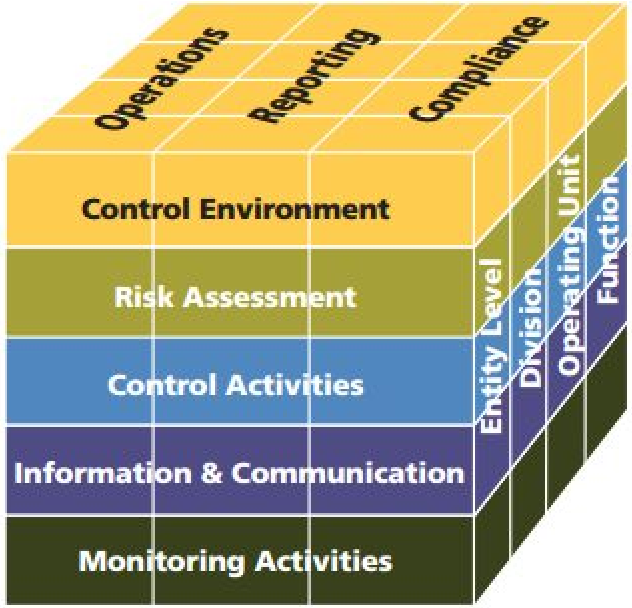
OVERSIGHT OF INTERNAL CONTROL

"A process designed to provide reasonable assurance regarding the achievement of objectives relating to operations, reporting, and compliance."

- Financial Reporting
  - Daily operations
- Compliance
  - Laws, regulations, contracts
  - Grants agreements
  - Abuse

OVERSIGHT OF INTERNAL CONTROL

- Internal Control – Integrated Framework (ICIF)
  - Committee of Sponsoring Organizations (COSO)
  - Principles-based approach
  - 5 Components
  - 17 Principles



OVERSIGHT OF EXTERNAL AUDITOR

- Appointment, compensation, and oversight
- Pre-approve any non-audit services
- Assess qualifications and independence of auditors
- Review audit plan and scope of audit
- Resolution of difficulties or disagreements
- Review of auditor's reports & communications
- Conduct evaluations

OVERSIGHT OF EXTERNAL AUDITOR

- Expectations of External Auditor
  - Independence
  - Knowledge and skills
  - Experience
  - Quality control
  - Planning and risk assessments
  - Communication

OVERSIGHT OF INTERNAL AUDITOR

- Internal audit priorities
- Review IA's planning and risk assessment process
- Review and approve IA's annual audit plan and scope of audits to be conducted
- Ensure IA maintains effective quality assessment and improvement program
- Evaluation of the IA
- Ensure IA reports to the audit committee

OVERSIGHT OF INTERNAL AUDITOR

- Expectations for internal audit functions:
  - Monitor and report on operational, financial health, and compliance controls
  - Effectiveness of risk management
  - Guidance regarding internal and compliance controls
  - Perspectives with independent auditors
  - Assessment of efficacy of programs and procedures

OVERSIGHT OF RISK MANAGEMENT

- Regular risk assessments
- Delegate according to expertise
- Discuss risk exposures
- Discuss steps taken to control and monitor

OVERSIGHT OF ETHICS AND COMPLIANCE

- Code of ethics
- Promote honest, ethical conduct and communication
- Procedures for reporting problems
  - Hotline
  - Independent and objective process for investigations

DISCUSSION AND QUESTIONS