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.

AGENDA
OXNARD CITY COUNCIL
FINANCE AND GOVERNANCE COMMITTEE
Council Chambers, 305 West Third Street
January 9, 2024
Regular Meeting - 5:00 to 6:30 PM

Zoom details to call-in for public comment during a meeting:

1. Dial Phone Number: (888) 475-4499
2. Enter Meeting ID: 859 6605 1179
3. Passcode: 450839

If you wish to speak during public comments or a particular item on the agenda, please sign-on by following the zoom call-in steps listed above. Once the presiding officer calls for public speakers, press *9 to raise your hand to inform the City Clerk you would like to speak during the public speaking section for that particular item on the agenda, while in the zoom waiting room. Press *6 when asked to unmute. Listen to the instructions provided virtually on the phone while on hold in the zoom waiting room. Please note that there is a slight time delay when viewing the meeting via television.

IN ACCORDANCE WITH ASSEMBLY BILL 2449, MEMBERS OF THE LEGISLATIVE BODY MAY MEET IN-PERSON OR REMOTELY. TO PARTICIPATE REMOTELY VISIT WWW.OXNARD.ORG.

To find out how you may provide public comment, please refer to the instructions below or at **www.https://www.oxnard.org/city-meetings/**.

The public may view the meeting from home on Spectrum channel 10, Frontier channel 35, or YouTube at Youtube.com/oxnardnews. Video recordings of the meeting are typically available online following the meeting at the City's website at www.oxnard.org/city-meetings.

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

YOU MAY PARTICIPATE IN THE MEETING IN THE FOLLOWING WAYS:

1. ATTEND THE MEETING AT THE LOCATION LISTED ABOVE: Submit a speaker card to the City Clerk.

2. EMAIL COMMENTS OR SIGN UP TO SPEAK REMOTELY BEFORE THE MEETING

   a. Submit a request to speak remotely by 3 p.m. on the day of the meeting by using the form available at **www.oxnard.org/citymeetings**.
   b. Submit an email to **cityclerk@oxnard.org** by 3 p.m. on the day of the meeting (indicate the agenda item number in the subject line). All email correspondence will be forwarded to the legislative body prior to the start of the meeting and made part of the legislative record.
   c. Contact the City Clerk's Office at (805) 385-7803 to submit your request.

3. PROVIDING PUBLIC COMMENTS REMOTELY DURING THE MEETING

   a. Follow Zoom details listed above.

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 include: (Minutes for Presentation + Council Discussion + Public Comment)

b. Public comments on agenda items will be taken following the announcement of the item. After the item is announced, members of the public may register or otherwise be recognized for the purpose of providing public comment.

Please review the Zoom instructions on the registration page to help ensure there are no technical difficulties during your comments and help you understand public comment procedures using Zoom. Detailed participation instructions can be found at www.oxnard.org/city-meetings.

In the event of a disruption which prevents a legislative body of the City of Oxnard from broadcasting a meeting using a call-in option or internet-based service option, or in the event of a disruption within the City's control which prevents members of the public from offering public comment using the call-in option or internet-based service option, the legislative body shall take no further action on items appearing on a meeting agenda until public access to the meeting via the call-in option or internet-based service option is restored. However, if any of the broadcast options are disrupted, but any of the other broadcast options is still available to the public, the legislative body may take further action on items appearing on a meeting agenda without waiting for the disrupted broadcast option(s) to be restored.

A. ROLL CALL, POSTING OF AGENDA, FLAG SALUTE

Consideration of Teleconference Participation pursuant to Assembly Bill 2449.

B. PUBLIC COMMENTS ON ITEMS NOT ON THE AGENDA

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. Speakers are limited to three minutes. After 30 minutes, if all speakers have not had the opportunity to speak, the remaining speakers will be given an opportunity to speak 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/Executive Director/Secretary for administrative action or scheduled on a subsequent agenda for discussion. Persons wishing to speak on public hearing items should do so at the time of the hearing.

C. CONSENT AGENDA

1. City Clerk Department
SUBJECT: Approval of Minutes.
RECOMMENDATION: That the Finance & Governance Committee approve the minutes of the December 12, 2023 regular meeting as presented.
Contact: Rose Chaparro, (805) 385-7805

D. REPORTS

1. Finance Department
SUBJECT: Accounting and Financial Reporting Risk Assessment Update. (10 minutes)
RECOMMENDATION: That the Finance and Governance Committee receive the Risk Assessment Update regarding accounting and financial reporting as part of the Internal Control Integrated Framework pursuant to City of Oxnard Finance Policy (FPOL) 1.05, and recommend staff forward the presentation to City Council.

Please click the following link to view the required Measure M pre-recorded presentation video: https://youtu.be/gOW-2zDuYXE
Contact: Javier Chagoyen-Lazaro, (805) 385-5400

2. City Manager Department
SUBJECT: Whistleblower Activity Report. (10 Minutes)
RECOMMENDATION: That the Finance and Governance Committee receive and file an update on the City's whistleblower hotline.

Please click on the following link to view the required Measure M pre-recorded video: https://youtu.be/CDabAiTqASc
Contact: Shiri Klima, (805) 385-7487

3. City Attorney Department
SUBJECT: Consideration of Request for Future Council Agenda Item. (40 minutes)
RECOMMENDATION: That the Finance and Governance Committee consider whether to place on a future City Council agenda a resolution requested by Councilmember Valenzuela Zavala affirming the City of Oxnard's support for House Resolution 786 and calls for an immediate ceasefire in the Israel-Gaza conflict.
Contact: Stephen Fischer, (805) 385-7483

E. ITEMS FOR FUTURE AGENDAS

F. ADJOURNMENT

FINANCE AND GOVERNANCE COMMITTEE
AGENDA REPORT

CONSENT AGENDA
AGENDA ITEM NO. C.1

DATE: January 9, 2024

TO: Finance & Governance Committee

FROM: Rose Chaparro, City Clerk, (805) 385-7805, rose.chaparro@oxnard.org

SUBJECT: Approval of Minutes.

RECOMMENDATION

That the Finance & Governance Committee approve the minutes of the December 12, 2023 regular meeting as presented.

BACKGROUND

Approval of Minutes.

STRATEGIC PRIORITIES

This agenda item is a routine operational item.

FINANCIAL IMPACT

There is no financial impact.

Prepared by: Dee Lai, Assistant City Clerk

ATTACHMENTS

1. 12 12 2023 FG Minutes

MINUTES
OXNARD CITY COUNCIL
FINANCE AND GOVERNANCE COMMITTEE
Regular Meeting
December 12, 2023

A. ROLL CALL, POSTING OF AGENDA, FLAG SALUTE

At 5:08 p.m., Chair John C. Zaragoza 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. Dee Lai, Assistant City Clerk called the roll and announced the posting of the agenda. Chair John C. Zaragoza, and Member Gabriela Basua were present in person.

Member Gabriel (Gabe) Teran participated remotely from the following location: Hampton Inn & Suites, Henderson (Business Center), 421 Astaire Drive, Henderson, Nevada, 89014.

Consideration of Teleconference Participation pursuant to Assembly Bill 2449.

B. PUBLIC COMMENTS ON ITEMS NOT ON THE AGENDA

No public comments were received.

C. CONSENT AGENDA

1. City Clerk Department
SUBJECT: Approval of Minutes.
RECOMMENDATION: That the Finance & Governance Committee approve the minutes of the November 28, 2023 regular meeting as presented.

No public comments were received.

It was moved by Member Basua, seconded by Member Teran, to approve the Information/Consent item as presented. VOTE: Basua, Teran and Zaragoza voted in favor; the motion passed 3-0.

D. REPORTS

1. Finance Department
SUBJECT: AB1600 Annual and Five-Year Report for Development Impact and In-Lieu Fees for the fiscal year and five years ending June 30, 2023 (20 minutes).
RECOMMENDATION: That the Finance and Governance Committee recommend that the City Council receive and file the AB1600 annual development impact fee report and the five-year report for the fiscal year ended June 30, 2023.

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

Connie Fife, Project Manager, Harris & Associates presented and was available to answer questions. Javier Chagoyen-Lazaro, Interim Chief Financial Officer, was also available to answer the Committee's questions. No public comments were received. Discussion ensued among the Committee and staff.

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

2. Finance Department

SUBJECT: First Amendment to External Auditor Agreement A-8223 (10 minutes).
RECOMMENDATION: That the Finance and Governance Committee recommend that the City Council approve and authorize the Mayor to execute the First Amendment to Agreement A-8223 with Eadie + Payne, LLP, to increase the amount by $20,000, for a total amended not-to-exceed amount over 5 years of $1,095,100 for FY 2022-23 Annual Comprehensive Financial Reporting (ACFR)/Single-Audit/Ancillary Assistance.

Eden Casareno, CPA, Eadie & Payne, presented and was available to answer questions. Beth Vo, Assistant Chief Financial Officer, and Javier Chagoyen-Lazaro, Interim Chief Financial Officer, were also available to answer the Committee's questions. No public comments were received. Discussion ensued among the Committee and staff.

It was moved by Chair Zaragoza, seconded by Member Basua, to approve the recommended action as presented. VOTE: Basua, Teran and Zaragoza voted in favor; the motion passed 3-0.

E. ITEMS FOR FUTURE AGENDAS

No requests were made.

F. ADJOURNMENT

There being no further business on the agenda, and without objection, Chair Zaragoza adjourned the meeting at 5:30 p.m.

DEE LAI Assistant City Clerk	JOHN C. ZARAGOZA Chair

CITY OF OXNARD CALIFORNIA

FINANCE AND GOVERNANCE COMMITTEE
AGENDA REPORT

REPORTS
AGENDA ITEM NO. D.1

DATE: January 9, 2024

TO: Finance & Governance Committee

FROM: Javier Chagoyen-Lazaro, Chief Financial Officer, (805) 385-5400, javier.chagoyenlazaro@oxnard.org

SUBJECT: Accounting and Financial Reporting Risk Assessment Update. (10 minutes)

RECOMMENDATION

That the Finance and Governance Committee receive the Risk Assessment Update regarding accounting and financial reporting as part of the Internal Control Integrated Framework pursuant to City of Oxnard Finance Policy (FPOL) 1.05, and recommend staff forward the presentation to City Council.

Please click the following link to view the required Measure M pre-recorded presentation video: https://youtu.be/gOW-2zDuYXE

BACKGROUND

The City's annual audit for Fiscal Year (FY) 2014-15 produced 111 single-audit findings. One finding identified that risk assessments need to be performed. The finding specified two types: (i) risk assessment related to accounting and financial reporting, and (ii) fraud management risk assessment.

In response to the finding, on June 27, 2017, the City engaged Price Paige as Internal Auditors to complete a fraud risk assessment and to monitor operation of controls in high priority areas. These detailed reviews by external consultants were supplemented by the work of new and better trained staff across the City who identified and remediated additional issues that affected operating, reporting, and compliance objectives. In December 2021, the City completed the adoption of eight Internal Control Integrated Framework (ICIF) policies (see links attached) that are aimed at strengthening and improving the organization's overall control and operating environment. Financial Policy (FPOL) 1.05 City Council's Risk Assessment Responsibilities established that the City Council ensures that risk assessments are performed. In September and November 2021, the Finance and Governance Committee received training from the City's Independent Auditor, Eadie + Payne, in internal controls, compliance, and risk management.

During the past year, staff facilitated revisions to financial policies and procedures, integrated training on the revised policies and procedures into the implementation of the City's new ERP system, and created the framework and the plan for a targeted risk assessment for FY 22-23. The targeted risk assessment is designed to focus on maintaining existing internal controls, including those controls that were put into place as a result of previous audit findings. The FY 22-23 targeted risk assessment focused on the following areas: Purchasing, Accounts Receivable / General Billing for Miscellaneous Revenues, General Ledger, and Accounts Payable. Areas that were originally planned for completion as part of the FY 22-23 targeted risk assessment (Grants, Capital Assets, Vendor Master Maintenance and Purchasing Cards) were postponed due to the ERP learning curve, system stabilization and prioritization of other internal control priorities and will instead be the focus of the FY 23-24 targeted risk assessment.

The plan is to conduct a Targeted Risk Assessment for FY 23-24 to ensure limited internal control resources are focused on higher risk areas. In future years, staff will consider expanding to a more comprehensive risk assessment to cover all City processes.

FY 22-23 preliminary targeted risk assessment results

The implementation of the new ERP system, Tyler Munis, has enhanced the City's internal controls over financial reporting. The automatic routing of Purchasing, Accounts Payable, General Ledger, and Miscellaneous Accounts Receivable transactions for the appropriate level of authorization, review, approval, and verification replacing manual processes for approval is one such internal control enhancement.

Additionally, internal controls put into place as a result of a previous audit finding were embedded into the system, where appropriate. For example, prior audit finding 2015-098 required the Purchasing Department to maintain procedures to ensure that the spreadsheet containing the list of approved contracts is complete. With the implementation of the ERP system, maintaining a spreadsheet is not required, as a list of all approved contracts is an ERP generated report.

Establishing effective internal controls is a continuous process, which should follow the Committee of Sponsoring Organizations of the Treadway Commission (COSO) framework for designing and managing internal controls. The Committee of Sponsoring Organizations of the Treadway Commission (COSO) created this framework for designing and managing internal controls. In 2014, the federal government updated the Uniform Guidance to require non-federal entities to establish and maintain effective internal control over federal awards, which should be in compliance with COSO. In 2015, the California State Controller developed internal control guidelines applicable to local governments that recommend using COSO's Internal Control Framework.

The City's system of internal controls has been evaluated using the COSO framework. The five components of COSO internal control are: control environment, risk assessment, control activities, information and communication, and monitoring activities. The preliminary results of the targeted risk assessment are communicated according to their respective COSO component. Below are both the internal control enhancements and improvement opportunities that have been addressed or will be addressed in the future. Noted improvement opportunities did not constitute control failures; the exposures found are minor in extent and nature or other compensating controls exist. These preliminary results are pending discussion with City Management.

1. Control Environment The control environment is the set of standards, processes and structures that provide the basis for carrying out internal control and sets the tone across the organization. City processes are in a stabilization period post ERP implementation and policies and procedures continue to be updated to reflect process changes.

2. Risk Assessment The risk assessment allows management to identify the need for control and monitoring activities, improvements to the flow of information and communication or the need for changes to the control environment. Risk assessments were prepared for each of the targeted risk assessment areas: Purchasing, Accounts Receivable for Miscellaneous Revenues / General Billing, General Ledger, and Accounts Payable to ensure that risks are managed and mitigated.

3. Control Activities Control activities are actions established through policies and procedures (or through embedded controls) that help ensure that management's directives to mitigate risk (as documented in the Risk Assessment) are carried out.

The ERP system has the following internal controls embedded into the system.

- Segregation of duties – system workflow separates the responsibilities for authorizing transactions and processing transactions replacing the manual control of individuals, ensuring that they aren't the only authorizer and approver or that the transaction is processed by people without conflicting responsibilities
- Reviews and approvals – system workflow automation ensures secondary reviews and supervisory approvals that transactions have been properly authorized, accurately recorded, and correctly reflect the events that have occurred replacing the manual control of people routing reviews and approvals appropriately via a paper-based process and approvals being captured on paper
- Adequate, accurate and readily available documents and records – electronic management of transaction documents ensures that documents are centrally stored (single source of truth), accessible across the City (increased transparency), and retained for the appropriate timeframe

Below are the internal controls embedded into the system for the specific processes.

Purchasing –

- ERP workflow captures approvals of requisitions
- ERP checks budget when entering a purchase requisition or contract
- ERP limits purchasing transactions to pre-approved vendors

Accounts Receivable for Miscellaneous Revenues/General Billing –

- ERP ensures pricing and application of payment to correct miscellaneous receivable general ledger by utilizing AR chargecodes that are created in the system

General Ledger –

- ERP workflow captures approvals of journal entries
- ERP limits users to general ledger accounts within their organizational unit

Accounts Payable –

- ERP workflow captures approvals of vendor invoices
- ERP limits transactions to pre-approved vendors, with the exception of one-time vendors which require periodic manual review

4. Information and Communication

Information and communication is the continual iterative process of providing, sharing and obtaining necessary information to meet accounting and disclosure requirements under governmental accounting standards.

- ERP user quick guides that also incorporate relevant control activities are readily available to all ERP users
- ERP users completed ERP training prior to go-live, and new users are expected to complete "On Demand" trainings post go-live
- Results of Targeted Risk Assessment or Monitoring Activities will be communicated to improve process efficiency and effectiveness

5. Monitoring Activities

Monitoring activities are the continuous evaluation of each of the COSO components to ensure they are functioning effectively, including the COSO monitoring activities component, to assess the execution and quality of established control activities. Below are highlights of the monitoring activities that were performed as part of this review.

Accounts Payable –

- Evaluated the correctness of general ledger expense accounts used for invoice payments –
    - ERP limits payments from general ledger accounts that have available budget
    - Instances of invoices paid from incorrect expense accounts. While the general ledger account used contained available budget, the incorrect general ledger account was used.
        - These identified instances have been resolved
- Evaluated that payments are authorized as evidenced by proper review and approval –

    - ERP records who views supporting documentation attachments and when they view such attachments
    - ERP did not require CFO review of large payments (identified by the City as single payments greater than $500k to one vendor). While system workflow ensures secondary reviews, and supervisory approvals of invoices and CFO approval is required of the full list of payments (check run), the workflow did not include CFO review and approval of large payments. ERP workflow has been adjusted to require CFO approval of large payments.

Purchasing –
- Evaluated that purchases of goods or services are authorized as evidenced by proper review and approval. ERP workflow captures approvals of requisitions.

Accounts Receivable/General Billing for Miscellaneous Revenues –
- Evaluated correctness of general ledger revenue accounts used for recording miscellaneous revenues. ERP utilizes AR charge codes, which simplifies application of payment to correct receivable general ledger and ensures accurate pricing.
- Evaluated timeliness of bill generation for miscellaneous revenues, meaning instances of bills not generated within 30 days of the service provided. This improvement opportunity will be resolved by communicating the results of the Targeted Risk Assessment with the appropriate parties.
- Evaluated timeliness of referral to collections, meaning instances of receivables not being referred to collections timely. This improvement opportunity will be resolved by communicating the results of the Targeted Risk Assessment with the appropriate parties.

General Ledger –
- Evaluated that journal entries are authorized as evidenced by proper review and approval.
    - ERP workflow captures approvals of journal entries.
    - ERP limits users to general ledger accounts within their organizational unit.
- Processes for account reconciliations are in a stabilization period post-ERP implementation. ERP users are gaining familiarity with ERP reporting tools and ad hoc queries to efficiently access financial data stored in the ERP.

Ongoing monitoring activities need to be formalized and documented, separate from this evaluation of the system of internal controls. Monitoring activities should be designed to provide a sense of whether the internal controls are functioning effectively.

The results of monitoring activities above will be communicated to the appropriate parties after these preliminary results are discussed with City Management.

FY 23-24 targeted risk assessment

Staff anticipates reporting on the status of the FY 23-24 targeted risk assessment in the fall of 2024 during the City's annual Risk Assessment Update.

STRATEGIC PRIORITIES

This agenda item supports the Organizational Effectiveness strategy. The purpose of the Organizational Effectiveness strategy is to reinforce, stabilize, improve, and strengthen the organizational foundation of the City in order to build a modern, high-functioning City government that effectively and efficiently supports the operating departments in providing high-quality services and programs for our residents and businesses.

FINANCIAL IMPACT

There is no financial impact.

Prepared by: Jennifer Hiraoka, Senior Manager Internal Controls

ATTACHMENTS

1. Internal Control Integrated Framework (ICIF) Policies
2. Accounting and Financial Reporting Risk Assessment Update Presentation

LINKS - Internal Control Integrated Framework (ICIF) policies

1. FPOL 1.01 Adoption of Internal Control Integrated Framework
2. FPOL 1.02 Adoption of Internal Control Oversight Responsibilities
3. FPOL 1.03 Internal Control - Finance and Governance Committee Duties and Responsibilities
4. FPOL 1.04 Assignment of Authority and Responsibility for Achieving Operational, Reporting and Compliance Objectives
5. FPOL 1.05 City Council's Risk Assessment Responsibilities
6. FPOL 1.06 Development and Implementation of Internal Controls
7. FPOL 1.07 Commitment to Transparent and Complete Information and Communication
8. FPOL 1.08 Creation of a Monitoring System

Accounting and Financial Reporting Risk Assessment Update Presentation

Presentation to Finance & Governance Committee

January 9, 2024

Presented by: Jennifer Hiraoka, Senior Manager Internal Controls

CITY OF OXNARD CALIFORNIA

Recommendation

That the Finance and Governance Committee receive the Risk Assessment Update regarding accounting and financial reporting as part of the Internal Control Integrated Framework pursuant to the City of Oxnard Finance Policy (FPOL) 1.05, and recommend staff forward the presentation to City Council.

Overview, Objectives and Agenda

OVERVIEW

- In December 2021, the City of Oxnard completed the adoption of 8 Internal Control Integrated Framework (ICIF) policies, which are aimed at strengthening and improving the organization's overall control and operating environment
- Finance Policy (FPOL) 1.05 *City Council's Risk Assessment Responsibilities* established that the City Council ensures that risk assessments are performed
- During FY22-23 a targeted risk assessment was performed

OBJECTIVES

- To communicate preliminary results of the FY22-23 targeted risk assessment and next steps

AGENDA

- Review targeted risk assessment objectives
- Present preliminary results of FY 22-23 targeted risk assessment
- Present revised FY 23-24 risk assessment plan and discuss next steps

Refresher - What is a risk assessment and why is it needed?

- A risk assessment identifies and analyzes the risks facing the City as it seeks to achieve its objectives. This assessment provides the basis for prioritizing and developing appropriate internal controls to eliminate or reduce risks.
- Financial Policy (FPOL) 1.05 *City Council's Risk Assessment Responsibilities* established that the City Council ensures that risk assessments are performed.
- The City's annual audit for FY 2014-15 produced an audit finding that risk assessments need to be performed.
  - Fraud Risk Assessment
  - Accounting and Financial Reporting Risk Assessment
- In response to the finding the City engaged consultants to perform the following:
  - Fraud Risk Assessment
  - Detailed reviews of reporting and compliance risks of high priority areas
- Internal controls ultimately serve to strengthen the reliability and accuracy of financial reporting

With the implementation of a new ERP system, it is important to maintain internal controls, especially those put into place as a result of a previous audit finding.

FY 22-23 Targeted Risk Assessment planned vs. actual

- Our FY22-23 Targeted Risk Assessment included reviewing the following processes that were impacted by the ERP implementation
  - Purchasing
  - Accounts Receivable for Miscellaneous Revenues / General Billing
  - General Ledger
  - Accounts Payable
- Due to the ERP learning curve, system stabilization and prioritization of other internal control priorities, the following processes were postponed and will instead be the focus of the FY 23-24 Targeted Risk Assessment
  - Grants
  - Capital Assets
  - Vendor Master Maintenance
  - Purchasing Cards

For Risk Assessment Lifecycle – See Appendix 1

COSO Internal Control Framework

Control Environment

Risk Assessment

Control Activities

Information and Communication

Monitoring Activities

The Committee of Sponsoring Organizations of the Treadway Commission (COSO) created this framework for designing and managing internal controls.

- 2014 - the federal government requires entities to establish and maintain effective internal control over federal awards in compliance with COSO
- 2015 - the California State Controller develops internal control guidelines which recommends using COSO's Internal Control Framework.

Internal Controls – processes designed to prevent or detect errors and mistakes, including those caused by fraud, waste and abuse

FY 22-23 Targeted Risk Assessment preliminary results as they align to the COSO internal control framework

Control Environment – Preliminary Results:

Opportunities for Improvement / Mitigation Measures in Progress -

- Processes are in a stabilization period post ERP implementation
- Policies and procedures continue to be updated to reflect process changes

Risk Assessment – Preliminary Results:

Opportunities for Improvement / Mitigation Measures in Progress -

- Targeted Risk Assessment for Grants, Capital Assets, Vendor Master Maintenance and Purchasing Cards in 2024

Control Activities – Preliminary Results:

Areas of Strength – The ERP system has the following internal controls embedded into the system:

- Segregation of duties
- Reviews and approvals
- Readily available documents and records

Internal controls embedded into the system for specific processes:

- Purchasing
- Accounts Receivable for Miscellaneous Revenues/General Billing
- General Ledger
- Accounts Payable

FY 22-23 Targeted Risk Assessment preliminary results as they align to the COSO internal control framework (continued)

Monitoring Activities – Preliminary Results:

Areas of Strength –

- ERP payments are made within budget, with supporting documentation, and proper authorization via workflow
- ERP requires CFO review of payments greater than $500k
- ERP captures approvals of requisitions
- ERP simplifies application of payment and ensures accurate pricing for miscellaneous revenues
- ERP captures approvals of journal entries and limits user access to accounts within their organization unit

Opportunities for Improvement / Mitigation Measures in Progress –

- Monitoring activities need to be formalized and documented
- Timely generation of invoices and timely submission to collections in case of late payment
- Formalize the account reconciliation process for post-ERP implementation

Information and Communication – Preliminary Results:

Areas of Strength -

- ERP user quick guides readily available, training includes "On Demand" training for new users

Opportunities for Improvement / Mitigation Measures in Progress -

- Targeted Risk Assessment or Monitoring Activities will be communicated to Council

FY 22-23 Targeted Risk Assessment preliminary results summary

- The implementation of the new ERP system, Tyler Munis, has enhanced the City's internal controls over financial reporting.
  - The automatic routing of Purchasing, Accounts Payable, General Ledger, and Miscellaneous Accounts Receivable transactions for the appropriate level of authorization, review, approval, and verification replacing processes that were reliant on people to manually route paper-based or electronic transaction documents for approval, is one of the internal control enhancements.
- Additionally, internal controls that were initially put into place as a result of a previous audit finding were embedded into the system, where appropriate.
  - For example, prior audit finding 2015-098 required the Purchasing Department to maintain procedures to ensure that the spreadsheet containing the list of approved contracts is complete. With the implementation of the ERP system, maintaining a spreadsheet is not required, as a list of all approved contracts is an ERP generated report.
- Finally, noted improvement opportunities did not constitute control failures due to either: the exposures found are minor in extent and nature or other compensating controls exist.

FY 23-24 Risk Assessment is changing from a Full Scope Risk Assessment to a Targeted Risk Assessment

- We planned to complete a Full Risk Assessment for FY23-24, but are pivoting to a Targeted Risk Assessment to ensure limited resources are focused on higher risk areas
- The FY 23-24 Targeted Risk Assessment will focus on the following processes:
  - Grants
  - Purchasing Cards
  - Vendor Master Maintenance
  - Capital Assets

Next Steps

This concludes our presentation.

We hope this presentation assists City Council in exercising its oversight duties, working with the City Manager, City Attorney and other officials to create a control environment based on ethical practices, competency and compliance with laws, regulations and policies.

We will return to you in the Fall of 2024 to report the FY 23-24 targeted risk assessment results.

QUESTIONS?

Appendix 1 - Risk Assessment Lifecycle

Planning	Documentation Development	Control Testing	Review Assessment Results	Report Results and Remediation Plan (if necessary)
• Define scope of assessment • Identify processes • Develop plan timeline • Review and finalize scoping plan	• Develop Risk and Control Matrices • Identify key controls • Develop Control Self Assessment Questionnaires • Assign risk rating	• Conduct interviews with Departments to gather responses to Self Control Assessment Questionnaires • Develop test plan • Test key controls • Conclude on control effectiveness	• Review and finalize issues identified • Identify significant issues requiring a Remediation Plan	• Work with Departments to create a Remediation Plan • Prepare presentation to report results

FINANCE AND GOVERNANCE COMMITTEE
AGENDA REPORT

REPORTS
AGENDA ITEM NO. D.2

DATE: January 9, 2024

TO: Finance & Governance Committee

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

SUBJECT: Whistleblower Activity Report. (10 Minutes)

RECOMMENDATION

That the Finance and Governance Committee receive and file an update on the City's whistleblower hotline.

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

BACKGROUND

The Oxnard City Council adopted a whistleblower hotline policy on April 5, 2016. That policy states that the City will take all appropriate steps to thoroughly evaluate any allegation of improper governmental action that is brought to its attention. An "improper governmental action" is defined as "any activity by a local agency or employee that is undertaken in the performance of the employee's official duties, including activities deemed to be outside the scope of his or her employment, that is in violation of any local, state, or federal law or regulation relating to corruption, malfeasance, bribery, theft of government property, or willful omission to perform duty, is economically wasteful, or involves gross misconduct." The policy further states that the City shall establish a whistleblower hotline to receive and investigate allegations of possible City fraud, waste and abuse. These complaints must remain confidential, and the identity of the complainant may not be revealed without the permission of the complainant, except to an appropriate law enforcement agency conducting a criminal investigation.

Upon receipt of a complaint, the Internal Auditor may conduct an investigation into the facts alleged in the complaint to determine whether an improper governmental action has occurred. The Internal Auditor will first screen the allegation to determine merit and relevance, and then the possible risk to the City, among the following three options:

1. **High Priority** – Matters that are considered high priority could include: potential loss to the City of more than $75,000, high level management involvement, collusion of multiple wrongdoers, major department-wide issues, or the need for immediate action to stop a potential major issue.
2. **Medium Priority** – Matters that are considered medium priority could include: potential loss to the City of more than $25,000, include abuse of authority, medium-to-low level employee involvement, minor department-wide issues, or patterns of small issues that could be significant cumulatively.

3. **Low Priority** – Matters that are considered low priority could include: potential loss to the City of up to $25,000, composed of isolated incidences of time abuse, wasteful practices that could lead to efficiencies if corrected, or allegations that lack credibility and evidence.

The internal auditor should investigate high priority matters with the most urgency, then medium priority, and finally, low priority.

On June 27, 2017, the City Council awarded a contract to Price Paige and Company to be our Internal Auditor. As a part of that engagement, Price Paige's representative came up before the Finance and Governance Committee every six months with a whistleblower hotline status update. In June 2022, Price Paige informed City staff that due to capacity constraints, Price Paige would not be able to continue to monitor the whistleblower program. Staff later learned that this was not unique to Price Paige; in fact, the industry had shifted away from staffing whistleblower hotlines and into automated systems.

The City issued requests for proposals to set up the new automated system. The contract for the system itself ultimately was awarded to Syntrio, Inc. in November 2022. The new Internal Auditing contract was awarded to Vasquez & Company. Syntrio can communicate whistleblower hotline reports directly to Vasquez without going through staff, and Vasquez can immediately investigate high and medium priority complaints. The new system went live on April 11, 2023.

DISCUSSION

Employees or residents may file a complaint online at www.clearviewconnects.com, by calling (844)964-2544, or by mail at P.O. Box 11017, Toronto, Ontario, M1E 1N0. All complaints are routed directly to Vasquez for its determination within 24 hours of receipt that the complaint could have merit and relevance. If that is possible, Vasquez has another 24 hours to determine whether to rank the priority of the complaint high, medium or low (as defined above). Finally, Vasquez has yet another 24 hours to notify City staff that 1) Vasquez has received a high or medium priority complaint and will be investigating the matter immediately, or 2) Vasquez has received a low priority complaint and needs to make a mutual determination with staff as to whether that complaint should be investigated. Any City staff that are implicated in that complaint do not receive any such notice of an investigation. Vasquez must then complete the investigation, prepare a report and present that report to the Finance and Governance Committee with thoroughness and speed, updating staff on the status of any investigation at least weekly.

Whistleblower Activity Report

The following allegations and complaints were received during the period of June 7, 2023, and December 14, 2023:

Incident Number	Primary Type of Allegation	Source of Submission	Priority	Current Status
10-6427611	Unethical Conduct	Website	N/A	Deemed non-fiscal or City related.
10-4769684	Violation of Laws, Regulations, Policies and Procedures	Website	N/A	Deemed non-fiscal or City related.

10-1205032	Violation of Laws, Regulations, Policies and Procedures	Website	N/A	Deemed non-fiscal or City related.
10-3102301	Violation of Laws, Regulations, Policies and Procedures	Website	N/A	Deemed non-fiscal or City related.
10-1620197	Violation of Laws, Regulations, Policies and Procedures	Website	N/A	Deemed non-fiscal or City related.
10-8233309	Violation of Laws, Regulations, Policies and Procedures	Website	N/A	Deemed non-fiscal or City related.
10-5027002	Violation of Laws, Regulations, Policies and Procedures	Website	N/A	Deemed non-fiscal or City related.
10-6236072	Violation of Laws, Regulations, Policies and Procedures	Website	N/A	Deemed non-fiscal or City related.
10-5962840	Unethical Conduct	Website	N/A	Deemed non-fiscal or City related.
10-2220574	Theft	Website	N/A	Deemed non-fiscal or City related.
10-2658513	Not Sure	Hotline - Live Agent	N/A	Deemed non-fiscal or City related.
10-4486092	Violation of Laws, Regulations, Policies and Procedures	Website	N/A	Deemed non-fiscal or City related.
10-8224762	Violation of Laws, Regulations, Policies and Procedures	Website	N/A	Deemed non-fiscal or City related.
10-5706540	Violation of Laws, Regulations, Policies and Procedures	Website	N/A	Deemed non-fiscal or City related.
10-9111875	Violation of Laws, Regulations, Policies and Procedures	Website	N/A	Deemed non-fiscal or City related.
10-3729326	Unethical Conduct	Website	N/A	Deemed non-fiscal or City related.

10-1086815	Unethical Conduct	Website	N/A	Deemed non-fiscal or City related.
10-8920449	Unethical Conduct	Website	N/A	Deemed non-fiscal or City related.
10-2422223	Unethical Conduct	Website	N/A	Deemed non-fiscal or City related.
10-3705875	Management/ Supervisor	Website	N/A	Deemed non-fiscal or City related.
10-9406075	Violation of Laws, Regulations, Policies and Procedures	Website	N/A	Deemed non-fiscal or City related.

Whistleblower Activity Summary

Twenty-one total whistleblower reports were filed during this time period. Vasquez & Company have deemed all of the allegations received during this time period unrelated to the City of Oxnard's fiscal matters. All reports have been forwarded to the appropriate department when follow-up steps from the related department were appropriate.

STRATEGIC PRIORITIES

This agenda item supports the Quality of Life strategy. The purpose of the Quality of Life strategy is to restore and increase quality services and programs that enrich Oxnard's diverse community, promotes safe neighborhoods, encourages community engagement, and supports our residents in their efforts to improve their quality of life.

This agenda item supports the Organizational Effectiveness strategy. The purpose of the Organizational Effectiveness strategy is to reinforce, stabilize, improve, and strengthen the organizational foundation of the City in order to build a modern, high-functioning City government that effectively and efficiently supports the operating departments in providing high-quality services and programs for our residents and businesses.

FINANCIAL IMPACT

There is no financial impact.

Prepared by: Annie Jensen, Project Manager

ATTACHMENTS

1. 1_9_24 F&G Comm_Whistleblower

Whistleblower Activity Report

Presentation to the Finance & Governance Committee
January 9, 2024

Presented by:
Annie Jensen, Project Manager

CITY OF OXNARD CALIFORNIA

An "improper governmental action" is defined as:

"Any activity by a local agency or employee that is undertaken in the performance of the employee's official duties, including activities deemed to be outside the scope of his or her employment, that is in violation of any local, state, or federal law or regulation relating to corruption, malfeasance, bribery, theft of government property, or willful omission to perform duty, is economically wasteful, or involves gross misconduct"

Determining merit and relevance

1) Upon receipt, the Internal Auditor (Vasquez and Company) may conduct an investigation into the facts alleged in the report to determine whether an improper governmental action has occurred.

2) The Internal Auditor will first screen to determine merit and relevance, followed by the possible risk to the City.

Priority Rankings

If the allegation is determined to have merit and relevance, it's given a priority ranking of High, Medium or Low.

1) High Priority - high priority matters could include: potential loss to the City of more than $75,000, high level management involvement, collusion of multiple wrongdoers, major department-wide issues, or the need for immediate action to stop a potential major issue.

2) Medium Priority - medium priority matters could include: potential loss to the City of more than $25,000, include abuse of authority, medium-to-low level employee involvement, minor department-wide issues, or patterns of small issues that could be significant cumulatively.

3) Low Priority - low priority matters could include: potential loss to the City of up to $25,000, composed of isolated incidences of time abuse, wasteful practices that could lead to efficiencies if corrected, or allegations that lack credibility and evidence.

How are reports received and processed?

- Employees or residents may file a complaint online at www.clearviewconnects.com; by calling (844) 964-2544; or by mail to P.O. Box 11017, Toronto, Ontario, M1E 1N0.
- Reports are routed to Vasquez and Company for determination of relevance and merit within 24 hours of receipt.
- If report is determined to be non-fiscal or city related (does not have merit or relevance) it is forwarded to the appropriate City department or outside agency for processing.
- If the report is determined to have merit and relevance, Vasquez will rank the priority of the complaint within another 24 hours.
  - If it's a low priority complaint, Vasquez and the City must make a mutual determination as to whether an investigation is needed.
  - If it's a medium or high priority complaint, Vasquez has 24 hours to notify City staff that they (Vasquez) will be investigating the matter immediately.

Report Summary

- There were **<u>21</u>** total reports received between 6/7/23 - 12/14/23
- All 21 were determined to be non-fiscal or City related by the internal auditor

Primary Type of Allegation	Number of Reports Received
Violation of Laws, Regulations, Policies and Procedures	12
Unethical Conduct	6
Theft	1
Management/Supervisor	1
Not Sure	1

CITY OF
OXNARD
CALIFORNIA

QUESTIONS

CITY OF OXNARD CALIFORNIA

FINANCE AND GOVERNANCE COMMITTEE
AGENDA REPORT

REPORTS
AGENDA ITEM NO. D.3

DATE: January 9, 2024

TO: Finance & Governance Committee

FROM: Stephen Fischer, City Attorney, (805) 385-7483, stephen.fischer@oxnard.org

SUBJECT: Consideration of Request for Future Council Agenda Item. (40 minutes)

RECOMMENDATION

That the Finance and Governance Committee consider whether to place on a future City Council agenda a resolution requested by Councilmember Valenzuela Zavala affirming the City of Oxnard's support for House Resolution 786 and calls for an immediate ceasefire in the Israel-Gaza conflict.

BACKGROUND

The guidelines and procedures set forth in the Procedures Manual adopted by the City Council (Resolution No. 15,537) include a policy intended "to provide an orderly means through which an individual Councilmember can raise an issue for discussion and possible City Council direction or action." (Procedures Manual, Ch. 3, p. 10.) Pursuant to that policy, once a Councilmember requests an item be placed on a future Council meeting agenda, the "request shall be referred to the City Council Committee most related to the subject of the request... [and i]f a majority of such committee agrees the City Council should consider the item, the City Manager will determine when to place the item on a future agenda based on time necessary to complete the research and staff workload considerations and the effect on City Council established priorities." (*Id*. at pp. 10-11.)

During City Council comments at the December 5, 2023 City Council meeting, Councilmember Valenzuela Zavala requested to schedule consideration of whether to place on a future Council agenda a resolution regarding House Resolution 786, which calls for "an immediate deescalation and cease-fire in Israel and occupied Palestine." House Resolution 786 was introduced in the House of Representatives on October 16, 2023 by Rep. Cory Bush (D-MO) and referred to the House Committee on Foreign Affairs on October 25, 2023. House Resolution 786 is attached to this report, as is the Council resolution proposed by Councilmember Valenzuela Zavala.

Regarding Council resolutions expressing support on a particular issue, the Procedures Manual notes, "The City Council has occasionally debated whether it should take positions of a broader nature or limit itself to purely municipal functions. Historically, Oxnard City Councils have chosen to not take positions on issues outside of their immediate authority to effect. The propensity of the City Council to involve itself in such issues reflects the personalities and outlooks of the members who are elected to four-year terms." (Procedures Manual, Ch. 2, p. 7.) Should the Council determine to take a position on House Resolution 786, official City correspondence would reflect the position, and Councilmembers who disagree with that position would be free to prepare correspondence on the issue as private citizens. (Procedures Manual, Ch. 4, p. 18.) If the Council does not take a position on House Resolution 786, a Councilmember can still express their views so long as they clearly indicate that they are not speaking for the City Council as a whole. (*Ibid*.)

STRATEGIC PRIORITIES

This agenda item is a routine operational item or does not relate to the five strategic priorities adopted by City Council on March 16, 2021.

FINANCIAL IMPACT

There is no financial impact.

Prepared by: Stephen Fischer, City Attorney

ATTACHMENTS

1. House Resolution 786
2. Proposed Council Resolution Supporting House Resolution 786

IV

118TH CONGRESS
1ST SESSION

H. RES. 786

Calling for an immediate deescalation and cease-fire in Israel and occupied Palestine.

IN THE HOUSE OF REPRESENTATIVES

OCTOBER 16, 2023

Ms. BUSH (for herself, Ms. TLAIB, Mr. CARSON, Ms. LEE of Pennsylvania, Mrs. RAMIREZ, Mr. BOWMAN, Mrs. WATSON COLEMAN, Mr. GARCÍA of Illinois, Mr. JACKSON of Illinois, Ms. OCASIO-CORTEZ, Ms. OMAR, Ms. PRESSLEY, and Ms. VELÁZQUEZ) submitted the following resolution

OCTOBER 25, 2023

Referred to the Committee on Foreign Affairs

RESOLUTION

Calling for an immediate deescalation and cease-fire in Israel and occupied Palestine.

Whereas all human life is precious, and the targeting of civilians, no matter their faith or ethnicity, is a violation of international humanitarian law;

Whereas, between October 7 and October 16, 2023, armed violence has claimed the lives of over 2,700 Palestinians and over 1,400 Israelis, including Americans, and wounded thousands more;

Whereas hundreds of thousands of lives are at imminent risk if a cease-fire is not achieved and humanitarian aid is not delivered without delay; and

Whereas the Federal Government holds immense diplomatic power to save Israeli and Palestinian lives: Now, therefore, be it

Resolved, That the House of Representatives—

(1) urges the Biden administration to immediately call for and facilitate deescalation and a cease-fire to urgently end the current violence; and

(2) calls upon the Biden administration to promptly send and facilitate the entry of humanitarian assistance into Gaza.

○

CITY COUNCIL OF THE CITY OF OXNARD

RESOLUTION NO.

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF OXNARD AFFIRMING THE CITY OF OXNARD'S SUPPORT FOR HOUSE RESOLUTION 786 AND CALLS FOR AN IMMEDIATE CEASEFIRE IN THE ISRAEL-GAZA CONFLICT

WHEREAS, the City of Oxnard condemns the recent rise of anti-Semitic, Islamophobic, racist, homophobic, and xenophobic attacks in our city and across the nation, including the doxxing of private individuals, students, professors, journalists, community leaders, and others speaking truth to power; and

WHEREAS, the City of Oxnard advocates for the safety, dignity, freedom, and equality of all people, regardless of religion, race, or nationality; and

WHEREAS, over one thousand people in Israel and more than seventeen thousand Palestinians in Gaza have been killed just in this most recent escalation, of whom over ten thousand are children; and

WHEREAS, the City of Oxnard recognizes that the current crisis takes place within a long history and affirms that, for a pathway to lasting peace and justice to be developed, the root causes of the crisis need to be addressed; and

WHEREAS, Gaza is in a dire and continuously escalating humanitarian crisis, with remaining hospitals running out of fuel and medical supplies, and over 1.5 million Palestinian civilians facing displacement, homelessness, and starvation; and

WHEREAS, international organizations like Amnesty International, the United Nations, the World Health Organization, the US Agency for International Development (USAID), the International Rescue Committee, and many others have made a call for a ceasefire in order to prevent the further loss of life of civilians and to be in accordance with international humanitarian law; and

WHEREAS, sixty six percent of American voters support a ceasefire, according to an October 20th, 2023 Data For Progress poll, and want to see the U.S. leverage its diplomatic relationships "to prevent further violence and civilian deaths."

NOW, THEREFORE, the City Council of the City of Oxnard resolves that the City of Oxnard supports U.S. Congress Resolution H.R.786 and joins other cities in calling on our Congress Members to demand: an immediate ceasefire; release of all hostages, the unrestricted entry of humanitarian assistance into Gaza; the restoration of food, water, electricity, and medical supplies to Gaza; the respect for international law; and calls for a resolution that protects the security of all innocent civilians; and

THE CITY COUNCIL RESOLVES FURTHER that a copy of this resolution be sent to city councils in Ventura County, the offices of Assemblymember Steve Bennett, Assemblymember Jacqui Irwin, State Senator Monique Limón, California Governor Gavin Newsom, U.S. Representative Julia Brownley, U.S. Representative Salud Carbajal, U.S. Senator Laphonza Butler, U.S. Senator Alex Padilla, U.S. President Joe Biden, and U.S. Vice President Kamala Harris, urging them to take immediate action to use their position and influence to end violence and loss of life in the region.

PASSED AND ADOPTED THIS ______ day of _________________, 2024, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

____
John C. Zaragoza, Mayor

ATTEST:

____
Rose Chaparro, City Clerk

APPROVED AS TO FORM:

____
Stephen M. Fischer, City Attorney