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CITY OF CULVER CITY FINANCE ADVISORY COMMITTEE

REGULAR MEETING OF THE
CITY OF CULVER CITY
FINANCE ADVISORY COMMITTEE
CULVER CITY, CALIFORNIA

June 12, 2019
7:00 p.m.

CALL TO ORDER & ROLL CALL

Chair Leonard called the regular meeting of the City of Culver City Finance Advisory Committee to order at 7:00 p.m. in the Dan Patacchia Meeting Room at City Hall.

Members Present: **JANE LEONARD**, Chair
 DARREL MENTHE, Vice Chair
 NANCY BARBA, Member
 SEAN KEARNEY, Member
 ALEJANDRO LARA, Member
 BRYAN SUA, Member

Absent: **CRYSTAL ALEXANDER**, Member
 CHRISTOPHER HARRIS, Member

Staff Present: **John Nachbar**, City Manager
 Carol Schwab, City Attorney
 Onyx Jones, Chief Financial Officer
 Kambiz Borhani, Assistant Chief Financial Officer
 Erica McAdoo, Procurement & Financial Services
 Manager

Council Present: **Thomas Small**, Council Member

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Chair Leonard acknowledged Council Member Small and introduced staff present at the meeting.

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Pledge of Allegiance

John Nachbar, City Manager, led the Pledge of Allegiance.

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Public Comment for Items NOT On the Agenda

Chair Leonard invited public comment.

The following member of the audience addressed the Committee:

Mark Lipman presented minutes from the Committee on Homelessness meeting of February 5, 2019 in which they recommended a business tax on major corporations; he expressed concern with businesses paying their fair share to address displacement and their exacerbation of housing issues; the lack of General Fund money for housing; creative accounting; and he suggested taxing gross revenue and instituting a minimum tax.

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Consent Calendar

Item C-1

Approval of Minutes for the Special Meeting of May 15, 2019

Chair Leonard noted that the meeting had been relocated to the Patio Conference Room, not the Patacchia Rooms as indicated; she asked that wording in the Consent Calendar be changed to read: "Member Leonard requested corrections to Erica McAdoo's title in prior minutes"; she noted that she had provided a minor formatting correction to Erica McAdoo; and she suggested that when receiving reports from subcommittees, each committee have a separate section for the content.

MOVED BY VICE CHAIR MENTHE, SECONDED BY MEMBER KEARNEY AND UNANIMOUSLY CARRIED, THAT THE FINANCE ADVISORY COMMITTEE APPROVE MINUTES FOR THE SPECIAL MEETING OF MAY 15, 2019 AS AMENDED (ABSENT MEMBERS ALEXANDER AND HARRIS).

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Order of the Agenda

Chair Leonard moved Action Item 2 forward as requested by staff.

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Action Items

Item A-2
(Out of Sequence)

Receive Reports from the Subcommittees

On Demand Transportation Services Subcommittee

Chair Leonard acknowledged the Subcommittee for their presentation to the Mobility, Traffic and Parking Subcommittee meeting on May 30 and she asked members of the Subcommittee to raise their hands, noting that Member Casarez had also participated.

Discussion ensued between Council Member Small, staff and Committee Members regarding the Metro pilot; the need for legislative action at the state level; and consideration of Culver City as a testing ground.

Business Tax Review Subcommittee

Vice Chair Menthe discussed the consultant presentation at the recent Subcommittee meeting noting that Subcommittee Members had questions for the consultants and would meet again next month to do additional work.

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Item A-1

(1) Discussion of Internal Audit Reports of Fraud, Waste, and Abuse Program and Grant Management Internal Controls Testing; (2) Authorize Reports for Transmittal to City Council; and (3) Discuss the Presentation of Future Internal Audit Reports

Chair Leonard invited public comment.

The following members of the audience addressed the Committee:

Paulette Greenberg discussed her advocacy for a fraud hotline in Culver City; other cities that have long-established fraud hotlines; the advice of Moss Adams to set up a fraud hotline as part of internal controls; she requested an explanation as to why a hotline has not been established and the recommendation from Moss Adams was not acted upon; she noted that a representative from Moss Adams was not present; and she stated that a hotline was needed as there is no investigative reporting in the City.

Les Greenberg provided background on himself; thanked the Committee for bringing the issue into the public forum; he reported investigating the lack of effective internal controls in Culver City; discussed bond rating agencies; voters; he cited numerous misleading statements in the June 30, 2017 Moss Adams draft report; he questioned where the final report was; discussed money paid to Moss Adams and questioned what the City was receiving for that; he pointed out generic statements used in the report; references to a hotline; warnings from independent auditors that effective internal controls must be established; concern with delays; and he asked when a fraud hotline would be set up and internal controls established.

Chair Leonard indicated that she and Member Sua are City staff members.

Member Sua read a statement indicating that he had consulted with the City Attorney and determined that he did not have a legal or financial conflict of interest for agenda item A-1 under the Public Reform Act, nor did he have an actual bias that would impact his objective review and discussion of the report.

Chair Leonard reported that she had also consulted with the City Attorney and it was determined that she did not have a conflict of interest with regard to agenda item A-1, she had no legal or financial conflict under the Public Reform Act, nor did she have a personal or actual bias that would impact her objective review and discussion of the report.

Chair Alexander noted that members of the Internal Controls Ad Hoc Subcommittee were in attendance including Council Member Small.

Onyx Jones, Chief Financial Officer, reported that representatives from Moss Adams were delayed but would arrive as soon as possible; she discussed audits conducted by Moss Adams; creation of an action plan to address findings; authorization by the City Manager to assign a position to move the project forward; establishment of an internal audit position; work done to address items identified in the report; the City credit card; inventory management; weekly conference calls with Moss Adams; the importance of policies and procedures; the ad hoc Subcommittee; document review; finalization of information; improved software; segregation of duties; procedures and timeline for implementation; City initiation of the contract with Moss Adams; and the evaluation by Moss Adams.

Onyx Jones, Chief Financial Officer, turned over the presentation to the representative from Moss Adams who joined the meeting.

Colleen Rosales, Moss Adams, provided background on herself; discussed examination of the City from a risk-based perspective; the Enterprise Risk Assessment and the Enterprise Internal Controls Review; addressing areas of highest risk; the Fraud, Waste and Abuse program; the Internal Controls and

Cash Handling Report; Grants Management and Internal Controls Testing; she indicated that they had accomplished about one project per year; discussed determining the work plan; interviews, walk-throughs and surveys; unique operating environments with each city; preparation and testing of preliminary findings; submitting drafts to the committee; best practices; enforcement of ethical behavior in the organization; regular training; and program components.

Onyx Jones, Chief Financial Officer, discussed the current cities hotline program number available for employees who need to make a call; protection of whistleblowers; information distributed to employees; providing an alternative to the California State Attorney General's Whistle Blower Hotline; other hotline options available; effectiveness; fees; and the Code of Ethics and Whistleblower policy previously put in place.

Discussion ensued between meeting attendees, staff and Committee Members regarding reasoning for providing other options; responsiveness; tracking calls; educating the community; quarterly updates; procedures for addressing concerns; confidentiality; annual fees; clarification that this is the first effort to implement internal controls which are not regulated or mandated; best practices; ongoing training; and outreach to the community.

Colleen Rosales, Moss Adams, discussed Grants Management Internal Controls Testing; providing recommendations after issues are identified; being collaborative and proactive; testing compliance; the decentralized process; inherent risk; procurement; the collaborative nature of City staff; receptiveness to change; updated documents to meet contemporary business needs; department-level issues; communicating grant standards; providing, clear, updated procedures; those who do not deal with processes regularly; requests for overtime; federal standards; and different interpretations.

Additional discussion ensued between meeting attendees, staff and Committee Members regarding aligning with federal standards; addressing technological changes; timeliness of grant submissions; fiscal year vs. calendar year; checks and balances to make sure that things are done on time; procedures for overtime approvals; and Police Department interpretation.

Onyx Jones, Chief Financial Officer, discussed staff recommendations based upon feedback from Moss Adams; the need to update the Administrative Policy; grant compliance; planned City-wide overall update of policies and procedures; transparency; consistency; follow-through; operational inefficiencies in document management practices; document scanning; Sharepoint; naming conventions; grant tracking; accounting software; improved communication; creation of a quarterly newsletter; maintaining information for audit purposes; the missed date with the Safe Routes to School grant; overtime sheets; electronic approvals; and Executime.

Further discussion ensued between staff and Committee Members regarding Executime and parameters for preapproval.

Colleen Rosales, Moss Adams, discussed next steps in the process including research; developing priorities for update of policies and procedures; conducting an Enterprise Risk Assessment and a Fleet Efficiency Study; procedure inventory; the updated Enterprise Internal Controls Review Report; department-specific controls; findings; opportunities for improvement; people, processes and systems; smaller departments; and segregation of duties.

Onyx Jones, Chief Financial Officer, discussed the extensive report and recommendations from Moss Adams; realistic expectations; growth of the City; the budget; favorable reception from department heads; and timeframe for implementation.

Chair Leonard expressed appreciation to staff and the consultants for the presentation and for addressing the issue head-on; she discussed receptivity to making improvements; moving forward; and appreciation to the Subcommittee for bringing the matter to the FAC.

Discussion ensued between staff and Committee Members regarding the importance of doing audits to make things better; appreciation to Mr. Greenberg for his involvement and for his request for transparency and accountability; acknowledgement that things need to change; the audit finding; the commitment of the City for change; the changeover to the new Chief Financial Officer; findings vs. observations; the implementation plan; priorities; City Council direction; the draft document from Moss Adams; risk levels; work with the ad hoc Subcommittee; the process moving forward; clarification that the City Manager instigated the process; best practices; development of the Fraud, Waste and Abuse Program already in place; employee and community outreach; use of Moss Adams as a neutral party; highlighting processes already in place and acknowledging the need for enhancement; and implementing items specific to Culver City.

Council Member Small thanked everyone for their work; discussed the growth of the City; pressure to evolve all operations with existing personnel; the importance of the work; challenges; and appreciation to the Greenbergs for their advocacy.

Additional discussion ensued between staff and Committee Members regarding the addendum to the Fraud, Waste and Abuse Program.

MOVED BY VICE CHAIR MENTHE, SECONDED BY MEMBER BARBA AND UNANIMOUSLY CARRIED, TO APPROVE THE INTERNAL AUDIT REPORTS OF FRAUD WASTE AND ABUSE PROGRAM, AND GRANT MANAGEMENT INTERNAL CONTROLS TESTING WITH RECOMMENDATIONS AS

DISCUSSED FOR TRANSMITTAL TO THE CITY COUNCIL (ABSENT MEMBERS ALEXANDER AND HARRIS).

Discussion ensued between staff and Committee Members regarding future internal audit reports; the Internal Controls and Cash Handling Report; and additional discussion of items at the next meeting.

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Public Comment – Items NOT on the Agenda (Continued)

Chair Leonard invited public participation.

No cards were received and no speakers came forward.

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Receipt of Correspondence

Erica McAdoo, Procurement & Financial Services Manager, reported that a letter had been received from Les Greenberg and distributed to all Committee Members.

MOVED BY MEMBER KEARNEY, SECONDED BY MEMBER LARA AND UNANIMOUSLY CARRIED, THAT THE FINANCE ADVISORY COMMITTEE RECEIVE AND FILE CORRESPONDENCE (ABSENT MEMBERS ALEXANDER AND HARRIS).

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Items from Committee Members/Staff

Item S-1

Discussion of July Agenda

Discussion ensued between staff and Committee Members regarding items for the July agenda including review of reports from subcommittees; bylaws; workplan for discussion items; and the quarterly Committee report transmitted to the City Council.

Vice Chair Menthe noted that the old definition for the Business Seat is still on the application.

Chair Leonard reported that Member Casarez had resigned leaving the Business Seat open.

Erica McAdoo, Procurement & Financial Services Manager, reported that the seat had become vacant too late to be included in appointments made at the City Council meeting on June 10, but the City Council provided direction in terms of how to proceed with vacancies including formal recruitment; she noted that FAC Members are always encouraged to provide recommendations; and, responding to inquiry, she indicated that the City Clerk's office would be transmitting information regarding required Brown Act training.

Carol Schwab, City Attorney, reported that Brown Act training would be held on June 27,

Chair Leonard reminded everyone to be checking their City email account to ensure they get information and notifications, and she reminded everyone of updated bylaw requirements for attendance.

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Adjournment

There being no further business, at 8:44 p.m., the Finance Advisory Committee adjourned its meeting to Wednesday, July 10, 2019 at 7:00 p.m. in the Dan Patacchia Meeting Room.

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Erica McAdoo
SECRETARY of the Culver City Finance Advisory Committee
Culver City, California

APPROVED

Jane Leonard
CHAIR of the Finance Advisory Committee, Culver City, California

I declare under penalty of perjury under the laws of the State of California that, on the date below written, these minutes were filed in the Office of the City Clerk, Culver City, California and constitute the Official Minutes of said meeting.

Jeremy Green
CITY CLERK

Date