



City of Culver City

Staff Report

File #: 19-1409, Version: 1

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.

Meeting Date: June 12, 2019

Contact Person/Dept: Onyx Jones/Finance Department

Phone Number: (310) 253-5865

Fiscal Impact: Yes No **General Fund:** Yes No

Public Hearing: **Action Item:** **Attachments:**

Public Notification: (E-Mail) Meetings and Agendas - Finance Advisory Committee (06/06/19); Finance Authority (06/06/19); Fiscal and Budget Issues (06/06/19); Culver City News and Events (06/06/19)

Departmental Approval: Onyx Jones, Chief Financial Officer (06/06/19)

RECOMMENDATION

The Internal Controls Ad Hoc Subcommittee recommends the Finance Advisory Committee (FAC) (1) discuss the 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.

BACKGROUND/DISCUSSION

Internal audits assist the City in the efficient use of resources by providing analysis and recommendations for improved operations and stronger internal controls. The City voluntarily hired Moss Adams, LLP back in 2016 as an independent audit firm to perform internal audit services in accordance with applicable industry standards. The Finance Department recognizes that effective internal controls result in best management practices for financial operations.

Moss Adams is in progress of performing a variety of reviews that include:

- Evaluating the adequacy of segregation of duties

- Supervisory reviews and approvals
- Reconciliations
- Physical safeguards over cash, checks and critical forms (such as handwritten receipts, permits and licenses)
- Existence and adequacy of written procedures.
- Enterprise risk assessment of City operations including grants, payroll and accounts payable.

There are six reports currently being developed by Moss Adams, LLP. Draft versions of the Fraud, Waste and Abuse and Grant Management are included with this report. The list of audit reports includes:

Type of Audit Report
1. Fraud, Waste and Abuse Program Summary Report
2. Grant Management Internal Controls Report
3. Enterprise Internal Controls Review
4. Cash Handling Internal Controls Report
5. Enterprise Risk Assessment
6. Fleet Efficiency Study

Recommended Enhancements to be Accomplished

Fraud, Waste and Abuse Program:

1. Update the Whistleblower and Code of Ethics Policy.
2. Explore an option to enter into a contract with an external hotline answering company instead of current State Attorney’s hotline for receiving complaints.
3. Provide initial and ongoing training to employees on this program.
4. Conduct outreach to the community about the Fraud, Waste and Abuse Program.

Grant Management Internal Controls Testing:

1. Update the Grant Administration Policy and review other cities’ policies for consistency and present the draft policy to subcommittee for review.
2. Update administrative procedures for Grant Management and provide annual training to staff on the updates.
3. Hire a consultant to digitize grants documents citywide and make accessible to all departments through Culver Central.
4. Explore the Grant and Project Accounting module in the current accounting software for tracking grant activities, maintaining a master schedule and keeping up with deadlines.
5. Create a quarterly Grant Newsletter informing departments of updates, suggestions, issues, new ideas and audit findings related to Grants Management.

The Internal Controls Ad Hoc Subcommittee has referred the draft Fraud, Waste, and Abuse Program and the draft Grant Management Reports for review, to propose recommended changes, to approve for transmittal to City Council, and discuss the presentation of future internal audit reports. The Internal Controls Ad Hoc Subcommittee will be in attendance to discuss and answer any questions.

ATTACHMENTS

1. Fraud, Waste, and Abuse Program Report - Draft
2. Grant Management Internal Controls Testing Report - Draft

MOTION

That the Finance Advisory Committee:

1. Discuss the Fraud, Waste and Abuse Program and Grant Management Internal Controls Testing Report;
2. Authorize transmittal to City Council; and
3. Discuss the Presentation of Future Internal Audit Reports.