

(NOT APPROVED)

CITY OF SANTA MONICA

AUDIT SUBCOMMITTEE MEETING

MINUTES

TUESDAY, JANUARY 19, 2016

A special meeting of the Santa Monica Audit Subcommittee was called to order by Acting City Clerk, Denise Anderson-Warren at 7:04 p.m., on Tuesday, January 19, 2016, at Ken Edwards Center, 1527 Fourth Street, Santa Monica, CA 90401

Roll Call: Present: Committee Member Pam O'Connor (*arrived at 7:12 p.m.*)
Committee Member Sue Himmelrich
Committee Member Frances Ellington
Committee Member Nimish Patel

Absent: Committee Member Tony Vazquez

Also Present: Director of Finance Gigi Decavalles
City Attorney Marsha Moutrie
Acting City Clerk Denise Anderson-Warren

CONVENE On order of Clerk, the Audit Subcommittee convened at 7:04 p.m., with committee members Vazquez and O'Connor absent.

CHAIR AND VICE-CHAIR ELECTION **2. Election of Chair and Vice Chair of the Audit Subcommittee of the City of Santa Monica**, was presented.

The Clerk opened the floor for nominations for Chair.

Committee Member Himmelrich nominated Nimish Patel as Chair.

There being no other nominations, Nimish Patel was appointed as Chair by a unanimous voice vote, with Committee Members Vazquez and O'Connor absent.

The Chair opened the floor for nominations for Vice Chair.

Committee Member Ellington nominated Committee Member Sue Himmelrich.

There being no other nominations, Sue Himmelrich was appointed as the Vice Chair by a unanimous voice vote, with Committee Members Vazquez and O'Connor absent.

MEETING TIME AND PLACE

3. Adoption of a Resolution entitled: “Resolution of the Audit Committee of the City Council of the City of Santa Monica Establishing Regular Meeting Dates,” was presented.

Motion by Vice Chair Himmelrich, seconded by Committee Member Ellington, to adopt Resolution No. 1 (ASC) scheduling regular meetings of the Audit Committee to be held on the third Tuesday of each January, April, and October at 7:00 p.m. at the Ken Edwards Center, 1527 4th Street, Santa Monica, CA 90401.

The motion was approved by the following vote:

- AYES: Committee Member Ellington, Vice Chair Himmelrich, Chair Patel
- NOES: None
- ABSENT: Committee Members Vazquez and O’Connor

INTERNAL CONTROLS TRAINING

Committee Member O’Connor arrived at 7:12 pm

4. Receive an Update on Internal Controls Work Plan and Progress on Internal Review Findings, was presented.

There were no members of the public present to comment.

a. Internal Audit Work Plan Updated (presented by Mark Steranka, Partner, Moss Adams LLP)

Mr. Steranka presented there are four projects ongoing, and one new project.

1. Bank Reconciliation Support
2. External Audit Preparation Support
3. Ambulance Contract Audit
4. Ongoing Internal Audit Services
5. Benefits billing process review

Questions were asked of staff about any other outstanding contracts that should be reviewed, and of the benefits audit. Staff responded that the current priority is getting a handle on the cash handling review, and potentially in the future, the Parking Citation contract could be something to review.

b. Internal Controls Review Progress Report (presented by Gigi Decavalles-Hughes, Director of Finance)

The Finance Director gave an update that out of the 42 recommendations on the Review Progress Report, 11 of them have been completed, and 5 are close to being completed. Priority projects include: the benefits billing process review; the cash handling is currently decentralized, and needs to be improved; Accounts receivable review is happening in the Spring; the Billing and Collections unit has been taking on a lot more work; updating Policies and Procedures, and providing all Supervisors with handbooks; Provide training for all policies and procedures; Developing a Code of Ethics; the new Enterprise Resource Planning (ERP) system once installed will help

with many of the recommendations.

Questions were asked and answered of staff regarding Procurement Cards and best practices; Timekeeping issues; Who will be responsible for training after the Policies and Procedures are established, and how will that be done, either by internal staff or external auditors.

Motion by Vice Chair Himmelrich, seconded by Committee Member Ellington, to receive and file the presentation of the Internal Auditor and the Director of Finance. The motion was approved by voice vote, with Committee Member Vazquez absent.

CAFR

5. Receive the Comprehensive Annual Financial Report (CAFR) Executive Summary (Presented by Jim Godsey, Partner, Macias, Gini and O'Connell LLP), was presented.

There were no members of the public present.

Questions were asked of staff about restatements, liabilities, materiality, misallocation of funds, difference between restricted and committed funds, and fiduciary funds.

The presenter expressed concern about Santa Monica allowing Marijuana Dispensaries, and the necessity to establish an ordinance developing strict control policies.

Motion by Vice Chair Himmelrich, seconded by Committee Member Ellington, to receive and file the CAFR, and present it to the full City Council at the February 9, 2016 meeting. The motion was unanimously approved by voice vote, with Committee Member Vazquez absent.

AUDITING FIRM SELECTION

6. Selection of the Professional Auditing Firm be recommended to the City Council for Award of a Contract, was presented.

There were no members of the public present.

The Director of Finance reported that there were six proposals received, three firms were interviewed, and Lance, Soll & Lunghard, LLP was selected.

Motion by Vice Chair Himmelrich, seconded by Committee Member Ellington, to bring the recommendation of the selection committee to the City Council and recommend that Lance, Soll & Lunghard, LLP (LSL) be awarded a contract to provide professional auditing services for the City for fiscal years 2015 – 16 through 2019 – 20. The motion was unanimously approved by voice vote, with Committee Member Vazquez absent.

ANNOUNCEMENTS & UPDATES

There were no Announcements or Updates.

ADJOURNMENT

On order of the Chair, the Santa Monica Audit Subcommittee meeting was adjourned at 8:42 p.m.

ATTEST:

APPROVED:

Denise Anderson-Warren
Acting City Clerk

Nimish Patel
Chair

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