

Administrative Instruction should have more simplified language so that everyone can understand..

Motion by Committee Member Morena, seconded by Chair Himmelrich, to receive and file the report. The motion was unanimously approved by voice vote with all members present.

CAFR

4. Presentation of the Comprehensive Annual Financial Report (CAFR) to the Audit Subcommittee (presented by LSL LLP), was presented.

There were no members present to speak.

Brandon Young, LSL CPA presented the results of the city’s financial audit, including testing account balances and controls in place through June 30, 2018. Audits performed included the City CAFR Audit, Big Blue Bus Audit, Federal National Transportation Database (NTD) Report (due in October), Air Quality Management District (AQMD) Audit, and Federal Single Audit (due in March). The Auditor met with Committee Member Van Denburgh and Chair Himmelrich four to five times a year. The auditors presented their Unmodified Report for the City’s Financial Statements. This year there is an emphasis of matter paragraph noting the City adopting GASB No. 75, Accounting and Financial Reporting for Post-Employment Benefits Other than Pensions will now provide full unfunded liability on the CAFR. The Auditors Communication with Those Charged with Governance and SAS 115; Audit communication letters to fulfill the Statement on Auditing Standards (SAS) No. 114; and, Communicating Internal Control Related Matters Identified in an Audit were also provided.

Questions asked and answered of staff included: How is pension liability measured and is CalPERS on the same budget cycle as the city; does the market impact CalPERS percentage schedule; does that mean we’re paying and not making any progress paying off the debt; what is the GASB 75, and how does it reflect differently on the CAFR; and what is materiality for the purchases of material correctness in this city.

Motion by Committee Member Morena, seconded by Committee Member Winterer, to receive and file the report. The motion was unanimously approved by voice vote with all members present.

BBB OVERTIME STUDY

5. Presentation of the Final Report for the Big Blue Bus Overtime Study (presented by Moss Adams), was presented.

There were no members present to speak.

It was reported that: overtime increased significantly in response to the 2014 service expansion; department interventions reduced overtime by 9 percent between FY 2017 and FY 2018; and almost 90 percent of overtime is incurred by Motor Coach Operators (MCO).

Questions asked and answered included: what’s the median for hourly overtime rate for an existing employee; if generally it’s more cost effective to pay overtime than to hire new MCOs, is the purpose of this exercise primarily to look at ways to better budget for that overtime so that you’re anticipating cost more effectively or to implement some of those practices about how people select their schedules; how long was the most recent contract with the bargaining union; does it make sense if you’re reducing service hours that you’re probably reducing overtime; so, unless you have significant retirements or other attritions in the MCO workforce, in theory there should be better management of overtime since there’s fewer service hours; if someone is working excessive amounts of overtime, does that increase the likelihood of accidents; does staff agree with the recommendations, and how does this get advanced forward; how soon until a third-party FMLA Administrator can come onboard; cafeteria style scheduling needs to be reconsidered, and can overtime be capped per individual.

Motion by Committee Member Winterer, seconded by Committee Member Morena, to receive and file the report. The motion was unanimously approved by voice vote, with all members present.

**HED AUDIT
OPPORTUNITIES**

6. Audit Opportunities within Housing and Economic Development (presented by Andy Agle, Director of Housing and Economic Development), was presented.

There were no members of the public present to speak.

There are six areas to be considered for future audits:

- 1) Housing Authority (provides rental assistance)
- 2) Housing Production Preservation (making investments with non-profits)
- 3) Inclusionary Housing (stock of affordable housing)
- 4) Real Estate Operations (leasing and licensing of City-owned property)
- 5) Farmers Market (majority cash based)
- 6) Redevelopment Successor Agency

Committee Morena recused himself due to a possible conflict of interest.

Committee Member Morena was excused at 7:28 p.m.

Questions asked of staff included: Is there a reason you don’t have a fixed rate for the Farmers Market; would it be feasible to charge based on a category and space instead of a percentage; what are the average size units when rehabbing a building for low income housing; would it be useful to monitor inclusionary housing to see if people are gaming the system; does the city do any monitoring about who’s living in inclusionary housing; how many deed-restricted housing units are there; and, how is it decided who gets these apartments, how is the list determined.

Discussion on the following topics included, but was not limited to: Real Estate operations could create an opportunity for efficiency, timing, and money; Housing production – new system will be able to enhance ability to monitor loans to nonprofits and compliance with loan terms; process behind the waiting list and determining who gets housing; it would be helpful to see and understand how the list is delineated.

Motion by Committee Member Winterer, seconded by Committee Member Van Denburgh, to receive and file the report. The motion was unanimously approved by voice vote with all Committee Member Morena absent.

**PRINT SHOP
EFFICIENCY STUDY**

7. Presentation of the Final Report for the Print Shop Efficiency Study (presented by Moss Adams), was presented.

Committee Member Morena returned at 8:01 p.m.

There were no members of the public present to speak.

For Efficiency studies Moss Adams studies three things, people, processes and systems. They look for opportunities to improve efficiency and effectiveness. The study was conducted from Sept – Dec. 2018. Reported was the following: the customers are very satisfied with the service the Print Shop provides. And even though the satisfaction is high, there are some areas that could be improved.

Questions asked and answered included: what is needed to move forward with a market analysis, including the staff and facilities, not including the move; do we have more capacity, is this something that we could go to market and offer other people services outside the city; and, what are the timelines for the work at the City Yards and when does the Print Shop need to be moved out.

Discussion ensued on the following, but not limited to: there are other functionalities that the Print Shop could do, such as house larger amounts of paper; create a 3 or 5-year marketing plan; knowing the full cost means that departments should be charged the full price or should the cost be disbursed evenly; the marketing and functionality should also be included in the cost of maintenance; and, if we keep the Print Shop what would that look like.

Motion by Committee Member Morena, seconded by Committee Member Winterer, to receive and file with direction to staff to move forward with a market analysis looking at salaries as part of the pricing, labor and facilities, etc. and feasibility study. The motion was approved by voice vote with all members present.

When asked how much it would cost for both a market analysis and feasibility study, Moss Adams said \$60,000. The market analysis would cost \$20,000. Direction was given to have a market analysis done on the Print Shop and return with results in a year or less.

**INTERNAL AUDIT
STATUS REPORT**

8. Internal Audit Status Report (presented by Helen Yu, City of Santa Monica), was presented.

There were no members of the public present to speak.

It was reported that the Big Blue Bus Overtime Study and Print Shop Efficiency Study have been completed. The Fire Administration Operations Review; Fleet Utilization Study and Fleet Forecast are almost complete and will be back in April. Three projects that have not been started included: Technology Internal Service Fund Review; Parking Operating Contract Review, and Grants Management Internal Controls Testing will be starting soon and will probably be completed by May.

Questions asked and answered included: Are those grants we receive or grants we give; should the grants received control system be done before the grants given; what was the reason for doing the grants management control testing; and how much in grant funds does the city receive.

Motion by Committee Member Van Denburgh, seconded by Committee Member Winterer, to receive and file the report. The motion was unanimously approved by voice vote with all members present.

AUDIT FINDINGS

9. Audit Findings Progress Report (presented by Helen Yu, City of Santa Monica), was presented.

There were no members of the public present to speak.

There were 109 recommendations, and there are only a few items left for the internal review. The remaining items include: Billing and Accounts Receivables, Cash Handling, transition to the new ERP system for Human Resources/Payroll. Staff reported that they are going to be posting the status report showing all recommendations completed or in progress by Thursday, January 17th; and that 70% of the recommendations have been completed.

Questions asked and answered of staff included: How do you validate that the recommendations are being accomplished and, what should be done to make this effort more effective or efficient.

Motion by Committee Member Morena, seconded by Committee Member Van Denburgh, to receive and file the report. The motion was unanimously approved by voice vote with all members present.

FUTURE PLANNING

10. Future Audit Subcommittee Meeting Schedule, was presented.

There were no members of the public present to speak. Staff presented a change in the meeting schedule for the Audit subcommittee to change their regular meeting dates to the third Tuesday in

February, May, August, and November.

Motion by Chair Himmelrich, seconded by Committee Member Morena, to approve the recommended action. The motion was unanimously approved by voice vote with all members present.

ADJOURNMENT

On order of the Chair, the Santa Monica Audit Subcommittee meeting was adjourned at 9:07p.m.

ATTEST:

APPROVED:

DocuSigned by:

E2F85B056A714C3...

Denise Anderson-Warren
City Clerk

DocuSigned by:

823148D999FF4F3...

Sue Himmelrich
Chair