

Committee Member Van Denburgh nominated Ted Winterer
Committee Member Winterer nominated Elizabeth Van Denburgh
Committee Member Himmelrich nominated herself

Committee Members Van Denburgh and Winterer withdrew their nominations.

Chair Morena nominated Sue Himmelrich

There being no other nominations, Sue Himmelrich was unanimously appointed by voice vote as the Vice Chair of the Audit Subcommittee, with all members present.

REPORTS

6. Presentation of Reports, was presented.

- a. Fire Department Administrative Review (Moss Adams and Bill Walker, Fire Chief)

It was reported: Workloads are high; work is siloed based on individual managers; and functional areas of responsibility and authority were sometimes unclear; some Chiefs and Coordinators didn't have any sort of Administrative support or support staff; there need to be clearer roles and workplans; develop project management plan and meet on a quarterly basis.

The recommendation is to use a more shared service model with two teams to support financial operations and operational support will be able to provide support for everyone in the department, not just certain managers. One of the ways to accomplish this is to create an administrative workplan, with priorities, and to work with ISD using more technology and creating a relationship.

The Fire Department currently has manual processes:

- Inspections (Currently one dedicated person) – this is a highly manual process with paper. All other inspections are done by Fire Suppression.
- Fire Prevention billing – invoicing and collection process highly manual

Questions asked and answered included: Why does Fire have a stand-alone billing system, and why doesn't it integrate with other systems; how is billing/invoicing being done throughout the city; the internal controls throughout the city, how do these findings relate to earlier reviews and why did these internal control issues come out in this report, but did not come out in the overall reports previously; what do we do to collect the outstanding invoices; how many invoices are involved in this number, and how does that compare to other departments; are most of these functions performed in the Fire Department by Fire or Finance; would the staff assistant move from another area, or would the assistant be a new hire; where are you in the project management portion, and what can be done to

help you; is that where the extra Admin person would go; once these projects are completed, do you think there would still be a need for this position; what is the priority administratively, and what are the next steps; are we being smart about how we're moving forward with projects; how long do you anticipate the groundwork taking; and, who is responsible for making these recommendations happen.

Considerable discussion ensued on topics included but not limited to: continue with the implementation programs and provide updates, HR should be involved; work with the department to create efficiencies and improve overall; having centralized versus decentralized systems and the pluses and minuses of having both; establishing priorities to determine how to proceed; and developing policies and procedures for internal controls.

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

- b. Fleet Utilization Study (Moss Adams and Salvador Valles, Chief Operating Officer, Public Works), was presented.

Results – There were some data challenges. Recommendation: Once the Fleet Management System is in place, review again every 2- 3 years, which will shift towards more data driven. For reduction, the study identified 40 vehicles for surplus or reassignment, 16 of those vehicles could be surplus right away, the rest could be reassigned to pools to better manage the fleet. Those 16 vehicles could save \$188,000 in the first year, then over 10 years, assuming none of those are replaced, it would be about \$2 million in savings. With respect to Fleet reductions and reassignment, most recommendations were about better managing and using a centralized pool, figuring out a way to make it easier for employees to want to use the pool. It is also recommended: expanding the shop loaner pool; establishing a heavy equipment pool; and that fleet is recovering its cost for utilization when using those pools. It's time for the city to take a look at the policies and criteria as they relate to take home vehicles.; there is a need for a Fleet Forecast to better understand long-term vehicle replacement cost and support more effective Fleet Management.

Questions asked and answered included: When staff disagrees on recommended vehicles to retire, how much of this has to do with personal preferences; versus legitimate concerns; isn't the goal to move away from CNG vehicles; is one of the most important things to develop policies and why; is there a process in place to create these policies; how is the low morale issue being addressed, and did this report contribute to morale problems; is the change management being done with staff; can all of this be done in 12 to 14 months; and, is there still a policy on freezing purchasing new vehicles.

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

ETHICS HOTLINE

7. City Ethics Hotline Status Update (Lori Gentles, Chief People Officer), was presented.

It was reported that the City received a total of six Ethics Hotline Complaints in the past 12 months, with three since January of this year. They all have to do with harassment, discrimination or violence. Mostly sexual harassment based on race or age. Those were handled and investigated in the HR department through Labor Relations.

There were concerns expressed at the last meeting about the lack of complaints, and maybe the hotline information and procedures were not widely distributed or adequately communicated, or that the Administrative instructions were not clear. Looking at all of those areas, it was determined that there weren't a lot of complaints because we have a well-functioning Employees relations unit, where the bulk of complaints come through.

Not only is there the Ethics hotline, there is also Santa Monica Works, which is a platform that is open to the public to file complaints. That is handled through the City Manager's Office, and there are about 10,000 complaints received a year through this platform citywide.

In addition to these two complaint options and receiving feedback from the Audit Subcommittee in January, HR decided to do more to enhance their communication about the policy and procedures. There are seven Communication Initiatives that are either underway or that will be implemented.

- 1) Beginning July 2019, in conjunction with Employee Performance evaluations, HR will provide employees with the Ethics Hotline Administrative Instruction and Policy;
- 2) Put Flyers and Posters all over the City facilities;
- 3) New Employee Orientation and first year training, a flyer with information about taking Ethics training will be given to them;
- 4) On the New Website, HR will have an identified presence regarding Ethics Training and other trainings;
- 5) HR Monthly Newsletter – will have a static reference to the hotline for each publication;
- 6) City Manager Office website homepage – will include the information that the hotline is available 24 hours/7 days a week, also in other languages;
- 7) Proposing to update the Administrative Instruction, adding accessibility to file complaints, complaints go through a third-party Administrator, and explain the levels of violations.

It was reported a list of the Top 10 types of complaints received through an Ethics hotline nationally (theft, discrimination, wage discrepancies,

workplace violence, fraud, etc.) Santa Monica's top three complaints don't fall within any of those categories, but instead have to do with misconduct, discrimination and harassment.

The HR Director's suggestion is that she will continue to monitor and come back with a report on a regular basis.

Questions asked and answered of staff included: Is our Ethics Code of Conduct framed in a way that people know what their rights are; how clear is it to employees that the hotline goes to a third party instead of staying in-house; are we also looking for ways to inform non-city members, residents to report issues through the hotline; is the hotline being publicized; and, who does the report of complaints go to as the recipient, and what role does the Audit committee have as far as receiving complaints.

Considerable discussion ensued on topics including, but not limited to: continue and do more to make sure residents and those non-employees know that complaints can be filed through the hotline; branding would be helpful; there should be a protocol for when Audit Subcommittee members receive complaints; the Resolution of the Audit Subcommittee contains potentially confusing language with regard to role that requires changes to the Resolution; and, the committee should continue to receive regular reports at a high level.

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

INTERNAL AUDIT

8. Internal Audit Status Reported and Discussion of FY 2019-21 Work Plan (Moss Adams), was presented.

It was reported that Big Blue Bus is done and finished; Print Shop Efficiency Report is very close to being finished, waiting for some data to complete the analysis that will come back in August; Fire Admin and Fleet Utilization were presented at this meeting; IT ISF Review – when finished will go to the City Manager's Office for review, will come back in August; Parking Operations Contract Review, due to personnel changes and timing, this has been moved to begin in September; and the Grants Management Internal Controls Testing is being worked on and will come back to the committee in August 2019.

Questions asked and answered included: Should breakdown of meters be folded into the Parking Operations Contract Review; how will parking meters come up in the audit; and, what is the lifetime for the public meters.

Considerable discussion ensued on topics including, but not limited to: When looking at a Workplan, create a Master Plan for all Parking items, and all Departments; working toward a Plan that overall touches all of the departments, shows the previous work that has been done so that there is a

list of everything on an on-going basis; and, follow-up with managers and department heads on all of recommendations from the Audit reports .

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

Moss Adams reported on all of the Internal Audits that have been completed this year and provided Risk Assessments (including Risk Factors and Potential Mitigation Actions) and Internal Controls (including Key Controls and Internal Controls Testing) and Department when considering Potential Audit Projects for the upcoming year.

Presented was a list of Recommended Internal Audit Projects numbered 1-12, with the items in italics are recommended:

- 1) *Parking Operations Contract Review (carryover from FY 18-19)*
- 2) *IT General Controls Testing*
- 3) *Human Resources Performance Study*
- 4) *Real Estate Portfolio Assessment*
- 5) *Procurement, Payroll, Monthly Rec./Close, or AP Internal Controls Testing*
- 6) IT Security/Penetration Testing
- 7) Housing Service Levels Study
- 8) Permitting Efficiency Study
- 9) Construction Audits
- 10) City Performance Reporting Review
- 11) Public Works Efficiency Study (division other than Fleet)
- 12) *Ongoing Internal Audit Services*

Mark explained why Items 1, 2, 3, 4, 5 and 12 were being recommended, but that it is up to the Audit Subcommittee to decide which projects should be audited in the upcoming year.

Questions asked and answered included: Shouldn't IT Security be the number 1 priority given what has been happening in other major cities; should we wait a year or two to see if the Performance budget is working before having an audit on the City Performance Reporting Review; given that you know these issues with HR exist, do you really need an audit; how can we not have enough people in the department to do an internal audit; what are the other alternatives to having the HR audit done by Moss Adams; is the HR audit something that should be done by a consultant; and, is benchmarking needed.

Considerable discussion ensued on topics including: the two biggest assets, city employees and the Real Estate portfolio should be the priority; for HR things to be considered include: efficiencies and effectiveness in recruiting numbers, classification system being too large; creating a fair compensation strategy; the efficiency piece being looked for in labor is not done through this kind of study; and, you're going to get efficiencies from your labor by

looking at your departments and processes.

The Committee provided suggestions for choices moving forward including: Parking Operations Contract Review is already in the works; one General Controls Testing (IT or Procurement Payroll), the Human Resources Performance Study and, the Public Works Study. With input from the Director of Finance, the committee decided on 1- Parking Operations, 3 – Human Resources Performance Study, 4 – Real Estate Portfolio Assessment, 5- Procurement, Payroll, Monthly Rec./Close, or AP Internal Controls Testing and 11- Public Works Efficiency Study.

Motion from Committee Member Winterer, seconded by Vice Chair Himmelrich, to approve for the upcoming fiscal year the priority for Moss Adams should be Parking Operations, Human Resources Performance Study, Real Estate Portfolio Assessment, Procurement, Internal Controls Testing and Public Works Efficiency Study (have a discussion with the head of Public Works about the possibility of doing an analysis for one division or construction contracts under their purview). The motion was unanimously approved by voice vote, with all members present.

AUDIT CONTRACT

9. Discussion of Internal Audit Services Contract, was presented.

The Director of Finance reported that an RFP has already gone out to find an Internal Audit Service, and she is looking for a couple of committee members to volunteer for the Selection Committee. The RFP went out nationally on PlanetBids on May 16, 2019, with the deadline of June 12, 2019. Vice Chair Himmelrich, Committee Members Van Denburgh and Zernitskaya volunteered to be on the selection committee, but due to a potential of a Brown Act violation, Committee Member Zernitskaya withdrew her name.

Motion by Vice Chair Himmelrich, seconded by Committee Member Zernitskaya, to receive and file the information and select Vice Chair Himmelrich and Committee Member Van Denburgh to be members of the Internal Audit Services Contract selection committee. 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 9:18 p.m.

ATTEST:

APPROVED:

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Denise Anderson-Warren
City Clerk

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Greg Morena
Chair