

CITY OF SANTA MONICA
AUDIT SUBCOMMITTEE MEETING
MINUTES

TUESDAY, AUGUST 18, 2020

A regular meeting of the Santa Monica Audit Subcommittee was called to order by Vice Chair Himmelrich, at 6:09 p.m., on Tuesday, August 18, 2020, via teleconference pursuant to the Governor’s Executive Order N-29-20 at <https://primetime.bluejeans.com/a2m/live-event/wpceuezr>.

Roll Call: Present: Committee Member O’Day
Committee Member Elizabeth Van Denburgh
Committee Member Natalya Zernitskaya
Vice Chair Sue Himmelrich

Also Present: Director of Finance Gigi Decavalles-Hughes
Interim City Attorney George Cardona
Interim City Manager Lane Dilg
Assistant City Clerk Nikima S. Newsome

CONVENE On order of Chair, the Audit Subcommittee convened at 6:09 p.m., with all members present except Committee Member Winterer.

PUBLIC INPUT **2. Public Comment (Public comment is permitted on items not on the agenda that are within the subject matter jurisdiction of the body),** was presented.

There were no members of the public present to speak.

CHAIR AND CO-CHAIR ELECTION **3. Audit Subcommittee Chair and Co-Chair election,** was presented.

There were no members of the public present to speak.

Committee Member Van Denburgh nominated Sue Himmelrich for Chair. There being no other nominations, Sue Himmelrich was appointed by unanimous voice vote as Chair of the Audit Subcommittee with all members present except Committee Member Winterer.

Chair Himmelrich opened the floor for nominations for the Vice Chair.

Chair Himmelrich nominated Elizabeth Van Denburgh.
Committee Member Zernitskaya nominated herself.

Elizabeth Van Denburgh was appointed by the following vote:

Van Denburgh: Committee Member O’Day, Van Denburgh, Chair

Himmelrich

Zernitskaya: Committee Member Zernitskaya

Committee Member Zernitskaya changed her vote to Van Denburgh, thereby appointing Ms. Van Denburgh by acclamation as Vice Chair of the Audit Subcommittee, with all members present except Committee Member Winterer.

MINUTES

4. Approval of Minutes for the Audit Subcommittee December 9, 2019, was presented.

There were no members of the public present to speak.

Motion by Committee Member Zernitskaya, seconded by Vice Chair Van Denburgh, to approve the minutes as presented. The motion was unanimously approved without objection with all members present except Committee Member Winterer.

ETHICS HOTLINE

5. Ethics Hotline Update, (Lori Gentiles, Chief People Officer) was presented.

There were no members of the public present to speak.

Since December there have been 10 new complaints made to the ethics hotline making for a total of 13 complaints received in the past rolling 12-month period. Of these 10 new complaints, three concerned a conflict of interest, four were classified as other as they do not fit into any of the enumerated categories, one pertained to unfair competition, one was regarding accounting/internal controls, and one complaint concerned a workplace issue. Of the sum total 13 complaints, three were duplicative, four were filed by citizens, five were filed by employees and one was of unknown origin. Most complaints from employees go through the Human Resources Department as well as Santa Monica Works. Information about how to file an ethics complaint is located on multiple websites including the City Manager's website, the Human Resources Department website and the Library website as well as distributed via the City Manager's electronic messages.

Questions asked and answered of staff included but was not limited to: with such low numbers, is it of value to continue to have the ethics hotline, the credibility or merit of the complaints filed and the resolutions to the complaints.

Motion by Committee Member Zernitskaya, seconded by Vice Chair Van Denburgh to receive and file. The motion was unanimously approved without objection vote with all members present except Committee Member Winterer.

**BUDGET
RESTRUCTURING AND
COVID-19**

6. An Overview on Budget Restructuring and COVID-19 and Impact on Internal Audit Program (Gigi Decavalles-Hughes, Director of Finance) was presented.

There were no members of the public present to speak.

Questions asked and answered of staff included but was not limited to: is the City participating in Project Room Key, what are the typical reserves for a city of our size, are there any additional costs associated with the proposal to defer certain maintenance items, has there been any thoughts into how to use any possible COVID-19 reimbursement funds that may be received from the federal and/or state government, and is community input being sought in terms of what programs should be reinstated should COVID-19 reimbursement funds be received.

Motion by Chair Himmelrich, seconded by Committee Member O'Day to receive and file. The motion was unanimously approved without objection with all members present except Committee Member Winterer.

INTERNAL AUDIT

7. Internal Audit Status Report and Discussion of FY 2020-21 Work Plan (Moss Adams, LLP) was presented.

There were no members of the public present to speak.

Since the last meeting there have been five active projects: Human Resources Performance Study has been completed and a report will be presented at the November meeting. A review of two real estate projects focused on EDD and the Airport will be presented tonight. The Parking Contract Review will be presented tonight. The Construction Audit was put on hold due to the COVID-19 pandemic but was recently restarted and a report will be presented at the November. The grants management project is on hold. There has been no validation activity since the last meeting. In FY 2020-21, the Auditor recommends focusing on development review and permitting.

Questions asked and answered included but was not limited to: will validation need to be put on hold due to COVID-19, how will validations be prioritized, what permits would be a part of the scope of the study, is the City looking into any sort of safeguards or insurance to protect it from any possible risk management concerns, and will a more detailed work plan be provided to the Committee.

Motion by Chair Himmelrich, seconded by Committee Member Zernitskaya to receive and file. The motion was unanimously approved without objection with all members present except Committee Member Winterer.

REPORTS

8. Presentation of Reports (Moss Adams, LLP) was presented

A. EDD Property Management and Leasing Review

There were no members of the public present to speak.

This project was started in December and was completed field work prior to the COVID-19 pandemic. The report has been revised to reflect the current situation post restructuring. Property management and leasing primarily performed by the Economic Development Division including commercial property management and leasing administration and some leasing activity external to EDD which due to restructuring, have all been brought into EDD.

The Auditor made the following recommendations on this item:

- a) The roles and responsibilities of staff in the division be made clear including training of staff now performing new duties due to restructuring and cross training backups.
- b) Make conflicting policies and practices more streamlined and consistent to increase efficiencies.
- c) Find more innovative ways to provide customer service.
- d) Implementation of systems that enable more data driven management.
- e) Strategize maximizing the City's portfolio by having staff work with Council to define what's the purpose of its real estate portfolio.
- f) Streamline the RFP process make it more accessible and more efficient and effective for both parties.
- g) Reviewing financial statements of percentage based rental agreements on a regular basis to ensure equitable, fair market rents are being paid.
- h) Setting a standard appraisal process.
- i) Including the properties in the CIP.

Questions asked and answered of staff included but was not limited to: what types of properties pay percentage based rents and why, is rent collection a challenge at this time, why did the division select the asset management system it did, does the Pier square footage include public thoroughfares or just leaseable land, how can the RFP process be removed quickly, is it normal for the tenant to pay for the revenue percentage audit, how long will it take for the system implementation, is the City marketing its properties well, and how does the City create a set of objectives to create a marketing strategy unique to Santa Monica.

Motion by Chair Himmelrich, seconded by Vice Chair Van Denburgh to receive and file. The motion was unanimously approved without objection with all members present except Committee Member Winterer.

B. Parking Contract Review

There were no members of the public present to speak.

The review took place between February and June 2020 and the contract is coming up for negotiation or modification. The review focused on items such but not limited to employee use of parking facilities, reporting on parking revenue and operations, cash receipts, invoicing, how parking equipment is maintained, A/R billing, and collections and standard operating procedures.

The Auditor made the following recommendations on this item:

- a) Increase monitoring of parking key cards issued and the system used for monitoring.
- b) Contract discrepancy of how quickly reports need to be made to the City.
- c) Improve tracking and reporting of old parking equipment.

Questions asked and answered of staff included but was not limited to: what are the impacts of Covid-19 on this report, who has been overseeing this contract, is competitive bidding being considered, do the parking structures fall under the CIP program, and what are some of the options to cure the monitoring situation with the parking key cards.

Motion by Committee Member Zernitskaya, seconded by Vice Chair Van Denburgh to receive and file. The motion was unanimously approved without objection with all members present except Committee Member Winterer.

ADJOURNMENT

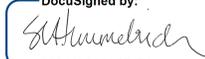
On order of the Chair, the Santa Monica Audit Subcommittee meeting was adjourned at 8:36 p.m.

ATTEST:

DocuSigned by:

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 Nikima S. Newsome
 Assistant City Clerk

APPROVED:

DocuSigned by:

 893148D99FF4FB...
 Sue Himmelrich
 Chair