

CITY OF SANTA MONICA

AUDIT SUBCOMMITTEE MEETING

MINUTES

WEDNESDAY, AUGUST 23, 2017

A special joint meeting of the Santa Monica Audit Subcommittee and the Compensation Study Advisory Committee was called to order by Vice Chair Himmelrich, at 6:11 p.m., on Wednesday, August 23, 2017, at Santa Monica Institute Training Room- 330 Olympic Drive, 2nd Floor (Plaza Level) Santa Monica, CA 90401, and Teleconferenced at: La Quinta Inn, 6801 Tower Rd.; Lobby Denver, Co 80249; and at 6:20 p.m. via Teleconference at Hotel Camino Real Pachuca, Camino Real De La Plata Lote 15; Lobby 42883 Zona Plateada.

Roll Call: Present: Vice Chair Sue Himmelrich
Committee Member Greg Morena
Committee Member Pam O'Connor (*via teleconference*)
Committee Member Elizabeth Van Denburgh
Committee Member Tony Vazquez (*arrived via telephone at 6:43 p.m.*)

Also Present: Director of Finance Gigi Decavalles-Hughes
City Attorney Lane Dilg
City Clerk Denise Anderson-Warren

CONVENE On order of Chair, the Audit Subcommittee convened at 6:11 p.m., with Committee Member Vazquez absent.

COMPENSATION STUDY ADVISORY COMMITTEE 2. Swearing-in of new and reappointed Audit Subcommittee Members and Compensation Study Advisory Committee Members, Roll Call, and Introductions, was presented.

City Clerk Anderson-Warren administered the oath of office to newly-appointed Compensation Study Advisory Committee Members Dominic Gomez, Laurence Eubank, Janine Bush, Libby Bradley, James Williams, Sam Thanawalla, and Homa Mojtabai.

CHAIR & VICE CHAIR SELECTION 3. Audit Subcommittee Chair and Co-Chair Election, was presented.

The Vice Chair opened the floor for nominations.

Committee Member O'Connor nominated Vice Chair Himmelrich for Chair and, Committee Member Vazquez for Vice Chair.

There being no other nominations, Vice Chair Himmelrich was selected as Chair and Committee Member Vazquez as Vice Chair by the following vote:

AYES: Committee Members Morena, O'Connor, Van Denburgh,
Vice Chair Himmelrich
NOES: None
ABSENT: Committee Member Vazquez

BROWN ACT

*Committee Member
O'Connor was excused at
6:43 p.m.*

4. Review of Brown Act (presented by Joe Lawrence, Assistant City Attorney), was presented.

Member of the public Tricia Crane spoke on this item.

*Committee Member Vazquez
arrived via telephone at 6:43
p.m.*

Questions asked and answered of staff included: if and when the Advisory Committee could meet, and if they could meet outside of the Audit Subcommittee meeting; and why is this Advisory Committee required to follow the Brown Act; is email communication applicable to the Brown Act; does it matter if you use the city issued email account versus your personal email account under the Brown Act; if the Advisory Committee does not feel the three meetings are sufficient, does it violate the Brown Act to have additional meetings.

MINUTES

5. Approval of the Minutes for the Audit Subcommittee January 17, 2017 and April 20, 2017 Meetings, was presented.

Motion by Chair Himmelrich, seconded by Vice Chair Vazquez, to approve the January 17, 2017 and April 20, 2017 minutes as presented. The minutes were approved by the following vote:

AYES: Committee Member Morena, Vice Chair Vazquez,
Chair Himmelrich
ABSTAIN: Committee Member Van Denburgh
ABSENT: Committee Member O'Connor

**PARKING CONTRACT
REVIEW**

6. Receive Internal Audit Report on Parking Contract Review (presented by Moss Adams LLP), was presented.

The Audit identified several areas for improvement including: Monthly Invoice Review; Physical Permit Inventory Stock at Conduent; California Vehicle Code (CVC) 40200.3(b) Reporting; Monthly Activity Reports from Conduent; and, Decentralized Management of Contract.

They identified six findings, which are listed as improvement areas: 1) Conduent manually produces invoices, which creates the potential for error; 2) The City does not thoroughly understand the basis for invoice amounts; 3) Physical counts of permit decals and hangtags are reconciled to inventory reports; however, it appears more decals and hangtags are being ordered than needed; 4) Conduent has not been providing the annual reporting to the City that is required by its contract with the City; 5) The City does not appear to be receiving monthly system-generated reports from Conduent; and 6) Management of the Conduent contract is

distributed across multiple City departments with no apparent point person.

Questions asked and answered of the Auditor and staff included: The \$6.90 fee per month is the amount the city pays for servicing that residential permit; are we charging the \$6.90 fee, plus a permit fee; is Xerox manually processing these thousands of transactions per month; did you ever figure out the discrepancy between December 2015 and January 2016; when is the \$26.00 processing fee charged, and is it for each ticket, or over a period of time; do credit card charges go through Xerox or an outside third party; is there a process or procedure for when people leave and there is turnover in the office.

Members of the public Mary Marlow, Betsy Richardson, and Leslie Burchko spoke on this item.

Motion by Committee Member Morena, seconded by Committee member Van Denburgh, to receive and file the report. The motion was approved by the following vote:

AYES: Committee Member Van Denburgh, Morena,
Vice Chair Vazquez, Chair Himmelrich

NOES: None

ABSENT: Committee Member O'Connor

INTERNAL AUDIT UPDATE

7. Receive an Update on the FY 2016-17 Internal Audit Workplan and Approve the FY 2017-18 Internal Audit Workplan (presented by Moss Adams LLP), was presented.

The Auditor presented the current projects that are active: Parking Contract; Accounts Receivable (Coming back in October), Compensation Review Study; Policies and Procedures Validation; and, Supervisor Training online (this Fall). For the 2017-18 Internal Audit Workplan, the Auditor identified Eight potential projects, but suggest working on three. Purchase Card (PCard) Internal Control Testing; Fleet Efficiency, Big Blue Bus Efficiency Study; and, On-going Internal Audit Services.

Questions asked and answered of the Auditor and staff included: are engagement letters available online in the previous minutes; how do you choose and begin the process given all that is going on in this City; how many PCards are issued; why is the Big Blue Bus overtime study not included in the Compensation Study; how does City staff ensure that the committee's recommendations are being followed, and that the committee is making an impact; how are departments being looked at, in terms of internal audit; how large is the City's fleet, and how do you audit Fleet efficiency; could more objectives and background be included in future audit reports; and, maybe have competitive bids performed on the contract company for parking citations.

Member of the public Leslie Burchko spoke on this item.

Motion by Committee Member Van Denburgh, seconded by Committee Member Morena, to receive and file, the updates on the FY 2016-17 Internal Audit Workplan, and approve the FY 2017-18 Internal Audit Workplan, as presented by Moss Adams LLP. The motion was approved by the following vote:

AYES: Committee Members Morena, Van Denburgh,
Vice Chair Vazquez, Chair Himmelrich

NOES: None

ABSENT: Committee Member O'Connor

UPCOMING EXTERNAL AUDIT

8. Receive an Overview of the Scope of the Upcoming FY 2016-17 Audit from the City's External Auditor (presented by Rich Kikuchi, Partner, LSL, LLP), was presented.

The Auditor presented that they were onsite in April doing their interim test work which included Planning, Inquiry, Documentation, and Internal Controls. In September, LSL will again be on site for field work testing which includes Analysis, Confirmations, Cut-off procedures and GASB 68 Testwork. All of the information gathered will go towards rendering an opinion on the Comprehensive Annual Financial Report (CAFR), which has the Introductory, Financial, and Statistical sections. The statements reflect the City's financial position as of June 30, 2017 and the activity for the fiscal year ended then.

Members of the public Betsy Richardson, Tricia Crane, and Leslie Burchko spoke on this item.

Questions asked and answered of the Auditor and staff include: does the Statement of Auditing Standards (SAS) 114 only look back, are strategies developed on how to move forward; why does the Air Quality Management need an audit; in terms of materiality, what is considered material for the purposes of the audit letter; who is interviewed for the purpose of the audit, and, is the CAFR required by law to be performed.

Motion by Committee Member Morena, seconded by Van Denburgh, to receive and file the Scope of the Upcoming FY 2016-17 Audit from the City's External Auditor. The motion was approved by the following vote:

AYES: Committee Members Van Denburgh, Morena,
Vice Chair Vazquez, Chair Himmelrich

NOES: None

ABSENT: Committee Member O'Connor

**COMPENSATION SCOPE
OF WORK**

9. Approve the Scope of Work for the Internal Audit Assessment of the City's Compensation and Use of Overtime by Sworn Personnel (presented by Mark Steranka, Partner, Moss Adams LLP), was presented.

The Auditor presented the Scope of Work for the Comp Study which includes the following four stages: Phase 1 – Project initiation and ongoing management (Finalize the Workplan & Scope); Phase 2 – Fact Finding (Interviews, documenting, gathering information from peers); Phase 3 – Analysis (Consider the information and apply Best Practices); and, Phase 4 – Reporting (to the Audit and Compensation Committees).

He also explained the Areas of Focus include: A) Wage Setting Process, B) Wages and Benefits, C) Staffing Methodology and Levels, and D) Public Safety Overtime.

Member of the public Ian Novos spoke on this item.

Questions asked and answered of staff included, but not limited to: how will advisory members participate to provide input and understand the methodology, and what are the parameters to meet that don't violate the Brown Act; what is to be accomplished by this study; can the study be altered to include additional items to the study; can other like-minded cities be added to the study; benchmarking methodology, and how are positions chosen; how much wages and benefits have increased over the years, and the projections going forward, and what ratio of Santa Monica workforce is contracted services.

Considerable discussion ensued on topics including, but not limited to: the scope, and what should be included in the scope to expand it, include private industry in the comparable; how are the peers determined; look at how the City pays by performance; why is the number of employees per capita so high; once people have a certain skillset, do they stay where they are, or do they promote up; comparable cities such as Santa Barbara, Anaheim, Manhattan Beach and Newport Beach should be included in the study, add UCLA to the study; the study should be a per capita study, what percentages of what people make; W2's should be the measure of compensation instead of what is released on the website; and, what are the best cities to compare in the scope (cities that have more jobs than houses; doesn't contract out services; labor cost per capita; how is the level of quality of service going to be measured); look at Chicago, New York, and Los Angeles, top five highest paid positions, and add some additional meetings to allow the Advisory Committee time to see all of the data and provide comments.

Committee Member Vazquez was excused at 10:10 p.m.

Motion by Chair Himmelrich, seconded by Committee Member Morena, to approve the scope of work, including expanding cities to remove Gardena, and add Anaheim and Santa Barbara; include the strategic objective of the study, rather than just the scope, include in Area of Focus the Wage and Benefits Process. Moss Adams will send out a survey to each member and receive feedback from the Audit Committee and Ad hoc members; add to the scope, the top five positions from the five biggest cities in the U.S.; include wages and benefits compared to peers for the past five years in Santa Monica, but the past three years from peer cities; and, take into account the daytime and commuter population.

The motion was approved by voice vote, with Committee Members O'Connor and Vazquez absent.

ADJOURNMENT

On order of the Chair, the joint meeting of the Santa Monica Audit Subcommittee meeting, and the Compensation Study Advisory Committee was adjourned at 10:27 p.m.

ATTEST:



Denise Anderson-Warren
City Clerk

APPROVED:



Sue Himmelrich
Chair