



Audit Subcommittee Members
Sue Himmelrich, Committee Chair
Tony Vasquez, Committee Vice-Chair
Pam O'Connor, Committee Member
Elizabeth Van Denburgh, Committee Member
Greg Morena, Committee Member

Compensation Study Advisory Committee Members
Dominic Gomez, Laurence Eubank, Janine Bush,
Libby Bradley, James Williams, Sam Thanawalla,
Homa Mojtabai

CITY OF SANTA MONICA

**SPECIAL JOINT MEETING AGENDA OF THE
AUDIT SUBCOMMITTEE AND
COMPENSATION STUDY ADVISORY COMMITTEE**

**SANTA MONICA INSTITUTE TRAINING ROOM
330 OLYPMIC DRIVE, 2ND FLOOR (PLAZA LEVEL)
SANTA MONICA, CA 90401 AND**

TUESDAY, OCTOBER 17, 2017

MEETING BEGINS AT 6:00 PM (PST)

NOTICE IS HEREBY GIVEN that a special joint meeting of the Audit Subcommittee and Compensation Study Advisory Committee will be held at 6:00 PM on Tuesday, October 17, 2017, at the Santa Monica Institute Training Room, 330 Olympic Drive, 2nd Floor (Plaza Level).

(Please note that Agenda Items may be reordered during the meeting at the discretion of the body.)

1. **Call to order**

*Public comment is permitted only on items on the agenda. No other business will be considered at this time.

2. Approval of the Minutes for the Audit Subcommittee August 23, 2017 Meeting

3. Status of the Annual Audit (presented by LSL, LLP)

4. Labor Negotiations Pursuant to the Meyers-Millias Brown Act (presented by Laura Kalty, LCW)

5. Review of Civil Service Structure (presented by Donna Peter, Human Resources Director)

6. Review and Discussion of Preliminary Observations for the Compensation and Staffing Review (presented by Moss Adams, LLP)

a. Written Comment

7. Internal Audit Status Report (presented by Mark Steranka, Moss Adams, LLP)
8. Internal Controls Review Progress Report (presented by Gigi Decavalles-Hughes, Director of Finance)
 - a. Internal Controls Review Progress Report Presentation
 - b. Policy Validation Results
9. **Adjournment**

STANDARDS OF BEHAVIOR THAT PROMOTE CIVILITY AT ALL PUBLIC MEETINGS:

- Treat everyone courteously;
- Listen to others respectfully;
- Exercise self-control;
- Give open-minded consideration to all viewpoints;
- Focus on the issues and avoid personalizing debate;
- Embrace respectful disagreement and dissent as democratic rights, inherent components of an inclusive public process, and tools for forging sound decisions

This agenda is available in alternate format upon request. The Santa Monica Institute Training Room is wheelchair accessible. If you require any special disability related accommodations (i.e. sign language interpreting, access to an amplified sound system, etc.), please contact the Finance Department at (310) 458-8281 or Finance.Mailbox@smgov.net at least 2 days prior to the scheduled meeting.

This agenda is subject to change up to 24 hours prior to the special meeting. Please check the agenda prior to the meeting for changes.

Finance Department
1717 4th St., Suite 250
Santa Monica CA 90401
(310) 458-8281
Finance.Mailbox@smgov.net
<https://finance.smgov.net/>

(NOT APPROVED)

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 Denburg
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 Denburg,
Vice Chair Himmelrich

NOES: None

ABSENT: Committee Member Vazquez

BROWN ACT

Committee Member

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

*Committee Member Vazquez
arrived via telephone 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.

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 Denburg

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 Moreno, seconded by Committee member Van Denburg, to receive and file the report. The motion was approved by the following vote:

AYES: Committee Member Van Denburg, 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 Denburg, seconded by Committee Member Moreno, 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 Moreno, Van Denburg,
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 Moreno, seconded by Van Denburg, 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 Denburg, 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:

APPROVED:

Denise Anderson-Warren
City Clerk

Sue Himmelrich
Chair

DATE > October 11, 2017

TO > City of Santa Monica Audit Committee

FROM > Moss Adams LLP

SUBJECT > Compensation and Staffing Review – Preliminary Observations

Based on our initial document review, interviews, and data analysis, we formulated a number of observations, which we intend to further investigate to identify potential opportunities for improvements. Many of the observations are based on comparisons with eleven peer cities, which include Anaheim, Beverly Hills, Burbank, Culver City, El Segundo, Glendale, Inglewood, Pasadena, Redondo Beach, Santa Barbara, and Torrance. Additional analysis will focus on understanding different service offerings, service levels, and organizational structures between Santa Monica and peer cities to enable appropriate comparisons.

PRELIMINARY OBSERVATIONS

WAGE AND BENEFIT SETTING PROCESS

- 1. Labor environment:** Santa Monica is a highly represented municipality with a total of 11 labor groups that cover all city employees (with the exception of department directors). Peer cities have between 5 and 10 labor groups; 6 was the most common number of groups (in a total of 4 cities). Some labor groups in the City described challenges in engaging members and filling officer positions. The City and labor groups report having a positive relationship, which enables both sides to pursue their interests in a way that is based on mutual respect and communication.
- 2. Compensation Negotiations:** At the onset of contract negotiations, the City conducts a market study for key positions that are easily matched in other jurisdictions and arranges a series of meetings with labor representatives. Labor groups solicit input from their membership in a variety of ways, including in-person meetings, surveys, and email solicitations. Some labor groups choose to engage an attorney for negotiations. Using the information gathered by both parties, the City and labor representatives negotiate memorandum of understanding (MOU) terms related to compensation, working conditions, and, on occasion, other benefits. This is a standard bargaining process that follows California State Laws and regulations of the Public Employee Relations Board.
- 3. Benefit Negotiations:** Most unions (8 of 11) participate in the Coalition of Santa Monica City Employees to negotiate medical and retirement benefits. A subset of labor representatives is appointed by membership to negotiate these MOUs on their behalf. Labor groups operating in public safety roles, such as the Police Officer Association and Santa Monica Firefighters Local 1109, negotiate medical and retirement benefits during their individual MOU negotiations. Due to the



nature of public safety work, negotiations for medical benefits, workers' compensation, overtime, retirement, and other benefits typically does not fall within citywide umbrella agreement MOUs.

STAFFING AND SERVICE LEVELS

- 1. Staffing and Service Delivery Philosophy:** Santa Monica's City Council has historically determined the City's staffing and service philosophy. The Council has long held two values related to City staff: 1) a strong preference for insourcing services and 2) a commitment to providing a living wage. Insourcing services result in overall higher staffing levels when compared to peers; many municipalities outsource services, including tree trimming, custodial, refuse, and legal services. In FY 2016-17, Santa Monica had 2,257 budgeted FTEs, while peer cities averaged 1,273 FTEs. In addition, the City has enacted a living wage for employees and City contractors. When combined with the greater number of city employees, this contributes to higher personnel costs; in FY 2016-17, Santa Monica budgeted \$327,319,123 in personnel costs in comparison to the peer city average of \$203,719,094.
- 2. Total Operating Budget:** Santa Monica's total operating budget is slightly higher than the peer city average. Unlike most municipalities, Santa Monica's revenues were largely insulated from the impact of the global recession that began in 2007. While other cities experienced a decline in revenues that led to cuts in staffing levels, personnel costs, and operating costs beginning in FY 2009-2010, Santa Monica's staffing and service levels remained stable, which may explain some of the cost differences noted. Many cities also froze cost-of-living pay increases, instituted furloughs, and froze or reduced employer benefit contributions in response to the recession. The table provide below presents peer city budget comparisons for FY2016-17 in descending order of operation cost. ¹

¹ Santa Barbara and El Segundo were not included in the table because personnel costs were not readily available in budget documents.



CITY	FTEs	PERSONNEL COSTS	OPERATING COST	PERCENT OF OPERATING COST SPENT ON PERSONNEL
Anaheim	1,929	\$548,193,097	\$1,211,064,662	45.3%
Glendale	1,579	\$241,734,363	\$776,178,909	31.1%
Burbank	1,422.5	\$189,101,953	\$584,894,183	32.3%
Pasadena	2,218.6	\$246,638,000	\$522,151,000	47.2%
Santa Monica	2,257	\$327,319,123	\$498,610,310	65.6%
Peer Cities Average	1,273	\$203,719,094	\$472,202,326	43.1%
Beverly Hills	951.7	\$143,519,287	\$382,515,878	37.5%
Torrance	1,498.7	\$201,152,441	\$299,328,883	67.2%
Inglewood	726.8	\$100,320,585	\$224,324,072	44.7%
Culver City	691.1	\$108,323,470	\$162,223,113	66.8%
Redondo Beach	439	\$54,488,652	\$87,140,236	62.5%

3. **Additional Services:** Santa Monica operates in a unique environment that provides a wide range of services to individuals beyond its residents. Because Santa Monica has a high level of tourism and more employers in the city than most cities of comparable size, Santa Monica’s typical daytime population swells to double or triple its approximately 92,000 residents. More than 7.5 million people visit Santa Monica each year. Additionally, the City offers a variety of services that are somewhat unique among peers. The following table lists the three least common city services offered by Santa Monica and their rate of occurrence in the 11 peer cities:

SANTA MONICA			PEER CITIES OFFERING SIMILAR SERVICES (#)
SERVICE	OPERATING BUDGET (FY2016)	FTEs (FY2016)	
Cemetery	\$2,021,520	8.1	0
Airport	\$9,171,310	37.9	2
Pier/Waterfront	\$18,469,223	25.3	3

4. **Departmental Service and Staffing Levels:** Cities reflect a variety of organizational structures, although most departments share some core functions. Each department will be evaluated on a collection of key performance indicators related to core functions that demonstrate workload, efficiency, and effectiveness in relation to the peer cities. Example KPIs are included in Appendix A. Additionally, the operating cost, staffing levels, contractual services budgets, and potential unique attributes of individual departments will be included in the service analysis. For



example, Santa Monica’s City Manager’s Office includes divisions and functions that are unique among peer cities, such as the Office of Emergency Management, the Office of Sustainability and the Environment, and the Office of Pier Management. We anticipate presenting preliminary observations related to this analysis at the November 2017 audit committee meeting.

WAGES AND BENEFITS

Our analysis of wages and benefits uses data from the State Controller’s Office Government Compensation in California (GCC). In 2014, the California Legislature required municipalities to submit anonymized compensation data to the State Controller’s Office. The data has some limitations, including:

- The GCC data does not consistently distinguish between or separate between full- and part-time employees.
- There is not a timely way to validate the accuracy of the data.

Appendix B includes the data and methodology used to calculate peer comparisons.

1. **Employee Expenses:** According to data from the State Controller’s Office Government Compensation in California (GCC), the relative percentages Santa Monica spent on wages, retirement, and health benefits are approximately equal to the peer city averages. The following table summarizes these observations using compensation data from the GCC for FY 2015-16.

SECTOR	CITY COMPARISON	WAGES*	HEALTH BENEFITS	RETIREMENT
Miscellaneous Employees	Santa Monica	67%	14%	19%
	Peer City Average	71%	11%	18%
Police	Santa Monica	62%	9%	29%
	Peer City Average	63%	8%	29%
Fire	Santa Monica	67%	11%	23%
	Peer City Average	66%	8%	29%

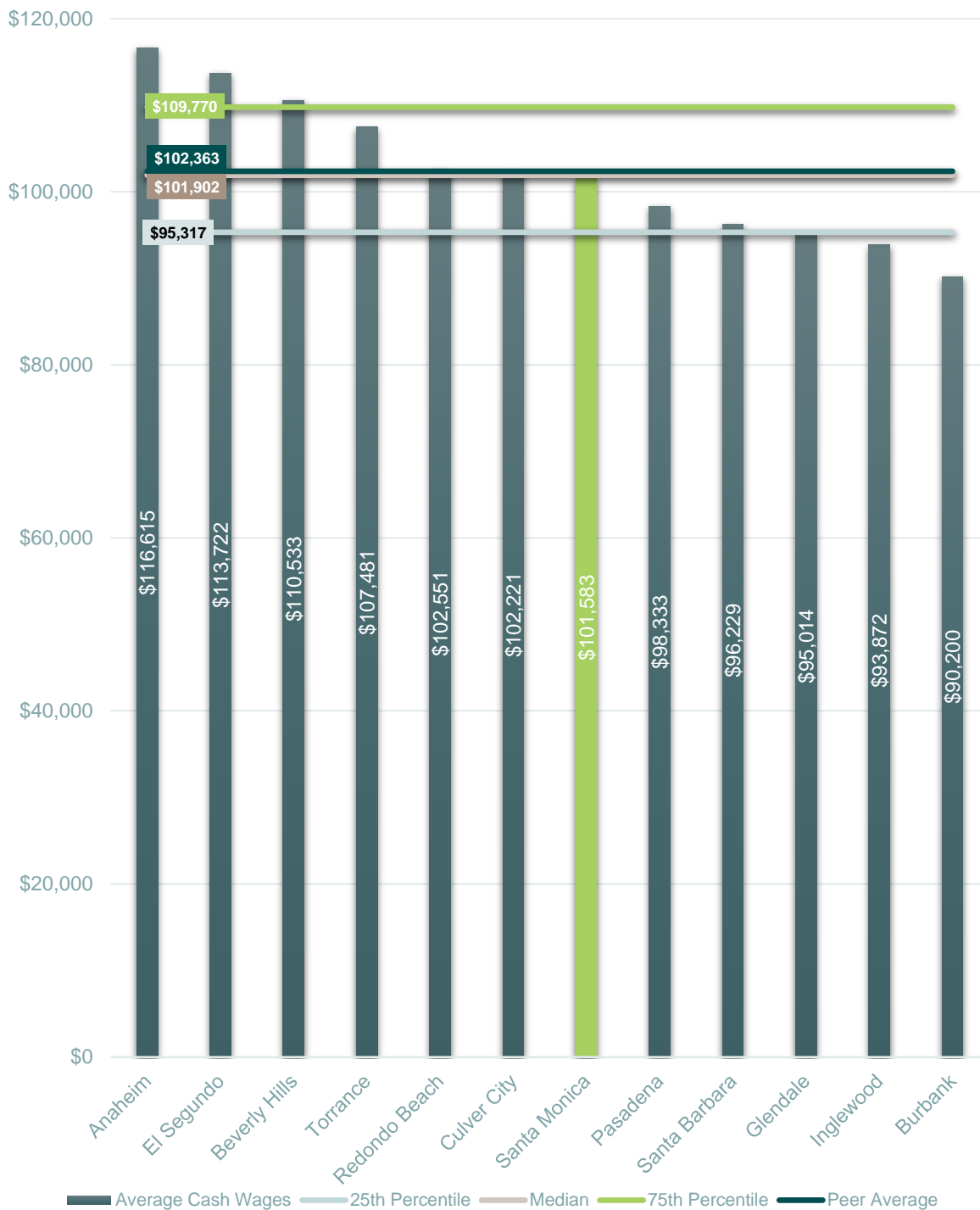
**Does not include overtime*

2. **Wage and Benefit Comparison:** The GCC data shows that Santa Monica’s total cost of cash wages averaged an estimated \$101,870 per paid, full-time position. The chart and table provided below show the average of total cash wages (regular pay, overtime pay, and other pay - not including payout, health benefits, or retirement costs) across all peer cities in 2016, as well as the quartiles of the average of all peer cities.

- **25th Percentile:** the value below which 25 percent of total cash wages falls
- **Median (50th Percentile):** the middle value of total cash wages
- **75th Percentile:** the value above which 75 percent of total cash wages falls
- **Peer Average:** the average value of total cash wages



2016 AVERAGE CASH WAGES BY CITY





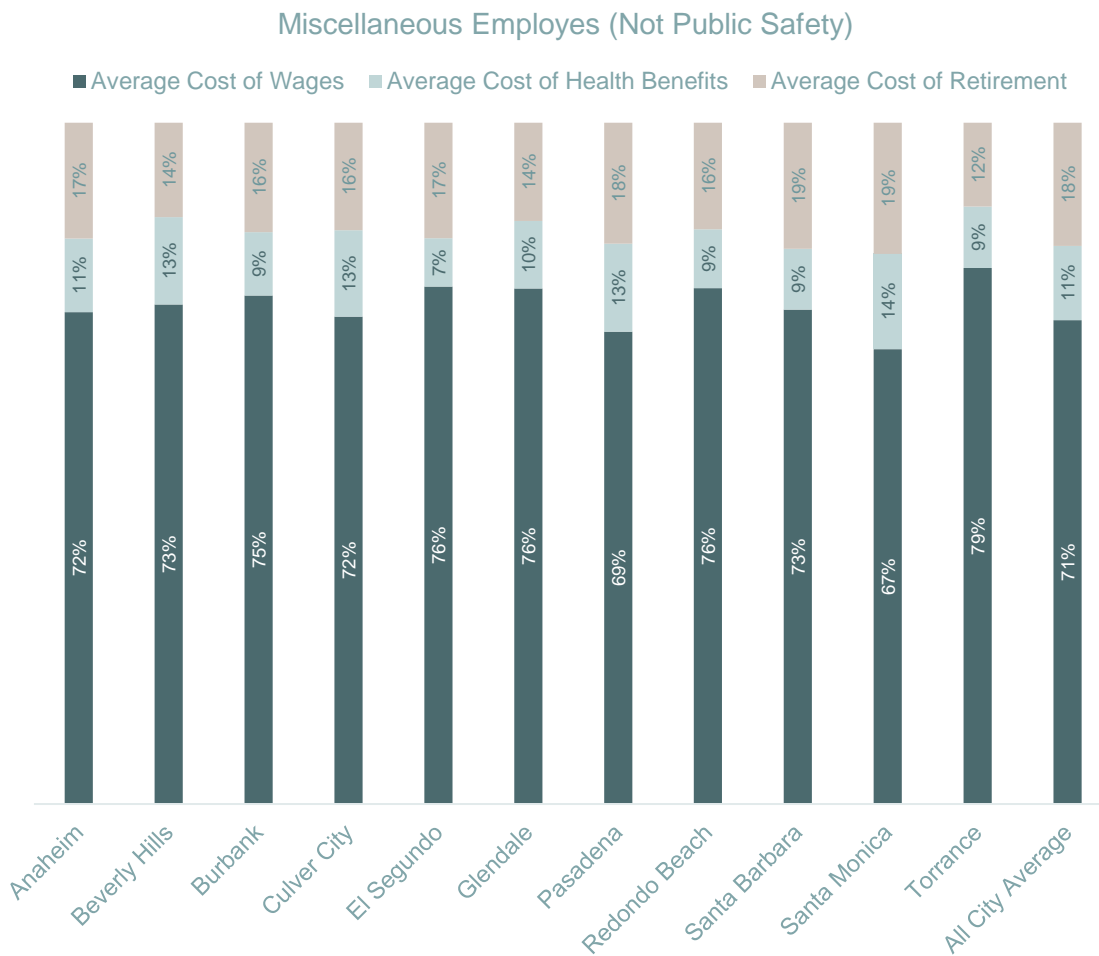
The table provided below presents the detailed percentile and average total cash wage data by each city, across all departments listed in descending order of average wages.

2016 AVERAGE CASH WAGES, RANKED BY AVERAGE				
City	25th Percentile	Median	75th Percentile	Average
Anaheim	\$72,998	\$107,669	\$152,723	\$116,615
El Segundo	\$68,317	\$103,685	\$152,151	\$113,722
Beverly Hills	\$71,564	\$96,653	\$141,125	\$110,533
Torrance	\$65,698	\$90,511	\$145,654	\$107,481
Redondo Beach	\$59,223	\$94,803	\$138,579	\$102,551
Peer Cities Average	\$63,148	\$90,028	\$133,903	\$102,363
Culver City	\$63,046	\$82,060	\$133,724	\$102,221
Santa Monica	\$64,414	\$84,129	\$122,303	\$101,583
Pasadena	\$62,149	\$88,142	\$125,970	\$98,333
Santa Barbara	\$62,432	\$87,651	\$120,251	\$96,229
Glendale	\$56,565	\$83,488	\$125,208	\$95,014
Inglewood	\$60,490	\$81,816	\$120,076	\$93,872
Burbank	\$50,880	\$79,732	\$129,070	\$90,200



TOTAL COMPENSATION COMPONENTS

Below is a comparison of the 2016 health benefits, retirement costs, and cash compensation as a percentage of total compensation for Santa Monica and the peer cities, excluding police and fire department positions.²



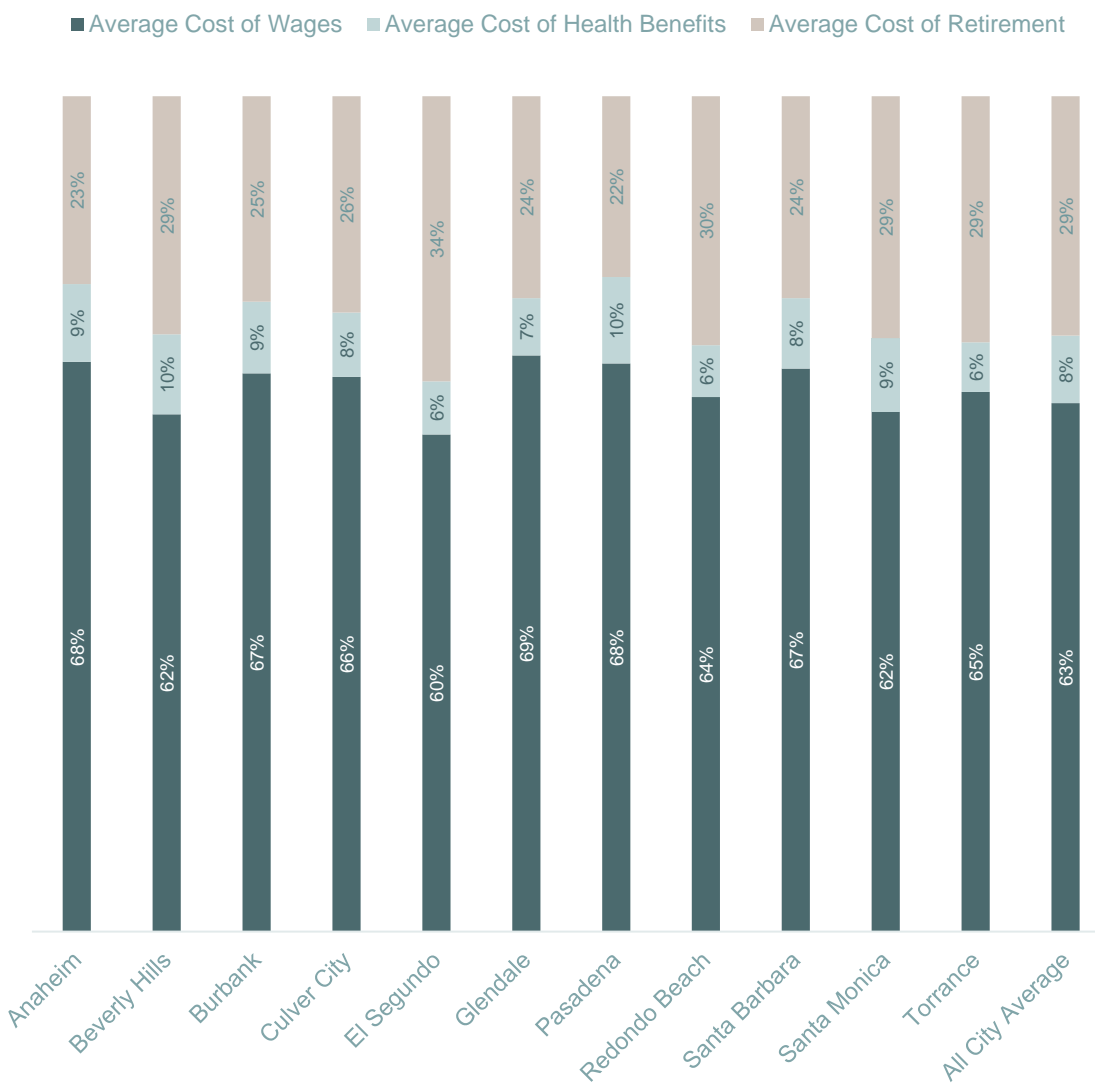
² Inglewood data requires additional validation and is not included in this chart.



POLICE DEPARTMENT COMPENSATION COMPONENTS

Below is a comparison of the average 2016 health benefits, retirement costs, and cash compensation as a percentage of total compensation for Police Departments. ³

Police Department - Components of Total Compensation by Peer City



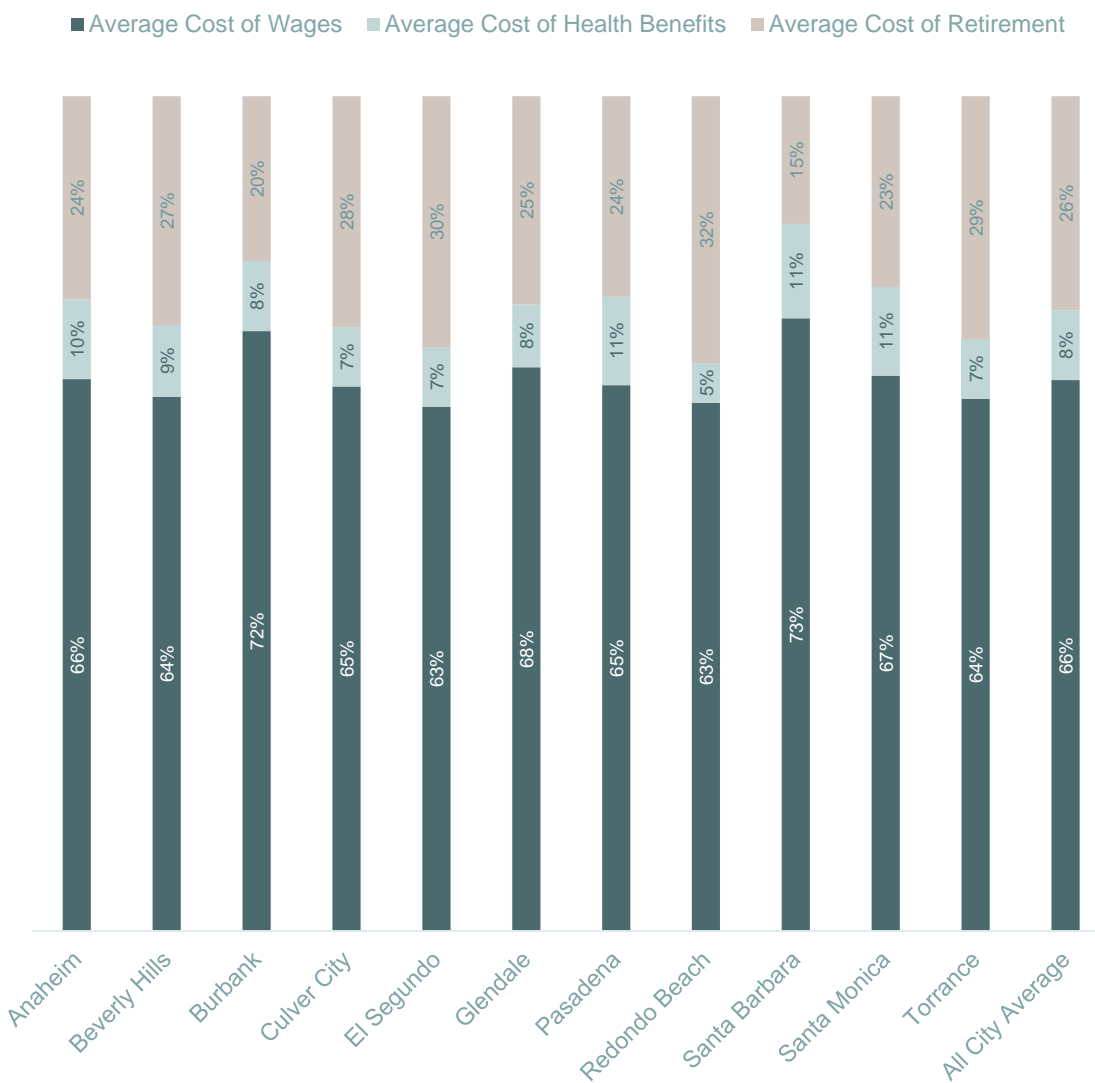
³ Inglewood data requires additional validation and is not included in this chart.



FIRE DEPARTMENT

Below is a comparison of the average 2016 health benefits, retirement costs, and cash compensation as a percentage of total compensation for Fire Departments.⁴

Fire Department - Components of Total Compensation by Peer City



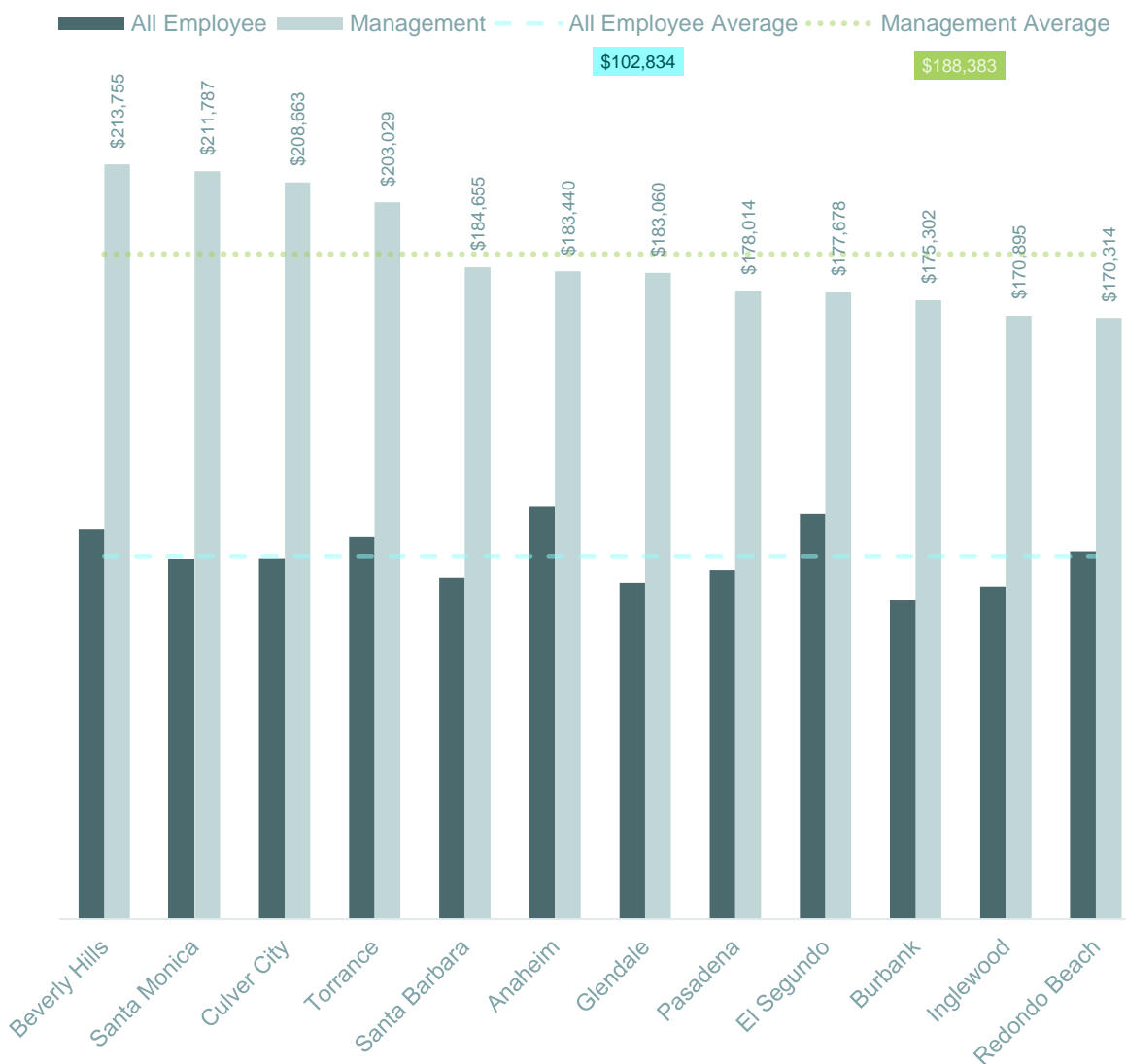
⁴ Inglewood is not represented on this chart because the City has contracted Fire Services.



PEER CITIES MANAGEMENT COMPENSATION

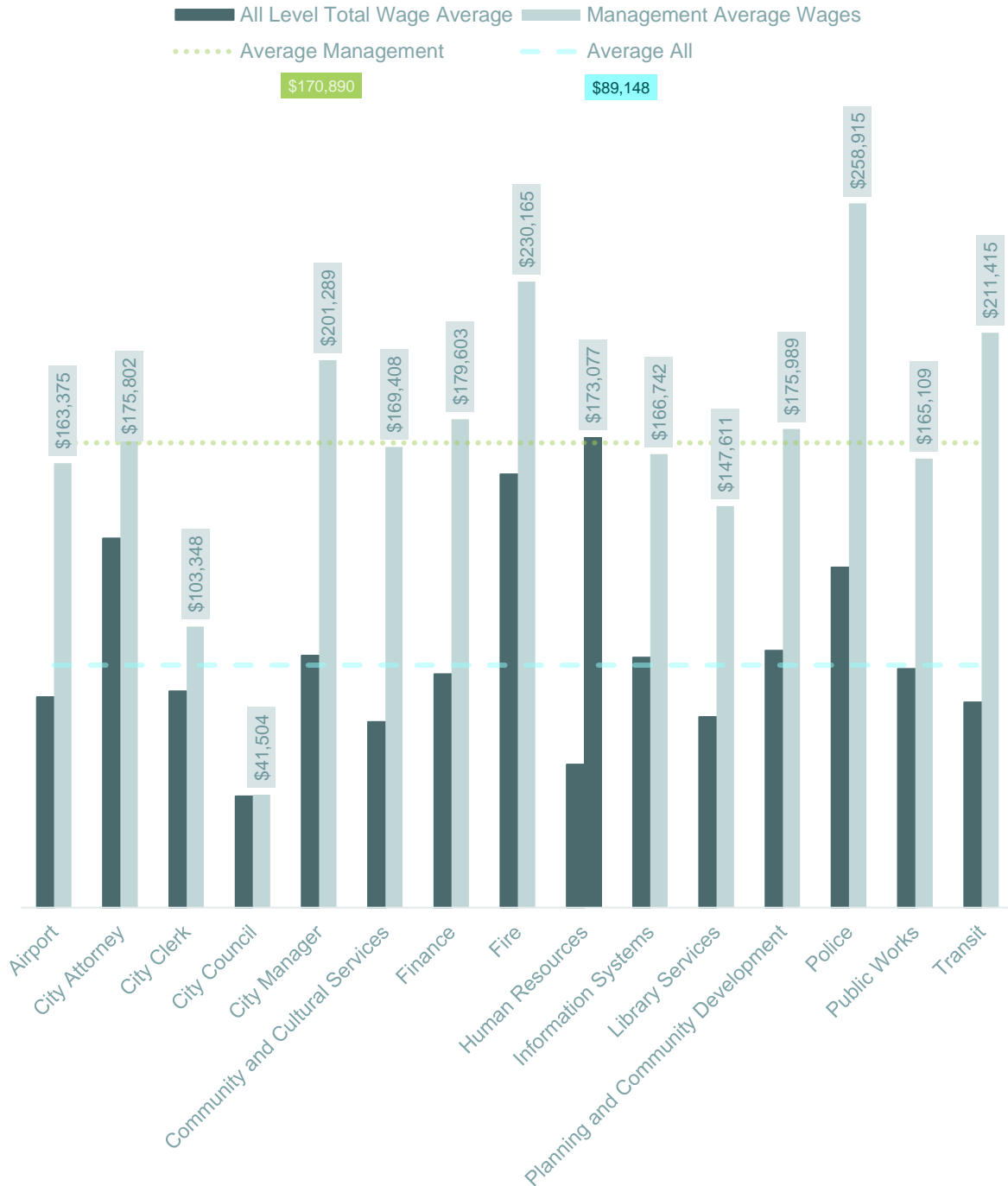
Moss Adams filtered out positions by title to provide an approximate average of executive and director-level compensation averages. Words used to filter by include: Director, Deputy, Chief, City Manager, City Attorney, and Division, among others. These filters allow us to capture positions including chief officers, division managers, and assistant directors.

All Peer Cities Management-Level Average Cash Wages





All Peer City - Management Wages by Department





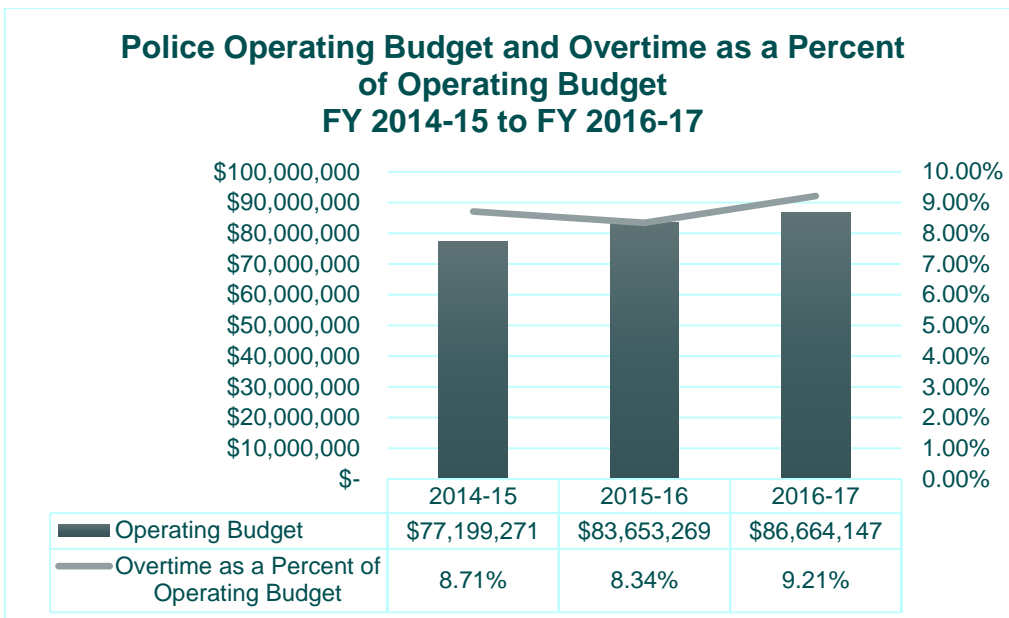
SANTA MONICA PUBLIC SAFETY OVERTIME

- Drivers of Overtime:** Santa Monica's pier, waterfront, and downtown shopping corridor attract a large number of tourists throughout the year, which necessitates the presence of public safety personnel to ensure the safety of residents and visitors. Santa Monica is a geographically small city that at times has the staffing requirements of a very populous city. Additionally, the City hosts a number of special events that require public safety personnel to be present, such as the Los Angeles Marathon, the Twilight Concert Series, and movie shoots. The City is reimbursed for public safety costs stemming from most special events. Like all police and fire departments, Santa Monica's public safety personnel also incur overtime from typical sources, including training, court appearances, backfilling for constant staffing when a vacancy occurs, and shift extensions. The typical public safety department budget includes a percentage of funds for overtime pay. The tables below show the overtime budgets and expenditures between FY2014 and FY2016 for the Police Department and Fire Department.

POLICE OVERTIME BUDGET TO EXPENDITURES				
Fiscal Year	Overtime Budget	Overtime Expenditures	Overage	Vacancies
2014-15	\$5,013,621	\$6,721,110	\$1,707,489	24
2015-16	\$5,177,450	\$6,979,441	\$1,801,991	30
2016-17	\$5,277,707	\$7,985,365	\$2,797,658	30

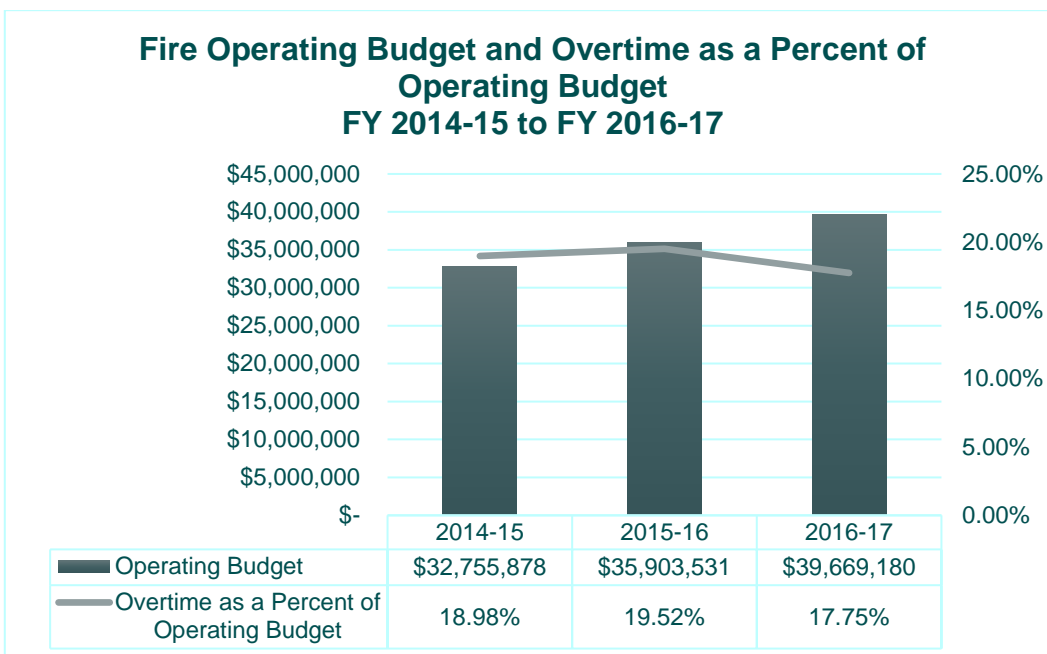
FIRE OVERTIME BUDGET TO EXPENDITURES				
Fiscal Year	Overtime Budget	Overtime Expenditures	Overage	Vacancies
2014-15	\$5,774,665	\$6,217,553	\$442,888	14
2015-16	\$6,244,373	\$7,008,102	\$763,729	12
2016-17	\$6,565,535	\$7,041,682	\$476,147	9

- Police Overtime Utilization:** Police Department overtime expenditures increased by 18.8% (\$1.2 million) between FY 2014-15 and FY 2016-17. Despite this increase, overtime expenditures remained constant at approximately 9% of the Department's total expenditures.



The primary drivers of increased Police Department overtime utilization are workload requirements, shortage of personnel, and special details. Appendix C contains a table summarizing Police overtime expenditures.

- Fire Overtime Utilization:** Fire Department overtime expenditures have increased by 13.3% (\$824,129) between FY 2014-15 and FY 2016-17. Despite this increase, overtime expenditures remained constant at approximately 19% of the Department's total expenditures (FY 15-16 overtime increased due to wildfire deployments, which are fully reimbursed).





The primary drivers of increased Fire Department overtime utilization include constant staffing requirements to cover the use of sick leave, vacation leave, workers' compensation, and vacant positions. Appendix D contains a table summarizing Fire overtime expenditures.



APPENDIX A: KEY PERFORMANCE INDICATOR (KPI) EXAMPLES

ATTORNEY'S OFFICE <ul style="list-style-type: none">• Ordinances drafted/reviewed• Lawsuits received and initiated• Lawsuits settled (%)• Total revenues from legal decisions	COMMUNITY AND CULTURAL SERVICES <ul style="list-style-type: none">• Sports teams per capita• Parks maintained• Community events per year• Filming permits issued	FINANCE <ul style="list-style-type: none">• Invoices paid• Payrolls processed• P-card purchases• Solicitations posted
FIRE <ul style="list-style-type: none">• Service calls• Firefighters per capita• Average response time• Inspections per capita	HOUSING AND ECONOMIC DEVELOPMENT <ul style="list-style-type: none">• Section 8 vouchers per capita• Retail and office space vacancy rate• Unemployment rate• Income per capita	HUMAN RESOURCES <ul style="list-style-type: none">• Recruitments• Applications per recruitment• Investigations conducted• Hours of training provided
INFORMATION SERVICES <ul style="list-style-type: none">• Helpdesk tickets per FTE• Workstations• Users	POLICE <ul style="list-style-type: none">• Annual service calls• Officers per capita• Average response time• Crime rate	PLANNING AND COMMUNITY DEVELOPMENT <ul style="list-style-type: none">• Number of licenses issued• Permit fees collected• Non-capital expenditures



APPENDIX B: WAGES AND BENEFITS COMPARISON METHODOLOGY

DATA SOURCE

The State Controller's Office's Government Compensation in California (GCC) website initially collected government compensation data as a component of the financial transaction reports from cities, counties, and special districts, but in 2014 the Legislature explicitly authorized the SCO to collect compensation data and required this data be published on its website. In August 2017, Moss Adams downloaded the available compensation data files for city employee compensation in California from fiscal years 2012 through 2016. The information presented is posted as submitted by each reporting public employer; the Controller's Office notes that it is not responsible for the accuracy of this information.

DATA ANALYSIS

In order to provide a more thorough review of Santa Monica's total employee costs and the overall compensation, including against the identified peer cities, Moss Adams reviewed the data and the reported departments, and in good faith standardized the departments to better match Santa Monica's structure. Limited data cleanup was also conducted on position titles (e.g., changing "Admin Analyst" to match "Administrative Analyst" and "Dir" to "Director").

Over 103,000 lines of data were imported into PowerBI, a data visualization tool, to analyze five years of compensation data from the GCC across the identified peer cities. PowerBI allowed Moss Adams to provide a more in-depth look across all compensation categories and peer cities over the past five years. Calculations were made on this data in order to calculate Total Cash Wages and Retirement Total Costs (see glossary for equations).

In order to better compare full-time positions (and filter out positions that were reported as vacant or temporary), the GCC Regular Pay column was filtered to remove any position with reported Regular Pay less than the minimum salary classification amount for that position. Additionally, if a city reported no minimum salary for a position, we removed that position data line-item as well.



LIMITATIONS OF THE DATA

- The GCC does not consistently distinguish between or separate full- and part-time positions
- There is no timely way to validate the accuracy of the data
- Cities which report many zero or low amounts of regular pay (e.g., Santa Barbara) may be skewing the overall averages and percentiles.

2016 COUNT OF GCC POSITIONS IN ANALYSIS

Below shows the count of the total number of positions from the GCC data used in the compensation data analysis. *The count of GCC positions is not representative of FTEs or budgeted positions.*

	Anaheim	Beverly Hills	Burbank	Culver City	El Segundo	Glendale	Inglewood	Pasadena	Redondo Beach	Santa Barbara	Santa Monica	Torrance
Airport										40	11	
City Attorney	32		17	7		18	11	22	9	11	39	10
City Clerk	7	5	4	2	1	6	2	10	2		9	6
City Manager	16	13	9	7	4		5	16	2	29	80	129
Community and Cultural Services	169	78	89	29	19	114	68	95	24	105	174	108
Finance	47	34	35	27	11	42	33	53	16	36	64	34
Fire	255	91	123	67	45	208		155	60	106	119	150
Human Resources	37	10	160	7	3	36	6	22	4		21	
Information Systems		28	24	14	3	36	12	113	8		36	
Library Services		33	36		9	46			10	22	51	
Planning and Community Development	134	56	53	183	15	114	41	139	17	54	297	207
Police	540	171	226	141	73	313	210	295	134	167	265	298
Public Works	521	203	436	89	32	492	105	567	88	233	630	174
City Total Positions	1758	722	1212	573	215	1425	493	1487	374	803	1796	1116



GLOSSARY

- **Employee's Retirement Cost Covered:** The dollar amount paid by the employer toward the employee's share of pension costs.
- **Deferred Compensation Plan:** The dollar amount paid by the employer toward the employee's defined contribution/deferred compensation plan. This includes 401(a), (b), (k), 403(b), and 457 plans.
- **Defined Benefit Plan Contribution:** A portion of the total contribution paid by the employer towards the defined benefit plan for the year, which sometimes includes payment toward the unfunded liability. The defined benefit plan contribution is paid directly to the employer sponsored retirement plan and is not a part of the employee's compensation for that calendar year. The amount of retirement benefits paid to an employee upon retirement are determined using a formula, based in part on an employee's age at retirement, final average salary, and length of service. Cities, counties, and special districts began reporting this data starting with 2011.
- **Health/Dental/Vision Contribution:** The dollar amount paid by the employer toward the employee's health, dental, and/or vision care plans.
- **Other Pay:** The dollar amount paid to the employee for any other pay not reported as regular pay, overtime pay, or lump-sum pay (such as car allowances, meeting stipends, incentive pay, bonus pay, etc.).
- **Overtime Pay:** The dollar amount paid to the employee for working more than normal hours.
- **Position:** The job title provided by the employer. Position listings on this website do not distinguish between full-time and part-time employees.
- **Regular Pay:** The dollar amount paid to the employee for working regular hours.
- **Min Classification Salary:** The minimum annual salary as reported by the local government for the particular classification. Position listings on this site do not distinguish between full-time and part-time employees.
- **Max Classification Salary:** The maximum annual salary as reported by the local government for the particular classification. Position listings on this site do not distinguish between full-time and part-time employees.
- **Retirement Total Cost:** The summing of Defined Benefit Plan Contribution, Deferred Compensation Plan, and Employee's Retirement Cost Covered, as defined above.
- **Total Retirement and Health Cost:** Amount paid by the employer toward the employer sponsored retirement plan plus health, dental, and/or vision benefits for the employee and dependents. This amount sometimes includes payments toward the unfunded liability of the employer sponsored retirement plan.
- **Total Cash Wages:** The summing of Regular Pay, Other Pay, and Overtime Pay, as defined above.
- **Total Compensation:** Total wages reported by the employer on a W-2. Amounts listed may include regular pay, overtime, cash payments for vacation and sick leave, and bonus payments. Position listings on the GCC site do not distinguish between full-time and part-time employees.



APPENDIX C: POLICE OVERTIME SUMMARY

The table below presents the GCC data for Police Departments in each city, showing what percentage each component - regular pay, other pay, and overtime pay – represents of total cash pay.





OVERTIME DRIVER	FY2014-15	FY2015-16	FY2016-17
Los Angeles Marathon ¹	\$122,434.11	\$121,770.33	\$120,082.37
Twilight Concert Series ¹	\$232,518.88	\$240,313.50	\$471,760.65
Special events and movies	\$410,529.47	\$354,806.70	\$381,586.94
Special details ²	\$1,188,214.53	\$1,404,402.14	\$1,411,599.47
Workload requirements ³	\$2,179,164.97	\$2,735,157.05	\$3,314,644.22
Holiday overtime pay ⁴	\$382,156.62	\$360,593.44	\$327,089.71
Court appearances	\$424,810.89	\$407,295.13	\$397,694.46
Extension of shift	\$328,820.51	\$380,357.99	\$419,760.02
Shortage of personnel ⁵	\$1,286,682.49	\$1,235,100.08	\$1,481,278.40
Other	\$520,731.15	\$101,549.22	\$251,712.24
Total	\$6,721,110.63	\$6,979,441.75	\$7,985,365.46

1 Overtime for these events is paid through the City, not through the Department. Therefore, these figures are not included in the Department's overtime expenditure total.

2 Includes City Hall security, criminal activity, dignitary visits, demonstrations, additional staffing during holidays seasons, etc.

3 Includes additional investigative follow-ups, POST required training (basic, SWAT, mounted), traffic control, traffic accident investigations, and working special task forces with other entities.

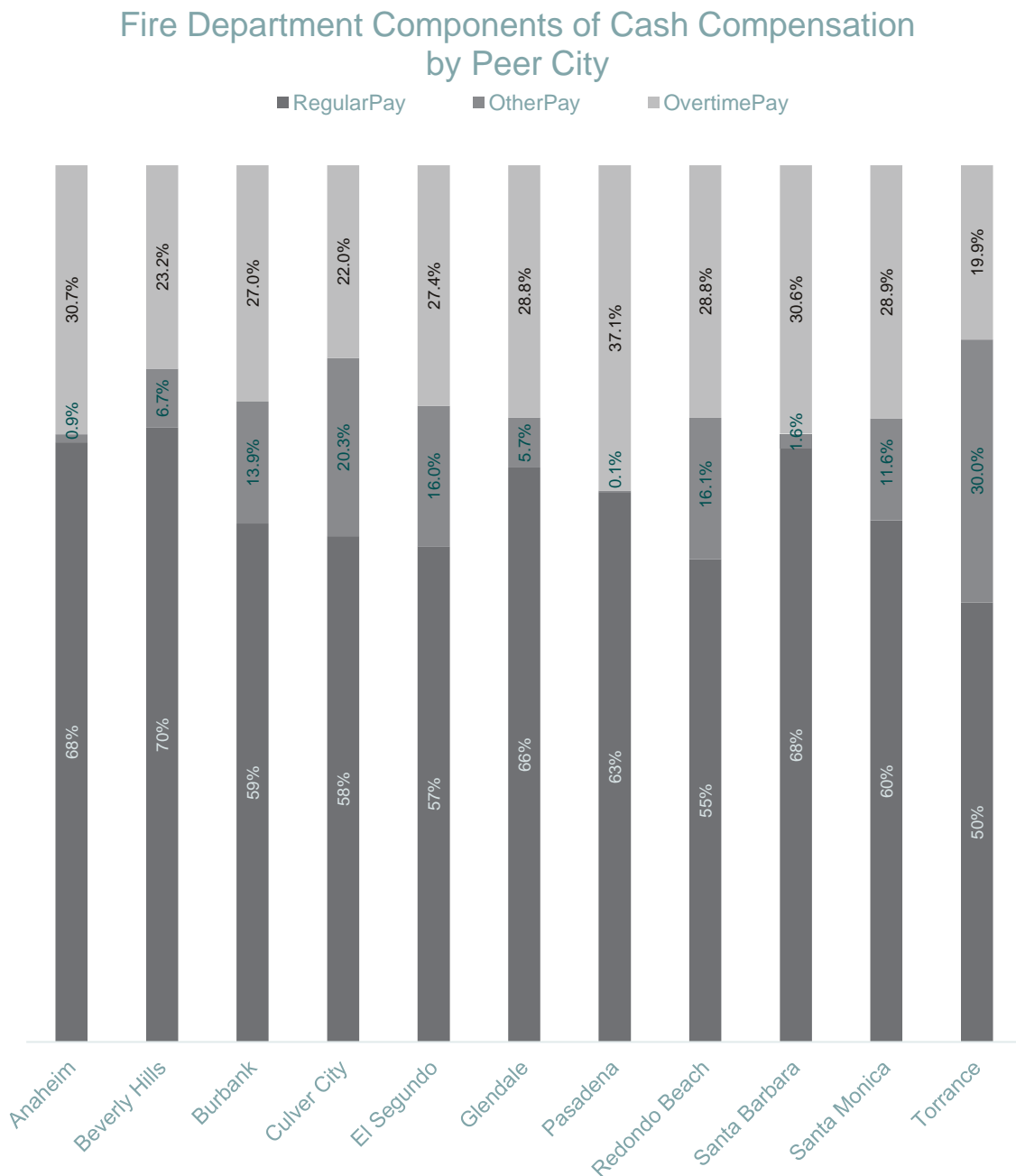
4 In accordance with MOU terms, non-sworn personnel who are required to work on a City-observed holiday earn overtime pay for hours worked.

5 Includes use of sick, vacation, and other leave as well as vacancies.



APPENDIX D: FIRE OVERTIME SUMMARY

The table below presents the GCC data for Fire Departments in each city, showing what percentage each component - regular pay, other pay, and overtime pay – represents of total cash pay.





OVERTIME DRIVER	FY2014-15	FY2015-16	FY2016-17
Los Angeles Marathon ¹	\$94,503.86	\$91,092.87	\$85,438.23
Twilight Concert Series ¹	\$82,545.35	\$104,984.81	\$108,231.76
Reimbursed external events ²	\$449,986.92	\$1,052,065.95	\$388,049.74
Special city deployments ³	\$151,104.28	\$105,101.69	\$86,065.66
Vacancies	\$1,051,086.40	\$1,174,846.46	\$1,003,009.28
Sick Leave	\$796,511.25	\$921,385.39	\$1,204,851.12
Vacation Leave	\$1,400,244.89	\$1,581,791.89	\$1,855,498.28
Other Leave	\$132,542.28	\$195,715.21	\$310,719.32
Training ⁴	\$766,977.34	\$679,546.94	\$806,954.24
Workers' Compensation	\$493,490.84	\$993,048.60	\$375,999.32
Other	\$1,129,901.12	\$435,508.37	\$613,712.78
Total	\$6,217,553.00	\$7,008,102.00	\$7,041,682.00

1 Overtime for these events is paid through the City, not through the Department. Therefore, these figures are not included in the Department's overtime expenditure total.

2 Includes movie jobs and Strike Team deployments. Other special deployments are included in the "Other" category.

3 Includes medical services on the beach and fire prevention after-hours investigations.

4 Includes grant reimbursed training, paramedic school training, and training academy instructor costs. Additional internal and external training-related overtime expenditures are included in the "Other" category.

Natalie Acosta

From: Gigi Decavalles
Sent: Thursday, October 12, 2017 8:05 AM
To: Natalie Acosta
Subject: FW: Compensation Advisory Committee
Attachments: AdHocCommittee-Gigi.xlsx

Gigi Decavalles-Hughes

Director of Finance
1717 Fourth Street, Suite 250 | Santa Monica CA 90401
Office 310-458-8281 | Fax 310-394-0647
gigi.decavalles@smgov.net



From: Laurence Eubank [mailto:laurence.eubank@gmail.com]
Sent: Sunday, October 1, 2017 2:51 PM
To: Gigi Decavalles <Gigi.Decavalles@SMGOV.NET>
Subject: Compensation Advisory Committee

Gigi -

Attached are some questions I'd like addressed before the next Committee meeting in three weeks. Can you peruse, answer if they're in your domain, or point me to the correct city staff person or department? If these are more appropriately addressed to Moss-Adams direct, please advise and I will contact them direct.

Best regards,

Laurence Eubank

Data

City staff levels as of September 1

2013 2014 2015 2016 2017 2018 2019 2020

Full-time Employees (FTE)

Contract Employees

Consultants

% of components in total annual compensation in 2018 but

Salary

Vacation

Sick Days

Medical Insurance

Dental Insurance

Retirement

Parking

Childcare

Other

City staff levels as of September 1

Full-time Employees (FTE)

Contract Employees

% of annual city Budget consumed by future retirement benefit obligations in each of the next five years

% of annual city Budget consumed by past, unpaid retirement benefit obligations in each of the next five years

Actual Annual revenue increase over the previous five years

Annual projected revenue increase each year for the next five years

Delta (+/-) between anticipated revenue growth and future retirement benefit obligations over the next five years

Policy

Who and how are staffing levels determined in a department?

How are personnel evaluated?

What is # and % of employees who leave voluntarily, were laid off and were fired over the last 10 years?

How does the city cull underperforming personnel?

How often do employees max out at a stage V level and then transfer to a different position at a lower st

How many MOU's provide for salary increases or COLA > the CPI (inflation rate).

What is cost differential between municipal employee and contract employee functionality?

Expense decrease if vacation-day cashout is abolished

Expense decrease if sick-day cashout is abolished



Date: October 17 2017
To: City of Santa Monica Audit Subcommittee
From: Mark Steranka
Subject: Internal Audit Status Report August 16, 2017 through October 15, 2017

MEMORANDUM

Accounts Receivable Review

- **Schedule:** June 1, 2017 through November 30, 2017
- **Activities for This Period:** Performed document review and developed and administered survey.
- **Activities for Next Period:** Conduct interviews, perform analysis, and prepare report.
- **Issues:** none

Compensation Review

- **Schedule:** July 1, 2017 through January 31, 2018
- **Activities for This Period:** Performed data gathering, performed peer benchmarking, and initiated data analysis.
- **Activities for Next Period:** Complete data analysis and prepare preliminary findings.
- **Issues:** none

Policies and Procedures Validation:

- **Schedule:** August 1, 2016 through June 30, 2018
- **Activities for This Period:** Reviewed materials provided by City and validated findings.
- **Activities for Next Period:** Review materials provided by City and validate findings.
- **Issues:** none

Supervisor Training:

- **Schedule:** September 1, 2016 through November 15, 2017
- **Activities for This Period:** Updated training materials.
- **Activities for Next Period:** Record a webinar for broad dissemination.
- **Issues:** none

P-Card Internal Controls Testing

- **Schedule:** November 15, 2017 through February 28, 2018
- **Activities for This Period:** none
- **Activities for Next Period:** Schedule kickoff meeting.
- **Issues:** none

Fleet Efficiency Study

- Schedule: November 15, 2017 through February 28, 2018
- Activities for This Period: Conducted initial scoping call.
- Activities for Next Period: Schedule kickoff meeting for November.
- Issues: none

Big Blue Buss Overtime Study

- Schedule: January 1, 2018 through March 31, 2018
- Activities for This Period: Conducted initial scoping call.
- Activities for Next Period: Schedule kickoff meeting for January.
- Issues: none



INTERNAL CONTROLS REVIEW PROGRESS REPORT

Yellow highlighted items have been updated since last report in October 2016

INTERNAL AUDIT RECOMMENDATIONS TRACKING						
CONTROL OBJECTIVE	#	LIKELIHOOD	IMPACT	SUBJECT	ACTION	STATUS
RECOMMENDATIONS ADDRESSED THROUGH INTERNAL AUDIT WORK PLANS						
Monthly Reconciliation	1	High	High	Bank Reconciliation	Internal Audit: prepare documentation Finance: create bank reconciliation procedures	Validated. Management has implemented a streamlined methodology and procedures; including streamlining the process between Accounting and Treasury functions. The methodology and process have been incorporated into the updated bank reconciliation desk procedure.
Revenue and Cash	2, 8, 9	High	Moderate	Cash Handling	Internal Audit: update policies and procedures and provide training Finance: implement Internal Auditor recommendations	Pending final review. Cash handling audit completed. A new Cash Handling Administrative Instruction (AI) incorporating best practices has been completed and is undergoing internal review prior to being validated by the Internal Auditor. Citywide training will be provided once the AI is published.
Accounts Receivable	1				Internal Audit: assess A/R, inventory, ambulance billing, fees and invoicing Finance: implement A/R module in new ERP system; complete billing and collections and A/R procedures	<ul style="list-style-type: none"> • Pending audit/ERP System. A review of citywide accounts receivable (A/R) functions is in progress and an A/R policy is drafted and will be reviewed by the Internal Auditor as part of the A/R review. Internal Auditor will present findings at the November 2017 meeting. The ERP will be phased in starting July 1, 2018. The centralized A/R module is part of the implementation. Financial Operations staff now audits off-site A/R functions, reconciling balances to the general ledger, and provides corrections and training on processes. • Validated. Internal Auditor has completed an audit of the City's ambulance contract, and City staff has developed a reconciliation process. New contract will include prescriptive language on reports and reconciliation requirements that will closely monitor billing, fees and invoicing. • Pending final review. The Billing & Collections Unit completed a draft Billing & Collections AI, which is undergoing internal review prior to being validated by the Internal Auditor. Staff took on billing functions for fire inspections, the Swim Center, certain Police Department billings, and billings for special events. Staff collected 56% of the total amount of delinquent
Revenue and Cash	12, 13	High	High	Accounts Receivable		

INTERNAL AUDIT RECOMMENDATIONS TRACKING						
CONTROL OBJECTIVE	#	LIKELIHOOD	IMPACT	SUBJECT	ACTION	STATUS
						accounts processed, and the City's collection agency collected about 11% of the amount referred, significantly higher than the collection rate for local government debt collection.
Revenue and Cash	3					<ul style="list-style-type: none"> • Validated/Completed. Written Counting Room procedures, including internal control practices, are completed, validated and implemented. Further improvements are included in the draft Cash Handling AI. Internal Auditor provided fraud and internal controls training overview in September 2016. Supervisor Handbook has been distributed to all Supervisors. Ethics code has been adopted by Council and an Administrative Instruction was distributed to staff in July 2016.
Training	1	High	Moderate	Fraud and Internal Controls	Perform training	
Revenue and Cash	10	Moderate	Moderate	Internal Controls	Implement Internal Auditor recommendations	Pending final review. Cash handling audit completed. A Cash Handling AI is nearing completion. Citywide training will be provided once the AI is published.

RECOMMENDATIONS THAT HAVE DISCRETE TASKS THAT ARE EASILY IMPLEMENTED

CONTROL OBJECTIVE	#	LIKELIHOOD	IMPACT	SUBJECT	ACTION	STATUS
Revenue and Cash	1	High	High	Counting Room	Finalize draft access policies, and distribute and maintain log book	Validated. Counting room security policies and procedures have been distributed to staff and a log book documenting visitor entry is now in use.
Purchasing and A/P	1	High	High	A/P	Disseminate existing policies and procedures, and provide training	Completed. Accounts Payable procedures are complete, along with the User Training Manual. A/P training continues to be provided to staff Citywide.
Revenue and Cash	5	Moderate	High	Cash Transport	Select secure method for cash transport	Pending final review. There are armored transport pickups at three sites, which represent the majority of cash collected. It is not economical to provide armored car pickup for all the 50 cash collection sites in the City. The Cash Handling AI provides guidance on methods to transport cash.
Revenue and Cash	4	High	Moderate	Storage	Lock cabinets and secure keys, issue permits in sequential order, and reconcile permit system and POS	Validated. Finance has worked with Parking Operations staff to implement improvements, including secure storage of permits and logging of permit numbers. Written procedures have been implemented.
Revenue and Cash	7	Moderate	Moderate	Counting Room	Repair closed circuit monitor, and revise policy	Validated. Counting Room monitor has been repaired and is in working order. Staff has been advised to report inoperable equipment to management. Staff will also be reviewing coverage of cameras to ensure maximum security. A new Treasury Administrator position provides

INTERNAL AUDIT RECOMMENDATIONS TRACKING						
CONTROL OBJECTIVE	#	LIKELIHOOD	IMPACT	SUBJECT	ACTION	STATUS
						further supervision of the Counting Room operations and equipment needs.
Purchasing and A/P	5	Moderate	Moderate	P-Cards	Provide consistent enforcement	Validated. The purchasing card violation program, which includes penalties, was formalized and distributed to staff in January 2015, and individual department trainings were conducted. Purchasing notifies departments on a monthly basis about outstanding receipts and status of violations. A purchasing card agreement has been signed by all purchasing card users in addition to cardholders to ensure knowledge of the enforcement system.
Revenue and Cash	6	Moderate	Moderate	Counting Room	Ensure policy compliance	Completed. Staff has been reminded of policies regarding use of pocketless smocks in the Counting Room and has been equipped with new pocketless smocks which are being commercially laundered.
Grants Management	1	Moderate	Moderate	Grants	Adopt draft Administrative Instruction	Validated. A Grants Administrative Instruction has been completed.
Revenue and Cash	14	Low	Moderate	Safes	Obtain safe	Nearing completion. Treasury staff sent a notice to all cash handling locations reminding them of the need to store currency (cash/checks) and items of monetary value in secure locations. Cash handling AI requires departments to have secure storage for cash on site. Audits will be completed once the cash handling AI is issued.
Payroll	6	Moderate	Low	Overtime	Track overtime errors, and provide training	Completed. Guidelines have been incorporated in supervisor handbook.
Purchasing and A/P	6	Low	Low	A/P Queries	Document process, and perform monitoring	Validated. Staff is continuing to monitor all warrants to ensure that cumulative vendor limits do not exceed procurement policy parameters. Desk procedures and the A/P User Training Guide have both been updated to reflect the \$10,000 threshold. Procurement staff is monitoring purchase orders and contracts.
Purchasing and A/P	7	Low	Low	Duplicate Payments	Increase frequency of monitoring	Validated. Staff now conducts monthly duplicate payment monitoring rather than quarterly monitoring.
RECOMMENDATIONS TO BE IMPLEMENTED BY THE CITY THAT WILL TAKE TIME TO IMPLEMENT						
CONTROL OBJECTIVE	#	LIKELIHOOD	IMPACT	SUBJECT	ACTION	STATUS
Payroll	1	High	Moderate	On boarding and off boarding	Perform process development and documentation	Pending ERP System. While current payroll policies and procedures include processes payroll staff can control when notified of an employee's termination (i.e., verification that additional

INTERNAL AUDIT RECOMMENDATIONS TRACKING						
CONTROL OBJECTIVE	#	LIKELIHOOD	IMPACT	SUBJECT	ACTION	STATUS
						pays have end dates and the appropriate deductions will be taken from the final check), the new ERP system will make it possible to keep track of equipment issued to employees and allow new policies to be implemented such as deducting the value of outstanding equipment from final paychecks if not returned, and will have better workflow capability to allow the appropriate departments to be notified when key events happen.
Purchasing and A/P	2	High	Moderate	Personnel changes	Perform process development and documentation	Completed. When an employee terminates employment with the City, the purchasing card is one of the items that is retrieved along with other City-issued items (badge, keys, computer, phone). The responsibility to cancel the card has been incorporated in the Purchasing Card policies and procedures.
Purchasing and A/P	3	High	Moderate	P-card review	Perform process development and documentation	Validated. Management believes that responsibility for monitoring the appropriateness of transactions is clearly assigned and stated in the purchasing card policies and procedures and is the approver's responsibility at the department level, rather than the responsibility of Finance staff. There is also a limited restriction on the use of the card for certain purchases (i.e., amusement parks, liquor store purchases, are denied upon initial swipe). Finance is conducting spot audits of pcard transactions as recommended and documented in pcard review procedures.
Purchasing and A/P	4	High	Low	Credit card refunds	Perform process development and documentation	Pending final review. Cash Handling AI sets out procedures and controls necessary for all refunds.
Accounts Receivable	2	Moderate	Moderate	Billing and Collections	Develop process, policies, and procedures for billing and collections	Pending final review. Billing & Collection and Cash Handling AIs are being reviewed internally and will be validated by the Internal Auditor.
Revenue and Cash	9	Moderate	Moderate	Cash handling	After cash handling audit, develop program and perform random cash audits	Nearing completion. Staff will perform spot cash audits throughout the City once Cash Handling AI training is completed, as required by the Cash Handling AI.
Grants Management	2	Moderate	Moderate	Grants management	Hire dedicated position, develop policies, provide training	Validated. Senior Grants Analyst position has been created and filled. Grants administrative instruction has been completed. Training provided on new federal reporting guidelines to over 50 City staff in January 2016.

INTERNAL AUDIT RECOMMENDATIONS TRACKING						
CONTROL OBJECTIVE	#	LIKELIHOOD	IMPACT	SUBJECT	ACTION	STATUS
Payroll	2	Moderate	Moderate	Pay rate verification	Perform process improvement and documentation	Validated. Finance has a monthly meeting with HR to review / refine roles, responsibilities, process documentation. HR has created a query to identify pay rates that do not match the agreed upon salary schedules for all job codes. Once the query is run and if it returns data, it is the responsibility of HR staff to make the corrections and notify the employees affected with any potential over or underpayments that may have happened as a result of the incorrect pay rate.
Payroll	3	Moderate	Moderate	Timekeeping	Implement electronic timecards	Nearing completion. To accommodate the submission of e-timecards by staff in remote locations, staff configured the Kronos Mobile module, which will be rolled out in the next quarter. Staff is continuing to work with the City Attorney's Office to implement electronic timekeeping.
Payroll	4	Moderate	Moderate	Overtime	Perform process improvement and documentation	Completed. Departments are responsible for approving overtime requests and reviewing timecards. In general, employees are to receive advance authorization for overtime and supervisors approve timecards prior to payment. Payroll provides departments with overtime use reports each payday, and runs exception reports as well to capture large paychecks. Guidelines are included in the Payroll policies & procedures and are noted in the Supervisor Handbook, which reminds supervisors of their responsibility to track errors (they receive biweekly overtime reports from payroll) and inform payroll of errors.
Payroll	5	Moderate	Moderate	FLSA	Monitor supplemental timecards	Pending ERP System. While a manual process is in place, the new ERP system will alleviate the requirement for supplemental timecards to calculate FLSA pay.
Payroll	9	Low	Moderate	Timekeeping	Implement random reviews of schedules and timekeeping	Pending ERP System. It is anticipated that the new HR/Payroll system will create efficiencies in a currently cumbersome process that will allow for random audits to be conducted.
Revenue and Cash	15	Low	Moderate	Cash handling	After cash handling audit, analyze need for separate cash tills	Pending final review. The Cash Handling AI requires each person handling cash to have a separate till. Exceptions must be approved by the Finance Department.
Purchasing and A/P	8	Low	Low	Refunds	Perform process improvement and documentation	Validated. Policy is included in the validated Purchasing Card AI for Pcards, and in the A/P Manual. Refund procedures are also included in the Billing & Collections and Cash Handling AI's for credit cards and all other refunds. Staff and the Internal Auditor are working with

INTERNAL AUDIT RECOMMENDATIONS TRACKING						
CONTROL OBJECTIVE	#	LIKELIHOOD	IMPACT	SUBJECT	ACTION	STATUS
						the Resource Recovery and Recycling Division to assess the waste deposit refunding process.
RECOMMENDATIONS THAT REQUIRE DOCUMENTATION OF POLICIES AND PROCEDURES						
CONTROL OBJECTIVE	#	LIKELIHOOD	IMPACT	SUBJECT	ACTION	STATUS
Revenue and Cash	1	High	High	Counting Room	Develop policy for visitor access	Completed. This has been addressed above.
Citywide and Departmental Policies	1	High	Moderate	Administrative Instructions	Update and revise	Nearing completion. A full set of Finance policies and procedures have been updated and are in the process of being validated by the Internal Auditor. Staff is continuing to update financial Administrative Instructions. The process should be completed within the next three months.
Payroll	7	Moderate	Low	Timekeeping Review	Develop policy and provide training	Completed. Payroll procedures manual has been completed. Relevant portions of the policy are highlighted in the supervisors' handbook (September 2016).
Payroll	10	Low	Low	Payroll	Document internal procedures	Completed. Payroll procedures manual has been completed.
Citywide and Departmental Policies	2	Low	Low	Department Procedures	Develop and document procedures	Nearing completion. A full set of updated Finance policies and procedures has been completed and is currently being validated by the Internal Auditor. Staff is working to update financial Administrative Instructions as part of this effort.
RECOMMENDATIONS THAT REQUIRE TRAINING						
CONTROL OBJECTIVE	#	LIKELIHOOD	IMPACT	SUBJECT	ACTION	STATUS
Purchasing and A/P	1	High	High	A/P review and approval	Conduct training for A/P staff (in departments)	Completed. User training completed in October and November included 52 participants. User Training Guide is completed but always being updated.
Training	2	Low	Low	Fiscal training	Assess gaps and update training	Completed. Council adopted the City's Code of Ethics on November 24, 2015 and the Administrative Instruction was distributed in July 2016. Finance continues to add fiscal training sessions for citywide staff. Additional training will be conducted once policies and procedures are completed.

INTERNAL AUDIT RECOMMENDATIONS TRACKING						
CONTROL OBJECTIVE	#	LIKELIHOOD	IMPACT	SUBJECT	ACTION	STATUS
RECOMMENDATIONS THE REQUIRE CHANGES TO CURRENT TECHNOLOGY						
Revenue and Cash	11	Moderate	Moderate	Point of Sale (POS)	Explore POS features and develop plan for comprehensive deployment	Pending ERP System.
Payroll	9	Low	Moderate	Scheduling	Explore additional Kronos capabilities	Continuing. City is exploring cost/benefit of advancing scheduling components within current electronic timekeeping system.

RELATED TO INTERNAL INITIATIVES ALREADY UNDER DEVELOPMENT	
NEW ERP SYSTEM	
Payroll (2) – Employee pay rates are accurate (cross training HR staff) <i>(response above)</i>	Payroll (3) – City Attorney on Kronos <i>(response above)</i>
Payroll (5) – FLSA monitoring / process <i>(response above)</i>	Payroll (8) – Manual payroll process – update with ERP and build in checks for current manual system. Partially completed- checks for current manual system are implemented.
Accounts Receivable (1) – A/R systems: address through new ERP system and billings / collections procedures <i>(response above)</i>	
TRAINING ACADEMY	
Payroll (4) – Overtime approval and documentation. Include in supervisor handbook. <i>(response above)</i>	Payroll (6) – Timekeeping review / responsibilities. Included in Payroll policies and procedures. Will include in supervisor handbook. <i>(response above)</i>
Payroll (7) – Supervisor role in FLSA, other labor laws (overtime eligibility, etc.). Will include in supervisor handbook. Overtime procedures included in Payroll policies and procedures. <i>(response above)</i>	Training (1) – Waste, abuse, fraud, abuse training. Will engage auditors to provide short training / video to supervisors during supervisor training. Ethics policy in development. <i>(response above)</i>

Validated: Verified documented policy, procedure or Administrative Instruction addresses internal controls finding or element of finding.

Pending Final Review: Documented policy, procedure, or Administrative Instruction is pending final review by the City Attorney’s Office and/or the City Manager’s Office, before it is reviewed by Internal Auditor.



INTERNAL CONTROLS REVIEW PROGRESS REPORT

October 17, 2017

AUDIT SUBCOMMITTEE

OVERALL PROGRESS

Categories of Recommendations	Total Items	Completed /Validated	Nearing Completion/ Partially Completed	Pending Internal Audit Review/ERP
Addressed Through Internal Audit Workplans	5	2	2	1
Discrete Tasks That Are Easily Implemented	12	10	2	
Will Take Time to Implement	14	6	5	3
Require Documentation of Policies and Procedures	5	3	2	
Require Training	2	2		
Require Changes to Technology/Under Development	3		2	1
Total	41	23	13	5

Recommendations Addressed Through Internal Audit Workplans

- ▶ Monthly Bank Reconciliation Process Review completed/validated
- ▶ Ambulance Provider Audit completed/reconciliation process validated
- ▶ Counting Room procedures validated
- ▶ Fraud training conducted
- ▶ Cash Handling Audit completed
- ▶ Accounts Receivable Audit in process

Recommendations That Have Discrete Tasks That Are Easily Implemented

- ▶ Completed/Validated:
 - ▶ Counting Room security policies & procedures, equipment
 - ▶ Accounts Payable policies & procedures
 - ▶ Grants policies & procedures
 - ▶ Purchasing Card violation program
 - ▶ Security measures for cash-equivalent items
- ▶ Continuing:
 - ▶ Cash handling policies & procedures in review

Recommendations to be Implemented by the City that will Take Time to Implement

- ▶ Newly Completed/Validated:
 - ▶ Procurement Card process and monitoring
 - ▶ Pay rate verification process
 - ▶ Refund process
 - ▶ Hired Grants Administration position, policies in place, training done
 - ▶ Overtime monitoring *
- ▶ Continuing:
 - ▶ Electronic timekeeping expansion
 - ▶ Automated onboarding/offboarding
 - ▶ Cash handling and billing & collections policies are under review

City of Santa Monica Policy Validation

Control Objectives	Relevant Recommendation or Management Response Excerpt	Status	Status Notes	Relevant Document	Page Number
B. Purchasing and Accounts Payable	B6 - Document the new process in the Accounts Payable Division's policies and procedures, including the process for documenting and following up on issues detected.	Validated - 10/11/17	We are looking for in terms of documented policy/process for monitoring AP (i.e. cumulative vendor payment).	Monthly Bank Reconciliation to Financial Records Desk Procedures	25
B. Purchasing and Accounts Payable	B7- Staff has implemented monthly duplicate payment monitoring.	Validated - 10/11/17	The finding relates to duplicate outgoing payments from the City to vendors. Something about this is addressed on p. 443 but it is NOT monthly monitoring by staff.	Billing & Collections - DRAFT Miscellaneous Accounts Receivable (MAR) Policies & Procedures v1.2	547
D. Grants Management	D1 - Adopt Grants Administrative Instruction.	Validated - 10/11/17		Policy for City grant applications and grant resources management/Budgeting Grants	381,767
D. Grants Management	D2 - Develop written procedures in accordance with new Uniform Grant Guidance that address key compliance requirements that are applicable to the City.	Validated - 10/11/17		Policy for City grant applications and grant resources management/Budgeting Grants	381,767
E. Revenue and Cash Collections	E3 - Finance has already implemented a process where someone outside the Counting Room (Senior Administrative Analyst in Administration Division) reconciles on a weekly basis the meter collections with reports from the IPS meter software.	Validated - 10/11/17	Moss Adams: We have reviewed the "Processes and Procedures for the Counting Room, Parking Meter Coin Collections, and Big Blue Bus Revenue" and determined that this process has been implemented and adequately documented.	Counting Room Processes and Procedures Parking Meter Coin Collections and Big Blue Bus Revenue	634

E. Revenue and Cash Collections	E4 -Reconcile the number of permits issued each day with the number of permit transactions conducted per eTIMS or the POS system.	Validated - 10/11/17	Moss Adams: The process has changed significantly since the time of the Internal Controls Review. Permits and reconciliations are now handled by a third-party vendor and these concerns no longer exist. Based on the changes in practice, we consider this issue resolved.	City comments: Parking issue (no longer under Finance)	
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<p>Legend:</p> <p><i>Validated:</i> Verified documented policy, procedure, or Administrative Instruction addresses internal controls finding or element of finding.</p> <p><i>Pending Final Review:</i> Documented policy, procedure, or Administrative Instruction is pending final review by the City Attorney's Office and/or City Manager's Office.</p> <p><i>Draft:</i> Documented policy, procedure, or Administrative Instruction is in draft form.</p>
