



CITY OF WEST COVINA
FINANCE & AUDIT COMMITTEE

WEDNESDAY, JULY 10, 2019, 6:00 PM
SPECIAL MEETING

WEST COVINA CITY HALL
MANAGEMENT RESOURCE CENTER (MRC) ROOM 314
WEST COVINA, CALIFORNIA 91790

AGENDA

Marsha Solorio, Chair
David Lin, Vice-Chair
Dario Castellanos, Council/Audit Committee Member
James Grivich, Audit Committee Member
Colleen Rozatti, Audit Committee Member
Jessica Shewmaker, Council/Audit Committee Member
Vacant, Audit Committee Member

AMERICANS WITH DISABILITIES ACT

The Committee complies with the Americans with Disabilities Act (ADA). If you will need special assistance at Committee Meetings, please call (626) 939-8433 (voice) or (626) 960-4422 (TTY) from 8:00 a.m. to 5:00 p.m. Monday through Thursday, at least 48 hours prior to the meeting to make arrangements.

AGENDA MATERIAL

Agenda material is available for review at the West Covina City Clerk's Office, Room 317 in City Hall, 1444 W. Garvey Avenue and at www.westcovina.org. Any writings or documents regarding any item on this agenda not exempt from public disclosure, provided to a majority of the Commission that is distributed less than 24 hours before the meeting, will be made available for public inspection in the City Clerk's Office, Room 317 of City Hall during normal business hours.

PUBLIC COMMENTS
ADDRESSING THE FINANCE & AUDIT COMMITTEE MEMBERS

Any person wishing to address the Committee on any matter listed on the agenda or on any other matter within their jurisdiction should complete a speaker card that is provided at the entrance to the MRC and submit the card to the Committee Secretary.

Please identify on the speaker card whether you are speaking on an agenda item or non-agenda. Requests to speak on agenda items will be heard prior to requests to speak on non-agenda items. All comments are limited to three (3) minutes per speaker.

CALL TO ORDER

PLEDGE OF ALLEGIANCE

ROLL CALL

ORAL COMMUNICATIONS - Three (3) minutes per speaker

Please state your name and city of residence for the record when recognized by the Committee Chair.

APPROVAL OF MEETING MINUTES

- 1) **JUNE 5, 2019, SPECIAL FINANCE & AUDIT COMMITTEE MEETING MINUTES**

It is recommended that the Finance & Audit Committee receive and file the Minutes of the Special Finance & Audit Committee Meeting on June 5, 2019.

2) MARCH 7, 2019, AMENDED SPECIAL AUDIT COMMITTEE MINUTES

It is recommended that the Finance & Audit Committee receive and file the Amended Minutes of the Special Audit Committee Meeting on March 7, 2019.

REPORTS

NEW BUSINESS

1. Discuss scope of audit with Rams, which also includes scope of I.T. piece.
2. Discuss monthly financials.

ADJOURNMENT



AGENDA STAFF REPORT

City of West Covina

DATE: 07/10/2019
TO: Finance & Audit Committee
FROM: Robbeyn Bird, CPA, Interim Finance Director
SUBJECT: JUNE 5, 2019, SPECIAL FINANCE & AUDIT COMMITTEE MEETING MINUTES

RECOMMENDATION:

It is recommended that the Finance & Audit Committee receive and file the Minutes of the Special Finance & Audit Committee Meeting on June 5, 2019.

Prepared by: Valerie Gonzales, Administrative Assistant I

Additional Approval: Robbeyn Bird, CPA, Interim Finance Director

Attachments

Attachment No. 1 - Minutes of the Special Finance & Audit Committee Meeting June 5, 2019

CITY OF WEST COVINA

FINANCE & AUDIT COMMITTEE

MINUTES

SPECIAL MEETING

WEDNESDAY, JUNE 5, 2019 6:00 p.m.

The special meeting of the Finance & Audit Committee was called to order at 6:01 p.m. in the M.R.C. Committee Member David Lin led the Pledge of Allegiance.

ROLL CALL

Present: Chair Marsha Solorio
Vice-Chair David Lin
Committee/Council Member Dario Castellanos
Committee Member James Grivich
Committee Member Colleen Rozatti
Committee Member Vacant

Absent: Committee/Council Member Jessica Shewmaker

Staff Present: Interim Finance Director Robbeyn Bird, Accounting Manager Todd H. Owens, Interim City Manager David Carmany, Purchasing Manager Mark Baxter, Accounting Technician Renee Chavez

ORAL COMMUNICATIONS

No speakers.

1. APPROVAL OF APRIL 10, 2019, SPECIAL AUDIT COMMITTEE MINUTES

A Motion was given by Rozatti and seconded by Solorio to approve the Special Audit Committee minutes of the April 10, 2019 meeting with amendments. Motion carried by a vote 5-0 with Committee/Council Member Shewmaker absent.

2. FINANCE & AUDIT COMMITTEE NOMINATIONS

RECOMMENDATION:

It is recommended that the Finance & Audit Committee nominate a:

1. Chair
2. Vice-Chair

1. NOMINATION OF CHAIR

Committee Members Grivich, Lin, and Castellanos nominated Solorio for the position of Chair. A motion was given by Lin and seconded by Castellanos to appoint Vice-Chair Solorio as the next Chair of the Finance & Audit Committee.

Motion carried by a vote of 5-0 with Committee/Council Member Shewmaker absent.

Committee Member Solorio took over as Chair.

2. NOMINATION OF VICE-CHAIR

Chair Solorio nominated Committee Member Lin for the position of Vice-Chair. A motion was given by Solorio and seconded by Castellanos to appoint Committee Member Lin as the next Vice-Chair of the Finance & Audit Committee.

Motion carried by a vote of 5-0 with Committee/Council Member Shewmaker absent.

3. PRELIMINARY FISCAL YEAR 2019-20 BUDGET

Committee Member Rozatti raised a concern regarding Code Enforcements open cases once they move to the Community Development Department. City Manager Carmany states all files will be going with Code Enforcement and all will still be the same, just moving to a different department with part-time crew helping the supervisor.

Committee Member Grivich raised a concern about Risk Management and not filling the HR Position. The position is mostly about Risk Management, hiring, litigation, and the benefits (health contracts). Committee Member Grivich would like to make a motion to have an HR Director. City Manager Carmany agrees with Committee Member Grivich, informs him the Assistant City Manager is wearing several different hats, one of them is HR Director at the moment.

Committee Member Rozatti raised a concern that the Human Resources Commission is not being utilized. Chair Solorio also has concerns about the Human Resources/Risk Management Director Position and the Assistant City Manager acting as the Director. Chair Solorio is concerned that the Assistant City Manager does not have an HR background.

After a presentation on the budget, public comment, and a very long discussion between staff and the Committee Members, a motion was made by Committee Member Grivich and seconded by Committee Member Rozatti to request Council to consider a Human Resources/Risk Management Director.

Motion carried by a vote of 4-0-1 abstain with Committee/Council Member Shewmaker absent.

Committee Member Grivich raised concerns about equipment replacement not included in the budget.

Motion was made by Committee Member Grivich and seconded by Committee Member Rozatti to recommend to Council that a Budget be in place for equipment replacement.

Motion was carried by a vote of 5-0 with Committee/Council Member Shewmaker absent.

Motion was made by Grivich and seconded by Committee/Council Member Castellanos to receive and file FY 19-20 Operating Budget. Motion carried by a vote of 5-0 with Committee/Council Member Shewmaker absent.

New Business

After a presentation on Pension Obligation Bonds and discussion between staff and Committee Members, a motion was made by Chair Solorio and seconded by Council/Committee Member Castellanos to receive and file Pension Obligation Bonds information.

Motion carried by a vote of 5-0 with Committee/Council Member Shewmaker absent.

At next meeting discuss scope of audit with RAMS, which also includes scope of I.T. piece and monthly financials.

Next meeting to take place Wednesday, July 10, 2019 at 6:00 p.m.

ADJOURNMENT

Meeting was adjourned at 8:30 p.m.

Valerie Gonzales
Audit Committee Secretary



AGENDA STAFF REPORT

City of West Covina

DATE: 07/10/2019
TO: Finance & Audit Committee
FROM: Robbeyn Bird, CPA, Interim Finance Director
SUBJECT: MARCH 7, 2019, AMENDED SPECIAL AUDIT COMMITTEE MINUTES

RECOMMENDATION:

It is recommended that the Finance & Audit Committee receive and file the Amended Minutes of the Special Audit Committee Meeting on March 7, 2019.

DISCUSSION:

Amended Minutes to include Committee Member Jessica Shewmaker and remove Committee Member Marsha Solorio, as listed twice in roll call.

Prepared by: Valerie Gonzales, Administrative Assistant I

Additional Approval: Robbeyn Bird, CPA, Interim Finance Director

Attachments

Attachment No. 1 - Amended Minutes of the Special Audit Committee Meeting March 7, 2019

CITY OF WEST COVINA

AUDIT COMMITTEE

**MINUTES
SPECIAL MEETING
THURSDAY, MARCH 7, 2019 5:00 p.m.**

The special meeting of the Audit Committee was called to order at 5:03 p.m. in the M.R.C. Committee Member Colleen Rozatti led the Pledge of Allegiance.

ROLL CALL

Present: Chair James Grivich
Vice Chair Marsha Solorio
Committee Member Dario Castellanos
Committee Member David Lin
Committee Member Colleen Rozatti
Committee Member Jessica Shewmaker
Committee Member Vacant

Absent:

Staff Present: Accounting Manager Todd H. Owens, Administrative Assistant I Valerie Gonzales

ORAL COMMUNICATIONS

Speaker – Bill Robinson

Addressed the Committee regarding MOU's, Pensions, and request a copy of the Pro Mark research report.

1. APPROVAL OF MARCH 7, 2019, SPECIAL AUDIT COMMITTEE MINUTES

A Motion was given by Grivich and seconded by Castellanos to postpone approval of the June 28, 2018 minutes to the next meeting. Motion carried by a vote 6-0.

2. COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR) AND OTHER RELATED REPORTS FOR THE YEAR ENDED JUNE 30, 2018

RECOMMENDATION:

It is recommended that the Audit Committee submit to the City Council the following letters and financial reports for the year ended June 30, 2018:

- Comprehensive Annual Financial Report;
- Government Auditing Standards Letter;
- Audit Communication Letter;
- West Covina Housing Authority Fund Financial Report;
- West Covina Housing Authority Fund Addendum to the Annual Progress Report; and
- Air Quality Improvement Fund Financial Statements

Terry Shea Audit Partner with Rogers, Anderson, Malody & Scott, LLP, distributed a power point handout that informed everyone of what their responsibilities are and what the Cities responsibilities are with respect to a financial statement audit. Cities financial responsibilities are to present the Cities financials and the result of operations which is the CAFR.

Hold up on issuance of the CAFR was the calculation of the OPEB, which is done by an outside actuarial, it was received late January early February 2019. Basic Audit was done in October. GASB 75 affected the statements this year as it was new. At the end of June 2018 Total OPEB Liability was \$59.9 million. That number was added as a prior period adjustment. Staff did a really good job of closing this year, it was done by September 30th.

Lin request copy of audit procedure, not usually given out by firm. Possibly give risk assessments.

Grivich questions the general opinion that financial statements are correct. Information in statement compared to budget information prepared by staff last August contained a variance. He couldn't reconcile that information. Handout from Grivich was distributed. Budget was questioned compared to CAFR. Final budget differs from CAFR by \$6 million, which Grivich contends is a material weakness in the accounting system. Part of the problem was the turnover, and change.

Solorio questions if they anticipate any management letter comments. Verbal was done with Marcie, it can be put in writing what was discussed by firm.

City was stable for years up until about six (6) years ago. We signed a five (5) year contract, we'll be lucky if we get through two (2) years with the same people, stated Shea.

Solorio questions under Public Safety 2016, 2017, and 2018 expenses jumped quite dramatically. That's the GASB 68 for your public safety and GASB 75 for your OPEB. When do we anticipate to get the Single Audit Report. Staff responded that most of it is finished just waiting on a couple of items.

Grivich not prepared to forward the CAFR to Council would like staff to ask Judy Lancaster what she did to come up with the numbers. Castellanos would like us to figure out where the variance is between Budget and CAFR.

After a very long discussion between staff, auditor, and Committee Members, a motion was made by Grivich and seconded by Castellanos that the City provide information on the variance.

Motion carried by a vote 6-0.

Motion was made by Grivich and seconded by Rozatti to have a Special Audit Meeting March 14, 2019. Motion carried by a vote of 6-0.

Rozatti to question Housing Authority Fund. This is in reference to notes and loan receivables, quite a few loans going back to 1998. Do we have addresses to investments/loans that we've made to these people. One is Executive Law Dept., another is West Covina Senior Villas, curious to know where these properties are. Who are the partners? Loan does not accrue any interest, that is typical.

Shewmaker questioned to look back at May 2009 West Covina Senior Villas 2 it shows original loan was \$8.6 million and 9 years later \$8.5 million is still owed. It states loan is most likely to be forgiven. That's typical especially with senior housing projects like that. That's why the state came in a few years later and said you can only do so many senior housing programs because that's what cities are doing with their loan mod money.

Solorio questions AQMD report, report last year had expenditures for almost \$86,000 this year it's \$937,000, do we know why it jumped. You would have to look at the GL detail to see what's included. Originally budgeted \$29,000 mid-year adjust the budget \$951,000 expense of \$936,000. City has \$600,000 worth of AQMD money.

ADJOURNMENT

Motion was made by Grivich, seconded by Rozatti to adjourn the meeting at 6:00 p.m. Motion carried by a vote of 6-0.

Valerie Gonzales
Audit Committee Secretary