



CITY OF WEST COVINA  
FINANCE & AUDIT COMMITTEE

WEDNESDAY, JANUARY 22, 2020, 6:00 PM  
REGULAR 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/Finance & Audit Committee Member  
Donna Chia, Finance & Audit Committee Member  
Jim Grivich, Finance & Audit Committee Member  
Colleen Rozatti, Finance & Audit Committee Member  
Jessica Shewmaker, Council/Finance & 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](http://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 72 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) OCTOBER 23, 2019, 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 October 23, 2019.

## **REPORTS**

### **NEW BUSINESS**

Discuss Monthly Financials

### **Schedule New Meeting Date**

Possible Date: March 25, 2020

## **ADJOURNMENT**



## AGENDA STAFF REPORT

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City of West Covina

**DATE:** 01/22/2020  
**TO:** Finance & Audit Committee  
**FROM:** Robbeyn Bird, CPA, Interim Finance Director  
**SUBJECT:** **OCTOBER 23, 2019, FINANCE & AUDIT COMMITTEE MEETING MINUTES**

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**RECOMMENDATION:**

It is recommended that the Finance & Audit Committee receive and file the Minutes of the Special Finance & Audit Committee Meeting on October 23, 2019.

**Prepared by:** Valerie Gonzales, Administrative Assistant I  
**Additional Approval:** Robbeyn Bird, CPA, Interim Finance Director

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**Attachments**

Attachment No. 1 - October 23, 2019 Minutes

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**CITY OF WEST COVINA**

**FINANCE & AUDIT COMMITTEE**

**MINUTES**

**SPECIAL MEETING**

**WEDNESDAY, OCTOBER 23, 2019 6:00 p.m.**

The special meeting of the Finance & Audit Committee was called to order at 6:03 p.m. in the M.R.C. Vice Chair David Lin led the Pledge of Allegiance.

**ROLL CALL**

Present: Chair Marsha Solorio – *via phone*  
Vice-Chair David Lin  
Committee/Council Member Dario Castellanos  
Committee Member Donna Chia  
Committee Member James Grivich  
Committee Member Colleen Rozatti  
Committee/Council Member Jessica Shewmaker

Absent: None

Staff Present: Interim Finance Director Robbeyn Bird, Accounting Manager Todd H. Owens, City Manager David Carmany, Purchasing Manager Mark Baxter, Administrative Assistant I Valerie Gonzales

**ORAL COMMUNICATIONS**

No speakers.

Introduction of Donna Chia, newest member of the Finance & Audit Committee, led by Robbeyn Bird.

**1. APPROVAL OF JULY 10, 2019, SPECIAL FINANCE & AUDIT COMMITTEE MINUTES**

Vice Chair Lin requested consideration of the minutes. Discussion ensued. City Treasurer Rozatti asked which minutes were being reviewed/approved and was informed they were from July 10, 2019. City Treasurer Rozatti had questions regarding New Business matters that were considered at the July 10, 2019 meeting. She asked the status of some of the I.T. issues, the back-ups? City Treasurer Rozatti asked if the concerns regarding the Fire Department were answered. Interim Director Bird informed the committee there wouldn't be any discussion regarding the Fire Department due to an allegation of overtime fraud which would be reviewed by certified fraud examiner. A meeting was held with the auditors who indicated they would not begin the annual audit until this situation has been examined. Chair Solorio asked if they can know who made an accusation of fraud. When the last meeting ended, they all agreed that all they wanted was a request for information, a flux-analysis start to the discussion, she doesn't know how it elevated from there to an

allegation of fraud. Chair Solorio didn't see the connection. City Manager Carmany explained that the City is open to scrutiny and welcoming of criticism; if the City receives a complaint, the City certainly needs to take it quite seriously. When the City receives a written complaint to the auditors wherein someone uses the word fraud it is a very serious matter which the auditors and City administration take quite seriously. There needs to be an independent review of that, so the City hired a firm that specializes in these forensic audits. Council Member Shewmaker asked if the Committee can give the name of the person who made the allegation. Her understanding was the same as Chair Solorio's. She is not sure if it has to be confidential or if they are allowed to give the name at this point. She asked the City Manager for clarification. City Manager Carmany stated it's a public record when someone complains in writing, it was one of our committee members, Jim Grivich. Chair Solorio stated that separate from the meeting, the complaint was done.

Interim Finance Director Bird informed Chair Solorio and committee that a questionnaire is sent out every year and one of the questions is "are you aware of any fraud?", and the answer from this individual was yes with numerous attachments. The City Auditors contacted Interim Finance Director Bird and let her know, they have to proceed from there in order to get the audit done. They take any allegations of fraud, very seriously like the City does. Auditors were asked how they want to proceed and if they are comfortable coming in to do the audit. The City hired this other audit firm and the individual is a certified fraud examiner. Now the auditors will come in November to do the audit as well as this other auditor to do the Fire overtime review. City Treasurer Rozatti asked if there will be a fraud auditor and then the auditors. Interim Finance Director Bird stated yes, they are completely separate. City Treasurer Rozatti says she read that it is going to be \$30,000? Interim Finance Director Bird said yes, if it exceeds \$30,000 it will need to go to Council. Member Grivich stated that he just wanted to make everyone aware that the actual questionnaire stated "are you aware of any possible fraud". That was the way it was worded and when he answered he said he was aware of possible fraud. It is an important distinction.

City Treasurer Rozatti said her last question on the minutes is that Finance & Audit Committee has requested staff to provide Policy & Procedures of the City and its related contracts and percentage over contracts and Policy & Procedures for budget limits, did we get that? Interim Finance Director Bird responded that we did not bring the information. City Treasurer Rozatti, just for clarification, noted that we still need to hear back as to the I.T. issue with Shawn (back-up) and what policy and procedures are related to percentages for contracts. Per Interim Finance Director Bird, she believes it is in each individual contract. Purchasing Manager Baxter explained that there are two contracts, one is a Professional Service Agreement (PSA) which is used for hiring consultants and then there is the Public Works contract. The PSA has it written into the language and 25% over the course of the contract. The Public Works contracts can increase to 10% over and those percentages are presented to Purchasing with a change order, and that's over the life of the contract. So, Public Works, if it's a \$100,000 they can go up to \$110,000 without going back to Council. A PSA, a \$100,000 contract, they can go up to \$125,000 without going back to Council.

Member Grivich discussed the 4<sup>th</sup> quarter report where there were a lot of accounts that had overdrafts, more money was spent than was budgeted. He didn't look to see if it was

the 25% over. His concern about Policy and Procedures is that there needs to be a procedure to adjust the budget as to why it's being overdrawn.

Member Grivich would like to make a motion that this be brought back, since it wasn't brought back now. Interim Finance Director Bird informed the Committee that she is not sure the City has a policy and procedure for it, that the contracts state in there these overages. Council Member Shewmaker stated that they want to know if there are locks on accounts so that people can't go over budget, they asked for Policy and Procedures if they have an account that is consistently going over budget, how do we adjust it, how do we say no it's not going to happen so that every Council Meeting Council is not getting budget amendments? Interim Finance Director Bird informed Council Member Shewmaker that typically they are held to the bottom line of that department, so they can't go over at the department level before it goes to Council. Line by line adjustments are not done here. It stated in the budget that the departments are held to the department level.

City Treasurer Rozzatti asked about accounts that are locked. Bird informed her/committee that at year end accounts come unlocked or AP would come to a halt because bills can't get paid. Once all is complete accounts are locked again. Status is; accounts are locked right now.

Member Grivich would like to move to amend the minutes to say that the Committee is requesting a formal policy and procedure on the subject related to contract and budget. Council Member Shewmaker stated that they can't request to amend the minutes, the committee requested to see the policies. Member Grivich withdrew the motion.

A Motion was given by Council Member Shewmaker and seconded by Member Grivich to approve the Special Finance & Audit Committee minutes of the July 10, 2019.

Motion carried by a vote 7-0.

## **REPORTS**

### **PRESENTATION:**

Vice Chair Lin asked what the presentation is for. City Manager Carmany informed the Committee it is updated report based on updated CalPERS actuarials, more refined information in keeping with the direction staff received from the committee regarding the aspects of the Pension Obligation Bonds transaction that the committee wanted staff to consider.

Todd Smith with Hilltop Securities introduced himself to begin presentation. He informed the committee that they were present at the June 2019 meeting. Mr. Todd also introduced Brian Whitworth with Hilltop Securities.

Member Grivich stated that he thinks the intent is the bonds would purchase the liabilities from CalPERS, he thinks that's where the proceeds were supposed to be disbursed, but it doesn't actually say that anywhere in the book and that was disturbing. If you read it, it sounds like you are investing in the stock market. Member Grivich stated that he is

criticizing the language in the book. The proper way for the Committee and the City to evaluate this is by an amortization table, you have principal and interest payments year by year. Member Grivich wants to see numbers not just lines. Brian Whitworth with Hilltop informed him that they can do numbers with lines. City Treasurer Rozatti agreed with Member Grivich that she would like numbers. Vice Chair Lin asked about the risks. Brian Whitworth responded and explained flexibility with the City. City Treasurer Rozatti asked if there's an administration fee. Brian responds stating CalPERS does not take any additional actuarial fee for CalPERS to do this. City Treasurer Rozatti asked if there is an administrative fee for Hilltop Securities, Todd responds saying they get an underwriting fee for underwriting the bonds. There is no ongoing fee. Ongoing would be the trustee. City Manager Carmany informed that there are other costs of issuance. We would need to do a validation procedure, basically we are suing ourselves in superior court to make sure what we are doing is clear legally, we would have financial advisor, bond counsel, disclosure counsel; there are some costs of issuance in a transaction like this. City Treasurer Rozatti would like a few options on the payments, she is concerned that the City has the money to make the payments.

A Motion was given by Member Grivich and seconded by Castellanos to file the report.

Motion carried by a vote 7-0.

## **NEW BUSINESS**

Vice Chair Lin asked Member Grivich if he has anything. Member Grivich would like to move that the committee recommend that staff develop a policy and procedure to deal with the overdrafts that occur and there is an overarching policy already in place. He is just talking about a procedure to deal with overdrafts and he bases that on the fact that he saw tons of overdrafts on the 4<sup>th</sup> quarter report. Member Grivich feels something needs to be done. Council Member Shewmaker asked if the overdrafts Member Grivich is talking about are due to the fact that we have not received funds? Council Member Shewmaker agrees that we do need a policy and is there going to be a way to differentiate over drawing now because the funding for these accounts come in later? Interim Finance Director Bird informed the committee, it's just based on expenditures, there is not funding that goes with it. If the revenues came in, they came in. Council Member Shewmaker asked about sales tax funding. Interim Finance Director Bird explains the revenues are separate from the expenditures. It's just expenditures that Member Grivich is talking about, and again we are required to not go over at the department level. There will be overdrafts in some of the accounts but underspending in others in a lot of cases. Interim Finance Director Bird's question is whether the City Council as a whole, wants to direct staff to write a policy and procedure because she is not certain that the Finance & Audit Committee is to direct staff to write these policy and procedures. Member Grivich stated that is why he said procedures as opposed to policy.

Council Member Shewmaker recommends to make a motion to direct City Council to consider having staff write a policy and procedure related to budget overdraft and the thresholds for such. Seconded by City Treasurer Rozatti. Motion carried by a vote 7-0.

Interim Finance Director Bird informed the committee that she spoke with staff after speaking with Member Grivich earlier in the day and there were several other budget

amendments done regarding the \$2,000,000. Most were due to legal expenses and those were approved by City Council at the midyear review. One was April 2<sup>nd</sup> and the other was February 5<sup>th</sup>, it was big budget amendments. Council Member Shewmaker stated that yes, some expenditures and expenses are unexpected. If they can know sooner, that way they can see where they can shift money to possibly cover some of that versus, we need extra money. Chair Solorio stated she thought at the last meeting they discussed about possibly adding a subtotal line, that way we can see that the department is still within their budget.

Council Member Shewmaker stated that City Treasurer Rozatti went through the minutes from the last meeting and that she (Council Member Shewmaker) is frustrated that as an Audit Committee Member not a single request from the committee was fulfilled. I.T., overtime with Fire Department that was impossible, the policy and procedures; we now reached the point where we are going to the City Council to ask them to do a policy that could've been answered with yes, we do have a policy, no we don't have a policy. It would've been that we request some revisions, or the policy is great, but now we have to go to Council. The Council amended the duties of this committee to be more than just an Audit Committee, it gave the duties related to Finance and Council Member Shewmaker doesn't want the next staff to continue not getting requests; to have to go to the Council and say directives from this committee are being ignored and so as an Audit Committee member it is not acceptable. When it comes to the Fire Dept. since Council Member Shewmaker has been a member, that information has been requested and not fulfilled. City Treasurer Rozatti agrees with Council Member Shewmaker. City Treasurer Rozatti stated that there has always been kind of a rush, rush on getting the members the agenda. Request that they get it in a timely manner so that they have time to look through it. City Treasurer Rozatti would like to see the agenda get to them at least 72hrs. prior to meeting date.

Next meeting to take place Wednesday, January 22, 2020 at 6:00 p.m.

### **ADJOURNMENT**

Motion was made by Council Member Shewmaker, seconded by Castellanos adjourn the meeting at 7:39 p.m. Motion carried by a vote 7-0.

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Valerie Gonzales  
Finance & Audit Committee Secretary