



**CITY OF WEST COVINA
AUDIT COMMITTEE**

**WEDNESDAY, OCTOBER 25, 2023, 6:00 PM
REGULAR MEETING**

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

AGENDA

**David Lin, Chair
Marsha Solorio, Vice Chair
Ollie Cantos, Council/Audit Committee Member
Rosario Diaz, Mayor/Audit Committee Member
Jim Grivich, Audit Committee Member
Colleen Rozatti, City Treasurer/Audit Committee Member
Deanna Stanley/Audit Committee Member
Vacant/Audit Committee Member**

AMERICANS WITH DISABILITIES ACT

The Committee complies with the Americans with Disabilities Act (ADA). If you 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 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 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 Management Resource Center Room (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 27, 2023, AUDIT COMMITTEE SPECIAL MEETING MINUTES

It is recommended that the Audit Committee receive and file the Minutes of the Audit Committee Special Meeting on June 27, 2023.

REPORTS

2) FINANCIAL RECOVERY PLAN UPDATE

It is recommended that the Audit Committee receive and file the Financial Recovery Plan Update through August 31, 2023.

3) PURCHASING POLICY VIOLATION LOG

It is recommended that the Audit Committee receive and file the Purchasing Policy Violation Log as of June 30, 2023.

NEW BUSINESS

1. Revenue and Expenditure Reports
2. Next Meeting Date and Time

ADJOURNMENT



AGENDA STAFF REPORT

City of West Covina

DATE: 10/25/2023
TO: Audit Committee
FROM: Stephanie Sikkema, Finance Director
SUBJECT: **JUNE 27, 2023, AUDIT COMMITTEE SPECIAL MEETING MINUTES**

RECOMMENDATION:

It is recommended that the Audit Committee receive and file the Minutes of the Audit Committee Special Meeting on June 27, 2023.

Prepared by: Valerie Gonzales, Senior Administrative Assistant
Additional Approval: Stephanie Sikkema, Finance Director

Attachments

Attachment No. 1 - June 27, 2023, Audit Committee Special Meeting Minutes

CITY OF WEST COVINA

AUDIT COMMITTEE

MINUTES

SPECIAL MEETING

TUESDAY, JUNE 27, 2023, 6:00 p.m.

The meeting of the Audit Committee was called to order at 6:01 p.m. Committee Member Garcia led the Pledge of Allegiance.

ROLL CALL

Present: Chair David Lin
Committee/Council Member Ollie Cantos
Committee Member/Mayor Rosario Diaz
Committee Member Miguel Garcia
Committee Member Jim Grivich
Committee Member Deanna Stanley

Absent: Vice-Chair Marsha Solorio, Committee Member/City Treasurer Colleen Rozatti

Staff Present: Finance Director Stephanie Sikkema, Assistant Finance Director Maria-Luisa Olea, Senior Administrative Assistant Valerie Gonzales, Fire Chief Vincent Capelle

ORAL COMMUNICATIONS

None

--- End of Public Comment

1. APPROVAL OF MAY 8, 2023, AUDIT COMMITTEE MINUTES

It is recommended that the Audit Committee receive and file the Minutes of the Audit Committee Meeting on May 8, 2023.

A Motion was made by Committee Member Grivich and seconded by Committee Member Stanley to approve the Audit Committee minutes of the May 8, 2023, meeting.

Motion carried by a vote 3-0; 1 absent; 1 abstain

REPORTS

2. DISCUSSION REGARDING FINANCIAL RECOVERY PLAN, STATE AUDITOR OBJECTIVE NO. 5: ADDRESS THE EXCESSIVE COST CURRENTLY INCURRED PROVIDING FIRE AND EMERGENCY MEDICAL SERVICES

- Presentation by the Fire Chief
 - No Motion

Committee Member Jim Grivich left the meeting at 7:35 p.m.

3. DISCUSSION REGARDING POLICY FOR PLANNING FOR CAPITAL EXPENDITURE PROCUREMENT

Staff recommends consideration of the proposed policy to be included in the City's Purchasing Manual.

A Motion was made by Committee Member Stanley and seconded by Committee Member Garcia to include the proposed policy in the City's Purchasing manual.

Motion carried by a vote 3-0; 2 absent

NEW BUSINESS

1. Next Meeting Date and Time

- Tuesday, September 26, 2023, at 6:00 p.m.

ADJOURNMENT

Chair Lin moved to adjourn the meeting at 7:40 p.m.

Valerie Gonzales
Audit Committee Secretary



AGENDA STAFF REPORT

City of West Covina

DATE: 10/25/2023
TO: Audit Committee
FROM: Stephanie Sikkema, Finance Director
SUBJECT: FINANCIAL RECOVERY PLAN UPDATE

RECOMMENDATION:

It is recommended that the Audit Committee receive and file the Financial Recovery Plan Update through August 31, 2023.

BACKGROUND:

With the goal of improving government performance, the Joint Legislative Audit Committee (JLAC) was established by the California State Legislature. JLAC, independently and through the work of the State Auditor's Office, oversees the operations and finances of government entities. Audits considered by the JLAC include financial and financial-related audits of government entities. In December 2019, the State Auditor's Office informed the City of West Covina that it had been selected for review under the high-risk local Government Agency Audit Program. The State Auditor completed its audit and published its report on December 1, 2020. To view the report, please

visit: <http://www.auditor.ca.gov/reports/2020-806/index.html>

One of the State Auditor's recommendations was that West Covina develop a formal financial recovery plan to prioritize resources and assign responsibility for monitoring progress in implementing the plan.

DISCUSSION:

The Financial Recovery Plan (Attachment No. 1) is a pathway to gaining stability - it identifies key elements based upon the State Auditor objectives: action steps, expected completion dates, responsible staff, and status updates. The Audit Committee reviewed the Financial Recovery Plan on March 24, 2021, and City Council approved it on April 6, 2021.

Prepared by: Stephanie Sikkema, Finance Director

Additional Approval:

Attachments

Attachment No. 1 - Financial Recovery Plan

**City of West Covina
Financial Recovery Plan
Monthly Update - August 2023**

Description of intended corrective actions, timing, prioritization of resources, and identification of individuals responsible for monitoring progress/implementation

State Auditor Objective No.	Action Steps	Expected Completion Date	Responsible Staff (Lead/Support)	Status Report (August 2023)
<p>1. Ensure that the fees/assessments charged for services align with costs and increase fees to reflect cost reasonably borne in the provision of city services</p>	<p>1. Retain consultant to determine strengths and weakness of existing service delivery models. Assess City costs and revenue sources. Examine all revenue sources (local, state and federal) to develop sustainable and defensible revenue streams</p> <p>2. Examine all direct and indirect costs of fees for service, development impact fees and landscape/sewer district assessments</p>	<p>1. RFP release – April July 2021</p> <p>2. Establish budget for fee study – May November 2021</p> <p>3. Consultant kick-off – June December 2021</p> <p>4. Draft Fee Study – October April 2021-2023</p> <p>5. City Council adoption – December 2021 November 2023</p> <p>6. If voter approval is required (assessment districts only) – November 2022 2024</p>	<p><u>Lead</u> – Finance Director</p> <p><u>Support</u> – Assistant City Clerk, Planning Manager, City Engineer, and Public Services Supervisor</p>	<p>Pending.</p> <p>The initial presentation to City Council was held August 15th, followed by two community workshops on August 28th and September 6th. The final fee schedule was originally planned to go before the City Council for consideration of adoption October 3rd. However, this has been pushed back to allow Council an opportunity to review the study one-on-one with the consultant.</p> <p>The Consultant submitted a draft Cost Allocation Plan for staff review in June 2022.</p> <p>Staff held kick-off meetings to begin the cost allocation plan and fee study in January 2022.</p> <p>The City Council awarded a Request for Proposals (RFP) to Revenue & Cost Specialists to conduct a Municipal Fee Study and established a budget in November 2021. The RFP was originally advertised in July 2021.</p>

State Auditor Objective No.	Action Steps	Expected Completion Date	Responsible Staff (Lead/Support)	Status Report (August 2023)
<p>2. Review, evaluate, and monitor all city contracts</p>	<p>1. City Clerk to prepare list of current contracts.</p> <p>2. Risk Management to verify insurance is current</p> <p>3. Responsible Department designated contract manager to evaluate consultant effectiveness and work quality (e.g. waste hauling and street sweeping)</p> <p>4. Ensure competition for procurements. Follow competitive bidding processes and monitor contract term, especially when exceeding five years</p>	<p>1. List of current contracts – April 2021</p> <p>2. Insurance verification – May 2021</p> <p>3. Departmental review – June 2021</p> <p>4. Review and update City’s purchasing, contracting, and bidding procedures – June 2021 June 2022</p>	<p><u>Lead</u> – Assistant City Clerk</p> <p><u>Support</u> – All Departments</p>	<p>This objective is complete.</p> <p>The contract list and insurance verification were completed in July. The City Clerk’s office will review, verify, and update the list as necessary. Additionally, the City has a formal process within its Purchasing Policy (pg. 40-41) that establishes uniform procedures for the preparation, presentation and execution of city and contract documents.</p> <p>The new Purchasing Policy was adopted by City Council on June 21st. The new ordinance took effect July 21, 2022.</p>
<p>3. Set aside land sale revenue to compensate for any shortfalls in revenue that the City experiences as a result of the effects of the pandemic on the City’s fiscal year 2020-21 budget</p>	<p>1. Economic Development Office to track all land sales and report as to use of proceeds of sales</p> <p>2. Finance Department to estimate City portion of each land sale</p>	<p>Review, update and publish list of City of West Covina land held for resale assets – June 2021</p>	<p><u>Lead</u> – City Manager’s Office</p> <p><u>Support</u> – Successor Agency staff</p>	<p>This objective is complete.</p> <p>Land held for resale has been identified and is reflected in the City’s Annual Comprehensive Financial Report.</p>

State Auditor Objective No.	Action Steps	Expected Completion Date	Responsible Staff (Lead/Support)	Status Report (August 2023)																														
<p>4. Proactively mitigate risk and exposure to litigation through training and implementation of best risk management practices</p>	<p>1. City joined the CJPIA on July 1, 2020</p> <p>2. Review LossCap Action Plan regularly, including “top 5” important priority issues</p> <p>3. Establish quarterly high-level executive team meetings and safety committee meetings for LossCap review</p> <p>4. Corrective actions taken as identified in the Initial Risk Management Evaluation</p>	<p>1. Quarterly meetings: March, June, September, and December</p> <p>2. 50% of corrective actions completed by December 2021 August 2022</p> <p>3. 100% of corrective actions completed by December 2023</p>	<p><u>Lead</u> – Human Resources & Risk Management Director</p> <p><u>Support</u> – All Departments</p>	<p>Steps 1, 2 and 3 are complete.</p> <p>Step 4 is pending. No new updates.</p> <p>As of the end of August, all Action Items on the Initial Risk Management Evaluation have been started and 62% are Complete.</p> <table border="1" data-bbox="1432 537 2018 1179"> <thead> <tr> <th>Row Labels</th> <th>Count of Item</th> </tr> </thead> <tbody> <tr> <td>All Departments</td> <td>3</td> </tr> <tr> <td>Completed</td> <td>3</td> </tr> <tr> <td>Community Development</td> <td>2</td> </tr> <tr> <td>Completed</td> <td>1</td> </tr> <tr> <td>In Work</td> <td>1</td> </tr> <tr> <td>Fire Department</td> <td>4</td> </tr> <tr> <td>Completed</td> <td>4</td> </tr> <tr> <td>HR - Risk Management</td> <td>26</td> </tr> <tr> <td>Completed</td> <td>17</td> </tr> <tr> <td>In Work</td> <td>9</td> </tr> <tr> <td>Public Services</td> <td>28</td> </tr> <tr> <td>Completed</td> <td>14</td> </tr> <tr> <td>In Work</td> <td>14</td> </tr> <tr> <td>Grand Total</td> <td>63</td> </tr> </tbody> </table>	Row Labels	Count of Item	All Departments	3	Completed	3	Community Development	2	Completed	1	In Work	1	Fire Department	4	Completed	4	HR - Risk Management	26	Completed	17	In Work	9	Public Services	28	Completed	14	In Work	14	Grand Total	63
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<p>5. Address the excessive cost currently incurred providing fire and emergency medical services</p>	<ol style="list-style-type: none"> 1. Evaluate current Fire Department deployment model 2. Document reasons for absences causing OT 3. Develop viable alternatives for fire and emergency management services 4. Discuss alternative plans with appropriate stakeholders 	<ol style="list-style-type: none"> 1. Analyze current deployment – April 1, 2021 2. Analyze alternatives – May 1, 2021 3. Meet with stakeholders – June 1, 2021 	<p><u>Lead</u> – Fire Chief</p> <p><u>Support</u> – Finance Director and Human Resources Director</p>	<p>Pending. No new updates.</p> <p>Negotiations with the Firefighters Association were finalized in September and City Council approved a new Memorandum of Understanding October 4, 2022. The following provision were incorporated to alleviate excessive overtime: Other than actual hours worked, only vacation leave and compensatory time off shall be considered hours worked for the purpose of the hours worked calculation for overtime. Additionally, limitations on the number of people allowed off on vacation per shift were reduced to 2 Captains; 2 Engineers; 1 Firefighter and 2 Firefighter/Paramedics or 3 Firefighter/Paramedics.</p> <p>Additionally, staff internally evaluates overtime with each payroll and reports to City Management.</p> <p>Staff engaged the services of Messina and Associates to provide a high-level review of the current fire and emergency services in April. In May, staff received and evaluated the final report (WCFD Service Delivery Review).</p>
<p>6. Prepare financial analyses that evaluate both the short-term and long-term financial implications of significant spending</p>	<ol style="list-style-type: none"> 1. Use a multiyear forecast to quantify the impact of decisions on the city's financial condition 	<ol style="list-style-type: none"> 1. Prepare and annually update the forecast to include all projected revenue and expenditures, adding 	<p><u>Lead</u> – Finance Director</p> <p><u>Support</u> – All Departments</p>	<p>Step 1 is complete.</p> <p>The multi-year forecast was updated in March 2022 and provided to Council in April 2022.</p>

<p>decisions</p>	<p>2. Evaluate short and long-term impacts of major revenue and expenditure decisions. Recognize trade-offs and opportunities of each decision</p>	<p>information on new assumptions, unanticipated costs, and cost-saving actions – July 2022</p> <p>2. Prepare a financial evaluation template – August 2021 April 2022</p> <p>3. Staff training – September 2021 January 2023</p> <p>4. Include fiscal impact in Council agenda actions – December 2021 2022</p>		<p>Complete.</p> <p>The Fiscal Impact of each item is now included on every City Council Agenda. Templates have been shared with staff and AgendaQuick training was completed in August.</p>
<p>7. Implement a formal process for development of reasonable budget projections</p>	<p>1. Review accuracy of quarterly budget projections, comparing current year to previous year actual revenue and expenditures and factoring in known events that will change year-to-year data.</p> <p>2. Track quarterly building and planning activity</p> <p>3. Incorporate HdL sales tax information into quarterly, mid-year and annual budget estimates</p> <p>4. Budget for risk management costs based upon actual loss experience</p>	<p>1. Meet quarterly with Directors to review activity and trends – March, June, September, and December</p> <p>2. Use HdL data to support revenue projections for sales, property tax, transient occupancy tax, business license fees – May 1, 2021</p>	<p><u>Lead</u> – Finance Director</p> <p><u>Support</u> – Assistant City Manager</p>	<p>This objective is complete.</p> <p>The budget process is formalized with Budget Preparation Instructions and standardized forms.</p> <p>The City analyzes budget projections, comparing current year to previous year actual revenue and expenditures, building and planning activity quarterly and provides a Quarterly Financial Report to Council.</p> <p>Additionally, staff meets with HdL quarterly to review sales tax estimates.</p>

<p>8. Meet and confer regarding negotiation of employee union agreements</p>	<p>Begin meet and confer process with all labor groups to review a) CPI, b) City's ability to pay, and c) labor market competitiveness on a total compensation basis including base salary, differentials, medical, pensions, and OPEB</p>	<p>1. Meet and confer process starts – April 2021</p> <p>2. Regular Closed session updates to City Council</p> <p>3. Meet & confer process completed – July October 2022</p>	<p><u>Lead</u> – Human Resources Director</p> <p><u>Support</u> – Finance Director and City Manager</p>	<p>This objective is complete.</p> <p>Negotiations with the Firefighters Association were finalized in September and City Council approved a new Memorandum of Understanding October 4, 2022.</p> <p>City Council approved 3-year agreements with 5 of the labor groups in November 2021, 2 groups in January 2022, and 1 group in February 2022.</p>
<p>9. Improve internal purchasing processes/enforcement to reduce susceptibility to waste and fraud</p>	<p>1. Review purchasing policy and credit card usage to determine compliance with Best Management Practices</p> <p>2. Evaluate California Uniform Public Construction Cost Accounting Act (Public Contract Code 22000-22045)</p>	<p>1. Adopt revised purchasing and credit card usage policies as appropriate – October 2021 June 2022</p> <p>2. Adopt ordinance enacting California Uniform Public Construction Cost Accounting Act – August 2021</p>	<p><u>Lead</u> – Finance Director</p> <p><u>Support</u> – City Attorney's Office and City Engineer</p>	<p>This objective is complete.</p> <p>In May 2021, City Council approved to include the California Uniform Public Construction Act Cost Accounting Act procedures within the Municipal Code.</p> <p>The new Purchasing Policy was adopted by City Council on June 21st. The new ordinance took effect July 21, 2022.</p>



AGENDA STAFF REPORT

City of West Covina

DATE: 10/25/2023
TO: Audit Committee
FROM: Stephanie Sikkema, Finance Director
SUBJECT: PURCHASING POLICY VIOLATION LOG

RECOMMENDATION:

It is recommended that the Audit Committee receive and file the Purchasing Policy Violation Log as of June 30, 2023.

BACKGROUND:

During the meeting held on July 27, 2022, the Audit Committee requested updates regarding the City's Purchasing Policy Violation Log.

DISCUSSION:

Attached is the Purchasing Policy Violation Log for the fourth quarter of Fiscal Year 2023-24.

Prepared by: Stephanie Sikkema, Finance Director

Additional Approval:

Attachments

Attachment No. 1 - Purchasing Violation Log

City of West Covina
Purchasing Violation Log
FY2022-2023, 4th Quarter

Date	Department	Purchase	Amount	Violation
4/12/23	Public Services	Tree Service	\$39,900	Purchase over \$5k without competitive bidding and prior authorization.
5/24/23	CDD	Dispatch Roof	\$131,455	Purchase over \$5k without prior authorization.
6/6/23	Public Services	Yard roof repair	\$8,995	Purchase over \$5k without competitive bidding and prior authorization.
6/13/23	Public Services	7/4 fireworks	\$17,500	Purchase over \$5k without competitive bidding and prior authorization.