



# STATE AUDITOR REPORT 2021-807 CORRECTIVE ACTION PLAN VERSION 2.0 UPDATE

**City Council Meeting**

**February 23, 2022**

**Michael Solorza, Director of Finance**

- ▶ Cities deemed “high risk” by the State audited every 3 years (required)
  - ▶ Government Code Section 8546.10
- ▶ Initial Audit published December 2018
- ▶ Review/Update published October 2021 (Report 2021-807)
- ▶ Five month effort to respond to State Auditor
- ▶ City required to submit corrective action plan by December 13, 2021

## REQUIRED UPDATE



## ▶ **Corrective Action Plan**

- ▶ Responds to 18 recommendations in the report
- ▶ Version 1.0 approved by City Council November 11, 2021
  - ▶ Submitted to State for review
- ▶ Version 2.0 presented tonight:
  - ▶ Updated with progress since November
  - ▶ Seventeen (17) recommendations completed/addressed
  - ▶ Will be sent to State for additional review

# CORRECTIVE ACTION PLAN



- ▶ ***City confident sufficient progress made to remove “high risk” designation***
- ▶ 17 of 18 recommendations completed
  - ▶ New policies and procedures
  - ▶ Updated municipal code
  - ▶ Training provided (ongoing)
  - ▶ Expanded reporting on Hotel operations

SIGNIFICANT PROGRESS MADE



## Status Column Code:

<b>Completed</b>	= Recommendation met and appropriate policies, procedures, documentation, etc. now in place
<b>Ongoing</b>	= Staff working to meet recommendation, see "Status Notes/Explanation" for estimated completed date
<b>Completed / Ongoing</b>	= Certain aspects of recommendation completed, but nature of recommendation is that efforts continue (i.e., training, reports, etc.)

# CORRECTION ACTION PLAN OVERVIEW



- ▶ R1: The City Council should ensure it includes on the council meeting agenda all matters of fiscal policy it will consider during a public session, as state law requires, and that it discusses these matters in the public forum.
- ▶ ***R2: The city should revise its municipal code to prohibit the purchases of employee gifts with public funds.***
- ▶ ***R3: The city should create a policy by January 2022 requiring staff to formally document situations when a valid reason exists for deviating from procurement requirements in its municipal code, when the code allows it to do so.***

COMPLETED RECOMMENDATIONS

- ▶ R4: The city should update its credit card policy by January 2022 to prohibit splitting payments to avoid transaction limits and to require city council approval for any transactions above the limits.
- ▶ R6: To fulfill its responsibility as the custodian of Montebello's limited resources and to provide increased transparency and opportunities for public involvement, the city council should ensure that it includes on the council meeting agenda all matters of fiscal policy it will consider during a public session, as state law requires, and that it discusses these matters in the public forum.

## COMPLETED RECOMMENDATIONS

- ▶ R7: To avoid accruing interest on hotel management fees, Montebello should develop and adhere to a policy and process that requires it to pay management fees in a timely manner.
- ▶ ***R8: Create a policy by January 2022 requiring staff to document when a valid exception exists to the standard procurement requirements in its municipal code. The policy should require that staff report their rationale for using the exception to the requirements to the city council in a public meeting.***
- ▶ ***R9: Establish a policy by January 2022 that requires contracts to include a maximum value when feasible. The policy should require the city council to review and approve any agreement that binds the city financially and that does not include a maximum value.***

COMPLETED RECOMMENDATIONS

- ▶ R11: To mitigate the risk of error or fraud, Montebello should provide training at least annually to all staff to reinforce its petty cash policy. To reduce the possibility of abuse of the city's petty cash funds, the city should prohibit petty cash reimbursements that exceed the maximum set in policy.
- ▶ R12: Complete efforts to eliminate departmental credit cards and ensure that every credit card in use is issued to an individual.
- ▶ ***R13: Adopt and adhere to a policy prohibiting splitting payments to avoid credit card transaction limits and require city council approval for any transactions above the limits.***

COMPLETED RECOMMENDATIONS

- ▶ R14: Either adjust its credit card limits to align with its municipal code and credit card policy or update the municipal code and policy to meet its current needs.
- ▶ R15: Ensure that appropriate controls are in place with the issuing bank to prevent individual transactions and total purchases from exceeding limits established in policy.

COMPLETED RECOMMENDATIONS

- ▶ R16: Prior to making any expenditure that benefits a city employee, city officer, or private party, the city should critically consider whether such expenditure constitutes a valid public purpose of the city, document the city council's deliberation and determination that the expenditure constitutes a valid public purpose for the city, and decline to authorize any expenditures that do not constitute a valid public purpose of the city.
- ▶ ***R17: Revise its municipal code by December 31, 2021 to specify limitations on the types of expenditures the city will approve or authorize in the future to ensure that all city expenditures only serve a valid public purpose of the city.***

## COMPLETED RECOMMENDATIONS

- ▶ R5: To ensure public transparency and to provide the city council with the information necessary for making decisions regarding Montebello's hotels, staff should routinely evaluate hotel operations by reviewing the financial information that the city requires the hotel operator to submit. By December 2021 and at least annually thereafter, city staff should report on the performance of each hotel's operations.
- ▶ R10: To ensure that its staff understand and are aware of procurement requirements, Montebello should train all staff involved in procurement regarding these requirements by April 2022 and annually thereafter.

COMPLETED/ONGOING  
RECOMMENDATIONS

- ▶ R18: Obtain for the City Council and all employees authorized to make expenditures with city funds bi-annual legal and ethics training from an entity that is independent from and not affiliated with the city or the city council, such as from the Attorney General's Office or the District Attorney's Office, regarding the appropriate use of public funds and the prohibition on using public funds to make private gifts.

ONGOING RECOMMENDATIONS

► *Questions?*

# CORRECTIVE ACTION PLAN





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