

BLUE FOLDER ITEM

Blue folder items are additional back up material to administrative reports and/or public comments received after the printing and distribution of the agenda packet for receive and file.

CHARTER REVIEW ADVISORY COMMITTEE MEETING JUNE 30, 2022

J.5 DISCUSSION AND POSSIBLE ACTION REGARDING ARTICLE XIX, SECTION 19, PUBLIC WORKS, CONTRACTS ON BID LIMITS

CONTACT: MIKE WITZANKSY, CITY MANAGER

- **BUDGET & FINANCE COMMISSION PROCUREMENT MINUTES FROM SEPTEMBER 23, 2021 MEETING**
- **BUDGET & FINANCE COMMISSION ADMINISTRATIVE REPORT FROM SEPTEMBER 23, 2021 MEETING REGARDING CONTRACT PROCUREMENT**
- **MOSS ADAMS ROLES AND RESPONSIBILITIES**

There were no Zoom or eComments.

Motion by Commissioner Solomon, seconded by Commissioner Samples, to receive and file the Consent Calendar. Motion carried unanimously, with the following roll call vote:

AYES: Johnson, Marin, Nguyen, Samples, Solomon, Woodham, Chair Conroy
NOES: None
ABSENT: None

EXCLUDED CONSENT CALENDAR – NONE

PUBLIC PARTICIPATION ON NON-AGENDA ITEMS

There were no Zoom or eComments.

ITEMS CONTINUED FROM PREVIOUS AGENDAS (OLD BUSINESS) – NONE

ITEMS FOR DISCUSSION PRIOR TO ACTION (NEW BUSINESS)

J.1. DISCUSSION OF THE UNIFORM PUBLIC CONSTRUCTION CONTRACT ACCOUNTING ACT AND OPPORTUNITIES TO STREAMLINE PUBLIC WORKS CONTRACT PROCUREMENT

Finance Director Paul said the item was originally presented to the Commission in 2018, and a request was made at the last meeting to bring the item back for discussion.

She said the low limits for capital projects to go out for bid is unduly burdensome because it is so low and noted there were two recommended options. She said she spoke to Public Works Director Ted Semaan and he is interested in this item.

Commissioner Solomon said a lot of things have changed since 2018, however, this code section has not changed. To recap, he said the \$15,000 threshold for capital improvement projects is unreasonably low and believes it presents a barrier to work within the city for non-professional procurement contracts, specifically capital improvements.

He asked to bring the item back for the following reasons:

1. Different City Council
2. City Council has already discussed the idea of some charter amendments and have budgeted for 2021-22 for charter changes.
3. There is a lot of discussion at City Council about procurement, about competitive bidding, and he does not think they would be adverse to having a formal discussion when it came to numbers. He thinks professional services could be part of the discussion, as an adjunct, it wouldn't be a modification of the code.

Commissioner Solomon said he believes having such a low number delays some projects that could dramatically improve quality of life for residents. For example, for the bathrooms at the pier, a contractor would not come in at \$15,000 to fix the bathrooms. He suggested a higher dollar amount and various levels, deferring to Public Works, and staff that would be involved on a regular basis, to make recommendations to the City regarding worthwhile bandwidths for the different levels.

In response to Commissioner Samples regarding budgeting of CIP projects as well as the procurement aspect in the city charter, Finance Director Paul said she will research that, and suggested the Commission write a letter for her to take to City Council for their recommendation.

Commissioner Samples mentioned the line in the current city code that says professional services by definition are specialized services therefore they are categorically exempt from going to bid. He said that does not seem to be consistent with what he has seen with other municipalities throughout the state.

Commissioner Samples said he is favor of option 1.

Chair Conroy thanked Commissioner Solomon for bringing the item for discussion and feels that setting a fixed amount on anything that will naturally change over time is not the best approach because what fits the current year is not going to fit in the future and it will get worse over time.

Chair Conroy asked if they want to do option 1, or first bring it up to an amount, for example \$30,000, and then tie it to a five-year indexing.

In response to Chair Conroy, Commissioner Solomon replied that it would be simpler to adjust for inflation from the last time it was amended and setting an indexing for every five years. He said he wants to have flexibility, but ultimately it is City Council and Public Works' call.

Commissioner Samples said he thought the adopted guidelines under the state's UPCCA would be presented. He also said he believes there are numbers in the guidelines and that it is a tiered process.

Finance Director Paul referenced a document that was presented to the Commission in 2018 which included three thresholds.

Commission Marin said all three levels are in there.

Commissioner Solomon suggested having City Council determine if a tiered approach would improve the procurement processes. He said he does not want vendors used just because they were used in the past, as that is not in the best interest of the city.

Commissioner Samples noted there is a difference between the city charter issues, which is the dollar threshold and awarding contracts, and the bidders' selection process. He said many cities have pre-validated vendors for different types of contracts, going out to bid on maybe a two or five-year basis, creating a list of contractors that are preapproved and eligible to submit letter bids. He also mentioned multi-level opportunities, with level 3 being open for anyone wanting to bid.

In response to Commissioner Solomon regarding whether it would be better to send something to City Council for them to discuss, or refer it to the City Manager, or Assistant City Manager, Finance Director Paul said once they make a recommendation to City Council they will involve Public Works Director Semaan and the engineers. She suggested mirroring a particular policy or guideline and presenting it to City Council, rather than including numbers that might change.

Chair Conroy clarified if they submit a letter of recommendation it could be agendaized, to which Finance Director Paul replied yes. He said they have submitted letters in the past and were informed that if they wanted City Council to hear their recommendation, they would need to call and read it to them during a City Council meeting.

In response to Chair Conroy regarding the approach the Commission will take, Commissioner Solomon suggested having a Column A and a Column B and submit that to City Council as a baseline, get guidance from them and then dig into more detail with Public Works Director Semaan and additional staff.

Finance Director Paul confirmed the idea and encouraged the Commission to draft a letter that she will have added to a City Council agenda.

Chair Conroy proposed a group to draft the letter, consisting of Commissioner Samples, Commissioner Solomon and himself.

Commissioner Solomon asked if they will create the letter and Chair Conroy will submit the letter to Finance Director Paul to take to City Council, or if they will revisit the item at the next meeting. Chair Conroy said he prefers they create the letter and forward it to Finance Director Paul.

Commissioner Solomon expressed concern that the Commission may not agree with the draft letter. Chair Conroy said he is open to bringing the letter back to the Commission for their feedback at the next meeting.

Commissioner Marin said if the letter is asking to revisit the subject because it has not been revisited since 2013, with a dollar amount set in 1990, he does not feel it needs to be presented to the Commission before it is forwarded to City Council.

Commissioner Johnson said he trusts the team to draft a proper letter, they don't have the information to start making recommendations as far as guidelines, and as far as timing, if it hasn't been changed since 2010, it can probably wait another 12 days.

Chair Conroy said they will discuss it at the next meeting.

Commissioner Samples said they will prepare the draft and present it at the next meeting for the Commission to review.

There were no Zoom or eComments.

Motion by Commissioner Solomon, seconded by Commissioner Samples, to continue the item to the next meeting. Motion carried unanimously, with the following roll call vote:

AYES:	Johnson, Marin, Nguyen, Samples, Solomon, Woodham, Chair Conroy
NOES:	None
ABSENT:	None

K. MEMBER ITEMS AND REFERRALS TO STAFF

Commissioner Solomon explained that as part of the Pier leaseholders' rent, the City collects dues that are paid to the King Harbor Association and the Pier Association, and forwards the dues to the two entities and spent. He said part of the Waterfront Economic Development's roles and responsibilities is working with the pier stakeholders and leaseholders; some of them have asked why they are paying dues, but not seeing any results of the money.

Commissioner Solomon said he looked up the tax returns and found none for the King Harbor Association, the last one for the Pier Association was in 2019 showing \$85,000 dues received, with \$43,000 spent in advertising and \$10,000 on a website. He asked Finance Director Paul to follow up with Waterfront Director Proud to see if reports are available that show how much money is received and how it is spent.



Administrative Report

J.1., File # BF21-3048

Meeting Date: 9/23/2021

To: BUDGET AND FINANCE COMMISSION

From: JENNIFER PAUL, FINANCE DIRECTOR

TITLE

DISCUSSION OF THE UNIFORM PUBLIC CONSTRUCTION CONTRACT ACCOUNTING ACT AND OPPORTUNITIES TO STREAMLINE PUBLIC WORKS CONTRACT PROCUREMENT

EXECUTIVE SUMMARY

The procurement of construction contracts for the City's capital improvement activities is regulated by the California Public Contracts Code (PCC), the City Charter and the Redondo Beach Municipal Code (RBMC), which all require the use of competitive bidding procedures when making a contract award for a public works project. These regulations can be unintentionally cumbersome for contracts of smaller value that present both lower risk of and consequences from activity that would compromise public trust. Both the City Charter and the California Uniform Public Construction Contract Accounting Act (UPCCAA) have mechanisms in place that recognize the need for lower value contracts to have less restrictive competitive bidding and awarding regulations in order to balance regulatory safeguards with expedient service to the public. This report identifies the similarities in the City's Charter, RBMC and the UPCCAA and provides potential options for the City to increase bid limits to procure contracts for public works projects in a more efficient way, while continuing to safeguard the public's trust.

BACKGROUND

The PCC is the body of law that regulates construction contracts for activities deemed to be a public works project. The set of laws is intended "to eliminate favoritism, fraud and corruption in the awarding of public contracts"¹ by implementing a formal, competitive process for awarding contract work. Competitive bidding aligns with good purchasing practice and the formalities associated with state law mitigate the potential for corruption. The PCC also states that the "California public contract law should be efficient and the product of the best of modern practice and research"² and that it should "aid public officials in the efficient administration of public contracting"³. However, these checks and balances slow the process of procurement. In some cases, the delay is unwarranted, such as for simpler, low risk, low value projects.

An example of the cumbersome nature of the PCC can be found in the requirement that all municipal public projects over \$5,000 must be awarded to the lowest responsible bidder after a period of public notice of the opportunity (PCC Section 20162.) This formal competitive bidding procedure makes sense for projects over a certain value. However, a city could spend resources up to an exceeding \$5,000 to carry out the reporting, advertising, bid support, plan and specification publication, etc., and

it is easy to see that this limit is low from a cost benefit aspect for lower value projects. The low value of this threshold is also problematic in that it increases the likelihood that cities will need to award contracts to poorly performing or inexperienced contractors. Cities subject to this law have no efficient way to reduce participation of poor quality contractors on low cost projects. Larger cost projects do this inherently by having higher requirements for successful experience, safety performance and bonding capacity. By raising the threshold for contracts that must be awarded to the low bidder, a city can exercise some discretion to avoid those contractors without sufficient qualifications or experience on a greater number of their less expensive projects.

To address the needs of efficiency of project delivery while still providing sufficient controls and to establish uniform procedures, the State Legislature enacted the UPCCAA in 1983. The UPCCAA is a body of law added to the PCC (Section 22000 to 22045) that allows for alternative bidding and awarding procedure to cities and other local agencies choosing to adopt it. An FAQ on the UPCCAA, prepared by the State, is attached for additional information. To date over 230 municipalities have adopted the UPCCAA⁴.

Among other things, establishes three sets of procedures for public projects, based on the estimated value of the construction. Level 1 projects are less than \$45,000, Level 2 projects range from \$45,001 to \$175,000, and Level 3 projects are those exceeding \$175,000. These limits change occasionally by act of the Legislature, which last occurred in 2011. The primary difference between the levels is how bids are solicited and awarded. Level 1 projects can be performed by force account⁵, purchase order or negotiated contract. Level 2 projects require use of informal bidding procedures that require notice 10 days before bids are due to either a list of qualified contractors maintained by the City or to a specified list of construction trade journals. Under the Level 2 process, the legislative body can also delegate contract award authority to a staff member, further saving time to begin a project. Level 3 projects require a formal bidding process that includes a longer noticing period and award by the legislative body.

Pursuant to the state Constitution, cities within the State of California are formed as either general law or charter cities. General law cities must comply with the \$5,000 bid limit established in PCC Section 20162 unless they adopt the UPCCAA. Adopting the UPCCAA allows the agency to use the higher bid limits and procedures, but the agency is required to perform additional cost accounting procedures for public projects. Furthermore, upon any complaint by an interested party the agency is subject to an accounting procedures review by the California Uniform Construction Cost Accounting Commission (CUCCAC).

The City is not required to adopt the UPCCAA in order to increase to the bid limits. Adoption of the UPCCAA brings an increase in administrative burden related to mandated cost accounting procedures and policies. Furthermore, adoption of the UPCCAA potentially subjects the City to an exhaustive and time consuming accounting procedures review by CUCCAC any time a disgruntled bidder sheds doubt on the City's process. Therefore, staff does not recommend that the City adopt the UPCCAA.

For a charter city, there are better options to improve the procedures outlined in the PCC. According to PCC Section 1100.7, charter cities, such as Redondo Beach, are not subject to the provisions of

the PCC if a city charter provision or ordinance conflicts with any relevant provision of the PCC. Pursuant to this section the City has established, in the City Charter and RBMC, alternative bid limits and procedures for public works projects. In a City Charter amendment that was approved by voters on March 7, 1989, and a subsequent ordinance adopted by City Council on February 20, 1990, the City incorporated a significant amount of the language and procedures similar to the UPCCAA related to bidding for public works projects.

The City's Charter, Article XIX, Section 19, recognizes the value to the public of being able to deliver public works projects efficiently and groups public works projects according to dollar value. The City Charter allows for projects up to \$15,000 (the City's "Level 1") to be let by force account, negotiated contract or purchase order. Projects valued from \$15,000 and \$50,000 (the City's "Level 2") may be let by an informal procedure that is set by the City Council by ordinance (RBMC 2-6.1.03), which allows for a 10-day notice and authorizes the Mayor to execute the contract with the lowest responsible bidder without explicit approval of the City Council under most conditions. Projects over \$50,000 (the City's "Level 3") must follow formal bid procedures, which involve a 30-day notice and Council award.

DISCUSSION:

The Level 1 and Level 2 requirements in the UPCCAA, City Charter and RBMC make contracting more efficient by saving time in both the advertising period and the time to award and execute the contract for the project. The City's Level 1 allowances also make it possible to solicit quotes only from known and reliable contractors, resulting in fewer surprises in the administration of the contract.

The City regularly uses the Level 1 and Level 2 procedures and would benefit by matching the bid threshold amounts to those of the UPCCAA. The City's limits, at \$15,000 and \$50,000 respectively, were last adjusted in 1989 and are significantly lower than (only about 1/3 of) UPCCAA thresholds. There are two options to pursue increasing the City's bid thresholds. Both options involve an election of the voters, since it would be necessary to change the language of the City Charter. In addition, an ordinance update would be required.

Option 1:

In this first option, assuming voter approval, the City Charter would be revised to remove the expression of the bid thresholds as specific amounts and permit them to be set and changed, from time to time, by ordinance of the City Council, similar to the way the informal bidding procedures are handled. Staff could then recommend, as needed, that the ordinance be changed to match the bid threshold levels set by the State Controller, which can change no more frequently than every five years and in no less than \$15,000 increments.

By changing the City Charter to allow the Council to set the threshold levels, the Council retains full control to adjust them as required by the City for efficient delivery of projects. By tying the City threshold to the levels set by the State Controller, Council gains the confidence that it is acting in accordance with many other municipalities in the State and region.

Option 2:

In this second option, assuming voter approval, the specific amounts of the bid thresholds in the City

Charter would be increased to match or nearly match the bid threshold levels to those of the UPCCAA. This option would not allow Council to set the bid thresholds by ordinance and any future increase would require voter approval.

Changing the City Charter is appropriately complex and would involve considerable effort on the part of City staff from multiple Departments. There are likely other significant and items (in addition to smaller “clean up” items) that could also be considered in any effort to amend the Charter and obtain an affirmative vote of the citizens of Redondo Beach. Such a task would involve considerable effort on the part of City staff from multiple departments. Changing the thresholds of our methodology to more efficiently procure and deliver public works projects may not be enough to drive such an effort, but it most certainly should not be left out of such an endeavor.

RECOMMENDATION:

Staff believes gains in efficiency of project delivery can be made by considering and adjustment of City Charter mandated bid threshold levels used in determining the method by which public works projects are advertised for bids and awarded. Therefore, Staff recommends the Commissions receive and file this report on potential methods to streamline the procurement of contracts for public works projects.

¹ California Public Contracts Code, Division 1, Section 100(d)

² California Public Contracts Code, Division 1, Section 101

³ Ibid, Section 102

⁴ https://www.sco.ca.gov/Files-ARD-Local/Participating_Agencies_-_General.pdf <https://www.sco.ca.gov/Files-ARD-Local/Participating_Agencies%20-%20General.pdf>, April 10, 2018.

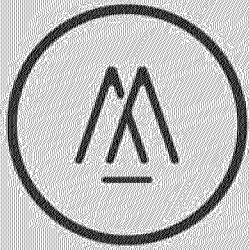
⁵ Work by force account means work performed by City crews or by subcontracted firms who augment City crews and perform work on a time and materials basis

COORDINATION

Preparation of this report was coordinated with the Finance Department and the Public Works Department.

FISCAL IMPACT

None.



MOSSADAMS

FINAL REPORT

FOR

CITY OF REDONDO BEACH

**Roles and Responsibilities Review:
City Clerk and City Treasurer**

January 19, 2019

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I. EXECUTIVE SUMMARY

A. BACKGROUND, SCOPE, AND METHODOLOGY

The City of Redondo Beach's (the City) City Charter delegates authority and tasks over specific fiduciary activities to the City Clerk (the Clerk) and the City Treasurer (the Treasurer), which are both elected positions. In general, the City Clerk, in conjunction with the City Manager and Financial Services Department (the Department), has oversight of City expenses and the City Treasurer has oversight of City revenues. However, the roles and responsibilities of the Clerk, Treasurer, and Financial Services Department have not been formally established in the City's Charter, municipal code, or City policies.

Seeking to implement best practices and ensure compliance with applicable regulations, the Clerk and Treasurer requested an independent assessment of the roles and responsibilities of the City's Clerk, Treasurer, and Financial Services Department. The review included interviews with the Clerk, Treasurer, and Financial Services Director, document review, and research into common and best practices.

This roles and responsibilities review engagement was performed in accordance with the consultancy standards of the American Institute of Certified Public Accountants (AICPA). Accordingly, we provide no opinion, attestation, or other form of assurance with respect to our work.

B. OBSERVATIONS AND RECOMMENDATIONS

The following table summarizes recommendations to better align the roles, responsibilities, and reporting requirements of the Clerk, Treasurer, and Financial Services Director with best practices.

OBSERVATIONS AND RECOMMENDATIONS		
1	Observation	The City's fiduciary roles and responsibilities are not comprehensively defined in its Charter, municipal code, and corresponding policies.
	Recommendation	Revise the Charter, municipal code, and City policy to clearly delineate fiduciary roles and responsibilities in accordance with best practices.
2	Observation	The City Clerk's fiduciary activities are labor-intensive and often overlap with the Financial Services Department's role.
	Recommendations	Delegate all Clerk-assigned financial responsibilities to the Financial Services Department and eliminate the financial education requirements from the Charter. OR Transition the Clerk's role to serve as a strategic function within the City by assuming an oversight role over expenditure functions, including conducting activities such as approval of policies and procedures, journal entry review, and expenditure analysis to identify irregular transactions.
3	Observation	The City Treasurer's assigned duties are largely completed by the Financial Services Department, which is best practice but has not been formally established as a component of the Department's role.
	Recommendation	Formally delegate authority over the Treasurer's fiduciary activities to the Financial Services Department including defined regular, standardized financial reporting.



OBSERVATIONS AND RECOMMENDATIONS		
4	Observation	The City Treasurer's role largely serves in a financial oversight capacity, although it has not established regular reporting requirements to support this role.
	Recommendation	Establish auditing functions to ensure oversight of revenue collection and administration, including revenue variances, bank account reconciliations, collection reports, and revenue-source specific transactions.
5	Observation	The Financial Services Department conducts the day-to-day activities of cash handling and revenue collection, although the Department has not been established in the municipal code or delegated the authority to conduct financial activities.
	Recommendation	Adopt a resolution to establish the Financial Services Department in municipal code and defines its powers and duties as inclusive of tactical financial operations.
6	Observation	The City Clerk, City Treasurer, and Financial Services Department have not specified comprehensive reporting requirements to enable each function to complete their appropriate activities.
	Recommendation	Collaborate with the City Clerk and City Treasurer to develop reports that provide sufficient information that ensures oversight and fulfillment of roles and responsibilities identified in the City Charter and municipal code.



II. BACKGROUND, SCOPE, AND METHODOLOGY

A. BACKGROUND

The City of Redondo Beach's (the City) City Charter delegates authority and tasks over specific fiduciary activities to the City Clerk (the Clerk) and the City Treasurer (the Treasurer), which are both elected positions. In general, the City Clerk, in conjunction with the City Manager and Financial Services Department (the Department), has oversight of City expenses and the City Treasurer has oversight of City revenues.

In June 2009, the City Attorney assessed the relative budget and finance-related duties under the City Charter for the City Manager and the City Clerk. Despite multiple attempts to amend the Charter and remove the City Clerk's fiduciary duties, the City's efforts to secure this Charter amendment have not been successful. In 2014, the Treasurer initiated a charter amendment to adjust the role of the City Treasurer to serve in an oversight, rather than tactical, capacity. Residents supported this amendment, which clarified the Treasurer's role in Treasury administration and investment management, tax administration, general tax operating revenue management, and cash flow management services.

Due to outside regulatory requirements, the Financial Services Department reports to the City Manager, although its work largely relates to Charter-defined fiduciary functions of the City Clerk and City Treasurer.

B. SCOPE AND METHODOLOGY

This review was designed to provide an independent assessment of the roles and responsibilities of the City's Clerk, Treasurer, and Financial Services Department. The Clerk and Treasurer requested completion of an external review to ensure compliance with regulations and implement best practices.

This review was conducted between September and January 2019 and consisted of four phases: 1) startup/management, 2) fact finding, 3) analysis, and 4) reporting. During the fact finding phase, we interviewed the Clerk, Treasurer, and Finance Director and reviewed key documents including State law, City Charter, municipal code, relevant policies, and organization charts. Additionally, best practice research on guidelines and practices from professional associations and leading cities was conducted. Following analysis of this information, a draft report was reviewed with City leadership to validate facts and confirm the practicality of recommendations.

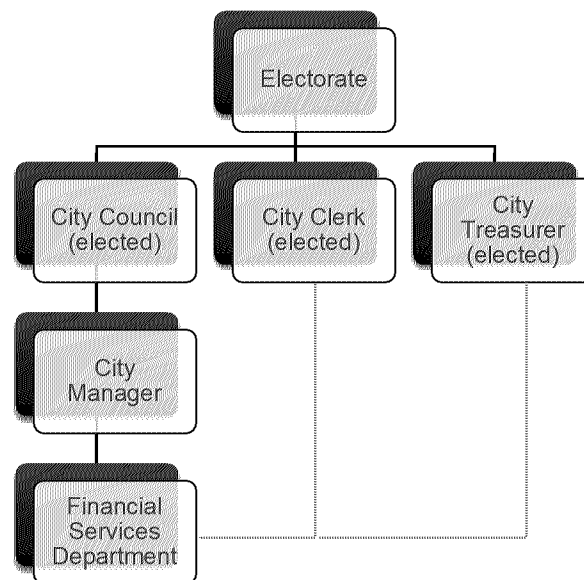


III. ROLES AND RESPONSIBILITIES ANALYSIS

A. FRAMEWORK AND STRUCTURE

EXISTING STRUCTURE

The City's current structure between the Financial Services Department, City Clerk, and City Treasurer is depicted in the organization chart below. The Financial Services Department reports to the City Manager, as is typical in most municipalities, although much of the Department's work is closely aligned with the City Clerk and City Treasurer's Charter-assigned roles and responsibilities. The City Clerk and City Treasurer both operate separate departments and conduct certain aspects of the City's financial activities, as prescribed by the City Charter. To facilitate their operations, the Financial Services Department provides financial system access and regular reports to the Clerk and Treasurer on certain transactions and financial trends.



Although this structure exists informally, the distinct roles, responsibilities, and reporting requirements among the Clerk, Treasurer, and Financial Services Department have not been formalized in municipal code or City policies. Therefore, there is a risk that there could be duplication, gaps, unclear authority, and significant confusion if personnel changes were to occur.

BEST PRACTICES

According to best practices, each of the roles and responsibilities critical to the receipt, management, and expenditure of City funds should be clearly defined in authorizing regulations such as the City Charter, municipal code, and City-wide policies. These provide the framework for accountability and liability over City funds and reduce potential duplication or gaps in the City's organization and operations. For



example, most municipal clerks do not participate in enterprise-level financial activities or oversight. Additionally, many cities choose to delegate the Treasurer's duties to the Financial Services Director. In general, most financial activities should be delegated to the Financial Services Department, with oversight from the City Manager, budget and finance committee, and/or City Council.

RECOMMENDATION

1	OBSERVATION	The City's fiduciary roles and responsibilities are not comprehensively defined in its Charter, municipal code, and corresponding policies.
	RECOMMENDATION	Revise the Charter, municipal code, and City policy to clearly delineate fiduciary roles and responsibilities in accordance with best practices.

The City's Charter assigns fiduciary roles and responsibilities to the Clerk and the Treasurer, although there are some functional overlaps with activities that have been informally delegated to the City Manager and Financial Services Department. In addition to this overlap, the City's Charter includes two significant abnormalities:

- The Charter assigns the Clerk duties encompassing expenditure functions and requires officers to have financial management education and experience.
- The Treasurer is a separate, elected office rather than a function performed by a Chief Financial Officer.

Financial functions are typically delegated to a Finance Department with oversight from the City Manager, budget and finance committee, audit committee, and/or City Council.

Apart from the City Charter, no other City code or policy formally delegates authority or responsibility over fiduciary activities. Historically, there has been some confusion because the Charter lists multiple officials as responsible for a specific task, such as budget development. In these cases, the City Attorney's office was engaged to review the roles and responsibilities of officials and present a memo with clarifications of each official's respective roles to the City Council; however, these definitions were not formally incorporated into any City code or policy. In 2000, the City Council passed a resolution stating that the City Clerk is responsible for managing financial affairs under the direction of the City Manager, but did not specify in what way. This presents additional risk of confusion with personnel turnover as well as liability and accountability concerns in the event of an investigation or litigation.

To ensure proper delegation of authority, the City should revise its Charter, municipal code, and City policy accordingly. Each of these requirements should have the following purposes and correlated information:

- **City Charter:** The City Charter establishes the framework for operations, including the City's structure, responsibilities, functions, and processes. The Charter should be sufficiently broad to enable the City to adapt over time, while still clarifying the authority of elected and appointed officials. According to the National Civil League,¹ the Charter should specify that administrative departments report either to the City Manager or the Mayor to ensure accountability of the officials' performance. One section should focus on the finance function, in particular establishing sound

¹ http://www.Charter2019.nyc/pdfs/National_Civic_League-Guide_Charter_Commissions.pdf



financial practices such as the independent audit and budgetary practices. Appendix A includes sample City Charter language from peer cities.

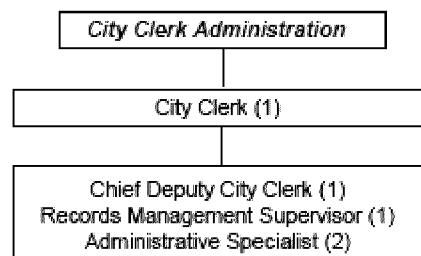
- **Municipal code:** Municipal code governs the activities of City administration by establishing departments and delegating authority and responsibility. Placing details in the code rather than the Charter allows for modifications without the burdensome process of amending the Charter, which requires citizen votes. The code should include provisions for accounting, payroll, auditing, purchasing, bonding and borrowing, licensing, special assessments, and others. Appendix A includes sample municipal code language from peer cities.
- **City policy:** City policy provides written guidance for how management and staff should approach core financial areas and issues. The policy should provide stability and continuity by establishing what actions are acceptable and unacceptable, identifying who is responsible, establishing the City's internal controls environment, and providing standards to measure performance. It enables employee accountability and minimizes confusion by identifying who can take what actions.

Regardless of the function of each office, the City should clearly delineate who is responsible for financial functions in each layer of City documentation, from the Charter to departmental policies. Based on the delegation of functions, the Clerk, Treasurer, City Manager, and Financial Services Director should evaluate what reports are required to ensure their function can be properly performed. Ideally, the City Clerk and City Treasurer would act in an oversight and advisory role and leave the detail-oriented work to staff within the Financial Services Department. For example, if the City Treasurer has authority over revenue collection, the officer should receive regular revenue reports and trend analysis to provide oversight of this function. Additional details for each office under the City's current structure is included in the following sections.

B. CLERK ROLES AND RESPONSIBILITIES

OVERVIEW

The City Clerk compiles and maintains original City records, conducts elections, prepares City Council agendas and minutes, maintains the municipal code and Charter, manages commission/committee recruitments, and performs other related activities. In addition to these traditional roles, the City Clerk in Redondo Beach also has several fiduciary duties such as budget preparation, supervising expenditures, maintaining the City's accounting system and inventories, and financial monitoring. The City Clerk is a full-time position supported by four FTEs.



According to the City Charter, the City Clerk must have successfully completed and earned a passing grade in at least 15 units consisting of the following courses: elementary accounting, intermediate accounting, advanced accounting, auditing, cost accounting, and municipal and governmental accounting. These



courses must be completed at a collegiate institution or in a recognized private school of equal educational standards. Five years of experience in municipal accounting in a responsible position may be substituted for the educational requirements.

ROLES AND RESPONSIBILITIES

The following table outlines the Charter-defined roles and responsibilities of the City Clerk, the activities conducted by the Department, and collaboration with other departments. The Clerk has additional duties unrelated to Finance that are not reflected in this chart.

CHARTER-ASSIGNED ROLES AND RESPONSIBILITIES		ACTIVITIES	COLLABORATION WITH OTHER DEPARTMENTS
Have charge of the administration of the financial affairs of the City under the direction of the City Manager and in connection therewith shall have the power and be required to:			
	Prepare and assemble the budget expense and capital estimates for the City Manager.	Participates in budget workshops and reviews the budget, Capital Improvement Program (CIP), and Five-Year Financial Forecast proposed by the City Manager, including preparing a written assessment of the proposed documents.	The City Charter also delegates authority over budget preparation and subsequent administration to the City Manager.
	Supervise all expenditures and disbursements to insure that budget appropriations are not exceeded.	The City Clerk has read-only access to the City's financial system to facilitate expenditure monitoring.	Access to the financial system is provided by the Financial Services Department.
	Provide and maintain a general accounting system for the City government and each of its officers, departments and agencies; keep books for and prescribe the financial forms to be used by each office, department, and agency.	The City Clerk is a member of the financial system's executive team and has read-only access to the City's financial system to verify its accounting system.	Executive team cooperation includes collaboration with the Financial Services Department.
	Supervise the maintenance of current inventories of all property, real and personal, by the respective officers in charge thereof and periodically to audit the same.	The City Clerk has read-only access to the City's financial system to facilitate oversight of inventories.	Access to the financial system is provided by the Financial Services Department.



CHARTER-ASSIGNED ROLES AND RESPONSIBILITIES		ACTIVITIES	COLLABORATION WITH OTHER DEPARTMENTS
	Submit to the City Council, through the City Manager, a monthly statement of all receipts and disbursements in sufficient detail to show the financial condition of the City, and, as of the end of each fiscal year, submit a financial statement and report.	The City Clerk receives a copy of the Comprehensive Annual Financial Report (CAFR) and provides comments to the City Manager. All disbursements are approved by City Council on a bimonthly basis.	The City Charter also delegates authority to keep the City Council advised of the City's financial condition and prepare and submit a complete annual report on the finances and administrative activities to the City Manager.
	To approve, except as to correctness, together with the City Manager, before payment, all bills, invoices, payrolls, demands, or charges against the City government.	The City Clerk provides final approval of payments made by the City, although this review is often conducted after the payments have been made.	Documentation and access to financial information is provided by the Financial Services Department.

BEST PRACTICES

Most City Clerks oversee city records, elections, issue licenses and permits, prepare materials for City Council meetings, and ensure that public meetings are conducted in accordance with the Brown Act. Clerks commonly serve as a secretariat and liaison for the City Council and facilitate public access to appropriate government records. According to the California League of Cities, the Clerk should serve as a liaison between the public and City Council, and perform a variety of complex professional and managerial duties including the execution of tasks prescribed by the Government and Election Codes.²

Typically, Clerks do not play a critical role in the financial management of the City aside from the administration of their own department's budget. The State of California's Government Code prescribe the basic functions and duties of City Clerks,³ while the Election Code provides precise and specific responsibilities and procedures they should follow. Sections 40801-40814 of the Government Code specify that the City Clerk is the accounting officer of the city and shall maintain records of the financial condition of the city, including ensuring financial reports are made publically available. However, the Government Code also states that the financial and accounting duties imposed on the City Clerk may be transferred to a Director of Finance when the office has been established and its powers and duties defined by ordinance. Most cities choose to delegate this authority to improve the efficiency of operations and ensure proper utilization of staff skills and expertise.

The City Clerks Association of California outlines Clerk duties as follows:⁴

- Acts as the local official for elections, local legislation, the Public Records Act, the Political Reform Act, and the Brown Act.

² <https://www.cacities.org/Resources-Documents/Education-and-Events-Section/New-Mayors-Council-Members/2017-Handouts/10-Understanding-Your-City-s-Departments>

³ California Government Code: Title 4, Division 3, Part 3., Chapter 2, Sections 40801-40814

⁴ <https://www.californiacityclerks.org/what-is-a-city-clerk>



- Before and after the City Council takes action, the City Clerk ensures that actions are in compliance with all federal, state, and local statutes and regulations and that all actions are properly executed, recorded, and archived.
- Serves as liaison between the public and City Council.
- As a legislative administrator, plays a critical role in the decision-making process of the local legislature. Prepares Council agendas, verifies legal notices have been posted or published, and completes necessary arrangements to ensure an effective meeting, and records decisions.
- As a records manager, oversees preservation and protection of public records. Required to maintain and index minutes, ordinances, and resolutions adopted by the legislative body. Ensures other records are accessible to the public.
- As an elections official, administers federal, state, and local procedures through which local government representatives are selected. Helps candidate meet their legal responsibilities before, during, and after an election.

RECOMMENDATIONS

2	OBSERVATION	The City Clerk's fiduciary activities are labor-intensive and often overlap with the Financial Services Department's role.
	RECOMMENDATION	Delegate all Clerk-assigned financial responsibilities to the Financial Services Department and eliminate the financial education requirements from the Charter.
		<u>OR</u> Transition the Clerk's role to serve as a strategic function within the City by assuming an oversight role over expenditure functions, including conducting activities such as approval of policies and procedures, journal entry review, and expenditure analysis to identify irregular transactions.

Many of the Clerk's Charter-assigned financial duties are completed by the Financial Services Department with detailed review from the Clerk. For example, the Financial Services Department maintains the City's accounting system, manages expenditures and disbursements in accordance with budget appropriations, inventories properties, and conducts annual financial reporting. According to best practice, these activities should be conducted by the Financial Services Department due to the combined skills, training, and expertise of employees in the Department. However, the City has not documented the delegation of these tasks in code or policy, which results in heightened liability risk and potential confusion regarding roles, responsibilities, and levels of authority.

According to the State of California Government Code, cities that choose to delegate the clerk's fiduciary responsibilities to a Finance Department should do so formally in municipal code. This provides greater stability in financial operations, while still allowing for flexibility within the City to adapt over time and organize its departments in a manner that supports efficient operations. Therefore, the City of Redondo Beach should adopt a resolution to establish the Financial Services Department in municipal code. The resolution should define the Department's powers and duties as encompassing the Clerk's Charter-established financial duties. Appendix A includes sample municipal codes that delegate financial functions from peer cities. The City Clerk currently operates at a tactical level with respect to several



financial activities. For example, the Clerk reviews all expenditures, such as bill payments and payroll, after they have been posted by the Financial Services Department. This type of review can be very time-consuming and overly detail-oriented for an elected official to realistically perform on a regular basis. Due to the scope of the Clerk's other duties and the role of leadership in well-functioning organizations, the Clerk should either transition to operating at a strategic level or delegate all financial activities to the Financial Services Department.

If the City chooses to more closely align with best practices by removing the Clerk's financial duties altogether, it should adopt a resolution stating that the full scope of the officer's financial duties is delegated to the Financial Services Department. Additionally, because the Clerk would no longer participate in financial activities, the financial education requirements currently included in the City Charter would be unnecessarily restrictive and should therefore be removed through a Charter amendment. This change would align the City with common and best practices by freeing up the Clerk to focus on other duties such as legislative relations, public records, and elections.

However, if the City chooses to maintain the Clerk's involvement in financial activities, the office's role should transition to serve in an oversight function. To enable appropriate oversight, the Clerk should review and approve operational policies and procedures that establish internal controls over expenditures, inventories, and financial reporting requirements. As a component of financial reporting policies, the Clerk and Financial Services Department should agree on what financial reports should be provided for the Clerk's review on a regular basis. Reports should include, but are not limited to:

- **Expenditure analysis:** This report is designed to help monitor spending by department and identify irregular transactions.
- **Vendor change report:** This report can be used to verify vendor changes and protect the City from erroneous or unauthorized changes.

In addition to these reports, the Clerk should continue to have read-only access to the City's financial system to review journal entries.

C. TREASURER ROLES AND RESPONSIBILITIES

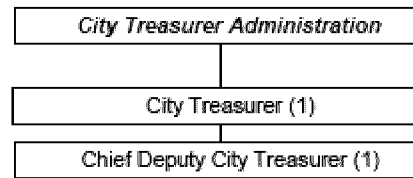
OVERVIEW

The Treasurer's Department is responsible for the custody and investment management of City funds in accordance with State Law, City Charter, and City Investment Policy. Departmental responsibilities, which were updated as part of a 2014 Charter amendment initiated by the Treasurer, include Treasury administration and investment management services, tax administration and internal support services, administration and review of general tax operating revenues, and operating budget and capital improvement program cash flow management services. The amendment also established broader auditing authority over the Finance Department, which conducts revenue collection.

The Treasurer's Department also develops monthly and quarterly reports of all cash receipts and investment positions, reviews the comprehensive statement of investment policy annually, provides oversight of all entities bond proceeds, provides administrative support and internal review of various operational functions, and implements various best management practice enhancing both departmental productivity and operating revenue, thereby strengthening the City's general operating revenue base.



The Redondo Beach Treasurer is a part-time position with fiduciary and personal liability over the stewardship of City funds. The City Treasurer is supported by one FTE.



ROLES AND RESPONSIBILITIES

The following table outlines the Charter-defined roles and responsibilities of the City Treasurer, the activities conducted by the Department, and collaboration with other departments.

CHARTER-ASSIGNED ROLES AND RESPONSIBILITIES	ACTIVITIES	COLLABORATION WITH OTHER DEPARTMENTS
Receive and have custody of all moneys collected by the City from any source.	The City Treasurer informally delegated the receipt and custody of City funds to the Finance Services Department, but still maintains some oversight through reports.	The Finance Services Department reports Transient Occupancy Tax and Franchise Revenue to the City Treasurer.
Deposit all moneys received in such depositories as may be designated by resolution of the City Council.	The City Treasurer informally delegated the deposit of City funds into accounts to the Financial Services Department.	The Financial Services Department deposits City funds.
Disburse moneys on demands properly audited and approved in the manner provided for in this Charter or by ordinance or the City of Redondo Beach.	The City Treasurer ensures funds are available to pay the City's bills.	The Financial Services Department manages Accounts Payable. Payments are approved by the City Manager, Clerk, and Council.
Prepare and submit to the City Clerk monthly written reports of all receipts, disbursements, and funds balances, copies of which reports shall be filed with the City Manager.	City departments have access to the City's financial system to access information on receipts, disbursements, and fund balances.	The Financial Services Department provides City departments with access to the financial system.
Prepare and submit to the City Manager monthly reports as to the failure of any department heads, officers and/or employees within the City failing to promptly turn over moneys to the Treasurer as required by the Charter or by ordinances of said city and have the authority to audit all moneys collected by the City from any source in order to prepare these monthly reports.	Conducted as needed.	Develops reports in collaboration with the City Manager, when necessary.
Collect City taxes and license fees.	The City Treasurer informally delegated the collection of City taxes and license fees to the Financial Services Department.	The Financial Services Department collects and deposits City taxes and license fees.



CHARTER-ASSIGNED ROLES AND RESPONSIBILITIES	ACTIVITIES	COLLABORATION WITH OTHER DEPARTMENTS
Invest and reinvest funds according to State law; provided, however, that the City Council may adopt investment guidelines by resolution.	The City Treasurer has established an investment policy and invests City funds accordingly.	The City Treasurer provides quarterly investment reports to the City Council.

BEST PRACTICES

Most City Treasurers traditionally conduct the following activities, depending on authorizing legislation, city size and structure, and other city departments:

- Receivables management
- Payables management
- Forecasting cash
- Investments
- Arranging short and long-term financing
- Managing assets and liabilities
- Bank relationship management

Often, Treasurers' primary activities focus on investment management, revenue forecasting, and bank relationship management. Over time, this role should evolve to become increasingly strategic by streamlining processes, gaining efficiencies, aligning forecasting and revenue with city goals, and otherwise adding value beyond the traditional core functions. In many cities, the Chief Financial Officer is also appointed the Treasurer.

According to the Government Finance Officers Association (GFOA), the responsibilities of the Treasurer should be clearly described in the City Charter and local ordinances.⁵ These responsibilities typically include development of written policies and procedures covering collection activities, training of staff, public relations, and prudent handling of the public's money. City Treasurers ensure that employees who collect revenue on behalf of the City utilize appropriate cash handling practices and provide for a strong system of internal controls to protect city funds. Therefore, it is important that cities establish and regularly review appropriate cash handling policies, financial directives, and a comprehensive revenue manual to provide staff guidance and communicate expectations over the administration of city revenues. The City Treasurer should review and approve the policies, while the department or unit conducting the activities on a day-to-day basis should have ownership over their content. The policies should include internal controls and management of key functions such as collection of taxes and revenues, deposit of receipts, enforcement of tax and revenue laws, and evaluation of the revenue collection function, as well as reports that should be provided to elected officials and key employees, such as the City Manager.

Because Treasurers' roles are typically more strategic than tactical, but they retain fiduciary and personal responsibility over city funds, a portion of their time should be dedicated to reviewing and auditing

⁵ Revenue collection administration for smaller governments, GFOA (<http://www.gfoa.org/revenue-collection-administration-guide-smaller-governments>)



certain key activities to reduce the risk of loss, theft, or misappropriation of funds. Typical areas for Treasurers to audit include:

- Revenue variances, including a detailed review of a predefined criteria such as 10% above or below prior year amounts or projected revenues. This process should also require documented evidence for variances that are investigated.
- Bank account reconciliations, which should occur on a monthly basis by employees in the Financial Services Department. A sample of the documentation accompanying these reconciliations should be reviewed by the Treasurer to verify that they are being completed timely and accurately.
- Daily report on collections and bank deposit slips.
- Internal review for major tax-based operating revenue sources, such as property taxes, utility taxes, sales tax, transient occupancy tax, franchise fees, and investment income.

According to the State of California Government Code,⁶ the City Treasurer does not have to be an elected or separate position. Many cities combine the role of City Treasurer with the Chief Financial Officer position to increase organizational efficiency.

RECOMMENDATIONS

3	OBSERVATION	The City Treasurer's assigned duties are largely completed by the Financial Services Department, which is best practice but has not been formally established as a component of the Department's role.
	RECOMMENDATION	Formally delegate authority over the Treasurer's fiduciary activities to the Financial Services Department including defined regular, standardized financial reporting.

In accordance with best practices, the City Treasurer's financial duties are largely completed by the Financial Services Department with oversight from the Treasurer. For example, the Financial Services Department collects revenue on behalf of the City and provides associated reports to the Treasurer for review and analysis. However, delegation of revenue collection has not been formally delegated to the Financial Services Department in municipal code or City policy. Without formalized, documented delegation of authority and responsibility to the Financial Services Department, there may be confusion regarding roles and responsibilities, exposing the City to heightened risk.

The City should adopt an ordinance that establishes a Financial Services Department in municipal code and defines its powers and duties as encompassing the Treasurer's Charter-established financial duties. These duties are best suited for the Finance Department, due to its suite of skills, abilities, and resources. Independence and auditing authority within the Treasurer's office increases oversight of City revenue, providing additional protection of public funds. Appendix A includes sample municipal codes demonstrating the delegation of financial functions from peer cities.

⁶ California Government Code: Title 4, Division 3, Part 3., Chapter 2 [41001-41007]



4 OBSERVATION	The City Treasurer's role largely serves in a financial oversight capacity, although it has not established regular reporting requirements to support this role.
RECOMMENDATION	Establish auditing functions to ensure oversight of revenue collection and administration, including revenue variances, bank account reconciliations, collection reports, and revenue-source specific transactions.

The City Treasurer has adjusted the role to operate at a strategic rather than tactical level, in alignment with best practices. A 2014 charter amendment initiated by the Treasurer provided the Treasurer's office broader auditing authority over revenue collection. However, the Treasurer and Financial Services Department have not established regular financial reporting that would enable the office to appropriately fill this role. In order to provide adequate oversight, the Treasurer should receive standardized financial reports and analyze them to identify irregularities or significant changes worthy of additional inquiry. Examples of financial reports that the Treasurer should receive on a regular basis include, but are not limited to, the following:

- **Revenue variance reports:** This report should detail year-over-year trends and budget-to-actual revenue amounts to monitor revenue and identify discrepancies.
- **Bank deposit summary report:** In addition to the daily report on collections, the Treasurer should receive an electronic copy of the bank deposit summaries or bank statement to verify that posted amounts are consistent with collection reports.
- **Bank reconciliation completion:** Financial Services staff should reconcile bank accounts on a monthly basis to ensure proper accounting of funds. The Treasurer should receive notice of the completion of this activity to ensure that these reconciliations occur and differences are handled appropriately.
- **Daily report on collections:** This report demonstrates how much revenue was collected, in the City as a whole and by division, each day. The Treasurer should receive this report on a weekly basis to evaluate consistency with operations.

These reports provide the Treasurer with an understanding of the City's revenue trends, allowing for identification of anomalies that may indicate erroneous or unauthorized collection activity.

In addition to reviewing and analyzing these reports, the Treasurer should also approve policies and procedures over revenue collection to ensure the Financial Services Department operates with proper internal controls.

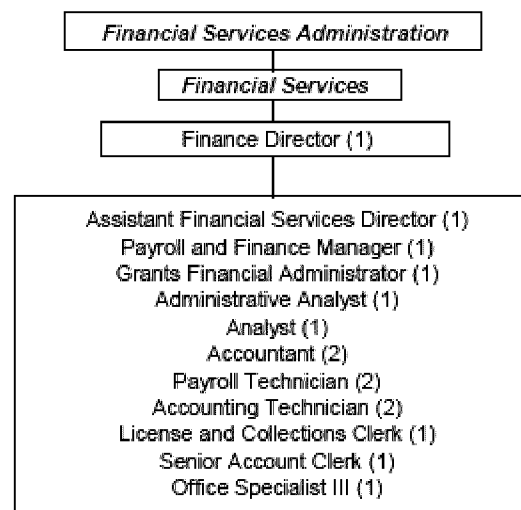
D. FINANCIAL SERVICES DEPARTMENT ROLES AND RESPONSIBILITIES

OVERVIEW

The Financial Services Department provides fiscal and administrative support to internal and external City customers. Services provided include accounting, budgeting, financial analysis, licensing, cashiering, and purchasing.



The Financial Services Department has 15 FTEs and is led by a Finance Director, who has fiduciary and personal liability over City funds.



ROLES AND RESPONSIBILITIES

The Financial Services Department is not established by the City Charter or municipal code; therefore, its roles and responsibilities are not formally defined outside of the Finance Director's job description.⁷ Much of the Financial Services Department's work has been informally delegated to the Department over time. As a result, the Department conducts the City's financial transactions and provides reports to elected officials, but does not have formal authority or agreements in place to define their roles and responsibilities.

BEST PRACTICES

According to best practices, Finance Departments should be centralized, integrated, and full-service, with formal delegation of authority and responsibilities to conduct transactions on behalf of the city and its officials. Often, the financial duties assigned by State Laws and City Charters to the Clerk and Treasurer are delegated to the Director of Finance with the approval of the City Council. This practice depends on the size of the Clerk and Treasurer's offices, which require fewer resources as more core activities are centralized. With this delegation, the Clerk and Treasurer oversee specific activities within the Financial Services Department. To facilitate elected official oversight, the Financial Services Department generates reports outlining key activities and establishing a strong internal controls environment to protect city funds from waste and abuse.

Examples of typical Finance Department activities include:

- Preparing and compiling the City budget, completed in cooperation with the City Manager.
- Issuing other financial planning documents, such as a midyear report, to the Council regarding the state of finances and comparing year-to-date totals to the adopted budget.

⁷ <https://www.redondo.org/civicax/filebank/blobdload.aspx?BlobID=11858>



- Maintaining financial records in conformity with GAAP and in compliance with state and federal laws.
- Preparing the CAFR.
- Collecting revenues and taxes, including review of policies and trends to identify need for new revenue and potential adjustments to meet evolving conditions.
- Purchasing and expense processing, including facilitating the procurement process and reviewing city expenditures.

RECOMMENDATIONS

5	OBSERVATION	The Financial Services Department conducts the day-to-day activities of cash handling and revenue collection, although the Department has not been established in the municipal code or delegated the authority to conduct financial activities.
	RECOMMENDATION	Adopt a resolution to establish the Financial Services Department in municipal code and defines its powers and duties as inclusive of tactical financial operations.

Similar to other cities, the Financial Services Department conducts financial transactions on behalf of the Clerk and Treasurer. However, the Department has not been formally established in the City's municipal code or delegated the authority to conduct financial activities. As noted previously, the City should formally establish the Financial Services Department and outline its powers and duties to encompass the tactical operations of financial management in the City. The adopted code should formally delegate financial activities from the Clerk and Treasurer to the Department, similar to the examples included in Appendix A.

6	OBSERVATION	The City Clerk, City Treasurer, and Financial Services Department have not specified comprehensive reporting requirements to enable each function to complete their appropriate activities.
	RECOMMENDATION	Collaborate with the City Clerk and City Treasurer to develop reports that provide sufficient information that ensures oversight and fulfillment of roles and responsibilities identified in the City Charter and municipal code.

Although the Financial Services Department conducts financial activities on behalf of the Clerk and Treasurer, the elected officials may retain oversight of revenues and expenditures. Therefore, the Financial Services Department Director should collaborate with the Clerk and Treasurer to identify potential financial reports that are necessary to demonstrate compliance with City policy and alert officials to concerns in a timely manner. Reports that should be considered are included in Recommendations #2 and #4 Depending on the City's financial system and particular areas of focus, additional financial reports should also be considered.



APPENDIX A: SAMPLE CHARTERS AND MUNICIPAL CODES

MANHATTAN BEACH⁸

MUNICIPAL CODE

2.16.010 - Office of Director of Finance established.

In order to establish a central area for the uniform processing and development of all fiscal and budgetary functions there is hereby established the office of Director of Finance.

2.16.020 - Duties of Director of Finance.

The Director of Finance shall be the head of the Finance Department of the City and shall be vested and charged with the following duties and responsibilities:

- A. Have charge of the administration of the financial affairs of the City under the direction of the City Manager;
- B. Compile the budget expense and income estimates for the City Manager;
- C. Maintain a general accounting system for the City government and each of its offices, departments, and agencies;
- D. Supervise and be responsible for the disbursement of all moneys and have control of all expenditures to insure that budget appropriations are not exceeded; audit all purchase orders before issuance; audit and approve before payment all bills, invoices, payrolls, demands or charges against the City government and, with the advice of the City Attorney, when necessary, determine the regularity, legality and correctness of such claims, demands or charges;
- E. Submit to the Council, through the City Manager, a monthly statement of all receipt and disbursements in sufficient detail to show the exact financial condition of the City; and, as of the end of each fiscal year, submit a complete financial statement and report;
- F. Supervise the keeping of current inventories of all property of the City by all City departments, offices and agencies;
- G. Perform all the financial and accounting duties heretofore imposed upon the City Clerk, relieving the City Clerk of such duties, including all duties imposed upon the City Clerk by Article 1 of Chapter 4, Part 2, Division 3, Title 4, and by Sections 40802 through 40805 of the Government Code of the State; and
- H. Perform such other duties as may be imposed upon him by law and as the City Manager may direct from time to time.

⁸ Manhattan Beach is a general law city, and therefore does not have a City Charter.



2.16.030 - Duties of the Finance Department.

The Finance Department shall perform such additional duties and functions as may be hereafter prescribed or required by the Council or the City Manager.

2.16.040 - Delegation of powers.

The Director of Finance shall be directed by the City Manager and shall be the chief finance official of the City. With the approval of the City Manager the Director of Finance may delegate any of the powers and duties conferred upon him as such officer under this chapter to any other officer or employee of the City. The Director of Finance shall:

- A. Supervise the Finance Department under the direction and control of the City Manager; and
- B. Cooperate with the City Treasurer and all other officials of the City in establishing and maintaining sufficient and satisfactory procedures and controls over municipal revenues and expenditures in all departments, divisions and services of the City in accordance with modern municipal finance administration practice.

2.16.050 - Transfer of City Clerk's duties.

In accordance with the provisions of Section 40804.5 of the Government Code of the State, the financial and accounting duties imposed upon the City Clerk under Sections 40802 through 40805 of the Government Code are hereby transferred to the Director of Finance.

2.16.080 - Transfer of Mayor's duties.

In accordance with the provisions of Section 40602 (a) of the Government Code of the State (as amended, Stats. 1955), all warrants drawn on the City Treasurer shall be signed by the Director of Finance or his authorized deputy.

SANTA MONICA

CITY CHARTER

707. City Clerk. Powers and duties.

The City Clerk shall have power and be required to:

- A. Attend all meetings of the City Council and record and maintain a full and true record of all of the proceedings of the City Council in books that shall bear appropriate titles and be devoted to such purposes. Such books shall have a general index sufficiently comprehensive to enable a person readily to ascertain matters contained therein;
- B. Maintain ordinance and resolution books into which shall be recorded all City ordinances and resolutions with the certificate of the Clerk annexed to each thereof stating the same to be a correct copy, giving the number of said ordinance or resolution and, as to an ordinance requiring publication, stating that the same has been published or posted in accordance with this Charter.



- C. Be the custodian of the seal of the City;
- D. Administer oaths or affirmations, take affidavits and depositions pertaining to the affairs and business of the City and certify copies of its official records;
- E. Appoint and remove all assistants and other persons as are authorized to be employed in the office by the City Council, with the position of the Assistant City Clerk not being in the Classified Service of the City, unless the City Council by resolution determines otherwise. All other positions in the City Clerk's office shall not be in the Classified Service of the City unless the City Council by resolution determines otherwise; and
- F. Perform such other tasks as the City Council shall direct by ordinance or resolution.

709. City Controller. Powers and duties.

The City Controller shall have charge of the administration of the financial affairs of the City and shall have the power and be required to:

- A. Compile the budget expense and capital estimates for the City Manager;
- B. Supervise and be responsible for the disbursement of all monies and have control over all expenditures to insure that budget appropriations are not exceeded;
- C. Maintain a general accounting system for the City government and each of its offices, departments and agencies; keep books for and prescribe the financial forms to be used by each office, department and agency;
- D. Require and supervise the keeping of, current inventories of all property, real and personal, by the respective officers in charge thereof and periodically to audit the same;
- E. Submit to the City Council, through the City Manager, a monthly statement of all receipts and disbursements in sufficient detail to show the exact financial condition of the City; and, as of the end of each fiscal year, submit a complete financial statement and report; and
- F. Audit and approve before payment all bills, invoices, payrolls, demands or charges against the City government and, with the advice of the City Attorney, determine the regularity, legality and correctness of such claims, demands or charges.

711. City Treasurer. Powers and duties.

The City Treasurer shall be the custodian of all public funds belonging to or under control of the City, or of any office, department or agency thereof, and shall have power and be required to:

- A. Receive and have custody of all moneys receivable by the City from any source;
- B. Deposit all moneys received in such depositories as may be designated by resolution of the City Council or, if no resolution be adopted, by the City Manager, and in compliance with all of the provisions of the State Constitution and laws of the State governing the handling, depositing and securing of public funds.
- C. Disburse moneys on demands properly audited in the manner provided for in this Charter; and



- D. Prepare and submit to the City Controller monthly written reports of all receipts, disbursements and fund balances, copies of which reports shall be filed with the City Manager.

MUNICIPAL CODE

2.12.250 Finance Department.

Pursuant to Section 702 of the City Charter, there is hereby created a department in the City government to be known as the Finance Department. Within the Finance Department shall be the City Controller, the City Treasurer, and the Purchasing Division.

2.12.260 Department head and duties.

- A. The head of the Finance Department shall be the Director of Finance who shall be appointed by the City Manager. The Director of Finance, who shall also be the City Controller, shall coordinate and supervise all activities of the Finance Department. The Director of Finance shall have the authority to settle tax, fee or other accounts payable disputes by reducing or waiving amounts due or establishing payment plans, if such payment plans, reduction or waiver serves to promote the City's fiscal welfare by expeditious payment, enhancing revenue, or otherwise.
- B. The Director of Finance is authorized to waive tax, fee or debt principal owed to the City only when such tax, fee or debt is deemed uncollectable consistent with the following provisions:
 - 1) All reasonable efforts have been made to collect the tax, fee or debt.
 - 2) The waiver is in the public's interest and will not cause undue harm to the City's fiscal welfare.
 - 3) The amount to be waived does not exceed fifty thousand dollars per account.
 - 4) The waiver of any tax, fee or debt principal is not for the purpose of settling a legal dispute, except where collection is clearly foreclosed by statute of limitations as determined by the City Attorney.
- C. The Finance Director may publish and make available as a matter of public record a list of the largest tax delinquencies and their associated taxpayers, where all of the following apply:
 - 1) The tax delinquency is in excess of five thousand dollars.
 - 2) The tax has been delinquent for more than ninety days.
 - 3) The taxpayer is not on an approved payment plan or filed for such payment plan which is under review.
 - 4) The Finance Director may publish and make available as a matter of public record a list of the businesses that are operating without a license and have failed to apply for or renew a business license.



2.12.270 City Clerk title and responsibilities.

- A. The City Clerk shall at all times be referred to as the Director of Records and Election Services. For purposes of this Code, the titles are interchangeable and the Director of Records and Election Services shall have the same duties as the City Clerk.
- B. In addition to the duties set forth in Charter Section 707, the City Clerk shall have power and be required to:
 - 1) Direct, plan and manage the activities of the Records and Election Services Department;
 - 2) Maintain the City's legislative history of action taken by the City Council, the Housing Authority, the Parking Authority, the Redevelopment Agency and the Public Finance Authority;
 - 3) Administer municipal elections in accordance with Section 11.04.055;
 - 4) Ensure compliance with the Political Reform Act in accordance with Section 11.04.055;
 - 5) Prepare the City Council agendas and minutes;
 - 6) Direct the operation of the City's Mail Room and Print Shop;
 - 7) Administer the City's Record Management Program;
 - 8) Attest to the execution by the City Manager of all conveyances, contracts and agreements executed by the City Manager pursuant to the provisions of Section 2.32.030;
 - 9) Have charge of the City Seal in accordance with Section 2.32.020(b).

PASADENA

CITY CHARTER

Section 604. - Powers and Duties of City Manager.

The administrative and executive functions, powers, and duties provided in this Section, in addition to others specified in this Charter, hereby are delegated to and vested in the City Manager. He or she shall have the power and it shall be his or her duty:

- A. To supervise, coordinate and administer the various functions of the City;
- B. To see that the provisions of this Charter and all laws and ordinances of the City are enforced;
- C. To appoint, promote, discipline and terminate the employment of all officers and employees of the City in accordance with the personnel system created pursuant to this Charter except those officers appointed by the City Council, which officers shall have the power to appoint their respective staffs;



- D. To exercise supervision and control over all departments, divisions, and offices of the City except the City Attorney, City Prosecutor, and City Clerk, and their respective staffs;
- E. Except when his or her removal is under discussion, to attend all meetings of the City Council, but he or she shall have no power to vote as a member thereof;
- F. To recommend to the City Council for adoption such measures and ordinances as he or she shall deem necessary or expedient;
- G. To see that all terms and conditions imposed in favor of the City or its inhabitants in any contract or in any franchise are faithfully kept and performed, and upon knowledge of any violation thereof to call the same to the attention of the City Attorney, whose duty it shall be to take such steps as are necessary to protect and enforce such terms and conditions;
- H. To prepare and submit to the City Council the annual budget;
- I. To keep the City Council at all times fully advised as to the financial condition and needs of the City; and
- J. It shall be competent for the City Council to instruct the City Manager in all matters of policy, and any action, determination or omission of the City Manager shall be subject to review by the City Council, but no such action, determination or omission shall be overruled or modified by a vote of less than five members thereof, nor shall any otherwise valid contract previously made by the City Manager be subject to review.

Section 902. - Preparation of Budget.

No later than February of each year, the Mayor shall present a thematic budget message for the upcoming fiscal year to the City Council. The City Council shall establish procedures whereby public suggestions and comments on the Mayor's budget proposals may be received and considered prior to the preparation and submission of budget estimates by the Departments to the City Manager.

On or before the third Monday in May of each year, the City Manager shall submit to the City Council a preliminary budget of probable expenditures and revenues of the City for the succeeding fiscal year, giving the amounts required to meet the interest and sinking funds for all outstanding funded debts, the amounts required for salaries and the needs of all departments and programs of the municipal government in detail, showing specifically the amount necessary to be apportioned to each fund in the treasury, and giving the estimated income and revenue to be obtained from all sources, indicating the revenue separately for each source.

Section 904. - Adoption of the Budget After Hearing.

After the conclusion of the public hearing, the City Council shall consider the proposed budget and make any revisions that it may deem advisable. The City Council shall annually, on or before the thirtieth day of June, adopt a budget of the amounts estimated to be required to pay the expenses of conducting the public business of the City for the fiscal year. The budget shall be prepared in such detail as to the aggregate sum and the items or programs thereof allowed to each department, office, agency, board, commission or committee as the City Council may determine. The budget may include an "unappropriated balance" which shall be appropriated during the fiscal year to meet contingencies and



needs as they arise. A copy of the budget, certified by the City Clerk as having been adopted by the City Council, shall be placed on file in the office of the City Clerk and shall be available for public inspection. Another copy, likewise certified, shall be filed with the Director of Finance. Copies of the budget shall be made available for the use of each department, office, agency, board, commission and committee of the City.

MUNICIPAL CODE

2.35.010 - Created—Direction.

There is created, pursuant to the Charter, a functional unit of city government known as the city clerk's department which shall be under the direction and control of the city clerk.

2.35.020 - City clerk—Functions, powers and duties.

The city clerk shall:

- A. Attend all meetings of the city council and shall prepare the minutes of such proceedings;
- B. Have custody of and be responsible for the city seal and all books, records, papers and archives belonging to the city committed to the clerk's custody;
- C. Prepare and maintain an index of all records in the clerk's custody;
- D. Administer and supervise the city's records management program;
- E. Administer and supervise all municipal elections;
- F. Administer all oaths and take affidavits in matters relating to city business;
- G. Administer and supervise the publication of legal notices and ordinances of the city;
- H. Attest the signatures of city officers on documents that have been executed as authorized by resolution, ordinance or statute;
- I. Perform such other duties relating to the office as shall be required of him/her by law, ordinance or the city council.

2.275.010 - Created—Direction.

There is created a functional unit of city government known as the finance department, under the general administration of the city manager, which shall be under the direction and control of the director of finance.

2.275.020 - Department functions.

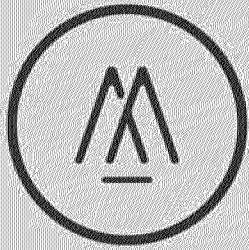
The department shall be responsible for providing the following functions:

- A. Establish and administer a centralized system of financial administration for the city, including activities relating to accounting, budgeting and auditing as required by the city manager and subject to the limitation of the Charter;



- B. Issue business licenses and permits and administer related matters;
- C. Administer the treasury of the city;
- D. Issue and collect bills for the electric, water and refuse utilities and for various other city services as required;
- E. Administer and supervise the issuance of bonds, certificates of participation, and other financial instruments of the city, community development commission, and various authorities established by the city;
- F. Administer the city's workers' compensation program;
- G. Provide safety and loss control services;
- H. Manage the city's property and liability insurance;
- I. Manage and adjust liability claims;
- J. Perform such other related duties as shall be required by law, ordinance or the city manager.





MOSSADAMS

FINAL REPORT

FOR

CITY OF REDONDO BEACH

**Roles and Responsibilities Review:
Human Resources and Payroll**

January 14, 2019

Moss Adams LLP
999 Third Avenue, Suite 2800
Seattle, WA 98104
(206) 302-6500



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I. EXECUTIVE SUMMARY

A. SCOPE AND METHODOLOGY

The purpose of this review was to provide an independent assessment of the roles and responsibilities of the City of Redondo Beach's (the City) Human Resources (HR) Department and the Payroll Division of the Financial Services Department. The focus of the assessment was to identify any potential for increased risk in the payroll cycle as fewer duties are able to be segregated among different personnel.

This review was conducted in four phases: 1) startup/management, 2) fact finding, 3) analysis, and 4) reporting. During the fact finding phase, we interviewed the Payroll and Finance Manager, Human Resources Director, and Human Resources Analyst and reviewed key documents to obtain an understanding of the payroll process. Additionally, we performed an analysis to compare Redondo Beach's circumstances against best practices. Following analysis of the information provided, a draft report was reviewed with City leadership to validate facts and confirm the practicality of recommendations.

This roles and responsibilities review engagement was performed in accordance with the consultancy standards of the American Institute of Certified Public Accountants (AICPA). Accordingly, we provide no opinion, attestation, or other form of assurance with respect to our work.

B. OBSERVATIONS AND RECOMMENDATIONS

The current improvement opportunities identified during our roles and responsibility review relate to a lack of segregation of duties between payroll authorization and processing, as well as roles and responsibilities related to the maintenance of pay codes. Additionally, we noted opportunities for operational improvements related to the Munis system and payroll policies and procedures.

The following table summarizes recommendations to better align Redondo Beach with best practices.

OBSERVATIONS AND RECOMMENDATIONS		
1	Observation	Due to current staffing levels, electronic employee file changes performed by HR staff are not consistently reviewed by a person other than the individual performing the change, thereby increasing risk of errors from being prevented or detected in the payroll process.
	Recommendation	Establish alternate policies and procedures to ensure all compensation and benefits records are accurate and properly maintained during times of limited staff.
2	Observation	There is a lack of segregation of duties between payroll authorization and payroll review responsibilities.
	Recommendation	Revise system controls to reduce the risk of unauthorized payroll-related changes to employee files.
3	Observation	The creation and assignment of pay codes is the sole responsibility of HR.
	Recommendations	The creation and assignment of pay codes should be a collaborative engagement between the Payroll Division and HR Department.



OBSERVATIONS AND RECOMMENDATIONS		
4	Observation	The Munis system is not set up to limit the accumulation of banked hours in accordance with HR's policies, resulting in employees banking hours in excess of permitted limits.
	Recommendations	As of November 30, 2018, the condition was corrected through configuring the Munis system to perform an accrual buyout function.



II. BACKGROUND, SCOPE, AND METHODOLOGY

A. BACKGROUND

The City of Redondo Beach's (the City) payroll cycle is a coordinated effort between the Human Resources (HR) and Financial Services Departments. Many of the payroll-related activities are stemmed from HR's employee data, as HR is responsible for administering employee personnel transactions and inputting all payroll-related data and changes into the MUNIS system. The Payroll Division within the Finance Services Department is responsible for processing payroll based on the information in the MUNIS system, as well as reporting taxes to CalPERS, State, and Federal taxing authorities.

A one-year savings was proposed in the fiscal year (FY) 2018-19 budget, which resulted in the authorization of a Human Resources Office Specialist III position and a Payroll Technician position, but the positions were not filled or funded in order to cover budget shortfalls in the current fiscal year. As a result, there is concern for increased potential risk in the payroll cycle as fewer duties are able to be segregated among different personnel.

B. SCOPE AND METHODOLOGY

This review was designed to provide an independent assessment of the roles and responsibilities of the City's HR Department and Payroll Division of the Financial Services Department. This review was conducted between September and November 2018 and consisted of four phases:

1. **Startup/Management:** We conducted a kickoff meeting with the City's Finance Director to review expectations and discuss the overall project scope, logistics, deliverables, timing, and progress reporting requirements.
2. **Fact Finding:** Our procedures during the fact finding phase included the following:
 - a. **Interviews:** We conducted interviews and follow up inquiries with the Payroll and Finance Manager, Human Resources Director, and Human Resources Analyst. These interviews assisted us in gaining an understanding of each person's perspective of the current operational and organizational environment, strengths, and opportunities for improvement.
 - b. **Process Walkthrough:** We had City staff walk us step-by-step through processes associated with core functions being performed in the payroll cycle.
 - c. **Document Review:** We reviewed relevant documentation to obtain an understanding of the operational and organizational environment and to corroborate facts learned during interviews.
3. **Analysis:** Based on findings, we evaluated each opportunity for improvement against best practices.
4. **Reporting:** Following analysis of the information provided, a draft report was reviewed with City leadership to validate facts and confirm the practicality of recommendations.

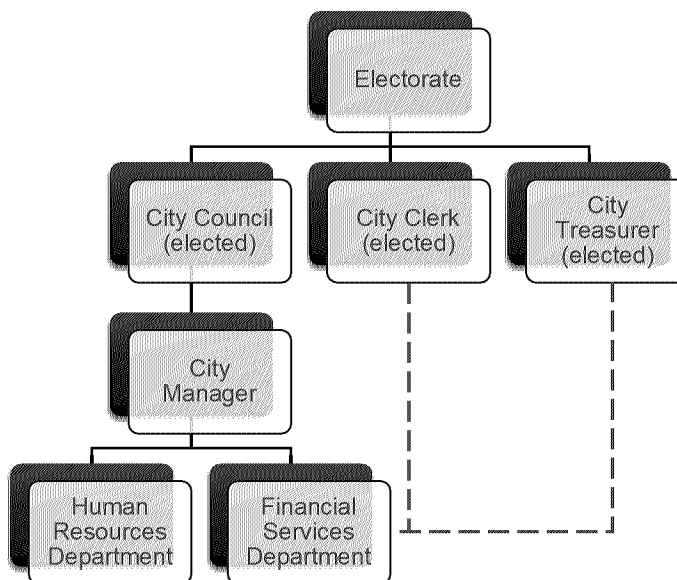


III. ROLES AND RESPONSIBILITIES ANALYSIS

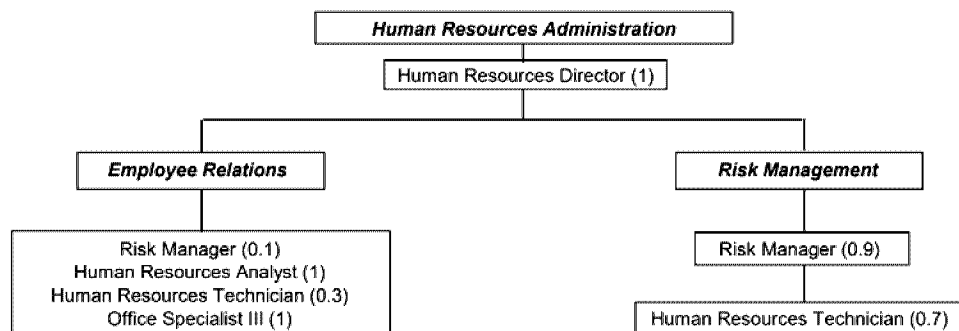
A. FRAMEWORK AND STRUCTURE

EXISTING STRUCTURE

The City's current structure between the Financial Services and HR Departments is depicted in the organization chart below. Both departments report to the City Manager, as is typical in most municipalities, although the Financial Services Department is closely aligned with the City Clerk and City Treasurer, as identified in the City's charter.

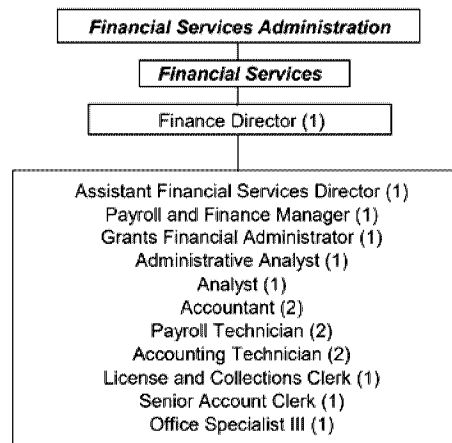


The HR Department has five full-time staff which have been tasked with fulfilling the department's duties. The Human Resources team consists of a Human Resources Director, Human Resources Analyst, Human Resources Technician, Risk Manager, and Office Specialist III. Of this team, payroll related duties are primarily shared among the HR Technician and Office Specialist, with support provided by other members of the team where needed.





The Payroll Division has three full-time staff which have been tasked with fulfilling the division's payroll duties. The Payroll Division consists of a Payroll and Finance Manager and two Payroll Technicians.



B. PAYROLL CYCLE

CITY OF REDONDO BEACH PAYROLL PROCESS

HUMAN RESOURCES DEPARTMENT

The Human Resources Department supports the payroll process through the following functions/processes:

1. Administering job classifications, employment terms, and benefits such as compensation rates, pension, vacations, and insurance.
2. Processing changes to employee status, compensation, and benefits records. This includes administering employee personnel transactions and inputting all payroll changes associated with new hires, Memorandum of Agreement (MOU) changes, employee performance evaluations, benefit modifications, or other HR-related payroll changes. HR maintains employee personnel files for approximately 800 employees.
3. Promptly and formally notifying the Payroll Division of any changes to employee status or payroll changes so payroll records can be reviewed and adjusted.

PAYROLL DIVISION

With the payroll-related data managed by the HR Department, the Payroll Division processes payroll accordingly. The process consists of the following:

1. Ensuring all City employees are paid accurately and on established pay dates in compliance with all Federal and State laws and bargaining group rules and regulations. Identifying and implementing new and different payroll requirements in accordance with new MOUs, pay plans, CalPERS mandates, or benefit adjustments are adopted.
2. Payroll Technicians review timecards/timesheets to ensure all are appropriately approved by the respective supervisor/manager. Upon satisfactory review, timekeeping data is entered into the Munis system.



3. Within Munis, the Payroll Technician generates an Edit Proof report which details all employees in the payroll register for the current run. A copy of the report is provided to the Payroll and Finance Manager, Assistant Financial Services Director and HR staff to ensure any current period changes are accurate and appropriate. Any exceptions are investigated and resolved accordingly prior to moving forward in the payroll process.
4. The Payroll and Finance Manager compiles a Payroll Change Report to identify any potential exceptions for the current pay period. Any exceptions are investigated and resolved accordingly prior to moving forward in the payroll process.
5. Upon satisfactory review of the current payroll, a payroll file is generated and uploaded to the City's bank for ACH disbursement. Upon the bank's acceptance of the file, a confirmation email is sent to the Payroll and Finance Manager and Accountant for reconciliation of the payroll amount.
6. After disbursement, the Payroll and Finance Manager proof the GL Distribution report. Upon approval, the Payroll Technician posts the payroll to the GL.

C. ROLES AND RESPONSIBILITIES REVIEW RESULTS

OVERVIEW

The following table outlines the roles and responsibilities of the Human Resources Department and Payroll Division within the payroll cycle and indicates steps where we provided observations and recommendations.

DUTIES AND RESPONSIBILITIES		OBSERVATION
Human Resources Department		
1. Administering job classifications, employment terms, and benefits such as compensation rates, pension, vacation pay, and insurance.		See Observation No. 4
2. Processing changes to employee status, compensation, and benefits records. Administering employee personnel transactions and inputting all payroll changes associated with new hires, MOU changes, employee performance evaluations, benefit modifications, or other HR-related payroll changes into the Munis system. HR maintains employee personnel files for approximately 800 employees.		See Observation No. 1 See Observation No. 2 See Observation No. 3
3. Promptly and formally notifying Payroll Division of any changes to employee status or payroll changes so payroll records can be adjusted.		No exceptions were noted.
Payroll Division		
1. Ensuring all City employees are paid accurately and on established pay dates in compliance with all Federal and State laws and bargaining group rules and regulations. Identifying and implementing new and different payroll requirements in accordance with new MOUs, pay plans, CalPERS mandates, or benefit adjustments are adopted.		See Observation No. 3
2. Payroll Technicians ensure timecards/timesheets are complete and appropriately approved by the respective supervisor/manager. Upon satisfactory review, timekeeping data is entered into the Munis system.		No exceptions were noted.
3. Within Munis, the Payroll Technician generates an Edit Proof report which details all employees in the payroll register for the current run. A copy of the report is provided to the Finance Director and HR staff to ensure any current period changes are accurate and appropriate. Any exceptions are investigated and resolved accordingly prior to moving forward in the payroll process.		No exceptions were noted.



DUTIES AND RESPONSIBILITIES	OBSERVATION
4. The Payroll and Finance Manager compiles and reviews a Payroll Change Report to identify any potential exceptions for the current pay period. Any exceptions are investigated and resolved accordingly prior to moving forward in the payroll process.	See Observation No. 2
5. Upon satisfactory review of the current payroll, a payroll file is generated and uploaded to the City's bank for ACH disbursement. Upon the bank's acceptance of the file, a confirmation email is sent to the Payroll and Finance Manager and Accountant for reconciliation of the payroll amount.	No exceptions were noted.
6. After disbursement, the Payroll and Finance Manager proof the GL Distribution report. Upon approval, the Payroll Technician posts the payroll to the GL.	No exceptions were noted.

OBSERVATIONS AND RECOMMENDATIONS

1	OBSERVATION	Due to current staffing levels, electronic employee file changes performed by HR staff are not consistently reviewed by a person other than the individual performing the change, thereby increasing risk of errors from being prevented or detected in the payroll process.
	RECOMMENDATION	Establish alternate policies and procedures to ensure all compensation and benefits records are accurate and properly maintained during times of limited staff.

Employee transaction forms are used to document employee file changes and are reviewed by HR staff to ensure accuracy and appropriateness of the respective change. However, after changes entered into Munis by HR staff, employee file changes are not reviewed by another HR staff and/or manager to ensure the file changes accurately reflect the Employee Transaction Form. We noted that insufficient staff resources are the primary cause contributing to this deficiency. The lack of secondary review from within the HR Department increases the potential for errors not being prevented or detected during the payroll process.

It is the responsibility of HR to ensure all compensation and benefits related records are accurate and properly maintained. To mitigate the risk of payroll-related errors due to inaccurate employee compensation and benefits data, HR management should establish policies and procedures for ensuring additions/changes to electronic employee files are reviewed by another HR staff for accuracy and appropriateness during times of limited staff.

As of December 8, 2018, the condition was corrected as the department implemented revised procedures to ensure reviews are performed while staffing is limited and in the future when staffing levels change. With the current staffing level, the HR Analyst will review changes made by the HR Technician and Risk Manager, while any changes made by the HR Analyst will be reviewed by the HR Technician.



2	OBSERVATION	There is a lack of segregation of duties between payroll authorization and payroll review responsibilities.
	RECOMMENDATION	Revise system controls to reduce potential risk of unauthorized payroll-related changes to employee files.

The payroll staff's (Payroll and Finance Manager and Payroll Technicians) Munis user access allows the Payroll and Finance Manager to make changes to the employee pay and deduction master files, as well as the employee direct deposit module. This degree of access provides an opportunity for an individual to perform unauthorized changes and increases risk of such changes from being detected as the same individual performs confirmation and approval duties within the payroll cycle.

To mitigate such risks, the Payroll staff's access to the noted employee HR files and modules in the Munis system should be limited to "Read/View Only," thereby reducing the opportunity for and risk of unauthorized payroll-related changes occurring. If access cannot be restricted due to limited staff, limitations of the accounting system, and/or other functions being performed within the payroll cycle, compensating controls such as a review of an audit history report should be performed by HR staff (or other appropriate staff) every pay period.

3	OBSERVATION	The creation and assignment of pay codes is the sole responsibility of HR.
	RECOMMENDATION	The creation and assignment of pay codes should be a collaborative engagement between the Payroll Division and HR Department.

HR staff have been tasked with creating and assigning pay codes to employee profiles in the Munis system. However, the payroll division has been assisting with this role as HR staff have been uncomfortable with the full responsibility of creating and assigning pay codes in the Munis system. As management of payroll codes is typically the responsibility of a payroll department, there is an increased risk of payroll errors or inaccuracy as HR staff may not have a comprehensive knowledge of how such codes can impact the administration of payroll.

In addition, the ability to perform both functions create a segregation of duties issue, as a Human Resources staff has the capability to create an unauthorized pay code and erroneously attach the pay code to a personnel file for payroll processing. Under the current process, there is sufficient opportunity for such errors from being detected because HR changes are not consistently reviewed by another individual, due to limited staff (see Observation No. 1).

To mitigate risk of pay code-related errors, the Payroll Division should be charged with the creation and maintenance of pay codes. There should be a collaborative engagement between HR and Payroll when new pay codes are created to ensure any specific or special pay terms are satisfied within the conditions of the pay code. The ability to assign pay codes to employee profiles should be restricted to HR staff. Once an employee's profile has been created, HR staff should assign the appropriate pay codes created by Payroll to the respective employee profile. Once assignment of pay codes is completed, they should be confirmed by payroll.



4	OBSERVATION	The Munis system is not set up to limit the accumulation of banked hours in accordance with HR's policies, resulting in employees banking hours in excess of permitted limits.
	RECOMMENDATION	As of November 30, 2018, the condition was corrected through configuring the Munis system to perform an accrual buyout function.

Compensated absences are absences for which employees will be paid, such as vacation, sick leave, and other forms paid time off. Vacation leave and other compensated absences with similar characteristics are accrued as the benefits are earned by the employees. The City utilizes the Munis system to maintain the accrual bank of these leave hours for all City employees. During our interviews, employee responses indicated the Munis system is not set up to limit the accumulation of banked hours in accordance with HR's policies, resulting in employees banking hours in excess of permitted limits.

As of November 30, 2018, the condition was corrected through configuring the Munis system to cash out any hours in excess of established limits. System generated reports are reviewed by payroll to ensure accuracy and appropriateness of employee accrual banks as well as any cash outs being performed during the current pay period.





Administrative Report

Budget and Finance Commission Date: March 14, 2019

To: BUDGET AND FINANCE COMMISSION

From: STEVEN DIELS, CITY TREASURER

Subject: CITY TREASURER'S SECOND QUARTER 2018-19 REPORT

RECOMMENDATION

Receive and file the City Treasurer's Quarter 2 Fiscal Year 2018-2019 report.

EXECUTIVE SUMMARY

This City Treasurer's report for the second quarter of fiscal year 2018-2019, details the composition of the investment portfolio and investment transactions occurring during the period of September through December of 2018. FTN Financial Main Street Advisors serves as Investment Advisor to the City Treasurer. The FTN Financial Main Street Advisor's report with this package includes a comprehensive analysis of the City's investment portfolio and investment market trends.

Notable sections of this report include:

- Treasurer's Portfolio Summary
- Investment Reporting Guidelines
- Investment Report by FTN Main Street
 - Portfolio Summary
 - Investment Policy Compliance Report
 - Investment Activity Report
 - Economic and Market Update