

**CITY OF COMPTON
MEMORANDUM**

Date: September 15, 2019

To: Mayor and City Council

From: Rafaela T. King, City Controller

Subject: **MONTHLY REPORT: JULY 1 – 31, 2019**

CONTROLLER'S OFFICE UPDATES

Below is a brief summary of the Audits for the City of Compton.

Audit Updates

- **Audits Completed During Fiscal Year (FY) 2018-2019**
 - Single Audit Fiscal Year 2013-2014
 - Single Audit Fiscal Year 2014-2015
 - Single Audit Fiscal Year 2015-2016
 - Single Audit Fiscal Year 2016-2017
 - MTA Audit Fiscal Year 2017-2018
 - Annual Street Audit Fiscal Year 2017-2018
 - HUD
 - PERS 2016 Audit

- **Audits In-Progress**
 - Financial Audit Fiscal Year 2017-2018
 - Single Audit Fiscal Year 2017-2018
 - Financial Audit Fiscal Year 2018-2019
 - Single Audit Fiscal Year 2018-2019

- **Upcoming Audits**
 - HUD (NSP) Audit – Grants Division (August 2019)
 - HUD Housing Audit – Housing Division (August 2019)
 - MTA Audit (August 2019)
 - AB2611 (AQMD) Audit (September 2019)
 - PERS Audit (September 2019)
 - Annual Street Audit (October 2019)

Business License Division

Below is a summary of the Business License Activity for the current month. Please note that during the month of July, the Business License Division along with the Code Enforcement Division are in the process of changing our citation processing company. Once the process has been completed, the number of citations issued will increase to at least normal numbers.

Business License Activity

| | |
|---------------------------------------|--------|
| • Counter Customers | 468 |
| • Inspections Conducted | 47 |
| • Notice of Violations Issued | 10 |
| • Cease & Desist Notices Issued | 0 |
| • Administrative Citations Issued | 0 |
| • Total Administrative Citation Fines | \$0 |
| • Film Permits Issued | 3 |
| • Licenses Within City | 12,117 |
| • Licenses Outside City | 13,054 |
| • Closed Businesses | 4 |
| • Renewals Mailed | 423 |
| • Renewals Processed | 239 |
| • New Applications Processed | 163 |
| • Online Applications | 81 |
| • Waived Fees | \$0 |

Summary of Fees Collected

July 2019 - June 2020

| Account Type | July '19 | Aug '19 | Sept '19 | Totals |
|------------------|---------------------|---------------|---------------|---------------------|
| Business License | \$293,543.15 | | | \$293,543.15 |
| Property Rental | \$12,006.00 | | | \$12,006.00 |
| Tobacco Permits | \$6,000.00 | | | \$6,000.00 |
| Total BL Revenue | \$311,549.15 | \$0.00 | \$0.00 | \$311,549.15 |
| Fire Permit Fee | \$40,416.00 | | | \$40,416.00 |
| SB1186 State Fee | \$2,294.68 | | | \$2,294.68 |
| Totals | \$354,259.83 | \$0.00 | \$0.00 | \$354,259.83 |

Corrective Action Plan Updates

During the process of the audits, the external auditors identified 263 audit findings combined from their audit work as well previous audits where left unaddressed. These included financial statement findings and single audit findings related to compliance and internal control over compliance. For the 2017 fiscal year, the corrective action plan was created and included a plan to address and

resolve those findings. The plan included resolving 57 by June 30, 2019, another 81 by June 30, 2020 and the remaining 90 by June 30, 2021.

In order to resolve the findings, there are at least three different stages that need to be addressed in order to call them completed and remove them from the list. In some cases, the finding is very specific and needs to have a single issue corrected. In other cases, the internal controls need to be evaluated and updated for best practices, the city staff needs to be trained on the policy and the policy is then implemented. Once the findings have been addressed in this manner, during the next audit, the external auditors will test that the new policies have indeed been implemented and followed.

The findings have been categorized into three sections as follows:

| | |
|--------------------------|-----|
| Material weaknesses | 129 |
| Significant deficiencies | 67 |
| Non-compliance | 52 |
| Best practices | 15 |

The City's internal auditor has been tasked to concentrate exclusively on resolving the findings issues. Between the Controller's Office and other offices working on the corrections as it relates to their specific areas, as of the end of June 2019, 54 audit findings had been addressed. Individual corrections were made, policies were written or updated. The updated policies are in the review and implementation stage. We expect those procedures already put into practice will be tested during the audits for the 2017-18 and 2018-19 fiscal years for clearance.

GENERAL LEDGER ACCOUNTING DIVISION

Ongoing

The Controller's Office General Ledger staff continues to maintain the daily operations of the Department including accounts payable, revenues, internal controls, reporting and budget monitoring and modifications.

Bank Reconciliations

Please note the following list of City Bank Accounts and Bond Accounts and the last completion date of each bank reconciliation.

Balance Sheet Audit – Fiscal Year 2017-2018

The Controller’s Office staff is in the process of finalizing the close of the books for the 2018 Fiscal Year. Staff has received the Prepared by Client (PBC) list from our external auditors and is working on compiling all audit schedules and other requested information.

Budget Modifications and Transfers Processed

During the month of July 2019, there were two budget modifications. The two transactions totaled to \$139,242.00 and transferred funds from one department and account number to a different department and account number.

Comprehensive Annual Financial Report (CAFR) – Fiscal Year 2018-2019

The Controller’s Office staff is in the process of closing the books for the 2019 Fiscal Year. Staff has received the Prepared by Client (PBC) list from our external auditors and is working on compiling all audit schedules and other requested information.

Contracts Under \$25,000

During the month of July 2019, the following contracts were entered into utilizing the City Manager’s \$25,000 spending authority by Resolution number 25,001:

| City of Compton | | | | |
|--|-----------------------|-----------------------|--|------------------|
| Contracts Under 25K For FY 2019-2020 | | | | |
| Under City Manager Authority per Resolution No. 25,001 | | | | |
| Date | Purchase Order Number | Requesting Department | Vendor | Encumbrance |
| 5/29/2019 | 19FY1346 | Human Resources | Cooperative Organization for the Development of Employee Selection Procedures (CODESP) | \$ 2,600 |
| 6/27/2019 | 19FY1537 | Human Resources | Liebert Cassidy Whitmore | \$ 3,855 |
| 7/30/2019 | 56R01634 | Human Resources | Liebert Cassidy Whitmore | pending |
| 9/3/2019 | 20FY0226 | City Attorney | Liebert Cassidy Whitmore | \$ 2,478 |
| 9/17/2019 | 20FY0347 | Human Resources | Liebert Cassidy Whitmore | \$ 13,000 |
| | | | Sub-Total | \$ 19,333 |
| 9/19/2019 | 19FY1425 | City Manager | Ecamssecure | \$ 7,313 |
| 9/24/2019 | 20FY0358 | City Manager | Screamin Eagle Services Inc. | \$ 25,000 |
| 9/24/2019 | 20FY0345 | City Manager | DCA Civil Engineering Group Inc | \$ 11,900 |
| 9/24/2019 | 20FY0341 | Public Works | Elliott Auto Supply Co Inc dba Factory Motor Parts | \$ 25,000 |
| 9/26/2019 | 20FY0377 | City Manager | Duncan Hauling | \$ 25,000 |
| | | | | |
| | | | | |

Single Audit for FY 2017-2018

The Single Audit which specifically reports on Federally funded grants is in progress. The expected completion date is December 2019.

Single Audit for FY 2018-2019

The Single Audit which specifically reports on Federally funded grants is in progress. The expected completion date is March 31, 2020.

Monthly Report FY 2018-2019 Budget vs. Actual

Finance is now preparing for the mid-year budget review.

Miscellaneous

Finance has submitted the City and Public Financing Authority's fiscal information to State Controller's Office.

PAYROLL DIVISION

During the month of July 2019, the Payroll division processed 752 regular payroll checks. There were thirty-one (31) Retroactive checks processed totaling to \$48,099.69. Paid Administrative Leave checks amounted to \$11,338.16. There were four settlement checks processed amounting to \$120,086.20. There were four severance checks processed amounting to \$83,278.20. There were seven vacation buy-out checks processed amounting to \$32,560.18.

Total payroll for the month of July was \$2,480,798.25.

UNFUNDED LIABILITY

The annual Unfunded Accrued Liability is calculated by CalPERS each year for the preceding years. The amount of monthly payments due based on the balance as of June 30, 2017 is payable during the 2019-2020 fiscal year. The total amount due during this fiscal year is \$9,948,516.00

The amount paid to California Public Employees' Retirement System (CalPERS) for the Unfunded Accrued Liability the month of July was \$830,814.88

- Miscellaneous Plan \$461,082.00
- Safety Fire \$182,888.81
- PEPRA Safety Fire \$1,932.96
- Safety Police Plan \$184,911.11

The City Funded payment has averaged between 65% and 70% paid. As of June 30, 2017, the Unfunded Liability combined balance was One Hundred Thirty-One Million, Six Hundred Eighty-Five Thousand, Two Hundred Thirty-Nine Dollars (\$131,685,239). The 2018 updated report should be received from CalPERS by late September.

| Plan | June 30, 2015 | Funded Ratio | June 30, 2016 | Funded Ratio | June 30, 2017 | Funded Ratio |
|---|-----------------------|--------------|-----------------------|--------------|-----------------------|--------------|
| Miscellaneous Plan | 62,124,900 | 67.4% | 74,879,923 | 62.4% | 71,976,767 | 65.0% |
| Safety Fire Plan | 28,234,248 | 73.2% | 33,636,940 | 69.5% | 32,309,185 | 71.5% |
| PEPRA Safety Fire Plan | 3,236 | 94.8% | 25,205 | 91.6% | 27,064 | 95.2% |
| Safety Police Plan | 21,656,139 | 74.5% | 26,917,485 | 68.0% | 27,372,223 | 67.0% |
| Total City-Wide Unfunded Accrued Liability | \$ 112,018,523 | 70.6% | \$ 135,459,553 | 65.6% | \$ 131,685,239 | 67.3% |

PURCHASING DIVISION

Contracts

The department is in the process of securing a copy of all contracts executed in the City. This will include copies of all bids.

Purchasing Manager

Interviews for the Purchasing Manager position are scheduled for September 4, 2019.

Staffing Updates

- Senior Administrative Analyst position filled in Business License - Promotion
- Vacated Code Enforcement officer position filled in Business License
- Vacated Accounting Specialist position filled
- Accountant position vacated
- Financial Analyst position vacated