Members of the public may observe this meeting via Channel 36 or via city website streaming services at www.comptoncity.org, and offer comments at this meeting via Zoom during the public comments portion of the meeting. If you are an individual with a disability and need a reasonable modification or accommodation pursuant to the American with Disabilities Act ("ADA") please contact the City Clerk's Office at (310) 605-5530 or email contactcityclerk@comptoncity.org prior to the meeting for assistance.

(Zoom is only for Public Comments)

https://us02web.zoom.us/j/84574709357?pwd=aTI4blRuNUZvem1teW5mQi9VbkIrdz09

Meeting ID: 845 7470 9357
Passcode: 533038
Call In: 1-669-900-6833

COMPTON CITY COUNCIL
AGENDA
01/26/2021
5:30 PM

Closed Session 4:30 P.M.
Public Meeting 5:30 P.M.

CITY COUNCIL CHAMBERS
205 SOUTH WILLOWBROOK AVENUE
COMPTON, CALIFORNIA 90220

CALL TO ORDER

ROLL CALL

PUBLIC COMMENTS ON CLOSED SESSION AGENDA ITEMS
(Persons wishing to address the City Council on the Closed Session items may do so at this time. Comments are limited to one (1) minute per speaker and shall be limited to Closed Session agenda items)

CLOSED SESSION – 4:30 p.m.

PUBLIC EMPLOYEE PERFORMANCE EVALUATION
Title: City Manager
Pursuant to California Government Code Section 54957

RECESS TO CLOSED SESSION

PUBLIC MEETING – 5:30 P.M.

OPENING

REPORT ON CLOSED SESSION ACTION ITEM(S)

INTRODUCTION OF SPECIAL GUESTS

PUBLIC COMMENTS ON AGENDA ITEMS AND NON-AGENDA MATTERS

CONSENT AGENDA

Consent items are routine and expected to be non-controversial. They will be acted upon by the Council at one time without discussion unless a Council Member requests an item be removed or discussed.

APPROVAL OF MINUTES

1. JANUARY 5, 2021 (Study Session)
   JANUARY 12, 2021

CITY MANAGER

2. A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF COMPTON SUPPORTING THE BREATHE ACT PRESENTED BY THE ELECTORIAL JUSTICE PROTECT OF THE MOVEMENT FOR BLACK LIVES

PUBLIC WORKS DEPARTMENT

3. A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF COMPTON ADOPTING POLICIES AND PROCEDURES FOR THE INSTALLATION OF STOP SIGNS IN THE CITY OF COMPTON

4. A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF COMPTON ADOPTING POLICIES AND PROCEDURES FOR THE INSTALLATION OF SPEED HUMPS IN THE CITY OF COMPTON

REGULAR AGENDA

REPORTS OF OFFICERS, BOARDS, COMMISSIONS AND COMMITTEES AND CITY COUNCIL

5. APPOINTMENT(S) OF OFFICERS, COUNCIL MEMBERS, BOARDS/COMMISSIONS AND COMMITTEES

RESIDENT APPOINTMENT - AUDIT AD HOC COMMITTEE

CITY MANAGER'S REPORT

6. A REQUEST TO SCHEDULE A JOINT PUBLIC HEARING - HOUSING AUTHORITY 2021 PHA ANNUAL PLAN (March 23, 2021 at 5:50 p.m.)

7. POWERPOINT PRESENTATION - LAW ENFORCEMENT UPDATE - Captain Clark, Compton Sheriff's Station

8. POWERPOINT PRESENTATION - 2019 AUDIT REPORT - Eadie & Payne

9. A REQUEST TO RECEIVE AND FILE THE FISCAL YEAR 2019 AUDITED FINANCIAL STATEMENTS AND THE FISCAL YEAR 2019 SINGLE AUDIT REPORT OF THE CITY OF COMPTON

NEW BUSINESS

10. A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF COMPTON AUTHORIZING THE CITY MANAGER TO ENTER INTO A THREE (3) YEAR SERVICES AND SUPPORT AGREEMENT WITH AND ESTABLISH A PURCHASE ORDER FOR IGM TECHNOLOGY CORPORATION FOR USE OF GRAVITY BUDGET MODULE SOFTWARE ($44,590)

11. AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF COMPTON AMENDING CHAPTER VI OF THE COMPTON MUNICIPAL CODE BY ADDING SECTION 6-24 (CAMPAIGN CONTRIBUTION LIMITS) (First Reading)

12. A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF COMPTON ADOPTING THE RECOMMENDED AMENDMENTS TO THE COMPTON PERSONNEL RULES AND REGULATIONS, RULES 10.2B(1), 10.2B(2), 10.2C AND 10.3E

13. A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF COMPTON RATIFYING A SIDE LETTER AGREEMENT AMENDING THE MEMORANDUM OF AGREEMENT BETWEEN THE CITY OF COMPTON AND THE COMPTON MANAGEMENT EMPLOYEES ASSOCIATION/AFSCME LOCAL 2325 TO AMEND ARTICLE 26, SECTION C OF THE MEMORANDUM OF AGREEMENT

COUNCIL COMMENTS

ADJOURNMENT

NEXT REGULAR MEETING: 2/2/2021 @ 5:30 PM

Visit our website at http://www.comptoncity.org

JANUARY 5, 2021

The Compton City Council Study Session Meeting was called to order at 5:42 p.m. in the Council Chambers of City Hall by Mayor Aja Brown.

ROLL CALL

Council Members Present – Chambers, McCoy, Sharif, Brown *(Via Zoom Teleconference)*
Council Members Absent – Galvan

Other Officials Present: R. Rugley, A. Godwin, D. Sanders, C. Cornwell

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PUBLIC COMMENTS ON AGENDA ITEMS AND NON-AGENDA MATTERS

Robert Ray addressed agenda item Number 1 (flavored tobacco prevention and enforcement) and noted that some stores are continuing to sell single cigarettes which is illegal. Mr. Ray then indicated that the City has received grants to combat COVID-19 and further questioned how the funds are being utilized. He urged the residents to take the deadly coronavirus seriously and not to gather and maintain social distancing to stop the spread of the virus. Mr. Ray concluded by urging the City to force local businesses to comply with COVID-19 restrictions and guidelines.

REPORTS OF OFFICERS, BOARDS, COMMISSIONS AND COMMITTEES AND CITY COUNCIL

CITY MANAGER'S REPORT

1. ORAL REPORT - FLAVOR TOBACCO PREVENTION AND ENFORCEMENT GRANT

Dr. Aubrey Relf , Grants Compliance Manager, reported that the City has been awarded a $550,000 grant from the U. S. Department of Justice to assist with enforcing the reduction of the illegal sale of flavored tobacco products to minors. Dr. Relf went on to state that tobacco sales are a huge health and safety crisis in the Black and Brown community and some studies show that over 80% of youth first tried tobacco because of the many flavor options such as 'gummy bear' or 'cookies and cream' that appeal to the youth.

Proposition 56, the Tobacco Tax Increase Initiative, was passed in 2016, and increased tax sales on cigarettes and tobacco products and the revenue generated from that proposition has been disbursed nationwide.

Dr. Relf then informed the Council that the DOJ allows the grant funding to be utilized in the following areas:

- Enforcement of local or state laws restricting the sale of flavored tobacco products (including e-cigarettes to minors and youth).
- Performing Retailer compliance checks and License Inspections
- Public Education and Outreach
- Parent Engagement and Education
- Preventing or Deterring the use of tobacco products on school premises
- Tobacco Retail License Inspections to reduce illegal sales of tobacco products to minors and youth
- Hiring Additional Officers to Enforce the City's Ordinances

Councilmember Chambers congratulated Dr. Relf for obtaining this very important grant which will be instrumental in combatting illegal tobacco sales to minors. Ms. Chambers further suggested that the City develop a strategy for requiring tobacco retailers to adhere to the law.

NEW BUSINESS

4. A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF COMPTON AMENDING THE CITY'S CONFLICT OF INTEREST CODE TO AMEND DESIGNATED POSITIONS AND DISCLOSURE CATEGORIES PURSUANT TO THE POLITICAL REFORM ACT OF 1974

It was moved by Sharif, seconded by Chambers, that the resolution be adopted.

Chief Deputy City Attorney Ruth Rugley explained that the Political Reform Act of 1974 (the "Act") requires every state and local government agency to adopt a Conflict of Interest Code, which compels most state and local public officials and employees to disclose certain personal financial holdings so as to prevent public decision makers from participating in government decisions in which they have a personal, financial stake.

The City of Compton initially adopted its Conflict of Interest Code in 1976 and the designated positions and disclosure categories have been intermittently amended over the years to address changed circumstances of the City's workforce. The last update was in 2014. Staff has determined it is necessary to amend the current list of designated positions and disclosure categories of the City's Code to incorporate revisions to the City's Classification Plan since 2014.

The Act requires agencies to amend their Conflict of Interest Code when a revision is necessary to address changed circumstances; such as, the creation of new positions, substantial changes in duties or responsibilities of positions, revisions to position titles and/or disclosure categories and deletion of abolished positions, etcetera.

Chief Deputy Rugley addressed the procedures for the study sessions, and highlighted that the sessions will provide an opportunity for the Council to ask questions and obtain additional information prior to voting on an item. The study session will also allow the City Council to make changes or amendments before the Council delivers a final vote.

5. A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF COMPTON APPROVING AN AMENDMENT TO THE PUBLIC WORKS DEPARTMENT 2020-2021 FISCAL YEAR BUDGET TO TRANSFER FUNDS, AUTHORIZE THE CITY MANAGER TO AMEND THE PROFESSIONAL SERVICES AGREEMENT WITH AND ESTABLISH A PURCHASE ORDER FOR NV5 TO PROVIDE STREET DESIGN AND CONSTRUCTION SUPPORT SERVICES FOR THE ANNUAL RESIDENTIAL STREET REHABILITATION PROJECT, CIP# 18-01, PHASE 2

Assistant City Manager Michael Antwine explained that on September 18, 2018, the City Council authorized the City Manager to enter into a professional service agreement with NV5 to provide street design services for the Annual Residential Street Rehabilitation Project in the amount of $518,000. On February 19, 2019, pursuant to Resolution No. 24,946, City Council authorized the City Manager to enter into an amendment to the professional service agreement with NV5 to expedite the design services for certain residential street ("Phase 1")

Phase 1 is expected to be completed by mid-January 2021. The City is now ready to proceed with the Annual Street Rehabilitation Project, CIP# 18-01, Phase 2. Due to the estimated construction cost exceeding the current available budget and the number of streets (19) in this phase, the City requested that the project be divided into phases.

On November 18, 2020, City staff requested that NV5 provide a proposal to separate the Annual Street Rehabilitation Project, Phase 2 into four (4) phases and provide design support services during construction of all phases.

In order for the City Manager to amend the 2020-2021 Fiscal Year budget to authorize a transfer of funds in the amount of One Hundred Twenty Eight Thousand Five Hundred Dollars ($128,500.00) within the Public Works Department budget, amend the professional services

agreement with NV5 to provide street design and construction support services for the Annual Residential Street Rehabilitation Project, CIP# 18-01, Phase 2 and authorizing the establishment of a purchase order in the amount of $128,500.00, City Council's authorization is necessary.

6. A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF COMPTON APPROVING AN AMENDMENT TO THE PUBLIC WORKS DEPARTMENT 2020-2021 FISCAL YEAR BUDGET TO TRANSFER FUNDS, AUTHORIZE THE CITY MANAGER TO INCREASE THE PROFESSIONAL SERVICE AGREEMENT WITH AND ESTABLISH A PURCHASE ORDER FOR Z&K CONSULTANTS, INC. FOR CONSTRUCTION MANAGEMENT AND INSPECTION SERVICES FOR THE ANNUAL RESIDENTIAL STREET REHABILITATION PROJECT, CIP# 18-01, PHASE 1 ($118,455).

Assistant City Manager Antwine explained that on December 16, 2020, City staff received a request from Z&K Consultants, Inc. for additional funds needed for additional construction management services in the amount of $118,455. The project required additional construction management efforts due to the following:

- The need to increase the time of the Senior Construction Inspector on-site from part-time to full-time
- Added overtime cost due to work performed on Saturdays by the Senior Construction Inspector
- Coordination with local agencies, such as Los Angeles County, SoCal Gas, United States Postal Services, Caltrans for permits and approvals
- Production of change orders, estimates, schedule adjustments, developed submittals/request for information, project updates, and project solutions by the Senior Construction Inspector and the Office Engineer/Document Control personnel

The above items have resulted in the necessity for additional construction management and inspection services to complete the project. City Staff is requesting authority to amend the agreement with Z&K Consultants, Inc. to provide additional compensation and that a purchase order be established in the amount of $118,455 to compensate Z&K Consultants, Inc. for additional services rendered.

Adoption of the proposed resolution will approve an amendment to the Public Works Department 2020- 2021 Fiscal Year budget to authorize a transfer of funds in the amount of One Hundred Eighteen Thousand Four Hundred and Fifty Five Dollars ($118,455), amend the professional services agreement with Z&K, Consultants, Inc. to provide additional compensation for the provision of construction management and inspection services for the Annual Residential Street Rehabilitation Project, CIP #18-01, Phase 1 and establish a purchase order in the amount of One Hundred Eighteen Thousand Four Hundred and Fifty Five Dollars ($118,455).

Councilmember Chambers requested that Staff notify the Council regarding any delays so that the Members may keep their constituents informed. Ms. Chambers also thanked the management team for their outstanding work.

Councilmember Sharif urged Staff to make certain that the contractors possess a great deal of experience to make certain everything is done properly.

Mayor Brown asserted that the street traffic delineations stripping component timeline must be addressed at onset of the projects, so that the residents can have a line of expectation. Mayor Brown also suggested that the City explore all the alternative options for speed control.

City Manager Craig Cornwell informed the City Council that the correct amount total for the fee proposal should be '$118,455.'

7. A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF COMPTON RATIFYING SIDE LETTER AGREEMENT AMENDING THE MEMORANDUM OF AGREEMENT BETWEEN THE CITY OF COMPTON AND THE COMPTON MANAGEMENT EMPLOYEES ASSOCIATION, AMERICAN FEDERAL OF STATE, COUNTY, AND MUNICIPAL EMPLOYEES UNION, LOCAL 2325, AFL-CIO, COUNCIL 36 (AFSCME LOCAL 2325) TO MODIFY THE SALARIES OF THE BATTALION CHIEF CLASSIFICATION AND ADD AN EDUCATIONAL INCENTIVE

City Manager Cornwell explained that the City and the Compton Management Employees Association, American Federation of State, County and Municipal Employees Union, Local 2325, AFL-CIO, Council 36 ("Local 2325") are parties to a Memorandum of Agreement ("MOA"), with an effective term of July 1, 2016 through June 30, 2019. Local 2325 represents supervisory and management level job classifications.

The Battalion Chiefs and the City have been meeting and conferring about compaction issues since August 10, 2015. Local 2325 notified the City that it believed that pay inequities existed affecting the Battalion Chief classification. The City and Local 2325 met and conferred regarding the purported pay inequities affecting these position classifications and on December 15, 2020, the City and Local 2325 reached an agreement regarding pay adjustments to the Battalion Chief classification.

The City has negotiated with Local 2325 to address purported pay inequities for incumbent employees in one (1) classification, the Battalion Chief position. The City and Local 2325 reached an agreement to provide the following equity pay adjustments to incumbent employees in the classification:

Bachelor's Degree Incentive - effective the first pay period following City Council approval of this Side Letter, any Battalion Chief who obtains a bachelor's degree shall be eligible for a salary increase of five percent (5%) in addition to base pay. Base Salary Increase - effective retroactive to May 1, 2020, the Battalion Chief position shall receive an increase of eight percent (8%) in base salary. Base Salary Compaction - The City will maintain the same base salary compaction percentage between Fire Captain and Battalion Chief as International Association of Fire Fighters, Local 2216 has between the Firefighter and Fire Engineer positions and the Fire Engineer and Captain positions. The base salary compaction percentage is currently sixteen percent (16%).

City Manager Cornwell informed the Council that retroactive pay for the period of May 1, 2020 through December 31, 2020 is Twenty Thousand, Four Hundred Seventy-Seven Dollars ($20,477.00).

Councilmember Sharif questioned if the $20,477 would resolve the issue with the Battalion Chief's position. City Manager Cornwell indicated that if the Council adopts the proposed resolution, the issue would be resolved .

Councilmember Chambers suggested that the City require the employees to remain with the City of Compton for a designated length of time in order to receive the educational incentives.

COUNCIL COMMENTS

Councilmember Chambers offered the following communications/announcements:

- Thanked all the community partners who have provided food supplies and other essential services to the Compton community.

- Announced that Gonzales Park has added additional personnel to handle the increase of testing for COVID-19, and urged everyone to get tested for the coronavirus.

- Wished everyone a Happy New Year!

- Requested that the meeting be adjourned in memory of **Mr. Arthur Day.**

Councilmember McCoy offered the following communications/announcements:

- Requested a status update on the cleaning and maintenance of the railroads and surrounding area.

- Commented that her office has received a number of complaints regarding the problems with streets signs.

- Announced that Assemblyman Mike Gipson will be hosting a Virtual COVID-19 Town Hall meeting on January 7, 2021 from 6:00 p.m. to 8:00 p.m.

- Requested that the meeting be adjourned in memory of **Sidney Lawrence.**

Councilmember Sharif offered the following communications/announcements:

- Requested an update on the City's plan to assist the homeless population in Compton.

- Wished everyone a Happy and Healthy 2021!

Mayor Brown offered the following communications/announcements:

- Mayor Brown thanked and commended the City Manager and City Attorney for presenting the very helpful City Council Study Sessions.

- Mayor Brown announced that Los Angeles County has continued to see an alarming increase in coronavirus infection rate, and urged everyone to remain vigilant and take all the necessary precautions to keep themselves and their families safe and healthy and guard against the deadly coronavirus. As of January 5, 2020, there were 11,700 confirmed cases of the virus in Compton with 116 COVID-19 related fatalities. Free testing for covid-19 is currently available at Gonzales Park, 1101 W. Cressey Street, Compton. The hours of operation are Sunday thru Thursday from 8:00 a.m. until 8:00 p. m. Appointments can be scheduled by visiting: LHI.CARE/COVIDTESTING, or by calling: (888) 634-1123. Mayor Brown encouraged residents to visit the City's website at: www.comptoncity.org to access the Resource Guide for assistance.

- Mayor Brown announced that the Compton Pledge program has met its goals and will begin issuing disbursements to families that have qualified for the program.

- Mayor Brown wished the entire Compton community a very healthy and Happy New Year!

On motion by Sharif, seconded by McCoy, the meeting was adjourned in memory of **Sidney Lawrence** and **Arthur Day** at 6:58 p.m. by the following vote on roll call:

AYES: **Council Members - Chambers, McCoy, Sharif, Brown**
NOES: **Council Members - None**
ABSENT: **Council Members - Galvan**

_____ _____

CITY CLERK OF THE CITY OF COMPTON **MAYOR OF THE CITY OF COMPTON**

JANUARY 12, 2021

The Compton City Council Meeting was called to order at 5:37 p.m. in the Council Chambers of City Hall by Mayor Pro Aja Brown.

ROLL CALL

Council Members Present – McCoy, Sharif, Brown *(Via Zoom Teleconference)*
Council Members Absent – Chambers, Galvan *(Joined the meeting at 5:57 p.m.)*

Other Officials Present: R. Rugley, A. Godwin, D. Sanders, C. Cornwell

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PUBLIC COMMENTS ON AGENDA ITEMS AND NON-AGENDA MATTERS

Robert Ray – commented that it has been two years since the traffic signal in front of CVS has been knocked down, which must be replaced as soon as possible to avoid another collision. Mr. Ray also suggested that the City install a 4-way left hand turn signal at the intersection of Greenleaf and Wilmington, to assist drivers turning left from each direction. Mr. Ray urged everyone to get tested for the coronavirus and further questioned the City's plan to provide 200,000 COVID-19 vaccinations to the Compton community. Lastly, Mr. Ray urged the residents to do their research on the candidates for the upcoming Primary Election.

Adolpho Varas, Executive Director of Latino Chamber of Commerce, thanked Councilmembers Tana McCoy and Emma Sharif for supporting the First Annual Día de los Muertos in Compton. Mr. Varas stated it is a blessing to be able to celebrate the different cultures represented in the City. He also announced that the Latino Chamber of Commerce was incorporated back in 1981 and will be celebrating its 40-year anniversary this year. Mr. Varas concluded by thanking the City Council and local businesses which assisted the community with food and other necessary essentials.

CONSENT AGENDA

APPROVAL OF MINUTES

1. DECEMBER 15, 2020 ***(Approved)***
   DECEMBER 22, 2020 ***(Approved)***

CITY MANAGER/CITY ATTORNEY/CITY CONTROLLER/CITY TREASURER REPORTS

2. INVESTMENT REPORT - NOVEMBER 30, 2020 ***(Received and filed)***

CITY CLERK

3. A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF COMPTON AMENDING THE CITY'S CONFLICT OF INTEREST CODE TO AMEND DESIGNATED POSITIONS AND DISCLOSURE CATEGORIES PURSUANT TO THE POLITICAL REFORM ACT OF 1974 ***(Approved Resolution Number 25,399)***

On motion by Sharif, seconded by McCoy, the consent agenda was approved by the following vote on roll call:

AYES: Council Members – McCoy, Sharif, Brown
NOES: Council Members – None
ABSENT: Council Members – Chambers, Galvan

REGULAR AGENDA

CITY MANAGER'S REPORT

4. ORAL REPORT - SENATE BILL 793 (FLAVORED TOBACCO) - Caliph Assagai, Esq., California Policy Solutions

Mr. Caliph Assagai reported that Senate Bill 793 was passed last year and bans the sale of all flavored tobacco products, including Menthol. The goal was to ban the sale of products that have flavor enhancements that attract children. The California Coalition for Fairness is leading the campaign to veto SB 793 and have submitted a petition with signatures in support of placing a referendum on the ballot to repeal or uphold the legislation. The referendum would require a majority of voters to approve the 2020 Sate law before it can take effect.

Mr. Assagai indicated that the Secretary of State is currently in the process of verifying the signatures of the petition. If the petition contains the required number of signatures, the referendum will be placed on the ballot for November 2022, however, the City's ban on flavored tobacco products remains in effect.

Mayor Brown thanked Mr. Assagai for the legislative report and for his service to the City of Compton.

5. ORAL REPORT - UNION PACIFIC RAILROAD CLEAN-UPS

Damion Timmons provided an update on the clean-up of the Union Pacific Railroad and stated that the City initially began cleaning the tracks in September of 2020; however, employees were asked by the railroad to discontinue cleaning until the Compton workers could receive special training to safely perform work on the tracks. City Personnel have now received training and will begin cleaning at Rosecrans and ultimately continue to the Compton city limits. Mr. Timmons further indicated that he is looking forward to developing a basic monthly cleaning plan and will continue to monitor the tracks and the surrounding area to keep the debris to a minimum.

Mayor Brown thanked the City Manager and the entire management team for their efforts.

Councilman Galvan commented on the excessive amount of trash and debris which has been dumped on Alameda and the surrounding streets, adding that he believes that the illegally dumped debris is left by individuals visiting the recycling center. Councilman Galvan requested that the City send a letter to the recycling center warning their customers that illegal dumping will not be tolerated in Compton.

City Manager Cornwell stated that he would draft communication to forward to the recycling company.

Councilmember McCoy questioned if the City plans to clean up the Willowbrook tracks in the Third District.

Mr. Timmons replied that the clean-up work will be performed by a different provider, however, the cleaning methods will be the same.

Councilmember Sharif suggested that that the City post "No Littering" signs along with the fine amounts, along the railroad tracks to serve as a deterrent to illegal dumping.

6. ORAL REPORT - ARTESIA AT ALAMEDA BRIDGE REPAIR UPDATE

City Manager Cornwell reported that recently, a bridge fire occurred under the bridge at Artesia Boulevard and Alameda Street. Several governmental entities have ownership of the land area where the fire took place and there is uncertainty relative to the ownership of the site of the fire. Mr. Cornwell indicated that Staff plans to confer with Engineers to determine the property boundaries, however, the bridge is Compton property and will be cleaned and maintained by the City. Currently, the fencing in the area is dilapidated and in need of repair, and there is stagnant water at the location because of the trash and debris. Mr. Cornwell indicated that the City plans to contact the various property owners to demand the repair or replacement of the fencing as well

as the clean-up of their lots. The City will also conduct a comprehensive cleaning of the area and alert all the responsible property owners regarding the proper maintenance and fencing to avoid any future problems.

Councilmember Sharif communicated that she recently met with the new Director of Caltrans who indicated that he would be providing the City with an update on the plans for addressing the issues associated with the location.

7. ORAL REPORT - COMPTON HOMELESS PLAN

Assistant City Manager Antwine reported that the City has embarked on the development of a strategic plan to combat homeless beginning in February of 2019, with a series of stakeholder meetings to develop solution strategies and that process concluded in October of last year. Subsequently, Staff brought forth the Compton Homeless Plan, which was approved by the City Council on October 13, 2020. Staff then presented that approved Plan to the Los Angeles County Homeless Authority for their review and approval for future or subsequent funding for the Plan. Unfortunately, Los Angeles County has informed the City that there are currently no funds available for the program and there is uncertainty as to when such funds will be available for the implementation of the Plan. The County has indicated that if funding becomes available, they will subsequently issue a Notice of Funding Availability process for local jurisdictions to apply for funding.

Mr. Antwine highlighted the City's comprehensive Plan to combat homelessness which encompasses five primary goals:

(1) Increase education awareness of homelessness (unsheltered) and the issues associated with persons affected by homelessness

(2) Reduce the scope of homelessness within the City of Compton for unsheltered and provide 'wraparound' and supportive services for individuals and families

(3) Prevention of the spread of COVID-19 within the unsheltered population

(4) Coordinate with local and regional service providers

(5) Identify and assist in facilitating future shelter opportunities for our unhoused population

Mr. Antwine also commented that the Homelessness Task Force has been meeting consistently throughout 2020 and will continue to work in conjunction with the Grants Division to seek out additional funding resources to assist in alleviating homelessness in the City of Compton.

NEW BUSINESS

8. A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF COMPTON RATIFYING SIDE LETTER AGREEMENT AMENDING THE MEMORANDUM OF AGREEMENT BETWEEN THE CITY OF COMPTON AND THE COMPTON MANAGEMENT EMPLOYEES ASSOCIATION, AMERICAN FEDERAL OF STATE, COUNTY, AND MUNICIPAL EMPLOYEES UNION, LOCAL 2325, AFL-CIO, COUNCIL 36 (AFSCME LOCAL 2325) TO MODIFY THE SALARIES OF THE BATTALION CHIEF CLASSIFICATION AND ADD AN EDUCATIONAL INCENTIVE

On motion by Sharif, seconded by McCoy, **Resolution Number 25,400** entitled **'A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF COMPTON RATIFYING SIDE LETTER AGREEMENT AMENDING THE MEMORANDUM OF AGREEMENT BETWEEN THE CITY OF COMPTON AND THE COMPTON MANAGEMENT EMPLOYEES ASSOCIATION, AMERICAN FEDERAL OF STATE, COUNTY, AND MUNICIPAL EMPLOYEES UNION, LOCAL 2325, AFL-CIO, COUNCIL 36 (AFSCME LOCAL 2325) TO MODIFY THE SALARIES OF THE BATTALION CHIEF CLASSIFICATION AND ADD AN EDUCATIONAL INCENTIVE'** was adopted by the following vote on roll call:

AYES: **Council Members – Galvan, McCoy, Sharif, Brown**
NOES: **Council Members – None**
ABSENT: **Council Members – Chambers**

9. A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF COMPTON CONGRATULATING CALIFORNIA SENATOR STEVEN BRADFORD'S ELECTION TO CHAIR OF THE CALIFORNIA LEGISLATIVE BLACK CAUCUS

It was moved Galvan, seconded by McCoy, that the resolution be adopted.

Mayor Brown noted that this is a critical time for people of color and commended Senator Bradford for his leadership, adding that is vital that the Caucus continue their great work under his leadership.

Resolution Number 25,401 entitled **'A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF COMPTON CONGRATULATING CALIFORNIA SENATOR STEVEN BRADFORD'S ELECTION TO CHAIR OF THE CALIFORNIA LEGISLATIVE BLACK CAUCUS'** was adopted by the following vote on roll call:

AYES: **Council Members – Galvan, McCoy, Sharif, Brown**
NOES: **Council Members – None**
ABSENT: **Council Members – Chambers**

COUNCIL COMMENTS

Councilmember Galvan offered the following communications/announcements:

- Reported that the homeless encampments at Lueders park have increased significantly and must be addressed as soon as possible for the safety of the children of the community.

- Requested that the City remove the graffiti from the Successor Agency property on Long Beach Boulevard.

- Commented that it was brought to his attention that the City received $12 Million and further questioned the truthfulness of the amount and if so, how the funds were allocated.

City Manager Cornwell indicated that Staff would prepare a power point presentation relative to the COVID-19 Relief Fund and the appropriations of those funds.

Councilmember McCoy offered the following communications/announcements:

- Requested a status update on the repair of the City's Water Department telephonic bill payment system.

- Requested an update on the 4-way turn signal at Wilmington and Greenleaf as well as an update on the name change of Wilmington Avenue to Barack Obama Boulevard.

- Welcomed **Refresh Water** as a new business to the City of Compton.

- Announced a Food and N95 Mask Giveaway scheduled for Saturday, January 16, 2021 at Tucker Park, 650 West Laurel Street, beginning at 11:00 a.m.

Councilmember Sharif offered the following communications/announcements:

- Invited the community to attend the District 4 Virtual Business Roundtable scheduled for Thursday, January 28, 2021 from 9:00 a.m. to 11:00 a.m.

- Announced that Caltrans has scheduled a series of 55-hour lane closures on east– and westbound Pomona Freeway (SR-60) between the Long Beach I-710 and San Gabriel River I-605 Freeways -- Monday through Saturday, 8 p.m. to 6 a.m.

- Requested an update on the timeline of the installation of the utility poles for the safety of the local businesses.

Mayor Brown offered the following communications/announcements:

- Mayor Brown reminded the residents that all public and private gatherings are prohibited, and residents are strongly encouraged to only leave home to perform essential activities. All residents must wear nose and mouth coverings whenever they leave their homes, practice social distancing, and perform frequent handwashing to combat the spread of the coronavirus. As of January 12, 2020, there are 13,099 confirmed cases of the virus in Compton with 125 covid-19 related fatalities. Free testing for covid-19 is currently available at Gonzales Park, 1101 W. Cressey Street, Compton. The hours of operation are Sunday thru Thursday from 8:00 a.m. until 8:00 p. m. Appointments can be scheduled by visiting: LHI.CARE/COVIDTESTING, or by calling: (888) 634-1123. Mayor Brown encouraged residents to visit the City's website at: www.comptoncity.org to access the Resource Guide for assistance.

  Additionally, residents should consider wearing a face covering while indoors if they reside with 'at risk' family members to stop the spread of the deadly coronavirus..

- Mayor Brown thanked the City Manager and the entire management team for their steadfast dedication to serving the Compton community indicating that the City will continue to strive to improve the lighting in the City, paving the streets and improving the parks while providing the transparency that the residents expect and deserve.

On motion by Sharif, seconded by McCoy, the meeting was adjourned in memory of **Ms. Lizzie Keith** at 7:04 p.m. by the following vote on roll call:

AYES: **Council Members – Galvan, McCoy, Sharif, Brown**
NOES: **Council Members – None**
ABSENT: **Council Members – Chambers**

_____ _____

CITY CLERK OF THE CITY OF COMPTON **MAYOR OF THE CITY OF COMPTON**

January 26, 2021

TO: HONORABLE MAYOR AND CITY COUNCIL MEMBERS

FROM: CITY MANAGER

SUBJECT: A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF COMPTON SUPPORTING THE BREATHE ACT PRESENTED BY THE ELECTORAL JUSTICE PROTECT OF THE MOVEMENT FOR BLACK LIVES MATTER

SUMMARY

Mayor Aja Brown has requested that the City Council consider adopting a Resolution that will support the BREATHE act presented by the Electoral Justice Protect of the Movement for Black Lives.

BACKGROUND

The United States has spent decades criminalizing, incarcerating, and killing Black people while underinvesting in the health, education, environmental preservation, housing, and other services that communities need to feel safe and thrive. These misplaces priorities have denied opportunities to millions of people and taken far too many lives, including through police and other state-sanctioned violence.

The U.S. criminal-legal system reinforces white supremacy and has continuously harmed Black communities while escaping genuine accountability for these actions. The current moment requires a solution that fundamentally shifts how we envision community care, address harm, and invest in our society. History is clear that we cannot achieve genuine safety and liberation until we abandon police, prisons, and all punishment paradigms.

For decades, the federal government has funded mass criminalization through grant programs that incentivize arrests, construction of prisons, hiring of police officers, and the militization of the police. The federal funding has fueled the War on Drugs and reinforced white supremacy while underfunding the social services and basic infrastructure that actually keep people safe.

STATEMENT OF THE ISSUE

Black people and allies nationwide are demanding a new approach to community safety that divests from policing and invests in healthy, sustainable communities. The Movement for Black Lives has articulated a vision to achieve this goal. Including policies that would ensure safety, equality, and justice for all people who have been denied these human rights for far too long.

The Electoral Justice Project of Movement for Black Lives has presented a federal BREATHE Act that would begin to realize this vision, allowing all people – including our Black, Brown, disabled, undocumented, LGBT, and Indigenous communities – to be represented, free, and thriving.

The BREATHE Act also supports the Compton Pledge Initiative which will deliver direct, recurring cash to residents for two years. The Compton Pledge Initiative provides a guaranteed and basic income for all residents, including undocumented and formerly incarcerated members of our community who are excluded from welfare and economic systems.

FISCAL IMPACT

This item has no fiscal impact to the City.

RECOMMENDATION

It is recommended that the City Council adopt the attached Resolution.

CRAIG J. CORNWELL
CITY MANAGER

RESOLUTION NO. _____

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF COMPTON SUPPORTING THE BREATHE ACT PRESENTED BY THE ELECTORAL JUSTICE PROJECT OF THE MOVEMENT FOR BLACK LIVES MATTER

WHEREAS, the United States has spent decades criminalizing, incarcerating, and killing Black people while underinvesting in the health, education, environmental preservation, housing, and other services that communities of color need to feel safe and thrive; and

WHEREAS, these misplaced priorities have denied opportunities to millions of people and taken far too many lives, including through police and other state-sanctioned violence; and

WHEREAS, the U.S. criminal-legal system reinforces white supremacy and has continuously harmed Black communities while escaping genuine accountability for these actions; and

WHEREAS, the current moment requires a solution that fundamentally shifts how we envision community care, address harm, and invest in our society; and

WHEREAS, history is clear that we cannot achieve genuine safety and liberation until we abandon police, prisons, and all punishment related paradigms; and

WHEREAS, for decades, the federal government has funded mass criminalization through grant programs that incentivize arrests, construction of prisons, hiring of police officers, and the militarization of police; and

WHEREAS, this federal funding has fueled the War on Drugs and reinforced white supremacy while underfunding the social services and basic infrastructure that actually keep people safe; and

WHEREAS, Black people and allies nationwide are demanding a new approach to community safety that divests from policing and invests in healthy, sustainable communities; and

WHEREAS, the Movement for Black Lives has articulated a vision to achieve this goal, including policies that would ensure safety, equality, and justice for all people who have been denied these human rights for far too long; and

WHEREAS, Electoral Justice Project of Movement for Black Lives has presented a federal BREATHE Act that would begin to realize this vision, allowing all people – including Black, Brown, disabled, undocumented, LGBT, and Indigenous communities-to be represented, free and thriving.

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF COMPTON DOES HEREBY RESOLVE AS FOLLOWS:

Section 1. That the City of Compton honors those whose lives were stolen by police and state-sanctioned violence, including Ryan Twyman, Dijon Kizzee, Andres Guardado, Stephon Clark, Sandra Bland, Trayvon Martin, Renisha McBride, Aiyana Jones, Breonna Taylor, Tony McDade, Natasha McKenna, George Floyd, Aiyana Stanley-Jones, Elijah McClain, Pearlie Golden, Kayla Moore, Freddie Gray, Atatiana Jefferson, Oscar Grant and far too many more.

Section 2. That the City of Compton supports the principles and vision of the federal BREATHE Act, including its divestment from the criminal-legal institutions that inflicting disproportionate harm on Black communities and its investment in the education justice, health and family justice, environmental justice, housing justice, and economic justice that are needed to achieve true safety.

Section 3. That the City of Compton encourages Congressional Representatives Barragán, Representative Waters, and Representative Bass to support the federal BREATHE Act.

Section 4. That the City of Compton urges the Governor and State Legislature to pass State legislation that upholds the policy commitments and investments in the federal BREATHE Act.

Section 5. That the City of Compton continues to support the Compton Pledge initiative which will deliver direct, recurring cash to residents for two years, in support of Section 3 (Subsection 5) of the BREATHE Act's economic justice agenda. In addition to calling for a guaranteed and basic income for all residents, including undocumented and formerly incarcerated members of our community who are excluded from welfare and economic systems.

Section 6. That a copy of this Resolution shall be filed in the offices of the Mayor and City Council, City Manager and City Clerk.

Section 7. That the Mayor shall sign and the City Clerk shall attest to the adoption of this Resolution.

ADOPTED this _____ day of _____, 2021.

_____
MAYOR OF THE CITY OF COMPTON

ATTEST:

_____
CITY CLERK OF THE CITY OF COMPTON

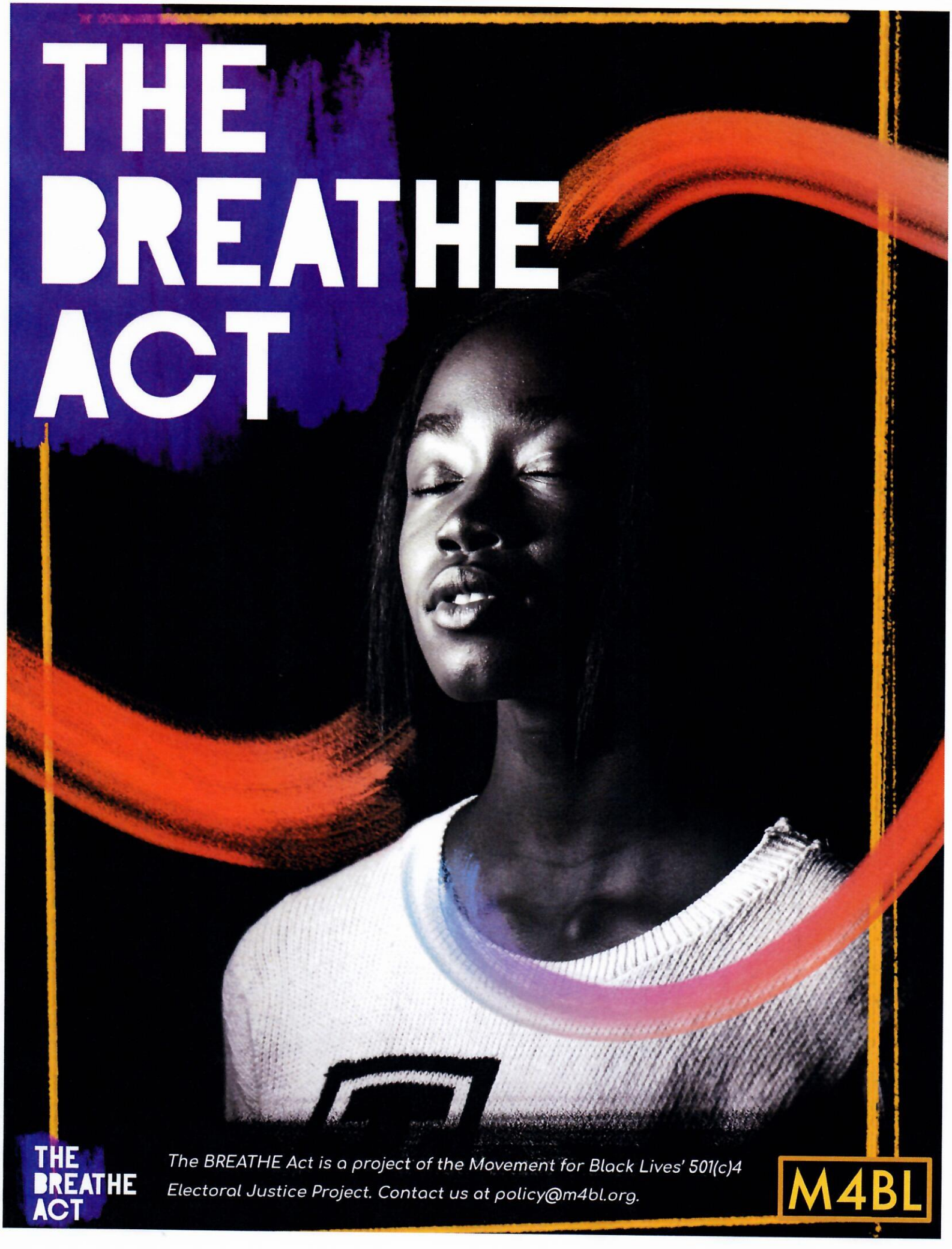
STATE OF CALIFORNIA)
COUNTY OF LOS ANGELES) ss
CITY OF COMPTON)

I, Alita Godwin, City Clerk of the City of Compton, hereby certify that the foregoing Resolution was adopted by the City Council of the City of Compton, signed by the Mayor and attested by the City Clerk at a regular meeting thereof held on this _____ day of _____, 2021.

That said Resolution was adopted by the following vote, to wit:

AYES: COUNCILMEMBERS-
NOES: COUNCILMEMBERS-
ABSTAIN: COUNCILMEMBERS-
ABSENT: COUNCILMEMBERS-

_____
CITY CLERK OF THE CITY OF COMPTON


THE BREATHE ACT
THE BREATHE ACT
The BREATHE Act is a project of the Movement for Black Lives' 501(c)4 Electoral Justice Project. Contact us at policy@m4bl.org.
M4BL

THE BREATHE ACT



Section-by-Section Bill Summary

SECTION 1:

Divesting Federal Resources from Incarceration and Policing & Ending Criminal-Legal System Harms

SECTION 2:

Investing in New Approaches to Community Safety Utilizing Funding Incentives

SECTION 3:

Allocating New Money to Build Healthy, Sustainable & Equitable Communities for All People

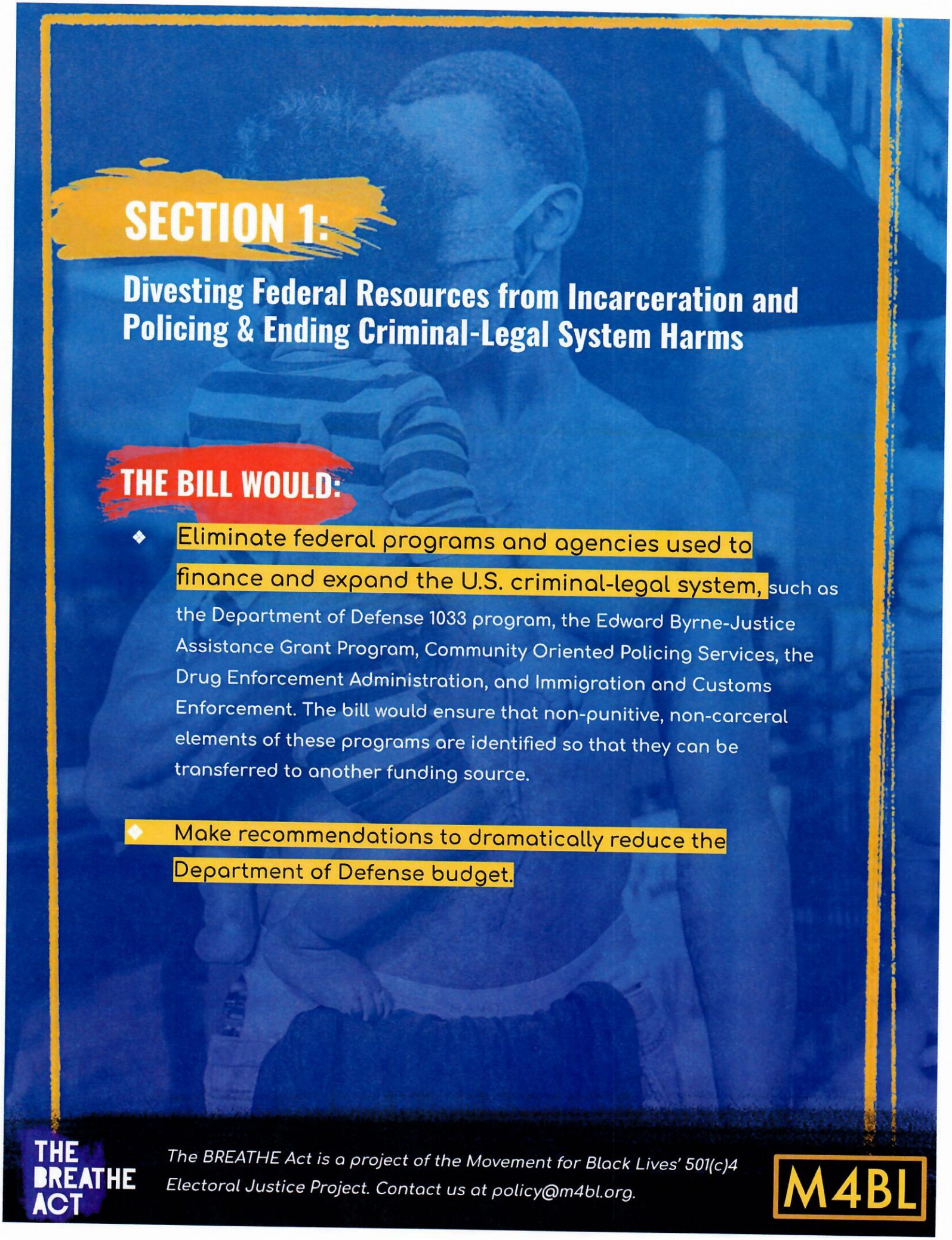
SECTION 4:

Holding Officials Accountable & Enhancing Self-Determination of Black Communities

THE BREATHE ACT

The BREATHE Act is a project of the Movement for Black Lives' 501(c)4 Electoral Justice Project. Contact us at policy@m4bl.org.

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SECTION 1:

Divesting Federal Resources from Incarceration and Policing & Ending Criminal-Legal System Harms

THE BILL WOULD:

- Eliminate federal programs and agencies used to finance and expand the U.S. criminal-legal system, such as the Department of Defense 1033 program, the Edward Byrne-Justice Assistance Grant Program, Community Oriented Policing Services, the Drug Enforcement Administration, and Immigration and Customs Enforcement. The bill would ensure that non-punitive, non-carceral elements of these programs are identified so that they can be transferred to another funding source.

- Make recommendations to dramatically reduce the Department of Defense budget.

- Directly make changes to the federal criminal-legal system, including changes to the policing, prosecution, sentencing, and jailing practices that have disproportionately criminalized Black and Brown communities, LGBTQIA people, Indigenous people, and disabled people. Specific changes include, but are not limited to:

  - Eliminating surveillance tactics that are disproportionately used to target Black, Brown, and Muslim communities by prohibiting predictive policing, facial recognition technologies, drones, and similar tools;
  - Eliminating the use of electronic monitoring, including ankle monitors, smartphone applications, and any other tool used to track location;
  - Ending civil asset forfeiture;
  - Abolishing mandatory minimum sentencing laws;
  - Ending life sentences;
  - Abolishing the "three strikes" law;
  - Developing a time-bound plan to close all federal prisons and immigration detention centers;
  - Repealing federal laws that criminalize human movement and border entry;
  - Further repealing and replacing the 1994 Violent Crime Control and Law Enforcement Act with non-carceral, non-punitive investments in communities; and
  - Decriminalizing and retroactively expunging drug offenses.

SECTION 2:

Investing in New Approaches to Community Safety Utilizing Funding Incentives

THE BILL WOULD:

- Create federal grant programs that incentivize decarceration and subsidize non-punitive, community-led approaches to public safety. Such grants will:

  - Make grants to local jurisdictions so that they can make and implement tailored plans to decarcerate their jails and/or defund their police forces;
  - Offer a 50% federal match for projected savings when States and/or local jurisdictions close detention facilities, including (but not limited to) local jails, State prisons, and youth prisons; and
  - Incentivize State, tribal, and local governments to make specified changes that shrink their criminal-legal systems and, in return, provide federal funding to make non-punitive, non-carceral, participatory investments in communities.

- State, tribal, and local policy changes incentivized under the grant programs include, but are not limited to, the following:

  - Banning pretextual stops and "consent" searches;
  - Removing police, armed security, metal detectors, and other surveillance equipment from schools and government offices that provide social services;
  - Abolishing State gang databases;
  - Eliminating all fees and surcharges within the criminal-legal system and forgiving outstanding court debt, reducing a financial burden that falls disproportionately on Black women;

- Decriminalizing and retroactively expunging State drug convictions;
- Categorically eliminating misdemeanor and "pay only" probation;
- Until ICE and CBP are fully dismantled, ending State and local police entanglement with Immigration and Customs Enforcement (ICE), Customs and Border Protection (CBP), and all federal immigration enforcement agencies;
- Repealing all existing State juvenile offenses; and
- Banning the use of police agencies as tools of political repression.

- If States are selected as a recipient of the grant programs, funding must be used to fund non-carceral interventions that improve community safety and are selected through a participatory process. Selected interventions may include, but are not limited to:

  - Transformative justice and healing justice programs;
  - Violence interruption and intervention, including in domestic violence situations;
  - Abuse interruption, intervention, and prevention;
  - Park redevelopment, streetlights, and other infrastructure;
  - Neighborhood mediation programs;
  - Supportive housing;
  - New, accessible methods of processing 911 calls that reduce unnecessary contact between law enforcement and community members;
  - Safe passage to schools programs;
  - Funding for community-based organizations that provide voluntary, non-coercive health services and healing supports for communities so that they can recover from exposure to violence, abuse, and/or harmful interactions with police; and
  - Employment opportunities that benefit formerly incarcerated individuals.

SECTION 3:

Allocating New Money to Build Healthy, Sustainable & Equitable Communities for All People

THE BILL WOULD:

- Establish a grant to promote educational justice, which:
  - Incentivizes jurisdictions to make specified equity-focused policy changes, including:
    - Altering their school funding formulas so that there is funding equity between schools;
    - Creating a clear, time-bound plan for closing all youth detention facilities within the jurisdiction and replacing these facilities with community-based, rehabilitation-focused continua of care; and
    - Removing police, School Resource Officers (SROs), ICE, probation, armed security, metal detectors, and other surveillance equipment and practices from schools.
  - Provides resources for programs and investments that include, but are not limited to:
    - Developing curricula that examine the political, economic, and social impacts of colonialism, genocide against indigenous people, and slavery;
    - Providing voluntary, non-coercive wraparound services that meet students' social, emotional, and physical needs;
    - Promoting innovative programming to better support foster youth, as well as the children of incarcerated parents;
    - Providing free, high-quality health services at schools and/or at nearby student- and family-focused centers, which services include reproductive body autonomy;

- Providing full and free access for all people, including those who are undocumented, currently incarcerated, and formerly incarcerated, to a lifetime education;
- Providing free public transportation to students; and
- Modernizing, renovating, or repairing facilities used by public schools.

◆ Establish a grant to promote environmental justice, which:

➢ Incentivizes States to make specified equity-focused policy changes, such as:

- Creating a clear, time-bound plan for ensuring that all communities have public access to safe, clean water for housing, drinking, and food production;
- Creating a clear, time-bound plan for ensuring that all communities have access to breathable air within EPA safety limits; and
- Creating a clear, time-bound plan for meeting 100% of the State power demand using clean, renewable, and zero-emission energy sources.

➢ Provide resources for programs and investments that include:

- Subsidizing community-owned sustainable energy solutions, including projects by community-based nonprofit organizations;
- Funding climate resilience in communities so that they can prepare for climate change-fueled disasters (such as hurricanes, floods, and wildfires) that are exacerbated by human fossil fuel consumption; and
- Funding to support, build, preserve, and restore cultural assets and sacred sites—especially sites and land belonging to the Indigenous community.

- Establish a competitive grant to promote health and family justice, which:
  - Incentivizes jurisdictions to make specified equity-focused policy changes, such as:
    - Expanding Medicaid as offered under the Affordable Care Act without work requirements or any burdensome administrative requirements during enrollment;
    - Creating alternatives to terminating parental rights, including guardianship arrangements, and procedures for reinstating parental rights;
    - Eliminating State laws that bar formerly incarcerated people from serving as guardians to their own children or others in their community; and
    - Ensuring all communities have convenient access to sources of healthy food.
  - Provide resources for programs and investments that include, but are not limited to:
    - Food cooperatives and urban gardens;
    - Paid parental and sick leave;
    - Comprehensive, high-quality child and elder care; and
    - The creation of comprehensive health centers that offer culturally competent services for all people, including services related to reproductive health.
- Establish a competitive grant to promote economic justice, which:
  - Incentivizes States to make specified equity-focused policy changes, such as:
    - Valuing the labor of Black and Brown women by extending employment protections for workers—including domestic workers and farm workers—who are in industries that are not appropriately regulated;
    - Establishing the right for workers, in public and private sectors, to organize, especially in "On Demand Economy" jobs; and
    - Establishing a living wage, pegged to inflation, and eliminating the subminimum tipped wage.

- Provide resources for programs and investments that include, but are not limited to:
  - Establishing job programs that specifically target the most economically disadvantaged individuals, including groups that disproportionately include Black cis- and trans women, formerly incarcerated people, undocumented people, and disabled people;
  - Pilot programs for universal basic income;
  - "Baby bonds" programs, including a preference for communities that were specifically targeted by redlining; and
  - Start-up funds for establishing worker-owned cooperatives and businesses that are being started by individuals who are formerly incarcerated.

- Establish a competitive Housing & Infrastructure Grant Program that:
  - Incentivizes jurisdictions to make specified equity-focused policy changes, such as:
    - Authorizing State funds to expand the affordable housing supply; and
    - Change local zoning laws so as to allow multifamily unit construction and ban exclusionary zoning laws.

- Provide resources for programs and investments that include, but are not limited to:
  - Modernizing and expanding the stock of affordable housing;
  - Providing quality assisted housing;
  - Creating tax-relief programs to help individuals who are facing potential displacement as the result of rapidly increasing home values (i.e., gentrification); and
  - Supporting the development of Community Land Trusts.

- Make direct federal investments in equity, which include:
  - A federal commission that proposes changes to tax policy, which will dramatically increase racial and economic equity;
  - A universal child allowance;
  - A program that provides assistance with down payments and closing costs—specifically for those households that rent or live in historically redlined communities;
  - Land grant programs in cities experiencing economic decline and/or hyper-vacancies;
  - A program at the United States Department of Agriculture, which will forgive the debt of Black farmers who were impacted by previous United States Department of Agriculture discrimination;
  - Tools to promote environmental justice, including an Equity Impact Mapping Initiative & Equity Screen and a Green Infrastructure Program; and
  - Federal programs to better support successful reentry.

SECTION 4:

Holding Officials Accountable & Enhancing Self-Determination of Black Communities

THE BILL WOULD:

- Require Congress to acknowledge and address the lasting harms that it has caused, specifically through:
  - Passing H.R.40 ("Commission to Study Reparation Proposals for African-Americans Act"); and
  - Establishing commissions that design reparations for mass criminalization—including the War on Drugs, the criminalization of prostitution, and police violence; border violence; and the systemic violation of the U.S. Government's treaty obligations to Tribal nations.

- Ensure democratic, fair, and secure voting processes that are free from racial discrimination and voter suppression in every State, specifically through measures that include:
  - Enfranchising all formerly and presently incarcerated people in federal elections;
  - Creating a public financing program for campaigns that are powered by small dollar contributions;
  - Incentivizing States to increase voter turnout;
  - Incentivizing States to pass laws that expand voting access, including laws that:
    - Enfranchise all formerly and presently incarcerated people for State and local elections; and
    - Allowing local and State resident voting for undocumented people.
  - Increase accountability for federal officials and police officers who have committed harms, specifically by measures that include:
    - Guaranteeing a private right of action for recovering damages when a federal official has committed a constitutional violation; and
    - Creating a grant program that offers States grant dollars if they strengthen mechanisms to hold police officers accountable when they have committed harm.

Photo credit: Jay Paragas


Join us in defending Black lives.
Join us on the right side of history.
BREATHEACT.ORG
THE BREATHE ACT
The BREATHE Act is a project of the Movement for Black Lives' 501(c)4 Electoral Justice Project. Contact us at policy@m4bl.org.
M4BL

January 26, 2021

TO: HONORABLE MAYOR AND CITY COUNCIL MEMBERS

FROM: CITY MANAGER

SUBJECT: A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF COMPTON ADOPTING POLICIES AND PROCEDURES FOR THE INSTALLATION OF STOP SIGNS IN THE CITY OF COMPTON

SUMMARY

This resolution will adopt the policies and procedures for the installation of Stop Signs in the City of Compton.

BACKGROUND

Stop signs are used to establish right-of-way at an intersection, thereby, reducing delays and decreasing collisions. The installation of stop signs or other traffic control devices must be based upon a documented need for vehicle control. Documenting the need for stop sign installation shall incorporate the warrants established by the State of California in the California Manual on Uniform Traffic Control Devices (MUTCD) and the criteria set forth in the policy.

Satisfaction of a warrant is not a guarantee that a stop sign is needed. Nor is the fact that a warrant is not satisfied an assurance that stop sign control would not be beneficial. With the warrants serving as the basis for evaluation, sound engineering judgement and all pertinent facts should be considered in decisions related to the installation of stop signs.

When being considered, it should be noted that stop signs can create unnecessary vehicular stops, increase delay, and add to fuel consumption and air pollution if used improperly. The installation of stop signs can also increase undesirable noise in residential neighborhoods, create an illusion of safety and result in increased disregard for traffic controls.

Additionally, stop signs are generally not considered effective speed control devices on local streets, in fact, the CA MUTCD specifically states that stop signs should not be used for speed control. Rather, stop signs are intended to assign right-of-way to traffic. This is a common misconception, as people often believe stop signs will help to control speeds.

The CA MUTCD also directs that less-restrictive measures should be considered before installing all-way stop controls. These measures include red curb or the removal of foliage or objects to improve corner sight distance, and using yield signs instead of stop signs.

STATEMENT OF THE ISSUE

Due to the numerous requests for stop signs citywide, there is a need to develop policies to respond to the growing demand of these services. In October 2020, City staff requested a proposal from Interwest to develop policies and procedures for the installation of stop signs on specified streets in the City. Interwest is the City's consultant that is uniquely qualified to perform civil, traffic engineering, and project management services for the City.

Draft Stop Sign Policy

In certain cases, conditions may exist that are not adequately addressed by the criteria presented hereafter. In these cases, special consideration should be given to the applicability of stop signs controls to the intersection. Examples of conditions warranting special consideration include:

1. Extreme pedestrian visibility problems.
2. Where a traffic signal installation may be under consideration but not yet approved.
3. A street that is in close proximity to a school, fire department, church, park or any area of high public use.
4. Steep curves or inclines that could be considered an additional restriction to visibility.
5. Other considerations as may be deemed appropriate by engineering or technical studies.

Evaluation Criteria

Initially, each request for stop signs will be evaluated using the CA MUTCD criteria. If, however, the intersection does not meet the CA MUTCD criteria, the intersection will then be evaluated using the separate special criteria to address residential neighborhood and local street situations versus locations along arterial roadways. The analysis forms for one-way/two-way stops and all-way stops are attached.

The following provides definitions of various types of roadways and intersections as well as the special criteria for the evaluation of intersections within the City of Compton for stop sign control.

Types of Roadways

Two different terms are used to describe roadways in the context of these guidelines. The following definitions apply:

Local Street – This term refers to a roadway that carries relatively low volumes of traffic and is not considered an arterial street. This classification includes those streets that do not meet this strict definition but are not included in the City's arterial street system.

Arterial Street – Refers to the function classification of the roadway based on the General Plan designation of the roadway. All of the following roadways are considered to be arterials in increasing functional order: collector arterial, minor arterial, major arterial and principal arterial.

Types of Intersections

There are several types of intersections where stop signs can be installed as follows:

3-Legged or "T" Intersection – An intersection typically comprised of one through street and a terminating street. Often the terminating street is referred to as "the stem of the T". In this case, typically only one-way stops (stopping traffic approaching on the terminating street) and all-way stops are considered.

4-Legged Intersection (Arterial Street/Local Street) – An intersection generally comprise of a major through street (typically a collector arterial or higher arterial) and a minor intersecting street. In this case, typically only two-way stops (stopping traffic on the minor street approaches) are considered.

4-Legged Intersection (Local Street/Local Street) – An intersection generally comprised of two minor streets with neither street necessarily considered a through street. In this case, typically either two-way or all-way stops are often considered.

Intersections with More than 4 Legs – A special case location that generally has more than two streets intersecting at the same point. This type of intersection often requires unique analysis to evaluate the conditions and provide appropriate recommendations. Specific criteria for this situation are not included in this policy in recognition of the special circumstances.

Special Criteria for Consideration of Stop Controls

Listed below are additional criteria that can be considered for installing stop signs if an intersection does not meet the CA MUTCD guidelines.

One-Way Stop Control (T-Intersections)

If any one of the following criteria is satisfied, a one-way stop should be considered:

1. (Local/Local) On the terminating street at its intersection with a through street where application of the normal right-of-way rule is unduly hazardous as evidenced by collisions susceptible to correction with stop signs.
2. On a city street at its intersection with a state highway (State responsibility).
3. On a street where the safe approach speed to the intersection is less than 10 miles per hour.

Two-Way Stop Control (4 or More Legged Intersections)

If the following criterion is satisfied, a two-way stop control should be considered:

1. Either one of the total peak hour intersection volumes exceeds 100 vehicles.

All-Way Stop Control (3 or More Legged Intersections)

All-way stop control is most effective when applied to intersecting streets with close to equal traffic volumes. Special consideration should be given to locations that have significant unusual visibility or physical conditions. All-way stops should only be installed after all less restrictive methods of traffic control or modifications are deemed ineffective or unfeasible. All streets considered should have as close to equal traffic volumes as possible. Generally, 4-legged intersections should have no less than a 60/40 split and 3-legged intersections no less than a 70/30 split.

If any one of the following criteria is satisfied, an all-way stop should be considered:

1. Volume Warrant – Local Streets
    a. Total vehicular volume entering the intersection from all approaches must average 180 vehicles per hour for any 8 hours of an average day; and,

b. The combined vehicular, pedestrian and bicyclist volume entering the intersection from the minor street for the same 8 hours must average at least 72 units per hour.

2. Any unusual physical or geometric conditions that cannot be effectively addressed by less restrictive methods.

Procedures for the Installation of Stop Signs

The City typically follows the steps below for a request to install stop signs:

1. To initiate the process, a person submits a request for stop signs to the City. The request can be submitted directly to the Engineering Department at 310-605-5505 or contactpw@comptoncity.org. The request should include the following information:
    a. Intersection street names.
    b. Type of stops signs desired: 1-way stop, 2-way stop or all-way stop.
    c. Reason for request, including what their concerns are, what they have witnessed and the days/times it typically occurs, how often it occurs, and how stop signs would address their concerns.
    d. Contact information, including name, e-mail address and phone number. To inform the requestor of the results of the study and, if needed, for more details about their concern.
2. The City will review the request and contact the requestor if any additional information is needed.
3. The City will conduct a field review of the intersection, noting the existing traffic controls and any unusual conditions, including restricted intersection sight distance due to trees, bushes, fences, signs, etc.
4. The City will collect traffic collision data and traffic counts, and prepare sight distance diagrams, as needed.
5. The City will assess the intersection with various stop sign warrants. The initial assessment will use the CA MUTCD warrants. If the intersection does not meet these warrants, it will be assessed with the City's guidelines. These assessments will determine the following:
    a. If other less-restrictive measures should be taken.
    b. If a stop sign(s) should be installed.
    c. If other safety measures should also be taken.
6. Based on the findings, a recommendation will be made to the City Engineer. The requestor will be notified of the City Engineer's decision to approve or deny the request.
7. If the City Engineer approves the stop sign installation, Public Works will install the approved sign(s). Any other approved actions will also be implemented.
8. The City Council will be notified of the approval or denial of any request.

STATEMENT OF ISSUE

The Council and City Manager recognizes the desirability to establish policies and procedures by which the installation of stop signs will be allowed on City streets. In order to implement the new policies and procedures, City Council authorization is necessary.

FISCAL IMPACT

The adoption of the policies and procedures for the installation of stop signs in the City of Compton has no fiscal impact.

RECOMMENDATION

Staff recommends the City Council adopt the attached Resolution adopting a Stop Sign policy.

CRAIG J. CORNWELL
CITY MANAGER

RESOLUTION NO. _____

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF COMPTON ADOPTING POLICIES AND PROCEDURES FOR THE INSTALLATION OF STOP SIGNS IN THE CITY OF COMPTON

WHEREAS, stop signs are used to establish right-of-way at an intersection, thereby, reducing delays and decreasing collisions and the installation of stop signs or other traffic control devices must be based upon a documented need for vehicle control; and

WHEREAS, documenting the need for stop sign installation shall incorporate the warrants established by the State of California in the California Manual on Uniform Traffic Control Devices (MUTCD) and the criteria set forth in the policy; and

WHEREAS, satisfaction of a warrant is not a guarantee that a stop sign is needed nor is the fact that a warrant is not satisfied an assurance that stop sign control would not be beneficial; and

WHEREAS, with the warrants serving as the basis for evaluation, sound engineering judgement and all pertinent facts should be considered in decisions related to the installation of stop signs; and

WHEREAS, when being considered, it should be noted that stop signs can create unnecessary vehicular stops, increase delay, and add to fuel consumption and air pollution if used improperly and the installation of stop signs can also increase undesirable noise in residential neighborhoods, create an illusion of safety and result in increased disregard for traffic controls; and

WHEREAS, stop signs are generally not considered effective speed control devices on local streets, in fact, the CA MUTCD specifically states that stop signs should not be used for speed control and rather, stop signs are intended to assign right-of-way to traffic and this is a common misconception, as people often believe stop signs will help to control speeds; and

WHEREAS, the CA MUTCD also directs that less-restrictive measures should be considered before installing all-way stop controls and these measures include red curb or the removal of foliage or objects to improve corner sight distance and using yield signs instead of stop signs; and

WHEREAS, due to the numerous requests for stop signs citywide, there is a need to develop policies to respond to the growing demand of these services and in October 2020, City staff requested a proposal from Interwest to develop policies and procedures for the installation of stop signs on specified streets in the City; and

WHEREAS, Interwest is the City's consultant that is uniquely qualified to perform civil, traffic engineering and project management services for the City. On January 11, 2021, Interwest provided City staff with a draft Stop Sign Installation Policy and Procedure for City Council's consideration; and

WHEREAS, in certain cases, conditions may exist that are not adequately addressed by the criteria presented hereafter. In these cases, special consideration should be given to the applicability of stop signs controls to the intersection. Examples of conditions warranting special consideration include:

1. Extreme pedestrian visibility problems.
2. Where a traffic signal installation may be under consideration but not yet approved.
3. A street that is in close proximity to a school, fire department, church, park or any area of high public use.
4. Steep curves or inclines that could be considered an additional restriction to visibility.

5. Other considerations as may be deemed appropriate by engineering or technical studies; and

WHEREAS, initially, each request for stop signs will be evaluated using the CA MUTCD criteria and if, however, the intersection does not meet the CA MUTCD criteria, the intersection will then be evaluated using the separate special criteria to address residential neighborhood and local street situations versus locations along arterial roadways; and

WHEREAS, the following provides definitions of various types of roadways and intersections as well as the special criteria for the evaluation of intersections within the City of Compton for stop sign control; and

WHEREAS, two different terms are used to describe roadways in the context of these guidelines. The following definitions apply:

Local Street – This term refers to a roadway that carries relatively low volumes of traffic and is not considered an arterial street. This classification includes those streets that do not meet this strict definition but are not included in the City's arterial street system.

Arterial Street – Refers to the function classification of the roadway based on the General Plan designation of the roadway. All of the following roadways are considered to be arterials in increasing functional order: collector arterial, minor arterial, major arterial and principal arterial; and

WHEREAS, there are several types of intersections where stop signs can be installed as follows:

3-Legged or "T" Intersection – An intersection typically comprised of one through street and a terminating street. Often the terminating street is referred to as "the stem of the T". In this case, typically only one-way stops (stopping traffic approaching on the terminating street) and all-way stops are considered.

4-Legged Intersection (Arterial Street/Local Street) – An intersection generally comprise of a major through street (typically a collector arterial or higher arterial) and a minor intersecting street. In this case, typically only two-way stops (stopping traffic on the minor street approaches) are considered.

4-Legged Intersection (Local Street/Local Street) – An intersection generally comprised of two minor streets with neither street necessarily considered a through street. In this case, typically either two-way or all-way stops are often considered.

Intersections with More than 4 Legs – A special case location that generally has more than two streets intersecting at the same point. This type of intersection often requires unique analysis to evaluate the conditions and provide appropriate recommendations. Specific criteria for this situation are not included in this policy in recognition of the special circumstances; and

WHEREAS, listed below are additional criteria that can be considered for installing stop signs if an intersection does not meet the CA MUTCD guidelines.

One-Way Stop Control (T-Intersections)

If any one of the following criteria is satisfied, a one-way stop should be considered:

1. (Local/Local) On the terminating street at its intersection with a through street where application of the normal right-of-way rule is unduly hazardous as evidenced by collisions susceptible to correction with stop signs.
2. On a city street at its intersection with a state highway (State responsibility).
3. On a street where the safe approach speed to the intersection is less than 10 miles per hour.

Two-Way Stop Control (4 or More Legged Intersections)

If the following criterion is satisfied, a two-way stop control should be considered:
1. Either one of the total peak hour intersection volumes exceeds 100 vehicles.

All-Way Stop Control (3 or More Legged Intersections)

All-way stop control is most effective when applied to intersecting streets with close to equal traffic volumes. Special consideration should be given to locations that have significant unusual visibility or physical conditions. All-way stops should only be installed after all less restrictive methods of traffic control or modifications are deemed ineffective or unfeasible. All streets considered should have as close to equal traffic volumes as possible. Generally, 4-legged intersections should have no less than a 60/40 split and 3-legged intersections no less than a 70/30 split.

If any one of the following criteria is satisfied, an all-way stop should be considered:

1. Volume Warrant – Local Streets
    a. Total vehicular volume entering the intersection from all approaches must average 180 vehicles per hour for any 8 hours of an average day; and,
    b. The combined vehicular, pedestrian and bicyclist volume entering the intersection from the minor street for the same 8 hours must average at least 72 units per hour.
2. Any unusual physical or geometric conditions that cannot be effectively addressed by less restrictive methods; and

WHEREAS, the City typically follows the steps below for a request to install stop signs:

1. To initiate the process, a person submits a request for stop signs to the City. The request can be submitted directly to the Engineering Department at 310-605-5505 or by e-mail at contactpw@comptoncity.org. The request should include the following information:
    a. Intersection street names.
    b. Type of stops signs desired: 1-way stop, 2-way stop or all-way stop.
    c. Reason for request, including what their concerns are, what they have witnessed and the days/times it typically occurs, how often it occurs, and how stop signs would address their concerns.
    d. Contact information, including name, e-mail address and phone number. To inform the requestor of the results of the study and, if needed, for more details about their concern.
2. The City will review the request and contact the requestor if any additional information is needed.
3. The City will conduct a field review of the intersection, noting the existing traffic controls and any unusual conditions, including restricted intersection sight distance due to trees, bushes, fences, signs, etc.
4. The City will collect traffic collision data and traffic counts, and prepare sight distance diagrams, as needed.

5. The City will assess the intersection with various stop sign warrants. The initial assessment will use the CA MUTCD warrants. If the intersection does not meet these warrants, it will be assessed with the City's guidelines. These assessments will determine the following:
    a. If other less-restrictive measures should be taken.
    b. If a stop sign(s) should be installed.
    c. If other safety measures should also be taken.
6. Based on the findings, a recommendation will be made to the City Engineer. The requestor will be notified of the City Engineer's decision to approve or deny the request.
7. If the City Engineer approves the stop sign installation, Public Works will install the approved sign(s). Any other approved actions will also be implemented.
8. The City Council will be notified of the approval or denial of any request; and

WHEREAS, the City Council of the City of Compton recognizes the desirability to establish updated policies and procedures by which the installation of stop signs will be allowed on City streets and in order to implement the new policies and procedures, City Council authorization is necessary.

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF COMPTON DOES HEREBY RESOLVE AS FOLLOWS:

SECTION 1. That the Policies and Procedures for the Installation of Stop Signs in the City of Compton is hereby adopted.

SECTION 2. That copies of this Resolution shall be filed in the offices of the City Manager, City Clerk, City Attorney and the Public Works Department.

SECTION 3. That the Mayor shall sign and the City Clerk shall attest to the adoption of this Resolution.

ADOPTED this _____ day of _____, 2021.

_____
MAYOR OF THE CITY OF COMPTON

ATTEST:

_____
CITY CLERK OF THE CITY OF COMPTON

STATE OF CALIFORNIA
COUNTY OF LOS ANGELES
CITY OF COMPTON: ss

I, Alita Godwin, City Clerk of the City of Compton, hereby certify that the foregoing Resolution was passed and adopted by the City Council of the City of Compton, signed by the Mayor and attested by the City Clerk, at a regular meeting thereof, held on the _____ day of _____, 2021.

That said Resolution was adopted by the following vote, to wit:

AYES: COUNCILMEMBERS-
NOES: COUNCILMEMBERS-
ABSTAIN: COUNCILMEMBERS-
ABSENT: COUNCILMEMBERS-

_____
CITY CLERK OF THE CITY OF COMPTON

(Insert City Seal)

City of Compton

Stop Sign Installation Policy and Procedure

Adopted by the City Council on _____

INTRODUCTION

This policy is intended to establish a set of guidelines for the purpose of evaluating requests for stop signs in the City of Compton. Standard practice for local government agencies in California is to base stop sign analyses on the guidelines in the California *Manual on Uniform Traffic Control Devices* (CA MUTCD), which is based on federal guidelines. These state guidelines, however, tend to be directed toward arterial streets, and do not necessarily take into account the different circumstances in residential areas. As a result, intersections in residential areas often do not meet the state and federal guidelines to install stop signs due to their lower traffic volumes and fewer traffic collisions. This policy is intended to supplement the CA MUTCD guidelines for the installation of stop signs by specifically addressing a variety of situations with straightforward criteria. The California Vehicle Code sections 21351, 21354 and 21355 provide the authority for a local agency to place and maintain stop signs on local streets including designating any intersection under its jurisdiction as a stop intersection and to erect stop signs at one or more entrances. The policies presented are intended to reflect the needs of the local community for additional right-of-way assignment while retaining the integrity of the use of stop signs through their judicious use.

POLICY FOR INSTALLING STOP SIGNS

General Considerations

Stop signs are used to establish right-of-way at an intersection, thereby, reducing delays and decreasing collisions. The installation of stop signs or other traffic control devices must be based upon a documented need for vehicle control. Documenting the need for stop sign installation shall incorporate the warrants established by the State of California in the CA MUTCD, and the criteria set forth in this policy.

Satisfaction of a warrant is not a guarantee that a stop sign is needed. Nor is the fact that a warrant is not satisfied an assurance that stop sign control would not be beneficial. With the warrants serving as the basis for evaluation, sound engineering judgment and all pertinent facts should be considered in decisions related to the installation of stop signs.

When being considered, it should be noted that stop signs can create unnecessary vehicular stops, increased delay, and add to fuel consumption and air pollution if used improperly. The installation of stop signs can also increase undesirable noise in residential neighborhoods, create an illusion of safety and result in increased disregard for traffic controls.

Additionally, stop signs are generally not considered effective speed control devices on local streets, in fact, the CA MUTCD specifically states that stop signs should not be used for speed control. Rather, stop signs are intended to assign right-of-way to traffic. This is a common misconception, as people often believe stop signs will help to control speeds.

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The CA MUTCD also directs that less-restrictive measures should be considered before installing all-way stop controls. These measures include red curb or the removal of foliage or objects to improve corner sight distance, and using yield signs instead of stop signs.

Special Considerations

In certain cases, conditions may exist that are not adequately addressed by the criteria presented hereafter. In these cases, special consideration should be given to the applicability of stop sign controls to the intersection. Examples of conditions warranting special consideration include:

1. Extreme pedestrian visibility problems.
2. Where a traffic signal installation may be under consideration but not yet approved.
3. A street that is in close proximity to a school, fire department, church, park or any area of high public use.
4. Steep curves or inclines that could be considered an additional restriction to visibility
5. Other considerations as may be deemed appropriate by engineering or technical studies.

EVALUATION CRITERIA

Initially, each request for stop signs will be evaluated using the CA MUTCD criteria. If, however, the intersection does not meet the CA MUTCD criteria, the intersection will then be evaluated using the separate special criteria to address residential neighborhood and local street situations versus locations along arterial roadways. The analysis forms for one-way / two-way stops and all-way stops are attached.

The following provides definitions of various types of roadways and intersections as well as the special criteria for the evaluation of intersections within the City of Compton for stop sign control.

Types of Roadways

Two different terms are used to describe roadways in the context of these guidelines. The following definitions apply:

Local Street – This term refers to a roadway that carries relatively low volumes of traffic and is not considered an arterial street. This classification includes those streets that meet strict residential street definitions (per the California Vehicle Code) and streets that do not meet this strict definition but are not included in the City's arterial street system.

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Arterial Street – Refers to the functional classification of the roadway based on the General Plan designation of the roadway. All of the following roadways are considered to be arterials in increasing functional order: collector arterial, minor arterial, major arterial and principal arterial.

Types of Intersections

There are several types of intersections where stop signs can be installed, as follows:

3-Legged or "T" Intersection – An intersection typically comprised of one through street and a terminating street. Often the terminating street is referred to as "the stem of the T". In this case, typically only one-way stops (stopping traffic approaching on the terminating street) and all-way stops are considered.

4-Legged Intersection (Arterial Street/Local Street) – An intersection generally comprised of a major through street (typically a collector arterial or higher arterial) and a minor intersecting street. In this case, typically only two-way stops (stopping traffic on the minor street approaches) are considered.

4-Legged Intersection (Local Street/Local Street) – An intersection generally comprised of two minor streets with neither street necessarily considered a through street. In this case, typically either two-way or all-way stops are often considered.

Intersections With More Than 4 legs – A special case location that generally has more than two streets intersecting at the same point. This type of intersection often requires unique analysis to evaluate the conditions and provide appropriate recommendations. Specific criteria for this situation are not included in this policy in recognition of the special circumstances.

Special Criteria for Consideration of Stop Controls

Listed below are additional criteria that can be considered for installing stop signs if an intersection does not meet the CA MUTCD guidelines.

One-way Stop Control (T-Intersections)

If any one of the following criteria is satisfied, a one-way stop should be considered:

1. (Local/Local) On the terminating street at its intersection with a through street where application of the normal right-of-way rule is unduly hazardous as evidenced by collisions susceptible to correction with stop signs.
2. On a city street at its intersection with a state highway (State responsibility).
3. On a street where the safe approach speed to the intersection is less than 10 miles per hour.

Two-way Stop Control (4 or More Legged Intersections)

If the following criterion is satisfied, a two-way stop control should be considered:

1. Either one of the total peak hour intersection volumes exceeds 100 vehicles

All-way Stop Control (3 or More Legged Intersections)

All-way stop control is most effective when applied to intersecting streets with close to equal traffic volumes. Special consideration should be given to locations that have significant unusual visibility or physical conditions. All-way stops should only be installed after all less restrictive methods of traffic control or modifications are deemed ineffective or unfeasible. All streets considered should have as close to equal traffic volumes as possible. Generally, 4-legged intersections should have no less than a 60/40 split and 3-legged intersections no less than a 70/30 split.

If any one of the following criteria is satisfied, an all-way stop should be considered:

1. Volume Warrant – Local Streets
    a. Total vehicular volume entering the intersection from all approaches must average 180 vehicles per hour for any 8 hours of an average day: and,
    b. The combined vehicular, pedestrian and bicyclist volume entering the intersection from the minor street for the same 8 hours must average at least 72 units per hour.
2. Any unusual physical or geometric conditions that cannot be effectively addressed by less restrictive methods.

PROCEDURE FOR THE INSTALLATION OF STOP SIGNS

The City typically follows the steps below for a request to install stop signs:

1. To initiate the process, a person submits a request for stop signs to the City. The request can be submitted directly to the Engineering Department, at (email) or (phone). The request should include the following information:
    a. Intersection street names.
    b. Type of stop signs desired: 1-way stop, 2-way stop or All-way stop.
    c. Reason for request, including what their concerns are, what they have witnessed and the days/times it typically occurs, how often it occurs, and how stop signs would address their concerns.
    d. Contact information, including name, email address and phone number. To inform the requestor of the results of the study and, if needed, for more details about their concern.
2. The City will review the request and contact the requestor if any additional information is needed.
3. The City will conduct a field review of the intersection, noting the existing traffic controls and any unusual conditions, including restricted intersection sight distance due to trees, bushes, fences, signs, etc.

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4. The City will collect traffic collision data and traffic counts, and prepare sight distance diagrams, as needed.
5. The City will assess the intersection with the various stop sign warrants. The initial assessment will use the CA MUTCD warrants. If the intersection does not meet these warrants, it will be assessed with the City's guidelines. These assessments will determine the following:
    a. If other less-restrictive measures should be taken.
    b. If a stop sign(s) should be installed.
    c. If other safety measures should also be taken.
6. Based on the findings, a recommendation will be made to the City Engineer. The requestor will be notified of the City Engineer's decision to approve or deny the request.
7. If the City Engineer approves the stop sign installation, Public Works will install the approved sign(s). Any other approved actions will also be implemented.
8. The City Council will be notified of the approval or denial of any request.

DRAFT

City of Compton

One-Way / Two-Way Stop or Yield Sign Analysis[1]

MAJOR STREET

Parmelee (NS or EW)

	Approach(es)	
	Eastbound	Westbound
Approach Volume (ADT)	xxxx	xxxx

MINOR STREET

Minor Road (NS or EW)

	Approach(es)	
	Northbound	Southbound
Approach Volume (ADT)	xxxx	neglible

GUIDELINES:

- Stop signs should not be used for speed control.
- Engineering judgment should be used to establish intersection controls.
- The decision to install 1-way/2-way stop or yield control should be based on an engineering study that considers the following criteria:

Reported Collisions	
Time Period	mm/yy-mm/yy
Total	0
Correctable	0

Criteria Descriptions		Criteria Met?	Satisfied?
A. A Yield or Stop sign should be used:			
1.	The intersection is of a less important road with a main road where the application of the normal ROW rule would not likely provide reasonable compliance with the law.	yes/no	
2.	A street is entering a designated through highway or street.	yes/no	
3.	The intersection is unsignalized in a signalized area.	yes/no	
	One or more of the criteria is met and the warrant is satisfied.		**YES / NO**
B. A Yield or Stop sign should be considered:			
When the intersection of 2 minor/local streets where the intersection has more than 3 approaches and one or more of the following conditions exist:			
1.	Combined vehicular, bicycle and pedestrian volume entering the intersection from all approaches averages greater than 2,000 units per day Average Veh., Bike, Ped Daily Volume (All Approaches)	yes/no xxx	
2.	The ability to see conflicting traffic is not sufficient to allow a road user to stop or yield in compliance with the normal right-of-way rule if such stopping or yielding is necessary, and/or	yes/no	
3.	5 or more reported crashes within a 3-year period involving failure to yield the ROW or 3 or more such crashes in a 2-year period. Number of reported correctable crashes in 3 yrs/2 yrs	yes/no # 3 yr / # 2 yr	
	One or more of the criteria is met and the warrant is satisfied.		**YES / NO**
C. A Stop sign, not a Yield sign, should be used if engineering judgment indicates vehicles are always required to stop due to one or more of the following conditions:			
1.	Vehicular traffic volumes on the through street are greater than 6,000 vpd. Daily vehicular traffic volumes on through street	yes/no	
2.	Inadequate sight distance requires road users on minor street to stop to adequately view conflicting traffic on the through street.	yes/no	
3.	3 or more reported crashes in a 12-month period that are susceptible to correction by the installation of a Stop sign or 5 or more such crashes reported in 2-year period. Number of reported correctable crashes in 12 mos/2 yrs	yes/no #12 mo/ #2 yr	
	One or more of the criteria is met and a Stop sign, not Yield sign, is appropriate.		**YES / NO**

Based on the analysis and engineering judgment, the following is recommended:

Install a Stop sign(s)	**YES / NO**
Install a Yield sign(s)	**YES / NO**

[1] Based on the California Manual on Uniform Traffic Control Devices, 2014, and City of Compton Special Criteria

Other Considerations:

Note here any of the City's special considerations that were applicable to the stop signs and any unusual factors or conditions. Summarize the findings. including visibility, and the reason(s) the intersection met or did not meet the one-way/two-way stop or yield control. Provide the sight distance triangle, if prepared.

(See Next Page for Sign Placement)

Stop/Yield Sign Placement

Once the decision has been made to control an intersection, the decision regarding the appropriate roadway to control should be based on engineering judgment.

In most cases, the roadway carrying the lowest volume of traffic should be controlled - a Stop or Yield sign should not be installed on the higher volume roadway unless justified by an engineering study.

	Criteria Description	NB / SB	EB / WB
A.	Install a Stop/Yield sign on this lower-volume roadway	yes/no	yes/no
B.	An engineering study justifies a Stop/Yield sign on this higher-volume roadway	yes/no	yes/no

OR

If the two roadways have relatively equal volumes and/or characteristics, the following may be considered in determining which street should be controlled:

	Criteria Descriptions	NB / SB	EB / WB
A.	The direction that conflicts the most with established pedestrian activity or school walking routes.	yes/no	yes/no
B.	The direction that has obscured vision, dips, or bumps that already require drivers to use lower operating speeds.	yes/no	yes/no
C.	The direction that has the best sight distance at the approach to observe conflicting traffic.	yes/no	yes/no
	The Stop or Yield sign should be installed on the approach to this direction.	YES/NO	YES/NO

Date: _____

Prepared by: _____

January 26, 2021

TO: HONORABLE MAYOR AND CITY COUNCIL MEMBERS

FROM: CITY MANAGER

SUBJECT: A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF COMPTON ADOPTING POLICIES AND PROCEDURES FOR THE INSTALLATION OF SPEED HUMPS IN THE CITY OF COMPTON

SUMMARY

Adoption of the attached resolution will adopt the policies and procedures for the installation of speed humps in the City of Compton.

BACKGROUND

Speeding on residential streets is a common occurrence throughout the City. Speed humps have been shown to be an appropriate mechanism for reducing speeds on certain streets when properly installed under the right circumstances.

On September 17, 1991, pursuant to Resolution No. 16,687, City Council established policies and procedures for the installation of speed humps for the City of Compton. The purpose of this policy was to set forth a process for the implementation of speed humps, the procedure for their evaluation, and an analysis for installation.

STATEMENT OF THE ISSUE

The Council and City Manager recognizes the desirability to establish updated policies and procedures by which the installation of speed humps will be allowed on City streets. In order to implement the new policies and procedures, City Council authorization is necessary.

To that extent, the City has received numerous requests for street humps, stop signs, red, blue, and green curbs citywide, there is a need to develop/update policies to respond to the growing demand of these services.

In October 2020, City staff requested a proposal from Interwest to develop policies and conduct traffic studies for the installation of speed humps on specified streets in the City. Interwest is the City's consultant that is uniquely qualified to perform civil and traffic engineering services and project management services for the City.

Draft Speed Hump Policy

Eligibility Criteria

To be eligible for the installation of speed humps, a street shall meet the following criteria:

1. The street must serve as direct access to abutting properties on a local residential street.
2. The street shall have a speed limit of 25 mph as determined in accordance to state law.
3. The street shall be no more than one lane in each direction.
4. The street width shall not exceed 40 feet from curb to curb.
5. The street should not be a primary access route for emergency vehicles. Factors to be considered are:
    a. Whether the street is a primary route for emergency vehicles.
    b. Whether the installation of speed humps could cause a significant delay in the response of emergencies.
    c. Whether the Sheriffs and Fire Departments approve the proposed speed humps.
6. The street shall not be a truck route or a transit route.
7. The street should not have grades greater than 5%.
8. Speed humps will only be considered for installation on local residential streets determined by the Public Works Department to have adequate vertical and horizontal alignment and sight distances to safely accommodate the installation of speed humps.
9. The installation of speed humps would not result in substantial traffic being diverted to adjacent or nearby residential streets, as determined by the City Engineer.
10. The 85th percentile speed (as determined by an engineering study) must be greater than 35 mph.
11. The street shall have a minimum traffic volume of 1,000 Average Daily Traffic (ADT) and should have a maximum traffic volume of 3,000 ADT.

Procedures for the Installation of Speed Humps

A representative of a local residential street who believes the residents on his/her street will support the installation of speed humps, shall submit a request in writing, including the reasons for the request, to the City's Public Works Engineering Department.

Upon the determination that a street meets Eligibility Criteria 1 through 7, and therefore, is eligible for further consideration, the representative of the street will be provided a petition, with the eligible addresses of the abutting property owners or residents, and advised to return the petition with signatures indicating that a

clear majority (75% or more) supports the installation of speed humps on their street. No more than one signature per address will be accepted.

Prior to circulating the petition, the representative must be fully aware of the process to remove speed humps (see Procedures for Removal of Speed Humps, below).

The sponsor of the petition is required to contact every resident or property owner of the abutting properties on the subject streets. The sponsor must provide a copy of the City's Speed Hump Policy & Procedure or the link to the document on the City's website to each resident or property owner contacted.

If a resident or property owner is against the speed humps, the word "**OPPOSED"** will be noted on the petition signature space. If the sponsor is unable to contact a resident or property owner, "**NO CONTACT"** will be noted on the petition signature space with the days and times that contact was attempted. It is required that the sponsor makes at least 2 (two) attempts on separate days to contact a resident or property owner.

To be considered for the program, signed petitions must be received by the Engineering Department. Upon verification of the petition, the City Engineer will make traffic speed and volume measurements and review the traffic collision history for the street in question.

In addition, the City Engineer will submit the request to the Sheriffs and Fire Departments for their comments and approval. The City Engineer will determine whether or not the street also meets Eligibility Criteria 10 and 11 to qualify for the installation of speed humps, and notify the street representative of the results.

Should it be determined that a street is not eligible for speed humps, the representative (s) of the street will be given fifteen (15) days to appeal the decision in writing to the City Engineer. A report of those streets determined to be ineligible will be sent to the City Manager for distribution to the City Council.

In the event the number of requests for speed humps exceed the funds available, the City Engineer will rank the requests in a recommended order of priority and submit these recommendations for approval.

The priority list recommended for approval will be based on traffic collisions, speed, traffic volumes and comments of the Sheriffs and Fire Departments. The City Engineer will set forth the basis for the recommended priorities in a report accompanying the priority list.

Unless there is an overriding consideration, such as high incidence of speed-related collisions (a large condition on most local residential streets), priorities will

normally be established by multiplying the percentage of motorists exceeding 25 mph by the 24-hour traffic volume of the street in question.

A street yielding the highest numerical value resulting from the above computation will be considered to have the highest priority for speed humps. Depending upon the number of petitions received and the types of street involved, it is possible that a "cut-off" speed (85^{th} percentile speed of 30 mph) will be established below which streets will not be considered for the program.

Procedure for the Removal of Speed Humps

If there is subsequently a desire by residents to remove the speed humps, the speed humps will only be considered for removal after receipt of a petition requesting the removal. The petition (form to be provided by the City) shall show that a substantial majority of residences (75% or more) approve the requested removal. The petition shall also be filed with sufficient funds for the removal of the speed humps (up to a maximum of $1,000 per speed hump).

As previously noted, the City may remove any or all of the speed humps **AT ANY TIME** for safety reasons. The City may also remove the speed humps if the City Engineer finds that the speed humps have resulted in substantial diversion of traffic onto adjacent or nearby streets. In these cases, there would be no cost to the abutting property owners.

Speed Hump Design Criteria

The physical installation of speed humps and the associated traffic control devices shall conform to design standards established by the Engineering Department. Speed hump design shall be in accordance with the Guidelines for the Design and Application of Speed Humps and Speed Tables, published by the Institute of Transportation Engineers, 2011, or latest version. The design shall also comply with the City's Speed Hump standard plan, and include the following criteria:

1. Speed humps shall be 12 feet long, 3 inches high and span the width of the street.
2. Speed humps shall be constructed of asphalt.
3. Speed humps will be strategically placed to control speed. Isolated humps shall not be installed. Spacing will generally be 200 to 400 feet.
4. Ideally, speed humps will be placed near street lights and on property lines, while avoiding driveways, catch basins, manholes, water gates, junction chambers, fire hydrants, and mid-lot locations.
5. Speed humps shall be accompanied by advance warning signs, pavement markings and an advisory speed of 15 miles per hour (mph) at least 100 feet in advanced of each hump on both sides of the street. Signing and striping shall comply with the latest edition of the California Manual on Uniform Traffic Control Devices (CA MUTCD).

FISCAL IMPACT

The adoption of the policies and procedures for the installation of speed humps in the City of Compton has no fiscal impact.

RECOMMENDATION

Staff recommends the City Council adopt the attached Resolution.

CRAIG J. CORNWELL
CITY MANAGER

RESOLUTION NO. _____

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF COMPTON ADOPTING POLICIES AND PROCEDURES FOR THE INSTALLATION OF SPEED HUMPS IN THE CITY OF COMPTON

WHEREAS, speeding on residential streets is a common occurrence throughout the City and speed humps have been shown to be an appropriate mechanism for reducing speeds on certain streets when properly installed under the right circumstances; and

WHEREAS, on September 17, 1991, pursuant to Resolution No. 16,687, City Council established policies and procedures for the installation of speed humps for the City of Compton and the purpose of this policy was to set forth a process for the implementation of speed humps, the procedure for their evaluation, and an analysis for installation; and

WHEREAS, due to the numerous requests for street humps, stop signs, red, blue, and green curbs citywide, there is a need to develop/update policies to respond to the growing demand of these services; and

WHEREAS, in October 2020, City staff requested a proposal from Interwest to develop policies and conduct traffic studies for the installation of speed humps on specified streets in the City; and

WHEREAS, Interwest is the City's consultant that is uniquely qualified to perform civil and traffic engineering services and project management services for the City; and

WHEREAS, on November 25, 2020, Interwest provided City staff with a draft Speed Hump Policy and Procedures for City Council's consideration; and

WHEREAS, to be eligible for the installation of speed humps, a street shall meet the following criteria:

1. The street must serve as direct access to abutting properties on a local residential street.
2. The street shall have a speed limit of 25 mph as determined in accordance to state law.
3. The street shall be no more than one lane in each direction.
4. The street width shall not exceed 40 feet from curb to curb.
5. The street should not be a primary access route for emergency vehicles. Factors to be considered are:
    a. Whether the street is a primary route for emergency vehicles.
    b. Whether the installation of speed humps could cause a significant delay in the response of emergencies.
    c. Whether the Sheriffs and Fire Department approve the proposed speed humps.
6. The street shall not be a truck route or a transit route.
7. The street should not have grades greater than 5%.
8. Speed humps will only be considered for installation on local residential streets determined by the Public Works Department to have adequate vertical and horizontal alignment and sight distances to safely accommodate the installation of speed humps.
9. The installation of speed humps would not result in substantial traffic being diverted to adjacent or nearby residential streets, as determined by the City Engineer.
10. The 85th percentile speed (as determined by an engineering study) must be greater than 35 mph.
11. The street shall have a minimum traffic volume of 1,000 Average Daily Traffic (ADT) and should have a maximum traffic volume of 3,000 ADT; and

WHEREAS, a representative of a local residential street who believes the residents on his/her street will support the installation of speed humps, shall submit a request in writing, including the reasons for the request, to the City's Public Works Engineering Department; and

WHEREAS, upon the determination that a street meets Eligibility Criteria 1 through 7, and therefore, is eligible for further consideration, the representative of the street will be provided a petition, with the eligible addresses of the abutting property owners or residents, and advised to return the petition with signatures indicating that a clear majority (75% or more) supports the installation of speed humps on their street with no more than one signature per address will be accepted.

WHEREAS, prior to circulating the petition, the representative must be fully aware of the process to remove speed humps; and

WHEREAS, the sponsor of the petition is required to contact every resident or property owner of the abutting properties on the subject streets and the sponsor must provide a copy of the City's Speed Hump Policy & Procedure or the link to the document on the City's website to each resident or property owner contacted; and

WHEREAS, if a resident or property owner is against the speed humps, the word "**OPPOSED"** will be noted on the petition signature space.

WHEREAS, if the sponsor is unable to contact a resident or property owner, "**NO CONTACT"** will be noted on the petition signature space with the days and times that contact was attempted and it is required that the sponsor makes at least 2 (two) attempts on separate days to contact a resident or property owner; and

WHEREAS, to be considered for the program, signed petitions must be received by the Engineering Department and upon verification of the petition, the City Engineer will make traffic speed and volume measurements and review the traffic collision history for the street in question; and

WHEREAS, the City Engineer will submit the request to the Sheriffs and Fire Department for their comments and approval and the City Engineer will determine whether or not the street also meets Eligibility Criteria 10 and 11 to qualify for the installation of speed humps, and notify the street representative of the results; and

WHEREAS, should it be determined that a street is not eligible for speed humps, the representative (s) of the street will be given fifteen (15) days to appeal the decision in writing to the City Engineer and a report of those streets determined to be ineligible will be sent to the City Manager for distribution to the City Council; and

WHEREAS, in the event the number of requests for speed humps exceed the funds available, the City Engineer will rank the requests in a recommended order of priority and submit these recommendations for approval; and

WHEREAS, the priority list recommended for approval will be based on traffic collisions, speed, traffic volumes and comments of the Sheriffs and Fire Department and the City Engineer will set forth the basis for the recommended priorities in a report accompanying the priority list; and

WHEREAS, unless there is an overriding consideration, such as high incidence of speed-related collisions (a large condition on most local residential streets), priorities will normally be established by multiplying the percentage of motorists exceeding 25 mph by the 24-hour traffic volume of the street in question; and

WHEREAS, a street yielding the highest numerical value resulting from the above computation will be considered to have the highest priority for speed humps and depending upon the number of petitions received and the types of street involved, it is possible that a "cut-off" speed (85th percentile speed of 30 mph) will be established below which streets will not be considered for the program; and

WHEREAS, if there is subsequently a desire by residents to remove the speed humps, the speed humps will only be considered for removal after receipt of a petition requesting the removal and the petition (form to be provided by the City) shall show that a substantial majority of residences (75% or more) approve the requested removal. The petition shall also be filed with sufficient funds for the removal of the speed humps (up to a maximum of $1,000 per speed hump); and

WHEREAS, the City may remove any or all of the speed humps **AT ANY TIME** for safety reasons and the City may also remove the speed humps if the City Engineer finds that the speed humps have resulted in substantial diversion of traffic onto adjacent or nearby streets. In these cases, there would be no cost to the abutting property owners; and

WHEREAS, the physical installation of speed humps and the associated traffic control devices shall conform to design standards established by the Engineering Department and speed hump design shall be in accordance with the Guidelines for the Design and Application of Speed Humps and Speed Tables, published by the Institute of Transportation Engineers, 2011, or latest version.

WHEREAS, the design shall also comply with the City's Speed Hump standard plan, and include the following criteria:

1. Speed humps shall be 12 feet long, 3 inches high and span the width of the street.
2. Speed humps shall be constructed of asphalt.
3. Speed humps will be strategically placed to control speed. Isolated humps shall not be installed. Spacing will generally be 200 to 400 feet.
4. Ideally, speed humps will be placed near street lights and on property lines, while avoiding driveways, catch basins, manholes, water gates, junction chambers, fire hydrants, and mid-lot locations.
5. Speed humps shall be accompanied by advance warning signs, pavement markings and an advisory speed of 15 miles per hour (mph) at least 100 feet in advanced of each hump on both sides of the street. Signing and striping shall comply with the latest edition of the California Manual on Uniform Traffic Control Devices (CA MUTCD); and

WHEREAS, the City Council of the City of Compton recognizes the desirability to establish updated policies and procedures by which the installation of speed humps will be allowed on City streets and in order to implement the new policies and procedures, City Council authorization is necessary.

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF COMPTON DOES HEREBY RESOLVE AS FOLLOWS:

SECTION 1. That the Policies and Procedures for the Installation of Speed Humps in the City of Compton is hereby adopted.

SECTION 2. That copies of this Resolution shall be filed in the offices of the City Manager, City Controller, City Clerk, City Attorney and the Public Works Department.

SECTION 3. That the Mayor shall sign and the City Clerk shall attest to the adoption of this Resolution.

ADOPTED this _____ day of _____, 2021.

_____
MAYOR OF THE CITY OF COMPTON

ATTEST:

_____
CITY CLERK OF THE CITY OF COMPTON

STATE OF CALIFORNIA
COUNTY OF LOS ANGELES
CITY OF COMPTON: ss

I, Alita Godwin, City Clerk of the City of Compton, hereby certify that the foregoing Resolution was passed and adopted by the City Council of the City of Compton, signed by the Mayor and attested by the City Clerk, at a regular meeting thereof, held on the _____ day of _____, 2021.

That said Resolution was adopted by the following vote, to wit:

AYES: COUNCILMEMBERS-
NOES: COUNCILMEMBERS-
ABSTAIN: COUNCILMEMBERS-
ABSENT: COUNCILMEMBERS-

_____
CITY CLERK OF THE CITY OF COMPTON

(Insert City Seal)

City of Compton

Speed Hump Policy and Procedures

Update Adopted by the City Council on _____

INTRODUCTION

Speed humps have been shown to be an appropriate mechanism for reducing speeds on certain streets when properly installed under the right circumstances. The purpose of this policy is to set forth a process for the implementation of speed humps, the procedure for their evaluation, and an analysis for installation.

The Compton City Council originally adopted the policy and procedure for the installation of speed humps in the early 1990s, and updated them in _____ 2020. The City Council's updated policy and procedure for the installation of speed humps will be posted on the City's website and made available to all interested parties.

GENERAL POLICY

Speed humps can be considered for installation when the benefits normally derived by residents from a local residential street are significantly diminished by the speed of traffic (even though there have been few or no reported traffic collisions), as evidenced by a substantial majority of abutting residences signing a petition for the installation of speed humps.

Speed humps should only be used on local residential streets (i.e., streets where the primary function is to provide direct access to abutting residences) with a 25 mph speed limit. Experience has shown that the average motorist reduces speed to approximately 16 mph to traverse a 3-inch speed hump. It would not be realistic to expect motorists on streets intended to serve more than just abutting residences to reduce speeds to 16mph every 300 feet or so. Such installations would inevitably lead to extreme driver frustration and substantial negative public reaction to the concept of using speed humps for speed control, even at locations where they are clearly appropriate. Installation of speed humps on streets other than local residential streets could have potentially severe traffic safety consequences, almost certainly affect emergency services and other service delivery activities, and likely create the diversion of large amounts of through traffic onto local residential streets which were not intended for that purpose.

The majority of street mileage in Compton can clearly be classified as local residential streets. However, speed humps will not normally be considered for streets which are classified as collector streets or higher in the City's General Plan, or which are determined to provide a transportation service, such as transit, to the community beyond that of simply providing access to the immediate abutting residences. There is no absolute criteria that clearly distinguishes a purely local residential street from other relatively low-volume streets that provide important services to residents in addition to those immediately abutting the street in question.

However, streets carrying less than 1,000 vehicles per day, are almost always local residential streets, and streets carrying over 3,000 vehicles per day almost always provide important services to the larger community. In the final analysis, the suitability of a particular street for the installation of speed humps will have to be determined on a case-by-case basis.

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Speed humps should be installed on logical segments of local residential streets. They will not normally be installed in isolated blocks along a continuous street, or on relatively short (less than 800 feet) cul-de-sac streets. A substantial majority of residents on logical continuous segments of a local residential street must support the installation of speed humps. Logical segments are considered to be segments between arterial streets or between natural discontinuities, such as jogs in the street. The cost of installing speed humps on relatively short cul-de-sac streets, cannot normally be justified.

Speed humps should be installed only after a traffic survey, evaluation and analysis has been completed under the direction of the City Engineer.

ELIGIBILITY CRITERIA

To be eligible for the installation of speed humps, a street shall meet the following criteria:

1. The street must serve as direct access to abutting properties on a local residential street.
2. The street shall have a speed limit of 25 mph as determined in accordance with state law.
3. The street shall be no more than one lane in each direction.
4. The street width shall not exceed 40 feet from curb to curb.
5. The street should not be a primary access route for emergency vehicles. Factors to be considered are:
    a. Whether the street is a primary route for emergency vehicles.
    b. Whether the installation of speed humps could cause a significant delay in the response emergencies.
    c. Whether the Police and Fire Departments approve the proposed speed humps.
6. The street shall not be a truck route or a transit route.
7. The street should not have grades greater than 5%.
8. Speed humps will only be considered for installation on local residential streets determined by the Public Works Department to have adequate vertical and horizontal alignment and sight distances to safely accommodate the installation of speed humps.
9. The installation of speed humps would not result in substantial traffic being diverted to adjacent or nearby residential streets, as determined by the City Engineer.
10. The 85th percentile speed (as determined by an engineering study) must be greater than 35 mph.

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11. The street shall have a minimum traffic volume of 1,000 Average Daily Traffic (ADT) and should have a maximum traffic volume of 3,000 ADT.

Speed humps are not recognized as official traffic control devices, but are considered geometric roadway features, and therefore, additions, alterations, or removal of any or all speed humps may occur at any time.

PROCEDURE FOR THE INSTALLATION OF SPEED HUMPS

A representative of a local residential street who believes the residents on his/her street will support the installation of speed humps, shall submit a request in writing, including the reasons for the request, to the Engineering Division, which will consult with the Police and Fire Departments in making a determination of whether the street in question is eligible for further consideration for the installation of speed humps (i.e., the street is consistent with the City Council Policy for the installation of speed humps). To initiate the request, contact the City's Engineering Division, at _____.

Upon the determination that a street meets Eligibility Criteria 1 through 7, and, therefore, is eligible for further consideration, the representative of the street will be provided a petition, with the eligible addresses of the abutting property owners or residents, and advised to return the petition with signatures indicating that a clear majority (75% or more) supports the installation of speed humps on their street. *No more than one signature per address will be accepted*.

Prior to circulating the petition, the representative must be fully aware of the process to remove speed humps (see Procedure for Removal of Speed Humps, below).

The sponsor of the petition is required to contact every resident or property owner of the abutting properties on the subject street. The sponsor must provide a copy of the City's *Speed Hump Policy & Procedure* or the link to the document on the City's website, to each resident or property owner contacted. If a resident or property owner is against the speed humps, the word **"OPPOSED"** will be noted on the petition signature space. If the sponsor is unable to contact a resident or property owner, **"NO CONTACT"** will be noted on the petition signature space with the days and times that contact was attempted. It is required that the sponsor makes at least two (2) attempts on separate days to contact a resident or property owner.

To be considered for the program, signed petitions must be received by the Engineering Division. Upon verification of the petition, the City Engineer will make traffic speed and volume measurements and review the traffic collision history for the street in question. In addition, the City Engineer will submit the request to the Police and Fire Departments for their comments and approval. The City Engineer will determine whether or not the street also meets Eligibility Criteria 10 and 11 to qualify for the installation of speed humps, and notify the street representative of the results.

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Should it be determined that a street is not eligible for speed humps, the representatives(s) of the street will be given fifteen (15) days to appeal the decision in writing to the City Engineer. A report of those streets determined to be ineligible will be sent to the City Manager for distribution to the City Council. Staff will review the original determination of streets which are appealed. If staff concludes their original decision is still valid, staff will present the appeal to the City Council for final determination if representatives of the street wish the matter to be referred to the City Council.

In the event the number of requests for speed humps exceed the funds available, the City Engineer will rank the requests in a recommended order of priority and submit these recommendations for approval. The priority list recommended for approval will be based on traffic collisions, speed, traffic volumes and comments of the Police and Fire Departments. The City Engineer will set forth the basis for the recommended priorities in a report accompanying the priority list.

Unless there is an overriding consideration, such as high incidence of speed-related collisions (a large condition on most local residential streets), priorities will normally be established by multiplying the percentage of motorists exceeding 25 mph by the 24-hour traffic volume of the street in question. A street yielding the highest numerical value resulting from the above computation will be considered to have the highest priority for speed humps. Depending upon the number of petitions received and the types of street involved, it is possible that a "cut-off' speed (perhaps an 85th percentile speed of 30 mph) will be established below which streets will not be considered for the program.

PROCEDURE FOR THE REMOVAL OF SPEED HUMPS

If there is subsequently a desire by residents to remove the speed humps, the speed humps will only be considered for removal after receipt of a petition requesting the removal. The petition (form to be provided by the City) shall show that a substantial majority of residences (75% or more) approve the requested removal. The petition shall also be filed with sufficient funds for the removal of the speed humps (up to a maximum of $1,000 per speed hump). To initiate the process, contact the City's Engineering Division at _____.

As previously noted, the City may remove any or all of the speed humps ***AT ANY TIME*** for safety reasons. The City may also remove the speed humps if the City Engineer finds that the speed humps have resulted in substantial diversion of traffic onto adjacent or nearby streets. In these cases, there would be no cost to the abutting property owners.

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SPEED HUMP DESIGN CRITERIA

The physical installation of speed humps and the associated traffic control devices shall conform to design standards established by the Engineering Division. Speed hump design shall be in accordance with the *Guidelines for the Design and Application of Speed Humps and Speed Tables*, published by the Institute of Transportation Engineers, 2011, or latest version. The design shall also comply with the City's Speed Hump standard plan, and include the following criteria:

1. Speed humps shall be 12 feet long, 3 inches high and span the width of the street.
2. Speed humps shall be constructed of asphalt.
3. Speed humps will be strategically placed to control speed. Isolated humps shall not be installed. Spacing will generally be 200 to 400 feet.
4. Ideally, speed humps will be placed near street lights and on property lines, while avoiding driveways, catch basins, manholes, water gates, junction chambers, fire hydrants, and mid-lot locations.
5. Speed humps shall be accompanied by advance warning signs, pavement markings and an advisory speed of 15 miles per hour (mph) at least 100 feet in advance of each hump on both sides of the street. Signing and striping shall comply with the latest edition of the California Manual on Uniform Traffic Control Devices (CA MUTCD).

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PETITION REQUESTING INSTALLATION OF SPEED HUMPS

We, the undersigned Residents/Property Owners of: _____ *(street),* from _____ *(street)* to _____ *(street)*, do hereby request the City of Compton to conduct a traffic study for the installation of Speed Humps on our Street, in accordance with the City's Policy and Procedures. We understand that as part of the process, a Petition must be submitted showing that at least **75%** of the residences support the speed humps. ***Only one (1) signature per address will be accepted.*** We have read the Speed Hump Policy & Procedure and understand the process for installation and removal. The City may, however, remove any or all of the speed humps ***AT ANY TIME*** for safety reasons.

STREET REPRESENTATIVE:

Name:_____

Address:_____

Date Submitted to City:_____

Phone & Email:_____

	Address	Date	Signature	Name (Print)	Phone & Email
1.					
2.					
3.					
4.					
5.					
6.					
7.					
8.					

DRAFT

JANUARY 26, 2021

TO: HONORABLE MAYOR AND CITY COUNCIL

FROM: EXECUTIVE SECRETARY

SUBJECT: A REQUEST TO SCHEDULE A JOINT PUBLIC HEARING – HOUSING AUTHORITY 2021 PHA ANNUAL PLAN

SUMMARY

Staff is requesting a Joint Public hearing between the City Council and the Urban Community Development Commission for Tuesday, March 23, 2021 @ 5:50 p.m.

DISCUSSION

The United States Department of Housing and Urban Development (HUD) requires all Public Housing Agency (PHA) to develop and implement an Annual Plan. The Annual Plan provides details about the PHA's immediate operations, programs and services and notifies HUD of changes that were not included in the Five-Year Plan.

The information that the PHA must submit to HUD under the Annual Plan, are the discretionary policies of the various plan components or elements (i.e., programs, operations, and strategies for meeting local housing needs and goals) and not the statutory or regulatory requirements that govern these components.

The PHA's Annual Plan provides the plans and procedures required to be consistent with the goals and objectives of the PHA's Five Year Plan.

RECOMMENDATION

Staff respectfully requests a joint public hearing be scheduled for Tuesday, March 23, 2021, at 5:50 p.m. in the Council Chambers located at 205 South Willowbrook Avenue, Compton.

ALENA SALL-PHOK
HOUSING SERVICES SUPERVISOR

APPROVED FOR FORWARDING:

CRAIG J. CORNWELL
CITY MANAGER

January 26, 2021

TO: **HONORABLE MAYOR AND COUNCIL MEMBERS**

FROM: **CITY CONTROLLER**

SUBJECT: **A REQUEST TO RECEIVE AND FILE THE FISCAL YEAR 2019 AUDITED FINANCIAL STATEMENTS AND THE FISCAL YEAR 2019 SINGLE AUDIT REPORT OF THE CITY OF COMPTON**

SUMMARY

Adoption of this resolution will formally acknowledge the receipt and filing of the Fiscal Year 2018-2019 audit and issuance of related financial statements as well as the Fiscal Year 2018-2019 Single Audit Report.

BACKGROUND

During 2019 and 2020 the City's audit firm of Eadie + Payne LLP has audited the financial statements for the City of Compton as is required by the City to have in place in order to remain in compliance with bond contractual requirements as well as with granting agency requirements.

The audit the City had was an audit of the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information, including the related notes to the financial statements, which collectively comprise the basic financial statements of the City of Compton as of June 30, 2019 (the financial statements). The audit additionally included services to report on supplementary information other than RSI that accompanies City of Compton's financial statements. The auditors subjected the following supplementary information to the auditing procedures applied in their audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America, and they provided an opinion on it in relation to the financial statements as a whole, in a separate written report accompanying their auditor's report on the financial statements or in a report combined with their auditor's report on the financial statements.

1) Schedule of Expenditures of Federal Awards
2) Individual and combining fund financial statements

The objective of their audit was the expression of opinions as to whether the City's financial statements are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles and to report on the fairness of the supplementary information when considered in relation to the financial statements as a whole. The objective also includes reporting on Internal control over financial reporting and compliance with provisions of laws, regulations, contracts, and award agreements, noncompliance with which could have a

- Material effect on the financial statements in accordance with *Government Auditing Standards*.

- Internal control over compliance related to major programs and an opinion (or disclaimer of opinion) on compliance with federal statutes, regulations, and the terms and conditions of federal awards that could have a direct and material effect on each major program in accordance with the Single Audit Act Amendments of 1996 and Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, their audit involved judgment about the number of transactions to be examined and the areas to be tested. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

An audit is not designed to provide assurance on internal control or to identify significant deficiencies or material weaknesses. However, during the audit, the auditor communicated to management and those charged with governance internal control related matters that are required to be communicated under AICPA professional standards, *Government Auditing Standards*, and the Uniform Guidance.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, the auditor performed tests of City of Compton's compliance with provisions of applicable laws, regulations, contracts, and agreements, including grant agreements. However, the objective of those procedures was not to provide an opinion on overall compliance and they did not express such an opinion in the City's report on compliance issued pursuant to *Government Auditing Standards*.

The Uniform Guidance requires that the auditor also plan and perform the audit to obtain reasonable assurance about whether the City has complied with federal statutes, regulations, and the terms and conditions of federal awards applicable to major programs. Their procedures consisted of tests of transactions and other applicable procedures described in the *OMB Compliance Supplement* for the types of compliance requirements that could have a direct and material effect on each of City of Compton's major programs. The purpose of these procedures was to express an opinion on City of Compton's compliance with requirements applicable to each of its major programs in their report on compliance issued pursuant to the Uniform Guidance.

STATEMENT OF THE ISSUE

Notable Results from the Audit and Qualified Opinion:

The auditors provided a "qualified" opinion on certain parts of the financial statements. Those were:

- Allocation of Cash between funds
- Valuation of Land Held for Sale across funds
- Valuation of Fixed Assets
- Valuation of Loan Receivables

Due to past accounting errors and deficient past accounting practices, these account balances and valuations could not be completed in time for the completion of the FY2019 audit. The valuation of these portions of the financial statements, each, take substantial amounts of Accounting research, skill, and staff time in order to rectify them.

A qualified opinion is an opinion of the auditor that expresses that the auditor was unable to obtain sufficient appropriate audit evidence on which to base their opinion for the areas as noted in the "Bases for Qualified Opinions", but the auditor concluded that the possible effects on the financial statements of undetected misstatements for these areas, if any, could be material. The financial statements, with the exception of these areas, are fairly stated in accordance with U.S generally accepted accounting principles as of the fiscal year end.

A qualified opinion on these matters can change to an unqualified opinion in future years' audits when those particular matters are rectified. The City's Accounting Division is currently performing the accounting research and work necessary to correct these matters.

Audit Findings:

In addition to the qualified opinion on the audited financial statements, the City received an updated list of auditor findings. Auditor findings are deficiencies found by the auditors while conducting the audit in areas of internal control, accounting errors, and non-compliance with grant or contractual requirements. For the FY2017-2018 audit, there were 277 audit findings. For the FY2018-2019 audit there were 34 more audit findings. The findings can be summarized into the following categories:

- ARRA
- Capital/Fixed Assets
- Cash and Cash Handling
- CDBG
- Congressionally Mandated Projects
- Control Activities
- Document Retention
- Fund Balance
- General
- HOME
- Information and Communication
- Interfund Balances
- IT
- JAG
- Long Term Debt
- Management Oversight and Control
- Monitoring
- Payables and Expenses
- Payroll
- Prepaid Expenses
- Receivables and Revenue
- Risk Assessment
- Section 8
- Self-Insurance
- WIA Youth

Corrective Action Plan:

The City Controller together with the City Manager and City Treasurer have provided responses as well as a corrective action plan to the auditor to address the findings and matters receiving a qualified audit opinion. In order for the City to overcome these findings the City Controller's Department is currently working with the City Manager's Department to do the following:

- Implement new policies and procedures,
- Cost Allocation Plan Preparation
- Capital/Fixed Assets Valuation
- Accounting research to rectify past accounting errors
- Appropriately implement financial accounting software and program reports where needed
- Provide Training

Implementing the corrective action plan provided to the auditors, as well as the steps described above will remove audit findings and audit qualification matters so that the City can (a) operate more efficiently and effectively, (b) obtain more opportunities for outside financing, and (c) become a model for other cities to follow.

Further it is critical to implement the corrective action plan as soon as possible as many of the findings are deemed as material weaknesses or significant deficiencies. These categories of findings signify that some existing City practices allow for the opportunity for the misappropriation of City assets, as well as allow for the risk of losing granting opportunities.

FISCAL IMPACT

The impact of completing the FY 2019 audit and releasing the FY 2019 audited financial statements as well as the FY 2019 Single Audit Report by the City's auditors allows the City to remain in compliance with grant and contractual requirements.

RECOMMENDATION

It is the recommendation of staff that the City Council receive and file the attached set of audited financial statements and Single Audit Report for Fiscal Year 2018-2019.

SHARON RAHBAN NAVIZADEH
CITY CONTROLLER

APPROVED FOR FORWARDING:

CRAIG J. CORNWELL
CITY MANAGER



FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITOR'S REPORT
Fiscal Year Ended June 30, 2019



EADIE + PAYNE

Celebrating a Century of Quality Service

CITY OF COMPTON, CALIFORNIA

CONTENTS

JUNE 30, 2019

PAGE

Independent Auditor's Report 1
Statement of Net Position 5
Statement of Activities 6
Balance Sheet – Governmental Funds 8
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position 9
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds 10
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to Statement of Activities 11
Statement of Net Position – Proprietary Funds 12
Statement of Revenues, Expenses, and Changes In Fund Net Position – Proprietary Funds 13
Statement of Cash Flows 14
Statement of Fiduciary Net Position 15
Statement of Changes in Fiduciary Net Position 16
Notes to the Financial Statements 17
I. Summary of Significant Accounting Policies 17
A. Reporting Entity 17
B. Financial Statement Presentation 18
C. New Accounting Pronouncements 24
D. Cash and Investments 26
E. Receivables 27
F. Inventories 27
G. Land Held for Resale (Unaudited) 27
H. Capital Assets (Unaudited) 28
I. Compensated Absences 28
J. Claims and Judgments 28
K. Net Pension Liability 29
L. Deferred Outflows/Inflows of Resources 29
M. Fund Balances and Net Position 30
N. Property Tax Revenue 32
O. Utility Revenue 32
P. Use of Estimates 32
Q. Budgets and Budgetary Accounting 32
R. Encumbrances 33
S. Subsequent Events 33
Ii. Prior Period Adjustment 33
III. Detailed Notes on All Funds 34
A. Cash and Investments 34
B. Receivables 39
C. Loans Receivable 39
D. Capital Assets (UNAUDITED) 42
E. Interfund Receivables and Payables 43
F. Long-term Debt 44
G. Other Long-Term Liabilities 52
H. Net Position and Fund Balances 54
IV. Defined Benefit Pension Plans 55
A. Retirement Plan Description 55
B. Benefits Provided 55
C. Contributions 56

D. Actuarial Methods and Assumptions Used to Determine Total Pension Liability 58
E. Long-term Expected Rate of Return 59
F. Discount Rate 60
G. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions 60
H. Sensitivity of the Net Pension Liability to Changes in the Discount Rate 63
V. Other Postemployment Benefits (OPEB) 64
A. Plan Description 64
B. Benefits Provided 64
C. Employees Covered by Benefit Terms 64
D. Total OPEB Liability 65
E. Changes in Total OPEB Liability 66
F. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB 67
VI. Other Information 68
A. Commitments and Contingencies 68
B. City's Financial Condition and Management Plans 70
C. Notes to the Financial Statements – Successor Agency 70
Required Supplementary Information
Schedule of Changes in Net Pension Liability and Related Ratios Calpers Miscellaneous Plan – Agent Multiple-Employer Defined Benefit Plan 75
Schedule of Changes in Net Pension Liability and Related Ratios Calpers Safety Plan – Cost Sharing Plan 76
Schedule of Contributions – Calpers 77
Schedule of Net Opeb Liability and Related Ratios 78
Schedule of Contributions – Opeb 79
Supplementary Information
Budgetary Comparison – General Fund 80
Budgetary Comparison – Major Special Revenue Fund 81
Combining Balance Sheet – Nonmajor Governmental Funds 82
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds 84
Combining Statement of Net Position – Internal Service Funds 86
Combining Statement of Revenues, Expenses, and Changes in Net Position – Internal Service Funds.. 87
Combining Statement of Cash Flows – Internal Service Funds 88

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& Business Advisors

INDEPENDENT AUDITOR'S REPORT

To the City Council
City of Compton
Compton, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Compton, California (the City), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted the audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinions.

Bases for Qualified Opinions

- The allocation of cash to the various funds has not been properly reconciled. We were unable to obtain sufficient appropriate audit evidence about the allocation of cash between funds. We were unable to determine whether any adjustments to these amounts were necessary. All opinion units are affected by this qualification.
- The City has not maintained capital asset records or recorded capital asset activity, which is not in compliance with General Accepted Accounting Principles. As a result, we were unable to obtain sufficient appropriate audit evidence about the carrying amount of the City's capital assets. Recorded capital assets as of June 30, 2019 amounted to approximately $167.3 million, no costs were capitalized and depreciation expense was not recorded for the year ended June 30, 2019. However, we are unable to quantify the potential misstatement. Consequently, we were unable to determine whether any adjustments to these amounts were necessary. This affects the basic financial statements of the Governmental Activities and the Business-Type Activities, the Water, Rubbish, Sewer and Internal Service Funds and the Successor Agency Private-Purpose Trust Fund.
- The City has recorded land held for resale of approximately $16.1 million in the governmental activities and approximately $17.6 million in the Successor Agency Private-Purpose Trust Fund. The City was not able to provide a listing of land held for resale or any documentation to support the carrying value. We were unable to obtain sufficient appropriate audit evidence about the carrying amount of the land held for resale. Consequently, we were unable to determine whether any adjustments to these amounts were necessary. This affects the Governmental Activities in the statement of net position and the Successor Agency Private-Purpose Trust Fund in the statement of fiduciary net position.
- The City has not determined whether amounts recorded as unearned grant revenues of approximately $4.1 million have been earned as of June 30, 2019. Consequently, we were unable to determine whether any adjustments to these amounts were necessary. This affects the Governmental Activities in the statement of net position and the Nonmajor Governmental Funds in the governmental balance sheet.

Qualified Opinions

In our opinion, except for the possible effects of the matters described in the "Bases for Qualified Opinions", the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Compton as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

Fund Balances

As discussed in Note III.H. to the financial statements, the City has an approximate total negative net position of $113.3 million, deficit fund balance in its general fund of approximately $16.4 million, and deficit fund balances in 17 other funds totaling approximately $34.9 million. See Note VI. B for the City's comments regarding its financial condition. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information, the schedule of changes in net pension liability and related ratios, schedule of proportionate share of the net pension liability and related ratios, the schedule of plan contributions, the schedule of changes in total OPEB liability and related ratios, and the schedule of contributions – OPEB on pages 75-81 be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statement in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual nonmajor fund financial statements on pages 82-88 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, except for the effect on the combining and individual nonmajor fund financial statements of the matters described in the "Bases for Qualified Opinions", the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 25, 2020, on our consideration of the City of Compton's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Compton's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Compton's internal control over financial reporting and compliance.

Eadie and Payne LLP

November 25, 2020
Riverside, California

CITY OF COMPTON, CALIFORNIA
STATEMENT OF NET POSITION
JUNE 30, 2019

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current Assets			
Cash and investments	$ 94,913,324	$ 26,064,871	$ 120,978,195
Receivables, net	8,659,693	4,494,097	13,153,790
Other assets	1,674,689	214,946	1,889,635
Noncurrent Assets			
Internal balances	(22,319,544)	22,319,544	-
Restricted investments	3,729,988	8,196,802	11,926,790
Loans receivable, net	538,624	-	538,624
Land held for resale	16,137,052	-	16,137,052
Capital assets:			
Nondepreciable	22,368,940	5,163,611	27,532,551
Depreciable, net	67,724,044	29,747,029	97,471,073
Total assets	193,426,810	96,200,900	289,627,710
DEFERRED OUTFLOWS OF RESOURCES			
Deferred loss on refunding of bonds	151,861	-	151,861
Deferred outflow on pension and OPEB	26,359,936	1,351,040	27,710,976
Total deferred outflows of resources	26,511,797	1,351,040	27,862,837
LIABILITIES			
Current Liabilities			
Accounts payable and accrued liabilities	6,148,947	6,109,960	12,258,907
Other liabilities	937,829	3,358,884	4,296,713
Compensated absences due within one year	939,757	89,435	1,029,192
Self-insurance claims	4,512,212	-	4,512,212
Bonds and notes payable	3,779,710	2,005,000	5,784,710
Noncurrent Liabilities			
Compensated absences	4,168,196	419,113	4,587,309
Self-insurance claims	16,599,187	-	16,599,187
Bonds and notes payable	39,666,574	55,326,608	94,993,182
Net pension liabilities	126,993,290	8,394,901	135,388,191
Other post-employment benefits payable (OPEB)	125,083,141	7,762,565	132,845,706
Total liabilities	328,828,843	83,466,466	412,295,309
DEFERRED INFLOW ON RESOURCES			
Unearned grants revenue	4,120,200	-	4,120,200
Deferred inflow on pension and OPEB	13,681,481	680,986	14,362,467
Total deferred inflows of resources	17,801,681	680,986	18,482,667
NET POSITION			
Net investment in capital assets	50,685,640	-	50,685,640
Restricted for:			
Debt service	3,729,988	7,498,239	11,228,227
Capital projects	1,209,189	2,575,797	3,784,986
Retirement	52,002,550	-	52,002,550
Low/moderate income housing	44,266,509	-	44,266,509
Federal grants	1,104,375	-	1,104,375
Road improvements	3,226,299	-	3,226,299
Transit systems	4,654,990	-	4,654,990
Safety	1,209,189	-	1,209,189
Recycling and clean air	1,104,375	-	1,104,375
Infrastructure developments	324,200	-	324,200
Unrestricted	(290,209,221)	3,330,452	(286,878,769)
Total net position	$ (126,691,917)	$ 13,404,488	$ (113,287,429)

The accompanying notes are an integral part of the financial statements.

CITY OF COMPTON, CALIFORNIA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Governmental activities:				
General government	$ 20,993,758	$ 2,359,744	$ 274,990	$ -
Public safety	45,756,203	2,886,794	343,702	-
Public works	9,168,448	10,661,696	3,119,915	1,658,685
Management services	21,544,010	-	-	-
Environmental and human services	14,155,652	561,752	10,329,033	-
Interest on long-term debt	1,538,708	-	-	-
Total governmental activities	113,156,779	16,469,986	14,067,640	1,658,685
Business-type activities:				
Water	17,008,910	18,971,336	-	-
Rubbish	15,220,527	13,737,207	-	-
Sewer	1,383,699	1,786,689	-	-
Total business-type activites	33,613,136	34,495,232	-	-
Total	$ 146,769,915	$ 50,965,218	$ 14,067,640	$ 1,658,685
General revenues:				
Taxes:				
Property taxes				
Sales taxes				
Utility user taxes				
Franchise taxes				
Special assessments				
Transient occupancy taxes				
Real property transfer taxes				
Intergovernmental not restricted to specific programs				
Investment earnings				
Other income				
Total general revenues and transfers				
Change in net position				
Net position at beginning of year, as previously reported				
Prior period adjustments				
Net position at beginning of year, as restated				
Net position at end of year				

The accompanying notes are an integral part of the financial statements.

Net (Expense) Revenue And Change in Net Position				
Governmental Activities	Business-Type Activities	Total	Functions/Programs	
			Governmental activities:	
$ (18,359,024)	$ -	$ (18,359,024)	General government	
(42,525,707)	-	(42,525,707)	Public safety	
6,271,848	-	6,271,848	Public works	
(21,544,010)	-	(21,544,010)	Management services	
(3,264,867)	-	(3,264,867)	Environmental and human services	
(1,538,708)	-	(1,538,708)	Interest on long-term debt	
(80,960,468)	-	(80,960,468)	Total governmental activities	
			Business-type activities:	
-	1,962,426	1,962,426	Water	
-	(1,483,320)	(1,483,320)	Rubbish	
-	402,990	402,990	Sewer	
-	882,096	882,096	Total business-type activites	
(80,960,468)	882,096	(80,078,372)	Total	
			General revenues:	
			Taxes:	
47,683,391		47,683,391	Property taxes	
24,696,437		24,696,437	Sales taxes	
11,615,005		11,615,005	Utility user taxes	
2,580,905		2,580,905	Franchise taxes	
4,286,989	932,245	5,219,234	Special assessments	
116,408		116,408	Transient occupancy taxes	
286,660		286,660	Real property transfer taxes	
665,678		665,678	Intergovernmental not restricted to specific programs	
1,510,362	172,551	1,682,913	Investment earnings	
4,578,558		4,578,558	Other income	
98,020,393	1,104,796	99,125,189	Total general revenues and transfers	
17,059,925	1,986,892	19,046,817	Change in net position	
(144,015,210)	11,808,482	(132,206,728)	Net position at beginning of year, as previously reported	
263,368	(390,886)	(127,518)	Prior period adjustments	
(143,751,842)	11,417,596	(132,334,246)	Net position at beginning of year, as restated	
$ (126,691,917)	$ 13,404,488	$ (113,287,429)	Net position at end of year	

The accompanying notes are an integral part of the financial statements.

CITY OF COMPTON, CALIFORNIA
BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2019

	General	Special Revenue Retirement	Capital Projects Compton Housing Successor	Nonmajor Governmental Funds	Total Governmental Funds
Assets					
Cash and investments	$ 19,079,541	$ 43,269,519	$ 22,813,373	$ 12,660,422	$ 97,822,855
Restricted investments	-	-	-	3,729,988	3,729,988
Receivable, net	6,485,605	1,283,244	-	890,844	8,659,693
Due from other funds	504,553	7,248,541	-	-	7,753,094
Other assets	62,421	948,222	-	645,066	1,655,709
Advances to other funds	171,678	-	5,380,878	3,559,363	9,111,919
Loans receivable, net	-	-	-	538,624	538,624
Land held for resale	50,000	-	16,087,052	-	16,137,052
Total Assets	$ 26,353,798	$ 52,749,526	$ 44,281,303	$ 22,024,307	$ 145,408,934
Liabilities, deferred inflows of resources and fund balances					
Liabilities					
Accounts payable and accrued liabilities	$ 4,814,712	$ 19,088	$ 14,794	$ 1,212,473	$ 6,061,067
Other liabilities	104,712	-	-	199,263	303,975
Due to other funds	7,248,541	-	-	504,553	7,753,094
Advances from other funds	30,618,461	-	-	-	30,618,461
Total Liabilities	42,786,426	19,088	14,794	1,916,289	44,736,597
Deferred inflows of resources					
Unearned grants revenue	-	-	-	4,189,130	4,189,130
Total deferred inflows of resources	-	-	-	4,189,130	4,189,130
Fund balances (Deficit)					
Nonspendable					
Other assets	62,421	948,222	-	645,066	1,655,709
Loans receivable, net	-	-	-	538,624	538,624
Land held for resale	50,000	-	-	-	50,000
Restricted for:					
Debt service	-	-	-	3,729,988	3,729,988
Retirement	-	52,002,550	-	-	52,002,550
Low/moderate income housing	-	-	44,266,509	-	44,266,509
Federal grants				2,145,205	2,145,205
Road improvements	-	-	-	3,226,299	3,226,299
Transit systems	-	-	-	4,654,990	4,654,990
Safety	-	-	-	1,209,189	1,209,189
Recycling and clean air	-	-	-	1,104,375	1,104,375
Infrastructure developments	-	-	-	324,200	324,200
Committed to:					
Regional park	2,500,000	-	-	129	2,500,129
Unassigned	(19,045,049)	(220,334)	-	(1,659,177)	(20,924,560)
Total fund balances	(16,432,628)	52,730,438	44,266,509	15,918,888	96,483,207
Total liabilities and fund balances	$ 26,353,798	$ 52,749,526	$ 44,281,303	$ 22,024,307	$ 145,408,934

The accompanying notes are an integral part of the financial statements.

CITY OF COMPTON, CALIFORNIA

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION

JUNE 30, 2019

Fund balances of governmental funds		$ 96,483,207
Amounts reported for governmental activities in the statement of net position are different because:		
Capital related items		
Capital assets used in governmental activities are not current financial resources, and therefore are not reported in the governmental funds financial statement, but are reported in the governmental activities of the Statement of Net Position.		
Capital assets, not being depreciated	22,324,831	
Capital assets, being depreciated	277,002,175	
Less: accumulated depreciation	(210,080,110)	89,246,896
Deferred outflows of resources		
Deferred outflows of resources used in governmental activities are not financial resources, and therefore are not reported in the governmental funds.		
Deferred pension and other post-employment benefits outflows	25,932,562	
Deferred amount on refunding, net of amortization	151,861	26,084,423
Long-term liabilities and deferred inflows of resources		
Long-term liabilities are not due and payable in the current period, and therefore are not reported in the governmental funds.		
Accrued interest	(573,092)	
Compensated absences	(5,107,953)	
Bonds and notes payable	(40,407,342)	
Liabilities resulting from redevelopment agency dissolution	(3,038,942)	(49,127,329)
Liabilities and deferred inflows of resources for pension and other post-employment benefits are not due and payable in the current period, and therefore are not reported in the governmental funds.		
Net pension liability	(123,685,163)	
Other postemployment benefits obligation	(124,906,719)	
Deferred pension and other post-employment benefits inflows	(13,597,579)	(262,189,461)
Certain revenues do not provide current financial resources and therefore are unavailable at the fund level.		68,930
Internal Service Funds		
Internal service funds are used by management to charge the costs of certain activities to individual City funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.		(27,258,583)
Net position of governmental activities in the Statement of Net Position		$ (126,691,917)

The accompanying notes are an integral part of the financial statements.

CITY OF COMPTON, CALIFORNIA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2019

	General	Special Revenue Retirement	Capital Projects Compton Housing Successor	NonMajor Governmental Funds	Total Governmental Funds
Revenue:					
Taxes and special assessments	$ 51,975,870	$ 31,229,853	$ 82,924	$ 7,977,148	$ 91,265,795
Licenses and permits	8,014,480	-	-	-	8,014,480
Intergovernmental revenues	31,293	243,697	-	16,117,013	16,392,003
Fines, forfeitures, and penalties	2,349,932	-	-	-	2,349,932
Use of money and property	658,821	473,185	106,723	271,633	1,510,362
Charges for services	6,045,506	-	-	60,068	6,105,574
Other	2,910,379	(211)	433,487	1,233,478	4,577,133
Total Revenue	71,986,281	31,946,524	623,134	25,659,340	130,215,279
Expenditures:					
Current:					
General government	8,239,035	949,597	99,444	180,035	9,468,111
Public safety	37,823,834	3,644,763	-	126,479	41,595,076
Public works	1,272,291	887,380	-	6,149,304	8,308,975
Management services	4,896,239	14,114,456	-	4,317	19,015,012
Environmental and human services	3,813,291	1,437,488	33,423	9,049,970	14,334,172
Debt service:					
Principal	1,792,650	-	-	500,000	2,292,650
Interest	1,731,206	-	-	26,925	1,758,131
Capital outlay	5,705,072	-	-	5,161,537	10,866,609
Total expenditures	65,273,618	21,033,684	132,867	21,198,567	107,638,736
Excess (Deficiency) of Revenues Over Expenditures	6,712,663	10,912,840	490,267	4,460,773	22,576,543
Other Financing Sources (Uses):					
Transfers in	-	-	-	581,766	581,766
Transfers out	(581,766)	-	-	-	(581,766)
Total Other Financing Sources (Uses)	(581,766)	-	-	581,766	-
Net Change in Fund Balance	6,130,897	10,912,840	490,267	5,042,539	22,576,543
Fund balances (deficit), beginning, as previously reported	(23,558,177)	35,184,851	43,776,242	10,768,294	66,171,210
Prior period adjustment	994,652	6,632,747	-	108,055	7,735,454
Fund balances (deficit), beginning, as restated	(22,563,525)	41,817,598	43,776,242	10,876,349	73,906,664
Fund Balances, Ending	$ (16,432,628)	$ 52,730,438	$ 44,266,509	$ 15,918,888	$ 96,483,207

The accompanying notes are an integral part of the financial statements.

CITY OF COMPTON, CALIFORNIA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2019

Net change in fund balances - total governmental funds	$ 22,576,543
Amounts reported for governmental activities in the statement of net position are different because:	
Long-term liabilities transactions	
Repayment of debt principal is an expenditure in the governmental funds but the repayment reduces long-term liabilities in the statement of net position. Other long-term liabilities are not recorded as expenditures in the governmental funds but as expenses in the statement of activities. Unamortized bond discount on issue and deferred charges on refundings are included in the statement of net position and are amortized as a component of expense in the statement of activities.	
Principal payments	2,328,212
Bond amortization expense	183,861
Increase in compensated absences	(1,730)
Increase in pension liability	(4,660,499)
Increase in other postemployment benefits obligation	(1,228,159)
Internal Service Funds	
Internal service funds are used by management to charge the costs of certain activities to individual City funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position because they primarily service governmental activities of the City.	(2,138,303)
Change in net position of governmental activities	$ 17,059,925

The accompanying notes are an integral part of the financial statements.

CITY OF COMPTON, CALIFORNIA
STATEMENT OF NET POSITION – PROPRIETARY FUNDS
JUNE 30, 2019

	Business-Type Activities - Enterprise Funds				Governmental Activities
	Water	Rubbish	Sewer	Total	Internal Service Funds
ASSETS					
Current assets					
Cash and investments	$ 20,666,753	$ 1,679,452	$ 3,718,666	$ 26,064,871	$ (2,909,531)
Receivables, net	2,339,226	1,930,279	224,592	4,494,097	-
Other assets	213,668	1,278	-	214,946	18,980
Total current assets	23,219,647	3,611,009	3,943,258	30,773,914	(2,890,551)
Noncurrent Assets					
Advances to other funds	13,696,657	-	7,809,885	21,506,542	-
Restricted investments	3,434,082	126,808	4,635,912	8,196,802	-
Capital assets :					
Nondepreciable	2,695,839	-	2,467,772	5,163,611	44,109
Depreciable, net	25,787,236	-	3,959,793	29,747,029	801,979
Total noncurrent assets	45,613,814	126,808	18,873,362	64,613,984	846,088
Total assets	68,833,461	3,737,817	22,816,620	95,387,898	(2,044,463)
DEFERRED OUTFLOW OF RESOURCES					
Deferred outflow on pension and OPEB	1,199,425	20,401	131,214	1,351,040	427,374
Total deferred outflow of resources	1,199,425	20,401	131,214	1,351,040	427,374
LIABILITIES					
Current liabilities					
Accounts payable and accrued liabilities	3,732,279	1,967,858	409,823	6,109,960	87,880
Other liabilities	1,758,884	1,600,000	-	3,358,884	60,762
Compensated absences	80,942	3,194	5,299	89,435	-
Self-insurance claims	-	-	-	-	4,512,212
Bonds and notes payable	995,000	120,000	890,000	2,005,000	-
Total current liabilities	6,567,105	3,691,052	1,305,122	11,563,279	4,660,854
Noncurrent liabilities					
Compensated absences	382,187	6,349	30,577	419,113	-
Self-insurance claims	-	-	-	-	16,599,187
Bonds and notes payable	37,261,279	125,000	17,940,329	55,326,608	-
Net pension liabilities	7,506,479	160,324	728,098	8,394,901	3,308,127
Other post-employment benefits payable	6,704,033	-	1,058,532	7,762,565	176,422
Total noncurrent liabilities	51,853,978	291,673	19,757,536	71,903,187	20,083,736
Total liabilities	58,421,083	3,982,725	21,062,658	83,466,466	24,744,590
DEFERRED INFLOW OF RESOURCES					
Deferred inflow on pension and OPEB	593,751	3,519	83,716	680,986	83,902
Total deferred inflow of resources	593,751	3,519	83,716	680,986	83,902
NET POSITION					
Net investment in capital assets	-	-	-	-	846,088
Restricted for:					
Debt service	3,428,545	126,808	3,942,886	7,498,239	-
Capital projects	5,537	-	2,570,260	2,575,797	-
Unrestricted (deficit)	7,583,970	(354,834)	(4,711,686)	2,517,450	(27,291,669)
Total net position (deficit)	$ 11,018,052	$ (228,026)	$ 1,801,460	$ 12,591,486	$ (26,445,581)
Adjustment to reflect the consolidation of internal service fund activities				813,002	
Total Net Position of Business-type Activities				$ 13,404,488	

The accompanying notes are an integral part of the financial statements.

CITY OF COMPTON, CALIFORNIA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION – PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	Business-Type Activities - Enterprise Funds				Governmental Activities
	Water	Rubbish	Sewer	Total	Internal Service Funds
Operating revenues:					
Charges for services	$18,971,336	$13,631,622	$ -	$32,602,958	$ -
Charges to other funds	-	-	-	-	5,522,226
Sewer capital improvement charges	-	-	1,786,689	1,786,689	-
Other	-	105,585	-	105,585	1,425
Total operating revenues	18,971,336	13,737,207	1,786,689	34,495,232	5,523,651
Operating expenses:					
General government	-	-	-	-	45,824
Public works	-	-	277,965	277,965	859,473
Administration and personnel services	-	-	-	-	3,045,009
Environmental and human services	15,476,936	15,218,406	-	30,695,342	-
Self-insurance services	-	-	-	-	2,898,646
Total operating expenses	15,476,936	15,218,406	277,965	30,973,307	6,848,952
Operating income (loss)	3,494,400	(1,481,199)	1,508,724	3,521,925	(1,325,301)
Nonoperating revenues (expenses):					
Investment income	61,667	1,204	109,680	172,551	-
Principal payment	-	-	-	-	-
Interest expense	(2,313,698)	(12,220)	(1,126,913)	(3,452,831)	-
Taxes and special assessments	-	-	932,245	932,245	-
Total nonoperating revenues (expenses)	(2,252,031)	(11,016)	(84,988)	(2,348,035)	-
Income (loss) before transfers	1,242,369	(1,492,215)	1,423,736	1,173,890	(1,325,301)
Change in net position	1,242,369	(1,492,215)	1,423,736	1,173,890	(1,325,301)
Net position (deficit), beginning, as previously reported	9,970,177	1,264,189	574,116		(25,120,280)
Prior period adjustment	(194,494)	-	(196,392)		-
Net position (deficit), beginning, as restated	9,775,683	1,264,189	377,724		(25,120,280)
Net position, ending	$11,018,052	$ (228,026)	$ 1,801,460		$ (26,445,581)
Adjustment to reflect the consolidation of internal service fund activities				813,002	
Changes in Net Position of Business-type Activities				$ 1,986,892	

The accompanying notes are an integral part of the financial statements.

CITY OF COMPTON, CALIFORNIA
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2019

	Business-Type Activities - Enterprise Funds				Governmental Activities
	Water	Rubbish	Sewer	Total	Internal Service Funds
Cash flows from operating activities:					
Cash received from customers	$ 18,958,403	$ 13,536,662	$ 1,795,860	34,290,925	5,523,651
Cash payments to suppliers for goods and services	(10,106,781)	(13,424,641)	(113,245)	(23,644,667)	(4,195,832)
Cash payment to employees for services	(3,144,243)	(101,072)	(91,933)	(3,337,248)	(2,468,808)
Net cash provided by (used in) operating activities	5,707,379	10,949	1,590,682	7,309,010	(1,140,989)
Cash flows from non-capital financing activities:					
Taxes and special assessments	-	-	943,324	943,324	-
Net cash provided by (used in) non-capital financing Activities	-	-	943,324	943,324	-
Cash flows from capital and related financing activities:					
Interest paid on long-term debt	(2,331,510)	(14,520)	(1,140,961)	(3,486,991)	-
Principal paid on long-term debt	(916,490)	(115,000)	(835,730)	(1,867,220)	-
Net cash used in capital and related financing activities	(3,248,000)	(129,520)	(1,976,691)	(3,486,991)	-
Cash flows from investing activities:					
Decrease (increase) in restricted investment	(61,292)	(3,476)	832,148	767,380	-
Interest received on investments	61,667	1,204	109,680	172,551	-
Net cash provided by (used in) investing activities	375	(2,272)	941,828	939,931	-
Net increase (decrease) in cash and cash equivalents	2,459,754	(120,843)	1,499,143	5,705,274	(1,140,989)
Cash and cash equivalents, beginning	18,206,999	1,800,295	2,219,523	22,226,817	(1,768,542)
Cash and cash equivalents, ending	$ 20,666,753	$ 1,679,452	$ 3,718,666	26,064,871	$ (2,909,531)
Reconciliation of operating income (loss) to net Cash provided by (used in) operating activities:					
Operating income (loss)	3,494,400	(1,481,199)	1,508,724	3,521,925	(1,325,301)
Changes in operating assets and liabilities:					
Decrease (increase) in taxes receivable	-	(33,765)	-	(33,765)	-
Decrease (increase) in accounts receivable	(12,933)	(200,545)	9,171	(204,307)	-
Decrease (increase) in inventories, at cost	4,884	-	-	4,884	7,016
Decrease (increase in deposit receivable	-	-	-	-	-
Increase (decrease) in due to/from	-	-	-	-	-
Increase (decrease) in accounts payable	1,655,853	(851,444)	25,952	830,361	(30,173)
Increase (decrease) in accrued liabilities	62,442	984,197	5,748	1,052,387	34,976
Increase (decrease) in retention payable	(42,217)	-	-	(42,217)	-
Increase (decrease) in deposits payable	176,456	-	-	176,456	-
Increase (decrease) in OPEB	65,918	-	10,409	76,327	1,735
Increase (decrease) in retirement pay	330,375	8,365	28,314	367,054	170,991
Increase (decrease) in other liabilities	-	1,600,000	-	1,600,000	-
Increase (decrease) in self-insurance claims	-	-	-	-	(233)
Increase (decrease) in compensated absences	(27,799)	(14,660)	2,364	(40,095)	-
Net cash provided by (used in) operating activities	$ 5,707,379	$ 10,949	$ 1,590,682	$ 7,309,010	$ (1,140,989)

The accompanying notes are an integral part of the financial statements.

CITY OF COMPTON, CALIFORNIA

STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2019

	Successor Agency Private-Purpose Trust Fund	Agency Fund
Assets		
Cash and investments	$ 20,857,480	$ 404,524
Restricted investments	17,262,189	-
Accounts receivable	91,888	21,766
Land held for resale	17,569,190	-
Capital assets:		
Nondepreciable	13,088,953	-
Depreciable, net	29,192,254	-
Total Assets	98,061,954	$ 426,290
Liabilities		
Accounts payable and accrued liabilties	$ 2,723,439	$ 60,447
Other liabilities	371,672	365,843
Long-term liabilities:		
Due within one year	6,869,543	-
Due in more than one year	106,688,311	-
Total Liabilities	116,652,965	$ 426,290
Total Net Position	$ (18,591,011)	

The accompanying notes are an integral part of the financial statements.

CITY OF COMPTON, CALIFORNIA

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

FOR THE YEAR ENDED JUNE 30, 2019

	Successor Agency Private-Purpose Trust Fund
Additions:	
Taxes and special assesments	$ 14,392,604
Use of money and property	621,552
Other revenues	1,105,408
Total Additions	$ 16,119,564
Deductions:	
Administrative costs	264,875
Debt service - interest	6,910,243
Total deductions	7,175,118
Change in net position	8,944,446
Net position (deficit), beginning	(27,535,457)
Net position (deficit), ending	$ (18,591,011)

The accompanying notes are an integral part of the financial statements.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Compton, California (City) was incorporated on May 1, 1888, under the laws of the State of California and enjoys all the rights and privileges applicable to a charter city. The City is governed by an elected Mayor and City Council. These financial statements present the City (the primary government) and its component units. For financial reporting purposes, the City has included all funds, organizations, agencies, boards, commissions, and authorities, and has considered all potential component units for which the City is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization; or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the City.

Blended Component Units

Blended component units, although legally separate entities, are, in substance, part of the primary government's operations and so data from these units is combined with data of the primary government. Component units should be included in the reporting entity financial statements using the blended method in any of the following circumstances:

i. The component unit's governing body is substantially the same as the governing body of the primary government (the City) and (1) the existence of a financial benefit or burden relationship between them or (2) management of the City has operational responsibility for the component unit.

ii. The component unit provides services entirely, or almost entirely, to the primary government or otherwise exclusively, or almost exclusively, benefits the primary government even though it does not provide services directly to the City.

iii. The component unit's total debt outstanding, including leases, is expected to be repaid entirely or almost entirely with City resources.

A. Reporting Entity (continued)

The component units discussed below are included in the reporting entity because the City Council serves as the governing board and the City's management has operational responsibility over them.

Public Finance Authority (PFA). The PFA was organized in 1987 under a joint exercise of powers agreement to provide financing for public capital improvements for the City and the Community Redevelopment Agency (Agency). The PFA's financial activity is reported in a separate debt service fund.

City of Compton Housing Authority (Housing Authority). The Housing Authority was established in 1969 pursuant to State legislation. On December 1, 1976, the Housing Authority entered into an Annual Contributions Contract with the Department of Housing and Urban (HUD) and received allocation of Section 8 Certificate units. The Housing Authority operates two programs: the Housing Choice Voucher Program, which provides monthly rental assistance to participants who want to rent from private landlords, but cannot afford the full monthly payment and the Family Self-Sufficiency (FSS) Program, which assists families in creating plans that will lead to economic independence.

B. Financial Statement Presentation

In accordance with Governmental Accounting Standards Board Statement No. 34, the City's basic financial statements should consist of the following:

- Government-Wide Financial Statements;
- Fund Financial Statements; and
- Notes to the Basic Financial Statements.

Government-Wide Financial Statements

The City's Government-Wide Financial Statements include a Statement of Net Position and a Statement of Activities. These statements present financial information for the City as a whole, while distinguishing between governmental and business-type activities. Fiduciary activities of the City are not included in these statements.

B. Financial Statement Presentation (continued)

Most of the City's basic services are considered to be governmental activities, including general government, public safety, public works, management services, and environmental and human services. Property tax, utility user tax, franchise tax, special assessments, transient occupancy tax, real property transfer tax, and user fees and charges financially support these activities.

The City's enterprise operations are classified as business-type activities. These operations consist of water, rubbish, and sewer. These activities generally recover the cost of providing services from customer fees and charges.

Government-Wide Financial Statements are presented on an "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all of the City's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, including capital assets and long-term liabilities, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned, while expenses are recognized in the period in which the liability is incurred. The types of transactions reported as program revenues for the City are reported in three categories: (1) charges for services; (2) grants and other contributions; and (3) capital grants and contributions.

The Statement of Activities demonstrates the degree to which expenses, both direct and indirect, of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Indirect expenses are allocated based on the City's cost allocation plan.

Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) operating and capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Certain eliminations have been made in regards to interfund activities, payables, and receivables. All internal balances in the Statement of Net Position have been eliminated, with the exception of those representing balances between the governmental activities and the business-type activities. In the Statement of Net Position, internal service assets and liabilities have been combined with the governmental funds and presented as governmental activities.

B. Financial Statement Presentation (continued)

A reconciliation of the difference between the Governmental Fund Financial Statement and the Government-Wide Financial Statement is provided as part of the Governmental Fund Financial Statements.

Fund Financial Statements

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflow of resources, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Governmental Fund Financial Statements

Governmental Fund Financial Statements include a Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balances for the major governmental funds. Non-Major Governmental Funds are combined for presentation in Governmental Fund Statements. The following funds have been determined to be the City's major governmental funds:

- General Fund: This fund is always a major fund and is used to account for financial resources traditionally associated with government activities, which are not legally required to be accounted for in another fund.
- Retirement Special Revenue Fund: This fund accounts for the contributions made by the City to its public employees' retirement system. The activity is financed from a special tax levy.
- Compton Housing Successor Capital Projects Fund: This fund is used to account for the housing assets and functions related to the Low and Moderate Income Housing Program retained by the City following the dissolution of the former Agency.

B. Financial Statement Presentation (continued)

Governmental funds are accounted for using a "current financial resources" measurement focus and the modified accrual basis of accounting. Accordingly, only current assets, deferred outflows of resources, current liabilities, and deferred inflows of resources are included on the Balance Sheet. The Statement of Revenues, Expenditures and Changes in Fund Balances presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. The City considers revenues available if they are collected within 60 days after year-end with the exception of sales tax, which is based on the California Department of Tax and Fee Administration (CDTFA) reporting period through June of the fiscal year for which payment is received in September. Property tax, sales tax, intergovernmental revenues, and other taxes are accrued as appropriate. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met. The availability period for revenue recognition for grants receivable is one year after the year-end. Expenditures are recorded in the accounting period in which the related fund liability is incurred, except for unmatured principal and interest on long-term debt, which is recognized when due.

Proprietary Fund Financial Statements

Proprietary Fund Financial Statements include a Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Position; and a Statement of Cash Flows for each major fund. A column representing Internal Service Funds in total is also presented in these statements.

The proprietary funds are used to account for operations that are financed and operated in a manner similar to private business enterprises wherein the cost of goods and services to the general public are financed or recovered primarily through user charges. The following enterprise funds have been determined to be the City's major proprietary funds:

- Water Fund: This fund is used to account for the provision of water to residents of the City. All activities necessary to provide such services are accounted for in this fund, including, but not limited to administration, operations, maintenance, financing, billing, collection, and upgrading portions of the City's water system.
- Rubbish Fund: This fund is used to account for the provision of rubbish collection services to residents and businesses within the City.
- Sewer Fund: This fund is used to account for the costs of replacing and upgrading portions of the City's sewer system and its operations.

B. Financial Statement Presentation (continued)

Proprietary funds are accounted for using the "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all assets, deferred outflows of resources, liabilities, and deferred inflows of resources (whether current or noncurrent) are included within the Statement of Net Position. The Statement of Revenues, Expenses, and Changes in Net Position present increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned, while expenses are recognized in the period in which the liability is incurred.

Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with proprietary funds principal ongoing operations. All other revenues are reported as nonoperating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as nonoperating expenses.

Internal Service Funds

Internal service funds account for services to other departments on a cost-recovery basis. Internal service funds include equipment rental, central duplication, and self-insurance. Internal service funds are accounted for using the "economic resources" measurement focus and the accrual basis of accounting. Internal service funds are reported in total on the proprietary funds statements.

Fiduciary Fund Financial Statements

Fiduciary fund financial statements include a Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position. The City's fiduciary funds consist of the following:

- Agency Funds: Agency funds are used to account for funds in which the City is acting as an agent for another agency.

B. Financial Statement Presentation (continued)

- Private-Purpose Trust Fund: This fund is to account for custodial responsibilities that are assigned to the Successor Agency with the passage of Assembly Bill 1X 26 (AB 1X 26) and was established on February 1, 2012. The fund accounts for the receipt of property tax revenues subsequent to the dissolution of the Agency and expenses incurred pursuant to the recognized obligation payment schedule (ROPS) approved by the State Department of Finance.

The Trust Funds are accounted for using the "economic resources" measurement focus and the accrual basis of accounting.

The Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. However, the agency funds do utilize the accrual basis of accounting. The City's agency funds are as follows:

- Cable TV Government Access Fund
- Cable Public Access Fund
- Employee Concession Fund
- Refundable Deposits Fund

Successor Agency to the Community Redevelopment Agency (Successor Agency). The Successor Agency was created to serve as a custodian for the assets and to wind down the affairs of the former Redevelopment Agency. The Successor Agency is a separate public entity from the City, subject to the direction of an oversight board. The City Council serves as the governing board of the Successor Agency. In general, the Successor Agency's assets can only be used to pay enforceable obligations in existence at the date of dissolution (including the completion of any unfinished projects that were subject to legally enforceable contractual commitments). In future fiscal years, the Successor Agency will only be allocated revenue in the amount that is necessary to pay the estimated annual installment payments on enforceable obligations of the former Agency until all enforceable obligations of the former Agency have been paid in full and all assets have been liquidated. Based upon the nature of the Successor Agency's custodial role, the Successor Agency is reported in a fiduciary fund (private-purpose trust fund).

C. New Accounting Pronouncements

The GASB has issued several pronouncements prior to June 30, 2019, that have effective dates that may impact future financial presentations. The impact of the implementation of these Statements to the City's financial Statements has not been assessed at this time.

Statement No. 83, *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting for certain asset retirement obligations, legally enforceable liabilities associated with the retirement of a tangible capital assets. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability. The provisions of this Statement are effective for fiscal years beginning after June 15, 2019.

Statement No. 84, *Fiduciary Activities*. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

Statement No. 87, *Leases*. This statement establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this statements are effective for reporting periods beginning after June 15, 2021.

Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. This Statement improves consistency in the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The provisions of this Statement are effective for fiscal years beginning after June 15, 2019.

C. New Accounting Pronouncements (continued)

Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. This Statement enhances the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and simplifies accounting for interest cost incurred before the end of a construction period. In financial statements prepared using the economic resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expense in the period in which the cost is incurred. Such interest cost should not be capitalized as part of the historical cost of a capital asset. The provisions of this Statement are effective for fiscal years beginning after December 15, 2020.

Statement No. 90, *Major Equity Interests – An Amendment of GASB Statements No. 14 and No. 61*. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

Statement No. 91, *Conduit Debt Obligations*. Statement 91 provides a single method for government issuers to report conduit debt obligations and related commitments and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2021.

D. Cash and Investments

Cash and Cash Equivalents

For reporting purposes, cash and cash equivalents include amounts in demand deposits as well as short-term investments with an original maturity of three months or less.

Investments

The City's investments are stated at fair value. The City's investment in Local Agency Investment Fund (LAIF) is part of the State Treasurer's Investment Pool operated in accordance with the California Government Code Section 16429. The reported value of the pool is the same as the fair value of the pool shares. Investments in money market mutual funds are stated at fair value, which as of the year-end equals to the cost of the investments in the money market mutual funds.

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. These principles recognize a three-tiered fair value hierarchy, as follows:

Level 1: Investments reflect prices quoted in active markets;
Level 2: Investments reflect prices that are based on a similar observable asset either directly or indirectly, which may include inputs in markets that are not considered to be active; and
Level 3: Investments reflect prices based upon unobservable sources.

Investment Income

Investment income earned on pooled cash and investments is allocated monthly to the General Fund and those other funds for which such allocation is a legal contractual requirement based on the average month-end cash balances. Investment income from cash and investments with fiscal agents is credited directly to the related fund. Income from non-pooled investments is recorded in the appropriate fund based on the specific investments held by the trustee of the fund. Changes in the fair value of investments are recognized in investment income at the end of each year.

E. Receivables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year is reported as "advances to/from other funds." All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Amounts due from individuals, organizations or other governmental units are recorded as receivables at year-end. These amounts include charges for services rendered, or for goods and material provided by the City, including amounts for unbilled services. Receivables are shown net of an allowance for uncollectible accounts where applicable.

Notes receivable include both the current and long-term portions of loans issued by the City. Business development loans are reported in both special revenue and fiduciary funds. Notes receivable are reported as an asset in the amount of loan proceeds disbursed, net of allowance. Depending on the original funding source, the City reports unavailable revenue equal to the loan amount and recognize a revenue when principal payments are received.

In the government-wide financial statements, receivables are recognized as revenue when earned. Receivables of the proprietary funds are recognized as revenue when earned, including services provided but not billed.

F. Inventories

Enterprise fund inventories include various accessories used for water service repair and maintenance. Inventories in governmental and internal service funds consist principally of office supplies, recreational activity supplies, and other miscellaneous materials and supplies. Inventories are valued at lower of average cost or market and are included in other assets.

G. Land Held for Resale (Unaudited)

Land acquired by the former Agency and held for resale by the Successor Agency and the Housing Successor is accounted for as an investment and recorded at the lower of cost or estimated realizable value. Estimated realizable value is determined upon the execution of a disposition and development agreement. Land held for resale, which is not available for current expenditure, is reported in the governmental funds balance sheet as restricted fund balance when proceeds from the sale must be used for restricted purposes or as nonspendable fund balance when such proceeds are not restricted.

H. Capital Assets (Unaudited)

The City's assets for governmental, business-type and fiduciary activities are capitalized at historical cost or estimated historical cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. City policy has set the capitalization threshold at $5,000 or $50,000 for infrastructure. Contributions of capital assets are recorded at acquisition value when received.

Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets as follows:

Buildings and structures	5 - 50 years
Land improvements	5 - 20 years
Equipment	3 - 10 years
Infrastructure	25 - 80 years

The City's convention for depreciation in the year of asset acquisition is for 12 months, regardless when the asset is placed into service during the year.

Infrastructure assets are defined as "long-lived capital assets" that are stationary in nature and normally can be preserved for a significantly greater number of years than most capital assets. Examples of infrastructure assets include roads, bridges, tunnels, drainage systems, water and sewer systems, dams and lighting systems. Land is valued at original cost without depreciation.

I. Compensated Absences

All compensated absences are accrued when earned in the Government-Wide and Proprietary Funds Financial Statements. Compensated absences are recorded as a liability and expenditure in the governmental funds when due and payable, as it is the City's policy to liquidate any unpaid vacation or sick leave at June 30 from future resources rather than currently available expendable resources.

J. Claims and Judgments

Material claims and judgments are recorded as a liability when it is probable that a claim has been incurred and the amount of the loss can be reasonably estimated. The City records the estimated loss including those incurred but not reported, net of any insurance coverage, in an internal service fund under its self-insurance program.

K. Net Pension Liability

For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions and pension expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

L. Deferred Outflows/Inflows of Resources

In addition to assets, the Statements of Net Position and Governmental Fund Balance Sheet report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City reports deferred outflows of resources for pension and OPEB contributions made after the actuarial measurement date, deferred outflows for pension and OPEB plan related changes in proportion and differences between expected and actual experiences, deferred outflows for charges on debt refunding in the Government-Wide and Proprietary Fund Statements of Net Position and Fiduciary Funds. Deferred outflows for pension and OPEB contributions will be recognized in the subsequent fiscal year. Other deferred outflows on pension and OPEB plans are amortized over the expected average remaining service life (EARSL) or 5 years. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the remaining life of the refunded or refunding debt.

In addition to liabilities, the Statements of Net Position and Governmental Fund Balance Sheet report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time.

L. Deferred Outflows/Inflows of Resources (continued)

The City has unavailable revenues that qualifies for reporting in this category in the Governmental Fund Balance Sheet. The governmental funds report unavailable revenues from four sources: investment income, taxes, grants, and miscellaneous charges for services. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. In addition, the City has deferred inflows of resources relating to the net pension and OPEB obligation reported in the Government-Wide Statement of Net Position, the Proprietary Funds, and the Fiduciary Funds. These deferred inflows of resources are the result of the net difference between projected and actual earnings on pension and OPEB plan investments, changes in assumptions, and differences between expected and actual experiences. These amounts are deferred and amortized over the expected average remaining service life (EARSL) or 5 years period on a straight-line basis.

M. Fund Balances and Net Position

The accompanying financial statements report the components of fund balances for governmental funds consistent with GASB 54.

Nonspendable fund balance - This includes amounts that cannot be spent because they are either not spendable in form (such as prepaid items) or legally or contractually required to be maintained intact (such as endowments).

Restricted fund balance - This includes amounts that can be spent only for specific purposes stipulated by constitution, external resource providers, or through enabling legislation.

Committed fund balance - This includes amounts that can be used only for specific purposes as defined in the City Charter or through adoption of a resolution or an ordinance by the City Council, the highest level of decision making authority in the City. The City has determined that both a resolution and an ordinance are equally binding. These commitments may be changed or lifted, but only by the same formal action that was used to impose the constraint originally. City Council action to commit fund balance must occur within the fiscal reporting period while the amount committed may be subsequently determined.

Assigned fund balance - This includes amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. Intent is expressed by (a) the City Council or (b) a body or official to which the City Council has delegated the authority to assign amounts to be used for a specific purpose.

M. Fund Balances and Net Position (continued)

Unassigned fund balance - this includes all amounts not included in other classifications.

In circumstances when an expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is depleted in the order of restricted, committed, assigned, and unassigned.

In the Government-Wide and Proprietary Funds Financial Statements, net position of the City includes the following categories:

Net investment in capital assets - This category consists of capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings, including any related debt premiums, and discounts, that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent debt proceeds at year-end, the unspent proceeds and the amount of the related debt are included in the calculation of restricted net position.

Restricted net position - This category presents external restrictions imposed by creditors, grantors, contributors, or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation. Restricted assets are reduced by liabilities related to those assets in determining restricted net position.

Unrestricted net position - This resulting category presents the remaining City net position, and this measure of equity is unrestricted, legally or otherwise.

The accounting policies of the City consider restricted funds spent first when expenditure is incurred for purposes for which both restricted and unrestricted funds are available.

N. Property Tax Revenue

The County of Los Angeles is responsible for assessing, collecting, and distributing property taxes to the City. The following property tax calendar is used:

Lien date	January 1
Levy date	4th Monday of September
Due dates	November 1 and February 1
Delinquency date	December 11 and April 11

The City considers property taxes as available and records revenues if they are collected within 60 days after year-end. Property tax receivables are adjusted to their net realizable values by deducting any estimated uncollectible amounts reported to the City for any unsecured property taxes.

O. Utility Revenue

Utility revenue is recorded when earned and customers are billed monthly. The estimated value of services provided, but unbilled at year-end, is included in the accompanying basic financial statements.

P. Use of Estimates

The preparation of the City's basic financial statements in accordance with generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, deferred inflows of resources, the disclosure of contingent assets and liabilities at the date of the basic financial statements, and revenues and expenses during the reported period. Actual results could differ from those estimates.

Q. Budgets and Budgetary Accounting

The City develops and presents a one-year budget to the City Council. Annual operating and capital improvement expenditures are adopted by resolution. This resolution constitutes the authorized expenditures for the fiscal year. The City's annual budget is the legally-adopted expenditure control document of the City. Budgets are prepared on the modified accrual basis of accounting, consistent with GAAP. The City Council generally reauthorizes appropriations for continuing projects and activities. The City Council has the legal authority to amend the budget of any fund at any time during the fiscal year. The budgetary legal level of control (the level on which expenditures may not legally exceed appropriations) is generally at the fund level. Budgeted expenditures may be reallocated within a fund by the City Manager and within a department by the department director.

R. Encumbrances

Appropriations in governmental fund types are encumbered upon issuance of purchase orders for goods and/or services. Even though unencumbered appropriations lapse at the end of the fiscal year, unfilled purchase orders of the current year are carried forward and the next year's appropriations are likewise encumbered.

S. Subsequent Events

In preparation of these financial statements, the City considered subsequent events through November 25, 2020, which is the date these financial statements were available to be issued.

As a result of the spread of the COVID-19 coronavirus, economic risks and uncertainties have arisen which could negatively affect the City's operations and its financial results. Management anticipates a negative impact on its revenues resulting in significant budget deficits and layoffs. Please also see Note VI.A. Commitment and Contingencies.

II. PRIOR PERIOD ADJUSTMENT

Effective July 1, 2018, the City made restatements to the fund balances as follows:

Fund Balance	General Fund	Retirement Fund	Nonmajor Governmental Funds	Water	Sewer
Fund Balance, as previously reported, June 30, 2018	$ (23,558,177)	$ 35,184,851	$ 10,768,294	$9,970,177	$ 574,116
Correction of Errors					
Unearned revenue	839,341	6,632,747	-	-	-
Cash balances	155,311	-	108,055	(194,494)	
Accounts payable	-	-	-	-	(196,392)
Fund Balance, as restated, June 30, 2018	$ (22,563,525)	$ 41,817,598	$ 10,876,349	$9,775,683	$ 377,724

Net Position	Governmental Activities	Business-Type Activities
Net Position, as previously reported, June 30, 2018	$(144,015,210)	$ 11,808,482
Correction of Errors		
Cash balances	$ 263,368	$ (194,494)
Accounts payable	-	(196,392)
Net Position, as restated, June 30, 2018	$(143,751,842)	$ 11,417,596

III. DETAILED NOTES ON ALL FUNDS

A. Cash and Investments

The City's cash and investments, including restricted investments with fiscal agents, consist of the following at June 30, 2019:

Cash on hand	$ 1,700
Deposits with financial institutions	64,613,530
Investments	106,813,948
Total cash and investments	$ 171,429,178

The City's deposits and investments are reflected in the accompanying basic financial statements as follows at June 30, 2019:

Statement of net position	
Cash and investments	$ 120,978,195
Restricted cash and investments	11,926,790
Statement of fiduciary net position	
Cash and investments	21,262,004
Restricted cash and investments	17,262,189
Total cash and investments	$ 171,429,178

Investment Policy

The City's Investment Policy is reviewed and adopted by the City Council each year. The investment policy is more conservative and restrictive than the investment vehicles authorized by Section 53601 of the California Government Code (CGC). Investment vehicles not specifically mentioned in the City's investment policy are not authorized unless the policy is amended by the City Council or are approved as part of the provisions of the bond indentures.

A. Cash and Investments (continued)

Authorized Investments by City's Investment Policy

The table below identifies the investment types that are authorized for the investments by CGC and the City's investment policy. The table also addresses policies regarding interest rate risk and concentration of credit risk. Investments are limited to:

	Maximum maturity		Maximum % of portfolio*		Maximum investment in one issuer	
	CGC	City	CGC	City	CGC	City
Mutual funds	N/A	5 years	20%	20%	10%	15%*
Bankers' acceptances	180 days	180 days	40%	40%	30%	15%*
Commercial paper	270 days	270 days	25%	15%	10%	10%
U.S. treasury bills	5 years	5 years	None**	None**	None**	None**
U.S. treasury notes	5 years	5 years	None**	None**	None**	None**
Federal agency securities	5 years	5 years	None**	None**	None**	15%
Negotiable certificates of deposit	5 years	5 years	30%	30%	None**	15%
Repurchase agreements	1 year	90 days	None**	None**	None**	15%
Reverse repurchase agreements	92 days	90 days	20%	20%	None**	15%
Time deposits	5 years	5 years	30%	25%	10%	15%*
Medium term corporate notes	5 years	5 years	30%	30%	None**	15%
Money market funds	N/A	90 days	20%	20%	10%	15%*
Local agency investment fund (LAIF)	N/A	N/A	None**	None**	None**	None**

* Excluding amounts held by bond trustee that are not subject to CGC restrictions.
** Represents no limitation imposed by the CGC or the City's policy.

Authorized Investments by Debt Agreements

Investment of debt proceeds held by bond trustee is governed by provisions of the debt agreements, rather than the general provisions of the CGC or the City's investment policy. The table below identifies the investment types that are authorized for investments held by bond trustee. The table also identifies certain provisions of these agreements that address interest rate risk and concentration of credit risk. Investments are limited to:

Authorized investment type	Maximum maturity	Maximum % of portfolio	Maximum investment in one issuer
U.S. treasury obligations	None*	None*	None*
Federal agencies obligations	None*	None*	None*
Time deposits	360 days	None*	None*
Bankers' acceptances	360 days	None*	None*
Commercial paper	270 days	None*	None*
Money market funds	None*	None*	None*
Pre-refunded municipal obligation	None*	None*	None*
Municipal obligations	None*	None*	None*
Investment agreements	None*	None*	None*
LAIF	N/A	None*	None*
Repurchase agreements	None*	None*	None*

* Represents no limitation imposed by the provisions of the debt agreements.

A. Cash and Investments (continued)

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates, and the greater the interest rate risk. One of the ways the City manages its exposure to interest rate risk is by purchasing a combination of shorter-term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations or debt service requirements.

Information about the sensitivity of the fair value of the City's investments (including restricted investments held by fiscal agents) to market interest rate fluctuation is provided by the following table that shows the distribution of the City's investments by maturity.

Investment type	Amounts	Remaining maturity (in months) 12 months or less
Held by fiscal agent		
Money market funds	$ 29,188,979	$ 29,188,979
State investment pool (LAIF)	77,624,969	77,624,969
	$ 106,813,948	$ 106,813,948

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the CGC, the City's investment policy, or debt agreements and the actual ratings as of year-end for each investment type.

Investment type	Amounts	Minimum legal rating	Not rated
Held by fiscal agent			
Money market funds	$ 29,188,979	N/A	$ 29,188,979
State investment pool (LAIF)	77,624,969	N/A	77,624,969
	$ 106,813,948		$ 106,813,948

A. Cash and Investments (continued)

Concentration of Credit Risk

Investments in the securities of any individual issuer, other than U.S. Treasury securities, mutual funds, and external investment funds that represent 5% or more of total entity-wide investments represent a concentration of credit risk. At June 30, 2019, there were no investments in any such issuer.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of failure of the counterparty (e.g. broker-dealer) to transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The CGC and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The CGC requires that a financial institution secure deposits made by state or local government units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless waived by the government unit). The market value of the pledged securities in the collateral pool must equal 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

At June 30, 2019, the City's deposits with financial institutions totaled $67,578,837 of which $500,000 was covered by FDIC coverage and the remaining portion was uninsured and collateral was held in accordance with CGC by pledging financial institution in the City's name.

Investment in State Investment Pool

The City is a voluntary participant in LAIF which is considered an external investment pool. LAIF is part of the State's Pooled Money Investment Account (PMIA), which was established in 1953. Oversight of the PMIA is provided by the Pooled Money Investment Board (PMIB) and an in-house Investment Committee. The PMIB members are the State Treasurer, Director of Finance, and State Controller.

A. Cash and Investments (continued)

Direct oversight for LAIF is provided by the Local Agency Investment Advisory Board. The board consists of five members as designated by statute. The Chairman is the State Treasurer or his designated representative. Two members qualified by training and experience in the field of investment or finance and two members who are treasurers, finance or fiscal officers, or business managers employed by any county, city, or local district or municipal corporation of this state, are appointed by the State Treasurer. LAIF is required to invest in accordance with state statute.

Fair Value Measurements

The City has the following recurring fair value measurements as of June 30, 2019:

	INVESTMENTS AT FAIR VALUE AS OF JUNE 30, 2019			
	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Investment type				
Held by fiscal agent				
Money market funds	$ 29,188,979	$ -	$ -	$ 29,188,979
State investment pool (LAIF)	-	77,624,969	-	77,624,969
	29,188,979	77,624,969	-	106,813,948

The City's categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. These principles recognize a three-tiered fair value hierarchy, as follows:

Level 1: Investments reflect prices quoted in active markets;
Level 2: Investments reflect prices that are based on similar observable assets either directly or indirectly, which may include inputs in markets that are not considered to be active; and
Level 3: Investments reflect prices based upon unobservable sources.

B. Receivables

Receivables at June 30, 2019 included in the accompanying Statement of Net Position primarily consist of the following:

	Governmental Activities	Business-Type Activities	Total
Taxes and special assessments	$ 1,623,095	$ 89,327	$ 1,712,422
Accounts	491,133	5,598,136	6,089,269
Grants	590,549	-	590,549
Intergovernmental	5,522,559	-	5,522,559
Other	432,357	5,543	437,900
Allowance for doubtful accounts	-	(1,198,909)	(1,198,909)
Total	$ 8,659,693	$ 4,494,097	$ 13,153,790

C. Loans Receivable

The City provides assistance to residents and home owners of the community. This assistance is in the form of first time home buyers (FTHB) assistance and residential rehabilitation assistance programs. In addition, the former Agency also provided assistance to qualified community housing development organization (CHDO) for low and moderate housing developments. These programs are funded through the Compton Housing Successor Capital Projects Fund and Federal Grants Special Revenue Fund – Home Investment Partnerships Program (HOME) and Community Development Block Grants Section 108 Loan Guarantees programs. As of June 30, 2019, the Federal Grants Special Revenue Fund had loans receivable of $3,593,952 netted against an allowance for doubtful accounts of $3,593,952 for a net loans receivable balance of $- and the Compton Housing Successor Capital Projects Fund had loans receivable of $13,740,574 netted against an allowance for doubtful accounts of $13,740,574 for a net loans receivable balance of $-.

GOVERNMENTAL ACTIVITIES

First Time Home Buyers Assistance Program

The FTHB program consists of a second mortgage or mortgage subsidy, which reduces the price of a home to an affordable level, thus enabling a first time home buyer to qualify for the purchase of a home. The second mortgage is in the form of a silent second trust deed loan. The maximum loan amount is $100,000 for moderate income borrowers and $150,000 for low income borrowers. The loan is interest-free and does not require monthly repayment. After five years, the loan is reduced by 10% annually. Ultimately, if the borrower lives in the property for 15 years consecutively, the loan is forgiven and treated as a grant to the borrower. Both the property and the applicant must meet certain criteria in order to be eligible to participate in the program. It is the

C. Loans Receivable (continued)

First Time Home Buyers Assistance Program (Continued)

City's policy to record an allowance for the full amount of the loan receivable as such loans are usually forgiven in accordance with the terms of loan. Any payments made on these loans will be recorded as revenue in the year received.

Loans to Community Housing Development Organization (CHDO)

The City provides funds to the CHDO to boost construction of new homes in the City. These loans are non-interest bearing loans with repayment terms of 15 to 20 years based upon the loan amount. It is the City's policy to record an allowance for the full amount of the loan receivable given the long time frame and uncertainty of collection of these loans. The loans receivable balance was $1,471,183 netted against an allowance for doubtful accounts of $1,471,183 for a net loan receivable of the $- for the Federal Grants Special Revenue Fund as of June 30, 2019.

Loans to Alameda Court, LLC

To facilitate the sale of the Alameda Court Town Homes (Subject Property) to low and moderate income homebuyer, the City provided a non-interest bearing loan of $2,300,000 to a property redeveloper, Alameda Court, LLC (Redeveloper). The loan was secured by a subordinate deed of trust in the name of the former Agency encumbering 19 units of the Subject Property. Repayment of the loans shall be made to the Federal Grants Special Revenue Fund and Compton Housing Successor Capital Projects Fund by the Redeveloper on a pro-rata basis following the sale of each unit to a qualified low/moderate income buyer. A lump sum payment was due from the Developer on February 1, 2014, which was not paid by the Developer. The City recorded an allowance for the full amount of the $2,300,000 as of June 30, 2014. Since then the City collected $855,000 and has adjusted the allowance to $1,445,000 as of June 30, 2019.

C. Loans Receivable (continued)

Residential Rehabilitation Assistance Program

This program comprises the Fix-it Repair Grant, Emergency Assistance Grant and Deferred Equity Loan. The Fix-it Repair Grant provides up to $7,000 to assist low to moderate income owner occupied households with minor repairs in their homes. No repayment or lien is required for this program as it is strictly a grant.

The Emergency Assistance Grant is designed to assist low income owner occupied households of single family homes within the City limits with extreme emergency repairs subject to a maximum of $10,000. The beneficiary is required to repay the grant to the City only upon the sale, refinance, transfer, and foreclosure of the property or the death or relocation of the home owner from the property.

The Deferred Equity Loan is provided to low/moderate-income home owners who meet the eligibility criteria subject to a maximum of $25,000. The beneficiary is required to repay the loan only upon sale, refinance, transfer, or foreclosure of the property within 10 years of the loan. After 10 years, the loan is forgiven and treated as a grant.

Community Development Block Grants Section 108 Loan Guarantees Loan

The City provided a loan of $250,000 to a local business owner to assist with the preconstruction and interior improvements to a facility to be used for a restaurant. This loan bears interest rate of 5% per annum and shall be amortized over a period of 15 years. The City granted a loan of $550,000 during fiscal year 2013 to a local business owner to assist with tenant improvements to develop a new medical facility. This loan bears interest rate of 4.5% per annum and shall be amortized over a period of 15 years. As of June 30, 2019, the loans receivable balance was $538,624.

Compton Senior Apartments Loan

The City entered into an agreement with a developer in a prior fiscal year to develop affordable housing in the City. The Compton Housing Successor Capital Projects Fund provided land worth $3,000,000 and cash of $1,125,000 for construction costs and received a promissory note for $4,125,000 with an interest rate of 3%. The repayments do not begin until 55 years after the issuance of the Certificate of Completion for the apartment construction. Given the length of the note and the uncertainty of the collection of this amount, the City has recorded an allowance for the full value of the promissory note.

D. Capital Assets (UNAUDITED)

A summary of the City's capital assets as of June 30, 2019 is as follows:

	Governmental activities	Business-type activities
Capital assets, not being depreciated		
Land	$ 14,905,212	$ 162,096
Construction in progress	7,463,728	5,001,515
Total capital assets, not being depreciated	22,368,940	5,163,611
Capital assets, being depreciated		
Building and structures	33,895,219	1,254,963
Land improvements	5,896,322	157,045
Equipment	58,407,490	21,807,947
Infrastructure	186,522,762	38,721,649
Total capital assets, being depreciated	284,721,793	61,941,604
Less accumulated depreciation		
Building and structures	(23,191,342)	(1,202,159)
Land improvements	(5,795,992)	(160,897)
Equipment	(51,613,609)	(21,262,507)
Infrastructure	(136,396,806)	(9,569,012)
Total accumulated depreciation	(216,997,749)	(32,194,575)
Total capital assets, being depreciated, net	67,724,044	29,747,029
Total capital assets, net	$ 90,092,984	$ 34,910,640

E. Interfund Receivables and Payables

The following table summarizes interfund receivables and payables at June 30, 2019:

	Due from other funds			
Due to other funds	General Fund	Fiduciary Funds	Retirement Special Revenue Fund	Total
Governmental Funds				
General Fund	$ -	$ -	$ 7,248,541	$ 7,248,541
Non-major Governmental Funds	504,553	-	-	504,553
Successor Agency- Compton Housing Successor	-	5,771,114	-	5,771,114
Total interfund balances	$ 504,553	$ 5,771,114	$ 7,248,541	$13,524,208

Interfund balances result from a time lag between the dates that 1) interfund goods and services are provided or reimbursable expenditures occur; 2) allocated revenues between funds are recorded; and 3) pending cash transfers.

Long-term interfund receivables and payables at June 30, 2019 are as follows:

	Advances from other funds	Advances to other funds
Governmental Funds		
General Fund	$ 30,618,461	$ -
Federal Grants Special Revenue Fund	-	1,149,528
Public Finance Authority Capital Projects Fund	-	811,045
Compton Housing Successor Capital Projects Fund	-	5,380,878
Non-major Governmental Funds	-	1,770,468
Total Governmental Funds	30,618,461	9,111,919
Enterprise Funds		
Water Fund	-	13,696,657
Sewer Fund	-	7,809,885
Total Enterprise Funds	-	21,506,542
Total	$ 30,618,461	$30,618,461

These advances are a result of cash shortfalls in the General Fund in previous years. The City borrowed approximately $1.1 million in federal grant funds in violation of grant agreements. See Note VI.B. City's Financial Condition and Management Plans.

F. Long-term Debt

The following is a summary of changes in long-term debt for the fiscal year ended June 30, 2019:

	Balance at June 30, 2018	Additions	Retirements	Balance at June 30, 2019	Amount due within one year
Governmental Activities					
Bonds payable					
Lease Revenue Refunding Bonds, Series 2008	$ 10,160,000	$ -	$ (470,000)	$ 9,690,000	$ 495,000
Lease Revenue Refunding Bonds, Series 2016	27,645,000	-	-	27,645,000	1,520,000
Add: Premium on issue	1,099,529	-	(194,706)	904,823	-
Total bonds payable	38,904,529	-	(664,706)	38,239,823	2,015,000
Mortgage loan payable					
Energy retrofit/revenue enhancement	1,491,090	-	(323,570)	1,167,520	264,710
Notes payable					
Housing Section 108 notes	1,500,000	-	(500,000)	1,000,000	500,000
Installment Payment Agreement					
Los Angeles County	4,038,941	-	(1,000,000)	3,038,941	1,000,000
Capital lease obligations					
Copier Lease	34,644	-	(34,644)	-	-
Total governmental long-term debt	$ 45,969,204	$ -	$(2,522,920)	$ 43,446,284	$ 3,779,710

Business-type activities	Balance at June 30, 2018	Additions	Retirements	Balance at June 30, 2019	Amount due within one year
Debt long-term liabilities					
Bonds payable:					
1998 Sewer revenue refunding bonds	$ 3,065,000	$ -	$ (445,000)	$ 2,620,000	$ 470,000
2006 Solid waste revenue bonds	360,000	-	(115,000)	245,000	120,000
Water revenue bonds, series 2009	39,910,000	-	(950,000)	38,960,000	995,000
Less: Discount on issue of water revenue bonds, series 2009	(737,230)	-	33,510	(703,720)	-
Sewer revenue bonds, series 2009	16,915,000	-	(405,000)	16,510,000	420,000
Less: Discount on issue of sewer revenue bonds, series 2009	(313,941)	-	14,269	(299,672)	-
Total bonds payable	59,198,829	-	(1,867,221)	57,331,608	2,005,000

F. Long-term Debt (continued)

Debt Service

The annual debt service requirements are summarized below and detailed in each description of the long-term debt:

FISCAL YEAR	GOVERNMENTAL ACTIVITIES (1) PRINCIPAL	INTEREST	TOTAL
2020	$ 3,779,710	$ 1,667,790	$ 5,447,500
2021	3,974,868	1,567,155	5,542,023
2022	3,600,096	1,452,351	5,052,447
2023	2,426,787	1,341,931	3,768,718
2024	2,380,000	1,240,856	3,620,856
2025-2029	13,525,000	4,530,951	18,055,951
2030-2034	12,855,000	1,203,175	14,058,175
2035-2039	-	-	-
2040-2044	-	-	-
TOTALS	**$ 42,541,461**	**$ 13,004,209**	**$ 55,545,670**

FISCAL YEAR	BUSINESS-TYPE ACTIVITIES (2) PRINCIPAL	INTEREST	TOTAL
2020	$ 2,005,000	$ 3,345,771	$ 5,350,771
2021	2,100,000	3,246,084	5,346,084
2022	2,085,000	3,136,647	5,221,647
2023	2,200,000	3,017,475	5,217,475
2024	2,325,000	2,891,622	5,216,622
2025-2029	10,385,000	12,735,572	23,120,572
2030-2034	13,935,000	9,180,150	23,115,150
2035-2039	18,815,000	4,303,350	23,118,350
2040-2044	4,485,000	134,550	4,619,550
	$ 58,335,000	**$ 41,991,221**	**$ 100,326,221**

Description of Long-term Debt

Governmental Activities

Compton Public Finance Authority Lease Revenue Bonds (Refunding and Various Projects) Series 2008

On May 1, 2008, the City issued $46,860,000 of Lease Revenue Bonds with an interest rate of 4.00-5.25% and to finance various capital projects amounting to $29,201,947. The City defeased the old bonds by placing a portion of the proceeds of the new bonds in an irrevocable trust to provide for all future debt service payments of the old bonds.

The 2008 Lease Revenue Bonds are secured by the Authority's pledge of certain base rental payments made by the City to the Authority pursuant to a facility lease, dated May 1, 2008 between the Authority and the City.

On August 1, 2016, the City issued $27,645,000 of Lease Revenue Refunding Bonds, Series 2016 to partially refund and defease a portion of the Series 2008 bonds. A refunding payment of $1,710,000 was made from the escrow fund and $31,785,000 was defeased by placing funds in an irrevocable trust. Accordingly, the trust account's assets and liabilities for the defeased bonds are not included in the City's financial statements. As of June 30, 2019, $30.44 million of the bonds outstanding are considered defeased. The remaining balance on the Series 2008 bonds after the refunding and defeasance was $9,690,000.

F. Long-term Debt (continued)

The annual requirements to amortize the bonds are as follows:

Year ending June 30,	Lease Revenue Refunding Bonds, Series 2008	
	Principal	Interest
2020	$ 495,000	$ 480,488
2021	520,000	455,113
2022	545,000	428,488
2023	575,000	400,488
2024	605,000	370,231
2025-2029	3,515,000	1,330,538
2030-2033	3,435,000	348,625
Total	$ 9,690,000	$ 3,813,971

Compton Public Finance Authority Lease Revenue Refunding, Series 2016

On August 1, 2016, the City issued $27,645,000 of Lease Revenue Refunding Bonds, Series 2016 with an interest rate of 4.00-4.50% to partially refund and defease a portion of the Series 2008 bonds. The balance of the defeased bonds is disclosed in the Series 2008 note above.

The 2016 Lease Revenue Bonds are secured by the Authority's pledge of certain base rental payments made by the City to the Authority pursuant to the Facility Lease. The pledge of and charge and lien upon the revenues securing the Series 2008 bonds is equal to pledge of and charge and lien upon the revenues securing the 2016 Lease Revenue Bonds.

The annual requirements to amortize the bonds are as follows:

Year ending June 30,	Lease Revenue Refunding Bonds, Series 2016	
	Principal	Interest
2020	$ 1,520,000	$ 1,133,325
2021	1,575,000	1,071,425
2022	1,640,000	1,007,125
2023	1,705,000	940,225
2024	1,775,000	870,625
2025-2029	10,010,000	3,200,413
2030-2033	9,420,000	854,550
Total	$ 27,645,000	$ 9,077,688

F. Long-term Debt (continued)

Energy Retrofit/Revenue Enhancement Mortgage Loan

On July 31, 2006, the City entered into a mortgage loan agreement of $4,012,187 with Citi Mortgage Inc. to finance the development and installation of the Citywide Energy Retrofit/Revenue Enhancement program. The mortgage has an interest rate of 4.52%. The proceeds of the mortgage arrangement was invested in a money market fund and deposited in an irrevocable trust with an escrow agent to provide for the payment of the vendor of the Energy Retrofit/Revenue Enhancement program.

The annual requirements to amortize the mortgage loan are as follows:

	Mortgage loan	
Year ending June 30,	Principal	Interest
2020	$ 264,710	$ 36,602
2021	379,868	34,492
2022	415,096	16,738
2023	107,846	1,218
2024	-	-
Total	$ 1,167,520	$ 89,050

Housing Section 108 Note

Housing Section 108 note in the amount of $5,000,000 is a note payable to HUD, which was issued in August 2001. Section 108 is the loan guarantee provision of the Community Development Block Grant (CDBG) program. Section 108 provides the City with a source of financing for economic development, housing rehabilitation, public facilities, and large-scale physical development projects. This note payable is guaranteed by the City's current and future CDBG allocations. In November 2011, the City opted to participate in a Section 108 public offering to refinance the note which resulted in interest payment savings of $1,010,975 over the life of the note. The amount of principal outstanding at June 30, 2019 was $1,000,000. The annual requirements to amortize the Housing Section 108 note are as follows:

	Housing Section 108	
Year ending June 30,	Principal	Interest
2020	$ 500,000	$ 17,375
2021	500,000	6,125
2022	-	-
Total	$ 1,000,000	$ 23,500

F. Long-term Debt (continued)

Installment Payment Agreement – Los Angeles County

The results of due diligence review procedures performed on assets transferred from the former Agency to the Housing Successor resulted in a liability to Los Angeles County. An installment payment agreement was entered into on December 24, 2015 for the amount outstanding.

The annual requirements on the installment payment agreement are as follows:

	Los Angeles County	
Year ending June 30,	Principal	Interest
2020	$ 1,000,000	$ -
2021	1,000,000	-
2022	1,000,000	-
2023	38,941	-
2024	-	-
Total	$ 3,038,941	$ -

Business-Type Activities

1998 Sewer Refunding Bonds

In June 1998, the City issued $8.3 million in Sewer Revenue Refunding Bonds with an average interest rate of 5.20% to advance refund $7.29 million of outstanding Series 1993 Sewer Revenue Bonds. The old bonds were defeased by placing proceeds of the new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account's assets and liabilities for the defeased bonds are not included in the City's financial statements. On June 30, 2019, $3.9 million of the bonds outstanding are considered defeased.

The Sewer Refunding bonds are secured by the City's pledge of certain revenues, which consist of sewer service charges imposed by the City upon its property owners for the use of the sewer system for each year less certain operation and maintenance expenses incurred by the City in connection with the operation of the sewer system.

F. Long-term Debt (continued)

Interest on the bonds is payable semiannually on March 1 and September 1. Principal maturity occurs on September 1 of each year starting in 1999 through 2023. As of June 30, 2019, the outstanding bond balance is $2,620,000. The annual requirements of amortize the 1998 Sewer Refunding Bonds, including interest payments, are as follows:

	1998 Sewer refunding bonds	
Year ending June 30,	Principal	Interest
2020	$ 470,000	$ 128,194
2021	495,000	102,259
2022	525,000	74,847
2023	550,000	45,956
2024	580,000	15,588
Total	$ 2,620,000	$ 366,844

Solid Waste Management Facilities Bonds
In March 2006, the City converted $3,775,000 in Solid Waste Management Facilities Variable Rate Revenue Bonds, Series 2000, from a variable rate (the Bonds) to a fixed rate (the Convertible Bonds) maturing in August 2020. The Bonds were issued in June 2000 to finance the acquisition of land, vehicles, and another equipment for the City's Solid Waste Management Program. The Convertible Bonds bear a fixed rate of 4.80%. The Convertible Bonds are secured by a pledge of net revenues received by the City for the Solid Waste Management Program. The net revenues consist of charges for the services less certain operation and maintenance expenses incurred by the City in connection with the operation of the Solid Waste Management Program.

Interest on the bonds is payable on February 1 and August 1 for each year until maturity, redemption, or purchase thereof. As of June 30, 2019, the outstanding bond balance is $245,000. The annual requirements to amortize the Convertible Bonds, including interest payments, are as follows:

	Solid waste revenue bonds	
Year ending June 30,	Principal	Interest
2020	$ 120,000	$ 8,880
2021	125,000	3,000
Total	$ 245,000	$ 11,880

F. Long-term Debt (continued)

Water Revenue Bonds, Series 2009

On May 20, 2009, the City issued $44,040,000 of Water Revenue Bonds with an interest of 3.00-6.00% to finance part of the cost of overhauling the City's water system.

The 2009 Water Revenue Bonds are secured by the net revenues of the City's water operations, which consist of charges for the services and facilities furnished by the water system minus certain operation and maintenance expenses incurred by the city in connection with the operation of the water system. The ratio of net revenues to annual debt service during the bond year must equal at least 150%. As of June 30, 2019 the pledged revenues equaled 209% of debt service payments due and payable.

Total principal remaining on the bonds are $38,960,000. The annual requirements to amortize the 2009 water revenue bonds, including interest payments, are as follows:

	Water revenue bonds, series 2009	
Year ending June 30,	Principal	Interest
2020	$ 995,000	$ 2,253,616
2021	1,040,000	2,205,906
2022	1,095,000	2,150,409
2023	1,160,000	2,086,988
2024	1,225,000	2,019,909
2025-2029	7,295,000	8,944,491
2030-2034	9,785,000	6,447,750
2035-2039	13,215,000	3,022,350
2040	3,150,000	94,500
Total	$ 38,960,000	$ 29,225,919

F. Long-term Debt (continued)

Sewer Revenue Bonds, Series 2009

On May 20, 2009, the City issued $18,710,000 of Sewer Revenue Bonds with an interest of 5.63% - 6.00% to finance part of the cost of overhauling the City's antiquated sewer system.

The 2009 Sewer Revenue Bonds are secured by all of the sewer service charges excluding operation and maintenance expenses payable from the sewer service charges. The ratio of net revenues to annual debt service during the bond year must equal at least 110%. As of June 30, 2019 the pledged revenues equaled 111% of debt service payments due and payable.

Total principal remaining on the bonds are $16,510,000. The annual requirements of amortize the 2009 sewer revenue bonds, including interest payments, are as follows:

	Sewer revenue bonds, series 2009	
Year ending June 30,	Principal	Interest
2020	$ 420,000	$ 955,081
2021	440,000	934,919
2022	465,000	911,391
2023	490,000	884,531
2024	520,000	856,125
2025-2029	3,090,000	3,791,081
2030-2034	4,150,000	2,732,400
2035-2039	5,600,000	1,281,000
2040	1,335,000	40,050
Total	$ 16,510,000	$ 12,386,578

Noncompliance with Debt Covenants and Securities and Exchange Commission (SEC) Continuing Disclosure Requirements

The City, PFA, and former Agency are required to submit audited financial statements to the bond trustees within 180 to 240 days of year-end for all bonds and certificates of participation as required by the continuing disclosure requirements under SEC Rule 15c2-12. The City, PFA, and former Agency have not been in compliance with the reporting provisions of the indentures since fiscal year 2013 as audited financial statements were not issued within the time frame allowed. The City has filed unaudited financial information for the years where audited statements were not available.

F. Long-term Debt (continued)

Arbitrage

The Tax Reform Act of 1986 instituted certain arbitrage restrictions with respect to the issuance of tax exempt bonds after August 31, 1986. Arbitrage regulations deal with the investment of all tax exempt bond proceeds at an interest yield greater than the interest yield paid to bondholders. Generally, all interest paid to bondholders can be retroactively rendered taxable if applicable rebates are not reported and paid to the Internal Revenue Service (IRS) at least every five years. No arbitrage liability existed at June 30, 2019.

Credit Rating

As of June 30, 2019, the City bond ratings have been suspended.

G. Other Long-Term Liabilities

Compensated Absences

	Balance at June 30, 2018	Additions	Retirements	Balance at June 30, 2019	Amount due within one
Governmental Activtities	$ 5,106,223	$ 1,828,574	$ (1,826,844)	$ 5,107,953	$ 939,757
Business-type Activities	563,410	115,801	(173,857)	505,354	89,435
Total Compensated Absences	5,669,633	1,944,375	(2,000,701)	5,613,307	1,029,192

Risk Management – Claims and Judgments

The City is self-insured for workers' compensation and general liability claims, which includes all other risk of loss. Excess insurance coverage is maintained for workers' compensation losses in excess of $1,000,000 and general liability claims in excess of $1,000,000.

G. Other Long-Term Liabilities (continued)

Risk Management – Claims and Judgments (continued)

All funds of the City participate in general liability and workers' compensation insurance programs and make payments to internal service funds on the basis of loss experience and exposure. The total unpaid claims and claims adjustment expense liability (long-term obligations) of $21,111,399 recorded at June 30, 2019, is based on results of actuarial studies and includes an estimate for claims incurred but not reported at the balance sheet date. Claims liabilities are calculated considering the effects of inflation, recent claims settlement trends including frequency and amounts of payouts, and other economic and societal factors. General liability and workers' compensation liabilities are carried at present value using a discount rate of 1.0%.

In addition, the City is in compliance with the requirements of GASB Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred as of the date of the financial statements and the amount of the loss can be reasonably estimated.

During the past five-year period, the average claims filed each year for general liability amounted to 158 claims totaling $780,000 per year (an average of $4,937 per claim).

Within the City's self-insured program for workers' compensation, there has been an average of 55 claims filed per year for the past five years, with an average of approximately $1,320,476 per year in total reported loses (an average of $24,009 per claim).

The total unpaid claims and claims adjustment expense liability (long-term obligations) recorded at June 30, 2019 were as follows:

	Workers' Compensation	General Liability	Total
Claims liabilities, July 1, 2018	$ 10,183,399	$ 10,928,233	$ 21,111,632
Incurred claims, representing the total of a provision for events of the current fiscal year and any changes in the provision for the events of prior fiscal years	$ 878,551	$ 2,496,435	$ 3,374,986
Payments on claims attributable to events of both the current and prior fiscal years	(878,551)	(2,496,668)	(3,375,219)
Claims liabilities, June 30, 2019	$ 10,183,399	$ 10,928,000	$ 21,111,399
Amount due within one year	$ 2,324,828	$ 2,187,384	$ 4,512,212

H. Net Position and Fund Balances

Governmental activities has an unrestricted net deficit in the amount of $291,430,561 and overall net deficit position of $126,691,917. Citywide net deficit position is $113,287,429. These deficits can be largely attributed to the net pension and OPEB liabilities. Pension liabilities are funded by voter approved special tax levies for retirement costs.

The following funds had deficit fund balances as of June 30, 2019:

Major Funds		
General	$	(16,432,628)
Nonmajor Funds		
Special Revenue Funds		
Public Finance Authority		(48,625)
Department of Health Service Grant		(97,399)
Special Assessments		(1,048,597)
California State Parks Grant		(513,604)
Lueders Park Rehabilitation		(192,112)
Click It or Ticket Program		(4,294)
Sobriety Checkpoint		(28,718)
Used Oil 13th Cycle		(1,086)
Brickyard Site Transit Plan		(68,262)
Tree Planting		(18)
Wilson Park LA County		(39,284)
Annual Maintenance and Service		(10,022)
Energy Efficiency and Conservation		(36,204)
Enterprise Funds		
Rubbish		(228,026)
Internal Service Funds		
Reproduction Fund Administration		(1,030,969)
Workers' Compensation		(10,892,115)
Liability		(20,671,895)

IV. DEFINED BENEFIT PENSION PLANS

A. Retirement Plan Description

The City contributes to the California Public Employees' Retirement System (CalPERS). The miscellaneous employees of the City are part of an agent multiple-employer public employee defined benefit pension plan and the safety employees are part of a cost-sharing multiple-employer public employee defined benefit pension plan. The safety employees are further divided into two different rate tiers: Safety – Fire and Safety – Police. CalPERS provides retirement and disability benefit, annual cost of living adjustment, and death benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. State statutes within the Public Employees' Retirement Law establish a menu of benefit provisions as well as other requirements. The City selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through a City Council resolution. Copies of CalPERS' annual financial report may be obtained from the CalPERS Executive Office, 400 "P" Street, Sacramento, CA 95814 or from the CalPERS website http://www.calpers.ca.gov.

During the year ended June 30, 2013, California's Public Employees' Pension Reform Act (PEPRA) went into effect. PEPRA requires new benefits and member contributions for new members as defined by PEPRA that are hired after January 1, 2013. Employees who were CalPERS members before January 1, 2013 are considered "Classic members".

B. Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment.

Classic members or PEPRA Safety members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. PEPRA Miscellaneous members become eligible for retirement at age 52 with at least five years of service. The service retirement benefit is a monthly allowance equal to the product of the benefit factor, years of service, and final compensation. The benefit factor depends on the benefit formula specified in the employer's contract. The years of service is the amount credited by CalPERS to a member while he or she is employed in this group. The final compensation is the monthly average of the member's highest 12 consecutive months' full-time equivalent monthly pay.

B. Benefits Provided (continued)

All members are eligible for nonduty disability benefits after 5 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit or the Optional Settlement 2W Death Benefit. The standard death benefit for Safety members is the Special Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

C. Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through the CalPERS' annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer is required to contribute the difference between the actuarially-determined rate and the contribution rate of employees.

Participants in the Miscellaneous and Safety plans are required to contribute a percentage of their annual covered salary. With the exception of the PEPRA members, the City pays the contributions required of City employees on their behalf. The City is required to contribute the actuarially-determined remaining amounts necessary to fund the benefits for its members.

For the year ended June 30, 2019, the City's total contributions (including amounts paid on behalf of members) were $6,605,708 for the Miscellaneous and $5,356,450 for the Safety Plans.

C. Contributions (continued)

The Plan's provisions and benefits in effect at June 30, 2019 are summarized as follows:

	Miscellaneous		
Hire date	Prior to January 1, 2013	On or After January 1, 2013	PEPRA
Benefit formula	2.7% at 55	2.0% at 55	2.0% at 62
Benefit vesting schedule	5 years of service	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50 - 67+	50 - 67+	52 - 67+
Monthly benefits, as a % of eligible compensation	2.00% to 2.70%	1.43% to 2.42%	1.00% to 2.50%
Required employee contribution rates	8.00%	8.00%	6.50%
Required employer contribution rates	9.862%	9.862%	9.862%

	Safety – Fire		
Hire date	Prior to January 1, 2013	On or After January 1, 2013	PEPRA
Benefit formula	3.0% at 50	3.0% at 50	2.7% at 57
Benefit vesting schedule	5 years of service	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50 - 55+	50 - 55+	52 - 57+
Monthly benefits, as a % of eligible compensation	3.00%	3.00%	2.00% to 2.70%
Required employee contribution rates	9.00%	9.00%	12.75%
Required employer contribution rates	22.346%	22.346%	12.965%

	Safety – Police	
Hire date	Prior to January 1, 2013	On or After January 1, 2013
Benefit formula	2.0% at 50	2.0% at 50
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life
Retirement age	50 - 55+	50 - 55+
Monthly benefits, as a % of eligible compensation	3.00%	3.00%
Required employee contribution rates	0.00%	0.00%
Required employer contribution rates	0.00%	0.00%

C. Contributions (continued)

At June 30, 2018 (measurement date), the following employees were covered by the benefit terms of the Plan:

	Number of Members		
Description	Miscellaneous	Safety – Fire	Safety – Police
Active members	265	64	0
Transferred members	150	21	11
Terminated members	170	17	3
Retired members	485	141	260
TOTALS	1070	243	274

D. Actuarial Methods and Assumptions Used to Determine Total Pension Liability

The total pension liability for the June 30, 2018 measurement period was determined in a June 30, 2017 actuarial valuation, with update procedures used to roll forward the total pension liability to June 30, 2019. The total pension liability was based on the following actuarial assumptions and methods.

Valuation date	June 30, 2017
Measurement date	June 30, 2018
Measurement period	July 1, 2017 to June 30, 2018
Reporting date	June 30, 2019
Actuarial Cost Method	Entry Age Normal in accordance with the requirement of GASB 68
Actuarial Assumptions	
Discount Rate/investment return	7.15%
Inflation	2.50%
Salary Increases	Varies by Entry Age and Service
Mortality Rate Table[1]	Derived using CalPERS' Membership Data for all Funds
Post Retirement Benefit Increase	Contract COLA up to 2.0% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.50% thereafter

[1] The mortality table used was developed based on CalPERS-specific data. The table includes 15 years of mortality improvements using the Society of Actuaries Scale 90% of scale MP 2016. For more details on this table, please refer to the December 2017 experience study report (based on CalPERS demographic data from 1997 to 2015) that can be found on the CalPERS website.

E. Long-term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all of the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses. The expected real rates of return by asset class are as followed:

Asset Class	Current Target Allocation	Real Return[1] Years 1 - 10	Real Return[2] Years 11+
Global Equity	50.00%	4.80%	5.98%
Fixed Income	28.00%	1.00%	2.62%
Inflation Assets	0.00%	0.77%	1.81%
Private Equity	8.00%	6.30%	7.23%
Real Assets	13.00%	3.75%	4.93%
Liquidity	1.00%	0.00%	-0.92%
	100.00%		

[1] An expected inflation of 2.00% used for this period

[2] An expected inflation of 2.92% used for this period

F. Discount Rate

The discount rate used to measure the total pension liability was 7.15%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

G. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions

The City's net pension liability is measured as the total pension liability less the pension plan's fiduciary net position. The net pension liability of each of the Plans is measured as of June 30, 2018, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017, rolled forward to June 30, 2018, using standard update procedures.

The following tables show the plan fiduciary net position and the net pension liabilities for the Miscellaneous Plan and the respective changes in net pension liabilities recognized over the measurement period.

Miscellaneous Plan	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
Balance at June 30, 2017 (Valuation Date)	$ 210,205,578	$ 133,940,364	$ 76,265,214
Changes Recognized for the Measurement Period			
Service cost	$ 3,126,034		$ 3,126,034
Interest on the total pension liability	14,531,962		14,531,962
Changes of assumptions	(1,243,371)		(1,243,371)
Differences between expected and actual experience	(1,529,639)		(1,529,639)
Net plan to plan resource movement		$ (323)	323
Employer contributions		5,754,105	(5,754,105)
Employee contributions (paid by employer)		1,175,086	(1,175,086)
Net investment income		11,132,320	(11,132,320)
Benefit payments, included refunds of employee contributions	(11,502,752)	(11,502,752)	-
Administrative expense	-	(208,716)	208,716
Other miscellaneous expense	-	(396,366)	396,366
Net changes	$ 3,382,234	$ 5,953,354	$ (2,571,120)
Balance at June 30, 2018 (Measurement Date)	$ 213,587,812	$ 139,893,718	$ 73,694,094

G. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions (continued)

The following shows the Safety-Fire and Police Plans' proportionate share of the risk pool collective net pension liability over the measurement period.

Safety Plan (Fire and Police)	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)	Proportionate Share
Balance at June 30, 2017 (Valuation Date)	$ 209,062,876	$ 146,104,443	$ 62,958,433	0.63484%
Net changes during 2017-2018	(2,166,069)	(901,733)	(1,264,336)	-0.64023%
Balance at June 30, 2018 (Measurement Date)	$ 206,896,807	$ 145,202,710	$ 61,694,097	-0.00539%

The City's proportionate share of the collective net pension liability was determined by CalPERS based on the following allocation methodology:

The schedules of employer allocation by rate plan include three ratios:

(1) *Actuarial Accrued Liability* - Determined based on the Actuarial Accrued Liability from the most recent Actuarial Valuation Report as of June 30, 2017 used for funding purposes.
(2) *Market Value of Assets* - Determined based on the sum of the Market Value of Assets (MVA) from the most recent Actuarial Valuation as June 30, 2017 used for funding purposes plus supplemental payments made by employers during the current measurement period to reduce their unfunded actuarial accrued liabilities.
(3) *Contributions* - Determined based on the legally- or statutorily-required employer contributions for the fiscal year ended June 30, 2018, including reported contribution adjustments and suspended payroll information. Legally or statutorily required employer contributions were determined by multiplying the employer's contribution rate by the annual benefit compensation (payroll) for the fiscal year and excluding payments for benefit improvements known as Golden Handshakes, which CalPERS considers to be separately financed employer-specific liabilities.

The total pension liability was allocated based on the rate plan's share of the Actuarial Accrued Liability. The fiduciary net position was allocated based on the rate plan's share of the Market Value of Assets. The net pension liability was derived by subtracting the fiduciary net position from the total pension liability. Deferred outflows of resources, deferred inflows of resources, and pension expense were allocated based on the rate plan's share of contributions.

G. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions (continued)

For the year ended June 30, 2019, the City recognized pension expense of $10,459,338 and $7,924,689 for the Miscellaneous and Safety plans, respectively. At June 30, 2019, deferred outflows of resources and deferred inflows of resources related to pensions are as follows:

Miscellaneous

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	$ 2,204,867	$ (725,300)
Differences between expected and actual experience	119,135	(892,289)
Net difference between projected and actual earnings on pension plan investments	447,591	-
Pension contributions subsequent to the measurement date	6,605,708	-
	$ 9,377,301	$ (1,617,589)

Safety - Fire & Police

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	6,053,267	(816,694)
Differences between expected and actual experience	1,325,598	(5,029)
Net difference between projected and actual earnings on pension plan investments	417,698	-
Differences between employer's contributions and proportionate share of contributions	340,471	(1,473,058)
Changes in employer's proportion		(1,949,473)
Pension contributions subsequent to the measurement date	5,356,550	-
	$ 13,493,584	$ (4,244,254)

G. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions (continued)

The deferred outflows of resources related to contributions subsequent to the measurement date of $11,962,258 are recognized as a reduction of the net pension liability in the year ending June 30, 2020. Other amounts reported as deferred outflows or deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Miscellaneous

Measurement Period Ended June 30,	Fiscal Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2019	2020	$ 2,950,293
2020	2021	(53,153)
2021	2022	(1,381,203)
2022	2023	(361,933)
2023	2024	-
Thereafter	Thereafter	-
		$ 1,154,004

Safety - Fire & Police

Measurement Period Ended June 30,	Fiscal Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2019	2020	$ 4,394,205
2020	2021	2,231,743
2021	2022	(2,305,844)
2022	2023	(427,324)
2023	2024	-
Thereafter	Thereafter	-
		$ 3,892,780

H. Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the Plan as of the measurement date June 30, 2018, calculated using the discount rate of 7.15 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.15 percent) or 1 percentage-point higher (8.15 percent) than the current rate:

	Discount Rate - 1% (6.15%)	Current Discount Rate (7.15%)	Discount Rate + 1% (8.15%)
Net Pension Liability (Asset)			
Miscellaneous	$ 99,786,434	$ 73,694,094	$ 51,927,195
Safety – Fire	90,216,148	61,694,097	38,325,384
TOTALS	$ 190,002,582	$ 135,388,191	$ 90,252,579

V. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

A. Plan Description

The City provides retiree medical benefits under the CalPERS health plan, which provides medical insurance benefits to eligible retirees and their spouses in accordance with agreements with various bargaining units and groups under a single employer benefit plan. Copies of CalPERS' annual financial report may be obtained from the CalPERS Executive Office, 400 "P" Street, Sacramento, CA 95814 or from the CalPERS website http://www.calpers.ca.gov.

B. Benefits Provided

The City provides a contribution up to the CalPERS Region 3 Kaiser Basic (non-Medicare) family premium, regardless of the coverage level (single, 2-party, family) or the enrollment level (non-Medicare, Medicare). The Kaiser family premium is $1,727.41 for 2020. The City-provided contribution is continued for lifetime of retiree. Upon death of retiree, continued access to benefits (with the explicit subsidy) is available for the lifetime of the spouse. A City contribution towards surviving child dependents is also available, if they were enrolled in the plan prior to retiree death.

The contribution requirements of health plan members and the City are established and may be amended by the CalPERS Board. The City must agree to make a defined monthly payment towards the cost of each retiree's coverage. The required contribution is based on projected pay-as-you-go financing requirement.

C. Employees Covered by Benefit Terms

At June 30, 2017, the following employees were covered by the benefit terms:

	Number of Covered Participants
Active employees electing coverage	303
Active employees waiving coverage	9
Retirees electing coverage	441
	753

D. Total OPEB Liability

The City's total OPEB liability of $132,845,706 was measured as of June 30, 2018 and was determined by an actuarial valuation as of June 30, 2017.

Actuarial assumptions and other inputs. The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Discount rate	3.62%
Long-term expected investment return	N/A
Inflation	2.50%
Mortality	Based on assumptions for Public Agency Miscellaneous, Police and Fire members published in the December 2017 CalPERS Experience Study. These tables include 15 years of static mortality improvement using 90% of scale MP-2016.
Healthcare cost trend rates	6.8% for FY 2018, gradually decreasing over several decades to an ultimate rate of 4.0% in FY 2076 and later years

The discount rate was based on the Fidelity 20-year Municipal Bonds GO AA Index.

Healthcare trend rates were updated to exclude the Affordable Care Act's Excise Tax on high-cost health insurance plan due to its repeal.

E. Changes in Total OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at June 30, 2018	$131,539,485	$ -	$131,539,485
Changes for the year:			
Service cost	3,731,074	-	3,731,074
Interest	4,730,537	-	4,730,537
Changes of assumptions	(2,374,728)	-	(2,374,728)
Employer contributions	-	4,780,662	(4,780,662)
Benefit payments	(4,780,662)	(4,780,662)	-
Net changes	1,306,221	-	1,306,221
Balances at June 30, 2019	$132,845,706	$ -	$132,845,706

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the total OPEB liability of the County, as well as what the County's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.62 percent) or 1 percentage point higher (4.62 percent) than the current discount rate (3.62 percent):

	Discount Rate		
	1% Decrease (2.62%)	Current Rate (3.62%)	1% Increase (4.62%)
Net OPEB liability	$ 153,140,062	$ 132,845,706	$ 116,402,317

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates. The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower (5.8 percent) or 1 percentage point higher (7.8 percent) than the current healthcare cost trend rate (6.8 percent):

	Healthcare Trend Rate		
	1% Decrease	Current Trend	1% Increase
Net OPEB liability	$ 114,052,688	$ 132,845,706	$ 156,430,795

F. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2019, deferred outflows of resources and deferred inflows of resources related to OPEB are as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions subsequent to the measurement date	$ 4,840,068	$ -
Changes of assumptions or other inputs	-	(8,500,630)
	$ 4,840,068	$ (8,500,630)

The deferred outflows of resources related to OPEB contributions subsequent to the measurement date of $4,840,068 will be recognized as a reduction of the total net OPEB liability for the fiscal year ending June 30, 2020.

Amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ending June 30,	Deferred Inflows of Resources
2020	$ (3,529,721)
2021	(3,529,721)
2022	(1,301,500)
2023	(139,688)
2024	-
Thereafter	-
	$ (8,500,630)

VI. OTHER INFORMATION

A. Commitments and Contingencies

Federally Assisted Grant Programs

The City participates in a number of federally assisted grant programs, which are subject to program compliance audits by the grantor or their representative. The City's grant programs have also been audited in accordance with Uniform Guidance, which have disclosed instances of noncompliance with certain federal program compliance requirements, and depending on the resolution of the identified findings and questioned costs, the City may be required to repay a portion of grant funds determined to have been ineligible expenditures.

The U.S. Department of Housing and Urban Development (HUD), Office of Inspector General (OIG) issued an Audit Report on July 11, 2019, Audit Report No. 2019-LA-1008. The audit related to the Compton Housing Authority's Housing Choice Voucher Program. The report concluded that the Compton Housing Authority did not follow proper procurement or financial management procedures and ensure the timely submission of audited financial statements in accordance with HUD requirements. The audit report had three (3) findings: (1) Professional auditing services in the amount of $77,542 were charged to the Housing Authority. There were no supporting documentation provided, including the lack of competitive procurement process, signed contract or agreement, and end product of the service. (2) The City has not completed and submitted audited financial statements for the fiscal years 2010/11 through 2017/18. (3) The Compton Housing Authority also over-reimbursed $30,562 in HAP administrative fees to the City's general fund.

The OIG report recommended that the Director of Los Angeles Office of Public Housing require the City to repay the program $77,542 from non-federal funds for the unreasonable professional auditing service payments; establish and implement additional procedures and controls to ensure that procurement and contacting requirements are followed, along with the associated maintenance of applicable documentation; complete and submit the audited financial statements for all past-due fiscal years; consider imposing administrative sanctions and remedies for non-submission of audited financial statements for all overdue fiscal years; and the City to develop and implement additional procedures and controls to ensure that the administrative fees for the portability HAP are accurately calculated. The $30,562 over-reimbursement was resolved by reimbursing the fund prior to the completion of the audit. The City also repaid the program $77,542 and has been acknowledged by the HUD/OIG.

A. Commitments and Contingencies (continued)

In October 2019, the Compton Housing Authority received a Management Decision Letter from HUD summarizing the findings and recommendations of the aforementioned OIG report and establishing target dates for the recommendations to get addressed. The Letter also acknowledged that due to the extraordinary circumstances outside the control of the City in regard to ongoing litigation with a prior auditing firm as well as significant turnover of key staff that the City will focus its time and accounting efforts on the 2018 and 2019 accounting periods and waive the requirement for submission of the prior fiscal years 2011-2017.

On September 15, 2020, HUD notified the Compton Housing Authority (CHA) that its SEMAP score will be reduced one level. Also, the LAOPH will proceed with the corrective action to reduce CHA's 2019 SEMAP rating from High Performing to Standard until the PHA submit its FY20 SEMAP certification, at which time HUD will assess its performance managing its HCV program.

The U.S. Department of Housing and Urban Development (HUD), Los Angeles, California office conducted a monitoring of the City's Community Development Blok Grant Program (CDBG) and Emergency Solutions Grants Program (ESG). The monitoring report identified eighteen findings that the City is required to respond to. The City is in the process of preparing their responses. Some of the findings, if not cleared, could result in the City being required to return funds to HUD. The ultimate outcome of this monitoring is not known at this time, however management does not believe that it will have a material effect on the City of Compton.

On July 18, 2018, the U.S. Department of Housing and Urban Development (HUD), Office of Inspector General (OIG) notified the City that they were initiating a review of the City's administration of Neighborhood Stabilization Programs (NSP) 1 and 3 funds in compliance with HUD requirements. The period of the review is from July 1, 2008 through June 30, 2019. This review is currently in process.

Claim of Consolidated Disposal Service, LLC

Consolidated Disposal Service, LLC ("Consolidated") submitted a claim to the City of Compton alleging a breach of the 2012 Amended and Restated Solid Waste Management Services Agreement with the City. On July 1, 2019, Consolidated and the City entered into a 2019 Amended and Restated Agreement for Solid Waste and Recyclable Materials Handling Services which resolves the claim. Pursuant to the 2019 Agreement, the City agreed to pay Consolidated a total of $1,600,000, payable in installment payments without interest. This contingent claim has been recognized in other liabilities in the Rubbish Fund as of June 30, 2019.

A. Commitments and Contingencies (continued)

Other Contingent Claims

The City has been named as defendant in numerous lawsuits and claims arising in the course of operations. In aggregate, these claims seek monetary damages in significant amounts. The City intends to vigorously defend itself against these lawsuits. The City has recorded actuarially determined reserves in the internal services funds to adequately cover estimated potential material adverse losses at June 30, 2019.

Encumbrances

Encumbrances outstanding at year end do not represent GAAP expenditures or liabilities but represent budgetary accounting controls. All governmental fund budgets are maintained on the modified accrual basis of accounting except that budgetary basis expenditures include purchase orders and contracts (encumbrances) issued for goods or services not received at year end.

B. City's Financial Condition and Management Plans

The General Fund is typically the focal point in analyzing the financial health of the City because the General Fund is expected to be able to cover both its costs and to act as a financial backstop for other funds in the event of an insufficiency with respect to the other funds. As of June 30, 2019, the City's General Fund has an ending fund deficit of $16,432,628 and the combined deficit fund balances in other funds totaled $34,911,230. Additionally, the General Fund has advances due to other funds of $30,618,461. The City Management will present a strategic fiscal sustainability plan to the City Council for discussion by June 30, 2021.

C. Notes to the Financial Statements – Successor Agency

a. Reporting Entity

The Successor Agency was created to serve as a custodian for the assets and to wind down the affairs of the former Agency. The Successor Agency is a separate public entity from the City, its actions subject to the direction and approval of the LA County Oversight Board, and/or California State Department of Finance (DOF). The City Council serves as the governing board of the Successor Agency. In general, the Successor Agency's assets can only be used to pay enforceable obligations in existence at the date of dissolution (including the completion of any unfinished projects that were subject to legally enforceable contractual commitments). In future fiscal years, the Successor Agency will only be allocated revenue in the amount that is necessary to pay the estimated annual installment payments on enforceable obligations of the former Agency until all enforceable obligations of the former Agency have been paid in full and all assets have been liquidated.

C. Notes to the Financial Statements – Successor Agency (continued)

a. Reporting Entity (continued)

Based upon the nature of the Successor Agency's custodial role, the Successor Agency is reported in a fiduciary fund (private-purpose trust fund).

The Department of Finance issued a Finding of Completion (FOC) on December 28, 2015. A FOC entitles the Successor Agency to certain benefits, such as:

1. City/Successor Agency Loans: Upon issuance of a FOC, loans made by the City to the Successor Agency may be repaid if the Oversight Board finds that the loan was for a legitimate redevelopment purpose. Repayment is subject to certain restrictions, including a reduction of the interest rate to the LAIF rate, restrictions on the timing and amount of annual repayments, and a requirement that 20% of the repayment be deposited into a restricted housing set-aside fund. Management has recalculated existing loans at the historical LAIF rates and the difference is negligible.
2. Use of Bonds Proceeds: Upon issuance of a FOC, bond proceeds issued prior to December 31, 2010 may be used for purposes consistent with the bond covenants. Obligations to be paid with bond proceeds are subject to review by the Oversight Board and the DOF.

b. Land Held for Resale – Successor Agency (UNAUDITED)

Long-Range Property Management Plan (LRPMP): Upon receiving a FOC, the Successor Agency shall prepare a LRPMP that addresses the disposition and use of real property assets. The plan addresses the use or disposition of all properties, which may include (i) retention of property for governmental use, (ii) retention of property for future development, (iii) sale of the property, or (iv) use of property to fulfill an enforceable obligation. The City submitted their LRPMP on December 23, 2015 and the DOF approved the use or disposition of all properties in the plan as of December 30, 2015. Land held for resale at June 30, 2019 was $17,569,190.

C. Notes to the Financial Statements – Successor Agency (continued)

c. Capital Assets – Successor Agency (UNAUDITED)

The following summarizes the Successor Agency capital assets as of June 30, 2019:

Capital assets, not being depreciated:	
Land	$ 7,450,350
Construction in progress	5,638,603
Total capital assets, not being depreciated	13,088,953
Capital assets, being depreciated:	
Building and structures	31,760,723
Land improvements	1,331,980
Equipment	133,816
Total capital assets, being depreciated	33,226,519
Less accumulated depreciation for:	
Building and structures	(2,580,366)
Land improvements	(1,331,980)
Equipment	(121,919)
Total accumulated depreciation	(4,034,265)
Total capital assets, being depreciated, net	29,192,254
Total capital assets, net	$ 42,281,207

C. Notes to the Financial Statements – Successor Agency (continued)

d. Long-Term Liabilities – Successor Agency

The following is a summary of changes in the Successor Agency's long-term debt for the year ended June 30, 2019:

	Balance at June 30, 2018	Additions	Retirements	Balance at June 30, 2019	Amount due within one year
Debt long-term liabilities:					
Bonds payable:					
1995 series "C" refunding tax allocation capital appreciation bonds - taxable	$ 32,273,965	$ -	$(3,743,598)	28,530,367	$ 3,879,543
2010 series "A", "B", "C" Community Redevelopment Agency second lien tax allocation bonds	88,390,000	-	(2,820,000)	85,570,000	2,990,000
Less: Discount on issue	(566,101)	-	23,588	(542,513)	
Total bonds payable	120,097,864	-	(6,540,010)	113,557,854	6,869,543
Total Successor Agency long-term liabilities	$ 120,097,864	$ -	$(6,540,010)	$ 113,557,854	$ 6,869,543

Description of Long-term Debt – Successor Agency

1995 Series "C" Refunding Tax Allocation Capital Appreciation Bonds

The 1995 Series "C" Refunding Tax Allocation Capital Appreciation bonds were issued in 1995, but repayment of the liability commenced on August 1, 2014 with the final payment due on August 1, 2024. During the grace period before the bond payment commenced, the interest on the bonds was added as an accretion to the bond balance. The amount of the bond was $10,137,530 while total accretion less payments of principal as of June 30, 2019 was $28,530,367.

The 1995 Series "C" Refunding Tax Allocation Capital Appreciation bonds are special obligations of the former Agency, which are secured by an irrevocable pledge of the tax revenues payable to the former Agency.

The following schedule summarizes the debt to maturity payments for the tax allocation capital appreciation bonds:

	1995 C	
Year ending June 30,	Principal	Interest
2020	$ 3,879,543	$ 1,920,457
2021	4,193,713	1,606,287
2022	4,533,299	1,266,701
2023	4,900,405	899,595
2024	5,297,229	502,771
2024-2025	5,726,178	73,822
Total	$ 28,530,367	$ 6,269,633

C. Notes to the Financial Statements – Successor Agency (continued)

d. Long-Term Liabilities – Successor Agency (continued)

Community Redevelopment Project Second Lien Tax Allocation Bonds, Series 2010 A (Housing), 2010 B, and 2010 C (Taxable)

On June 9, 2010, the former Agency issued $118,985,000 of Second Lien Tax Allocation bonds made up of Series A ($31,130,000 for Housing projects), Series B ($69,595,00 0 for general redevelopment projects), and Series C ($18,260,000 taxable – for other redevelopment projects). The amount of principal outstanding at June 30, 2019 for all of the 2010 Series was $85,570,000.

The bonds interest rates are between 3.00% and 5.00% for Series A, 5.00% and 5.75% for Series B, and 7.29% and 7.74% for Series C. The 2010 Second Lien Tax Allocation Bonds are special obligations of the former Agency, which are secured by an irrevocable pledge of the tax revenues payable to the former Agency. The bonds are payable as follows: Series A (August 2011 through 2042, Series B (August 2011 through 2042), and Series C (August 2011 through 2024).

The following schedule summarizes the debt to maturity payments for the tax allocation bonds:

	2010 A, B, C	
Year ending June 30,	Principal	Interest
2020	$ 2,990,000	$ 4,971,866
2021	3,170,000	4,781,284
2022	3,375,000	4,572,369
2023	3,595,000	4,345,168
2024	3,825,000	4,102,676
2025-2029	28,425,000	15,577,389
2030-2034	19,735,000	9,063,455
2035-2039	10,040,000	4,699,500
2040-2044	10,415,000	1,295,250
Total	$ 85,570,000	$ 53,408,956

Due to Los Angeles County

The results of the SCO's review and DDR procedures performed on the dissolution of the former Agency identified a long-term liability to Los Angeles County in the amount of $5,516,641 in relation to the agreed-upon procedures report commissioned by the County of Los Angeles issued on August 17, 2012. The Successor Agency has no remaining balance as of June 30, 2019.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF COMPTON, CALIFORNIA

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS CALPERS MISCELLANEOUS PLAN – AGENT MULTIPLE-EMPLOYER DEFINED BENEFIT PLAN

AS OF JUNE 30 FOR THE LAST TEN FISCAL YEARS (1)

	2019	2018	2017	2016	2015
MEASUREMENT DATE	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Total Pension Liability					
Service cost	$ 3,126,034	$ 3,033,911	$ 2,482,225	$ 2,281,155	$ 2,409,694
Interest	14,531,962	14,306,576	13,997,684	13,735,892	13,355,044
Changes in assumptions	(1,243,371)	11,024,331	-	(3,099,369)	-
Difference between expected and actual experience	(1,529,639)	595,677	(1,765,310)	(361,954)	-
Benefit payments, including refunds of member contributions:	(11,502,752)	(11,419,854)	(11,100,215)	(10,760,128)	(10,744,399)
Net change in total pension liability	3,382,234	17,540,641	3,614,384	1,795,596	5,020,339
Total pension liability, beginning of year	210,205,578	192,664,937	189,050,553	187,254,957	182,234,618
Total pension liability, end of year	213,587,812	210,205,578	192,664,937	189,050,553	187,254,957
Plan Fiduciary Net Position					
Net plan to plan resource movement	(323)	16,090	17362	-	-
Contributions - employee	1,175,086	1,357,942	1,344,793	1,160,045	1,093,771
Contributions - employer	5,754,105	5,782,821	5,311,369	4,214,549	3,064,604
Net investment income[3]	11,132,320	13,777,155	629,307	2,875,103	19,935,634
Benefit payments, including refunds of member contributions	(11,502,752)	(11,419,854)	(11,100,215)	(10,760,128)	(10,744,399)
Administrative expenses	(208,716)	(183,979)	(78,305)	(144,665)	-
Other miscellaneous income/(expense)[2]	(396,355)	-	-	-	-
Net change in plan fiduciary net position	5,953,365	9,330,175	(3,875,689)	(2,655,096)	13,349,610
Total plan fiduciary net position, beginning of year[3]	133,940,364	124,610,189	128,485,878	131,140,974	117,791,364
Total plan fiduciary net position, end of year	139,893,729	133,940,364	124,610,189	128,485,878	131,140,974
Net pension liability - ending	73,694,083	76,265,214	68,054,748	60,564,675	56,113,983
Plan fiduciary net position as a percentage of total pension liability	65.50%	63.72%	64.68%	67.96%	70.03%
Covered payroll	16,378,677	16,448,419	14,400,561	12,954,483	13,321,325
Net pension liability as a percentage of covered-employee payroll	449.94%	463.66%	472.58%	467.52%	421.23%

(1) GASB Statement No. 68, which requires ten years of history for this schedule, was implemented during fiscal year ended June 30, 2015. Additional years will be added as they become available in the future.

(2) During Fiscal Year 2017-18, as a result of Governmental Accounting Standards Board Statement (GASB) No. 75, Accounting and Financial Reporting for Postemployment Benefit Plans Other than Pensions (GASB 75), CalPERS reported its proportionate are of activity related to postemployment benefits for participation in the State of California's agent OPEB plan. Accordingly, CalPERS recorded a one-time expense as a result of the adoption of GASB 75.

Additonally, CalPERS employees participate in various State of California agent pension plans and during Fiscal Year 2017-18, CalPERS recorded a correction to previously reported financial statements to properly reflect its proportionate share of activity related to pensions in accordance with GASB Statement No. 68. Accounting and Financial Reporting for Pensions (GASB 68).

(3) Net of administrative expenses. Includes any beginnng of year adjustment.

Notes to Schedule:

Benefit Changes: The figures above do not include any liability impact that may have resulted from plan changes, which occurred after June 30, 2017 valuation date. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes).

Changes of Assumptions: In 2018, demographic assuptions and inflation rate were changed in accordance to the CalPERS Experience Study and Review of Actuarial Assumptions December 2017. There were no changes in the discount rate. In 2017, the discount rate was reduced from 7.65 percent to 7.15 percent. In 2016, there were no changes. In 2015, amounts reported reflect an adjustment of the discount rate from 7.5 percent (net of administrative expenses) to 7.65 percent (without a reduction for pension plan administrative expense). In 2014, amounts reported were based ont eh 7.5 discount rate.

CITY OF COMPTON, CALIFORNIA

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
CALPERS SAFETY PLAN – COST SHARING PLAN

AS OF JUNE 30 FOR THE LAST TEN FISCAL YEARS (1)

	2019	2018	2017	2016	2015	Police Only 2015
MEASUREMENT DATE	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014	June 30, 2014
Employer's proportion of the net pension liability	0.64023%	0.63484%	0.66255%	0.69644%	0.40840%	0.30740%
Employer's proportionate share of the net pension liability	$ 61,694,097	$ 62,958,433	$ 57,330,655	$ 47,803,079	$ 25,412,444	$ 19,128,147
Employer's covered-employee payroll[2]	$ 5,546,706	$ 5,386,686	$ 5,615,357	$ 5,819,708	$ 5,819,708	N/A
Employer's proportionate share of the net pension liability as a percentage of its covered-employee payroll	1112.27%	1168.78%	1020.96%	821.40%	436.66%	N/A
Plan's proportionate share of the fiduciary net position as a percentage of the plan's total pension liability	75.26%	73.31%	74.06%	78.40%	75.98%	79.22%

(1) Historical information is required only for measurement periods for which GASB 68 is applicable. Fiscal year ended June 30, 2015 was the first year of implementation. Additional years will be added as they become available in the future.

(2) Payroll amounts are for the periods ending on the measurement dates.

CITY OF COMPTON, CALIFORNIA
SCHEDULE OF CONTRIBUTIONS – CALPERS
AS OF JUNE 30 FOR THE LAST TEN FISCAL YEARS (1)

MISCELLANEOUS PLAN

MEASUREMENT PERIOD	2018	2017	2016	2015	2014
FISCAL YEAR	2018-19	2017-18	2016-17	2015-16	2014-15
Actuarially determined contribution[2]	$ 6,605,708	$ 5,754,105	$ 5,782,821	$ 5,311,369	$ 4,214,549
Contributions in relation to the actuarially determined contribution[2]	(6,605,708)	(5,754,105)	(5,782,821)	(5,311,369)	(4,214,549)
Contribution deficiency	$ -	$ -	$ -	$ -	$ -
Covered-employee payroll[3]	$ 17,450,128	$ 16,378,677	$ 16,448,419	$ 14,400,561	$ 12,954,483
Contributions as a percentage of employee payroll	37.85%	35.13%	35.16%	36.88%	32.53%

SAFETY

MEASUREMENT PERIOD	2018	2017	2016	2015	2014
FISCAL YEAR	2018-19	2017-18	2016-17	2015-16	2014-15
Actuarially determined contribution[2]	$ 5,356,577	$ 4,126,139	$ 5,622,013	$ 5,112,736	$ 3,973,896
Contributions in relation to the actuarially determined contribution[2]	(5,356,550)	(4,126,453)	(5,622,013)	(5,112,736)	(3,973,896)
Contribution deficiency	$ 27	$ (314)	$ -	$ -	$ -
Covered-employee payroll[3]	$ 5,546,709	$ 5,291,998	$ 5,386,686	$ 5,615,357	$ 5,819,708
Contributions as a percentage of employee payroll	96.57%	77.97%	104.37%	91.05%	68.28%

(1) Historical information is required only for measurement periods for which GASB 68 is applicable.

(2) Employers are assumed to make contributions equal to the actuarially determined contributions. However, some employers may choose to make additional contributions toward their unfunded liability. Employer contributions for such plans exceed the actuarially determined contributions.

(3) Includes one year's payroll growth using 2.75 percent payroll assumption for fiscal year ended June 30, 2018; 3.00 percent payroll assumption for fiscal years ended June 2014-17.

Notes to schedule

The actuarial methods and assumptions used to set the actuarially determined contributions for FY 2017-18 were from the June 30, 2015 funding valuation report.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method/period	For details, see June 30, 2015 Funding Valuation Report.
Asset valuation method	Market value of assets. For details, see June 30, 2015 Funding Valuation Report.
Inflation	2.75%
Salary increases	Varies by entry age and service
Payroll growth	3.00%
Investment rate of return	7.50% Net of pension plan investment and administrative expenses; includes inflation.
Retirement age	The probabilities of retirement are based on the 2014 CalPERS experience study for the period from 1997 to 2011
Mortality	The probabilities of mortality are based on the 2014 CalPERS experience study for the period from 1997 to 2011. Pre-retirement and post-retirement mortality rates include 20 years of projected mortality improvement using Scale BB published by the Society of Actuaries.

Benefit Changes: The figures above do not include any liability impact that may have resulted from plan changes, which occurred after June 30, 2017. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden

Changes of Assumptions: In 2017, demographic assumptions and inflation rate were changed in accordance to the CalPERS Experience Study and Review of Actuarial Assumptions December 2017. There were no changes in discount rate. In 2017, the discount rate was reduced from 7.65 percent to 7.15 percent. In 2016, there were no changes. In 2015, amounts reported reflect an adjustment of the discount rate from 7.5 percent (net of administrative expense) to 7.65 percent (without a reduction for pension plan administrative expense.) In 2014, amounts reported were based on the 7.5 percent discount rate.

CITY OF COMPTON, CALIFORNIA
SCHEDULE OF NET OPEB LIABILITY AND RELATED RATIOS
AS OF JUNE 30 FOR THE LAST TEN FISCAL YEARS (1)

	Fiscal Year Ending	
Total OPEB Liability	**6/30/2019**	**6/30/2018**
Service cost	$ 3,731,074	$ 4,163,800
Interest	4,730,536	4,156,698
Differences between expected and actual experience	-	-
Changes of assumptions	(2,374,728)	(12,626,584)
Changes of benefit terms	-	-
Benefit payments	(4,780,662)	(4,686,600)
Net change in total OPEB liability	**1,306,220**	**(8,992,686)**
Total OPEB Liability - beginning of year	**131,539,485**	**140,532,171**
Total OPEB Liability - end of year	**$ 132,845,705**	**$ 131,539,485**
Plan Fiduciary Net Position (FNP, assets)		
Employee contributions	$ -	$ -
Employer contributions	4,780,662	4,686,600
Net investment income	-	-
Other additions	-	-
Benefit payments	(4,780,662)	(4,686,600)
Administrative expense	-	-
Other deductions	-	-
Net change in plan fiduciary net position	**-**	**-**
Plan Fiduciary Net Position - beginning of year	**-**	**-**
Plan Fiduciary Net Position - end of year	**$ -**	**$ -**
Net OPEB Liability - end of year	$ 132,845,705	$ 131,539,485
FNP as a percentage of Total OPEB Liability	0.0%	0.0%
OPEB-eligible payroll for the measurement period	$ 21,348,829	$ 21,284,889
Net OPEB Liability as a % of eligible payroll	622.3%	618.0%

(1) GASB Statement No. 75, which requires ten years of history for this schedule, was implemented during fiscal year ended June 30,2018. Additional years will be added as they become available in the future.

CITY OF COMPTON, CALIFORNIA

SCHEDULE OF CONTRIBUTIONS – OPEB

AS OF JUNE 30 FOR THE LAST TEN FISCAL YEARS[1]

FISCAL YEAR	2018-19	2017-18
Actuarially determined contribution[2]	N/A	N/A
Contributions in relation to the actuarially determined contribution	N/A	N/A
Contribution deficiency	$ -	$ -
Covered-employee payroll	N/A	N/A
Contributions as a percentage of employee payroll	N/A	N/A

[1] The employer must disclose a 10-year history of the contribution and payroll schedules.

[2] Per GASB 75 paragraph 57c., these disclosures are only required if the employer calculates an Actuarially Determined Contribution (ADC). The City does not currently calculate an ADC.

CITY OF COMPTON, CALIFORNIA
BUDGETARY COMPARISON – GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2019

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual Amount	
Revenue:				
Taxes and special assessments	$49,719,000	$49,719,000	$ 51,975,870	$ 2,256,870
Licenses and permits	7,315,500	7,315,500	8,014,480	698,980
Intergovernmental revenues	40,500	40,500	31,293	(9,207)
Fines, forfeitures, and penalties	1,991,180	1,991,180	2,349,932	358,752
Use of money and property	150,000	150,000	658,821	508,821
Charges for services	5,559,000	5,568,000	6,045,506	477,506
Other	3,409,997	3,485,657	2,910,379	(575,278)
Total Revenue	68,185,177	68,269,837	71,986,281	3,716,444
Expenditures:				
General government:				
City Attorney	1,973,022	1,973,022	1,975,638	(2,616)
City Clerk	924,592	924,592	456,108	468,484
City Controller	2,539,836	2,654,733	2,050,608	604,125
City Council	769,521	769,521	648,363	121,158
City Manager	3,007,147	3,015,727	2,567,025	448,702
City Treasurer	551,858	551,858	541,293	10,565
Total general government	9,765,976	9,889,453	8,239,035	1,650,418
Management services:				
General services	1,693,264	1,746,526	1,820,143	(73,617)
Non-departmental	4,906,730	4,358,247	2,526,612	1,831,635
Human resources	841,858	844,858	549,484	295,374
Total management services	7,441,852	6,949,631	4,896,239	2,053,392
Public safety:				
Fire	11,561,905	12,379,425	14,139,698	(1,760,273)
Municipal Law	1,005,127	996,824	958,007	38,817
Los Angeles County Sheriff	22,762,772	22,762,772	22,726,129	36,643
Total public safety	35,329,804	36,139,021	37,823,834	(1,684,813)
Public works:				
Water maintenance	417,501	513,749	653,638	(139,889)
Public works - street maintenance	316,800	321,800	618,653	(296,853)
Total public works	734,301	835,549	1,272,291	(436,742)
Environmental and human services:				
Building and safety	852,835	852,835	720,962	131,873
Careerlink	126,553	126,553	234,071	(107,518)
Planning and economic development	556,448	556,448	551,280	5,168
Parks and recreation	2,661,609	2,672,809	2,306,978	365,831
Total environmental and human services	4,197,445	4,208,645	3,813,291	395,354
Capital Outlay	-	-	5,705,072	(5,705,072)
Debt service:				
Principal	-	-	1,792,650	(1,792,650)
Interest	-	-	1,731,206	(1,731,206)
Total expenditures	57,469,378	58,022,299	65,273,618	(7,251,319)
Excess (deficiency) of revenues over (under) expenditures	10,715,799	10,247,538	6,712,663	(3,534,875)
Other financing sources (uses):				
Transfers in	-	-	-	-
Transfers out	-	-	(581,766)	581,766
Total Other Financing Sources (Uses)	-	-	(581,766)	581,766
Net Change in Fund Balance	10,715,799	10,247,538	6,130,897	(4,116,641)
Fund balances (deficit), beginning, as previously reported			(23,558,177)	
Prior period adjustment			994,652	
Fund balances (deficit), beginning, as restated			(22,563,525)	
Fund Balances, Ending			$ (16,432,628)	

Note to Budgetary Comparison Schedule:
Budgets are prepared using current financial resources measurement focus and the modified accrual basis of accounting consistent with generally accepted accounting principles (GAAP).

CITY OF COMPTON, CALIFORNIA

BUDGETARY COMPARISON – RETIREMENT SPECIAL REVENUE FUND

FOR THE YEAR ENDED JUNE 30, 2019

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual Amount	(Negative)
Revenue:				
Taxes and special assessments	$ 21,500,000	$ 21,500,000	$ 31,229,853	$ 9,729,853
Intergovernmental revenues	215,000	215,000	243,697	28,697
Use of money and property	95,000	95,000	473,185	378,185
Other	65,000	65,000	(211)	(65,211)
Total Revenue	21,875,000	21,875,000	31,946,524	10,071,524
Expenditures:				
Current:				
General government	2,091,371	2,091,371	949,597	1,141,774
Public safety	6,185,028	6,185,028	3,644,763	2,540,265
Public works	2,022,114	2,022,114	887,380	1,134,734
Management services	11,463,825	11,463,825	14,114,456	(2,650,631)
Environmental and human services	3,244,766	3,244,766	1,437,488	1,807,278
Total expenditures	25,007,104	25,007,104	21,033,684	3,973,420
Excess (Deficiency) of Revenues Over Expenditures	(3,132,104)	(3,132,104)	10,912,840	14,044,944
Net Change in Fund Balance	(3,132,104)	(3,132,104)	10,912,840	14,044,944
Fund balances (deficit), beginning, as previously reported			35,184,851	
Prior period adjustment			6,632,747	
Fund balances (deficit), beginning, as restated			41,817,598	
Fund Balances, Ending			$ 52,730,438	

Note to Budgetary Comparison Schedule:

Budgets are prepared using current financial resources measurement focus and the modified accrual basis of accounting consistent with generally accepted accounting principles (GAAP).

SUPPLEMENTARY INFORMATION

CITY OF COMPTON, CALIFORNIA
COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2019

	Special Revenue Funds				
Assets	Federal Grants	County Transportation	Gasoline Tax	Department of Health Service Grant	Special Assessments
Cash and investments	$ 4,917,587	$ 7,497,685	$ 3,012,913	$ (98,889)	$ (717,174)
Restricted investments	-	-	-	-	-
Receivables, net	138,671	267,414	202,071	-	114,366
Other assets	643,633	-	-	-	-
Advances to other funds	1,149,528	-	763,953	1,490	-
Loans receivable, net	538,624	-	-	-	-
Total assets	7,388,043	7,765,099	3,978,937	(97,399)	(602,808)
Liabilities and fund balances					
Liabilities:					
Accounts payable and accrued liabilities	$ (60,552)	$ 279,603	$ 226,354	$ -	$ 445,789
Other liabilities	199,263	-	-	-	-
Due to other funds	504,553	-	-	-	-
Total liabilities	643,264	279,603	226,354	-	445,789
Deferred inflows of resources:					
Unearned grants revenue	3,674,261	227,352	-	-	-
Total deferred inflows of resources	3,674,261	227,352	-	-	-
Fund balances (Deficit):					
Nonspendable					
Other assets	643,633	-	-	-	-
Loans receivable, net	538,624	-	-	-	-
Restricted					
Debt service	-	-	-	-	-
Federal Grants	2,145,205	-	-	-	-
Road improvements	-	-	3,226,299	-	-
Transit systems	-	4,654,990	-	-	-
Police services	-	-	-	-	-
Recycling and clean air	-	-	-	-	-
Infrastructure developments	-	-	-	-	-
Regional park	-	-	-	-	-
Unassigned	(256,944)	2,603,154	526,284	(97,399)	(1,048,597)
Total fund balances (deficit)	3,070,518	7,258,144	3,752,583	(97,399)	(1,048,597)
Total liabilities and fund balances	$ 7,388,043	$ 7,765,099	$ 3,978,937	$ (97,399)	$ (602,808)

Special Revenue Funds	Debt Service Fund	Capital Projects Funds			
Other Nonmajor	Public Finance Authority	California Department of Transportation Grant	California Department of Parks and Recreation Grant	Total	Assets
$ 2,123,189	$ (4,567,966)	$ 1,030,300	$ (537,223)	$ 12,660,422	Cash and investments
-	3,729,988	-	-	3,729,988	Restricted investments
86,333	-	81,910	79	890,844	Receivables, net
-	1,433	-	-	645,066	Other assets
730,321	811,045	48,283	54,743	3,559,363	Advances to other funds
-	-	-	-	538,624	Loans receivable, net
2,939,843	(25,500)	1,160,493	(482,401)	22,024,307	Total assets
					Liabilities and fund balances
					Liabilities:
$ 61,673	$ 23,125	$ 205,278	$ 31,203	$ 1,212,473	Accounts payable
-	-	-	-	199,263	Retention payable
-	-	-	-	504,553	Due to other funds
61,673	23,125	205,278	31,203	1,916,289	Total liabilities
					Deferred inflows of resources:
287,517	-	-	-	4,189,130	Unearned grants revenue
287,517	-	-	-	4,189,130	Total deferred inflows of resources
					Fund balances (Deficit):
					Nonspendable
-	1,433	-	-	645,066	Other assets
-	-	-	-	538,624	Loans receivable, net
					Restricted
-	3,729,988	-	-	3,729,988	Debt service
-	-	-	-	2,145,205	Federal Grants
-	-	-	-	3,226,299	Road improvements
-	-	-	-	4,654,990	Transit systems
1,209,189	-	-	-	1,209,189	Police services
1,104,375	-	-	-	1,104,375	Recycling and clean air
324,200	-	-	-	324,200	Infrastructure developments
129	-	-	-	129	Regional park
(47,240)	(3,780,046)	955,215	(513,604)	(1,659,177)	Unassigned
2,590,653	(48,625)	955,215	(513,604)	15,918,888	Total fund balances (deficit)
$ 2,939,843	$ (25,500)	$ 1,160,493	$ (482,401)	$ 22,024,307	Total liabilities and fund balances

CITY OF COMPTON, CALIFORNIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	Special Revenue Funds				
	Federal Grants	County Transportation	Gasoline Tax	Department of Health Service Grant	Special Assessments
Revenues:					
Taxes and special assessments	$ -	$ 3,690,159	$ -	$ -	$ 4,286,989
Intergovernmental revenues	8,068,591	1,520,683	3,729,106	-	-
Use of money and property	28,639	128,919	-	-	-
Charges for services	-	-	-	-	-
Other	1,193,693	39,785	-	-	-
Total revenues	9,290,923	5,379,546	3,729,106	-	4,286,989
Expenditures:					
Current:					
General government	70,153	49,000	-	-	-
Public safety	-	-	-	-	-
Public works	-	1,735,281	1,564,072	-	2,596,053
Management services	-	-	-	-	-
Environmental and human services	8,658,799	313,278	-	-	-
Debt service payment					
Principal	500,000	-	-	-	-
Interest	26,925	-	-	-	-
Capital outlay	412,051	1,012,878	1,638,750	-	2,059,930
Total expenditures	9,667,928	3,110,437	3,202,822	-	4,655,983
Excess (deficiency) of revenue over expenditures	(377,005)	2,269,109	526,284	-	(368,994)
Other financing sources (uses):					
Transfers in	97,177	334,046	-	-	-
Total other financing sources (uses)	97,177	334,046	-	-	-
Net change in fund balance	(279,828)	2,603,155	526,284	-	(368,994)
Fund balances (deficit), beginning, as previously reported	3,328,061	4,654,989	3,226,299	(97,399)	(679,603)
Prior period adjustment	22,285	-	-	-	-
Fund balances (deficit), beginning, as restated	3,350,346	4,654,989	3,226,299	(97,399)	(679,603)
Fund balances (deficit), ending	$ 3,070,518	$ 7,258,144	$ 3,752,583	$ (97,399)	$ (1,048,597)

Special Revenue Funds	Debt Service Fund	Capital Projects Fund			
Other Nonmajor	Public Finance Authority	California Department of Transportation Grant	California Department of Parks and Recreation	Total	
					Revenues:
$ -	$ -	$ -	$ -	7,977,148	Taxes and special assessments
1,480,887	-	1,317,746	-	16,117,013	Intergovernmental revenues
-	65,906	47,874	295	271,633	Use of money and property
60,068	-	-	-	60,068	Charges for services
-	-	-	-	1,233,478	Other
1,540,955	65,906	1,365,620	295	25,659,340	Total revenues
					Expenditures:
					Current:
60,882	-	-	-	180,035	General government
126,479	-	-	-	126,479	Public safety
-	-	253,898	-	6,149,304	Public works
4,317	-	-	-	4,317	Management services
77,893	-	-	-	9,049,970	Environmental and human services
					Debt service payment
-	-	-	-	500,000	Principal
-	-	-	-	26,925	Interest
37,928	-	-	-	5,161,537	Capital outlay
307,499	-	253,898	-	21,198,567	Total expenditures
1,233,456	65,906	1,111,722	295	4,460,773	Excess (deficiency) of revenue over expenditures
					Other financing sources (uses):
150,543	-	-	-	581,766	Transfers in
150,543		-	-	581,766	Total other financing sources (uses)
1,383,999	65,906	1,111,722	295	5,042,539	Net change in fund balance
1,120,884	(114,531)	(156,507)	(513,899)	10,768,294	Fund balances (deficit), beginning, as previously reported
85,770	-	-	-	108,055	Prior period adjustment
1,206,654	(114,531)	(156,507)	(513,899)	10,876,349	Fund balances (deficit), beginning, as restated
$ 2,590,653	$ (48,625)	$ 955,215	$ (513,604)	$ 15,918,888	Fund balances (deficit), ending

CITY OF COMPTON, CALIFORNIA
COMBINING STATEMENT OF NET POSITION – INTERNAL SERVICE FUNDS
JUNE 30, 2019

	Equipment Rental	Central Duplication	Self-Insurance	Total
Assets:				
Current assets:				
Cash and cash investments	$ 6,224,335	$ (311,624)	$ (8,822,242)	$ (2,909,531)
Inventories, at cost	18,980	-	-	18,980
Total current assets	6,243,315	(311,624)	(8,822,242)	(2,890,551)
Noncurrent Assets:				
Capital assets :				
Nondepreciable	44,109	-	-	44,109
Depreciable, net	801,979	-	-	801,979
Total noncurrent assets	846,088	-	-	846,088
Total assets	7,089,403	(311,624)	(8,822,242)	(2,044,463)
Deferred Outflow of Resources				
Deferred outflow on pension plans	112,621	102,306	212,447	427,374
Total deferred outflow of resources	112,621	102,306	212,447	427,374
Liabilities:				
Current liabilities:				
Accounts payable	87,372	-	508	87,880
Accrued liabilities	60,541	-	-	60,541
Retention payable	221	-	-	221
Self-insurance claims			4,512,212	4,512,212
Total current liabilities	148,134	-	4,512,720	4,660,854
Non-current liabilities:				
Other postemployment benefit obligation	-	-	176,422	176,422
Self-insurance claims	-	-	16,599,187	16,599,187
Net pension liabilities	885,066	804,002	1,619,059	3,308,127
Total noncurrent liabilities	885,066	804,002	18,394,668	20,083,736
Total liabilities	1,033,200	804,002	22,907,388	24,744,590
Deferred Inflow of Resources				
Deferred inflow on pension plans	19,427	17,648	46,827	83,902
Total deferred inflow of resources	19,427	17,648	46,827	83,902
Net position:				
Invested in capital assets, net of related debt	846,088	-	-	846,088
Unrestricted	5,303,309	(1,030,968)	(31,564,010)	(27,291,669)
Total net position (deficit)	$ 6,149,397	$ (1,030,968)	$ (31,564,010)	$ (26,445,581)

CITY OF COMPTON, CALIFORNIA

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION – INTERNAL SERVICE FUNDS

FOR THE YEAR ENDED JUNE 30, 2019

	Equipment Rental	Central Duplication	Self-Insurance	Total
Operating revenues:				
Charges to other funds	$ 1,805,477	$ 277,326	$ 3,439,423	$ 5,522,226
Other	-	-	1,425	1,425
Total operating revenues	1,805,477	277,326	3,440,848	5,523,651
Operating expenses:				
General government	-	32,393	13,431	45,824
Public works	859,473	-	-	859,473
Administration and personnel services	465,378	280,758	2,298,873	3,045,009
Self-insurance services	-	-	2,898,646	2,898,646
Total operating expenses	1,324,851	313,151	5,210,950	6,848,952
Operating income (loss)	480,626	(35,825)	(1,770,102)	(1,325,301)
Change in net position	480,626	(35,825)	(1,770,102)	(1,325,301)
Net position (deficit), beginning	5,668,771	(995,143)	(29,793,908)	(25,120,280)
Net position, ending	$ 6,149,397	$ (1,030,968)	$ (31,564,010)	$ (26,445,581)

CITY OF COMPTON, CALIFORNIA
COMBINING STATEMENT OF CASH FLOWS – INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	Equipment Rental	Central Duplication	Self-Insurance	Total
Cash flows from operating activities:				
Cash received from customers	$ 1,805,477	$ 277,326	$ 3,440,848	5,523,651
Cash payments to suppliers for goods and services	(1,135,226)	(136,545)	(2,924,061)	(4,195,832)
Cash payment to employees for services	(132,035)	(134,656)	(2,202,117)	(2,468,808)
Net cash provided by (used in) operating activities	538,216	6,125	(1,685,330)	(1,140,989)
Net increase (decrease) in cash and cash equivalents	538,216	6,125	(1,685,330)	(1,140,989)
Cash and cash equivalents, beginning	5,686,119	(317,749)	(7,136,912)	(1,768,542)
Cash and cash equivalents, ending	$ 6,224,335	$ (311,624)	$ (8,822,242)	(2,909,531)

	Equipment Rental	Central Duplication	Self-Insurance	Total
Reconciliation of operating income (loss) to net Cash provided by (used in) operating activities:				
Operating income (loss)	480,626	(35,825)	(1,770,102)	(1,325,301)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Changes in operating assets and liabilities:				
Decrease (increase) in inventories, at cost	7,016	-	-	7,016
Increase (decrease) in accounts payable	(30,681)	-	508	(30,173)
Increase (decrease) in accrued liabilities	35,076	-	(100)	34,976
Increase (decrease) in OPEB	-	-	1,735	1,735
Increase (decrease) in retirement pay	46,179	41,950	82,862	170,991
Increase (decrease) in self-insurance claims	-	-	(233)	(233)
Net cash provided by (used in) operating activities	$ 538,216	$ 6,125	$ (1,685,330)	$ (1,140,989)

CITY OF COMPTON

SINGLE AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 2019

EADIE + PAYNE LLP

Celebrating a Century of Quality Service

CITY OF COMPTON

TABLE OF CONTENTS

JUNE 30, 2019

Page

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* 1

Independent Auditor's Report on Compliance for Each Major Program; Report on Internal Control over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance 4

Schedule of Expenditures of Federal Awards and Schedule of Findings and Questioned Costs 8

Schedule of Expenditures of Federal Awards 12

Notes to the Schedule of Expenditures of Federal Awards 13

Schedule of Findings and Questioned Costs 14

Summary Schedule of Prior Audit Findings 57

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

The Honorable City Council
City of Compton
Compton, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Compton, California (the City) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 25, 2020. Our report includes qualified opinions on those financial statements, because the City has not maintained sufficient records and we were unable to obtain sufficient appropriate audit evidence about the allocation of cash to the various funds, carrying amounts of the City's capital assets, carrying amounts of the City's land held for resale, and the existence and validity of the City's recorded deferred grant revenues.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and questioned costs, we did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs marked MW to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompany schedule of findings and questioned costs marked SD to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards,* and which are described in the accompanying schedule of findings and questioned costs marked as NC.

During our audit, we also became aware of matters that are opportunities for strengthening internal controls, operating efficiency, and best practices. The accompanying schedule of findings and questioned costs includes our comments and recommendations regarding those matters marked as BP.

The following schedule summarizes our findings, including outstanding findings from prior audits:

FISCAL YEAR	REFERENCE NUMBER	MATERIAL WEAKNESS (MW)	SIGNIFICANT DEFICIENCY (SD)	BEST PRACTICE (BP)	TOTAL	NON-COMPLIANCE (NC)
2018-19	2019-001 to 2019-034	22	12	-	34	9
2017-18	2018-001 to 2018-039	26	12	-	38	9
2016-17	2017-001 to 2017-014	9	4	-	13	11
2015-16	2016-001 to 2016-009	2	1	-	3	1
2014-15	2015-002 to 2015-039	15	12	3	30	3
2013-14	2014-004 to 2014-146C	70	53	14	137	13
		144	94	17	255	46

City of Compton's Response to Findings

City of Compton's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Eadie and Payne LLP

Riverside, California
November 25, 2020

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

The Honorable City Council
City of Compton
Compton, California

Report on Compliance for Each Major Federal Program

We have audited City of Compton's (the City) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2019. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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We believe that our audit provides a reasonable basis for our adverse opinions on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Basis for Adverse Opinion on CFDA 14.218 Community Development Block Grants/Entitlement Grants and CFDA 14.871 Section 8 Housing Choice Vouchers

As described in the accompanying schedule of findings and questioned costs, the City did not comply with requirements regarding the following:

Finding No.	CFDA No.	Name of Federal Program or Cluster	Compliance Requirement
2019-001	14.218	Community Development Block Grants/ Entitlement Grants	Reporting
2019-002			Program Income
2019-003			Program Income
2019-004			Equipment and Real Property Management
2019-005	14.871	Section 8 Housing Choice Vouchers	Reporting
2019-006			Special Tests and Provisions – Rolling Forward Equity Balances
2019-007	14.218 & 14.871		General – Filing of Single Audit Report
2019-008	14.218 &		General – SEFA Preparation

Compliance with such requirements is necessary, in our opinion, for the City to comply with the requirements applicable to those programs.

Adverse Opinion on CFDA 14.218 Community Development Block Grants/Entitlement Grants and CFDA 14.871 Section 8 Housing Choice Vouchers

In our opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion paragraph, the City did not comply, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Community Development Block Grants/Entitlement Grants and Section 8 Housing Choice Vouchers for the year ended June 30, 2019.

Other Matters

The City's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2019-001 through 2019-008 that we consider to be material weaknesses.

City of Compton's responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of and for the year ended June 30, 2019, and the related notes to the financial statements which collectively comprise the City's basic financial statements. We have issued our report thereon dated November 25, 2020, which contained a qualified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements.

The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

Eadie and Payne LLP

Riverside, California
November 25, 2020

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND SCHEDULE OF FINDINGS AND QUESTIONED COSTS

CITY OF COMPTON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019

Federal Grantor / Pass-through Grantor / Program or Cluster Title	Federal Catalog Number	Program Identification Number	Total Program Expenditures	Total Amount Provided to Subrecipients	Total Federal Awards Expended for Loan or Loan Guarantee Programs
U.S. Department of Housing and Urban Development					
CDBG - Entitlement Grants Cluster					
Direct:					
Community Development Block Grants/Entitlement Grants	14.218	B-18-MC-06-0515	$ 561,634	$ 127,600	$ -
Community Development Block Grants/Entitlement Grants		B-17-MC-06-0515	79,740	-	-
Community Development Block Grants/Entitlement Grants		B-16-MC-06-0515	526,925	-	-
Community Development Block Grants/Entitlement Grants		B-15-MC-06-0515	177,090	-	-
Total CDBG - Entitlement Grants Cluster			1,345,389	127,600	-
Direct:					
Community Development Block Grants Section 108 Loan Guarantees	14.248	Loans	586,038	-	586,038
Direct:					
Neighborhood Stabilization Program 1 (NSP1) – Community Development Block Grants/State's Program	14.228	B-08-MN-06-0505	35,596	-	-
Neighborhood Stabilization Program 3 (NSP3) – Community Development Block Grants/State's Program	14.228	B-11-MN-06-0505	13,642	-	-
			49,238	-	-
Direct:					
HOME Investment Partnership Program	14.239	M-17-MC-06-0506	90,105	-	-
Housing Voucher Cluster					
Direct:					
Section 8 Housing Choice Vouchers	14.871	CA-071	8,254,341	-	-
Total Housing Voucher Cluster			8,254,341	-	-
Total U.S. Department of Housing and Urban Development			10,325,111	127,600	586,038
Total Expenditures of Federal Awards			$ 10,325,111	$ 127,600	$ 586,038

See accompanying notes to Schedule of Expenditures of Federal Awards and Independent Auditor's Report on Compliance for Each Major Program; Report on Internal Control over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance.

CITY OF COMPTON
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019

1. BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal award activity of City of Compton (City) under programs of the federal government for the year ended June 30, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in financial position, or cash flows of the City.

2. BASIS OF ACCOUNTING

The accompanying Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting. Such expenditures are recognized following the Cost Principles contained in the Uniform Guidance wherein certain types of expenditures are not allowable or are limited as to reimbursement.

3. INDIRECT COST RATE

The City has not elected to use the 10% de minimis cost rate.

4. SUBAWARDS

The City pass through Federal awards to certain subrecipients. The programs and amounts passed through as of June 30, 2019 are as follows:

Program Name	Subawards
CDBG - Entitlement Grants Cluster	
Fair Housing Foundation	$ 10,000
Champions of Caring	17,600
El Nido Family Center	10,000
EntreNous Youth Empowerment Services, Inc.	15,000
Legal Aid Society of Orange County (Domestic Violence Prevention)	25,000
The Children's Clinic	50,000
Total Subawards	$ 127,600

5. LOAN PROGRAMS WITH CONTINUING COMPLIANCE REQUIREMENTS

The City participates in the Community Development Block Grants Section 108 Loan Guarantees (CFDA No. 14.248) of the U.S. Department of Housing and Urban Development, which is subject to continuing compliance requirements for outstanding loans. The program's outstanding balance on loans with continuing compliance requirements as of June 30, 2019 are as follows:

CFDA Number	Program Name	Outstanding Balance at June 30, 2019
14.248	Rosewood Family Loan	$ 393,185
14.248	Fatburger Loan	145,439
		$ 538,624

See accompanying notes to Schedule of Expenditures of Federal Awards and Independent Auditor's Report on Compliance for Each Major Program; Report on Internal Control over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance.

CITY OF COMPTON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:			Qualified	
Internal control over financial reporting:				
• Material weakness identified?	x	Yes		No
• Significant deficiency identified?	x	Yes		None reported
Noncompliance material to financial statements noted?	x	Yes		No

Federal Awards

Internal control over major federal programs:				
• Material weakness identified?	x	Yes		No
• Significant deficiency identified?		Yes	x	None reported
Type of auditor's report issued on compliance for major federal programs:			Adverse	
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	x	Yes		No

Identification of major federal programs:

CFDA Number	Name of Federal Program or Cluster
14.218	Community Development Block Grants/Entitlement Grants
14.871	Section 8 Housing Choice Vouchers

Dollar threshold used to distinguish between type A and type B programs:	$ 750,000			
Auditee qualified as low-risk auditee?		Yes	x	No

See accompanying notes to Schedule of Expenditures of Federal Awards and Independent Auditor's Report on Compliance for Each Major Program; Report on Internal Control over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance.

CITY OF COMPTON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019

INDEX

CURRENT YEAR

MAJOR FEDERAL AWARD PROGRAMS

Department of Housing and Urban Development – Community Development Block Grant

Reporting	2019-001
Program Income	2019-002 to 2019-003
Equipment and Real Property Management	2019-004

Department of Housing and Urban Development – Section 8 Housing Choice Vouchers

Reporting	2019-005
Special Tests and Provisions	2019-006

General

Filing of Single Audit Report	2019-007
Schedule of Expenditures of Federal Awards Preparation	2019-008

FINANCIAL STATEMENTS	2019-009 to 2019-034

PRIOR YEAR

MAJOR FEDERAL AWARD PROGRAMS	2018-001 to 2018-012 2017-001 to 2017-012 2016-001, 2016-003 2015-002 to 2015-010 2014-004
FINANCIAL STATEMENTS	2018-013 to 2018-040 2017-013 to 2017-014 2016-009 2015-012 to 2015-039 2014-011 to 2014-146C

2019-001 – Reporting (MW, NC)

Federal Program Title:	Community Development Block Grants/Entitlement Grants
Federal Catalog Number:	14.218
Federal Agency:	U.S. Department of Housing and Urban Development
Pass-Through Entity:	Not applicable
Federal Award Number and Year:	B-18-MC-06-0515 – 2019
Category of Finding:	Reporting

Criteria: The Office of Management and Budget (OMB) 2 CFR Part 200, Appendix XI, *Compliance Supplement August 2019,* sections 3.2-L-1 and 4-14.218-10 states:

> "Recipients must use the standard financial reporting forms or such other forms as may be authorized by OMB (approval is indicated by an OMB paperwork control number on the form) when reporting to the Federal awarding agency. Each recipient must report program outlays and program income on a cash or accrual basis, as prescribed by the Federal awarding agency."

For CDBG, the City is required to submit the following reports:

- SF-425 - Federal Financial Report
- C04PR03 - Activity Summary Report
- C04PR26 - CDBG Financial Summary
- HUD 60002, Section 3 Summary Report, Economic Opportunities for Low- and Very Low-Income Persons, (OMB No. 2529-0043)

U.S. Department of Housing and Urban Development (HUD) guidance titled, "Using IDIS to Prepare the Consolidated Plan, Annual Action Plan, and CAPER/PER," states:

> "Within 90 days after the end of its program year, a grantee must submit a Consolidated Annual Performance and Evaluation Report (CAPER). The primary purpose of the CAPER is to report on accomplishments of funded activities within the program year and to evaluate the grantee's progress in meeting one-year goals described in the Annual Action Plan and long-term goals described in the Consolidated Plan."

Condition: The City was unable to provide the required complete set of the SF-425 Federal Financial Reports. Only the reports for the third and fourth quarter of the fiscal year were prepared and submitted to HUD in July and September 2019, respectively. Although the third and fourth quarter SF-425 reports were submitted timely, we were unable to perform testing on the reports for the first and second quarter for report information accuracy. In addition, the Annual Action Plan and CAPER do not appear to have been submitted to HUD to be accessed publicly.

Cause: Lack of internal control over the preparation, review, and submission of the financial reports.

Effect or Potential Effect: The City's failure to comply with stated rules and regulations over the required reports increases the risk that inaccurate or incomplete information will be reported.

Questioned Cost: No costs identified

Context: In July 2019, the City resumed submitting the SF-425 Federal Financial Report and had prepared and submitted the third and fourth quarter reports of the fiscal year. The SF-425 Federal Financial Reports for the first and second quarters were not available for review. The City was able to provide the C04PR03 and C04PR26 reports.

We obtained the Annual Action Plan and CAPER from the City for the year, however these reports do not appear when a search is made at hudexchange.info, the online platform for HUD program information.

Statistical Sampling Validity: Not applicable. All required reports provided have been reviewed and tested.

Repeat of a Prior-Year Finding: 2018-001, 2017-001, 2016-002, 2015-003, 2014-005

Recommendation: The City should strengthen its process over the preparation of its reports to ensure the reports are based on the applicable accounting and performance records. They should ensure that these reports are not only prepared, but also reviewed for accuracy and completeness prior to submission. The City should have a process to ensure that all required reports are prepared, reviewed, and submitted on a timely basis.

Management Response and Corrective Action Plan

City's Response: The City concurs with the recommendation. Grants Division should prepare a schedule of all financial reports and be alert with which department initiated the grants. Also, Grants Division should also follow up if assistance is needed from the Controller's Office in preparing the reports. For financial reports, City Controller Accountant II should review reports with the respective departments that have initiated the grants and the Grants Division. Final review and approval should be performed by the City Controller or Deputy City Controller.

Corrective Action Plan: Finance staff will be assigned to work with the Grants Division in regards to submission of all financial reporting and reimbursement requests. Also, procedures will be established and included in the grants policy to ensure these are revisited and given attention. This will include training of a grant coordinator and training of various grant program personnel to establish policies and procedures for compliance with terms of the grant. These procedures will also include review of reports and maintaining required documentation to show proof of performance reporting. In the meantime, the Grants Division and City Controller's Office will take steps to address the finding noted above.

Planned Implementation Date: June 30, 2021
Responsible Person(s): Aubrey Relf, City Grants Compliance Manager and Sharon Rahban, City Controller

2019-002 – Program Income – Identification, Determination, Assessment, and Recording (MW, NC)

Federal Program Title:	Community Development Block Grants/Entitlement Grants
Federal Catalog Number:	14.218
Federal Agency:	U.S. Department of Housing and Urban Development
Pass-Through Entity:	Not applicable
Federal Award Number and Year:	B-18-MC-06-0515 – 2019
Category of Finding:	Program Income – Identification, Determination, Assessment, and Recording

Criteria: The Office of Management and Budget (OMB) 2 CFR Part 200, Appendix XI, *Compliance Supplement August 2019,* section 4-14.218-9 states:

> "The grantee must accurately account for any program income generated from the use of CDBG funds and must treat such income as additional CDBG funds which are subject to all program rules.

"Making loans and collecting the payments on those loans can be a significant source of program income for grantees. The use of program income derived from loan payments is subject to program requirements. This carries with it the responsibility for grantees to have a loan origination and servicing system in effect which assures that loans are properly authorized, receivables are properly established, earned income is properly recorded and used, and write-offs of uncollectible amounts are properly authorized (24 CFR sections 570.500 and 570.504)."

Condition: The city does not have adequate internal controls to identify and record CDBG program income on a regular and timely basis.

Known program income received in the current year from monthly loan repayments totaling $71,983 did not get reported as such.

Cause: Lack of internal controls and adequate staff training on program income identification, determination, assessment, and recording.

Effect or Potential Effect: The Grants Division is not in compliance with grant requirements, where drawdowns are being applied against the grant award instead of the required reported program income first. The lack of internal controls may also result in misstatements due to errors or fraud, which could ultimately result in misuse of federal funds.

Questioned Cost: None

Context: There has been no accurate and timely process for the city to record program income. Per the IDIS PR09 report, program income was reported on an annual basis for program years 1997 through 2005. No program income was reported for program years 2008 through 2015. During program year 2016, the grant consultant identified and reported program income received in program years 2011 through 2015. However, not all program year 2016 program income was reported. During program year 2017, no program income was reported. During program year 2018, i.e. FYE 2019, one program income transaction had been identified and reported, however this is unrelated from the identified known monthly loan repayment referenced above.

Statistical Sampling Validity: Not applicable. All known program income had been reviewed and tested.

Repeat of a Prior-Year Finding: 2018-002, 2017-002

Recommendation: We recommend that the City strengthen their procedures in relation to identifying, determining, assessing, and recording program income. The City should have procedures in place to accurately identify program income as they are received and are appropriately recorded in the CDBG fund as such and into IDIS. The City should ensure that program income received should be applied first.

Management Response and Corrective Action Plan

City's Response: The City concurs with the recommendation.

Corrective Action Plan: The City will establish and document policies and procedures designed to serve as the system of internal controls required by OMB's Uniform Guidance (2 CFR 200). In the meantime, the Grants Division and City Controller's Office will take steps to address the finding noted above by providing adequate training to staff. In addition, the City Controller proposes to implement the accounts receivable module of the City accounting software, OneSolution, to assist with the tracking and recording of program income. The budget enhancement for that will be included for fiscal year 2022.

Planned Implementation Date: June 30, 2022
Responsible Person(s): Aubrey Relf, City Grants Compliance Manager and Sharon Rahban, City Controller

2019-003 – Program Income – CDBG Loan Listing (MW, NC)

Federal Program Title:	Community Development Block Grants/Entitlement Grants
Federal Catalog Number:	14.218
Federal Agency:	U.S. Department of Housing and Urban Development
Pass-Through Entity:	Not applicable
Federal Award Number and Year:	B-18-MC-06-0515 – 2019
Category of Finding:	Program Income – Loan Listing

Criteria: The Office of Management and Budget (OMB) 2 CFR Part 200, Appendix XI, *Compliance Supplement August 2019,* section 4-14.218-9 states:

> "The grantee must accurately account for any program income generated from the use of CDBG funds and must treat such income as additional CDBG funds which are subject to all program rules.

"Making loans and collecting the payments on those loans can be a significant source of program income for grantees. The use of program income derived from loan payments is subject to program requirements. This carries with it the responsibility for grantees to have a loan origination and servicing system in effect which assures that loans are properly authorized, receivables are properly established, earned income is properly recorded and used, and write-offs of uncollectible amounts are properly authorized (24 CFR sections 570.500 and 570.504)."

Condition: The City does not have a complete listing of loans and loan balances subject to repayment. The City therefore does not have a working schedule that captures a complete listing of expected receipts that will prompt the recording of program income. In addition, the loan receivable listing does not agree with the general ledger balance.

Cause: Lack of internal controls, implementation, and adequate staff training on the maintenance of a complete listing and schedule of issued loans and running loan balances related to CDBG.

Effect or Potential Effect: The Grants Division is not in compliance with grant requirements and grant income has not been properly reported. In addition, there's a possibility that loan payments received may not be credited to the correct debtor's account or that write-offs are made without proper approval.

Questioned Cost: None

Context: The City appears to have a partial listing of outstanding loans and loan repayment schedules, however, the repayment schedules have not been updated on a regular and timely basis, loan balances are not reconciled to the general ledger, and loan repayments are not being reconciled to reported program income. The completeness of program income cannot be assured as long as the city does not have a complete tracking of CDBG Section 108 loans and HOME loans outstanding.

The loans receivable general ledger balance does not appear to be updated when payments are received. The recorded balance at June 30, 2019 remained the same from June 30, 2018.

Statistical Sampling Validity: Not applicable. All related outstanding loans and loan repayment schedules provided by the City had been reviewed and tested.

Repeat of a Prior-Year Finding: 2018-003, 2017-003

Recommendation: We recommend the City maintain a complete listing of outstanding loans and

prepare and regularly use a master CDBG-related loan repayment schedule detailing all loans issued to monitor and capture loan repayments that would prompt the recording of program income as repayments are received. In addition, loans receivable should be reconciled to the general ledger on a regular periodic basis.

Management Response and Corrective Action Plan

City's Response: The City concurs with the recommendation.

Corrective Action Plan: The City will establish and document policies and procedures designed to serve as the system of internal controls required by OMB's Uniform Guidance (2 CFR 200). In the meantime, the Grants Division and City Controller's Office will take steps to address the specific finding noted above by updating and reconciling the loan receivable schedule to the general ledger on time for the fiscal year 2020 audit. In addition, the City Controller proposes to implement the accounts receivable module of OneSolution to assist with the tracking and recording of program income. The budget enhancement for that will be included for fiscal year 2022.

Planned Implementation Date: June 30, 2022
Responsible Person(s): Aubrey Relf, City Grants Compliance Manager and Sharon Rahban, City Controller

2019-004 – Equipment and Real Property Management – Maintenance of Property Records (MW, NC)

Federal Program Title:	Community Development Block Grants/Entitlement Grants
Federal Catalog Number:	14.218
Federal Agency:	U.S. Department of Housing and Urban Development
Pass-Through Entity:	Not applicable
Federal Award Number and Year:	B-18-MC-06-0515 – 2019
Category of Finding:	Equipment and Real Property Management

Criteria: The Office of Management and Budget (OMB) 2 CFR Part 200, Appendix XI, *Compliance Supplement August 2019,* section 3.2-F-1 states:

> "Non-Federal entities other than States must follow 2 CFR sections 200.313(c) through (e) which require that:
>
> Property records must be maintained that include a description of the property, a serial number or other identification number, the source of funding for the property (including the Federal award identification number), who holds title, the acquisition date, cost of the property, percentage of Federal participation in the project costs for the Federal award under which the property was acquired, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sales price of the property (2 CFR section 200.313(d)(1)).
>
> A physical inventory of the property must be taken and the results reconciled with the property records at least once every 2 years (2 CFR section 200.313(d)(2)).
>
> A control system must be developed to ensure adequate safeguards to prevent loss, damage, or theft of the property. Any loss, damage, or theft must be investigated (2 CFR section 200.313(d)(3)).
>
> Adequate maintenance procedures must be developed to keep the property in good condition (2 CFR section 200.313(d)(4))."

Condition: The City does not maintain property records of all equipment and real property acquired or improved through Federal funds. We were therefore unable to test items from these records to ascertain that physical inspections of equipment are conducted, equipment is appropriately safeguarded, property records are maintained, and dispositions were properly done per Federal awarding agency disposition instructions. In connection to real properties financed through the City's CDBG program, we were unable to gain a complete inventory listing of such properties.

Cause: Lack of internal controls over recording and maintaining of capital assets.

Effect or Potential Effect: The City is exposed to possible grantor sanctions and inaccuracies in the maintenance of its capital assets. Capital assets could also be lost, stolen, or disposed of without being detected.

Questioned Cost: $390,990

Context: Two light rescue paramedic squad vehicles in the amount of $390,990 were purchased in relation to the Public Facilities Improvements Project as noted in the IDIS CDBG Activity Summary Report. Although the purchase is eligible and properly supported, no evidence of a detailed listing for property records in relation to equipment purchased with federal funds is maintained.

Statistical Sampling Validity: Non-statistical sampling was used.

Repeat of a Prior-Year Finding: 2018-006, 2015-002, 2014-007

Recommendation: We recommend the City maintains complete property records, which include a description, serial number or other identification number, source, title holder, acquisition date, cost, percentage of federal participation in the cost, location, use and condition, and any ultimate disposition data including the date of disposal and sale price of the property.

Management Response and Corrective Action Plan

City's Response: The City concurs with the recommendation.

Corrective Action Plan: The Controller's office will work with the Grants Division to develop policies and procedures of internal controls as required by OMB's Uniform Guidance (2 CFR 200) to ensure compliance with all grant requirements, including beginning a list of property and equipment, and taking steps to perform an inventory of property records. In the meantime, the Grants Division and City Controller's Office will take steps to address the specific finding noted above. In addition, the City Controller proposes to implement the capital assets module of OneSolution to assist with the tracking and recording of City-wide capital assets. The budget enhancement for that will be included for fiscal year 2022.

Planned Implementation Date: June 30, 2022
Responsible Person(s): Aubrey Relf, City Grants Compliance Manager and Sharon Rahban, City Controller

2019-005 – Reporting (MW, NC)

Federal Program Title:	Section 8 Housing Choice Vouchers
Federal Catalog Number:	14.871
Federal Agency:	U.S. Department of Housing and Urban Development
Pass-Through Entity:	Not applicable
Federal Award Number and Year:	CA-071 – 2019
Category of Finding:	Reporting

Criteria: TITLE 24- HOUSING AND URBAN DEVELOPMENT, PART 5- GENERAL HUD PROGRAM REQUIREMENTS; WAIVERS, Subpart H- Uniform Financial Reporting Standards, Section 5.801- Uniform Financial Reporting Standards states:

> "(b) Entities (or individuals) to which this subpart is applicable must provide to HUD, on an annual basis, such financial information as required by HUD."

TITLE 24- HOUSING AND URBAN DEVELOPMENT, PART 982- SECTION 8 TENANT-BASED ASSISTANCE: HOUSING CHOICE VOUCHER PROGRAM, Subpart D - Annual Contributions Contract and PHA Administration of Program, Section 982.158- Program Accounts and Records states:

> "(a) The PHA must maintain complete and accurate accounts and other records for the program in accordance with HUD requirements, in a manner that permits a speedy and effective audit. The records must be in the form required by HUD, including requirements governing computerized or electronic forms of record-keeping. The PHA must comply with the financial reporting requirements in 24 CFR part 5, subpart H."

Based on the Office of Management and Budget (OMB) 2 CFR Part 200, Appendix XI, *Compliance Supplement August 2019,* sections 4-14.871-10 through 4-14.871-14, public housing agencies (PHAs) are required to submit the following reports:

1. HUD-52681-B, Voucher for Payment of Annual Contributions and Operating Statement
2. Financial Reports- Financial Assessment Sub-system, FASS-PH
3. HUD-52648, SEMAP Certification -Addendum for Reporting Data for De-concentration Bonus Indicator
4. HUD-50058, Family Report

Condition: The Housing Authority did not timely submit the required annual FASS-PH report for FY 2018-2019 to HUD.

Cause: Lack of internal control over the preparation and submission of the FASS-PH report.

Effect or Potential Effect: The City is facing sanctions from the Office of Inspector General (OIG) with a reduced Section Eight Management Assessment Program (SEMAP) rating from High Performer to Standard Performer. A reduced rating may result in HUD withholding additional grant funds or offset the Housing Choice Voucher (HCV) administrative fees.

Questioned Cost: None

Context: The Housing Authority did not submit the required annual FASS-PH Audited Submissions report to HUD since June 30, 2012.

Statistical Sampling Validity: Not applicable. All required reports provided have been reviewed and tested.

Repeat of a Prior-Year Finding: 2018-007, 2017-007, 2016-004, 2015-006, 2014-001

Recommendation: We recommend the City establish policies and procedures that will ensure accurate and timely submission of all required reports.

Management Response and Corrective Action Plan

City's Response: The City concurs with the recommendation.

Corrective Action Plan: Finance staff will be assigned to work with the Local Housing Authority in regards to submission of all financial reporting and reimbursement requests. Also, procedures will be established to ensure these are revisited and given attention to on a monthly basis. This will include training of a grant coordinator and training of various grant program personnel to establish policies and procedures for compliance with terms of the grant. The City will also establish and document policies and procedures designed to serve as a system of internal controls required by OMB's Uniform Guidance (2 CFR 200). In the meantime, the City and the Compton Housing Authority have submitted the following unaudited reports:

- 6/30/13 FYE Unaudited Submission completed on 2/10/20
- 6/30/14 FYE Unaudited Submission completed on 4/16/20
- 6/30/15 FYE Unaudited Submission completed on 4/27/20
- 6/30/16 FYE Unaudited Submission completed on 5/12/20
- 6/30/17 FYE Unaudited Submission completed on 5/19/20
- 6/30/18 FYE Unaudited Submission completed on 6/01/20
- 6/30/19 FYE Unaudited Submission completed on 6/22/20

Due to the extraordinary circumstances outside the control of the City, the City and the CHA are unable to complete the Audited Submissions for fiscal years ended June 30, 2012 through 2018.

Planned Implementation Date: June 30, 2021
Responsible Person(s): Michael Antwine, Assistant City Manager and Sharon Rahban, City Controller

2019-006 – Special Tests and Provisions – Rolling Forward Equity Balances (MW, NC)

Federal Program Title:	Section 8 Housing Choice Vouchers
Federal Catalog Number:	14.871
Federal Agency:	U.S. Department of Housing and Urban Development
Pass-Through Entity:	Not applicable
Federal Award Number and Year:	CA-071 – 2019
Category of Finding:	Special Tests and Provisions – Rolling Forward Equity Balances

Criteria: The Office of Management and Budget (OMB) 2 CFR Part 200, Appendix XI, *Compliance Supplement August 2019,* section 4-14.871-18 states:

> "Public housing agencies (PHAs) are required to maintain complete and accurate accounts. In addition, the annual contributions contract (ACC) requires PHA to properly account for program activity. Proper accounting requires that (1) account balances are properly maintained, (2) records and accounting transactions support a proper roll-forward of equity, and (3) errors are corrected as detected. Several HUD OIG audits reports have noted that PHAs have not been accounting and reporting HAP and Administrative Fee equity accounts properly. This has resulted in several PHAs not being funded correctly and has resulted in OIG findings against HUD and PHAs. If audit testing, account analysis, or third-party (e.g., HUD) information, provides evidence that the current HAP and Administrative Fee equity is not correctly stated, the PHA is required to correct the account balance. Errors affecting these accounts could have begun starting with 2004 or 2005 financial statements (24 CFR section 982.158)."

Condition: We were unable to obtain the housing assistance payments (HAP) equity account roll-forward for the year ended June 30, 2019.

Cause: Lack of internal control over the monitoring HAP equity account.

Effect or Potential Effect: The Housing Authority is not in compliance with grant requirements.

Questioned Cost: Unknown. The questioned costs cannot be calculated, because the total additional funding received by the Housing Authority is unknown.

Context: We were unable to obtain the HAP equity account balance at June 30, 2019.

Statistical Sampling Validity: Not applicable. Sampling was not performed in relation to this finding.

Repeat of a Prior-Year Finding: 2018-010, 2017-009, 2016-006, 2015-008, 2014-003

Recommendation: We recommend the Housing Authority establish and implement policies and procedures over calculation of the HAP equity account.

Management Response and Corrective Action Plan

City's Response: The City concurs with the recommendation.

Corrective Action Plan: The Controller will work with the Local Housing Authority to ensure that the HAP equity balance is rolled forward on an annual basis. The City will also establish and document policies and procedures designed to serve as a system of internal controls required by OMB's Uniform Guidance (2 CFR 200). In the meantime, the Housing Authority and City Controller's Office will take steps to address the specific finding noted above to ensure accurate computation of the HAP equity account by updating and reconciling the fund balance/equity of the Section 8 fund between the HUD online portal and the general ledger on time for the fiscal 2020 audit.

Planned Implementation Date: June 30, 2021
Responsible Person(s): Michael Antwine, Assistant City Manager and Sharon Rahban, City Controller

2019-007 – Filing of Single Audit Report (MW, NC)

Criteria: Pursuant to the Office of Management and Budget (OMB) 2 CFR Part 200, Appendix XI, Section 8-7-3, IV. Due Date for Audit Reports, the copy of the data collection from should be filed 'with the Federal Audit Clearinghouse (FAC) as the date 9 months after the end of the audit period".

Condition: The City did not complete the audit and submit the Single Audit Reporting Package (the City's audited financial statements and single audit reports) for the fiscal years ended June 30, 2012, 2013, 2014, 2015, 2016, 2017, and 2018 within nine months after the end of audit period. The physical single audit reports for fiscal years 2015, 2016, and 2017, however were submitted to the U.S. Department of Housing and Urban Development (Attn: Mr. Miguel Fontanez, Director of Housing Voucher Financial Management Division) at the Office of Public and Indian Housing, Washington, DC 20410-5000 on March 27, 2019.

Cause: The City has been severely behind on its recording and reconciliations for financial transactions. The City's Single Audit for 2013 was not completed until February of 2016. The City's predecessor auditor withdrew from the audit after issuance of the 2014 financial statements in November 2016 and did not issue a Single Audit report. Due to substantial employee turnover within the City at all levels, and incomplete records, the 2015, 2016, and 2017 audits have not been completed.

Effect or Potential Effect: Failure to submit the required Single Audit Reporting Package timely automatically results in the City not qualifying for low risk auditee status for the following year's single audit. In addition, failure to file the required Single Audit Reporting Package timely could result in the loss of federal funding.

Questioned Cost: None

Context: Single audits have not been completed and the reporting package has not been submitted within nine months for the past six years. The 2019 Single Audit Reporting Package is past due.

Statistical Sampling Validity: Not applicable. Sampling was not performed in relation to this finding.

Repeat of a Prior-Year Finding: 2018-011, 2017-011, 2016-007, 2015-010, 2014-009

Recommendation: We recommend that the City bring its accounting records up to date and have financial statement and Single Audits prepared timely. We also recommend the City develop, document, and implement policies and procedures for timely submission of the Single Audit Reporting Package.

Management Response and Corrective Action Plan

City's Response: The City is in the process on catching up on the Single Audit packet submission for fiscal year 2020 and expects to be on time for fiscal year 2021 and going forward.

Corrective Action Plan: City Manager and Controller are continuously working with auditors to ensure delinquent reports are submitted as soon as possible and that fiscal year 2020 can be submitted in a timely manner.

Planned Implementation Date: June 30, 2021
Responsible Person(s): Craig J. Cornwell, City Manager and Sharon Rahban, City Controller

2019-008 – Schedule of Expenditures of Federal Awards (Schedule) Preparation (MW, NC)

Criteria: Pursuant to the Office of Management and Budget (OMB) 2 CFR Part 200, Appendix XI, the City has responsibility to:

- Identify, in its accounts, all federal awards received and expended and the federal programs under which they were received. Federal program and award identification shall include, as applicable, the CFDA title and number, award number and year, name of the federal agency, and name of the pass-through entity.
- Prepare appropriate financial statements, including the schedule of expenditures of federal awards.

Condition: The City reported both an incorrect and incomplete breakdown of its CDBG program expenditures for the current fiscal year under audit as they pertain to individual grant IDs. The City provided a single grant ID breakdown of expenditures under program year 2018, i.e. fiscal year 2019, however, review of IDIS CDBG Activity Summary Report indicates that the breakdown was incorrect and should partially relate to grant IDs for program years 2016, 2017, and 2018.

Cause: Lack of internal controls and adequate staff training and competence on the integration of financial statement records to single audit reporting requirements on the SEFA.

Effect or Potential Effect: Failure to report expenditures by grant ID exposes the City to be flagged by the awarding federal agency, i.e. HUD, for grant sanctions and the rectification of its reported records to the Federal Clearing House.

Questioned Cost: None

Context: The client-prepared SEFA reports the single line item program ID for CDBG as B-18-MC-06-0515, which relates to the grant awarded for the 2018 program year. Expenditures should be further broken down to the related grant ID, where we have noted in testing drawdowns were made from the 2016 and 2017 program year grants for $526,925 and $79,740, respectively.

Statistical Sampling Validity: Not applicable. Sampling was not performed in relation to this finding.

Repeat of a Prior-Year Finding: 2018-012, 2017-012, 2016-008, 2015-011, 2014-010

Recommendation: We recommend the City include the amounts provided to subrecipients information in the SEFA. We also recommend that the City implement grant award tracking procedures, which provide information on which expenditures were drawn down from which grant award ID for an accurate reporting of the breakdown of expenditures.

Management Response and Corrective Action Plan

City's Response: The City concurs with the recommendation.

Corrective Action Plan: The City will update the SEFAs in the future to ensure the breakdown of specific programs is correct. The report will be reviewed by supervisors prior to submission to auditors.

The City will also establish and document policies and procedures in the grants policy to implement this process and will include assignment of authority and responsibility, reconciliation, and review of the SEFA. In the meantime, the City Controller's Office will take steps to address the specific finding noted above by organizing a formal training over SEFA preparation and reporting by September 2021.

Planned Implementation Date: June 30, 2022
Responsible Person(s): Sharon Rahban, City Controller

2019-009 – Bank Reconciliations (MW)

Criteria: Bank reconciliations should be prepared and reviewed in a timely manner.

Condition: Bank reconciliations are not prepared and reviewed in a timely manner. Bank reconciliations for the period from August 2014 through May 2018 were not prepared. Bank reconciliations for the period from July 1, 2018 through June 30, 2019 were prepared during calendar year 2020.

Cause: Weakness in internal control over reconciliations, lack of training, and lack of resources allocated to the bank reconciliation function. Due to the vacancies in key positions in the City Controller's Office, staff fell behind on the monthly reconciliations of the over 30 bank accounts.

Effect or Potential Effect: An embezzlement of $3.72 million remained undetected for years, was discovered in 2016, and was not recorded until October 2019. Also, cash could be materially misstated.

Repeat of a Prior-Year Finding: 2018-013, 2017-013, 2016-009, 2015-012, 2014-045

Recommendation: The City should dedicate appropriate resources and have City employees trained to perform monthly bank reconciliations for all City bank accounts. Subsequently, a documented review and approval of the bank reconciliations should be performed in a timely manner to ensure that any discrepancies are discovered and addressed appropriately.

Management Response and Corrective Action Plan

City's Response: The City concurs with the recommendation.

Corrective Action Plan: The City will establish and document policies and procedures designed to serve as a system of internal controls in the Bank Reconciliation policy. In the meantime, the City Controller's Office is examining current processes over bank reconciliations and the proper assignments of responsibilities at key dates each month to be able to catch up on timely preparation by fiscal year 2022.

Planned Implementation Date: June 30, 2022
Responsible Person(s): Sharon Rahban, City Controller

2019-010 – Cash – Negative Balances (MW)

Criteria: Negative cash balances occur within a fund when there is mismatch of expenditures and revenue. Since the City pools its cash, other funds (usually the General Fund) will cover temporary negative cash balances through interfund payable/receivable accounts. Interfund payable/receivable accounts should be settled within the current period.

Condition: The City does not have consistent cash allocation and tracking procedures in place, which continues to result in negative cash balances rolling forward. The City's general ledger reported negative cash balances at June 30, 2019 in excess of $21.9 million for various funds including special revenue funds, internal service funds, and debt service funds. These negative cash balances are not appropriate due to the nature of the funds. Interfund payable/receivable or transfers amounts were not recorded when necessary.

Cause: Lack of policy over interfund transaction and weakness in internal control over reconciliations. Due to the vacancies in key positions in the City Controller's Office, staff fell behind on the monthly reconciliations and monitoring of cash balances across funds.

Effect or Potential Effect: Cash allocation could be materially misstated. Operating cash deficiencies for amounts not properly recorded, reimbursed or transferred could exist and not detected and corrected on a timely basis.

Repeat of a Prior-Year Finding: 2018-014

Recommendation: We recommend the City review cash balances on a regular basis and prepare a plan to eliminate these negative cash balances. Policies and procedures need to be put in place for the regular review of cash balances and the initiation of transfers for reimbursements as needed.

Management Response and Corrective Action Plan

City's Response: The City concurs with the recommendation.

Corrective Action Plan: The City will establish and document policies and procedures designed to serve as a system of internal controls in the Bank Reconciliation policy. In the meantime, the City Controller's Office is currently researching on prior year accounting errors that are to be corrected, including any for the fiscal 2020 audit.

Planned Implementation Date: June 30, 2021
Responsible Person(s): Craig J. Cornwell, City Manager and Sharon Rahban, City Controller

2019-011 – Accounts Receivable Roll Forward Balances (SD)

Criteria: Accounts receivable balances should be properly tracked, recorded, and reviewed in a timely manner to ensure general ledger balances reflect actual amounts receivable.

Condition: The beginning balance in accounts receivable included accounts with balances that should have been credited for actual payments received. Numerous accounts receivable balances required multiple revisions based on our review of supporting documentation. An adjustment for $99,648 was made to record a missed entry for cash received and was not credited to accounts receivable.

Cause: Lack of timely review of accounts receivable caused the City to roll forward balances that should have been cleared.

Effect or Potential Effect: Accounts receivable could be materially misstated.

Repeat of a Prior-Year Finding: 2018-015

Recommendation: The City should implement and maintain procedures to periodically review balance sheet general ledger accounts to ensure that prior period accruals are properly reversed, if necessary, and to review account balances for reasonableness.

Management Response and Corrective Action Plan

City's Response: The City concurs with the recommendation.

Corrective Action Plan: The City will establish and document policies and procedures designed to implement the recommendations. These are anticipated to be ready by November 30, 2020. In the meantime, training is underway address this finding for the fiscal year 2020 audit.

Planned Implementation Date: June 30, 2021
Responsible Person(s): Sharon Rahban, City Controller

2019-012 – Notes and Loans Receivable (MW)

Criteria: Subsidiary record for notes and loans receivable should be maintained and reconciled to the general ledger on a monthly basis.

Condition: The City did not have procedures in place for a complete and centralized system to track note and loan receivable balances. No current note and loan receivable schedules are prepared and maintained regularly for reviewing of general account balances, as the last known schedule was prepared in FYE 2015. Note and loan receivable payments related to notes and loans to the City are irregular and sporadic nature, and are not tracked accurately and regularly with detailed review and approval of loan schedules. Notes and loans receivable balances appears to be out-of-date.

Cause: The City lacks internal control procedures for identifying and recording of all notes and loans receivable transactions that would contain a sufficient detail review process to identify loan-related activities throughout the year.

Effect or Potential Effect: There is a potential to miss timely demands related to the notes and loans receivable that are due to the City. Balances of notes receivable may be outdated and are not reported at their net realizable value. Failure to implement a timely and effective reconciliation process over notes and loans receivable could increase the risk of fraud, waste, and mismanagement of funds.

Repeat of a Prior-Year Finding: 2018-016

Recommendation: The City should develop and implement procedures for reviewing general account balances in detail regularly throughout the year in addition to implementing a centralized note and loan schedules for an accurate tracking and reconciliation of balances.

Management Response and Corrective Action Plan

City's Response: The City concurs with the recommendation.

Corrective Action Plan: The City will establish and document policies and procedures designed to serve as a system of internal controls including those required by OMB's Uniform Guidance (2CFR 200). In the meantime, the City Controller proposes to implement the accounts receivable module of OneSolution to assist with the tracking and recording of notes and loans receivable. The budget enhancement for that will be included for fiscal year 2022. Currently, the City Controller's Office is working with the Grants Division and City Manager's Office to gather the necessary resources to prepare the complete list of outstanding loan receivables by the fiscal year 2020 audit in time for the implementation of the accounts receivable module.

Planned Implementation Date: June 30, 2022
Responsible Person(s): Aubrey Relf, City Grants Compliance Manager and Sharon Rahban, City Controller

2019-013 – Utilities Allowance for Doubtful Accounts (SD)

Criteria: Allowance for doubtful accounts should be appropriate and assessed on a regular basis and adjusted to reflect amounts expected to be uncollectible.

Condition: The allowances for doubtful accounts for the proprietary funds have not been adjusted since FYE 2014. The City's allowance calculation indicates that balances are understated by approximately $270,000 in total across all proprietary funds.

Cause: Lack of timely review of accounts and lack of staff training. Accounts were not adjusted to reflect computed estimate of uncollectable balances.

Effect or Potential Effect: The allowance for doubtful accounts could be materially misstated, causing accounts receivable and revenue to be materially overstated.

Repeat of a Prior-Year Finding: 2018-019

Recommendation: The City should implement and maintain procedures to periodically review balance sheet general ledger accounts to ensure that balances are properly adjusted. We recommend the City establish procedures in place to promptly identify uncollectible accounts and perform collection attempts.

Management Response and Corrective Action Plan

City's Response: The City concurs with the recommendation.

Corrective Action Plan: The City will establish and document policies and procedures designed to serve as a system of internal controls. In the meantime, the City Controller's Office is conducting training over utilities allowance for doubtful accounts, and anticipate to correct this finding for the fiscal year 2020 audit.

Planned Implementation Date: June 30, 2021
Responsible Person(s): Brian Dickinson, Water Department General Manager and Sharon Rahban, City Controller

2019-014 – Prepaid Expenses and Roll Forward Balances (SD)

Criteria: Prepaid expenses represent valid future economic benefits based on past transactions, are realized in accordance with GAAP, and are timely removed when no continuing value remains.

Condition: The City does not regularly track and maintain prepaid expenses. An entry to record prepaid medical insurance for $715,215 for June 30, 2019 was not recorded timely, having been booked in September 2020.

Cause: Prepaid expense accounts were not reviewed in a timely manner, and staff was not appropriately trained.

Effect or Potential Effect: Prepaid expenses were materially misstated.

Repeat of a Prior-Year Finding: 2018-020

Recommendation: The City should implement and maintain procedures to periodically review balance sheet general ledger accounts to ensure that prior period accruals were properly reversed and not posted against incorrect accounts.

Management Response and Corrective Action Plan

City's Response: The City concurs with the recommendation.

Corrective Action Plan: The City will establish and document policies and procedures designed to serve as a system of internal controls. In the meantime, the City Controller's Office is conducting training over prepaid expenses and roll forward balances, and anticipate to correct this finding for the fiscal year 2020 audit.

Planned Implementation Date: June 30, 2021
Responsible Person(s): Brian Dickinson, Water Department General Manager and Sharon Rahban, City Controller

2019-015 – Capital Assets (MW)

Criteria: Subsidiary records for capital assets should be maintained and reconciled to the general ledger on an annual basis. Complete capital asset records should be maintained and an inventory of capital assets should be performed periodically.

Condition: The City has not maintained its capital asset records for several years. Depreciation was not recorded for fiscal year 2019, and there have been no additions to capital assets or retirements of capital assets in the general ledger since 2015. In addition, the City does not have a formal process for capitalizing assets and the City was unable to provide documentation of when the last physical inventory of capital assets was performed.

Cause: Lack of timely review of capital assets and internal controls over adequate asset keeping and safeguarding.

Effect or Potential Effect: Capital asset balances are stale and could be materially misstated, and this deficiency resulted in a qualified opinion on the financial statements.

Repeat of a Prior-Year Finding: 2018-023, 2015-018, 2015-019, 2015-020, 2014-060A, 2014-087B

Recommendation: We recommend that the capital asset subsidiary ledger and the general ledger be brought up to date. It may be necessary to hire an outside company to perform a complete inventory of assets and to establish the estimated cost basis and date of acquisition, if sufficient records are not available to reconstruct the asset detail. In addition, we recommend that capital asset software be obtained to maintain accountability of capital assets and to compute depreciation. Currently, Excel spreadsheets are being used for this purpose.

We also recommend the City develop and implement monthly and year-end closing checklists for staff to use as a guide. The City could require staff sign off on steps as completed and a supervisor approval of the completed checklist on a monthly basis. Such a checklist would prevent routine entries from being forgotten.

Management Response and Corrective Action Plan

City's Response: The City concurs with the recommendation.

Corrective Action Plan: The City will establish and document policies and procedures designed to serve as a system of internal controls including those required by OMB's Uniform Guidance (2CFR 200) in the policies. These are anticipated to be ready by November 30, 2020. In the meantime, the City has started on the planning for the capital asset valuation and implementation of the capital assets module of OneSolution.

Planned Implementation Date: June 30, 2021
Responsible Person(s): Sharon Rahban, City Controller

2019-016 – Land Held for Resale (MW)

Criteria: Land held for resale should be tracked and regularly updated in the accounting records.

Condition: The City was unable to provide a listing of properties or any supporting documentation to support the carrying value. The account for land held for resale has not been updated in fiscal year 2019.

Cause: Land held for resale of $16,137,052 in the governmental activities and $17,569,190 in the Successor Agency private-purpose trust fund were not reviewed in a timely manner, and staff was not appropriately trained.

Effect or Potential Effect: Land held for resale could be materially misstated, and this deficiency resulted in a qualified opinion on the financial statements.

Repeat of a Prior-Year Finding: 2018-024

Recommendation: The City should have a designated staff to keep track of land held for resale and regularly update and maintain the schedule.

Management Response and Corrective Action Plan

City's Response: The City concurs with the recommendation.

Corrective Action Plan: The City will establish and document policies and procedures designed to serve as a system of internal controls. In the meantime, the City Controller's Office is currently taking steps to complete the finding above by taking inventory, updating, and reconciling the land held for resale schedule to the general ledger on time for the fiscal year 2020 audit.

Planned Implementation Date: June 30, 2021
Responsible Person(s): Sharon Rahban, City Controller

2019-017 – Interfund Balances (SD)

Criteria: Interfund balances should be recorded as transactions occur, and reviewed and reconciled in a timely manner.

Condition: Interfund balances such as due to/due from are not properly tracked, monitored, and accounted for. Numerous correcting entries related to FYE 2018 were made at the beginning of the year, and FYE 2019 interfund entries were made in August 2020.

Cause: Significant turnover in Controller's Office staff and lack of: timely review of account balances, policies and procedures, and training of staff.

Effect or Potential Effect: Misstatement of interfund balances. Operating cash deficiencies for amounts not properly cleared or transferred could exist and not detected and corrected on a timely basis.

Repeat of a Prior-Year Finding: 2018-021

Recommendation: The City should establish policies and procedures over interfund balances, train and designate staff track interfund balances, and ensure these balances are tracked and reconciled timely.

Management Response and Corrective Action Plan

City's Response: The City concurs with the recommendation.

Corrective Action Plan: The City will establish and document policies and procedures designed to serve as a system of internal controls including those required by OMB's Uniform Guidance (2CFR 200) in the General Accounting policy. These are anticipated to be ready by November 30, 2020. In the meantime, the City Controller has provided continuous training to staff, so that necessary reconciliations and interfund errors are corrected on time for the fiscal year 2020 audit.

Planned Implementation Date: June 30, 2021
Responsible Person(s): Sharon Rahban, City Controller

2019-018 – Interfund Balances – Advances to/from Repayment (MW)

Criteria: The City should adhere to the terms specified by resolution regarding the repayment of interfund borrowing.

Condition: The City has not continued the payments on the advances payable balances per the repayment agreement adopted with Resolution 23,970.

Cause: The City's general fund had insufficient cash available to comply with the agreement.

Effect or Potential Effect: Noncompliance with Resolution 23,970. The fund the advanced the funds to the General Fund may not have sufficient cash available for its intended purposes.

Repeat of a Prior-Year Finding: 2018-022

Recommendation: We recommend the City review the repayment plan and develop a realistic plan to repay borrowed funds.

Management Response and Corrective Action Plan

City's Response: The City concurs with the recommendation.

Corrective Action Plan: The City will establish and document policies and procedures designed to implement the recommendation. In the meantime, the City Controller's Office is taking necessary steps to address the above noted finding by:

- Researching the history of the negative fund balance in the General Fund to determine whether any adjustments made in the past has caused this error;
- Preparing a full-cost allocation plan to analyze the history of General Fund activity of payments and overpayments that may include identification of reimbursements due to the General Fund on behalf of other funds; and
- Assisting the City Manager's Office on revenue-generating initiatives.

Planned Implementation Date: June 30, 2022
Responsible Person(s): Craig J. Cornwell, City Manager and Sharon Rahban, City Controller

2019-019 – Accrued Interest (SD)

Criteria: Interest related to fiduciary fund long-term debt should be accrued (full accrual), and interest related to governmental fund long-term debt should not be accrued (modified accrual), according to governmental GAAP. Accrued interest related to governmental fund long-term debt should be included in the government-wide presentation of the financial statements. Accruals should be reversed in the following fiscal year.

Condition: The City did not accrue interest for fiduciary fund related long-term debt in accordance with governmental GAAP. The City accrued interest for governmental fund related long-term debt, which is not in accordance with governmental GAAP. The City did not account for accrued interest related to governmental fund long-term debt for government-wide presentation.

Cause: Inadequate staff training and ineffective supervision and review. The staff member preparing the accruals did not know that interest should be accrued on an accretion bond.

Effect or Potential Effect: Accrued interest and interest expense was misstated.

Repeat of a Prior-Year Finding: 2018-026

Recommendation: The City should ensure that its staff is provided with the appropriate training in order to successfully perform their assigned duties, including appropriate governmental accounting training. In addition, work performed by staff members should be reviewed by someone with a firm understanding of governmental GAAP.

Management Response and Corrective Action Plan

City's Response: The City concurs with the recommendation.

Corrective Action Plan: The City will establish and document policies and procedures designed to serve as a system of internal controls in the General Accounting policy detailing the understanding of the treatment between modified accrual and full accrual accounting. That will ensure interest payable is properly recorded in the correct account group instead of in the Debt Service Fund. These are anticipated to be ready by November 30, 2020.

Planned Implementation Date: June 30, 2021
Responsible Person(s): Sharon Rahban, City Controller

2019-020 – Accrued Liabilities (MW)

Criteria: Expenses/expenditures incurred but not paid as of year-end should be accrued as a liability.

Condition: Subsequent disbursements totaling in excess of $1.5 million were identified that pertained to FYE 2019 were not included in accounts payable or accrued liabilities.

Cause: The City does not have an effective system to capture and record accounts payable and accrued liabilities in a timely manner.

Effect or Potential Effect: Accrued liabilities were materially understated.

Repeat of a Prior-Year Finding: 2018-028, 2015-029

Recommendation: The City should implement and maintain procedures to identify and record accrued liabilities. This may require additional software or training on the use of current software.

Management Response and Corrective Action Plan

City's Response: The City concurs with the recommendation.

Corrective Action Plan: The City will establish and document policies and procedures designed to serve as a system of internal controls including those required by OMB's Uniform Guidance (2CFR 200) in the General Accounting policy. These are anticipated to be ready by November 30, 2020. In the meantime, the City is working with OneSolution to establish settings and make this an automated procedure. In addition, the City Controller is planning to conduct training over the treatment and recording of accrued liabilities and plans to have this audit area corrected and completed for the fiscal year 2020 audit.

Planned Implementation Date: June 30, 2021
Responsible Person(s): Sharon Rahban, City Controller

2019-021 – Accrued Wages Payable Allocation (SD)

Criteria: Accrued wages payable should be recorded correctly as to account and period and allocated to the corresponding funds and account activity classification.

Condition: City did not properly record the final pay period accrual balances at year-end. The entire accrual was recorded to a pooled fund account instead of to the corresponding individual funds.

Cause: Lack of adequate controls and training over treatment of accrued wages payable at year-end.

Effect or Potential Effect: Material misstatement of accrued wages payable in relation to individual funds.

Repeat of a Prior-Year Finding: No

Recommendation: The City should implement and maintain procedures to identify and record accrued wages payable into the related funds and appropriate account classifications (e.g. Medicare insurance, deferred compensation, and payroll taxes payable).

Management Response and Corrective Action Plan

City's Response: The City concurs with the recommendation.

Corrective Action Plan: The City will establish and document policies and procedures designed to serve as a system of internal controls including those required by OMB's Uniform Guidance (2CFR 200) in the General Accounting policy. These are anticipated to be ready by November 30, 2020. In the meantime, the City Controller will provide training to staff and plans to correct this audit area for the fiscal year 2020 audit.

Planned Implementation Date: June 30, 2021
Responsible Person(s): Sharon Rahban, City Controller

2019-022 – Deferred Grant Revenues (MW)

Criteria: Deferred grant revenues should be recorded or adjusted as part of year-end closing procedures.

Condition: Deferred grant revenues have not been adjusted since fiscal year 2014. Actual current year deferred grant revenues are unknown.

Cause: There appears to be a lack of communication between the Grants Division and Controller's Office. No one was assigned to track and record appropriate transactions. Year-end accruals are not properly reversed at the beginning of the next fiscal year. There is also inadequate staff training and ineffective supervision and review.

Effect or Potential Effect: Deferred grant revenues and the related revenue accounts could be materially misstated, and this deficiency resulted in a qualified opinion on the financial statements.

Repeat of a Prior-Year Finding: 2018-033

Recommendation: The Controller's Office and Grants Division should work closely together to ensure proper communication between each other. We recommend the City analyze the fiscal year 2014 balance and determine if any of the balance would still be considered deferred grant revenue. Otherwise, the balance should be adjusted to reflect fiscal year 2019 balances.

Management Response and Corrective Action Plan

City's Response: The City concurs with the recommendation.

Corrective Action Plan: The City will establish and document policies and procedures designed to serve as a system of internal controls required by OMB's Uniform Guidance (2CFR 200) in the General Accounting policy. These are anticipated to be ready by November 30, 2020. In the meantime, the City Controller's Office is addressing the finding above by updating and reconciling the grants receivable schedule to the general ledger on time for the fiscal year 2020 audit. In addition, the City Controller proposes to implement the accounts receivable module of OneSolution to assist with the tracking and recording of grants receivable. The budget enhancement for that will be included for fiscal year 2022.

Planned Implementation Date: June 30, 2022
Responsible Person(s): Sharon Rahban, City Controller

2019-023 – Fund Balance Classification (SD)

Criteria: GASB 54 requires the following classifications: nonspendable, restricted, committed, assigned, and unassigned. Fund balances should be properly presented and classified in the financial statements in accordance with governmental GAAP.

Condition: The City has not been reviewing fund balance classifications and rely on prior year treatment.

Cause: Lack of management assessment, review, and controls over fund balance classifications.

Effect or Potential Effect: Fund balance classifications could be materially misstated.

Repeat of a Prior-Year Finding: No

Recommendation: We recommend the City develop, document, and implement policies and procedures over the proper and timely review of fund balance classifications.

Management Response and Corrective Action Plan

City's Response: The City concurs with the recommendation.

Corrective Action Plan: The City will establish and document policies and procedures designed to serve as a system of internal controls in the General Accounting policy. In the meantime, the City Controller's Office will provide the necessary training of staff to correct this finding for the fiscal year 2020 audit and going forward.

Planned Implementation Date: June 30, 2021
Responsible Person(s): Sharon Rahban, City Controller

2019-024 – Bond Compliance (MW)

Criteria: Governmental entities are subject to a variety of laws, regulations, and contracts that have a direct and material effect on their financial statements. Accordingly, governmental entities should establish a system of internal control over compliance to ensure compliance with laws, regulations, and contracts. Personnel assigned to monitor compliance should have the appropriate knowledge and experience related to the requirements.

Condition: The City does not monitor debt covenants periodically. The City and the Successor Agency were not in compliance with reporting provisions of the indentures for various bonds for the fiscal year ended June 30, 2019 because the City's audited financial statements were not issued within 180 to 270 days of the year-end. Additionally the City and the Successor Agency were not in compliance with continuing disclosure requirements under SEC Rule 15c2-12. Pursuant to Section 5.11 (c) of the Indenture dated July 1, 1993 with US Bank, the City is required to cause the independent certified public accountant to deliver to the City and the trustee a certificate showing that during such fiscal year the City was in compliance with its rate covenant as set forth in Section 5.09. The City has not submitted such certificate for fiscal year 2019 and as such was not in compliance with Section 5. 11 (c) of the Indenture.

Cause: Lack of assigned staff for this function and lack of training and competence of staff.

Effect or Potential Effect: Bonds could be deemed in default and could become due and payable.

Repeat of a Prior-Year Finding: 2018-036

Recommendation: We recommend the City develop, document, and implement policies and procedures to ensure the City's compliance with applicable laws, regulations, and contracts. Personnel assigned to monitor compliance should have the appropriate knowledge and experience with requirements.

Management Response and Corrective Action Plan

City's Response: The City concurs with the recommendation.

Corrective Action Plan: The City will establish and document policies and procedures designed to serve as a system of internal controls in the General Accounting policy. These are anticipated to be ready by November 30, 2020. In the meantime, the City Controller's Office is addressing the finding above by conducting necessary training of staff to correct this finding for the fiscal year 2020 audit.

Planned Implementation Date: June 30, 2021
Responsible Person(s): Sharon Rahban, City Controller

2019-025 – Negative Fund Balances (MW)

Criteria: The City should operate to maintain adequate fund balances in all of its funds to mitigate current and future risks, such as revenue shortfalls and unanticipated expenditures.

Condition: There are negative fund balances for various funds including the general fund, grant funds, nonmajor governmental funds, and internal service funds.

Cause: Lack of policies and procedures over cash management and budgetary restrictions. Weakenss in internal control over operational spending and lack of consideration of long-term financial planning.

Effect or Potential Effect: The deficits could have a significant effect on operations on a go-forward basis. City programs and services involved with the fund may be curtailed.

Repeat of a Prior-Year Finding: 2018-037, 2014-049A

Recommendation: We recommend that management review the negative fund balances and the affected operations to make provisions to eliminate the deficit balances going forward.

Management Response and Corrective Action Plan

City's Response: The City concurs with the recommendation.

Corrective Action Plan: The City will establish and document policies and procedures designed to serve as a system of internal controls in the General Accounting policy. In the meantime, the City Controller's Office is performing investigations to determine how the negative fund balances came about to eliminate the deficit balances going forward.

Planned Implementation Date: June 30, 2021
Responsible Person(s): Craig J. Cornwell, City Manager and Sharon Rahban, City Controller

2019-026 – Payroll (MW)

Criteria: Management should adhere to adequate controls in place over payroll recording, processing, and reporting. City employees shall be compensated for actual qualifying merit and step increases.

Condition: The City:

- Paid wages that were unauthorized;
- Did not regularly maintain personnel records, where an employee's form I-9 was not certified;
- Processed inaccurate hours worked, where the employee's timecard did not match compared to the payroll register;
- Processed a timecard that was not approved by the supervisor;
- Did not review proper classification of wages to funds; and
- Did not review and sign payroll registers (by the Controller and/or Treasurer) per City procedures.

Cause: Lack of internal controls over the payroll cycle.

Effect or Potential Effect: The City is exposed to:

- Personnel getting under or overpaid;
- Unauthorized payroll payments made to invalid time submitted in timecard; and
- Material discrepancies not timely identified and evaluated for corrective action.

Repeat of a Prior-Year Finding: No; however related to 2018-004 for unapproved timesheets, and 2018-038 for qualifying merit and step increase compensation

Recommendation: We recommend the City strengthen their procedures in place in relation to the documentation and retention of authorized pay, City certification of employee I-9 forms, timesheet hours reporting process, where approved timesheets must agree with posted hours in the payroll registers. We recommend the City prepare and implement written uniform policies & procedures across all departments in setting procedures and expectations prescribed to City personnel for payroll time reporting.

Management Response and Corrective Action Plan

City's Response: The City concurs with the recommendation.

Corrective Action Plan: The City will establish and document policies and procedures designed to serve as a system of internal controls including those required by OMB's Uniform Guidance (2CFR 200) in the Payroll and Budget policies. These are anticipated to be ready by December 31, 2020. In the meantime, the I-9 form issue is being handled by the Human Resources Department through a consultant hired to assist to implement corrective actions.

Planned Implementation Date: June 30, 2021
Responsible Person(s): Sharon Rahban, City Controller

2019-027 – Self-Insurance Liabilities and Expenditures/Expenses (SD)

Criteria: Insurance claims payable amounts agree with supporting documentation and are accurately recorded to the proper account and period. The insurance claims payable reflected on the financial statements represent the actual obligations and liabilities for occurrences that have been incurred.

Condition: The City relies on internal risk management reports and does not perform independent checks, reconciliation, and analytics of estimated recorded liabilities to actual liabilities incurred.

Cause: Lack of independent checks and review of self-insurance liabilities.

Effect or Potential Effect: Material misstatement of recorded amounts if more accurate and current information known by management has not been factored in the report and/or calculation.

Repeat of a Prior-Year Finding: No

Recommendation: The City should perform their own checks and reconciliation of self-insurance claims. We recommend the City develop, document, and implement policies and procedures to ensure the City's proper treatment over self-insurance claims.

Management Response and Corrective Action Plan

City's Response: The City concurs with the recommendation.

Corrective Action Plan: The City will establish and document policies and procedures designed to serve as a system of internal controls in the General Accounting policy. These are anticipated to be ready by November 30, 2020.

Planned Implementation Date: June 30, 2021
Responsible Person(s): TBD, Risk Manager, and Sharon Rahban, City Controller

2019-028 – Cash Disbursements – Payments Based on Quotes (SD)

Criteria: Invoices should go through the proper review and approval process prior to cash disbursement to ensure accuracy and validity of invoice. Per City policy, payments must be processed on original invoices only.

Condition: Payments made were not based on valid supporting documentation and were based on quotes, not original invoices. Of sixty (60) randomly sampled cash disbursements, the City processed two (2) transactions on quotes without the supporting invoice present.

Cause: Weak controls over procurement procedures and cash disbursement and lack of enforcement of City policy.

Effect or Potential Effect: Potential risk of remitting payment for unauthorized expenditures and misuse of City funds.

Repeat of a Prior-Year Finding: 2015-015, 2015-016, 2014-031

Recommendation: The City should strengthen its review procedures and provide necessary training for staff emphasizing the need to scrutinize invoices for accuracy. Any discrepancies should be resolved with the vendor prior further processing the invoice for payment. The City should strengthen its procurement policies and internal controls over cash disbursements and closely monitor staff adherence.

Management Response and Corrective Action Plan

City's Response: The City concurs with the recommendation.

Corrective Action Plan: The City will establish and document policies and procedures designed to serve as a system of internal controls including those required by OMB's Uniform Guidance (2CFR 200) in the Accounts Payable policy. These are anticipated to be ready by December 31, 2020.

Planned Implementation Date: June 30, 2021
Responsible Person(s): Sharon Rahban, City Controller

2019-029 – Procurement Policy (SD, NC)

Criteria: A current official written policy should be in place for procurement and contracts conforming to applicable federal statutes and the updated procurement requirements per 2 CFR part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance).

Condition: The City does not have a current effective purchasing manual for City-wide use. The City's procurement policy is severely outdated, having been last updated on April 1, 1997 and therefore does not contain the language required by the Uniform Guidance.

Cause: Lack of formal policies and procedures over current required procurement standards and lack of internal controls and adequate staff training on effective requirements set forth by the Uniform Guidance over procurement.

Effect or Potential Effect: Goods or services could be acquired in violation of the administrative requirements federal regulations and other procurement requirements, such as inappropriately acquired from debarred or suspended parties or providers. Failure to document and retain evidence that procurement procedures were followed could result in the need to reimburse federal funds.

Repeat of a Prior-Year Finding: No

Recommendation: We recommend the City establish an official written policy for procurement and contracting and Conflict of Interest Code that are in line with the requirements of the Uniform Guidance. The policy should contain components for compliance with and references to federal requirements, such as language establishing contract files that document significant procurement history; methods of procurement authorized including selection of contract type, contractor selection or rejection, and the basis of contract price; verification that procurements provide full and open competition; requirements for cost or price analysis, including for contract modifications. The City should therefore strengthen its procurement internal controls based on this official written policy.

Management Response and Corrective Action Plan

City's Response: The City concurs with the recommendation.

Corrective Action Plan: The City will establish and document policies and procedures designed to serve as a system of internal controls including those drequired by OMB's Uniform Guidance (2CFR 200) in the Purchasing policy. These are anticipated to be ready by December 31, 2020.

Planned Implementation Date: June 30, 2021
Responsible Person(s): Craig J. Cornwell, City Manager and Sharon Rahban, City Controller

2019-030 – Procurement – Requests for Proposal (RFP) Documentation (SD, NC)

Criteria: Per City Procurement Standard Operating Manual under section III, Authorities, Article XIV, Fiscal Administration, Contracts on Public Works, "Every contract involving an expenditure of more than Seven-Thousand Five-Hundred ($7,500) Dollars for the construction or improvement (excluding maintenance and repair)... shall be let to the lowest responsible bidder after notice by publication..." and per section X, Retention of Records, "Procurement records shall be maintained sufficient to detail the significant history of a procurement. These records shall include, but are not necessarily limited to information pertinent to the following: rationale for the method of procurement, selection of contract type, contractor selection or rejection, and the basis for the cost or price."

Condition: Ten (10) out of the fifteen (15) contracts tested did not have the requests for proposal (RFP) advertising posted through a public notice at the City website at the time of testing. RFP documentation should be filed and retained at City Clerk's Office or City website. The City was not able to provide the procurement records upon request. We therefore were unable to verify whether the solicitation of bids were performed at a public domain that complies with the required competitive bidding policy as required by the City Procurement Standard Operating Manual.

Cause: Lack of adequate maintenance of RFP and procurement records at the City website or in an accessible, centralized location.

Effect or Potential Effect: Awarded contracts may have not gone through the formal and authorized procurement process per City policy.

Repeat of a Prior-Year Finding: No

Recommendation: The City should implement procedures to file and maintain all procurement records in a centralized location in a timely manner.

Management Response and Corrective Action Plan

City's Response: The City concurs with the recommendation.

Corrective Action Plan: The City will establish and document policies and procedures designed to serve as a system of internal controls including those required by OMB's Uniform Guidance (2CFR 200) in the Purchasing policy. These are anticipated to be ready by December 31, 2020.

Planned Implementation Date: June 30, 2021
Responsible Person(s): Craig J. Cornwell, City Manager

2019-031 – Journal Entries (SD)

Criteria: Journal entries are appropriate and reviewed by an authorized personnel and recorded correctly as to amount, account, and period in accordance with governmental GAAP prior to posting.

Condition: The City has a large volume of journal entries throughout the fiscal year, and E+P noted numerous erroneous journal entries indicative of poor and insufficient review prior to posting.

Cause: Instances of poor and insufficient review are a result of vacancies in key positions in the City Controller's Office and time constraints on current personnel.

Effect or Potential Effect: Significant errors could remain undetected and materially misstate the financial statements.

Repeat of a Prior-Year Finding: No

Recommendation: We recommend the City strengthen the review process for journal entries as to accuracy, classification, and period of performance in accordance with governmental GAAP prior to posting.

Management Response and Corrective Action Plan

City's Response: The City concurs with the recommendation.

Corrective Action Plan: The City Controller's Office is continuously providing accounting staff training over governmental accounting and finance. In addition, the City will establish and document policies and procedures over journal entries, as included in the General Accounting Policy, which is planned to be implemented in fiscal year 2021.

Planned Implementation Date: June 30, 2021
Responsible Person(s): Sharon Rahban, City Controller

2019-032 – Lack of Budgeted Fund Balances (MW)

Criteria: Local governments are subject to a requirement to pass a balanced budget that supports financial sustainability for multiple years into the future. Local governmental should adopt rigorous policies for all operating funds aimed at achieving and maintaining structural balance, where recurring revenues are equal to recurring expenditures in the adopted budget. Non-recurring resources such as asset sales or reserves should not fund ongoing expenditures. Revenues, expenditures, and fund balances – fund resources that are not spent in a prior year that is carried over into the next year as fund balance should be incorporated in the adopted budget.

Condition: The City has not budgeted for fund balances for at least the past ten fiscal years.

Cause: Weakness in internal control over structurally sound balanced budgets.

Effect or Potential Effect: Unsound budgetary procedures can result to deficits across City funds. City programs and services involved with the fund may be curtailed.

Repeat of a Prior-Year Finding: No

Recommendation: We recommend the City strengthen their procedures in place in relation to the budgetary process and conduct necessary training to those involved.

Management Response and Corrective Action Plan

City's Response: The City concurs with the recommendation.

Corrective Action Plan: The City will establish and document policies and procedures designed to serve as a system of internal controls in the General Accounting and Budget policies. These are anticipated to be ready by November 30, 2020. In the meantime, the City Controller is taking steps so that adequate training is conducted to clear this finding.

Planned Implementation Date: June 30, 2021
Responsible Person(s): Craig J. Cornwell, City Manager and Sharon Rahban, City Controller

2019-033 – Turnover and Lack of Consistent Leadership (MW)

Criteria: An entity in a governmental environment must have adequate and consistent, competent leadership demonstrating and exercising oversight responsibility.

Condition: The City has been experiencing a high degree of management turnover for years, since at least 2010, which can result in a lack of consistent leadership, lack of operational stability, and inefficient provision of services to its citizens. Between January 1, 2010, and January 1, 2020, ten different individuals served as City Manager. In addition, the City also experienced numerous turnover of the City Controller position in past years.

The City plans to fill some vacant management positions; however, the position of the City's Human Resources Director has been vacant since at least 2011, significantly delaying the hiring process for critical positions within several City departments.

Cause: The high turnover has contributed to a lack of leadership and, in some cases, a lack of management oversight.

Effect or Potential Effect: In addition to potential effects noted above, for purposes of financial reporting, the City was unable to produce financial statements on a timely basis.

Repeat of a Prior-Year Finding: 2014-062A

Recommendation: In line with SCO's comment, we recommend the City evaluate its hiring practices for its upper management positions. In addition, the City should develop a succession plan that will help it to ensure continued leadership even during management turnover.

Management Response and Corrective Action Plan

City's Response: The City concurs with the recommendation.

Corrective Action Plan: The City will establish and document policies and procedures that include provisions for succession planning. For upper management, the City Manager and City Controller are appointed by the City Council, and all other upper management except the City Treasurer are hired by the City Manager. The COVID pandemic has contributed to the City's inability to facilitate the filling of positions to matching candidates.

Planned Implementation Date: June 30, 2022
Responsible Person(s): Craig J. Cornwell, City Manager and Sharon Rahban, City Controller

2019-034 – Information Technology (IT) Controls (MW)

Criteria: IT controls are a critical mechanism for ensuring the integrity of information systems and the reporting of the City's financial information. IT general controls (ITGC) are basic controls applied to IT systems. The objectives of ITGC are to ensure the integrity of data and processes that the IT systems support. ITGC have a pervasive effect on the City's system of internal control over financial reporting.

Condition: We evaluated the design and implementation of ITGCs and noted 23 findings. We communicated such findings to the IT department. Because those findings reveal vulnerabilities to, or otherwise increase the potential for an attack on, information technology systems of the City, the details of the findings will not be published in this document. They will however be communicated to the City Council via a separate confidential written report.

Repeat of a Prior-Year Finding: 2018-040, 2017-040

Recommendation: Our recommendations will be communicated to the City Council through a separate confidential written report.

Management Response and Corrective Action Plan

City's Response: The City's corrective action plan will be communicated to the City Council through a separate confidential written report. The auditors will follow up on the City's implementation of its corrective action plan in the next audit.

CITY OF COMPTON
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FEDERAL AWARDS

Finding No.	Federal Program Name	CFDA No.	Compliance Requirement(s)	Status of Corrective Action	Reason for Finding Recurrence
2018-001	Community Development Block Grants/Entitlement Grants	14.218	Reporting (MW, NC)	Not implemented; repeat finding 2019-001	Management turnover leading to insufficient implementation of controls for correction
2018-002	Community Development Block Grants/Entitlement Grants	14.218	Program Income - Identification, Determination, Assessment, and Recording (MW, NC)	Not implemented; repeat finding 2019-002	Management turnover; inadequate staff training
2018-003	Community Development Block Grants/Entitlement Grants	14.218	Program Income - CDBG Loan Listing (MW, NC)	Not implemented; repeat finding 2019-003	Management turnover; inadequate staff training
2018-004	Community Development Block Grants/Entitlement Grants; Section 8 Housing Choice Vouchers	14.218 14.871	Internal Controls over Compliance, Allowable Costs/Cost Principles - Unapproved Payroll Timesheets (MW)	Not implemented; non-repeat in relation to the federal program; however payroll financial statement finding per 2019-026	N/A
2018-005	Community Development Block Grants/Entitlement Grants	14.218	Allowable Costs/Cost Principles - Lack of Drawdown Supporting Documentation (MW, NC)	Partially implemented; related controls added to the City grants policy	N/A
2018-006	Community Development Block Grants/Entitlement Grants	14.218	Equipment and Real Property Management (MW, NC)	Not implemented; repeat finding 2019-004	Management turnover; inadequate staff training
2018-007	Section 8 Housing Choice Vouchers	14.871	Reporting (MW, NC)	Not implemented; repeat finding 2019-005	Management turnover; inadequate staff training
2018-009	Section 8 Housing Choice Vouchers	14.871	Special Tests and Provisions - Housing Quality Standards Inspections & HQS Enforcement (SD, NC)	Implemented	N/A
2018-010	Section 8 Housing Choice Vouchers	14.871	Special Tests and Provisions - Rolling Forward Equity Balances (MW, NC)	Not implemented; repeat finding 2019-006	Management turnover; inadequate staff training
2018-011	N/A; General finding	N/A	Filing of Single Audit Report (MW, NC)	Not implemented; repeat finding 2019-007	Management turnover
2018-012	N/A; General finding	N/A	Schedule of Expenditures of Federal Awards Preparation (MW)	Not implemented; repeat finding 2019-008	Management turnover; inadequate staff training

Findings for FYE 2013 and prior have been omitted in this report.

CITY OF COMPTON
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FEDERAL AWARDS (CONTINUED)

Finding No.	Federal Program Name	CFDA No.	Compliance Requirement(s)	Status of Corrective Action	Reason for Finding Recurrence
2017-001	Community Development Block Grants/Entitlement Grants	14.218	Reporting (MW, NC)	Not implemented; repeat finding 2019-001	Management turnover; inadequate staff training
2017-002	Community Development Block Grants/Entitlement Grants	14.218	Program Income - Identification, Determination, Assessment, and Recording (MW, NC)	Not implemented; repeat finding 2019-002	Management turnover; inadequate staff training
2017-003	Community Development Block Grants/Entitlement Grants	14.218	Program Income - CDBG Loan Listing (MW, NC)	Not implemented; repeat finding 2019-003	Management turnover; inadequate staff training
2017-004	Community Development Block Grants/Entitlement Grants	14.218	Subrecipient Monitoring (SD, NC)	Partially implemented. Contract templates for subrecipients to be updated. Compliance requirement no longer subject to the audit for the federal program upon application of the six maximum requirement approach per the 2019 Compliance Supplement.	N/A
2017-005	Community Development Block Grants/Entitlement Grants	14.218	Special Tests and Provisions - Citizen Participation (SD, NC)	Implemented	N/A
2017-006	Community Development Block Grants/Entitlement Grants	14.218	Special Tests and Provisions - Rehabilitation (SD, NC)	Implemented; however no rehabilitation performed on residential properties during FY 2019 related to CDBG.	N/A
2017-007	Section 8 Housing Choice Vouchers	14.871	Reporting (MW, NC)	Not implemented; repeat finding 2019-005	Management turnover; inadequate staff training
2017-008	Section 8 Housing Choice Vouchers	14.871	Special Tests and Provisions - Housing Quality Standards Inspections & HQS Enforcement (SD, NC)	Implemented	N/A
2017-009	Section 8 Housing Choice Vouchers	14.871	Special Tests and Provisions - Rolling Forward Equity Balances (MW, NC)	Not implemented; repeat finding 2019-006	Management turnover; inadequate staff training
2017-011	N/A; General finding	N/A	Filing of Single Audit Report (MW, NC)	Not implemented; repeat finding 2019-007	Management turnover
2017-012	N/A; General finding	N/A	Schedule of Expenditures of Federal Awards Preparation (MW)	Not implemented; repeat finding 2019-008	Management turnover; inadequate staff training

Findings for FYE 2013 and prior have been omitted in this report.

CITY OF COMPTON
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FEDERAL AWARDS (CONTINUED)

Finding No.	Federal Program Name	CFDA No.	Compliance Requirement(s)	Status of Corrective Action	Reason for Finding Recurrence
2016-001	Community Development Block Grants/Entitlement Grants	14.218	Allowable Costs/Cost Principles (SD)	Not implemented	N/A
2016-003	HOME Investment Partnership Program	14.239	Allowable Costs/Cost Principles; Reporting (MW, NC)	Not implemented; no longer an administered federal program	N/A
2015-002	Community Development Block Grants/Entitlement Grants	14.218	Equipment and Real Property Management (MW, NC)	Not implemented; repeat finding 2019-004	Management turnover; inadequate staff training
2015-004	Community Development Block Grants/Entitlement Grants	14.218	Cash Management (SD, NC)	Not implemented; related controls to be added to the City grants policy. Compliance requirement no longer subject to the audit for the federal program upon application of the six maximum requirement approach per the 2019 Compliance Supplement	N/A
2015-005	Community Development Block Grants/Entitlement Grants	14.218	Internal Control over Compliance related to Control Environment and Control Activities (SD)	Not implemented; related controls to be added to the City accounts payable policy	N/A
2015-009	Section 8 Housing Choice Vouchers	14.871	General Program (SD, NC)	Implemented; finding was an isolated incident	N/A
2015-010	N/A; General finding	N/A	Filing of Single Audit Report	Not implemented; repeat finding 2019-007	Management turnover
2014-004	Community Development Block Grants/Entitlement Grants	14.218	Subrecipient Monitoring (MW, NC)	Not implemented; contract templates for subrecipients to be updated. Compliance requirement no longer subject to the audit for the federal program upon application of the six maximum requirement approach per the 2019 Compliance Supplement.	N/A
2014-006	Community Development Block Grants/Entitlement Grants	14.218	Procurement and Suspension and Debarment (MW, NC)	Not implemented; related controls to be included in the City purchasing policy. Compliance requirement no longer subject to the audit for the federal program upon application of the six maximum requirement approach per the 2019 Compliance Supplement.	N/A

Findings for FYE 2013 and prior have been omitted in this report.

(**MW**) – Material Weakness **(SD)** – Significant Deficiency **(BP)** – Best Practice **(NC)** – Noncompliance

CITY OF COMPTON
SCHEDULE OF PRIOR YEAR FINDINGS – FINANCIAL STATEMENTS

2018-013 – Bank Reconciliations (MW)

Criteria: Bank reconciliations should be prepared and reviewed in a timely manner.

Condition: Bank reconciliations are not prepared and reviewed in a timely manner. Bank reconciliations for the period from August 2014 through May 2018 were not prepared. Bank reconciliations for June 30, 2018 were prepared during calendar year 2019. An embezzlement of $3.72 million discovered in 2016 was not recorded until October 2019.

Cause: Weakness in internal control over reconciliations. Due to the vacancies in key positions in the City Controller's Office, staff fell behind on the monthly reconciliations of the over 30 bank accounts.

Effect or Potential Effect: An embezzlement remained undetected for years. Also, cash could be materially misstated.

Repeat of a Prior-Year Finding: 2017-013, 2016-009, 2015-012, 2014-045

Recommendation: The City should have City employees trained to perform monthly bank reconciliations for all City bank accounts. Subsequently, a documented review and approval of the bank reconciliations should be performed in a timely manner to ensure that any discrepancies are discovered and addressed appropriately.

Management Response and Corrective Action Plan

City's Response: The City concurs with the recommendation.

Corrective Action Plan: The City will establish and document policies and procedures designed to serve as a system of internal controls required by OMB's Uniform Guidance (2CFR 200) in the Bank Reconciliation policy. In the meantime, the City Controller's Office is examining current processes over bank reconciliations and the proper assignments of responsibilities at key dates each month to be able to catch up on timely preparation by fiscal year 2022.

Planned Implementation Date: June 30, 2022
Responsible Person(s): Sharon Rahban, City Controller

E+P's Comment 2019: Repeat finding 2019-009.

2018-014 – Cash – Negative Balances (MW)

Criteria: Negative cash balances occur within a fund when there is mismatch of expenditures and revenue. Since the City pools its cash, other funds (usually the General Fund) will cover temporary negative cash balances through interfund payable/receivable accounts. Interfund payable/receivable accounts should be settled within the current period.

Condition: The City's general ledger reported negative cash balances at June 30, 2018 in excess of $17 million for various funds including special revenue funds, internal service funds, and debt service funds. These negative cash balances are not appropriate due to the nature of the funds. Interfund payable/receivable amounts were not recorded when necessary.

Cause: Weakness in internal control over reconciliations. Due to the vacancies in key positions in the City Controller's Office, staff fell behind on the monthly reconciliations and monitoring of cash balances.

Effect or Potential Effect: Cash could be materially misstated. Operating cash deficiencies for amounts not properly recorded, reimbursed or transferred.

Repeat of a Prior-Year Finding: No

Recommendation: We recommend the City review cash balances on a regular basis and prepare a plan to eliminate these negative cash balances. Policies and procedures need to be put in place for the regular review of cash balances and the initiation of transfers for reimbursements as needed.

Management Response and Corrective Action Plan

City's Response: The City concurs with the recommendation.

Corrective Action Plan: The City will establish and document policies and procedures designed to serve as a system of internal controls required by OMB's Uniform Guidance (2CFR 200) in the Bank Reconciliation policy. In the meantime, the City Controller's Office is currently researching on prior year accounting errors that are to be corrected, including any for the fiscal 2020 audit.

Planned Implementation Date: June 30, 2021
Responsible Person(s): Craig J. Cornwell, City Manager and Sharon Rahban, City Controller

E+P's Comment 2019: Repeat finding 2019-010.

2018-015 – Accounts Receivable Roll Forward Balances (SD)

Criteria: Accounts receivable balances should be properly tracked, recorded, and reviewed in a timely manner to ensure general ledger balances reflect actual amounts receivable.

Condition: The beginning balance in accounts receivable included five accounts with balances totaling $902,165, which had not changed in five years. Upon investigation, four of these accounts should have been reduced to $0 in a prior year, and no support could be found for the fifth one.

Cause: Lack of timely review of accounts receivable caused the City to roll forward balances that should have been cleared.

Effect or Potential Effect: Accounts receivable were misstated by at least $646,677.

Repeat of a Prior-Year Finding: No

Recommendation: The City should implement and maintain procedures to periodically review balance sheet general ledger accounts to ensure that prior period accruals are properly reversed, if necessary, and to review account balances for reasonableness.

Management Response and Corrective Action Plan

City's Response: The City concurs with the recommendation.

Corrective Action Plan: The City will establish and document policies and procedures designed to serve as a system of internal controls required by OMB's Uniform Guidance (2CFR 200) in the policies. These are anticipated to be ready by November 30, 2020. In the meantime, training is underway address this finding for the fiscal year 2020 audit.

Planned Implementation Date: June 30, 2021
Responsible Person(s): Sharon Rahban, City Controller

E+P's Comment 2019: Repeat finding 2019-011.

2018-016 – Notes and Loans Receivable (MW)

Criteria: Management is responsible for establishing and maintaining effective internal control over financial reporting. Internal controls should allow management or employees in the normal course of performing their assigned functions to prevent or detect material misstatements in the financial reporting of all funds. Subsidiary record for notes and loans receivable should be maintained and reconciled to the general ledger on a monthly basis.

Condition: The City did not have procedures in place for a complete and centralized system to track note and loan receivable balances. Payments related to notes and loans to the City are irregular and sporadic nature and are not tracked accurately and regularly with detailed review and approval of loan schedules.

Cause: The City does not have designed internal control procedures for identifying and recording of all notes and loans receivable transactions that would contain a sufficient detail review process to identify loan-related activities throughout the year.

Effect or Potential Effect: There is a potential to miss timely demands related to the notes and loans receivable that are due to the City. Balances of notes receivable may be outdated and are not reported at their net realizable value. Failure to implement a timely and effective reconciliation process over notes and loans receivable could increase the risk of fraud, waste, and mismanagement of funds.

Repeat of a Prior-Year Finding: No

Recommendation: The City should develop and implement procedures for reviewing general account balances in detail regularly throughout the year in addition to implementing a centralized note and loan schedules for an accurate tracking and reconciliation of balances.

Management Response and Corrective Action Plan

City's Response: The City concurs with the recommendation.

Corrective Action Plan: The City will establish and document policies and procedures designed to serve as a system of internal controls required by OMB's Uniform Guidance (2CFR 200). In the meantime, the City Controller proposes to implement the accounts receivable module of OneSolution to assist with the tracking and recording of notes and loans receivable. The budget enhancement for that will be included for fiscal year 2022. Currently, the City Controller's Office is working with the Grants Division and City Manager's Office to gather the necessary resources to prepare the complete list of outstanding loan receivables by the fiscal year 2020 audit in time for the implementation of the accounts receivable module.

Planned Implementation Date: June 30, 2021
Responsible Person(s): Aubrey Relf, Grants Manager, and Sharon Rahban, City Controller

E+P's Comment 2019: Repeat finding 2019-012.

2018-017 – First Time Home Buyer (FTHB) Loan Program (MW)

Criteria: First Time Home Buyer loans are to be recorded once awarded, and tracked for repayment. The City's First Time Homebuyers Program Guidelines state that moderate income FTHB loans are limited to $100,000.

Condition: First time home buyer loan programs are not adequately tracked. Loan payments have not been properly applied to individual loans. The amount of collections during each year were recorded on the client's schedule in the year received. As a result, the actual loan balance for any specific loan is not known. There were numerous moderate income loans awarded between 2007 and 2011 that exceeded the maximum of $100,000. The excess loan awards totaled $2.8 million in those years.

Cause: Lack of timely tracking of loan payments and significant turnover in the Controller's Office. Inadequate staff training and ineffective controls over loan program.

Effect or Potential Effect: Loans receivable could be materially misstated, as well as the related income statement accounts including revenue and loan write-off expense. Loans totaling $2.8 million were disbursed that did not comply with the City's program guidelines.

Repeat of a Prior-Year Finding: No

Recommendation: The City should have designated staff who are familiar with the First Time Home Buyer Loan Program administering the program and to properly account for any loans receivable outstanding. In addition, the City should have designated staff to ensure that the City is in compliance with the program guidelines.

Management Response and Corrective Action Plan

City's Response: The City concurs with the recommendation.

Corrective Action Plan: The Grants Division has hired a consulting firm to assist with the administration and implementation of the FTHB and Rehab programs. Additionally, the consulting firm will provide technical assistance and training to Grants Division staff on the correct implementation of the FTHB program in compliance with all grant regulations.

Planned Implementation Date: Implemented December 17, 2019
Responsible Person(s): Aubrey Relf, City Grants Manager, and Sharon Rahban, City Controller

E+P's Comment 2019: To be tested.

2018-018 – Grants Receivable (MW)

Criteria: Management is responsible for establishing and maintaining effective internal control over financial reporting. Internal controls should allow management or employees in the normal course of performing their assigned functions to prevent or detect material misstatements in the financial reporting of all funds. Grant receivables should be reviewed and adjusted on a regular period basis. Reimbursement of grant expenditures and drawdowns receivable need to be made timely and recorded in the general ledger as grants receivable and relieved once the funds have been collected.

Condition: The City did not have procedures in place for detailed preparation, review, and approval of its grants receivable balances. There is no grant schedule for an adequate and centralized tracking of the activity of grants awarded to the City, and supporting documentation such as effective grant agreements were unable to be provided. Moreover, certain grant receivable balances have been rolled forward since at least from June 30, 2014, and indicate the potential for the receivable balances to be materially misstated.

Cause: The City does not have internal control procedures for identifying and recording of all grant-related transactions that would contain a sufficient detail review process to identify grant-related activities throughout the year.

Effect or Potential Effect: Failure to implement a timely and effective reconciliation process over grants could increase the risk of fraud, waste, and mismanagement of funds. Inaccurate reporting of grant-related balances could affect the City's ability to effectively monitor budget executions and exposes itself to possible grant sanctions.

Repeat of a Prior-Year Finding: No

Recommendation: Procedures over accounting for grants should be strengthened in order to accurately present grant activity and the related grant receivable and unearned revenue account balances. The City should implement a process, where all grant-related schedules are prepared and maintained, subject to detailed regular review and approval throughout the year.

Management Response and Corrective Action Plan

City's Response: The City concurs with the recommendation.

Corrective Action Plan: The Grants Division will utilize its new procedures manual processes for Loan Receivables, SEFA preparation and centralized grants system and database to assist the City Controller's Office with the annual reconciliation of all Grants receivables and unearned Grant revenue balances.

Planned Implementation Date: June 30, 2021
Responsible Person(s): Aubrey Relf, City Grants Manager, and Sharon Rahban, City Controller

E+P's Comment 2019: To be tested.

2018-019 – Utilities Allowance for Doubtful Accounts (SD)

Criteria: Allowance for doubtful accounts should be assessed on a regular basis and adjusted to reflect amounts expected to be uncollectible.

Condition: The allowances for doubtful accounts for the proprietary funds have not been adjusted since fiscal year 2014. The City's allowance calculation indicates that balances are understated by approximately $270,000 in total for all proprietary funds.

Cause: Lack of timely review of accounts and lack of staff training. Accounts were not adjusted to reflect computed estimate of uncollectable balances.

Effect or Potential Effect: The allowance for doubtful accounts could be materially misstated, causing accounts receivable and revenue to be materially overstated.

Repeat of a Prior-Year Finding: No

Recommendation: The City should implement and maintain procedures to periodically review balance sheet general ledger accounts to ensure that balances are properly adjusted.

Management Response and Corrective Action Plan

City's Response: The City concurs with the recommendation.

Corrective Action Plan: The City will establish and document policies and procedures designed to serve as a system of internal controls required by OMB's Uniform Guidance (2CFR 200). In the meantime, the City Controller's Office is conducting training over utilities allowance for doubtful accounts, and anticipate to correct this finding for the fiscal year 2020 audit.

Planned Implementation Date: June 30, 2021
Responsible Person(s): Brian Dickinson, Water Department General Manager and Sharon Rahban, City Controller

E+P's Comment 2019: Repeat finding 2019-013.

2018-020 – Prepaid Expenses and Roll Forward Balances (SD)

Criteria: Prepaid expenses should be initially be recorded as a debit, then credited once the expense is incurred.

Condition: Several prepaid expense accounts have credit balances. The beginning balance in some prepaid expense accounts was not cleared within the fiscal year and a standing balance rolled forward from the prior year.

Cause: Prepaid expense accounts were not reviewed in a timely manner, and staff was not appropriately trained.

Effect or Potential Effect: Prepaid expenses were materially misstated.

Repeat of a Prior-Year Finding: No

Recommendation: The City should implement and maintain procedures to periodically review balance sheet general ledger accounts to ensure that prior period accruals were properly reversed and not posted against incorrect accounts.

Management Response and Corrective Action Plan

City's Response: The City concurs with the recommendation.

Corrective Action Plan: The City will establish and document policies and procedures designed to serve as a system of internal controls required by OMB's Uniform Guidance (2CFR 200). In the meantime, the City Controller's Office is conducting training over prepaid expenses and roll forward balances, and anticipate to correct this finding for the fiscal year 2020 audit.

Planned Implementation Date: June 30, 2021
Responsible Person(s): Brian Dickinson, Water Department General Manager and Sharon Rahban, City Controller

E+P's Comment 2019: Repeat finding 2019-014.

2018-021 – Interfund Balances (SD)

Criteria: Interfund balances should be recorded as transactions occur, and reviewed and reconciled in a timely manner.

Condition: Interfund balances such as Due To/Due From have not been adjusted since fiscal year 2016.

Cause: Lack of timely review of account balances, and significant turnover in Controller's Office staff.

Effect or Potential Effect: Misstatement of account balances and or fund balances. Operating cash deficiencies for amounts not properly cleared or transferred.

Repeat of a Prior-Year Finding: No

Recommendation: The City should have designated staff to track interfund balances and ensure these balances are reconciled.

Management Response and Corrective Action Plan

City's Response: The City concurs with the recommendation.

Corrective Action Plan: The City will establish and document policies and procedures designed to serve as a system of internal controls required by OMB's Uniform Guidance (2CFR 200) in the General Accounting policy. These are anticipated to be ready by November 30, 2020. In the meantime, the City Controller has provided continuous training to staff, so that necessary reconciliations and interfund errors are corrected on time for the fiscal year 2020 audit.

Planned Implementation Date: June 30, 2021
Responsible Person(s): Sharon Rahban, City Controller

E+P's Comment 2019: Repeat finding 2019-017.

2018-022 – Interfund Balances – Advances to/from Repayment (MW)

Criteria: The City should adhere to the terms specified by resolution regarding the repayment of interfund borrowing.

Condition: The City has not continued the payments on the advances payable balances per the repayment agreement adopted with Resolution 23,970.

Cause: The City's general fund had insufficient cash available to comply with the agreement.

Effect or Potential Effect: Noncompliance with Resolution 23,970. Cash is not available for its intended purposes.

Repeat of a Prior-Year Finding: No

Recommendation: We recommend the City review the repayment plan and develop a realistic plan to repay borrowed funds.

Management Response and Corrective Action Plan

City's Response: The City concurs with the recommendation.

Corrective Action Plan: The City will establish and document policies and procedures designed to implement the recommendation. In the meantime, the City Controller's Office is taking necessary steps to address the above noted finding by:

- Researching the history of the negative fund balance in the General Fund to determine whether any adjustments made in the past has caused this error;
- Preparing a full-cost allocation plan to analyze the history of General Fund activity of payments and overpayments that may include identification of reimbursements due to the General Fund on behalf of other funds; and
- Assisting the City Manager's Office on revenue-generating initiatives.

Planned Implementation Date: June 30, 2022
Responsible Person(s): Craig J. Cornwell, City Manager and Sharon Rahban, City Controller

E+P's Comment 2019: Repeat finding 2019-018.

2018-023 – Capital Assets (MW)

Criteria: Management is responsible for establishing and maintaining effective internal control over financial reporting. Internal controls should allow management or employees in the normal course of performing their assigned functions to prevent or detect material misstatements in the financial reporting of all funds.

Complete capital asset records should be maintained and an inventory of capital assets should be performed periodically.

Condition: The City has not maintained its capital asset records for several years. Depreciation was not been recorded and there have been no additions to capital assets or retirements of capital assets in the general ledger since 2015. In addition, the City does not have a formal process for capitalizing assets and the City was unable to provide documentation of when the last physical inventory of capital assets was performed.

Cause: The City has experienced significant turnover in the Controller's Office. When a staff person leaves, those duties may not be reassigned. In addition, City staff appear to have weak governmental accounting knowledge and lack of guidance from supervisors.

Effect or Potential Effect: Capital assets might be significantly misstated.

Repeat of a Prior-Year finding: 2015-018, 2015-019, 2015-020, 2014-060A, 2014-087B, 2013-001

Recommendation: We recommend that the capital asset subsidiary ledger and the general ledger be brought up to date. It may be necessary to hire an outside company to prepare a complete inventory of assets and to establish the estimated cost basis and date of acquisition, if sufficient records are not available to reconstruct the asset detail. In addition, we recommend that capital asset software be obtained to maintain accountability of capital assets and to compute depreciation. Currently, Excel spreadsheets are being used for this purpose.

We also recommend the City develop and implement monthly and year-end closing checklists for staff to use as a guide. The City could require staff sign off on steps as completed and a supervisor approval of the completed checklist on a monthly basis. Such a checklist would prevent routine entries from being forgotten.

Management Response and Corrective Action Plan

City's Response: The City concurs with the recommendation.

Corrective Action Plan: The City will establish and document policies and procedures designed to serve as a system of internal controls required by OMB's Uniform Guidance (2CFR 200) in the policies. These are anticipated to be ready by November 30, 2020. In the meantime, the City has started on the planning for the capital asset valuation and implementation of the capital assets module of OneSolution.

Planned Implementation Date: June 30, 2021
Responsible Person(s): Sharon Rahban, City Controller

E+P's Comment 2019: Repeat finding 2019-015.

2018-024 – Land Held for Resale (SD)

Criteria: Land held for resale should be tracked and regularly updated in the accounting records.

Condition: The City was unable to provide a listing of properties or any supporting documentation to support the carrying value. The account for Land Held for Resale has not been updated in fiscal year 2018.

Cause: Land held for resale of $16,137,052 in the governmental activities and $17,569,190 in the Successor Agency private-purpose trust fund was not reviewed in a timely manner, and staff was not appropriately trained.

Effect or Potential Effect: Land held for resale could be materially misstated.

Repeat of a Prior-Year Finding: No

Recommendation: The City should have a designated staff to keep track of land held for resale and regularly update and maintain the schedule.

Management Response and Corrective Action Plan

City's Response: The City concurs with the recommendation.

Corrective Action Plan: The City will establish and document policies and procedures designed to serve as a system of internal controls required by OMB's Uniform Guidance (2CFR 200). In the meantime, the City Controller's Office is currently taking steps to complete the finding above by taking inventory, updating, and reconciling the land held for resale schedule to the general ledger on time for the fiscal year 2020 audit.

Planned Implementation Date: June 30, 2021
Responsible Person(s): Sharon Rahban, City Controller

E+P's Comment 2019: Repeat finding 2019-016.

2018-025 – Accounts Payable Supporting Documentation (SD)

Criteria: Supporting documentation should be retained for all accounts payable transactions.

Condition: The City was unable to provide requested supporting documentation for four items from accounts payable and subsequent disbursements.

Cause: The City has experienced significant turnover in the Controller's Office. Supporting documentation was either not retained or it was not filed appropriately.

Effect or Potential Effect: Accounts payable and the related income statement accounts could be misstated.

Repeat of a Prior-Year Finding: No

Recommendation: The City should implement and maintain procedures to ensure that appropriate supporting documents are retained and accessible.

Management Response and Corrective Action Plan

City's Response: The City concurs with the recommendation.

Corrective Action Plan: The Controller's Office has restructured the entire Accounts Payable filing system. The new system makes it easy to produce supporting documentation at a moment's notice. The Accounts Payable staff is charged with maintaining this system. As the process moves along, new policies & procedures are being implemented. The City will document these policies and procedures which will be designed to serve as a system of internal controls required by OMB's Uniform Guidance (2 CFR 200).

Planned Implementation Date: June 30, 2020
Responsible Person(s): Sharon Rahban, City Controller

E+P's Comment 2019: To be tested.

2018-026 – Accrued Interest (SD)

Criteria: Interest related to fiduciary fund long-term debt should be accrued, and interest related to governmental fund long-term debt should not be accrued, according to governmental GAAP. Accrued interest related to governmental fund long-term debt should be included in the government-wide presentation of the financial statements. Accruals should be reversed in the following fiscal year.

Condition: The City did not accrue interest for fiduciary fund related long-term debt in accordance with governmental GAAP. The City accrued interest for governmental fund related long-term debt, which is not in accordance with governmental GAAP. The City did not account for accrued interest related to governmental fund long-term debt for government-wide presentation. In addition, the fiscal year 2015 accrual had not been reversed.

Cause: Inadequate staff training and ineffective supervision and review. The staff member preparing the accruals did not know that interest should be accrued on an accretion bond.

Effect or Potential Effect: Accrued interest and interest expense was misstated.

Repeat of a Prior-Year Finding: No

Recommendation: The City should ensure that its staff is provided with the appropriate training in order to successfully perform their assigned duties, including appropriate governmental accounting training. In addition, work performed by staff members should be reviewed by someone with a firm understanding of governmental GAAP.

Management Response and Corrective Action Plan

City's Response: The City concurs with the recommendation.

Corrective Action Plan: The City will establish and document policies and procedures designed to serve as a system of internal controls required by OMB's Uniform Guidance (2CFR 200) in the General Accounting policy detailing the understanding of the treatment between modified accrual and full accrual accounting. That will ensure interest payable is properly recorded in the correct account group instead of in the Debt Service Fund. These are anticipated to be ready by November 30, 2020.

Planned Implementation Date: June 30, 2021
Responsible Person(s): Sharon Rahban, City Controller

E+P's Comment 2019: Repeat finding 2019-019.

2018-027 – Accrued Payroll (MW)

Criteria: Management is responsible for establishing and maintaining effective internal control over financial reporting. Internal controls should allow management or employees in the normal course of performing their assigned functions to prevent or detect material misstatements in the financial reporting of all funds.

Accrued payroll should be reversed at the beginning of the following fiscal year.

Condition: The City did not reverse fiscal year 2015 accrued payroll balances, which resulted in a $1 million prior period adjustment.

Cause: Inadequate staff training and ineffective supervision and review.

Effect or Potential Effect: Accrued payroll was materially misstated. In addition, the budget process could be affected due to an inaccurate balance in accrued payroll.

Repeat of a Prior-Year Finding: No

Recommendation: The City should implement and maintain procedures to periodically review balance sheet general ledger accounts to ensure that prior period accruals were properly reversed.

Management Response and Corrective Action Plan

City's Response: The City concurs with the recommendation.

Corrective Action Plan: The City will establish and document policies and procedures designed to serve as a system of internal controls required by OMB's Uniform Guidance (2CFR 200) in the General Accounting policy. These are anticipated to be ready by November 30, 2020. In the meantime, the City Controller will provide training to staff and plans to correct this audit area for the fiscal year 2020 audit.

Planned Implementation Date: June 30, 2021
Responsible Person(s): Sharon Rahban, City Controller

E+P's Comment 2019: In progress.

2018-028 – Accrued Liabilities (MW)

Criteria: Management is responsible for establishing and maintaining effective internal control over financial reporting. Internal controls should allow management or employees in the normal course of performing their assigned functions to prevent or detect material misstatements in the financial reporting of all funds.

Liabilities incurred but not paid as of year-end should be accrued as a liability.

Condition: Subsequent disbursements totaling in excess of $600,000 were identified that pertained to fiscal year 2018 that were not included in accounts payable or accrued liabilities.

Cause: The City does not have an effective system to capture and record accounts payable and accrued liabilities.

Effect or Potential Effect: Accrued liabilities were materially understated.

Repeat of a Prior-Year Finding: 2015-029, 2013-001 (2. e.)

Recommendation: The City should implement and maintain procedures to identify and record accrued liabilities. This may require additional software or training on the use of current software.

Management Response and Corrective Action Plan

City's Response: The City concurs with the recommendation.

Corrective Action Plan: The City will establish and document policies and procedures designed to serve as a system of internal controls required by OMB's Uniform Guidance (2CFR 200) in the General Accounting policy. These are anticipated to be ready by November 30, 2020. In the meantime, the City is working with OneSolution to establish settings and make this an automated procedure. In addition, the City Controller is planning to conduct training over the treatment and recording of accrued liabilities and plans to have this audit area corrected and completed for the fiscal year 2020 audit.

Planned Implementation Date: June 30, 2021
Responsible Person(s): Sharon Rahban, City Controller

E+P's Comment 2019: Repeat finding 2019-020.

2018-029 – Retentions Payable (SD)

Criteria: Management is responsible for establishing and maintaining effective internal control over financial reporting. Internal controls should allow management or employees in the normal course of performing their assigned functions to prevent or detect material misstatements in the financial reporting of all funds.

Retention payable should be credited when incurred, and debited when paid.

Condition: Retention payable balances have not been adjusted since fiscal year 2016.

Cause: Inadequate staff training and ineffective supervision and review.

Effect or Potential Effect: Retention payable could be materially misstated, causing expenses and related balance sheet accounts to be materially misstated as well.

Repeat of a Prior-Year Finding: No

Recommendation: The City should have the staff assigned to contract management also track retention payable. Retention payable should also be reviewed, analyzed, and adjusted to be more relevant to the ending balance of fiscal year 2018.

Management Response and Corrective Action Plan

City's Response: The City concurs with the recommendation.

Corrective Action Plan: The City will establish and document policies and procedures designed to serve as a system of internal controls required by OMB's Uniform Guidance (2CFR 200) in the General Accounting and Accounts Payable policies. These are anticipated to be ready by November 30, 2020. In the meantime, the City Controller will conduct training to staff to address this audit area.

Planned Implementation Date: June 30, 2021
Responsible Person(s): Sharon Rahban, City Controller

E+P's Comment 2019: In progress.

2018-030 – Payables and Expenses – Deposits (SD)

Criteria: Deposit balances should be properly tracked, recorded, and reviewed in a timely manner to ensure general ledger balances reflect actual deposits.

Condition: Prior-year deposits balance carried forward to FY18. Deposits lack status reports of occurrence and revenue clarification.

Cause: Lack of timely review and tracking of deposits.

Effect or Potential Effect: Deposit balances may be materially misstated, and there could be potential unrecognized revenues.

Repeat of a Prior-Year Finding: No

Recommendation: The City should maintain a deposits schedule and review it periodically to ensure that revenues are recorded in the correct period.

Management Response and Corrective Action Plan

City's Response: The City concurs with the recommendation.

Corrective Action Plan: The City will establish and document policies and procedures designed to serve as a system of internal controls required by OMB's Uniform Guidance (2CFR 200) in the General Accounting policy. These are anticipated to be ready by November 30, 2020. In the meantime, the City Controller will conduct training to staff to address this audit area.

Planned Implementation Date: June 30, 2021
Responsible Person(s): Craig J. Cornwell, City Manager and Sharon Rahban, City Controller

E+P's Comment 2019: In progress.

2018-031 – Payables and Expenses – Special Revenue Funds Expenditures are not Budgeted (MW)

Criteria: The City should budget for all of its funds to ensure adequate short- and long-term sound financial planning to effectively manage fiscal operations.

Condition: The City does not budget their expenditures for all the special revenue funds. There is no monitoring of carryover balances and expenditures.

Cause: Lack of oversight in the implementation of proper and accurate budgetary process over Special Revenue Funds expenditures.

Effect or Potential Effect: Overspending of City funds resulting to reduced resources for intended purposes of the city's ongoing operations.

Repeat of a Prior-Year Finding: No

Recommendation: We recommend the City review all active funds and for current activities and include them in the annual budget for appropriations and monitoring of expenditures. The City should update their policies and procedures for annual budget preparations.

Management Response and Corrective Action Plan

City's Response: The City concurs with the recommendation.

Corrective Action Plan: The City will establish and document policies and procedures designed to serve as a system of internal controls required by OMB's Uniform Guidance (2CFR 200) in the Budget policy. These are anticipated to be ready by November 30, 2020.

Planned Implementation Date: June 30, 2021
Responsible Person(s): Craig J. Cornwell, City Manager and Sharon Rahban, City Controller

E+P's Comment 2019: In progress.

2018-032 – Tax Revenues Earned but Unavailable (MW)

Criteria: For governmental funds, tax revenues receivable that have not been received during the measurement period should be recorded as earned but unavailable.

Condition: The amount recorded as tax revenues earned but unavailable as of June 30, 2018 was overstated by $4.9 million, because an entry was made to record the current year unavailable tax revenue, but the prior year balance had not been reversed.

Cause: Year-end accruals should generally be reversed at the beginning of the next fiscal year. When accruals or deferral are recorded, the ending general ledger balance should be reviewed to ensure that the ending balance is correct. Inadequate staff training and ineffective supervision and review.

Effect or Potential Effect: Revenue earned by unavailable and the related revenue accounts could be materially misstated.

Repeat of a Prior-Year Finding: No

Recommendation: The City should implement and maintain procedures to review year-end accruals and deferrals, including tax revenue earned but unavailable to ensure that ending balances recorded are appropriate.

E+P's Comment 2019: Completed.

2018-033 – Deferred Grant Revenues (SD)

Criteria: Management is responsible for establishing and maintaining effective internal control over financial reporting. Internal controls should allow management or employees in the normal course of performing their assigned functions to prevent or detect material misstatements in the financial reporting of all funds. Deferred grant revenues should be recorded or adjusted as part of year-end closing procedures.

Condition: Deferred grant revenues have not been adjusted since fiscal year 2014. Actual current year deferred grant revenues are unknown.

Cause: There appears to be a lack of communication between the Grants Division and Controller's Office. No one was assigned to track and record appropriate transactions. Year-end accruals are not properly reversed at the beginning of the next fiscal year. Inadequate staff training and ineffective supervision and review.

Effect or Potential Effect: Deferred grant revenues and the related revenue accounts could be materially misstated.

Repeat of a Prior-Year Finding: No

Recommendation: The Controller's Office and Grants Division should work closely together to ensure proper communication between each other. We recommend the City analyze the fiscal year 2014 balance and determine if any of the balance would still be considered deferred grant revenue. Otherwise, the balance should be adjusted to reflect fiscal year 2018 balances.

Management Response and Corrective Action Plan

City's Response: The City concurs with the recommendation.

Corrective Action Plan: The City will establish and document policies and procedures designed to serve as a system of internal controls required by OMB's Uniform Guidance (2CFR 200) in the General Accounting policy. These are anticipated to be ready by November 30, 2020. In the meantime, the City Controller's Office is addressing the finding above by updating and reconciling the grants receivable schedule to the general ledger on time for the fiscal year 2020 audit. In addition, the City Controller proposes to implement the accounts receivable module of OneSolution to assist with the tracking and recording of grants receivable. The budget enhancement for that will be included for fiscal year 2022.

Planned Implementation Date: June 30, 2022
Responsible Person(s): Sharon Rahban, City Controller

E+P's Comment 2019: Repeat finding 2019-022.

2018-034 – Bonds Payable (SD)

Criteria: Management is responsible for establishing and maintaining effective internal control over financial reporting. Internal controls should allow management or employees in the normal course of performing their assigned functions to prevent or detect material misstatements in the financial reporting of all funds.

Payments on accretion bonds should be allocated between the portion that is a reduction of long-term debt and the portion that represents interest expense.

Condition: The City understated its liability for the 1995C Accretion Bonds. The full amount of the debt service payment was applied to principal and no interest expense was recorded on the bond for the fiscal years ended June 30, 2016, 2017 and 2018.

Cause: Inadequate staff training and ineffective supervision and review.

Effect or Potential Effect: Long-term debt and interest expense were understated.

Repeat of a Prior-Year Finding: No

Recommendation: Payments on the 1995C Accretion Bonds should be properly recorded as interest and principal in accordance with the accreted value schedule.

Management Response and Corrective Action Plan

City's Response: The City concurs with the recommendation.

Corrective Action Plan: The City will establish and document policies and procedures designed to serve as a system of internal controls required by OMB's Uniform Guidance (2CFR 200) in the General Accounting policy. These are anticipated to be ready by November 30, 2020. In the meantime, the City Controller will provide training to staff and plans to correct this audit area for the fiscal year 2020 audit.

Planned Implementation Date: June 30, 2021
Responsible Person(s): Sharon Rahban, City Controller

E+P's Comment 2019: In progress.

2018-035 – Bond Refunding (MW)

Criteria: Management is responsible for establishing and maintaining effective internal control over financial reporting. Internal controls should allow management or employees in the normal course of performing their assigned functions to prevent or detect material misstatements in the financial reporting of all funds. Infrequent transactions, such as a bond defeasance, should receive extra supervision and review to ensure proper recording.

Condition: Proceeds from a bond defeased in a prior year were recorded as an asset in City records rather than as a source of funds. In addition, the liability was not removed from the government wide debt accounts.

Cause: Lack of supervision and review of a significant, infrequent transaction.

Effect or Potential Effect: Public finance authority assets and fund balance were overstated by $34.4 million and government wide assets and long-term debt were overstated.

Repeat of a Prior-Year Finding: No

Recommendation: The City should ensure that infrequent transactions are reviewed in detail by individuals with a firm understanding of GASB standards.

Management Response and Corrective Action Plan

City's Response: The City concurs with the recommendation.

Corrective Action Plan: The City will establish and document policies and procedures designed to serve as a system of internal controls required by OMB's Uniform Guidance (2CFR 200) in the General Accounting policy. These are anticipated to be ready by November 30, 2020. In the meantime, the City Controller will provide training to staff based on the GFOA GAAFR/Blue Book, and plans to correct this audit area for the fiscal year 2020 audit.

Planned Implementation Date: June 30, 2021
Responsible Person(s): Sharon Rahban, City Controller

E+P's Comment 2019: In progress.

2018-036 – Bond Compliance (MW)

Criteria: Governmental entities are subject to a variety of laws, regulations, and contracts that have a direct and material effect on their financial statements. Accordingly, governmental entities should establish a system of internal control over compliance to ensure compliance with laws, regulations, and contracts. Personnel assigned to monitor compliance should have the appropriate knowledge and experience related to the requirements.

Condition: The City and the Successor Agency were not in compliance with reporting provisions of the indentures for various bonds for the fiscal year ended June 30, 2018 because the City's audited financial statements were not issued within 180 to 270 days of the year-end. Additionally the City and the Successor Agency were not in compliance with continuing disclosure requirements under SEC Rule 15c2-12. Pursuant to Section 5.11 (c) of the Indenture dated July I, 1993 with US Bank, the City is required to cause the independent certified public accountant to deliver to the City and the trustee a certificate showing that during such fiscal year the City was in compliance with its rate covenant as set forth in Section 5.09. The City has not submitted such certificate for fiscal year 2018 and as such was not in compliance with Section 5. 11 (c) of the Indenture.

Cause: Weaknesses in internal control over compliance.

Effect or Potential Effect: Bonds could be deemed in default and could become due and payable.

Repeat of a Prior-Year Finding: 2013-003

Recommendation: We recommend the City develop, document, and implement policies and procedures to ensure the City's compliance with applicable laws, regulations, and contracts. Personnel assigned to monitor compliance should have the appropriate knowledge and experience with requirements.

Management Response and Corrective Action Plan

City's Response: The City concurs with the recommendation.

Corrective Action Plan: The City will establish and document policies and procedures designed to serve as a system of internal controls required by OMB's Uniform Guidance (2CFR 200) in the General Accounting and Debt policies. These are anticipated to be ready by November 30, 2020. In the meantime, the City Controller's Office is addressing the finding above by conducting necessary training of staff to correct this finding for the fiscal year 2020 audit.

Planned Implementation Date: June 30, 2021
Responsible Person(s): Sharon Rahban, City Controller

E+P's Comment 2019: Repeat finding 2019-024.

2018-037 – Fund Balance – Negative Fund Balances (MW)

Criteria: The City should operate to maintain adequate fund balances in all of its funds to mitigate current and future risks, such as revenue shortfalls and unanticipated expenditures.

Condition: There are negative fund balances for various funds including the general fund, grant funds, nonmajor governmental funds, and internal service funds.

Cause: Weakness in internal control over operational spending and lack of consideration of long-term financial planning.

Effect or Potential Effect: The deficits could have a significant effect on operations on a go-forward basis. City programs and services involved with the fund may be curtailed.

Repeat of a Prior-Year Finding: 2014-049A

Recommendation: We recommend that management review the negative fund balances and the affected operations to make provisions to eliminate the deficit balances going forward.

Management Response and Corrective Action Plan

City's Response: The City concurs with the recommendation.

Corrective Action Plan: The City will establish and document policies and procedures designed to serve as a system of internal controls required by OMB's Uniform Guidance (2CFR 200) in the General Accounting policy. In the meantime, the City Controller's Office is performing investigations to determine how the negative fund balances came about to eliminate the deficit balances going forward.

Planned Implementation Date: June 30, 2021
Responsible Person(s): Craig J. Cornwell, City Manager and Sharon Rahban, City Controller

E+P's Comment 2019: Repeat finding 2019-025.

2018-038 – Payroll – Employee Compensation (MW)

Criteria: City employees shall be compensated for actual qualifying merit and step increases.

Condition: Based on our interview of management, there was insufficient internal control over employee compensation. It appears that some employees who qualified for step increases were not compensated as such, and other employees who were not qualified for pay increases were given raises. In addition, certain employees are receiving full compensation despite being on leave for an extended period of time.

Cause: Weakness in internal control over the application pay rates and lack of proper supervision and review of such changes in the payroll system.

Effect or Potential Effect: Employees are receiving incorrect compensation. Payroll expenditures and City financial statements could be materially misstated.

Repeat of a Prior-Year Finding: 2014-017, 2014-27

Recommendation: The City needs to do an in-depth review of all employee files and compensation to review the appropriateness of current pay and benefit being paid.

Management Response and Corrective Action Plan

City's Response: The City concurs with the recommendation.

Corrective Action Plan: The City will establish and document policies and procedures designed to serve as a system of internal controls required by OMB's Uniform Guidance (2CFR 200) in the Payroll and Budget policies. These are anticipated to be ready by December 31, 2020. In the meantime, the I-9 form issue is being handled by the Human Resources Department through a consultant hired to assist to implement corrective actions.

Planned Implementation Date: June 30, 2021
Responsible Person(s): Craig J. Cornwell, City Manager and Sharon Rahban, City Controller

E+P's Comment 2019: Related finding 2019-026.

2018-039 – Management Oversight and Control – Payroll Segregation of Duties (MW)

Criteria: There should be a segregation of incompatible responsibilities.

Condition: The Controller's Office Department was calculating and updating pay rate step schedule payroll information instead of the Human Resources Department, violating segregation of duties.

Cause: Lack of proper management oversight and control over crucial areas prone for erroneous and fraudulent transactions.

Effect or Potential Effect: Opportunity exists for erroneous and fraudulent transaction activities to be perpetrated.

Repeat of a Prior-Year Finding: No (However: 2014-038 Cash Disbursements Segregation of Duties, 2014-042 Cash Receipt Segregation of Duties, 2014-058A Lack of Segregation of Duties)

Recommendation: Human Resources should be responsible for calculating pay rates and maintaining updated employee personnel files with payroll changes.

Management Response and Corrective Action Plan

City's Response: The City concurs with the recommendation.

Corrective Action Plan: The City will establish and document policies and procedures designed to serve as a system of internal controls required by OMB's Uniform Guidance (2CFR 200) in the Payroll and Budget polices. These are anticipated to be ready by December 31, 2020. In the meantime, the I-9 form issue is being handled by the Human Resources Department through a consultant hired to assist to implement corrective actions.

Planned Implementation Date: June 30, 2021
Responsible Person(s): Craig J. Cornwell, City Manager and Sharon Rahban, City Controller

E+P's Comment 2019: Related finding 2019-026.

2018-040 – Information Technology (IT) Controls (MW)

Criteria: IT controls are a critical mechanism for ensuring the integrity of information systems and the reporting of the City's financial information. IT general controls (ITGC) are basic controls applied to IT systems. The objectives of ITGC are to ensure the integrity of data and processes that the IT systems support. ITGC have a pervasive effect on the City's system of internal control over financial reporting.

Condition: We evaluated the design and implementation of ITGCs and noted 23 findings. We communicated such findings to the IT department. Because those findings reveal vulnerabilities to, or otherwise increase the potential for an attack on, information technology systems of the City, the details of the findings will not be published in this document. They will however be communicated to the City Council via a separate confidential written report.

Repeat of a Prior-Year Finding: Yes

Recommendation: Our recommendations will be communicated to the City Council through a separate confidential written report.

Management Response and Corrective Action Plan

City's Response: The City's corrective action plan will be communicated to the City Council through a separate confidential written report. The auditors will follow up on the City's implementation of its corrective action plan in the next audit.

Planned Implementation Date: June 30, 2021
Responsible Person(s): Triphenia Simmons, Assistant City Manager and Craig J. Cornwell, City Manager

Management Comment: A new IT consultant will be assisting the City and auditors in addressing these findings.

E+P's Comment 2019: Repeat finding 2019-034.

2017-013 – Bank Reconciliations (MW)

Criteria: Bank reconciliations should be prepared and review in a timely manner.

Condition: Bank reconciliations are not prepared and reviewed in a timely manner. As of the date of this report, the last bank reconciliation prepared was for August 2014.

Cause: Due to the vacancies in key positions in the City Controller's Office, staff fell behind on the monthly reconciliations of the over 30 bank accounts.

Effect or Potential Effect: An embezzlement remained undetected for years. Also, cash could be materially misstated.

Repeat of a Prior-Year Finding: 2016-009, 2015-012, 2014-045

Recommendation: The City should have City employees trained to perform monthly bank reconciliations for all City bank accounts. Subsequently, a documented review and approval of the bank reconciliations should be performed in a timely manner to ensure that any discrepancies are discovered and addressed appropriately.

Management Response and Corrective Action Plan

City's Response: The City concurs with the recommendation.

Corrective Action Plan: The City will establish and document policies and procedures designed to serve as a system of internal controls required by OMB's Uniform Guidance (2CFR 200) in the Bank Reconciliation policy. In the meantime, the City Controller's Office is examining current processes over bank reconciliations and the proper assignments of responsibilities at key dates each month to be able to catch up on timely preparation by fiscal year 2022.

Planned Implementation Date: June 30, 2022
Responsible Person(s): Sharon Rahban, City Controller

E+P's Comment 2019: Repeat finding 2019-009.

2017-014 – Information Technology (IT) Controls (MW)

Criteria: IT controls are a critical mechanism for ensuring the integrity of information systems and the reporting of the City's financial information. IT general controls (ITGC) are basic controls applied to IT systems. The objectives of ITGC are to ensure the integrity of data and processes that the IT systems support. ITGC have a pervasive effect on the City's system of internal control over financial reporting.

Condition: We evaluated the design and implementation of ITGCs and noted 23 findings. We communicated such findings to the IT department. Because those findings reveal vulnerabilities to, or otherwise increase the potential for an attack on, information technology systems of the City, the details of the findings will not be published in this document. They will however be communicated to the City Council via a separate confidential written report.

Repeat of a Prior-Year Finding: Yes

Recommendation: Our recommendations will be communicated to the City Council through a separate confidential written report.

Management Response and Corrective Action Plan

City's Response: The City's corrective action plan will be communicated to the City Council through a separate confidential written report. The auditors will follow up on the City's implementation of its corrective action plan in the next audit.

Planned Implementation Date: June 30, 2021
Responsible Person(s): Triphenia Simmons, Assistant City Manager and Craig J. Cornwell, City Manager

Management Comment: A new IT consultant will be assisting the City and auditors in addressing these findings.

E+P's Comment 2019: Repeat finding 2019-034.

2016-009 – Bank Reconciliations (MW)

Criteria: Bank reconciliations should be prepared and review in a timely manner.

Condition: Bank reconciliations are not prepared and reviewed in a timely manner. As of the date of this report, the last bank reconciliation prepared was for August 2014.

Cause: Due to the vacancies in key positions in the City Controller's Office, staff fell behind on the monthly reconciliations of the over 30 bank accounts.

Effect or Potential Effect: An embezzlement remained undetected for years. Also, cash could be materially misstated.

Repeat of a Prior-Year finding: 2015-012, 2014-045

Recommendation: The City should have City employees trained to perform monthly bank reconciliations for all City bank accounts. Subsequently, a documented review and approval of the bank reconciliations should be performed in a timely manner to ensure that any discrepancies are discovered and addressed appropriately.

Management Response and Corrective Action Plan

City's Response: The City concurs with the recommendation.

Corrective Action Plan: The City will establish and document policies and procedures designed to serve as a system of internal controls required by OMB's Uniform Guidance (2CFR 200) in the Bank Reconciliation policy. In the meantime, the City Controller's Office is examining current processes over bank reconciliations and the proper assignments of responsibilities at key dates each month to be able to catch up on timely preparation by fiscal year 2022.

Planned Implementation Date: June 30, 2022
Responsible Person(s): Sharon Rahban, City Controller

E+P's Comment 2019: Repeat finding 2019-009.

2015-012 – Bank Reconciliations (MW)

Criteria: Bank reconciliations should be prepared and review in a timely manner.

Condition: Bank reconciliations are not prepared and reviewed in a timely manner. As of the date of this report, the last bank reconciliation prepared was for August 2014.

Cause: Due to the vacancies in key positions in the City Controller's Office, staff fell behind on the monthly reconciliations of the over 30 bank accounts.

Effect or Potential Effect: An embezzlement remained undetected for years. Also, cash could be materially misstated.

Repeat of a Prior-Year finding: 2014-045

Recommendation: The City should have City employees trained to perform monthly bank reconciliations for all City bank accounts. Subsequently, a documented review and approval of the bank reconciliations should be performed in a timely manner to ensure that any discrepancies are discovered and addressed appropriately.

Management Response and Corrective Action Plan

City's Response: The City concurs with the recommendation.

Corrective Action Plan: The City will establish and document policies and procedures designed to serve as a system of internal controls required by OMB's Uniform Guidance (2CFR 200) in the Bank Reconciliation policy. In the meantime, the City Controller's Office is examining current processes over bank reconciliations and the proper assignments of responsibilities at key dates each month to be able to catch up on timely preparation by fiscal year 2022.

Planned Implementation Date: June 30, 2022
Responsible Person(s): Sharon Rahban, City Controller

E+P's Comment 2019: Repeat finding 2019-009.

2015-013 – Cash Transfers (MW)

Criteria: Physical cash transfers should be properly approved, tracked, and recorded in the general ledger (GL) in a timely manner to ensure cash GL balances reflect actual balances.

Condition: Transfers between Local Agency Investment Fund (LAIF) and checking accounts are not communicated or recorded as they take place. Instead, transfers are recorded during the bank reconciliation process. However, since the general checking account hasn't been reconciled since August 2014, there are multiple million dollar transfers that have not been recorded to date.

Cause: There is a lack of communication between City Treasurer's Office and City Controller's Office. Also, vacant key positions and high management turnover allowed for bank reconciliations to fall behind.

Effect or Potential Effect: Cash GL accounts are materially misstated and cannot be relied upon.

Repeat of a Prior-Year Finding: No

Recommendation: The City should establish proper policies and procedures that address the approval, handling, and recording of cash transfers between bank accounts.

Management Response and Corrective Action Plan

City's Response: The City concurs with the recommendation.

Corrective Action Plan: The City will establish and document policies and procedures designed to serve as a system of internal controls required by OMB's Uniform Guidance (2CFR 200) in the General Accounting and Bank Reconciliation policies. These are anticipated to be ready by November 30, 2020. In the meantime, training is underway address this finding for the fiscal year 2020 audit.

Planned Implementation Date: June 30, 2021
Responsible Person(s): Sharon Rahban, City Controller

E+P's Comment 2019: To be tested.

2015-014 – Cash Disbursements – Review and Approval Process (MW)

Criteria: Invoices should go through the proper review and approval process prior to cash disbursement to ensure accuracy and validity of invoice.

Condition: Invoices were not thoroughly reviewed prior to payment. Of twenty-three (23) haphazardly sampled transactions, the City processed one (1) invoice that did not foot, yet the City proceeded with paying the (higher) total invoice amount.

Cause: Poor review during approval process caused the City to process incorrect amount.

Effect or Potential Effect: Overpayment for services/goods contributing to fund deficit.

Repeat of a Prior-Year Finding: No

Recommendation: The City should strengthen its review procedures and provide necessary training for staff emphasizing the need to scrutinize invoices for accuracy. Any discrepancies should be resolved with the vendor prior further processing the invoice for payment.

E+P's Comment 2019: Completed.

2015-015 – Cash Disbursements – Payments Based on Quotes (MW)

Criteria: Per City policy, payments must be processed on original invoices only.

Condition: Payments were made based only on quotes, not original invoices. Of twenty-five (25) randomly sampled cash disbursements, the City processed one (1) transaction on a quote.

Cause: Lack of enforcement of City policy or lack of documentation of the exception.

Effect or Potential Effect: Potential payment of unauthorized expenditure or double payment for services/goods.

Repeat of a Prior-Year finding: 2014-031

Recommendation: The City should strengthen its monitoring of City staff adhering to City policy.

Management Response and Corrective Action Plan

City's Response: The City concurs with the recommendation.

Corrective Action Plan: The City will establish and document policies and procedures designed to serve as a system of internal controls required by OMB's Uniform Guidance (2CFR 200) in the Accounts Payable policy. These are anticipated to be ready by November 30, 2020. In the meantime, training is underway address this finding for the fiscal year 2020 audit.

Planned Implementation Date: June 30, 2021
Responsible Person(s): Sharon Rahban, City Controller

E+P's Comment 2019: Repeat finding 2019-028.

2015-016 – Cash Disbursements – Payments Processed without Supporting Documentation (MW)

Criteria: Request of Warrants are used for expenses that have already been incurred prior to having a purchase requisition and purchase order. These requests along with their supporting documentation have to go through City Council and get approved before Accounts Payable is to issue payment.

Condition: Payments were processed on Request of Warrant without supporting invoices present. Of twenty-five (25) randomly sampled cash disbursements, the City processed two (2) transactions on a Request of Warrant without the supporting invoice present.

Cause: Weak controls over procurement procedures and cash disbursement.

Effect or Potential Effect: Potential risk of remitting payment for unauthorized expenditures and misuse of City funds.

Repeat of a Prior-Year Finding: No

Recommendation: The City should strengthen its procurement policies and internal controls over cash disbursements.

Management Response and Corrective Action Plan

City's Response: The City concurs with the recommendation and has since stopped issuing Request of Warrants. Now, expenses that have been occurred prior to approval, go directly to Council along with a Staff Report prior to a warrant being processed.

Corrective Action Plan: The City will establish and document policies and procedures designed to serve as a system of internal controls required by OMB's Uniform Guidance (2CFR 200) in the Accounts Payable policy. These are anticipated to be ready by November 30, 2020. In the meantime, training is underway address this finding for the fiscal year 2020 audit.

Planned Implementation Date: June 30, 2021
Responsible Person(s): Sharon Rahban, City Controller

E+P's Comment 2019: Repeat finding 2019-028.

2015-017 – Cash Disbursements – Sensitive Information (MW)

Criteria: City should protect City funds by safeguarding sensitive information from potential malicious activities.

Condition: Sensitive bank information (such as account and routing numbers) are printed on check copies.

Cause: There was lack of awareness of exposure.

Effect or Potential Effect: There is sufficient information and signatures on the check copies that opens up the risk of an individual to attempt and potentially succeed in negotiating the check copy again.

Repeat of a Prior-Year Finding: No

Recommendation: The City should ensure to conceal any sensitive information on duplicate of documentation to prevent any unauthorized and/or fraudulent transactions.

E+P's Comment 2019: Completed.

2015-018 – Capital Assets – Government-wide (MW)

Criteria: Capital assets net of depreciation are presented on the government-wide statements. Therefore, the City must maintain complete and accurate records of capital assets and related accumulated depreciation.

Condition: The City has not been maintaining records for government-wide capital assets. The City provided capital asset schedule did not agree to the trial balance and appeared incomplete.

Cause: The City has experienced significant turnover in the Controller's Office. When a staff person leaves, their duties may not be reassigned. In addition, City staff appear to have weak governmental accounting knowledge and lack of guidance from supervisors.

Effect or Potential Effect: Governmental capital assets might be inaccurate or incomplete.

Repeat of a Prior-Year finding: 2014-060A, 2014-087B, 2013-001 (1.b.)

Recommendation: Capital asset records should be maintained on a regular periodic basis. Controller's Office management should ensure that critical accounting tasks are being completed. The City should provide proper training or other resources to City staff to adequately equip them for the successful execution of their daily tasks. We recommend the City start the process by assigning a qualified staff to bring records up to date and maintain.

Management Response and Corrective Action Plan

City's Response: The City concurs with the recommendation.

Corrective Action Plan: The City will establish and document policies and procedures designed to serve as a system of internal controls required by OMB's Uniform Guidance (2CFR 200) in the General Accounting and Capital Assets policies. These are anticipated to be ready by November 30, 2020. In the meantime, the City has started on the planning for the capital asset valuation and implementation of the capital assets module of OneSolution.

Planned Implementation Date: June 30, 2021
Responsible Person(s): Sharon Rahban, City Controller

E+P's Comment 2019: Repeat finding 2019-015.

2015-019 – Capital Assets – Proprietary and Fiduciary (MW)

Criteria: Proprietary and fiduciary funds are reported using the full accrual basis of accounting. Capital assets are recorded as an asset on the balance sheet and depreciated over their useful lives.

Condition: Capital assets have not been updated beyond June 30, 2014. The City provided capital asset schedule did not agree to the trial balance and appeared incomplete. Typically, acquisitions of capital assets are initially posted to an expense account (capital outlay), then recorded as an asset by journal entry. The journal entries to record the assets were not made. In addition, depreciation expense has not been recorded since June 30, 2014.

Cause: The City has experienced significant turnover in the Controller's Office. When a staff person leaves, their duties may not be reassigned. Consequently, significant routine entries were not adjusted and posted.

Effect or Potential Effect: Capital assets are materially misstated.

Repeat of a Prior-Year finding: 2014-060A, 2014-087B, 2013-001 (1.b.)

Recommendation: The City should develop and implement a monthly and year-end closing checklists for staff to use as a guide. The City could require staff sign off on steps as completed and a supervisor approval of the completed checklist on a monthly basis. Such a checklist would prevent routine entries from being forgotten. We recommend the City start the process by assigning a qualified staff to bring records up to date and maintain.

Management Response and Corrective Action Plan

City's Response: The City concurs with the recommendation.

Corrective Action Plan: The City will establish and document policies and procedures designed to serve as a system of internal controls required by OMB's Uniform Guidance (2CFR 200) in the General Accounting and Capital Assets policies. These are anticipated to be ready by November 30, 2020. In the meantime, the City has started on the planning for the capital asset valuation and implementation of the capital assets module of OneSolution.

Planned Implementation Date: June 30, 2021
Responsible Person(s): Sharon Rahban, City Controller

E+P's Comment 2019: Repeat finding 2019-015.

2015-020 – Capital Assets – Physical Inventory (MW)

Criteria: A physical inventory of capital assets should be performed periodically.

Condition: Current City staff are not aware of a physical inventory of assets having been performed. As a result, retirements of capital assets may not have been recorded. For preparation of the schedules provided by the City, the department heads were sent an email asking if there were any asset retirements. Asset retirements are likely to be missed if this process is not performed timely and if a listing of recorded assets is not provided for review by department heads.

Cause: A physical inventory of capital assets was not performed and asset retirements were not recorded on a timely basis.

Effect or Potential Effect: Capital assets might be significantly misstated.

Repeat of a Prior-Year finding: 2014-060A, 2014-087B, 2013-001 (1.b.)

Recommendation: The City should consider performing physical inventory of City's capital assets, including infrastructure and construction in progress to establish a solid foundation for its capital assets. Also, a process for reporting asset retirements should be developed.

Management Response and Corrective Action Plan

City's Response: The City concurs with the recommendation.

Corrective Action Plan: The City will establish and document policies and procedures designed to serve as a system of internal controls required by OMB's Uniform Guidance (2CFR 200) in the General Accounting and Capital Assets policies. These are anticipated to be ready by November 30, 2020. In the meantime, the City has started on the planning for the capital asset valuation and implementation of the capital assets module of OneSolution.

Planned Implementation Date: June 30, 2021
Responsible Person(s): Sharon Rahban, City Controller

E+P's Comment 2019: Repeat finding 2019-015.

2015-021 – Construction in Progress – Lack of Status Reports (SD)

Criteria: Progress billings for ongoing construction should be properly reviewed to ensure that the City only pays for actual work completed.

Condition: Progress billings lack job status reports, but were still processed for payment. This suggests poor and inadequate due diligence review of the progress billings prior to payment.

Cause: Lack of scrutiny in reviewing progress billings and poor supervisory review during approval process.

Effect or Potential Effect: Potential overpayment of contracts and overstatement of expenses.

Repeat of a Prior-Year Finding: No

Recommendation: The City should strengthen review procedures for invoices to ensure that City is only paying for actual work performed by contractors.

Management Response and Corrective Action Plan

City's Response: The City concurs with the recommendation.

Corrective Action Plan: The City will establish and document policies and procedures designed to serve as a system of internal controls required by OMB's Uniform Guidance (2CFR 200) in the Accounts Payable policy. These are anticipated to be ready by December 31, 2020.

Planned Implementation Date: June 30, 2021
Responsible Person(s): Sharon Rahban, City Controller

E+P's Comment 2019: In progress.

2015-022 – Construction in Progress – Retentions (SD)

Criteria: Retentions held for constructions in progress should be properly recorded.

Condition: Retentions payable were not recorded. Of twenty-three (23) haphazardly sampled transactions, the City processed four (4) construction in progress invoices for which they did not account for the retention amount as retention payable.

Cause: It appeared that failure to record the retention payable was due to inadequate review of the account classification assigned on the invoice. That is partly due to the vacancies of key positions in the department.

Effect or Potential Effect: Failure to record retention payable could lead to understatement of expenses and payables. It could also affect budgeting due to the information gap of the outstanding amount.

Repeat of a Prior-Year Finding: No

Recommendation: The City should strengthen review procedures for invoices. Also, construction in progress should be separately tracked to ensure that all retention liabilities are properly recorded, tracked, and cleared as appropriate.

Management Response and Corrective Action Plan

City's Response: The City concurs with the recommendation.

Corrective Action Plan: The City will establish and document policies and procedures designed to serve as a system of internal controls required by OMB's Uniform Guidance (2CFR 200) in the Accounts Payable policy. These are anticipated to be ready by December 31, 2020.

Planned Implementation Date: June 30, 2021
Responsible Person(s): Sharon Rahban, City Controller

E+P's Comment 2019: In progress.

2015-023 – Retentions Payable (SD)

Criteria: Retentions held for construction in progress should be continuously monitored and tracked.

Condition: The retention payable schedule still had outstanding balances dating back as far as 2006.

Cause: It appears that retention liabilities were being paid by the City, however, instead of releasing the payables the disbursements were recorded as capital outlay expense.

Effect or Potential Effect: Expenses are recorded twice; once during establishment of the retention payable and again when the cash disbursement is made. As a result, expenses and/or capital assets were overstated.

Repeat of a Prior-Year Finding: No

Recommendation: The City should establish procedures, assign staff, and provide adequate training to properly record and track retention payable. The City should establish policies and procedures to ensure that when an invoice for a retention is paid, the retention payable is relieved in the same period.

Management Response and Corrective Action Plan

City's Response: The City concurs with the recommendation.

Corrective Action Plan: The City will establish and document policies and procedures designed to serve as a system of internal controls required by OMB's Uniform Guidance (2CFR 200) in the Accounts Payable policy. These are anticipated to be ready by December 31, 2020.

Planned Implementation Date: June 30, 2021
Responsible Person(s): Sharon Rahban, City Controller

E+P's Comment 2019: In progress.

2015-024 – Long-term Debt – Government-wide (MW)

Criteria: While long-term debt is not recorded in fund accounting, the City has to present them in government-wide statements. The City should maintain long-term debt records on a regular periodic basis.

Condition: The City has separate government-wide funds in the general ledger to keep track of government-wide balances, such as long-term debt and capital assets. However, the City does not periodically update and maintain these GL accounts.

Cause: There was no designated staff assigned to maintain these GL accounts and the City's delinquency in the financial audits allowed the City to fall behind and overlook the need to review and update these GL balances.

Effect or Potential Effect: City doesn't effectively track long-term debt balances in the general ledger, which allows for more errors and makes reconciling at year end more time-consuming.

Repeat of a Prior-Year Finding: No

Recommendation: The City should maintain government-wide funds during the fiscal year or at least on a period basis. This would aid in better overview of outstanding obligations and can contribute to more effective and accurate budgeting.

Management Response and Corrective Action Plan

City's Response: The City concurs with the recommendation.

Corrective Action Plan: The City will establish and document policies and procedures designed to serve as a system of internal controls required by OMB's Uniform Guidance (2CFR 200) in the General Accounting policy. These are anticipated to be ready by November 30, 2020. In the meantime, the City Controller's Office is addressing the finding above by conducting necessary training of staff to correct this finding for the fiscal year 2020 audit.

Planned Implementation Date: June 30, 2021
Responsible Person(s): Sharon Rahban, City Controller

E+P's Comment 2019: In progress.

2015-025 – Long-term Debt – Discount on Bonds (SD)

Criteria: Discount on bonds are required to be amortized over the life of the long-term debt. Proprietary and fiduciary funds report using full accrual basis of accounting and therefore should record these items in their GL. While governmental funds don't record long-term debt and other related liabilities (discounts, premiums, deferred gains/losses on refunding), reporting of these items are required for governmental activities in the government-wide statements, therefore, records should be maintained on a regular periodic basis.

Condition: The City properly amortized discounts on bonds for proprietary funds. However, it failed to do so for fiduciary funds and government-wide funds.

Cause: City staff appear to have weak governmental accounting knowledge and lack of guidance from supervisors. In addition, lack of review of annual financial statements allowed inconsistencies like this to remain undetected.

Effect or Potential Effect: Expenses are misstated.

Repeat of a Prior-Year Finding: No

Recommendation: The City should have month end and/or year-end checklists to ensure that all routine journals are prepared, approved, and posted. Periodic reviews of the financial statements would also allow the detection of unusual items (no movement in long-term obligations and related accounts).

Management Response and Corrective Action Plan

City's Response: The City concurs with the recommendation.

Corrective Action Plan: The City will establish and document policies and procedures designed to serve as a system of internal controls required by OMB's Uniform Guidance (2CFR 200) in the General Accounting policy. These are anticipated to be ready by November 30, 2020. In the meantime, the City Controller's Office is addressing the finding above by conducting necessary training of staff to correct this finding for the fiscal year 2020 audit.

Planned Implementation Date: June 30, 2021
Responsible Person(s): Sharon Rahban, City Controller

E+P's Comment 2019: In progress.

2015-026 – Accruals (SD)

Criteria: Accruals should be properly reversed in the beginning of the following FY.

Condition: Accruals were not properly reversed/adjusted after year end.

Cause: High turnover in personnel and the City's delinquency in audits has resulted in significant difficulty for current staff to retrieve older documentation.

Effect or Potential Effect: Accruals and the related income statement accounts could be misstated.

Repeat of a Prior-Year Finding: No

Recommendation: Review of year end balances would have allowed the City to discover the error due to the unusual balance in one account and a zero change from one year to the other.

Management Response and Corrective Action Plan

City's Response: The City concurs with the recommendation.

Corrective Action Plan: The City will establish and document policies and procedures designed to serve as a system of internal controls required by OMB's Uniform Guidance (2CFR 200) in the General Accounting policy. These are anticipated to be ready by November 30, 2020. In the meantime, the City Controller's Office is addressing the finding above by conducting necessary training of staff to correct this finding for the fiscal year 2020 audit.

Planned Implementation Date: June 30, 2021
Responsible Person(s): Sharon Rahban, City Controller

E+P's Comment 2019: In progress.

2015-027 – Rubbish Assessment – Proprietary (SD)

Criteria: Assessments should be separately tracked by using a separate (unique) revenue code.

Condition: The City recorded rubbish assessment revenues gross with other rubbish revenue. Total rubbish assessments collected for the year is not easily accessible upon request.

Cause: It appears that City staff has not been instructed to separately track assessments for rubbish.

Effect or Potential Effect: Enterprise fund's revenue might be misstatement due to inadequate tracking and recording of assessment revenue.

Repeat of a Prior-Year Finding: No

Recommendation: The City should maintain a separate revenue code for assessment proceeds.

Management Response and Corrective Action Plan

City's Response: The City concurs with the recommendation.

Corrective Action Plan: The Controller's Office will ensure that separate revenue accounts are used. The City is now separating the Rubbish department from the Water department also. Separate staff will allow for more accountability and assist in ensuring the management of both departments track the revenues in their respective areas/departments. The City will also establish and document policies and procedures designed to serve as the system of internal controls required by OMB's Uniform Guidance (2 CFR 200). In the meantime, the City will take steps to address the specific finding noted above.

Planned Implementation Date: June 30, 2021
Responsible Person(s): Sharon Rahban, City Controller

E+P's Comment 2019: In progress.

2015-028 – Accrued Payroll (MW)

Criteria: Accrued payroll should be calculated and posted to ensure proper cutoff of payroll expenses.

Condition: The City recorded the payroll expenses in the appropriate fiscal year, however it failed to create a liability. Instead, the City credited cash as of year-end when in fact cash wasn't disbursed until July or later of the following fiscal year.

Cause: Weak accounting personnel and lack of proper supervision and review allowed incorrect entries to be posted.

Effect or Potential Effect: Cash and accrued payroll are significantly understated as of year-end.

Repeat of a Prior-Year Finding: No

Recommendation: The City should provide proper training to staff to allow them perform their day-to-day duties effectively. Adequate and timely review of the journals prior to posting would also allow for errors to be detected and corrected in a timely manner.

Management Response and Corrective Action Plan

City's Response: The City concurs with the recommendation.

Corrective Action Plan: The City will establish and document policies and procedures designed to serve as a system of internal controls required by OMB's Uniform Guidance (2CFR 200) in the Payroll policy. These are anticipated to be ready by December 31, 2020.

Planned Implementation Date: June 30, 2021
Responsible Person(s): Sharon Rahban, City Controller

E+P's Comment 2019: In progress.

2015-029 – Accrued Expenses (MW)

Criteria: Expenses incurred but not paid as of year-end should be accrued, to ensure proper cutoff of expenses.

Condition: There were several items that were inappropriately included/excluded from the fiscal period. Upon testing subsequent cash disbursement, we noted that accounts payable and accrued expenses were understated by $373,147 (net) due to improper cutoff.

Cause: Errors appear to be mainly due to oversight by staff and reviewer. There were also instances where service periods were within the following fiscal period, yet a liability was incorrectly included in the current period based on the resolution and/or budget approval.

Effect or Potential Effect: Expenses are recorded in the incorrect fiscal period causing either over/understatement of expenses. The errors also resulted in capital assets/construction in progress being capitalized in the wrong period.

Repeat of a Prior-Year Finding: No

Recommendation: The City should provide adequate training to staff how to properly determine cutoff. Adequate and timely review of accrual journals and their supporting documentation should be able to detect any errors prior to posting.

Management Response and Corrective Action Plan

City's Response: The City concurs with the recommendation.

Corrective Action Plan: The City will establish and document policies and procedures designed to serve as a system of internal controls required by OMB's Uniform Guidance (2CFR 200) in the General Accounting, Accounts Payable, and Budget policies. These are anticipated to be ready by November 30, 2020. In the meantime, the City is working with OneSolution to establish settings and make this an automated procedure. In addition, the City Controller is planning to conduct training over the treatment and recording of accrued liabilities and plans to have this audit area corrected and completed for the fiscal year 2020 audit.

Prior year invoices are now processed separate batches to ensure the expense is recorded in the correct fiscal year.

Planned Implementation Date: June 30, 2021
Responsible Person(s): Sharon Rahban, City Controller

E+P's Comment 2019: Repeat finding 2019-020.

2015-030 – Cash Disbursements – Inadequate Review (MW)

Criteria: Partial payment forms should agree to supporting documentation, incl. purchase requisition, purchase order, and invoice.

Condition: For one item tested, the amount stated on the partial payment form differed from the amount on the supporting documentation.

Cause: Inadequate review of disbursement prior to approval of checks.

Effect or Potential Effect: Potential effects include overpayment of an invoice or short payment of an invoice that might potentially result in late and/or penalty fees.

Repeat of a Prior-Year Finding: No

Recommendation: The City should ensure that proper review is being performed prior to check disbursement.

Management Response and Corrective Action Plan

City's Response: The City concurs with the recommendation.

Corrective Action Plan: The City will establish and document policies and procedures designed to serve as a system of internal controls required by OMB's Uniform Guidance (2CFR 200) in the Accounts Payable policy. These are anticipated to be ready by December 31, 2020.

Planned Implementation Date: June 30, 2021
Responsible Person(s): Sharon Rahban, City Controller

E+P's Comment 2019: In progress.

2015-031 – Cash Disbursements – Inadequate Supporting Documentation (MW)

Criteria: Supporting documentation should be attached to check copies for subsequent review of disbursements.

Condition: There were instances where only partial support was attached to the check copy, which were insufficient to determine the validity, accuracy, and reasonableness of the expense. Of twenty-five (25) randomly sampled cash disbursements, the City processed one (1) transaction where only partial supporting documentation was present with the check copy.

Cause: City staff is not adequately trained to determine if supporting documentation is missing.

Effect or Potential Effect: Payment of unauthorized and/or invalid expenses.

Repeat of a Prior-Year Finding: No

Recommendation: The City should strengthen its review procedures to ensure that sufficient supporting documentation is attached to the check requests. Also, additional training for staff is encouraged to allow detection of issues and corrective action to be set in motion sooner.

Management Response and Corrective Action Plan

City's Response: The City concurs with the recommendation.

Corrective Action Plan: The City will establish and document policies and procedures designed to serve as a system of internal controls required by OMB's Uniform Guidance (2CFR 200) in the Accounts Payable policy. These are anticipated to be ready by December 31, 2020.

Planned Implementation Date: June 30, 2021
Responsible Person(s): Sharon Rahban, City Controller

E+P's Comment 2019: Repeat finding 2019-028.

2015-032 – Cash Disbursements – General Ledger Object Code Usage (SD)

Criteria: Classification of disbursements should appear reasonable and representative of the nature of the expense.

Condition: There were instances where general ledger object codes used do not appear to be reasonable and/or representative of the service/goods described in the invoice.

Cause: Could have been caused due to oversight and inadequate review.

Effect or Potential Effect: Misstatement of expense subgroups and potential effect on budget.

Repeat of a Prior-Year Finding: No

Recommendation: The City should strengthen its review procedures to include detection of classification errors as a review objective. Also, additional training for staff to help them better determine the appropriate classification is strongly encouraged.

Management Response and Corrective Action Plan

City's Response: The City concurs with the recommendation.

Corrective Action Plan: The City will establish and document policies and procedures designed to serve as a system of internal controls required by OMB's Uniform Guidance (2CFR 200) in the General Accounting and Accounts Payable policies. These are anticipated to be ready by November 30, 2020. In the meantime, the City Controller will conduct training to staff to address this audit area.

Planned Implementation Date: June 30, 2021
Responsible Person(s): Sharon Rahban, City Controller

E+P's Comment 2019: In progress.

2015-033 – Credit Card Late Charges (SD)

Criteria: Per City policy, late charges and other penalties are must be prevented to protect City funds.

Condition: Late charges were incurred in January and March 2015.

Cause: Credit card statements were not paid on time.

Effect or Potential Effect: By incurring late and other penalty charges, City funds are wasted on expenditures that were not necessary and could have been prevented.

Repeat of a Prior-Year finding: 2014-056A

Recommendation: The City should ensure that credit card statements, as well as other invoices are paid on time to avoid any late and other penalty charges from occurring. By implementing deadlines for credit card holders to submit all the supporting documentation, the City Controller's Office should be able to go through the supporting documentation in a timely manner and have the statement balance paid prior to the due date.

Management Response and Corrective Action Plan

City's Response: The City concurs with the recommendation.

Corrective Action Plan: The City will establish and document policies and procedures designed to serve as a system of internal controls required by OMB's Uniform Guidance (2CFR 200) in the Credit Card policy. In the meantime, the City Controller's Office will take steps to address the specific finding noted above by administering automatic charges for the credit card payments.

Planned Implementation Date: June 30, 2021
Responsible Person(s): Sharon Rahban, City Controller

E+P's Comment 2019: Not started.

2015-034 – Water Exception Report Document Retention (BP)

Criteria: Financial statement related reports should be maintained until the financial statement audit has been completed.

Condition: Water department currently only retains meter reading exception reports for a couple of months. E+P was unable to review any of the reports pertaining to FY 2015 and 2016.

Cause: The City's document retention policy is only for a few months.

Effect or Potential Effect: Review of such reports are no longer possible at a later time.

Repeat of a Prior-Year Finding: No

Recommendation: The City should consider extending the document retention policy to accommodate any subsequent record reviews/audits.

Management Response and Corrective Action Plan

City's Response: The City concurs with the recommendation.

Corrective Action Plan: The City Controller's Office will recommend to the City Manager and the City Clerk that a new/updated retention policy is developed and this finding is addressed in the policy. The City will also document these policies and procedures and design them to serve as the system of internal controls required by OMB's Uniform Guidance (2 CFR 200). In the meantime, the City Controller's Office will take steps to address the specific finding noted above.

Planned Implementation Date: June 30, 2021
Responsible Person(s): Brian Dickinson, Municipal Water Manager, Alita Godwin, City Clerk, and Craig J. Cornwell, City Manager

E+P's Comment 2019: Not started.

2015-035 – Meter Readings Lost (BP)

Criteria: Financial statement related reports should be adequately backed up and retained until the financial statement audit has been completed.

Condition: Previous meter readings were unavailable for testing/review due to update in reading software and equipment.

Cause: The City didn't save, back up, and/or retain data from old meter reading software and equipment.

Effect or Potential Effect: Review of such reports are no longer possible at a later time.

Repeat of a Prior-Year Finding: No

Recommendation: The City should ensure that updates to newer software and/or upgrades to more advanced equipment doesn't compromise prior data. Prior data should have been securely transitioned to new software or retained in another accessible format to allow easy access to legacy information.

Management Response and Corrective Action Plan

City's Response: The City concurs with the recommendation.

Corrective Action Plan: The City Controller's Office will recommend to the City Manager and the City Clerk that a new/updated retention policy is developed and this finding is addressed in the policy. The City will also work with the new Water General Manager to ensure he understands the importance of keeping historical data until after the issuance of the audit report. The City will document these policies and procedures and design them to serve as the system of internal controls required by OMB's Uniform Guidance (2 CFR 200). In the meantime, the City Controller's Office will take steps to address the specific finding noted above.

Planned Implementation Date: June 30, 2021
Responsible Person(s): Brian Dickinson, Municipal Water Manager, Alita Godwin, City Clerk, and Craig J. Cornwell, City Manager

E+P's Comment 2019: Not started.

2015-036 – Accounts Receivable – Supporting Documentation (SD)

Criteria: The City should maintain supporting documentation until the financial statement audit has been completed.

Condition: The City was not able to provide requested supporting documents for accounts receivable balance.

Cause: High turnover in personnel and the City's delinquency in audits has resulted in high difficulty for current staff to retrieve older documentation.

Effect or Potential Effect: Review of supporting documentation at a later time is no longer possible.

Repeat of a Prior-Year Finding: No

Recommendation: The City should establish and implement a systematic filing system, as well as a document retention policy.

Management Response and Corrective Action Plan

City's Response: The City concurs with the recommendation.

Corrective Action Plan: Currently, accounts receivable is not centralized. The Controller's Office intends to centralize all accounts receivable functions into the Controller's Office in order to maintain adequate records. The City will also establish and document policies and procedures designed to serve as the system of internal controls required by OMB's Uniform Guidance (2 CFR 200). In the meantime, the City Controller's Office will take steps to address the specific finding noted above by planning on implementing a miscellaneous receivables module in OneSolution.

Planned Implementation Date: June 30, 2021
Responsible Person(s): Sharon Rahban, City Controller

E+P's Comment 2019: In progress.

2015-037 – Credit Cards – Supporting Documentation (SD)

Criteria: Sufficient supporting documentation should be provided along with credit card statement for payment processing.

Condition: Supporting documentation was not attached to credit card statements.

Cause: Weak controls over credit card disbursements and inadequate filing system did not allow for time efficient retrieval of requested supporting documentation.

Effect or Potential Effect: Potential payment of unauthorized and/or unallowable expenses, misuse of City funds, and inefficiencies in fulfilling public requests and audit requests.

Repeat of a Prior-Year finding: 2014-056A

Recommendation: The City should update its credit card procurement policy and provide proper training to City staff. Also, a more structured filing system of invoices would allow for more effective and efficient document retrieval.

Management Response and Corrective Action Plan

City's Response: The City concurs with the recommendation.

Corrective Action Plan: The City will establish and document policies and procedures designed to serve as a system of internal controls required by OMB's Uniform Guidance (2CFR 200) in the Credit Card policy. The Controller's Office has implemented a filing system for all accounts payable activities. This allows for easy retrieval of needed documentation. The credit card supporting documentation has been increased for all charges and are now attached to all statements ready for payment.

Planned Implementation Date: June 30, 2021
Responsible Person(s): Sharon Rahban, City Controller

E+P's Comment 2019: Not started.

2015-038 – City and ICMS Water Bills (MW)

Criteria: The City and its divisions should pay for their water usage to ensure that the water fund's cost are sufficiently covered.

Condition: The City and the Street Maintenance Division (formerly Infrastructure Construction & Maintenance Services) were not paying or accruing their water bills.

Cause: Unknown

Effect or Potential Effect: The water fund might generate a deficit due to the cost generated for City utility usage for which no revenue is generated.

Repeat of a Prior-Year Finding: No

Recommendation: The City and ICMS division should be paying for their water usage to ensure that the water fund's cost are adequately covered by matching revenue.

Management Response and Corrective Action Plan

City's Response: The City concurs with the recommendation and believes that this has been addressed already.

Corrective Action Plan: The City will establish and document policies and procedures designed to serve as a system of internal controls required by OMB's Uniform Guidance (2CFR 200) in the General Accounting policy. These are anticipated to be ready by November 30, 2020.

Planned Implementation Date: June 30, 2021
Responsible Person(s): Brian Dickinson, Municipal Water Manager

E+P's Comment 2019: In progress.

2015-039 – Credit Cards – Classification of Late and Penalty Charges (BP)

Criteria: While late and other penalty charges should be avoided as much as possible, incurred late and other penalty charges should be tracked and analyzed periodically.

Condition: The City classifies late and other penalty charges as "Special Department" expenses, which makes tracking them difficult.

Cause: Lack of review of credit card processing resulted in oversight and failure to apply corrective action, i.e. revision of GL account to be used.

Effect or Potential Effect: By classifying late and other penalty charges as "Special Department" expenses, it makes it difficult for supervisory personnel to detect such charges and take corrective action.

Repeat of a Prior-Year Finding: No

Recommendation: The City should record late and other penalty charges in a separate object code for more effective tracking purposes. Periodic review of such accounts should be performed to ensure that unnecessary expenses can be prevented going forward.

Management Response and Corrective Action Plan

City's Response: The City concurs with the recommendation and believes that this has been addressed already.

Corrective Action Plan: The City Controller's Office will create an object code for late charges and penalties to allow for easy identification and tracking of such expenditures. The City will also establish and document policies and procedures designed to serve as the system of internal controls required by OMB's Uniform Guidance (2 CFR 200).

Planned Implementation Date: June 30, 2021
Responsible Person(s): Sharon Rahban, City Controller

E+P's Comment 2019: In progress.

2014-011 – Financial Statement Reporting (MW)

Criteria: City financial statements should periodically be reviewed by City Management to allow for timely discovery of significant variances from budgets and expected results and the development of corrective actions to address such variances.

Condition: The City does not have adequate internal controls to ensure accurate and complete financial statements. The City's management does not review the City's financial statements on a periodic basis and does not investigate significant variances from budgets and expected results.

Cause: Due to the vacancies of key positions in the City Controller's Office, financial statements are not periodically prepared in a timely manner. Therefore, financial statements are not periodically reviewed.

Effect or Potential Effect: Significant variances from budget and expected results could remain undetected, which would result in poor performance during the fiscal year.

Repeat of a Prior-Year Finding: No

Recommendation: The City should fill key positions to enable the timely preparation for City financial statements. The City should, then, periodically review and document the review of financial statements. Also, the City should perform a periodic budget to actual analysis to keep track of the City's fiscal position. This would allow management to make any necessary amendments to the budget in a timely and documented manner.

Timely and accurate financial statements are a prerequisite for understanding the City's financial position as well as for making cost effective management decisions impacting future financial performance of the City. Financial information needs to be comprehensive, timely, and accurate.

Management Response and Corrective Action Plan

City's Response: The City concurs with the recommendation.

Corrective Action Plan: The City will establish and document policies and procedures designed to serve as a system of internal controls required by OMB's Uniform Guidance (2CFR 200) in the General Accounting, Accounts Payable, Purchasing, Payroll, Capital Asset, and Budget policies, which are anticipated to be ready to be implemented in fiscal year 2021.

Planned Implementation Date: June 30, 2021
Responsible Person(s): Sharon Rahban, City Controller

E+P's Comment 2019: In progress.

2014-012 – Internal Control over Journal Entries – Review and Approval (MW)

Criteria: Journal entries should be properly reviewed and approved by an appropriate person prior to posting.

Condition: E+P noted that journal entries are not properly reviewed and approved prior to posting or at least lacking the documentation of review and approval.

Cause: Due to vacancies in key positions in the City Controller's Office and the time constraint, there are instances of poor and insufficient review.

Effect or Potential Effect: Significant errors could remain undetected and materially misstate the financial statements.

Repeat of a Prior-Year Finding: No

Recommendation: All journal entries should be reviewed and approved by initial/signature of an appropriate level prior to posting. The process of preparing and posting of journal entries should be formalized in a policy establishing different levels of approvals.

Management Response and Corrective Action Plan

City's Response: The City concurs with the recommendation and believes that this has been addressed already.

Corrective Action Plan: The City has hired a Deputy City Controller who is assigned to review all journal entries created by staff. The Deputy Controller is also responsible for making sure there is adequate support documentation and posting all journal entries. The City will also establish and document policies and procedures designed to serve as the system of internal controls required by OMB's Uniform Guidance (2 CFR 200).

Planned Implementation Date: June 30, 2021
Responsible Person(s): Sharon Rahban, City Controller

E+P's Comment 2019: In progress.

2014-013 – Internal Control over Journal Entries – Supporting Documentation (MW)

Criteria: Each journal entry should have sufficient supporting documentation attached to allow reviewer to determine the accuracy, reasonableness, and appropriateness of the entry prior to approval.

Condition: Journal entries that are to be posted do not have sufficient supporting documentation for the reviewer to properly approve.

Cause: Insufficient supporting documentation are attached to the journal entry.

Effect or Potential Effect: Incorrect entries could be posted due to the insufficient documentation available during review.

Repeat of a Prior-Year Finding: No

Recommendation: Adequate support that explains the purpose of the journal entry and from where the amounts are derived should be attached to the journal voucher to ensure existence and accuracy.

Management Response and Corrective Action Plan

City's Response: The City concurs with the recommendation.

Corrective Action Plan: The City will establish and document policies and procedures designed to serve as a system of internal controls required by OMB's Uniform Guidance (2CFR 200) in the General Accounting policy. These are anticipated to be ready by November 30, 2020. In the meantime, the City Controller will provide training to staff and plans to correct this audit area for the fiscal year 2020 audit.

Planned Implementation Date: June 30, 2021
Responsible Person(s): Sharon Rahban, City Controller

E+P's Comment 2019: In progress.

2014-014 – Internal Control over Journal Entries – Maintenance of Records (MW)

Criteria: Each journal entry posted should be assigned a unique, sequential number to fully account for each entry.

Condition: Journal entries that are posted are not numbered, filed, and maintained in a consistent manner. The total population of journal entries are, therefore, not tracked by the City. City staff was also unable to provide journal entry supporting documentation for FY14 and FY15 as they could not be located in the journal binder.

Cause: Journal numbers consist of the inputting staff's initials and manually generated numbers. There is no auto-generated sequential numbering of the journal voucher, which makes accounting for completeness difficult.

Effect or Potential Effect: City cannot determine the total number of journal entries posted.

Repeat of a Prior-Year Finding: No

Recommendation: The process of preparing journal entries should be formalized in a policy. Items that can be included in the policy are who can prepare journal entries, who can approve, dollar limits to approvals, what supporting documentation should be attached, how the entries are numbered and filed for future reference etc.

Management Response and Corrective Action Plan

City's Response: The City concurs with the recommendation.

Corrective Action Plan: The City is reviewing the limitations of the financial software. Once the capacity is determined for automation of sequential numbering, the City will establish a policy regarding the numbering system. The journal entries are filed and maintained in binders organized annually based on the current numbering system. The City will also establish and document policies and procedures designed to serve as a system of internal controls required by OMB's Uniform Guidance (2 CFR 200).

Planned Implementation Date: June 30, 2021
Responsible Person(s): Sharon Rahban, City Controller

E+P's Comment 2019: In progress.

2014-015 – EFT Journal Entries (MW)

Criteria: Journal entries should be reviewed and approved by the Controller or a supervisory position. All journal entries should be accompanied by a full explanation and reference to adequate supporting data.

Condition: Journal entries for EFT disbursements, such as monthly Section 8 payments, are not being reviewed and documented as approved by the Controller or a supervisor position prior to posting.

Cause: Due to the vacancies in key positions in the Controller's Office, EFT journal entries are posted without the Controller's or supervisor's review.

Effect or Potential Effect: Due to the nature of EFT entries, the lack of review and approval could result in significant errors that could materially misstate the financial statements.

Repeat of a Prior-Year Finding: No

Recommendation: EFT journal entries should be documented as reviewed and approved by the Controller or appropriate personnel prior to posting and disbursement.

Management Response and Corrective Action Plan

City's Response: The City concurs with the recommendation.

Corrective Action Plan: The City has hired a Deputy City Controller who is assigned to review all journal entries created by staff. The deputy is also responsible for ensuring there is adequate support documentation and posting all journal entries. The City will also establish and document policies and procedures designed to serve as a system of internal controls required by OMB's Uniform Guidance (2 CFR 200). In the meantime, the City Controller's Office will continue to take steps to address the specific finding noted above.

Planned Implementation Date: June 30, 2021
Responsible Person(s): Sharon Rahban, City Controller

E+P's Comment 2019: In progress.

2014-016 – EFT Upload .txt File (MW)

Criteria: EFT upload .txt file should be reviewed and approved by the Controller or any supervisory position prior to being uploaded to the bank, then sent to the Treasurer's office to subsequently confirm the correct amount was disbursed.

Condition: The EFT file being uploaded to the bank is a .txt file that can be easily altered. The City employee that uploads the file is in the City Controller's Office and is the same person who confirms the total EFT amount with the Treasurer's Office. The Treasurer's office does not receive a copy of the original report from the Local Housing Authority to ensure that the EFT was for the proper amount.

Cause: The Total EFT amount is currently being confirmed by the same person preparing the upload.

Effect or Potential Effect: If there were any unauthorized alterations to the EFT upload file, there are no controls in place to detect such.

Repeat of a Prior-Year Finding: No

Recommendation: The Treasurer's Office should confirm the EFT amount from an independent source or the original source document to ensure the accuracy of the EFT request.

Management Response and Corrective Action Plan

City's Response: The City concurs with the recommendation.

Corrective Action Plan: The City will establish and document policies and procedures designed to serve as a system of internal controls required by OMB's Uniform Guidance (2CFR 200) in the Accounts Payable policy. These are anticipated to be ready by December 31, 2020.

Planned Implementation Date: June 30, 2021
Responsible Person(s): Sharon Rahban, City Controller and Douglas Sanders, City Treasurer

E+P's Comment 2019: In progress.

2014-017 – Payroll Submission (MW)

Criteria: The payroll submission should be reviewed and approved by the Controller or a supervisory position prior to being submitted to payroll service vendor.

Condition: Payroll submissions are not being reviewed and approved by the Controller or any supervisor position prior to submitting to ADP, which increases the risk of inaccurate payroll.

Cause: There is no control in place to approve a payroll submission to the payroll service vendor before payroll is processed.

Effect or Potential Effect: Errors will not be detected and employees may receive an incorrect compensation.

Repeat of a Prior-Year Finding: No

Recommendation: Payroll should be documented as reviewed and approved by appropriate personnel prior to submission to the payroll service vendor.

Management Response and Corrective Action Plan

City's Response: The City concurs with the recommendation. The City will establish and document policies and procedures to ensure that payroll submissions to ADP are reviewed and approved of by a supervisor prior to submission.

Corrective Action Plan: The City will establish and document policies and procedures designed to serve as a system of internal controls required by OMB's Uniform Guidance (2CFR 200) in the Payroll policy. These are anticipated to be ready by December 31, 2020.

Planned Implementation Date: June 30, 2021
Responsible Person(s): Sharon Rahban, City Controller

E+P's Comment 2019: In progress.

2014-018 – Payroll Posting (MW)

Criteria: The posting of payroll should be completed within a timely manner to ensure that the City financial statements are accurate.

Condition: Payroll journal entries are not being posted timely and are at least three weeks behind, which could lead to materially misstated City financial statements and budget analysis due to incomplete payroll expenditures.

Cause: The accountant does not post payroll expenditures until a report has been generated by ADP, which the accountant obtains from payroll.

Effect or Potential Effect: The City financial statements may be materially misstated due to incomplete and inaccurate payroll expenditures.

Repeat of a Prior-Year Finding: No

Recommendation: Payroll journal entries should be prepared, reviewed, approved and posted to the general ledger in a timely manner to ensure accuracy of the financial statements.

Management Response and Corrective Action Plan

City's Response: The City concurs with the recommendation.

Corrective Action Plan: The City will establish and document policies and procedures designed to serve as a system of internal controls required by OMB's Uniform Guidance (2CFR 200) in the General Accounting policy. In the meantime, the City Controller is ensuring that Accounting staff have the proper payroll reports to post payroll efficiently and with proper allocation across funds. This implementation is anticipated to be made by December 2020.

Planned Implementation Date: June 30, 2021
Responsible Person(s): Sharon Rahban, City Controller

E+P's Comment 2019: In progress.

2014-019 – Payroll Account Numbers (SD)

Criteria: Payroll object codes generated by payroll service vendor should be followed by the City Accountant to ensure a consistent and accurate payroll expense.

Condition: Payroll general ledger account numbers generated by ADP are not always followed. The City accountant has the ability to make changes to the system journal entry import file based on the City's budget, i.e. reallocate overtime expenses from one fund to another.

Cause: Employee profiles are not regularly updated with current % allocations, per budget document.

Effect or Potential Effect: The City financial statements may be materially misstated because payroll expenditures may not be complete and accurate.

Repeat of a Prior-Year Finding: No

Recommendation: ADP's cost allocation function should be fully utilized to eliminate any manual adjustments. If manual adjustments are still necessary, appropriate supporting documentation of review and approval should be attached. If the revised general ledger account posting will be used consistently in the future, then ADP's cost allocation codes should be modified.

Management Response and Corrective Action Plan

City's Response: The City concurs with the recommendation.

Corrective Action Plan: The City will establish and document policies and procedures designed to serve as a system of internal controls required by OMB's Uniform Guidance (2CFR 200) in the Payroll policy. These are anticipated to be ready by December 31, 2020.

Planned Implementation Date: June 30, 2021
Responsible Person(s): Sharon Rahban, City Controller

E+P's Comment 2019: In progress.

2014-020 – Employee Punch-in (SD)

Criteria: City employees are required to punch in and punch out every day to accurately record their hours worked in a day.

Condition: Employees are capable of punching in for other employees using their employee ID. The City does not seem to be utilizing the biometric employee punch-in feature. Also, the departments are inconsistent with the punch-in/out requirements. While some departments punch-in/out for lunch, others don't and the system automatically deducts an hour from the total hours logged for the day.

Cause: There is no secondary security that prevents employees from entering another employee's ID.

Effect or Potential Effect: Employees could be paid for time that they are not actually present.

Repeat of a Prior-Year Finding: No

Recommendation: The City should require employees to register their fingerprint in the system so that employees will use a dual punch-in that requires their employee code and fingerprint to eliminate the opportunity for employees to punch-in for other employees.

Management Response and Corrective Action Plan

City's Response: The City concurs with the recommendation.

Corrective Action Plan: The City will establish and document policies and procedures designed to serve as a system of internal controls required by OMB's Uniform Guidance (2CFR 200) in the Payroll policy. These are anticipated to be ready by December 31, 2020.

Planned Implementation Date: June 30, 2021
Responsible Person(s): Sharon Rahban, City Controller

E+P's Comment 2019: In progress.

2014-021 – Labor Cost Allocation Budget Approval (MW)

Criteria: The approved labor cost allocation should be used to properly allocate the time of employees that work on multiple projects.

Condition: The fiscal year labor cost allocation budget used by payroll to enter employee fund and account allocations into ADP does not show documentation of approval and review by the Controller, budget department, and department manager of the affected departments.

Cause: E+P was not able to determine if the labor cost allocation went through the proper approval path.

Effect or Potential Effect: The incorrect funds could be charged with payroll expenditures that does not belong to them, which becomes more significant for federal grant programs.

Repeat of a Prior-Year Finding: No

Recommendation: The labor cost allocation budget should show which department it was prepared by, and documentation of review and approval from the Controller, budget department, and the affected department to ensure accuracy of the document and input into ADP.

Management Response and Corrective Action Plan

City's Response: The City concurs with the recommendation.

Corrective Action Plan: The City will establish and document policies and procedures designed to serve as a system of internal controls required by OMB's Uniform Guidance (2CFR 200) in the Payroll policy. These are anticipated to be ready by December 31, 2020.

Planned Implementation Date: June 30, 2021
Responsible Person(s): Sharon Rahban, City Controller

E+P's Comment 2019: In progress.

2014-022 – Department Manager Time Card Approval (SD)

Criteria: Employee time cards should be signed by the employee and approved by their supervisor.

Condition: Department managers' time cards are not reviewed and approved by another designated employee and are only signed by the department managers themselves.
Cause: There are no designated alternate signers in place who are to sign off on the department manager's time card.

Effect or Potential Effect: There is no monitoring of manager's actual time. Also, in the manager's absence, there is no assigned, consistent alternative to approve others' time cards, which could result in easy manipulation of time cards.

Repeat of a Prior-Year finding: 2013-001

Recommendation: The departments should have appropriate alternate signers assigned to approve the managers' time card and other employee time cards in a manager's absence.

Management Response and Corrective Action Plan

City's Response: The City concurs with the recommendation.

Corrective Action Plan: The City will establish and document policies and procedures designed to serve as a system of internal controls required by OMB's Uniform Guidance (2CFR 200) in the Payroll policy. These are anticipated to be ready by December 31, 2020.

Planned Implementation Date: June 30, 2021
Responsible Person(s): Sharon Rahban, City Controller

E+P's Comment 2019: In progress.

2014-023 – Fire Department Time Cards (SD)

Criteria: City employees should be aware of the hours submitted on their behalf and should be documented by signature.

Condition: City's fire department maintains a roster for their scheduling. A designated time keeper transfers the roster to time cards that are submitted to payroll. Employees don't always get to see submitted time sheet which also lacks employee signature.

Cause: Due to the nature of the firefighters' schedule, the time keeper summarizes the roster in the time cards and submits them often prior to the employees review for accuracy.

Effect or Potential Effect: City employees could be compensated for inaccurate time due to poor reporting controls.

Repeat of a Prior-Year Finding: No
Recommendation: The City should establish policies and procedures that ensure that time cards submitted to the City Controller's Office are accurate by requiring not only the department head, but also the employees to review and approve/sign the time cards prior to submission to the City Controller's Office.

Management Response and Corrective Action Plan

City's Response: The City concurs with the recommendation.

Corrective Action Plan: The City will establish and document policies and procedures designed to serve as a system of internal controls required by OMB's Uniform Guidance (2CFR 200) in the Payroll policy. These are anticipated to be ready by December 31, 2020.

Planned Implementation Date: June 30, 2021
Responsible Person(s): Sharon Rahban, City Controller

E+P's Comment 2019: In progress.

2014-024 – Vacation and Overtime (SD)

Criteria: City employees shall be compensated for actual hours worked.

Condition: There was an instance when a fire department employee was paid 17 hours of overtime in addition to 112 hours of vacation in one pay period.

Cause: City employees are currently compensated overtime for getting called in to work during their scheduled vacation.

Effect or Potential Effect: Improper use of public funds due to excessive and unreasonable compensation to City employees.

Repeat of a Prior-Year Finding: No

Recommendation: The City should establish policies and procedures that define whether employees on vacation can be called in for work. If such instances are allowed per City policy, there should be sufficient support attached to the time cards to allow for appropriate accounting. However, we recommend that employees should not be paid overtime in addition to vacation time. Instead, employees could be entitled to keep vacation time or get paid at their regular hourly rate.

Management Response and Corrective Action Plan

City's Response: The City concurs with the recommendation.

Corrective Action Plan: The City has hired a Deputy Controller to oversee and supervise the payroll department. The Deputy City Controller monitors and rejects all incorrect time submissions related to the Fire Department. All misuse and improper recording of vacation, holiday, additional pay, etc. is being heavily scrutinized and corrective policies are being written. The City will also establish and document policies and procedures designed to serve as a system of internal controls required by OMB's Uniform Guidance (2 CFR 200). In the meantime, the City Controller's Office will continue to take steps to address the specific finding noted above.

Planned Implementation Date: June 30, 2021
Responsible Person(s): Sharon Rahban, City Controller

E+P's Comment 2019: In progress.

2014-025 – Payroll Allocation (SD)

Criteria: City should be able to review ADP provided reports and determine the reasonableness of general ledger (GL) accounts being charged.

Condition: City does not have a control in place to ensure that payroll posted to the GL is according to the properly allocated. City relies on ADP's allocation and no documentation of review has been noted. E+P was not able to trace employee payroll to GL.

Repeat of a Prior-Year Finding: No

Cause: City is currently mostly relying on ADP's GL allocation report with the exception that some funds are modified based on the budget.

Effect or Potential Effect: There could be a classification issue that could result in a misstatement of the financial statements. As for the federal grants, this issue also might lead to charging unallowable costs against the federal grants accounts.

Recommendation: The City should periodically review ADP reports to determine if the allocation provided by ADP reflect the City's allocation budget. The City should also have policies and procedures in place that require periodic review of employee cost allocation information contained in the ADP reports to ensure all updates are accounted for.

Management Response and Corrective Action Plan

City's Response: The City concurs with the recommendation.

Corrective Action Plan: The City will establish and document policies and procedures designed to serve as a system of internal controls required by OMB's Uniform Guidance (2CFR 200) in the Payroll policy. These are anticipated to be ready by December 31, 2020.

Planned Implementation Date: June 30, 2021
Responsible Person(s): Sharon Rahban, City Controller

E+P's Comment 2019: In progress.

2014-026 – Payroll Accrued Liabilities (BP)

Criteria: The City should limit its liability by having defined rules regarding maximum sick time accruals.

Condition: The City allows employees to accrue unlimited sick time, for which the City records accrued liabilities.

Cause: Per City policy, employees can accrue 12 days of sick time per year, which may be accumulated indefinitely and without limit.

Effect or Potential Effect: The City could be restricting City funds for liabilities for which it has no legal obligation to accrue.

Repeat of a Prior-Year Finding: No

Recommendation: The City should revise its policies to establish a maximum sick time accrual to limit the City's liabilities.

Management Response and Corrective Action Plan

City's Response: The City concurs with the recommendation.

Corrective Action Plan: All City MOA have stipulations on the maximum payout allowed based on years of service and which bargaining group. The City has a policy in place by each bargaining unit and is considering policy versions for future labor negotiations. The City will also establish and document policies and procedures designed to serve as a system of internal controls required by OMB's Uniform Guidance (2 CFR 200).

Planned Implementation Date: June 30, 2021
Responsible Person(s): Sharon Rahban, City Controller

E+P's Comment 2019: Not started.

2014-027 – Employee Change Forms – Timely Changes in Pay Rates in System (MW)

Criteria: Labor union enforced and scheduled pay increases should be processed in a timely manner or programmed to occur automatically per schedule.

Condition: Changes in pay rates are not processed and updated timely in the system, resulting in complex calculations for retroactive pay and benefits.

Cause: The Payroll Department is waiting for seemingly unrelated evaluation reports prior to retroactively applying the labor union determined increase.

Effect or Potential Effect: Payroll expenditures and City financial statements could be materially misstated.

Repeat of a Prior-Year Finding: No

Recommendation: Changes in employee pay rates for step or merit increases should be timely documented and updated in the payroll system by HR. The Payroll Department should be notified of the change so that they can verify and reconcile any differences before issuance of the payroll checks. Retroactive pay and benefit contributions should be processed and reviewed timely by the appropriate levels.

Management Response and Corrective Action Plan

City's Response: The City concurs with the recommendation.

Corrective Action Plan: The City will establish and document policies and procedures designed to serve as a system of internal controls required by OMB's Uniform Guidance (2CFR 200) in the Payroll policy. These are anticipated to be ready by December 31, 2020.

Planned Implementation Date: June 30, 2021
Responsible Person(s): Jesenia Sanchez, Human Resources Analyst and Sharon Rahban, City Controller

E+P's Comment 2019: In progress.

2014-028 – Employee Change Forms – Missing (SD)

Criteria: The human resources and payroll department should maintain employee change forms in their respective employee files for documentation retention and subsequent review.

Condition: PA101 (employee change forms) forms were missing, and therefore current employee pay rates could not be verified.

Cause: Neither the human resources nor the payroll department in the City Controller's Office were able to locate the requested PA101.

Effect or Potential Effect: Unauthorized pay rate increases could be processed, which would result in misappropriation of City funds.

Repeat of a Prior-Year Finding: No

Recommendation: The City should ensure that policies and procedures are in place that define the proper flow of HR files to other departments. The HR as well as the City Controller's Office should also establish filing procedures to ensure that all PA101 forms are filed away in an easily retrievable fashion.

Management Response and Corrective Action Plan

City's Response: The City concurs with the recommendation.

Corrective Action Plan: The City has hired additional HR staff to handle the paperwork associated with hiring new staff. The Controller's Office is reviewing and filing all HR-related documents received from HR for all employees. Employee files are kept in the Payroll Department files under lock and key. The City will also establish and document policies and procedures designed to serve as a system of internal controls required by OMB's Uniform Guidance (2 CFR 200).

Planned Implementation Date: June 30, 2021
Responsible Person(s): Jesenia Sanchez, Human Resources Analyst and Sharon Rahban, City Controller

E+P's Comment 2019: In progress.

2014-029 – HR Forms – I-9 (BP, NC)

Criteria: Per immigration law, all employers must complete and retain I-9 forms for every person they hire within three business days after the employee begins work for pay for employment after November 6, 1986. The forms have to be retained for three years after the date of hire, or one year after the date of employment ends – whichever is later.

Condition: I-9 forms were not available in the employee files for some selected City employees.

Cause: Current HR personnel was unable to locate requested I-9 forms.

Effect or Potential Effect: Failure to complete and retain I-9 forms for every employee is considered a violation of federal law.

Repeat of a Prior-Year Finding: No

Recommendation: The City should ensure that all HR documents are available prior to having a new City employee start and maintain such documents in the employee files for documentation purposes. For City employees that are still employed by the City to date, the City should work on getting these files completed and filed.

Management Response and Corrective Action Plan

City's Response: The City concurs with the recommendation.

Corrective Action Plan: The City has hired additional HR staff to handle the paperwork associated with hiring new staff. The City will also establish and document policies and procedures designed to serve as a system of internal controls required by OMB's Uniform Guidance (2 CFR 200). In the meantime, the Human Resources and City Controller's Office will take steps to address the specific finding noted above.

Planned Implementation Date: June 30, 2021
Responsible Person(s): Jesenia Sanchez, Human Resources Analyst and Sharon Rahban, City Controller

E+P's Comment 2019: In progress.

2014-030 – HR Forms – I-9 Review of Information (BP, NC)

Criteria: Per immigration law, all employers must complete and retain I-9 forms for every person they hire within three business days after the employee begins work for pay for employment after November 6, 1986. The forms have to be retained for three years after the date of hire, or one year after the date of employment ends – whichever is later.

Condition: There are instances where I-9 forms are present, but there is no documentation of City staff reviewing and verifying information.

Cause: Current HR personnel was not present during period being audited and could not provide an explanation as to why Section 2 of the form was not completed.

Effect or Potential Effect: Failure to complete and retain I-9 forms for every employee is considered a violation of federal law.

Repeat of a Prior-Year Finding: No

Recommendation: The City should ensure that there are policies and procedures in place that define how HR documents should be processed during the hiring process. Consequently, the City should also ensure that such policies are actually being followed by the HR Department. For City employees that are still employed by the City to date, the City should work on getting these files completed and filed.

Management Response and Corrective Action Plan

City's Response: The City concurs with the recommendation.

Corrective Action Plan: The City has hired additional HR staff to handle the paperwork associated with hiring new staff. The City will also establish and document policies and procedures designed to serve as a system of internal controls required by OMB's Uniform Guidance (2 CFR 200). In the meantime, the Human Resources and City Controller's Office will take steps to address the specific finding noted above.

Planned Implementation Date: June 30, 2021
Responsible Person(s): Jesenia Sanchez, Human Resources Analyst and Sharon Rahban, City Controller

E+P's Comment 2019: In progress.

2014-031 – Internal Control over Cash Disbursements – Payment Processed from Statement (SD)

Criteria: City policy requires that all payments be supported by original invoices.

Condition: Per City policy, payments can only be made from original invoices. We identified that a payment was supported only by a statement instead of an original invoice.

Cause: City policy was not properly enforced and payment was still processed on a statement.

Effect or Potential Effect: Duplicate payments could be made for the same service or product.

Repeat of a Prior-Year Finding: No

Recommendation: The City should implement monitoring procedures to ensure that daily operations are conducted according to City Policies. In instances where deviations from City policies are necessary, properly documented support, including approval of such deviation from the department manager should be attached.

Management Response and Corrective Action Plan

City's Response: The City concurs with the recommendation.

Corrective Action Plan: The Controller's staff now reviews requisitions and warrant requests prior to submitting to accounts payable staff for input. The checks are further reviewed by the Budget Officer, and Controller (or Deputy) prior to the Controller signing the checks. The City will also establish and document policies and procedures designed to serve as the system of internal controls required by OMB's Uniform Guidance (2 CFR 200). In the meantime, the City Controller's Office will take steps to address the specific finding noted above.

Planned Implementation Date: June 30, 2021
Responsible Person(s): Sharon Rahban, City Controller

E+P's Comment 2019: Repeat finding 2019-028.

2014-032 – Internal Control over Cash Disbursements – Successor Agency Checks (MW)

Criteria: The City should account for all checks cut from its bank accounts by properly entering them in its accounting system.

Condition: Successor Agency checks were not accounted for in the system. The City Controller's Office accounted for them for by first issuing a City general bank account check in the system and then cutting and printing another check for the same amount on Successor Agency check stock. The updated check information was not recorded in the system. The checks issued by the City Controller's Office from the general account were not properly voided and still show as outstanding checks in the accounting system.

Cause: The City wasn't entering Successor Agency checks in the accounting system and resulted in entering a "void" general checking account check instead. However, these "voided" checks still show as outstanding in the system.

Effect or Potential Effect: Expenses could be materially understated if additional Successor Agency checks were cut, but were not entered in the system. Also, due to the general checks never getting voided or cleared, the City cannot rely on its outstanding checks report for bank reconciliation purposes. Potential misstatement of cash balances due to improper journal entries to clear City checks.

Repeat of a Prior-Year Finding: No

Recommendation: All checks cut from City managed bank accounts should be accounted for in the accounting system. The City should establish a policy defining the necessity to use the appropriate check stock for the related expenditures and have each accounted for in the accounting system as is. The City should also review and correct any outstanding checks related to Successor Agency checks.

Management Response and Corrective Action Plan

City's Response: The City concurs with the recommendation.

Corrective Action Plan: The City is reviewing all capabilities of the financial software system including the ability to manage multiple check stocks for various accounts in order to eliminate the manual check process for the Successor Agency. The City will also establish and document policies and procedures designed to serve as a system of internal controls required by OMB's Uniform Guidance (2 CFR 200). In the meantime, the City Controller's Office will take steps to address the specific finding noted above.

Planned Implementation Date: June 30, 2021
Responsible Person(s): Sharon Rahban, City Controller

E+P's Comment 2019: In progress.

2014-033 – Internal Control over Cash Disbursements – Signor of Checks (SD)

Criteria: Check signing authorization should take proper segregation of duties into consideration.

Condition: There were instances when a check was signed by an accountant instead of the (Deputy) Controller or other supervisory level personnel.

Cause: Due to the key vacancies within the department, a resolution was passed that authorized the Accountant I to sign checks.

Effect or Potential Effect: Misappropriation of assets through unauthorized cash disbursements caused by lack of segregation of duties.

Repeat of a Prior-Year Finding: No

Recommendation: The City should establish appropriate alternate signers in the absence of the Controller. In instances where the appropriate alternate signer is also not available, a comprehensive explanation and proper documentation of support authorizing and validating another City staff's signature should be attached.

Management Response and Corrective Action Plan

City's Response: The City concurs with the recommendation.

Corrective Action Plan: All check signers are authorized by City Council via resolution. Heavy turnover of the management in the Controller's Office required a third signer with consistency. The Accountant I would only sign checks in the absence of the Controller and the Deputy Controller. The City will establish and document policies and procedures designed to serve as a system of internal controls required by OMB's Uniform Guidance (2 CFR 200).

Planned Implementation Date: June 30, 2021
Responsible Person(s): Sharon Rahban, City Controller

E+P's Comment 2019: In progress.

2014-034 – Internal Control over Procurement (MW)

Criteria: Per City policy, bids and proposals are required for transactions of an estimated cost of $7,500 or over and the selection of consultants and contractors.

Condition: Bidding package and requested quotes were not available for review for samples selected for testing. The City Controller's Office does not get a copy of the comparative quotes or bidding results that are used to verify that proper purchasing procedures set by City policy were followed.

Cause: Bidding information are maintained in the requesting department and there are no copies available in the City Clerk's office.

Effect or Potential Effect: Lack of policy enforcement could result in opportunity for favoritism, corruption, and fraud.

Repeat of a Prior-Year Finding: No

Recommendation: City should have procedures, controls, and personnel in place that ensure purchasing procedures being conducted are per City Policy.

Management Response and Corrective Action Plan

City's Response: The City concurs with the recommendation.

Corrective Action Plan: The City is centralizing the Purchasing Department within the Controller's Office. All bids will be maintained in the Purchasing Division. Other procedures will be written as the department gets staff hired as the centralization takes place. The City will also establish and document policies and procedures designed to serve as a system of internal controls required by OMB's Uniform Guidance (2 CFR 200).

Planned Implementation Date: June 30, 2021
Responsible Person(s): Sharon Rahban, City Controller

E+P's Comment 2019: Repeat finding 2019-030.

2014-035 – Internal Control over Cash Disbursements – Lack of Documented Approvals (SD)

Criteria: City policy and good internal controls require that invoices be approved prior to payment.

Condition: Our testing identified instances where invoices without properly documented approval have been processed for payment.

Cause: The Department heads do not appear to be following the City's approval process for certain reoccurring payments.

Effect or Potential Effect: Unauthorized expenditures could be paid resulting in misuse of City funds.

Repeat of a Prior-Year Finding: No

Recommendation: The City should implement procedures that help prevent cash disbursements for unauthorized expenditures. Adequate review procedures by the requesting department managers and approving officials should be documented by signature or initials. In instances such as reoccurring bills for utilities, communication, etc., proper language should be added to the City Policy for proper documentation.

Management Response and Corrective Action Plan

City's Response: The City concurs with the recommendation.

Corrective Action Plan: The City has stopped using Council warrants to pay unauthorized bills. All payments that are issued now require multiple signatures. In the event an invoice is created and received, authorizing action is obtained from City Council via staff report and resolution. In the meantime, the City Controller's Office will continue to take steps to address the specific finding noted above. The City will also establish and document policies and procedures designed to serve as a system of internal controls required by OMB's Uniform Guidance (2 CFR 200).

Planned Implementation Date: June 30, 2021
Responsible Person(s): Sharon Rahban, City Controller

E+P's Comment 2019: In progress.

2014-036 – Internal Control over Cash Disbursements – Verification of Remittance Addresses (SD)

Criteria: Payments should only be sent to verified remittance addresses.
Condition: The remittance address on the statement received differed from what is on the purchase requisition and purchase order. The check was sent to the address noted on the purchase requisition and purchase order without further explanation.

Cause: There are no procedures in place that defines the need to verify conflicting remittance addresses.

Effect or Potential Effect: Late payment fees due to delayed remittance or misappropriation of public funds due to illegitimate vendors.

Repeat of a Prior-Year Finding: No

Recommendation: The City should have policies and procedures addressing the proper handling of situations like this to prevent late payments due to incorrect remittance addresses or misappropriation of City funds due to illegitimate vendors. Documentation of support verifying the used address should be attached.

Management Response and Corrective Action Plan

City's Response: The City concurs with the recommendation.

Corrective Action Plan: The City is assessing the current financial policies and procedures manual and will include the process on verifying and updating remittance addresses to ensure the correct vendor is paid timely. The City will also establish and document policies and procedures designed to serve as a system of internal controls required by OMB's Uniform Guidance (2 CFR 200).In the meantime, the City Controller's Office will take steps to address the specific finding noted above. In the meantime, the City Controller's Office will take steps to address the specific finding noted above.

Planned Implementation Date: June 30, 2021
Responsible Person(s): Sharon Rahban, City Controller

E+P's Comment 2019: In progress.

2014-037 – Internal Control over Expenditures – Processing of Duplicate Invoices (SD)

Criteria: The accounting system should not allow the input of duplicate invoices numbers.

Condition: The accounting system warns users if a duplicate entry of an invoice from a vendor is about to be entered. However, the user has the ability to override the warning and proceed with the input of the transaction.

Cause: City staff has the ability to ignore warning and proceed with the input of duplicate invoice numbers.

Effect or Potential Effect: Risk of duplicate payment of an invoice and overstatement of expenses.

Repeat of a Prior-Year Finding: No

Recommendation: The City should eliminate override capabilities from City staff to mitigate the risk of double payment of invoices. In instances where the account numbers are used as invoice references, which causes them to be identical each month, the date of the invoice could be added to allow for a unique invoice reference.

Management Response and Corrective Action Plan

City's Response: The City concurs with the recommendation.

Corrective Action Plan: The City is setting up training for all Controller's Office staff in operating the accounting system. Any and all instances where staff has the ability to override, cancel, delete, or skip key functions will be corrected to ensure only a supervisor has those responsibilities and only when necessary. The City will also establish and document policies and procedures designed to serve as a system of internal controls required by OMB's Uniform Guidance (2 CFR 200).In the meantime, the City Controller's Office will continue to take steps to address the specific finding noted above.

Planned Implementation Date: June 30, 2021
Responsible Person(s): Sharon Rahban, City Controller

E+P's Comment 2019: In progress.

2014-038 – Internal Control over Cash Disbursements – Segregation of Duties (MW)

Criteria: There should be proper segregation of duties in the cash disbursement cycle to reduce the opportunity of fraudulent activities.

Condition: The City staff who is responsible for posting and preparing the checks is the also the one responsible for mailing the checks out.

Cause: Lack of segregation of duties allow one employee to post invoices, prepare checks, and mail out checks.

Effect or Potential Effect: The combination of incompatible responsibilities could result in clerical errors and fraudulent activities.

Repeat of a Prior-Year Finding: No

Recommendation: The City should have one City staff post the disbursements and another prepare and mail the checks. Segregation of authorizing, recording, and custody duties of transactions allows the City to ensure oversight and review to catch errors and to prevent fraud or theft.

Management Response and Corrective Action Plan

City's Response: Checks are now mailed out by the Treasurer's Office.

Corrective Action Plan: The City will establish and document policies and procedures designed to serve as a system of internal controls required by OMB's Uniform Guidance (2CFR 200) in the General Accounting and Accounts Payable policies. These are anticipated to be ready by November 30, 2020. In the meantime, the City Controller will conduct training to staff to address this audit area.

Planned Implementation Date: June 30, 2021
Responsible Person(s): Sharon Rahban, City Controller

E+P's Comment 2019: In progress.

2014-039 – Internal Control over Accounts Payable – Maintenance of Accounts Payable Aging (MW)

Criteria: Per City policies, invoices are to be paid on time to avoid delinquency fees.

Condition: The City does not maintain accounts payable during the fiscal year. Accounts payable is a manual process at fiscal year-end during which the Accountant II goes through subsequent cash disbursements made during the first 90 days of the new fiscal year and determines which expenses belong to the previous fiscal year's accounts payable. Therefore, there is no periodic review and reconciliation of their accounts payable aging report.

Cause: City does not maintain an accounts payable aging. Invoices are usually entered for immediate payment.

Effect or Potential Effect: High risk of error during year end process, which could result in material misstatement of financial statements. Also, expenditures and accounts payable could be understated if payment of the invoice is held up for any reason such as obtaining City Council approval.

Repeat of a Prior-Year Finding: No

Recommendation: The City should utilize its accounting system's accounts payable module. It will allow the City to review, reconcile, and monitor its accounts payable balances throughout the fiscal year for financial reporting and budgeting purposes.

Management Response and Corrective Action Plan

City's Response: The City disagrees with the recommendation because the financial software is not capable of producing an accounts payable aging report.

Corrective Action Plan: The City will establish and document policies and procedures designed to serve as a system of internal controls required by OMB's Uniform Guidance (2CFR 200) in the General Accounting policy. The policies and procedures will include expectations for segregation of duties assignment of authority and responsibility, reconciliation, information and communication, and monitoring for persons with responsibility for systems of processes. In the meantime, the City Controller's Office will take steps to address the specific finding noted above.

Planned Implementation Date: June 30, 2021
Responsible Person(s): Sharon Rahban, City Controller

E+P's Comment 2019: Not started.

2014-040 – Deposit Supporting Documents (MW)

Criteria: The City Controller's Office should be able to reconcile the cash receipts report to each of the supporting documentation.

Condition: The City Treasurer department submits incomplete supporting documentation to the City Controller's Office for daily deposits. Supporting documentation should reconcile to the total deposit made.

Cause: Cash receipt supporting documentation are not centrally filed.

Effect or Potential Effect: City Controller's Office unable to verify accuracy of posted cash receipt. Also, retrieval of supporting documentation is more challenging due to decentralized filing system.

Repeat of a Prior-Year Finding: No

Recommendation: The City should strengthen its internal control over cash receipts and maintain adequate supporting documentation. This should include centralized filing of supporting documentation by the City's Controller's Office so documents can be readily available when needed. The City Controller's Office should be able to trace all deposits to invoices and/or other documentation.

Management Response and Corrective Action Plan

City's Response: The City concurs with the recommendation.

Corrective Action Plan: The City's Controller's Office has assigned one staff member to reconcile the cash receipts document received from the Treasurer's Office to the bank account posted amounts on a daily basis to ensure all transactions are recorded in both the bank and general ledger. The City will also establish and document policies and procedures designed to serve as the system of internal controls required by OMB's Uniform Guidance (2 CFR 200).

Partially implemented: The Treasurer's department implemented updated policies and procedures effective January 2017. Daily deposits are reconciled with all backup and supporting receipts. Separate deposit slips are prepared for each deposit. Daily deposits packages are reviewed by the Chief Deputy before they are sent to the Controller's department. There is dual review and sign-off in all stages as per updated policy.

Planned Implementation Date: June 30, 2021
Responsible Person(s): Sharon Rahban, City Controller

E+P's Comment 2019: In progress.

2014-041 – Deposit Reconciliation (MW)

Criteria: Deposit slips should be traced to the bank account to confirm the intact deposit of the deposits.

Condition: The City Controller's Office doesn't reconcile the deposit slips from the City Treasurer's office to the bank statements while processing the daily cash receipts for recording into the GL.

Cause: The City Controller's Office was solely reconciling the deposit slip to the general ledger, while the City Treasurer's office was unknowingly reconciling a forged deposit slip to the daily bank statements.

Effect or Potential Effect: Cash deposited into the City's bank accounts were less than what was indicated on the deposit slips. However, the discrepancies remained undetected for years and amounted to roughly 3.7 million total due to the weak controls and poor procedures.

Repeat of a Prior-Year Finding: No

Recommendation: The City Controller's Office should include reconciliation of the daily cash receipt to the bank account in the cash receipt posting procedures and communicate any discrepancies with the City Treasurer's office.

Management Response and Corrective Action Plan

City's Response: The City concurs with the recommendation.

Corrective Action Plan: The City's Controller's Office has assigned one staff member to reconcile the cash receipts document received from the Treasurer's Office to the bank account posted amounts on a daily basis to ensure all transactions are recorded in both the bank and general ledger. The City will also establish and document policies and procedures designed to serve as the system of internal controls required by OMB's Uniform Guidance (2 CFR 200).

Planned Implementation Date: June 30, 2021
Responsible Person(s): Sharon Rahban, City Controller

E+P's Comment 2019: In progress.

2014-042 – Cash Receipt Segregation of Duties (MW)

Criteria: There should be a segregation of incompatible responsibilities.

Condition: We noted a lack of segregation of duties in the City Treasurer's department as the same individual counted cash, prepared the deposit slip, and reconciled the Springbrook daily deposit reports, which can lead to misappropriation of City funds.

Cause: One individual was performing incompatible responsibilities without any mitigating controls.

Effect or Potential Effect: City was subject to multiple years of embezzlement.

Repeat of a Prior-Year Finding: No

Recommendation: The City Treasurer's department should strengthen its controls over cash receipts by segregating the cash counting process from cash reconciliation by having a different employee count the cash and another employee reconcile it to the daily reports. Policies and procedures need to be updated to reflect the responsibilities by position.

Management Response and Corrective Action Plan

City's Response: The City concurs with the recommendation.

Corrective Action Plan: The City has revised its cash handling policy to ensure segregation of duties. The City will also establish and document policies and procedures designed to serve as the system of internal controls required by OMB's Uniform Guidance (2 CFR 200).

Partially implemented: The Treasurer's department implemented updated policies and procedures effective January 2017. There is double custody and sign off in all instances of cash counts and review of deposits.

Planned Implementation Date: June 30, 2021
Responsible Person(s): Douglas Sanders, City Treasurer and Sharon Rahban, City Controller

E+P's Comment 2019: In progress.

2014-043 – Cash Receipt Support (SD)

Criteria: City Controller's Office should maintain adequate supporting documentation of its transactions.

Condition: City Controller's Office was unable to locate cash receipt packages selected as part of the sample.
Cause: There is no consistent filing and storing system in place.

Effect or Potential Effect: City is unable to locate supporting documentation for subsequent review.

Repeat of a Prior-Year Finding: No

Recommendation: The City should strengthen its internal control over cash receipts and maintain adequate supporting documentation. This should include centralize filing of supporting documentation by the City's Controller's Office so documents can be readily available when needed. The City Controller's Office should be able to trace all deposits to invoices and/or other documentation. Controller's Office should establish and document a filing and storing system that enables (new) City staff to locate (older) supporting documentation related to their assigned day-to-day responsibilities as needed.

Management Response and Corrective Action Plan

City's Response: The City concurs with the recommendation.

Corrective Action Plan: The City's Controller's Office is creating a tracking log to identify the storage location of all boxes of supporting documentation of cash receipts. The current and immediate past fiscal year files will be housed within the Controller's Office. All other years' records will be in off-site storage locations. The City will also establish and document policies and procedures designed to serve as the system of internal controls required by OMB's Uniform Guidance (2 CFR 200). In the meantime, the City Controller's Office will take steps to address the specific finding noted above.

Planned Implementation Date: June 30, 2021
Responsible Person(s): Sharon Rahban, City Controller

E+P's Comment 2019: In progress.

2014-044 – Internal Controls over Cash Receipts (MW)

Criteria: Cash receipts should be kept in a secure location until deposited.

Condition: Cash receipts are not deposited intact promptly or stored in a secure location.

Cause: Cash is only deposited once a day and the lack of surveillance during lunch breaks or the absence of supervisory position creates an opportunity for theft.

Effect or Potential Effect: Unsupervised cash could easily be misappropriated.

Repeat of a Prior-Year Finding: No

Recommendation: The City should have procedures and security equipment (i.e. security cameras) in place to ensure that cash within the City Treasurer's department are constantly under surveillance. The City should also restrict access to and increase security in the location where cash is stored while waiting for the daily pickup for deposit.

E+P's Comment 2019: Completed.

2014-045 – Bank Reconciliations (MW)

Criteria: Bank reconciliations should be prepared and review in a timely manner.

Condition: Bank reconciliations are not prepared and reviewed in a timely manner.

Cause: Due to the vacancies in key positions in the City Controller's Office, staff fell behind on the monthly reconciliations of the over 30 bank accounts.

Effect or Potential Effect: An embezzlement remained undetected for years. Also, cash could be materially misstated.

Repeat of a Prior-Year Finding: No

Recommendation: The City should have City employees trained to perform monthly bank reconciliations for all City bank accounts. Subsequently, a documented review and approval of the bank reconciliations should be performed in a timely manner to ensure that any discrepancies are discovered and addressed appropriately.

Management Response and Corrective Action Plan

City's Response: The City concurs with the recommendation.

Corrective Action Plan: The City will establish and document policies and procedures designed to serve as a system of internal controls required by OMB's Uniform Guidance (2CFR 200) in the Bank Reconciliation policy. In the meantime, the City Controller's Office is examining current processes over bank reconciliations and the proper assignments of responsibilities at key dates each month to be able to catch up on timely preparation by fiscal year 2022.

Planned Implementation Date: June 30, 2022
Responsible Person(s): Sharon Rahban, City Controller

E+P's Comment 2019: Repeat finding 2019-009

2014-046 – Cash Account Adjustments (MW)

Criteria: The cash general ledger accounts should only reflect actual cash transactions and transfers.

Condition: Adjustments of cash accounts are not approved and documented by the appropriate level of management or another appropriate person.

Cause: The City prepared journals against the cash accounts for miscellaneous adjustments.

Effect or Potential Effect: Journals against cash increases the complexity of bank reconciliations. Journal entries should always be associated with actual cash movements, otherwise, the general ledger may be materially misstated.

Repeat of a Prior-Year Finding: No

Recommendation: The City should not be posting journals to cash accounts unless absolutely necessary for specifically approved standardized transactions per City policy. Furthermore, journal entries to cash accounts should be reviewed and approved by the appropriate level before posting. Documentation for support in compliance with policy should be attached to the entry.

Management Response and Corrective Action Plan

City's Response: The City concurs with the recommendation.

Corrective Action Plan: The City will establish and document policies and procedures designed to serve as a system of internal controls required by OMB's Uniform Guidance (2CFR 200) in the Bank Reconciliation policy. In the meantime, the City Controller's Office is currently researching on prior year accounting errors that are to be corrected, including any for the fiscal 2020 audit.

Planned Implementation Date: June 30, 2021
Responsible Person(s): Sharon Rahban, City Controller

E+P's Comment 2019: In progress.

2014-047 – Bank Reconciliations (BP)

Criteria: The City should utilize its accounting information system to become more efficient and effective in preparing timely monthly bank reconciliations.

Condition: The City does not properly utilize ONESolution Accounting System's bank reconciliation function to minimize any calculation or reconciliation errors.

Cause: The City has over 30 bank accounts that it manually reconciles on Excel spreadsheets.

Effect or Potential Effect: Manual bank reconciliation are more time consuming and more susceptible to clerical errors. Also, due to the time constraint and high volume in bank accounts it's easy to fall behind.

Repeat of a Prior-Year Finding: No

Recommendation: The City should take full advantage of the City's accounting system's (OneSolution) capabilities to increase efficiency and reduce human error in the process of preparing bank reconciliations.

Management Response and Corrective Action Plan

City's Response: The City concurs with the recommendation.

Corrective Action Plan: The City is setting up training with OneSolution for all current and new staff to learn all the functionality of One Solution in order to take advantage of all modules purchased. We will also be looking into purchasing other modules that make the accounting of various functions, including bank reconciliations, more efficient and timely. The City will also establish and document policies and procedures designed to serve as the system of internal controls required by OMB's Uniform Guidance (2 CFR 200). In the meantime, the City Controller's Office will take steps to address the specific finding noted above.

Planned Implementation Date: June 30, 2021
Responsible Person(s): Sharon Rahban, City Controller

E+P's Comment 2019: In progress.

2014-048– Internal Control over Accounts Receivable (SD)

Criteria: Accounts receivable should be periodically reviewed and analyzed.

Condition: The City does not maintain accounts receivable during the fiscal year. Accounts receivable is a manual process at fiscal year-end during which the Accountant II goes through subsequent cash receipts during the first 90 days of the new fiscal year and determines which revenues belong to the previous fiscal year's accounts receivable. There is no review and reconciliation of accounts receivable and/or receivable aging reports to ensure timely collections.

Cause: The City backs into accounts receivable at YE by going through subsequent cash receipts.

Effect or Potential Effect: Weak controls and procedures increases the chance of error, which could result in a material misstatement of the financial statements and potential loss of City funds due to under collection of receipts.

Repeat of a Prior-Year Finding: No

Recommendation: The City should track business licenses, rents and leases, and other miscellaneous reoccurring revenue to ensure timely collection. The City should also utilize its accounting system's accounts receivable module. It will allow the City to review, reconcile, and monitor its accounts receivable balances throughout the fiscal year for financial reporting and budgeting purposes.

Management Response and Corrective Action Plan

City's Response: The City concurs with the recommendation.

Corrective Action Plan: The City's Controller's Office intends to centralize all accounts receivable functions into the Controller's Office in order to maintain adequate records. The City will also establish and document policies and procedures designed to serve as the system of internal controls required by OMB's Uniform Guidance (2 CFR 200). In the meantime, the City Controller's Office will take steps to address the specific finding noted above.

Planned Implementation Date: June 30, 2021
Responsible Person(s): Sharon Rahban, City Controller

E+P's Comment 2019: In progress.

SCHEDULE OF SCO ADMINISTRATIVE AND INTERNAL ACCOUNTING CONTROLS FINDINGS

FOR THE PERIODS OF JULY 1, 2013 THROUGH JUNE 30, 2016

2014-049A – General Fund Deficit Balance (MW)

SCO Finding 1 – There is a deficit fund balance in the General Fund

Condition: For the period of July 1, 2009 through June 30, 2016, the City operated with a material deficit amount in its General Fund – an indication that the City's general operations include significant deficit spending.

According to the City Council minutes, beginning in April 12, 2011, the City Council faced scrutiny from citizens for reckless overspending of its General Fund revenues within a period of four years. The General Fund surplus of $22.4 million at the beginning of FY 2007-08 was totally exhausted, and had become a deficit of $42. 7 million by FY 2010-11 through overspending an average of $16.3 million per year. The General Fund shortages for subsequent years were routinely covered by borrowing from other fund accounts, resulting in an estimated deficit of $38.5 million for the fiscal year ended June 30, 2016. The successive years of operating deficits have caused financial hardship for the City.

The surpluses/deficits in the General Fund balance, as reported in the City's financial records, are as follows:

Fiscal Year (FY)	Beginning Fund Balance	Net Change in Fund Balance	Ending Fund Balance	
FY 2007-08	$ 22,418,586	$ (10,638,544)	$ 11,780,042	Surplus
FY 2008-09	11,780,042	(14,366,552)	(2,586,510)	Deficit
FY 2009-10	(2,586,510)	(12,021,192)	(14,607,702)	Deficit
FY 2010-11	(14,607,702)	(28,117,112)	(42,724,814)	Deficit
FY 2011-12	(42,724,814)	4,813,408	(37,911,406)	Deficit
FY 2012-13	(37,911,406)	1,530,265	(36,381,141)	Deficit
FY 2013-14	(36,381,141)	(106,983)	(36,488,124)	Deficit
FY 2014-15[1]	(36,488,124)	(6,375,204)	(42,863,328)	Deficit
FY 2015-16[1]	(42,863,328)	4,366,306	(38,497,022)	Deficit

[1]Amounts were calculated from unadjusted trial balances.

As shown above, the City operated with deficit General Fund balances beginning in FY 2008-09, which may suggest that it cannot meet the burden of its current government expenditures. It is essential that the City maintain an adequate General Fund balance to mitigate current and future risks, such as revenue shortfalls and unanticipated expenditures. Fund balances are a crucial consideration in long-term financial planning.

On December 20, 2011, City officials acknowledged that immediate steps were necessary to address the City's General Fund deficit. The City appeared to have slowly reduced the deficit beginning in FY 2011-12; however, the deficit materially increased again in FY 2014-15. On June 17, 2014, the City Council adopted Resolution No. 23,970 to implement a 15-year repayment plan to resolve the deficit. Our review of the City's financial records for FY 2014-15 reflected an estimated deficit increase of $6.4 million in the City's General Fund, to $42.9 million.

The Government Finance Officers Association has developed Fund Balance Guidelines for the General Fund, which state that governments should establish a formal policy on the level of unrestricted fund balance that is to be maintained in the General Fund. It further recommends that, at a minimum, general-purpose governments, regardless of size, maintain unrestricted fund balance in their General Fund of no less than two months of regular General Fund operating revenues or regular General Fund operating expenditures.

Recommendation: Although the City has taken certain steps to address its deficit issues, the SCO recommended that it continue these efforts to address its deficit; adhere to its long-term plan to eliminate fund deficits and inter-fund borrowing; and create an appropriate level of General Fund reserves for the future.

Additionally, the City Council should be more disciplined in controlling the City's operational spending. The City should also review all funds with deficit fund balances and determine an appropriate action plan.

E+P concurs with the SCO finding and recommendation. It requires a long-term strategic plan of living within its means supported by revenues and funding options exceeding operating expenses and capital expenditures while meeting loan covenants.

Management Response and Corrective Action Plan

City's Response: The City of Compton disagrees with the State's assertion that the FY 2010-11 deficit of $42.7 million occurred as a result of overspending an average of $16.3 million per year. The City's June 30, 2007 Annual Financial Report does reflect a $22.4 million dollar surplus as the State indicated. However, the City's Internal Service Funds listed a deficit of $31 million dollars. In contrast, the City's June 30, 2011 Annual Financial Report reflected a $41.2 million dollar deficit while the City's Internal Service Funds reflected a positive cash balance of $21.3 million dollars. It is our position that this data highlights the end of the City's practice that occurred over prior decades of carrying forward deficit accounts in the Internal Service Fund but does not represent overspending of actual cash during this time period as indicated by the State.

Furthermore, in 2012, the City sought and obtained with the assistance of Los Angeles County, Tax and Revenue Anticipation Notes (TRANs) financing to cover the City's annual cash flow shortages; thereby ending the need for internal service fund borrowing. TRANs financing continued through June 30, 2016. The City will diligently continue to reduce its current general fund deficit by adhering to a long-term plan to eliminate fund deficits.

Planned Implementation Date: June 30, 2021
Responsible Person(s): Craig J. Cornwell, City Manager and Sharon Rahban, City Controller

E+P's Comment 2019: Repeat finding 2019-025.

2014-050A – Council Member Salary Compensation (MW)

SCO Finding 2 – The City may have paid its Council Members salary compensation in excess of the amount allowed by its Charter

Condition: The SCO's review of the accounting and reporting of salary costs revealed that the City may have overpaid salaries to its City Council Members. The SCO extracted salary costs for Council Members for the period of January 1, 2010, through July 31, 2017 from the City's payroll records. The SCO's review disclosed that during this period, Council Members were compensated a total of $1.56 million. Section 504 of the City's Charter provides for monthly compensation of $600 to City Council Members and the Mayor. Our evaluation of the extracted payroll records suggests that the City may have paid its Council Members $ 1.29 million in excess of the amount allowed by the City Charter. The following schedule shows the breakdown of questionable compensation paid to these Council Members:

Calendar Year	Regular Salary	Car Allowance	Phone Allowance	Total	Allowed Per Charter	Overpayment
2010	$ 226,000	$ 35,750	$ -	$ 261,750	$ 36,000	$ 225,750
2011	239,050	33,800	375	273,225	36,000	237,225
2012	218,350	32,856	2,632	253,838	36,000	217,838
2013	237,800	38,645	4,568	281,013	36,000	245,013
2014	186,350	32,500	4,900	223,750	36,000	187,750
2015	130,350	15,275	3,600	149,225	36,000	113,225
2016	35,075	38,675	3,600	77,350	36,000	41,350
2017[1]	18,000	19,500	1,800	39,300	18,000	21,300
	$ 1,290,975	$247,001	$ 21,475	$ 1,559,451	$270,000	$ 1,289,451

[1]January 1, 2017, through June 30, 2017

According to the City, the salaries noted above consist of the $600 allowed by the City Charter and additional amounts of approximately $4,000 a month for the Council Members' memberships in various boards and commissions. Per the City, the additional payment structure, which has been in place since 1975, "is in conformance to a legally-recognized method of interpretation of the City Charter and case law." In a letter to the City dated July 17, 2015, the Los Angeles County District Attorney's Office (DA) stated that "there is no legal authority in the Compton City Charter that allows the mayor or council member to pay themselves money over and above" the $600 salary. The Compton City Attorney disagreed with the DA's interpretation in his letter dated August 17, 2015, which states:

> "Your letter contends that Section 504 of the Charter "is controlling as to the compensation" of the Mayor and Council Members, and that "[a]ny increase in salary must be specifically stated within, and authorized by" the charter. In my opinion, this position is contrary to case law. The courts have consistently rejected the notion that City Charter must affirmatively authorize a City Council to act on matter that is a municipal affair ...."

The City Council minutes from September 1, 2015, note that the City Attorney and the County District Attorney had a meeting wherein they exchanged legal viewpoints on these issues and ultimately agreed to disagree.

On September 15, 2015, the Mayor adjusted her salary. On October 15, 2015, the rest of the Council Members reduced their salaries to $600 to comply with the Charter. However, City Council Members

continued to receive their monthly car and phone allowances, increasing their total compensation over the amount allowed by the City Charter. We also noted that on December 31, 2015, City Council Members received additional salaries of $7,475 labeled as "Other Earnings". The City was not able to provide documentation to justify these other earnings.

Recommendation: The SCO recommended that the City follow up on the legal issue related to compensation paid to its elected government board officials in excess of the $600 salary per member, per month, to ensure that amounts paid are in compliance with the City Charter. Furthermore, the SCO recommended that the City seek refunds on any potential overpayments.

E+P concurs with the SCO finding and recommendation.

Management Response and Corrective Action Plan

City's Response: The City acknowledges the State's recommendation and will continue to review the City's practice of compensation and expense reimbursements that had been in effect since 1975 for ongoing compliance with its City Charter.

It is important to note that the City's Urban Community Development Commission (UCDC) which governs the City's Local Housing Authority still meets on an as needed basis. Its compensation is set by state law at $75 per meeting attended and a maximum of $150 a month. Our financial department will continue to research the State's "Other Earnings" notation.

Corrective Action Plan: Moving forward the city plans that council members will only receive $600 per city charter per month + $150 per month maximum allowance, as well as phone costs and auto allowance. Due to past practices commencing in 1976, refunds from prior periods will not be pursued as there is no way to pursue them equitably.

Planned Implementation Date: June 30, 2019
Responsible Person(s): Craig J. Cornwell, City Manager

E+P's Comment 2019: To be tested.

2014-051A – Material Weaknesses in Internal Control (MW)

SCO Finding 3 – Material weaknesses in internal control resulted in the City's losing $3.72 million

Condition: On November 3, 2017, the former Deputy Treasurer of the City was sentenced to six and a half years in federal prison on charges stemming from his embezzlement of more than $3.72 million of City funds from May 2010 through December 2016. The former Deputy Treasurer held his position for more than 20 years; his primary responsibilities included the verification of daily collections to the Cashier Count Report and completion of the bank deposit process.

According to a forensic audit report, dated March 2017, the City's former Deputy Treasurer was able to obscure his embezzlement scheme for over six years. This was partly because: (1) he embezzled small amounts on a daily basis by duplicating and otherwise falsifying bank deposit slips, while presenting accurate documents for recording in the City's accounting system; and (2) internal controls were insufficient to allow the theft to be detected, as City Management failed to closely monitor bank accounts.

Given the City's continuing budget deficit, City Management should have maintained rigorous internal controls over cash handling and reconciliation processes. Instead, the City failed to implement basic internal controls in its cash receipt process, resulting in a loss of millions of dollars badly needed by the City.

Some basic internal control deficiencies are as follows:

- Failure to implement proper segregation of duties, which is key to protecting assets such as cash. The former Deputy Treasurer was allowed to perform the first cash count and reconcile count by himself, and also to complete all necessary paperwork for the deposit process. This internal control deficiency provided him with the opportunity to embezzle cash;
- Failure to complete monthly bank reconciliations in a timely manner (see Finding SCO Finding 8); and
- Failure to implement read-only access for online monitoring of bank activity in the City Controller's Office. An employee assigned to monitor the City's banking activity might have been able to quickly identify discrepancies between the total cash deposited and the total cash amount stated in the Cashier Count Reports.

Recommendation: Although the City stated that it has implemented several new procedures within the Treasurer's Office, and that the City Controller's Office has implemented read-only access for monitoring bank activity, these procedures have yet to be incorporated in its formal Policies and Procedures manual. The SCO recommended that the City update its formal Policies and Procedures manual to incorporate the recently implemented internal control procedures, and complete these updates as soon as possible.

E+P concurs with the SCO finding and recommendation.

Management Response and Corrective Action Plan

City's Response: The City acknowledges the State's finding to update our formal Policies and Procedures manual to incorporate the recently implemented financial internal control procedures as soon as possible.

Partially implemented: The Treasurer's office implemented updated policies and procedures effective January 2017 that emphasizes segregation of duties and dual custody of cash at all times. Cash counting and verification of deposits are reviewed by the deputies and duties are periodically rotated. Security cameras have been installed for monitoring of cash handling.

Planned Implementation Date: June 30, 2021

Responsible Person(s): Douglas Sanders, City Treasurer and Sharon Rahban, City Controller

E+P's comment 2019: In progress.

2014-052A – City Council Excessive Expenditures (MW)

SCO Finding 4 – City Council expenditures are substantially higher than those of comparable charter cities within the Los Angeles area

Condition: The expenditures are substantially higher when compared to those of other charter cities of comparable size in area and population within Los Angeles County. For FY 2013-14, FY 2014-15, and FY 2015-16, The SCO's review of the City's budget for its City Council revealed that it is approximately 300 percent greater than the average budget of comparable charter cities as shown in the table below:

City	Population	Area (Square Miles)	Budget FY 2014	Budget FY 2015	Budget FY 2016
Alhambra	83,089	7.63	$ 332,059	$ 341,945	$ 345,634
Burbank	103,340	17.39	515,208	520,059	642,424
Downey	111,772	12.57	325,907	287,412	267,859
Whittier	85,331	14.66	32,967	32,967	32,967
Total			**$ 1,206,141**	**$ 1,182,383**	**$ 1,288,884**
Average			**$ 301,535**	**$ 295,596**	**$ 322,221**
Compton	97,550	10.2	$ 1,166,376	$ 1,290,671	$ 1,345,611
Difference from Other Cities Average Budget			**$ 864,841**	**$ 995,075**	**$ 1,023,390**
Percentage of Difference to Average Budget			**286.81%**	**336.63%**	**317.60%**

Aside from excessive salaries paid to Council Members (see Finding 2014-050A), the largest contributing factor to the City's higher expense for City Council is compensation paid to Council Assistants. Unlike other charter cities, the City has created five Council Assistants – one for each Council Member and one for the Mayor.

The total compensation paid to these Council Assistants for the calendar years 2014, 2015, and 2016 is presented below:

Calendar Year	Regular Earnings	Other Pay and Allowances	Total Pay	Total Benefits	Total Pay and Benefits
2014	$ 226,567	$ 21,359	$ 247,926	$ -	$247,926
2015	226,565	12,266	238,831	-	238,831
2016	267,284	-	267,284	133,992	401,276
Total	**$ 720,416**	**$ 33,625**	**$ 754,041**	**$133,992**	**$888,033**

The Council Assistant is an unclassified hourly employee (part-time) position according to the City Charter. These Council Assistants work under the general direction of the City Manager or designated management official, with the general purpose of performing administrative support functions for the City Council Members. However, the City Manager does not provide general direction to the Council Assistants. Instead, each Council Assistant works under the general direction of their designated City Council Member and performs tasks for specific programs of that Council Member. These programs are most often specific to the Council Member's own district, and are very seldom, if ever, City-wide. Council Assistants' work hours should be limited to, at most, 36 hours per week. However, in most instances, they work and are paid for 40 hours a week and are occasionally paid for overtime hours.

From the SCO's review of available documents, the SCO cannot determine how the City benefits from the work performed by Council Assistants for its Council Members.

Recommendation: The SCO recommended that the City evaluate the City Council's expenses, including the Council Assistant positions and their relevance and importance to the overall purpose and operation of the City.

E+P concurs with the SCO finding and recommendation.

Management Response and Corrective Action Plan

City's Response: As cited in the audit, the City lacks the staffing to address all of the constituent concerns that occur in the City. The role of the Council Liaison is critical to service delivery in that it provides a conduit between the Mayor and Council District constituents to the various departments via the City Manager's Office. Their roles are an extension of each City Department's ability to deliver services and assist the City Manager's Office in that delivery. Additionally, the liaisons must be allowed to work flexible schedules to ensure that Mayor and Council Town Halls, special events, and meetings are coordinated with the proper departments.

The City acknowledges that the positions should not work over their 36 hour work week. To address the number of hours worked by the liaisons, administration has been closely monitoring the actual hours worked by the liaisons and have informed the Mayor and Council that the Liaison positions are not to be assigned work in excess of their 36 hour work week and that no overtime will be paid for this position.

Planned Implementation Date: June 30, 2021
Responsible Person(s): Craig J. Cornwell, City Manager

E+P's Comment 2019: In progress.

2014-053A – City Council Excessive Expenditures (MW)

SCO Finding 5 – City Council spending of City funds on special projects and events exceeds the approved budget

Condition: Based on the SCO's review of City Council expenses, they determined that the City Council not only received compensation in excess of allowed amounts (see Finding 2014-050A) and incurred additional costs for Council Assistants (see Finding 2014-052A), but it also has incurred expenses for special projects and events in excess of the amounts approved in its budget. During FY 2015-16 and FY 2016-17, the City Council spent a total of $403,734 on special projects and events, with the breakdown as follows:

Special Projects and Events - Council Expenses

Council Member	FY 2015-16	FY 2016-17	Total
A	$ 110,478	$ 36,017	$ 146,495
B	68,060	46,761	114,821
C	2,776	42,852	45,628
D	4,493	19,751	24,244
E	25,354	32,549	57,903
Joint Program	9,479	-	9,479
City-wide Program	1,505	-	1,505
Other Expenses	3,659	-	3,659
Total	**$ 225,804**	**$ 177,930**	**$ 403,734**
Approved Budget	55,000	125,000	180,000
Expenses in Excess of the Approved Budget	**$ 170,804**	**$ 52,930**	**$ 223,734**
Percantage of Expenses Over Budget Amount	**310.55%**	**42.34%**	**124.30%**

A budget is perhaps the most important managerial tool available to a local government. Because a budget reflects almost all of a local government's activities, it acts as an effective management tool at various stages of governmental activity. However, the City Council appears to ignore its established budgets. As shown above, the City Council spent over the approved budget by $223,734 during FY 2015-16 and FY 2016- 17. This failure to control spending further increases the City's General Fund deficit.

Recommendation: The SCO recommended that the City Council and City Management limit their spending to adopted budget amounts. In addition, the SCO recommended that the City Council regularly request reports from City Management showing a comparison of budgeted to actual expenditures to ensure that the City does not spend in excess of approved budgets.

E+P concurs with the SCO finding and recommendation.

Management Response and Corrective Action Plan

City's Response: The City acknowledges the State's recommendation to limit spending to adopted budget amounts. To that end, the City's administration will propose greater use of line itemization in the upcoming FY 2018-2019 budget for greater detail. The City will also continue its recent practice of quarterly budgetary updates at City Council meetings where a comparison between budget and actual expenditures are presented.

Planned Implementation Date: June 30, 2021
Responsible Person(s): Craig J. Cornwell, City Manager

E+P's Comment 2019: In progress.

2014-054A – Purchasing Procedures and Contracting Requirements (MW)

SCO Finding 6 – City officials failed to comply with purchasing procedures and contracting requirements

Condition: During the SCO's review of the City's contracting process from July 1, 2013, through June 30, 2016, the SCO noted that neither City officials nor the City Council complied with the City contracting requirements. Purchases and contracts for supplies, services, and equipment that exceed $25,000 must be made with a written contract and a written purchase order to the lowest responsible bidder. City officials made numerous questionable decisions by not following the contract process. The SCO identified numerous contracts and transactions that raised questions about the reasonableness and proper usage of public funds, as follows:

- Contracted services were not subjected to competitive bidding – Ron's Maintenance, Inc.:
  On October 27, 2015, the City Council adopted Resolution No. 24,248 authorizing the City Manager to enter into a multi-year agreement with Ron's Maintenance, Inc., for City-wide catch basin cleaning services. The City Manager entered into a new two-year contract agreement with Ron's Maintenance, Inc., at $154,836 per fiscal year. The new contract extended a contract that ended June 30, 2015, to June 30, 2017. The City has consecutively renewed its contract with Ron's Maintenance, Inc., since January 23, 2010, and paid a total of $946, 178 between July 1, 2011 and June 30, 2017.

  The City's initial contract with Ron's Maintenance, Inc. shows that the proposal and contract negotiating process excluded other contractors from bidding on the project. Additionally, the SCO's review of documents suggests that the City did not consider exploring other options or seek bids from other companies. As such, the City failed to comply with the open bidding process as mandated by its contracting requirements.

  In addition, during the SCO's review the SCO noted that the City failed to obtain competitive bids for the following contracts:

Vendor Name	Description	Resolution No.	Approval Date	Contract Amount
All-Star Interpreting Services	Interpreting Services	23,984	June 8, 2014	$ 35,000
	Interpreting Services	24,197	July 28, 2015	35,000
Evan Brooks Associates	Consultant - Grant application	24,072	January 13, 2015	56,100
	Consultant - Traffic engineering services	24,214	September 1, 2015	40,000
New West Landscaping	Landscaping	23,759	May 21, 2013	25,000
	Landscaping	23,759	October 14, 2014	18,000
Urban Graffiti Enterprises, Inc.	Graffiti Removal	23,759	May 21, 2013	25,000
Willdan Financial Services	Comprehensive schedule of fees study	23,908	February 25, 2014	62,260
			Total	$296,360

- The City extended existing contracts without completing a competitive bidding process – Trimming Land Company, Inc.:
  On May 18, 2014, the City Council adopted Resolution No. 23,916 to amend an existing contract by increasing the scope of work and compensation by $454,980, to a total amount of $654,980 – an increase of 227%. In addition, the City Council adopted Resolution No. 23,856 on November 16, 2015, to extend the contract for another year.

The City amended this contract without completing the competitive bidding process. None of the documents the SCO reviewed provided evidence that City officials conducted a competitive bidding process or considered exploring any other options. Accordingly, this contract extension is not fair and equitable to the City and its residents. As such, City officials violated the City's contracting requirements.

- The City approved contract change orders in violation of the California Public Contract Code. The City approved a change order in the amount of $1,747,782 to cover additional work for a City-wide traffic signal upgrade project. The change order expanded the scope of work to include additional "potholing" repairs as a result of an underground utility survey. This change order represents a 36% increase over the original contract amount of $4,922,469. The change order was approved by the City on March 17, 2015; however, work was completed before the change order was approved.

  The City adopted the California Public Contact Code as its law governing contract awards relating to street works, and also adopted the Green Book's Standard Specifications for Public Works Construction (Green Book) for construction standard practices, which are widely accepted. City Management asserted that the 36% increase of the contract through a change order was legal and had been approved by the City Manager. City Management further explained that the change order included major "potholing" repairs because the original contract had not included that work.

  A change order should only cover increased costs with in the original project scope. These additional improvements were not within the scope of the original contract.

  These change order practices raise serious concerns and issues relative to the City's compliance with the California Public Contract Code:
  - The City failed to comply with its contracting requirements when it approved the change order. The change order increased the contract by $ 1,747,782. The City's Financial Policies and Procedures Manual (Section 9.6) references the California Public Contract Code, section 20455, which states that changes to the original contract should not exceed $150,000.
  - By extending project scope through change orders, the City repeatedly circumvented the bidding process. Change orders that alter project scope or exceed $150,000 should only be awarded after competitive bidding. Contracts not competitively bid as required by Public Contracts Code are void as a matter of law. Moreover, Public Contract Code section 20163 states that "[e]very person who willfully violates the provision of this section is guilty of a misdemeanor."
  - The City did not perform a detailed review and analysis of the change order and, therefore, failed to properly exercise its oversight responsibilities. It appears that the City approved change orders by relying on staff recommendations, without independently performing due diligence review of the approval process. All responsible parties appeared to rely on the Public Works Director's recommendations without seeking any input from legal counsel.

As a result of the City's violation of the Public Contract Code, reimbursement of its state and federal projects may be disallowed.

Recommendation: The SCO recommended that the City Council fulfill its fiduciary responsibility by exercising meaningful oversight over the City's affairs. The City also should develop and implement policies and procedures to ensure that its management performs a detailed review and gains full understanding before entering into any type of legally-binding agreement. This is especially critical when approving long-term extensions to existing contracts. All proposed agreements should be presented to the City Council, with full explanations of the services to be provided and the benefits to the City, prior to approval and formal execution.

In future, the City should consult with its legal counsel to ensure that it complies with the Green Book, the Public Contract Code, and all other applicable laws, rules, and regulations. It is imperative that City officials perform due diligence when overseeing and approving City contracts and projects.

E+P concurs with the SCO finding and recommendation.

Management Response and Corrective Action Plan

City's Response: The City acknowledges the State's recommendation to uphold its obligation to contract within our purchasing regulations. To that end, the City's administration will propose including a Centralized Purchasing Officer to ensure the City is meeting its purchasing and contracting obligations.

Planned Implementation Date: June 30, 2021
Responsible Person(s): Craig J. Cornwell, City Manager and Sharon Rahban, City Controller

E+P's Comment 2019: In progress.

2014-055A – Lack of Oversight over Operational Activities Relating to Contracted Services (MW)

SCO Finding 7 – The City failed to exercise oversight over its financial and operational activities relating to contracted services

Condition: During the SCO's review, the SCO noted that payments for goods and services were readily approved by the City Council and other City officials without detailed review or analysis of the reasonableness of these costs. During several City Council meetings, payments of warrants were approved without review or evaluation of payment. The SCO identified the following contracts and transactions that raise questions regarding reasonableness and proper use of public funds:

- Unallowable payments were made for professional services due to lack of approved contracts. During the SCO's review, the City failed to provide approved contract agreements between itself and several service providers. In addition, there was no evidence from the City Council minutes that the Council had approved a resolution for these professional services. As a result, the City made unauthorized payments of $291,537, as presented below:

Contractor	FY 2013-14	FY 2014-15	FY 2015-16	Total
The Hutt Group	$ -	$ 15,033	$ 15,034	$ 30,067
Joe's Sweeping	-	-	25,000	25,000
Calmat	26,534	23,862	25,000	75,396
Chamber of Commerce	11,074	25,000	50,000	86,074
CA Cities for Self Reliance	-	25,000	25,000	50,000
Foddrill Construction Corp	-	25,000	-	25,000
Total	$ 37,608	$ 113,895	$ 140,034	$291,537

- Payments were made for auditing services that were incomplete and/or not provided.

  On November 20, 2015, the City and Macias Gini & O'Connell, LLC (MGO) entered into a contract for professional auditing services for FY 2013-14 and FY 2014-15. The total approved contract was $648,879, prorated at $324,439 for each fiscal year. Completion of the Single Audit Report for FY 2013-14 and FY 2014-15 was included in this contracted work.

  The City was billed for single audit work for FY 2013-14 in the amount of $70,483, of which the City paid $56,822. However, there is no evidence that the Single Audit Report was ever completed. The City could not provide a completed Single Audit Report for FY 2013-14. Additionally, the SCO has no record of receiving a completed Single Audit Report for FY 2013-14.

  Furthermore, the City was billed for work related to the completion of the audited financial statements for FY 2013-14. The total amount billed for this work was $396,430, of which the City paid MGO $249,098. Although the SCO was able to obtain a copy of an MGO completed FY 2013-14 financial audit report dated November 17, 2016, the City informed the SCO that this report had not been officially issued to the City. The City also advised the SCO that the audited financial statements for FY 2013-14 have been retracted by MGO, and should not be relied upon.

The total amount billed relating to these auditing services is $466,913. The total amount of the contract was $324,440. Accordingly, the City was billed $ 142,472 in excess of the contract amount.

- Payment was made for professional services without detailed review of invoices.

  The City was billed by, and paid, MGO in the amount of $46,145 for services related to the completion of the FY 2014-15 Single Audit Report. However, on November 6, 2017, the City Controller's Office informed the SCO that the City was still in the process of preparing its Schedule of Expenses for Federal Award-the basis for preparation of Single Audit Report. Accordingly, only minimal work related to the single audit could have been completed at that point. The City should have performed a detailed review of the invoices for work completed before paying this amount.

Recommendation: The SCO recommended that the City ensure that payments do not exceed contract amounts; and that payments are for contracted services and work that is properly completed, and in accordance with contract terms.

E+P concurs with the SCO finding and recommendation.

Management Response and Corrective Action Plan

City's Response: The City acknowledges the State's concern regarding the City's use of our warrant system. Consequently, the City will undertake review and updating of our Policies and Procedures regarding our warrant system.

Also, the City administration believes that the increased use of budget line itemization will also serve to minimize the need to use our warrant system.

Finally, the City will review its expenditures to Macias Gini & O'Connell, LLC (MGO) for possible reimbursement of overpaid monies.

Planned Implementation Date: June 30, 2021
Responsible Person(s): Sharon Rahban, City Controller

E+P's Comment 2019: In progress.

2014-056A – Lack of Adequate Control over Expenditures Charged to City-issued Credit Cards (MW)

SCO Finding 8 – The City failed to exercise adequate control over expenditures charged to City-issued credit cards

Criteria: Chapter 4, Section 11, of the City's Municipal Code states, in part:

> "(1) All purchases made on behalf of the City shall be by purchase order only issued by the City Manager. (2) No purchase order shall be issued by the City Manager except upon a requisition upon which the City Controller shall endorse that there exists an unencumbered appropriation in the fund account against which such purchase is to be charged.

Condition: During the SCO's review, the SCO noted that City Management did not enforce a strict policy for governing City-issued credit cards. From July 1, 2013, through June 30, 2016, City Management charged a total of $51,695 in expenditures on City-issued credit cards. We reviewed all $51,695 of the charges, and we found all charges to be questionable.

The City did not provide any policies and procedures governing City-issued credit cards and business-related travel. In addition, the City failed to follow established procedures for making purchases; nor did the City maintain proper documentation to support the charges. The SCO's review found that charges were incurred before purchase orders and purchase requisitions had been fully approved.

The SCO's review found that most of the charges were not supported by original receipts, nor was any justification or reason for the expenditure included to support most of the charges. The questionable expenditures included travel charges, late fees, and miscellaneous charges.

Travel Charges

Questionable expenditures for travel totaled $24,404, or approximately 47% of total charges to City-issued credit cards. We noted that the purpose for these travel expenses was missing, unclear, excessive, or not properly documented. Some of the questionable charges are as follows:

- On February 10, 2015, $ 1,193 was charged for airfare to Washington, D.C.; the purpose of the charge was missing and unsupported.
- On May 22, 2015, $1,028 was charged for lodging in Hartford, Connecticut; it was unclear whether the charge was for City business and no supporting documentation was provided.
- On June 24, 2015, a total of $1,494 was charged for round-trip airfare to Miami, Florida, and an unknown period of lodging there; there was no record to justify the trip and no supporting documentation.
- On December 12, 2015, $1,492 was charged for one night of lodging in New York, New York; the charge was unsupported and excessive.
- On June 11, 2016, $708 was charged for one night of lodging in Las Vegas, Nevada; the charge was unsupported and excessive.

Late Payment Charges

For the period of October 29, 2014, through June 30, 2016, the SCO noted that several late payment and delinquency fees were charged to City-issued credit cards. Late payments and delinquency fees occur when payments are made after the due date. Although late payments and delinquency fees are immaterial within the amount we reviewed, they remain cause for concern if monitoring is not implemented to ensure that invoices are paid in a timely manner.

- The City was charged $130 on January 28, 2015, and $305 on July 28, 2015, for late fees. Both charges include additional higher fees incurred because the payments were more than 60 days late.

Miscellaneous

Other miscellaneous expenses totaled $16,334, or 32%. These expenses lacked documentation – either they were unsupported by expense reports, or there was no documentation of the reasons for the charges – and, in some cases, even receipts were missing. For example:

- On April 29, 2015, charges of $1,990 to an online office supply warehouse for certificate holders for the City Council; the charges were unsupported.
- On May 30, 2015, charges of $1,975 for supplies; the SCO could not determine the purpose or type of supplies.
- On December 3, 2015, charges of $1,274 to an electronics store for a camera; there was no record to justify that this purchase was for City business.

Recommendation: The SCO recommended that the City implement appropriate control measures to ensure proper review and approval of all charges related to meals, lodging, and incidental expenses involving City-issued credit cards. These measures should include:

- A comprehensive travel policy that establishes clear guidance for travel, including the allowable purposes for travel and documentation requirements, and sets limits on the maximum amounts allowable for lodging, meals, and other travel expenses;
- A policy governing circumstances under which business meals are authorized, including documentation requirements, and limits on the maximum amount allowable for business meals; and
- An expedited payment process to avoid late charges. The SCO also recommended that the City review the questionable charges noted above, and determine whether the City officials and employees responsible for these charges should be required to refund the City for all or part of them. Furthermore, the SCO recommended that the City consider performing a review of travel and meal expenses for the period of the SCO's review to determine whether additional refunds should be sought.

E+P concurs with the SCO finding and recommendation.

Management Response and Corrective Action Plan

City's Response: The City will establish and document policies and procedures designed to serve as a system of internal controls required by OMB's Uniform Guidance (2CFR 200) in the Credit Card policy. In the meantime, the City will review the State's findings regarding travel and credit card expenses and update/revise our internal control policy as applicable.

Planned Implementation Date: June 30, 2021
Responsible Person(s): Sharon Rahban, City Controller

E+P's Comment 2019: In progress.

2014-057A – Bank Reconciliations (MW)

SCO Finding 9 – Bank reconciliations were not performed, reviewed, or approved in a timely manner

Condition: As of November 29, 2017, the City had failed to complete bank reconciliations for the period of July 1, 2014, through June 30, 2017.

Bank reconciliations are effective tools to detect mistakes, errors, and embezzlement if they are prepared in a timely manner, reviewed in detail, and approved by a second person (see Finding 2014-051A). Bank reconciliations also assist in regular monitoring of a City's cash flows, and assure accuracy and timeliness of expenses and deposits.

Recommendation: The SCO recommended that the City establish and implement procedures to ensure that bank reconciliations are completed, reviewed, and approved in a timely manner. In addition, the SCO recommended that the City evaluate its 37 different bank accounts and consider combining some of the less active accounts to shorten the reconciliation process.

The SCO acknowledged that the new management team in the City Controller's Office has been working diligently to process a backlog of bank reconciliations.

E+P concurs with the SCO finding and recommendation.

Management Response and Corrective Action Plan

> **City's Response:** The City will establish and document policies and procedures designed to serve as a system of internal controls required by OMB's Uniform Guidance (2CFR 200) in the Bank Reconciliation policy. In the meantime, the City Controller's Office is examining current processes over bank reconciliations and the proper assignments of responsibilities at key dates each month to be able to catch up on timely preparation by fiscal year 2022.
>
> **Planned Implementation Date:** June 30, 2022
> **Responsible Person(s):** Sharon Rahban, City Controller

E+P's Comment 2019: Repeat finding 2019-009.

2014-058A – Segregation of Duties (MW)

SCO Finding 10 – There is lack of segregation of duties

Condition: Proper segregation of duties helps ensure that funds and assets are properly recorded, protected, and appropriated. During the SCO's review of City employee duties for the period of July 1, 2013, through June 30, 2016, the SCO noted that several employees performed incompatible functions, including cash counting, timesheet reporting, and accounts payable.

Cash counting (Treasurer's Office)
Cash counting functions were not properly segregated. The initial cash count was not safeguarded from loss through watchful and accountable processes. The former Deputy Treasurer counted cash, prepared daily deposit slips, and performed end-of-day reconciliations. These are incompatible duties; one person should not be responsible for all of them. The cash counting procedure, deposit slip preparation, and reconciliation to computerized total cash receipts generated by the Springbrook System should be executed under close supervision and in full view of two people.

Timesheet reporting (Controller's Office)
Staff performing time-keeping functions are able to adjust employee timecards without management approval, which leaves timesheet reporting susceptible to abuse. Employees performing the time-keeping function should not be allowed to make changes. This practice may result in inaccurate records for payroll purposes, which decreases the reliability of the financial records.

Any necessary changes to the time attendance record should be completed by a supervisor or manager, to ensure control and proper authorization.

Accounts payable (Controller's Office)
The City's current process is for the operating departments to assume responsibility for many of the fiscal management functions related to their purchases. The departments' account payable clerks prepare Purchase Requisitions and request Purchase Orders. On some occasions, the clerks were allowed to request payments for billing invoices and to mail warrants for payments, which are incompatible functions. There should be proper separation of duties among the various types of transaction processes (e.g., procurement, accounts payable, and disbursements).

Recommendation: The SCO recommended that the City assess its current processes and implement policies and procedures to segregate incompatible functions.

E+P concurs with the SCO finding and recommendation.

Management Response and Corrective Action Plan

> **City's Response:** The City Treasurer's Office has undertaken the task of assessing its current processes and has implemented policies and procedures to segregate incompatible functions. The City will ensure that these financial processes are reflected within the City's written policies and procedures.
>
> Partially implemented: The Treasurer's office implemented updated policies and procedures effective January 2017 that emphasizes segregation of duties and dual custody of cash at all times. Cash counting and verification of deposits are reviewed by the deputies and duties are periodically rotated. Security cameras have been installed for monitoring of cash handling.

Planned Implementation Date: June 30, 2021
Responsible Person(s): Douglas Sanders, City Treasurer and Sharon Rahban, City Controller

E+P's Comment 2019: In progress.

2014-059A – Petty Cash Fund (MW)

SCO Finding 11 – There is a lack of control over the City's Petty Cash Fund

Condition: During the SCO's review, the SCO noted that cash advances granted to City departments, totaling $15,950, had been recorded in the City's accounting record as Petty Cash Fund. The amount recorded as advanced to City departments exceeded the actual amount available in the Petty Cash Fund. On July 27, 2017, the City Controller's Office conducted a cash count and confirmed that the total petty cash amount was only $2,497. The City does not have an explanation for the difference of $13,453.

In addition, the SCO noted several instances in which City employees circumvented the petty cash reimbursement policy. The reimbursement claim form clearly states that petty cash may only be used for items up to $100. However, the SCO found evidence of purchases in excess of $100 that had been split into amounts less than $100, so that employees could be reimbursed from the Petty Cash Fund.

Recommendation: The SCO recommended that the City ensure that policies and procedures relating to petty cash controls are consistently enforced. In addition, the SCO recommended that the City investigate and seek recourse to recover the cash missing from the Petty Cash Fund, and ensure that records are accurate.

E+P concurs with the SCO finding and recommendation.

Management Response and Corrective Action Plan

City's Response: The City Controller's Office will continue to research the difference in petty cash amount and the amount of receipts to come to a conclusion regarding writing off the difference as a loss. The Controller's Office will also upgrade the petty cash policy to include preventative methods to ensure the policy is not circumvented by splitting reimbursement claim forms and adding a routine to do a physical count of the cash fund as often as quarterly.

Planned Implementation Date: June 30, 2021
Responsible Person(s): Sharon Rahban, City Controller

E+P's Comment 2019: In progress.

2014-060A – Fixed Assets (MW)

SCO Finding 12 – The City's fixed assets were not properly and accurately accounted for

Condition: During the SCO's review and inquiry with different City personnel, the SCO was informed that physical inventories of City assets were conducted annually. However, after several requests, the City was unable to provide records of when the last physical inventory had been conducted.

All fixed assets owned and purchased by the City should be properly recorded and accounted for in its listing of fixed assets, and included in its Comprehensive Annual Financial Reports (CAFR) and its annual Financial Transaction Reports submitted to the SCO.

An accurate and complete listing of fixed assets is important to City governance and management because it provides information that is essential to:

- Safeguarding fixed assets, for ensuring that assets are properly recorded so that they can be easily located and maintained;
- Financial and managerial reporting, for determining capitalized cost and depreciation;
- Insurance coverage, for recording replacement and insurance values;
- Facilities and administration rate proposals, for recording use, location, funding source, and depreciation; and
- Compliance with reporting requirements, for assuring accountability.

Recommendation: The SCO recommended that the City establish City-wide procedures for fixed asset accounting, management, control, and accountability including:

- Proper financial accounting and reporting in accordance with Generally Accepted Accounting Principles, the Governmental Accounting Standards Board, and other applicable government accounting standards;
- A complete and accurate listing of fixed assets of significant value;
- A description of the responsibilities of stewardship of valuable assets; and
- Maintenance of fixed asset records for the life of each asset, which should be retained in accordance with the City's records retention program.

E+P concurs with the SCO finding and recommendation.

Management Response and Corrective Action Plan

City's Response: The City Controller's Office is working to update the City's procedures for fixed asset accounting, management, & control process. These processes will be reflected within the City's written policies and procedures.

Planned Implementation Date: June 30, 2021
Responsible Person(s): Sharon Rahban, City Controller

E+P's Comment 2019 Repeat finding 2019-015.

2014-061A – Administrative Policies and Procedures Manuals (MW)

SCO Finding 13 – The City's Administrative Policies and Procedures manuals were incomplete and outdated

Condition: During the SCO's review and inquiry with City Management and several City employees, the SCO noted that the City does not have a process in place to routinely review and update its Administrative Policies and Procedures manuals. Therefore, documentation for completeness, accuracy, and consistency with existing processes is lacking. Specific deficiencies related to the City's Administrative Policies and Procedures manuals are as follows:

- The Personnel Rules and Regulations Manual, setting forth the policies and procedures related to the City's employment practices, was last revised in November 1979.
- The Financial Policies and Procedures Manual, last updated on June 30, 2009, was incomplete. The accounting policies did not include a number of important procedures relating to:
  - Financial reporting
  - Information Systems and Technology
  - Reimbursement policies

In addition, although most employees had information on the procedures and processes for their particular assignments, these procedures and processes are outdated. Also, the City does not have comprehensive documentation of the overall procedures and processes for its accounting system. Therefore, most staff members only have an understanding of the accounting system as it relates to their assigned duties.

A well-designed and properly maintained system of accounting policies and procedures enhances both accountability and consistency. The resulting documentation can also serve as a useful training tool for staff. Undocumented and outdated policies and related internal controls result in unclear roles and responsibilities, and lead to improper handling of transactions. Monitoring is an essential element of internal control; this includes verification by management that policies and procedures are regularly updated to adequately address new challenges identified by ongoing risk assessments.

Recommendation: The SCO recommended that the City continue to review and update its Administrative Policies and Procedures manuals to ensure consistency with current processes and organizational structure; and perform periodic and ongoing reviews to ensure proper documentation, accuracy, and completeness in its financial transactions and records. When completed, the updated Administrative Policies and Procedures manuals should be readily available to all responsible employees. The manuals should clearly state the authority and responsibility of all employees, especially the authority to authorize transactions and the responsibility for the safekeeping of assets and records.

E+P concurs with the SCO finding and recommendation.

Management Response and Corrective Action Plan

City's Response: The City's administration has prepared an update to the City's Personnel Rules and Regulations. In order to roll out this comprehensive revision of the Rules, the City will introduce changes to the Rules one chapter at a time to the applicable employee union for input and discussion. Subsequently, the proposal will be presented to the City's Personnel Commission for further discussion and implementation. The City Controller's Office is reviewing the City's Financial Policies and Procedures Manual and will update the document accordingly.

Planned Implementation Date: June 30, 2021

Responsible Person(s): Jesenia Sanchez, Human Resources Analyst, Craig J. Cornwell, City Manager and Sharon Rahban, City Controller

E+P's Comment 2019: In progress.

2014-062A – Turnover and Lack of Consistent Leadership (MW)

SCO Finding 14 – Turnover and lack of consistent leadership have hindered operational stability

Condition: During the SCO's review, the SCO noted that the City experienced a high degree of management turnover, which can result in a lack of consistent leadership, lack of operational stability, and inefficient provision of services to its citizens. Between January 1, 2010, and January 18, 2017, nine different individuals served as City Manager. In addition, the City did not have a permanent Controller for the nine months before it hired a permanent Controller on March 20, 2017.

The high turnover has contributed to a lack of leadership and, in some cases, a lack of management oversight. For example, the SCO's review of available documents showed no adjustment of the City's master fee schedule since January 1, 2010. Although there was a public hearing on July 12, 2016, the City did not adjust its master fee schedule until October 10, 2017. Other cities in the area annually adjust their master fee schedule to the Consumer Price Index for the Los Angeles region; however, the City of Compton has not followed suit. The City has not adjusted its master fee schedule in over seven years, resulting in noncollection of badly-needed additional revenue that could potentially have improved the City's financial condition.

The City plans to fill some vacant management positions; however, the position of the City's Human Resources Director has been vacant for over three years, significantly delaying the hiring process for critical positions within several City departments. The City Controller's Office, especially, needs to fill its vacant positions to perform critical functions (e.g., bank reconciliation has not been completed since June 30, 2014); and audited financial statements have not been completed for FY 2014-15, FY 2015-16, and FY 2016-17.

Recommendation: The SCO recommended that the City evaluate its hiring practices for its upper management positions. In addition, the SCO recommended that the City develop a succession plan that will help it to ensure continued leadership even during management turnover.

E+P concurs with the SCO finding and recommendation.

Management Response and Corrective Action Plan

> **City's Response:** Turnover and lack of Consistent Leadership have hindered Operational Stability. The current administration quickly identified the concerns with the high turnover in upper management. The need to recruit high quality, committed managers was identified as critical in addressing the challenges facing the City. As a result, all upper level positions are recruited both internally and externally [nationwide] for the most qualified candidate(s).
>
> Additionally, a professional development program is being put in place to identify and mentor middle and upper management personnel to fill in voids when (if) the need arises. The training will consist of personnel management, leadership skills, documentation, ethics, etc. among other topics. Shadowing will also be part of the professional development program.
>
> **Planned Implementation Date:** June 30, 2021
> **Responsible Person(s):** Craig J. Cornwell, City Manager and Sharon Rahban, City Controller

E+P's Comment 2019: Repeat finding 2019-033.

2014-063A – Financial Statements (MW)

SCO Finding 15 – The City was unable to produce financial statements on a timely basis

Condition: The City has not produced required financial statements in a timely manner, delaying information needed to assess the City's financial condition. City Management is responsible for the timeliness and accuracy of its financial statements, including disclosures. The following table lists past due reports as of November 29, 2017:

Report Name	Due Date	Number of Months Past Due
FY 2013-14 CAFR[1]	December 31, 2014	44 months
FY 2014-15 CAFR	December 31, 2015	32 months
FY 2015-16 CAFR	December 31, 2016	20 months
FY 2013-14 Single Audit Report	March 31, 2015	41 months
FY 2014-15 Single Audit Report	March 31, 2016	29 months
FY 2015-16 Single Audit Report	March 31, 2017	17 months

[1]There was a completed CAFR for FY 2013-14, dated November 17, 2016; however, the external auditors retracted this report and have not reissued it as of November 29, 2017.

For FY 2013-14, FY 2014- 15, and FY 2015-16, the City failed to submit its Single Audit Report package (audited financial statements and Single Audit Report) within nine months after the end of fiscal period. Failure to submit the required Single Audit Report package in a timely manner will result in the City not qualifying for low risk status for the following year's single audit.

Furthermore, the City's financial records for FY 2014-15, FY 2015-16, and FY 2016-17 were not yet closed as of November 29, 2017, the last day of our fieldwork.

The lack of timely annual financial reports is troubling, because these reports provide critical information that can be used by the City Council and City Management to identify upcoming issues and take prompt action to address them. Timely and complete financial reporting is especially important for the City given its continued financial challenges.

Recommendation: The SCO recommended that the City assign a higher priority to, and direct more resources towards completing, its audited financial statements by the deadline of no later than six months after fiscal year-end.

Management Response and Corrective Action Plan

Note: *Management disagrees with the ability of the 2013-14 completed CAFR to be withdrawn by MGO. MGO submitted the completed CAFR to the City of Compton on November 17, 2016. The completed 2013-14 CAFR was subsequently placed on the City Council Agenda for the February 28, 2017 City Council Meeting. The City Clerk of the City of Compton subsequently advertised via the City of Compton website and posted the City Council agenda at Compton City Hall on Friday, February 24, 2017, providing Public Notice of the completed Audit Report for the City Council to adopt pursuant to the State of California Open Meeting Laws. The City Council subsequently received and filed the completed 2013-14 CAFR at the February 28, 2017 City Council Meeting per its Agenda. The City's position is that the completed 2013-14 CAFR is a lawfully received document, pursuant to a contract for performance with MGO; and that in every legal respect, the 2013-14 CAFR for the City of Compton has been lawfully submitted by MGO and received by the City of Compton as its official 2013-14 CAFR.*

Planned Implementation Date: June 30, 2021
Responsible Person(s): Sharon Rahban, City Controller

E+P's Comment 2019: In progress.

2014-064A – Lack of Adequate Staff Performing Critical Functions (MW)

SCO Finding 16 – The City lacks adequate staff performing critical functions

Condition: The City implemented personnel layoffs and a furlough schedule to control spending. On May 24, 2011, the City Council approved Resolution No. 23,329, declaring the City's revenue shortfall and workforce reduction for FY 2011-12. On June 12, 2012, Resolution No. 23,558 was approved, establishing the FY 2012-13 furlough schedule for City employees. On August 23, 2013, Resolution No. 23,813 was approved further declaring the City's revenue shortfall and workforce reduction for FY 2013-14.

City Management implemented workforce reductions in FY 2011 -12, established a furlough schedule in FY 2012-13, and implemented additional workforce reductions in FY 2013-14. Due to these workforce reductions, some employees were assigned new positions in which they lacked experience and training. In addition, the furlough schedule did not prove effective to operations of City departments. These workforce reductions and furloughs created a deficiency in the internal control due to lack of knowledgeable and experienced staff performing critical functions.

For example:

- For the period of July 1, 2014, through June 30, 2017, the City Controller's Office was not adequately staffed, impeding its ability to carry out its basic accounting functions. As of November 29, 2017, the City Controller's Office has seven vacant positions. The City is far behind schedule in processing transactions, balancing accounts, ensuring that significant accounts are supported by detailed records and ledgers, and preparing annual financial reports. For example, monthly bank reconciliations have not been completed since June 30, 2014 (see Finding 2014-057A).

  Additionally, accounting staff did not thoroughly and periodically analyze and reconcile the City's account balances to supporting records. In FY 2013-14, the external auditor made a material correction to errors in the restatement of the beginning balances of the financial statements. For example, the beginning net positions in governmental activities was reduced from $73.69 million to $41.54 million, a decrease of $32.15 million due to correction of errors.

- The Human Resources Department has been operating with vacancies in critical positions, including the Human Resources Director, which has impeded the department's ability to make timely decisions. For example, both hiring new employees and rehiring of previously laid off employees appear to be extremely slow processes.
- The business license fee section of the Building and Safety Department is understaffed, which has led to a loss of substantial revenue from business license fees. Based on the SCO's inquiry, this section is currently staffed with two officers; it was previously staffed by four officers.

Recommendation: The SCO recommended that the City implement a remedial action plan to adequately staff the noted departments. Most importantly, the City Controller's Office should be staffed with qualified and experienced individuals who can contribute immediately to the performance of its accounting functions. In addition, the SCO recommended that the City implement policies to address the importance of experience and proper training of back-up staff when regular staff members are not available. Inexperienced staff may cause material impact in the City's operations in terms of incurring additional costs, delaying the processing of financial transactions, and failing to keep City Management and the City Council updated with accurate information.

Management Response and Corrective Action Plan

City's Response: City Council and Management have adopted a balanced Budget in FY 2020-2021 that provides resources to finance key departmental operations and personnel.

Planned Implementation Date: June 30, 2021
Responsible Person(s): Craig J. Cornwell, City Manager

E+P's Comment 2019: In progress.

2014-065A – Prior-Year Audit Findings (MW)

SCO Finding 17 – The City failed to implement correcting procedures to prior-year audit findings

Condition: The City Management failed to address auditor-significant issues. In the Single Audit Report for the year ended June 30, 2010, none of the 14 recommendations to resolve audit issues had been implemented by June 30, 2011. Accordingly, these unresolved issues were presented again as current audit issues in the following year. Additionally, the Single Audit Report for the fiscal year ended June 30, 2013, noted that 20 of the 24 recommendations in the prior report had not been fully implemented.

As no Single Audit Report was issued for FY 2013-14, FY 2014-15, and FY 2015-1 6, the SCO followed up on some of the issues noted in the Single Audit Report for FY 2011-12 that were repeated again in FY 2012-13. The SCO reviewed issues relating to information technology internal controls, because these controls are a critical mechanism for ensuring the integrity of information systems and the reporting of the City's financial information. There are ten recommendations for correcting noted deficiencies; seven had not yet been implemented as of November 29, 2017 – over three years after the issuance of the FY 2011-12 Single Audit Report.

The issues noted above suggest significant shortcomings in the operations and activities of the City that resulted from inadequate oversight and poor management.

Recommendation: The SCO recommend the City adopt formal governance processes and procedures to provide appropriate oversight of internal audit functions and activities, and respond in a timely manner to recommendations. In addition, the SCO recommend the City consider establishing an audit committee (see SCO Finding 18).

E+P concurs with the SCO finding and recommendation.

Management Response and Corrective Action Plan

> **City's Response:** The City hired a new Certified Public Accountant with extensive Audit expertise as its new City Controller on July 2020. Our new Controller will lead the revision of policies & procedures to address this matter. The City is committed to implementation of all necessary and appropriate corrective procedures as advised in prior audits.
>
> **Planned Implementation Date:** June 30, 2021
> **Responsible Person(s):** Craig J. Cornwell, City Manager and Sharon Rahban, City Controller

E+P's Comment 2019: In progress.

2014-066A – Lack of Audit Committee (MW)

SCO Finding 18 – The City lacks an established audit committee

Condition: On June 30, 2012, the Los Angeles County Civil Grand Jury (Grand Jury) issued a final report of its findings and recommendations pertaining to county government matters during FY 2011-12. In its report, the Grand Jury recommended to 24 charter cities within Los Angeles County – Compton included – that they establish formal audit committees to provide independent review and oversight for the cities' financial reporting processes, internal controls, and independent auditors.

On November 26, 20 12, the City responded to the Grand Jury report regarding the audit committee issue, stating that this recommendation would require further analysis by the City's management, as the City Charter has a built-in mechanism to ensure independence between the Chief Executive and the City Controller. The City has yet to establish a formal audit committee. The purpose of an audit committee is to oversee all aspects of the financial reporting process, including preparation and filing of financial statements, internal control over financial reporting, and related risks. Some of an audit committee's major areas of responsibility include oversight of the internal control system, oversight of the internal audit function and external auditors, review of financial filings, and establishment and oversight of a "whistleblower" process.

As noted in previous findings of this report, the City is not timely in the preparation of needed reports (see SCO Finding 15) and failed to correct prior audit findings (see SCO Finding 17). An audit committee could address most of these issues.

Recommendation: The SCO recommended that the City formally establish an audit committee that will be directly responsible for the appointment, compensation, retention, and oversight of independent auditors engaged for the purpose of issuing audit reports or other independent audit or review services. The audit committee should be formally established through a City resolution.

E+P concurs with the SCO finding and recommendation.

Management Response and Corrective Action Plan

> **City's Response:** City administration is reviewing the 2012 Los Angeles County Grand Jury report, which is the origin of this recommendation. Additionally, staff is working with other Charter cities that were cited in that report as having such an audit committee for best practices.
>
> **Planned Implementation Date:** June 30, 2021
> **Responsible Person(s):** Craig J. Cornwell, City Manager

E+P's Comment 2019: In progress.

2014-067B – Integrity and Ethical Values (MW)

Criteria: Codes of conduct and other policies regarding acceptable business practices, conflicts of interest, or expected standards to ethical and moral behavior are established and communicated to all City Management and employees.

Condition: Deputy Treasurer admitted to embezzling money from the City's cash receipts on 12/15/16. The Mayer Hoffman McCann CPA firm reported that it was unable to reach an opinion on whether the City's FY 2010-11 June financial statements were free of material misstatements, due to their inability to obtain sufficient evidence from the Mayor or the City with respect to the Mayor's concerns of fraud on 7/24/12. Governance practices recommended by the FY 2011-12 Civil Grand Jury Report were not implemented, such as: develop a strategic plan, develop and report on performance measures, develop specific goals for the City's executive and conduct annual evaluation of City's executive. The City Council failed to exercise oversight over the City's financial and operational activities. Prior years' audit and review finding and recommendation were not implemented.

Related Finding(s): SCO Finding 3, 7, 17

Recommendation: We recommend the City update its formal Policies and Procedures manual to incorporate the recently implemented internal control procedures, and complete these updates as soon as possible.

Management Response and Corrective Action Plan

City's Response: The City concurs with the recommendation.

Corrective Action Plan: The City will establish and document policies and procedures designed to serve as a system of internal controls required by OMB's Uniform Guidance (2CFR 200). The policies and procedures will include expectations for segregation of duties assignment of authority and responsibility, reconciliation, information and communication, and monitoring for persons with responsibility for systems of processes. In the meantime, the City Manager department will take steps to address the specific finding noted above.

Planned Implementation Date: June 30, 2021
Responsible Person(s): Craig J. Cornwell, City Manager

E+P's Comment 2019: In progress.

2014-068B – Integrity and Ethical Values (MW)

Criteria: There shall be reasonable management attitude of "Tone at the Top" established and communicated to City Management and staff.

Condition: Deputy Treasurer admitted to embezzling money from the City's cash receipts on 12/15/16. The Mayer Hoffman McCann CPA firm reported that it was unable to reach an opinion on whether the City's FY 2010-11 June financial statements were free of material misstatements, due to their inability to obtain sufficient evidence from the Mayor or the City with respect to the Mayor's concerns of fraud on 7/24/12. Governance practices recommended by the FY 2011 -12 Civil Grand Jury Report were not implemented, such as: develop a strategic plan, develop and report on performance measures, develop specific goals for the City's executive and conduct annual evaluation of City's executive. The City Council failed to exercise oversight over the City's financial and operational activities. Prior years' audit and review finding and recommendation were not implemented.

Related Finding(s): SCO Finding 3, 7, 17

Recommendation: We recommend the City adopt formal governance processes and procedures to provide appropriate oversight of internal audit functions and activities, and respond in a timely manner to recommendations.

Management Response and Corrective Action Plan

City's Response: The City concurs with the recommendation.

Corrective Action Plan: The City will establish and document policies and procedures designed to serve as a system of internal controls required by OMB's Uniform Guidance (2CFR 200). The policies and procedures will include expectations for segregation of duties assignment of authority and responsibility, reconciliation, information and communication, and monitoring for persons with responsibility for systems of processes. In the meantime, the City Manager department will take steps to address the specific finding noted above.

Planned Implementation Date: June 30, 2021
Responsible Person(s): Craig J. Cornwell, City Manager

E+P's Comment 2019: In progress.

2014-069B – Integrity and Ethical Values (MW)

Criteria: Everyday interaction with vendors, clients, auditors, and other parties is based on honesty and fairness.

Condition: Questionable payments were made to contractors. The City's staff circumvented the petty cash reimbursement policy. Deputy Treasurer admitted to embezzling money from the City's cash receipts on 12/15/16. The Mayer Hoffman McCann CPA firm reported that it was unable to reach an opinion on whether the City's FY 2010-11 June financial statements were free of material misstatements, due to their inability to obtain sufficient evidence from the Mayor or the City with respect to the Mayor's concerns of fraud on 7/24/12. Governance practices recommended by the FY 2011 -12 Civil Grand Jury Report were not implemented, such as: develop a strategic plan, develop and report on performance measures, develop specific goals for the City's executive and conduct annual evaluation of City's executive. The City Council failed to exercise oversight over the City's financial and operational activities. Prior years' audit and review finding and recommendation were not implemented.

Related Finding(s): SCO Finding 1, 4, 6, 7, 17

Recommendation: We recommend the City Council fulfill its fiduciary responsibility by exercising meaningful oversight over the City's affairs. The City also should develop and implement policies and procedures to endure that its management performs a detailed review and gains full understanding before entering into any type of legally-binding agreement.

Management Response and Corrective Action Plan

City's Response: The City concurs with the recommendation.

Corrective Action Plan: The City will establish and document policies and procedures designed to serve as a system of internal controls required by OMB's Uniform Guidance (2CFR 200). The policies and procedures will include expectations for segregation of duties assignment of authority and responsibility, reconciliation, information and communication, and monitoring for persons with responsibility for systems of processes. In the meantime, the City Controller's Office will take steps to address the specific finding noted above.

Planned Implementation Date: June 30, 2021
Responsible Person(s): Sharon Rahban, City Controller

E+P's Comment 2019: In progress.

2014-070B – Integrity and Ethical Values (MW)

Criteria: Appropriate remedial action is taken in response to non-compliance.

Condition: Deputy Treasurer admitted to embezzling money from the City's cash receipts on 12/15/16. The Mayer Hoffman McCann CPA firm reported that it was unable to reach an opinion on whether the City's FY 2010-11 June financial statements were free of material misstatements, due to their inability to obtain sufficient evidence from the Mayor or the City with respect to the Mayor's concerns of fraud on 7/24/12. Governance practices recommended by the FY 2011 -12 Civil Grand Jury Report were not implemented, such as: develop a strategic plan, develop and report on performance measures, develop specific goals for the City's executive and conduct annual evaluation of City's executive. The City Council failed to exercise oversight over the City's financial and operational activities. Prior years' audit and review finding and recommendation were not implemented.

Related Finding(s): SCO Finding 3, 7, 17

Recommendation: We recommend the City update its formal Policies and Procedures manual to incorporate the recently implemented internal control procedures, and complete these updates as soon as possible.

Management Response and Corrective Action Plan

City's Response: The City concurs with the recommendation.

Corrective Action Plan: The City will establish and document policies and procedures designed to serve as a system of internal controls required by OMB's Uniform Guidance (2CFR 200). The policies and procedures will include expectations for segregation of duties assignment of authority and responsibility, reconciliation, information and communication, and monitoring for persons with responsibility for systems of processes. In the meantime, the City Manager and City Controller's Office will take steps to address the specific finding noted above.

Planned Implementation Date: June 30, 2021
Responsible Person(s): Craig J. Cornwell, City Manager and Sharon Rahban, City Controller

E+P's Comment 2019: In progress.

2014-071B – Integrity and Ethical Values (MW)

Criteria: Management is appropriately addressing intervention or overriding established controls.

Condition: Deputy Treasurer admitted to embezzling money from the City's cash receipts on 12/15/16. The Mayer Hoffman McCann CPA firm reported that it was unable to reach an opinion on whether the City's FY 2010-11 June financial statements were free of material misstatements, due to their inability to obtain sufficient evidence from the Mayor or the City with respect to the Mayor's concerns of fraud on 7/24/12. Governance practices recommended by the FY 2011 -12 Civil Grand Jury Report were not implemented, such as: develop a strategic plan, develop and report on performance measures, develop specific goals for the City's executive and conduct annual evaluation of City's executive. The City Council failed to exercise oversight over the City's financial and operational activities. Prior years' audit and review finding and recommendation were not implemented.

Related Finding(s): SCO Finding 3, 7, 16, 17

Recommendation: We recommend the City implement a remedial action plan to adequately staff the departments that are short on staff. In addition, we recommend the City implement policies to address the importance of experience and proper training of back-up staff when regular staff members are not available.

Management Response and Corrective Action Plan

City's Response: The City concurs with the recommendation.

Corrective Action Plan: The City will establish and document policies and procedures designed to serve as a system of internal controls required by OMB's Uniform Guidance (2CFR 200). The policies and procedures will include expectations for segregation of duties assignment of authority and responsibility, reconciliation, information and communication, and monitoring for persons with responsibility for systems of processes. In the meantime, the City Manager and City Controller's Office will take steps to address the specific finding noted above.

Planned Implementation Date: June 30, 2021
Responsible Person(s): Craig J. Cornwell, City Manager and Sharon Rahban, City Controller

E+P's Comment 2019: In progress.

2014-072B– Commitment to Competence (SD)

Criteria: Management identifies and defines the tasks required to accomplish particular jobs and fill various positions.

Condition: The City failed to develop specific goals for its executive, and failed to evaluate performance of key City Management. Pertinent key positions were not properly filled due to staff reductions and furloughs that the City implemented in FY2011-12, FY 2012-13, and FY 2013-14.

Related Finding(s): SCO Finding 16

Recommendation: We recommend the City implement a remedial action plan to adequately staff the departments that are short on staff. In addition, we recommend the City implement policies to address the importance of experience and proper training of back-up staff when regular staff members are not available.

Management Response and Corrective Action Plan

City's Response: The City concurs with the recommendation.

Corrective Action Plan: The City will establish and document policies and procedures designed to serve as a system of internal controls required by OMB's Uniform Guidance (2CFR 200). The policies and procedures will include expectations for segregation of duties assignment of authority and responsibility, reconciliation, information and communication, and monitoring for persons with responsibility for systems of processes. In the meantime, the City Manager department will take steps to address the specific finding noted above.

Planned Implementation Date: June 30, 2021
Responsible Person(s): Craig J. Cornwell, City Manager

E+P's Comment 2019: Not started.

2014-073B – Commitment to Competence (SD)

Criteria: The City conducts appropriate analysis of the knowledge, skills, and abilities needed to perform job assignments.

Condition: The City failed to develop specific goals for its executive, and failed to evaluate performance of key City Management. Pertinent key positions were not properly filled due to staff reductions and furloughs that the City implemented in FY2011-12, FY 2012-13, and FY 2013-14.

Related Finding(s): SCO Finding 16

Recommendation: We recommend the City implement a remedial action plan to adequately staff departments that were affected by furloughs and reductions in the previous years. In addition, we recommend the City implement policies to address the importance of experience and proper training of back-up staff when regular staff members are not available.

Management Response and Corrective Action Plan

City's Response: The City concurs with the recommendation.

Corrective Action Plan: The City will establish and document policies and procedures designed to serve as a system of internal controls required by OMB's Uniform Guidance (2CFR 200). The policies and procedures will include expectations for segregation of duties assignment of authority and responsibility, reconciliation, information and communication, and monitoring for persons with responsibility for systems of processes. In the meantime, the City Manager department will take steps to address the specific finding noted above.

Planned Implementation Date: June 30, 2021
Responsible Person(s): Craig J. Cornwell, City Manager

E+P's Comment 2019: In progress.

2014-074B – Commitment to Competence (SD)

Criteria: The City is providing training and counseling in order to help employees maintain and improve their job competence.

Condition: Newly hired City employees learn their specific job tasks through on-the-job training. No City-wide training was offered to City employees for the purpose of improving job performance.

Recommendation: We recommend the City implement a remedial action plan to adequately staff the departments. Most importantly, the City Controller's Office should be staffed with qualified and experienced individuals who can contribute immediately to the performance of its accounting functions. In addition, we recommend the City implement policies to address the importance of experience and proper training of back-up staff when regular staff member are not available. Inexperienced staff may cause material impact in the City's operations in terms of incurring additional costs, delaying the processing of financial transactions, and failing to keep City Management and the City Council updated with accurate information.

Management Response and Corrective Action Plan

City's Response: The City concurs with the recommendation.

Corrective Action Plan: The City will establish and document policies and procedures designed to serve as a system of internal controls required by OMB's Uniform Guidance (2CFR 200). The policies and procedures will include expectations for segregation of duties assignment of authority and responsibility, reconciliation, information and communication, and monitoring for persons with responsibility for systems of processes. In the meantime, the City Manager department will take steps to address the specific finding noted above.

Planned Implementation Date: June 30, 2021
Responsible Person(s): Craig J. Cornwell, City Manager

E+P's Comment 2019: In progress.

2014-075B – Audit Committee (MW)

Criteria: The City has an audit committee that is appropriate for the size and nature of the entity.

Condition: The Los Angeles County Grand Jury Report for Fiscal Year 2011-12 recommended that the City of Compton establish an audit committee. The City failed to implement this Grand Jury recommendation as of November 29, 2017.

Related Finding(s): SCO Finding 18

Recommendation: We recommend the City formally establish an audit committee that will directly be responsible for the appointment, compensation, retention and oversight of independent auditors engaged for the purpose of issuing audit reports or other independent audit or review services. The audit committee should be formally established through a City resolution.

Management Response and Corrective Action Plan

City's Response: The City concurs with the recommendation.

Corrective Action Plan: The City will establish and document policies and procedures designed to serve as a system of internal controls required by OMB's Uniform Guidance (2CFR 200). The policies and procedures will include expectations for segregation of duties assignment of authority and responsibility, reconciliation, information and communication, and monitoring for persons with responsibility for systems of processes. In the meantime, the City Manager and City Controller's Office will take steps to address the specific finding noted above.

Planned Implementation Date: June 30, 2020
Responsible Person(s): Craig J. Cornwell, City Manager and Sharon Rahban, City Controller

E+P's Comment 2019: To be tested.

2014-076B – Audit Committee (SD)

Criteria: Members of the audit committee are independent from the City Management.

Condition: The Los Angeles County Grand Jury Report for Fiscal Year 2011-12 recommended that the City of Compton establish an audit committee. The City failed to implement this Grand Jury recommendation as of November 29, 2017.

Related Finding(s): SCO Finding 18

Recommendation: We recommend that once the City formally establishes an audit committee, management ensures that its members are independent from City Management.

Management Response and Corrective Action Plan

City's Response: The City concurs with the recommendation.

Corrective Action Plan: The City will establish and document policies and procedures designed to serve as a system of internal controls required by OMB's Uniform Guidance (2CFR 200). The policies and procedures will include expectations for segregation of duties assignment of authority and responsibility, reconciliation, information and communication, and monitoring for persons with responsibility for systems of processes. In the meantime, the City Manager and City Controller's Office will take steps to address the specific finding noted above.

Planned Implementation Date: June 30, 2020
Responsible Person(s): Craig J. Cornwell, City Manager and Sharon Rahban, City Controller

E+P's Comment 2019: To be tested.

2014-077B – Audit Committee (SD)

Criteria: Audit committee members have sufficient knowledge, experience, and time to serve effectively.

Condition: The Los Angeles County Grand Jury Report for Fiscal Year 2011-12 recommended that the City of Compton establish an audit committee. The City failed to implement this Grand Jury recommendation as of November 29, 2017.

Related Finding(s): SCO Finding 18

Recommendation: We recommend that once the City formally establishes an audit committee, management ensures that the committee members have sufficient knowledge, experience, and time to serve effectively.

Management Response and Corrective Action Plan

City's Response: The City concurs with the recommendation.

Corrective Action Plan: The City will establish and document policies and procedures designed to serve as a system of internal controls required by OMB's Uniform Guidance (2CFR 200). The policies and procedures will include expectations for segregation of duties assignment of authority and responsibility, reconciliation, information and communication, and monitoring for persons with responsibility for systems of processes. In the meantime, the City Manager and City Controller's Office will take steps to address the specific finding noted above.

Planned Implementation Date: June 30, 2020
Responsible Person(s): Craig J. Cornwell, City Manager and Sharon Rahban, City Controller

E+P's Comment 2019: To be tested.

2014-078B – Audit Committee (SD)

Criteria: The audit committee meet regularly to set policies and objectives, review the City's performance, and take appropriate actions; and minutes of such meetings are prepared and signed on a timely basis.

Condition: The Los Angeles County Grand Jury Report for Fiscal Year 2011-12 recommended that the City of Compton establish an audit committee. The City failed to implement this Grand Jury recommendation as of November 29, 2017.

Related Finding(s): SCO Finding 18

Recommendation: We recommend the City formally establish an audit committee that will be directly responsible for the appointment, compensation retention, and oversight of independent auditors engaged for the purpose of issuing audit reports or other independent audit or review services.

Management Response and Corrective Action Plan

City's Response: The City concurs with the recommendation.

Corrective Action Plan: The City will establish and document policies and procedures designed to serve as a system of internal controls required by OMB's Uniform Guidance (2CFR 200). The policies and procedures will include expectations for segregation of duties assignment of authority and responsibility, reconciliation, information and communication, and monitoring for persons with responsibility for systems of processes. In the meantime, the City Manager and City Controller's Office will take steps to address the specific finding noted above.

Planned Implementation Date: June 30, 2021
Responsible Person(s): Craig J. Cornwell, City Manager and Sharon Rahban, City Controller

E+P's Comment 2019: In progress.

2014-079B – Audit Committee (SD)

Criteria: The members of the audit committee regularly receive the information they need to monitor management's objectives and strategies.

Condition: The Los Angeles County Grand Jury Report for Fiscal Year 2011-12 recommended that the City of Compton establish an audit committee. The City failed to implement this Grand Jury recommendation as of November 29, 2017.

Related Finding(s): SCO Finding 18

Recommendation: We recommend the City formally establish an audit committee that will be directly responsible for the appointment, compensation retention, and oversight of independent auditors engaged for the purpose of issuing audit reports or other independent audit or review services.

Management Response and Corrective Action Plan

City's Response: The City concurs with the recommendation.

Corrective Action Plan: The City will establish and document policies and procedures designed to serve as a system of internal controls required by OMB's Uniform Guidance (2CFR 200). The policies and procedures will include expectations for segregation of duties assignment of authority and responsibility, reconciliation, information and communication, and monitoring for persons with responsibility for systems of processes. In the meantime, the City Manager and City Controller's Office will take steps to address the specific finding noted above.

Planned Implementation Date: June 30, 2021
Responsible Person(s): Craig J. Cornwell, City Manager and Sharon Rahban, City Controller

E+P's Comment 2019: In progress.

2014-080B – Audit Committee (SD)

Criteria: The audit committee reviews the scope and activities of the internal and external auditors.

Condition: The Los Angeles County Grand Jury Report for Fiscal Year 2011-12 recommended that the City of Compton establish an audit committee. The City failed to implement this Grand Jury recommendation as of November 29, 2017.

Related Finding(s): SCO Finding 18

Recommendation: We recommend the City formally establish an audit committee that will be directly responsible for the appointment, compensation retention, and oversight of independent auditors engaged for the purpose of issuing audit reports or other independent audit or review services.

Management Response and Corrective Action Plan

City's Response: The City concurs with the recommendation.

Corrective Action Plan: The City will establish and document policies and procedures designed to serve as a system of internal controls required by OMB's Uniform Guidance (2CFR 200). The policies and procedures will include expectations for segregation of duties assignment of authority and responsibility, reconciliation, information and communication, and monitoring for persons with responsibility for systems of processes. In the meantime, the City Manager and City Controller's Office will take steps to address the specific finding noted above.

Planned Implementation Date: June 30, 2021
Responsible Person(s): Craig J. Cornwell, City Manager and Sharon Rahban, City Controller

E+P's Comment 2019: In progress.

2014-081B – Audit Committee (SD)

Criteria: The audit committee meets privately with the CFO and or accounting officers, internal auditors, and external auditors to discuss the reasonableness of the financial reporting process, the system of internal control, significant comments or recommendations, and management performance.

Condition: The Los Angeles County Grand Jury Report for Fiscal Year 2011-12 recommended that the City of Compton establish an audit committee. The City failed to implement this Grand Jury recommendation as of November 29, 2017.

Related Finding(s): SCO Finding 18

Recommendation: We recommend the City formally establish an audit committee that will be directly responsible for the appointment, compensation retention, and oversight of independent auditors engaged for the purpose of issuing audit reports or other independent audit or review services.

Management Response and Corrective Action Plan

City's Response: The City concurs with the recommendation.

Corrective Action Plan: The City will establish and document policies and procedures designed to serve as a system of internal controls required by OMB's Uniform Guidance (2CFR 200). The policies and procedures will include expectations for segregation of duties assignment of authority and responsibility, reconciliation, information and communication, and monitoring for persons with responsibility for systems of processes. In the meantime, the City Manager and City Controller's Office will take steps to address the specific finding noted above.

Planned Implementation Date: June 30, 2021
Responsible Person(s): Craig J. Cornwell, City Manager and Sharon Rahban, City Controller

E+P's Comment 2019: In progress.

2014-082B – Audit Committee (SD)

Criteria: The audit committee takes actions as a result of its audit findings.

Condition: The Los Angeles County Grand Jury Report for Fiscal Year 2011-12 recommended that the City of Compton establish an audit committee. The City failed to implement this Grand Jury recommendation as of November 29, 2017.

Related Finding(s): SCO Finding 18

Recommendation: We recommend the City formally establish an audit committee that will be directly responsible for the appointment, compensation retention, and oversight of independent auditors engaged for the purpose of issuing audit reports or other independent audit or review services.

Management Response and Corrective Action Plan

City's Response: The City concurs with the recommendation.

Corrective Action Plan: The City will establish and document policies and procedures designed to serve as a system of internal controls required by OMB's Uniform Guidance (2CFR 200). The policies and procedures will include expectations for segregation of duties assignment of authority and responsibility, reconciliation, information and communication, and monitoring for persons with responsibility for systems of processes. In the meantime, the City Manager and City Controller's Office will take steps to address the specific finding noted above.

Planned Implementation Date: June 30, 2021
Responsible Person(s): Craig J. Cornwell, City Manager and Sharon Rahban, City Controller

E+P's Comment 2019: In progress.

2014-083B – Management Philosophy and Operating Style (SD)

Criteria: Management is conservative in accepting risks, and management moves carefully, and proceeds only after careful evaluation.

Condition: The City experienced a high degree of management turnover, which can result in a lack of consistent leadership, operational stability, and efficiency. Between January 1, 2010 and January 18, 2017, nine different individuals served as City Manager. Audit issues noted in prior years' review and audit reports were not corrected. Likewise, recommendations to address the noted issues were not implemented.

Related Finding(s): SCO Finding 14

Recommendation: The SCO recommends that the City evaluate its hiring practices for its upper management positions. In addition, we recommend the City develop a succession plan that will help it to ensure continued leadership even during management turnover.

Management Response and Corrective Action Plan

City's Response: The City concurs with the recommendation.

Corrective Action Plan: The City will establish and document policies and procedures designed to serve as a system of internal controls required by OMB's Uniform Guidance (2CFR 200). The policies and procedures will include expectations for segregation of duties assignment of authority and responsibility, reconciliation, information and communication, and monitoring for persons with responsibility for systems of processes. In the meantime, the City Manager department will take steps to address the specific finding noted above.

Planned Implementation Date: June 30, 2021
Responsible Person(s): Craig J. Cornwell, City Manager

E+P's Comment 2019: In progress.

2014-084B – Management Philosophy and Operating Style (SD)

Criteria: Procedures or activities are in place to regularly educate and communicate to management and employees the importance of internal controls and to raise the level of understanding control.

Condition: The City experienced a high degree of management turnover, which can result in a lack of consistent leadership, operational stability, and efficiency. Between January 1, 2010 and January 18, 2017, nine different individuals served as City Manager. Audit issues noted in prior years' review and audit reports were not corrected. Likewise, recommendations to address the noted issues were not implemented.

Related Finding(s): SCO Finding 14

Recommendation: We recommend the City evaluate its hiring practices for its upper management position. In addition, we recommend the City develop a succession plan that will help it to ensure continued leadership even during management turnover.

Management Response and Corrective Action Plan

City's Response: The City concurs with the recommendation.

Corrective Action Plan: The City will establish and document policies and procedures designed to serve as a system of internal controls required by OMB's Uniform Guidance (2CFR 200). The policies and procedures will include expectations for segregation of duties assignment of authority and responsibility, reconciliation, information and communication, and monitoring for persons with responsibility for systems of processes. In the meantime, the City Manager department will take steps to address the specific finding noted above.

Planned Implementation Date: June 30, 2021
Responsible Person(s): Craig J. Cornwell, City Manager

E+P's Comment 2019: In progress.

2014-085B – Management Philosophy and Operating Style (SD)

Criteria: Personnel turnover in key functions is at an acceptable level.

Condition: Due to implemented layoffs, "bumping rights" were eservices by some employees, resulting in the assignment of several employees to new positions in which they lacked experience and training. In addition, the implemented furlough schedule did not prove effective to the operations of the various City departments.

Related Finding(s): SCO Finding 14, 16

Recommendation: We recommend the City implement a remedial action plan to adequately staff departments. Most importantly, the City Controller's Office should be staffed with qualified and experienced individuals who can contribute immediately to the performance of its accounting functions. In addition, we recommend the City implement policies to address the importance of experience and proper training of back-up staff when regular staff members are not available. Inexperienced staff may cause material impact in the City's operations in terms of incurring additional costs, delaying the processing of financial transactions, and failing to keep City Management and the City Council updated with accurate information.

Management Response and Corrective Action Plan

City's Response: The City concurs with the recommendation.

Corrective Action Plan: The City will establish and document policies and procedures designed to serve as a system of internal controls required by OMB's Uniform Guidance (2CFR 200). The policies and procedures will include expectations for segregation of duties assignment of authority and responsibility, reconciliation, information and communication, and monitoring for persons with responsibility for systems of processes. In the meantime, the City Manager department will take steps to address the specific finding noted above.

Planned Implementation Date: June 30, 2021
Responsible Person(s): Craig J. Cornwell, City Manager

E+P's Comment 2019: In progress.

2014-086B – Management Philosophy and Operating Style (SD)

Criteria: Management has a positive and supportive attitude towards internal control and audit functions.

Condition: Deputy Treasurer admitted to embezzling money from the City's cash receipts on 12/15/16. The Mayer Hoffman McCann CPA firm reported that it was unable to reach an opinion on whether the City's FY 2010-11 June financial statements were free of material misstatements, due to their inability to obtain sufficient evidence from the Mayor or the City with respect to the Mayor's concerns of fraud on 7/24/12. Governance practices recommended by the FY 2011 -12 Civil Grand Jury Report were not implemented, such as: develop a strategic plan, develop and report on performance measures, develop specific goals for the City's executive and conduct annual evaluation of City's executive. The City Council failed to exercise oversight over the City's financial and operational activities. Prior years' audit and review finding and recommendation were not implemented.

The City experienced a high degree of management turnover, which can result in a lack of consistent leadership, operational stability, and efficiency. Between January 1, 2010 and January 18, 2017, nine different individuals served as City Manager. Audit issues noted in prior years' review and audit reports were not corrected. Likewise, recommendations to address the noted issues were not implemented.

Related Finding(s): SCO Finding 3, 17, 14, 17

Recommendation: We recommend the City adopt formal governance processes and procedures to provide appropriate oversight of internal audit functions and activities, and respond in a timely manner to recommendations. In addition, we recommend the City consider establishing an audit committee.

Management Response and Corrective Action Plan

City's Response: The City concurs with the recommendation.

Corrective Action Plan: The City will establish and document policies and procedures designed to serve as a system of internal controls required by OMB's Uniform Guidance (2CFR 200). The policies and procedures will include expectations for segregation of duties assignment of authority and responsibility, reconciliation, information and communication, and monitoring for persons with responsibility for systems of processes. In the meantime, the City Manager and City Controller's Office will take steps to address the specific finding noted above.

Planned Implementation Date: June 30, 2021
Responsible Person(s): Craig J. Cornwell, City Manager and Sharon Rahban, City Controller

E+P's Comment 2019: In progress.

2014-087B – Management Philosophy and Operating Style (MW)

Criteria: Valuable assets and information are safeguarded from unauthorized assess or use.

Condition: The City failed to exercise adequate control over expenses charged to City-issued credit cards. The City failed to provide records of its annual inventory of capital assets. As a result, all fixed assets owned and purchased by the City were not accurately listed in its listing of fixed assets.

Related Finding(s): SCO Finding 8, 12

Recommendation: We recommend the City establish City-Wide procedures for fixed asset accounting, management, control and accountability. Procedures should also be established for proper financial accounting and reporting in accordance with GAAP, GASB, and other applicable government accounting standards; A complete and accurate listing of fixed assets of significant value; and maintenance of fixed asset records for the life of each asset, which should be retained in accordance with the City's records retention program.

Management Response and Corrective Action Plan

City's Response: The City concurs with the recommendation.

Corrective Action Plan: The City will establish and document policies and procedures designed to serve as a system of internal controls required by OMB's Uniform Guidance (2CFR 200). The policies and procedures will include expectations for segregation of duties assignment of authority and responsibility, reconciliation, information and communication, and monitoring for persons with responsibility for systems of processes. In the meantime, the City Manager, City Treasurer and City Controller's Office will take steps to address the specific finding noted above.

Planned Implementation Date: June 30, 2021
Responsible Person(s): Craig J. Cornwell, City Manager and Sharon Rahban, City Controller

E+P's Comment 2019: Repeat finding 2019-015.

2014-088B – Management Philosophy and Operating Style (SD)

Criteria: Management attitude is appropriate towards financial, budgetary, and other operational reporting.

Condition: The SCO noted that some recommended steps in the County Grand Jury Report pertaining to governance practices and financial management were not fully implemented. Likewise, recommendations to correct noted deficiencies in prior audit reports have not been put into effect.

Related Finding(s): SCO Finding 18

Recommendation: We recommend the City gradually evaluate and address recommendations from the County Grand Jury, SCO, National Resource Network (NRN), and external auditors.

Management Response and Corrective Action Plan

City's Response: The City concurs with the recommendation.

Corrective Action Plan: The City will establish and document policies and procedures designed to serve as a system of internal controls required by OMB's Uniform Guidance (2CFR 200). The policies and procedures will include expectations for segregation of duties assignment of authority and responsibility, reconciliation, information and communication, and monitoring for persons with responsibility for systems of processes. In the meantime, the City Manager and City Controller's Office will take steps to address the specific finding noted above.

Planned Implementation Date: June 30, 2021
Responsible Person(s): Craig J. Cornwell, City Manager and Sharon Rahban, City Controller

E+P's Comment 2019: In progress.

2014-089B – Organizational Structure (MW)

Criteria: The City's organizational structure is appropriate for its size and the nature of its operation.

Condition: Some key management positions remain vacant, which is affecting the City's operational efficiency in delivering services to its citizens. In addition, the City Controller's Office is so understaffed that some if its basic functions have not been accomplished.

Related Finding(s): SCO Finding 16

Recommendation: We recommend the City implement a remedial action plan to adequately staff departments that were affected by furloughs and reductions in the previous years. In addition, we recommend the City implement policies to address the importance of experience and proper training of back-up staff when regular staff members are not available.

Management Response and Corrective Action Plan

City's Response: The City concurs with the recommendation.

Corrective Action Plan: The City will establish and document policies and procedures designed to serve as a system of internal controls required by OMB's Uniform Guidance (2CFR 200). In the meantime, the City Manager department will take steps to address the specific finding noted above through the increased staffing to fill vacancies since 2018 at the City Controller's Office.

Planned Implementation Date: June 30, 2021
Responsible Person/s: Craig J. Cornwell, City Manager

E+P's Comment 2019: In progress.

2014-090B – Organizational Structure (SD)

Criteria: Management periodically evaluates the organization's structure and make changes as necessary in fluctuating conditions?

Condition: The City experienced a high degree of management turnover, which can result in a lack of consistent leadership, operational stability, and efficiency. Between January 1, 2010 and January 18, 2017, nine different individuals served as City Manager. Audit issues noted in prior years' review and audit reports were not corrected. Likewise, recommendations to address the noted issues were not implemented.

Related Finding(s): SCO Finding 14

Recommendation: We recommend the City evaluate its hiring practices for its upper management positions. In addition, we recommend the City develop a succession plan that will help it to ensure continued leadership even during management turnover.

Management Response and Corrective Action Plan

City's Response: The City concurs with the recommendation.

Corrective Action Plan: The City will establish and document policies and procedures designed to serve as a system of internal controls required by OMB's Uniform Guidance (2CFR 200). The financial policies have provisions requiring managers ensure operations can continue in their absence, including training of staff. City Manager Craig J. Cornwell is a 20-year City of Compton employee in addition to being the former City Attorney who is actively addressing operational stability and efficiency. In addition, increase in scrutiny has been implemented in hiring decisions.

Planned Implementation Date: June 30, 2021
Responsible Person/s: Craig J. Cornwell, City Manager

E+P's Comment 2019: In progress.

2014-091B – Organizational Structure (MW)

Criteria: The City employs an appropriate number of employees, particularly in managerial positions.

Condition: Some key management positions remain vacant, which is affecting the City's operational efficiency in delivering services to its citizens. In addition, the City Controller's Office is so understaffed that some if its basic functions have not been accomplished.

Related Finding(s): SCO Finding 16

Recommendation: We recommend the City implement a remedial action plan to adequately staff departments that were affected by furloughs and reductions in the previous years. In addition, we recommend the City implement policies to address the importance of experience and proper training of back-up staff when regular staff members are not available.

Management Response and Corrective Action Plan

City's Response: The City concurs with the recommendation.

Corrective Action Plan: The City will establish and document policies and procedures designed to serve as a system of internal controls required by OMB's Uniform Guidance (2CFR 200). The financial policies have provisions requiring managers ensure operations can continue in their absence, including training of staff. City Manager Craig J. Cornwell is a 20-year City of Compton employee in addition to being the former City Attorney who is actively addressing operational stability and efficiency. In addition, increase in scrutiny has been implemented in hiring decisions.

Planned Implementation Date: June 30, 2021
Responsible Person/s: Craig J. Cornwell, City Manager

E+P's Comment 2019: In progress.

2014-092B – Assignment of Authority and Responsibility (SD)

Criteria: The City appropriately is assigning authority and delegating responsibility to the proper personnel to deal with organizational goals and objectives.

Condition: Several upper management positions remain unfilled.

Related Finding(s): SCO Finding 16

Recommendation: We recommend the City makes filling and retaining upper management positions a priority to ensure that organizational goals and objectives are continuously worked towards.

Management Response and Corrective Action Plan

City's Response: The City concurs with the recommendation.

Corrective Action Plan: The City will establish and document policies and procedures designed to serve as a system of internal controls required by OMB's Uniform Guidance (2CFR 200). The financial policies have provisions requiring managers ensure operations can continue in their absence, including training of staff. City Manager Craig J. Cornwell is a 20-year City of Compton employee in addition to being the former City Attorney who is actively addressing operational stability and efficiency. In addition, increase in scrutiny has been implemented in hiring decisions.

Planned Implementation Date: June 30, 2021
Responsible Person/s: Craig J. Cornwell, City Manager

E+P's Comment 2019: In progress.

2014-093B – Assignment of Authority and Responsibility (MW)

Criteria: Does each employee know how his or her work interrelates to others in the way in which authority and responsibility are assigned, and how duties are related concerning internal control?

Condition: There is a lack of segregation of duties relating to some critical functions.

Related Finding(s): SCO Finding 10

Recommendation: We recommend the City assess its current processes and implement policies and procedures to segregate incompatible functions.

Management Response and Corrective Action Plan

City's Response: The City concurs with the recommendation.

Corrective Action Plan: The City will establish and document policies and procedures designed to serve as a system of internal controls required by OMB's Uniform Guidance (2CFR 200) in the General Accounting policy. These are anticipated to be ready by November 30, 2020. In the meantime, the City Manager and City Controller's Office will take steps to address the specific finding noted above.

Planned Implementation Date: June 30, 2021
Responsible Person/s: Craig J. Cornwell, City Manager and Sharon Rahban, City Controller

E+P's Comment 2019: In progress.

2014-094B – Human Resources Policies and Practices (BP)

Criteria: Background checks conducted on candidates for employment.

Condition: The Personnel Rules and Regulations were last updated in November 1979, and do not state the requirements for conducting background checks of new employees.

Related Finding(s): SCO Finding 13

Recommendation: We recommend the City continue to review and update its Administrative Policies and Procedures manuals to ensure consistency with current processes and organizational structure; and perform periodic and ongoing reviews to ensure proper documentation, accuracy, and completeness in its financial transaction and records.

Management Response and Corrective Action Plan

City's Response: The City concurs with the recommendation.

Corrective Action Plan: The City will establish and document policies and procedures designed to serve as a system of internal controls required by OMB's Uniform Guidance (2CFR 200) in the General Accounting policy. The Standard Operating Manual Policy 3.19 authorizes management use of arrest or conviction records and background and was implemented in January 2012. In the meantime, the City is undergoing revisions of personnel rules and regulations. Human Resources and City Manager department will take steps to address the specific finding noted above.

Planned Implementation Date: June 30, 2021
Responsible Person/s: Jesenia Sanchez, Human Resources Analyst and Craig J. Cornwell, City Manager

E+P's Comment 2019: Not started.

2014-095B – Human Resources Policies and Practices (SD)

Criteria: Employees are provided the proper amount of supervision.

Condition: Generally, City departments have assigned adequate management supervision to staff, except for Human Resources (the Director of Human Resources position has been vacant for over three years). In addition, adequate supervision relating to cash receipts was lacking the Treasurer's Office.

Related Finding(s): SCO Finding 17

Recommendation: We recommend the City assess its current processes and implement policies and procedures to segregate incompatible functions.

Management Response and Corrective Action Plan

City's Response: The City concurs with the recommendation.

Corrective Action Plan: The City will establish and document policies and procedures designed to serve as a system of internal controls required by OMB's Uniform Guidance (2CFR 200) in the General Accounting policy to create policies for major transaction systems and for business processes to establish control standards. In the meantime, the City Manager and City Controller's Office are updating City-wide policies to address this finding.

Planned Implementation Date: June 30, 2021
Responsible Person/s: Craig J. Cornwell, City Manager and Sharon Rahban, City Controller

E+P's Comment 2019: In progress.

2014-096B – Establishment of Entity-wide Objectives (BP)

Criteria: There are entity-wide objectives that were established by management.

Condition: The County of Los Angeles Civil Grand Jury Report for FY 2011-12 recommended that charter cities, including the City of Compton, develop and adopt a strategic plan that articulates the mission, vision, core values, and priorities for the City. In its response, the City stated that it will implement its plan in the near future.

Related Finding(s): SCO Finding 18

Recommendation: We recommend the City establish an entity-wide strategic plan that articulates the mission, vision, core values, and priorities of the City.

Management Response and Corrective Action Plan

City's Response: The City concurs with the recommendation.

Corrective Action Plan: The City will establish and document policies and procedures designed to serve as a system of internal controls required by OMB's Uniform Guidance (2CFR 200) in the City-wide policy. These are anticipated to be ready by November 30, 2020. In the meantime, the City Manager's Office is implementing the strategic plan broken down by department as reflected in the fiscal year 2022 budget and will be made available at the City website.

Planned Implementation Date: June 30, 2022
Responsible Person/s: Craig J. Cornwell, City Manager

E+P's Comment 2019: Not started.

2014-097B – Establishment of Entity-wide Objectives (BP)

Criteria: City-wide objectives are clearly communicated to all employees, and management obtains feedback signifying that communication has been effective.

Condition: Most of the staff the SCO interviewed were not aware of the City-wide goals and objectives.

Recommendation: We recommend that once the City has established an entity-wide strategic plan to develop and implement a communication medium to clearly communicate this to all employees.

Management Response and Corrective Action Plan

City's Response: The City concurs with the recommendation.

Corrective Action Plan: The City will establish and document policies and procedures designed to serve as a system of internal controls required by OMB's Uniform Guidance (2CFR 200) in the City-wide policy. These are anticipated to be ready by November 30, 2020. In the meantime, the City Manager's Office is implementing the strategic plan broken down by department as reflected in the fiscal year 2022 budget and will be made available at the City website.

Planned Implementation Date: June 30, 2022
Responsible Person/s: Craig J. Cornwell, City Manager

E+P's Comment 2019: Not started.

2014-098B – Establishment of Entity-wide Objectives (BP)

Criteria: There is a relationship and consistency between the department's operational strategies and the City-wide objectives.

Condition: The County of Los Angeles Civil Grand Jury Report for FY 2011-12 recommended that charter cities, including the City of Compton, develop and adopt a strategic plan that articulates the mission, vision, core values, and priorities for the City. In its response, the City stated that it will implement its plan in the near future.

Related Finding(s): SCO Finding 18

Recommendation: We recommend the City establish a relationship and consistency between the departments' operational strategies and the City-wide objectives.

Management Response and Corrective Action Plan

City's Response: The City concurs with the recommendation.

Corrective Action Plan: The City will establish and document policies and procedures designed to serve as a system of internal controls required by OMB's Uniform Guidance (2CFR 200) in the City-wide policy. These are anticipated to be ready by November 30, 2020. In the meantime, the City Manager's Office is implementing the strategic plan broken down by department as reflected in the fiscal year 2022 budget and will be made available at the City website.

Planned Implementation Date: June 30, 2022
Responsible Person/s: Craig J. Cornwell, City Manager

E+P's Comment 2019: Not started.

2014-099B – Establishment of Entity-wide Objectives (BP)

Criteria: There is an integrated management strategy and risk assessment plan that considers the City-wide objectives and the relevant sources of risk from internal management factors and external sources, and that establishes a control structure to address those risks.

Condition: The County of Los Angeles Civil Grand Jury Report for FY 2011-12 recommended that charter cities, including the City of Compton, develop and adopt a strategic plan that articulates the mission, vision, core values, and priorities for the City. In its response, the City stated that it will implement its plan in the near future.

The City experienced a high degree of management turnover, which can result in a lack of consistent leadership, operational stability, and efficiency. Between January 1, 2010 and January 18, 2017, nine different individuals served as City Manager. Audit issues noted in prior years' review and audit reports were not corrected. Likewise, recommendations to address the noted issues were not implemented.

Related Finding(s): SCO Finding 14, 18

Recommendation: We recommend the City establish an integrated strategy and risk assessment plan to continuously monitor the City's progress.

Management Response and Corrective Action Plan

City's Response: The City concurs with the recommendation.

Corrective Action Plan: The City will establish and document policies and procedures designed to serve as a system of internal controls required by OMB's Uniform Guidance (2CFR 200) in the City-wide policy. These are anticipated to be ready by November 30, 2020.

Planned Implementation Date: June 30, 2021
Responsible Person/s: Craig J. Cornwell, City Manager

E+P's Comment 2019: Not started.

2014-100B – Risk Identification (MW)

Criteria: Management is appropriately and comprehensively identifying risk using various methodologies.

Condition: No risk assessment, evaluation, or risk prioritization was completed during the SCO's review period.

Recommendation: We recommend the City start doing risk assessments to be able to identify and properly address risks.

Management Response and Corrective Action Plan

City's Response: The City concurs with the recommendation.

Corrective Action Plan: The City will establish and document policies and procedures designed to serve as a system of internal controls required by OMB's Uniform Guidance (2CFR 200) in the General Accounting policy. These are anticipated to be ready by November 30, 2020. In the meantime, more scrutiny has been placed into hiring decisions in order to hire managers to aid in anticipating, identifying, and reacting to routine events that affect the achievement of objectives.

Planned Implementation Date: June 30, 2021
Responsible Person/s: Craig J. Cornwell, City Manager and Sharon Rahban, City Controller

E+P's Comment 2019: Not started.

2014-101B – Risk Identification (SD)

Criteria: There are mechanisms in place to anticipate, identify, and react to routine events or acts that affect achievement of objectives.

Condition: The City experienced a high degree of management turnover, which can result in a lack of consistent leadership, operational stability, and efficiency. Between January 1, 2010 and January 18, 2017, nine different individuals served as City Manager. Audit issues noted in prior years' review and audit reports were not corrected. Likewise, recommendations to address the noted issues were not implemented.

No risk assessment, evaluation, or risk prioritization was completed during the SCO's review period.

Related Finding(s): SCO Finding 14

Recommendation: We recommend the City put mechanisms in place to aid in anticipating, identifying, and reacting to routine events that affect the achievement of objectives.

Management Response and Corrective Action Plan

City's Response: The City concurs with the recommendation.

Corrective Action Plan: The City will establish and document policies and procedures designed to serve as a system of internal controls required by OMB's Uniform Guidance (2CFR 200) in the General Accounting policy that includes general risk assessment and addressing of these risks. These are anticipated to be ready by November 30, 2020. In the meantime, more scrutiny has been placed into hiring decisions in order to hire managers to aid in anticipating, identifying, and reacting to routine events that affect the achievement of objectives.

Planned Implementation Date: June 30, 2021
Responsible Person/s: Craig J. Cornwell, City Manager and Sharon Rahban, City Controller

E+P's Comment 2019: Not started.

2014-102B – Risk Identification (SD)

Criteria: Adequate mechanisms exists to identify risks to the City arising from external factors.

Condition: The City experienced a high degree of management turnover, which can result in a lack of consistent leadership, operational stability, and efficiency. Between January 1, 2010 and January 18, 2017, nine different individuals served as City Manager. Audit issues noted in prior years' review and audit reports were not corrected. Likewise, recommendations to address the noted issues were not implemented.

No risk assessment, evaluation, or risk prioritization was completed during our review period.

Related Finding(s): SCO Finding 14

Recommendation: We recommend the City put mechanisms in place to aid in identifying external factors that affect the achievement of objectives.

Management Response and Corrective Action Plan

City's Response: The City concurs with the recommendation.

Corrective Action Plan: The City will establish and document policies and procedures designed to serve as a system of internal controls required by OMB's Uniform Guidance (2CFR 200) in the General Accounting policy. These are anticipated to be ready by November 30, 2020. In the meantime, more scrutiny has been placed into hiring decisions in order to hire managers to aid in anticipating, identifying, and reacting to routine events that affect the achievement of objectives.

Planned Implementation Date: June 30, 2021
Responsible Person/s: Craig J. Cornwell, City Manager and Sharon Rahban, City Controller

E+P's Comment 2019: In progress.

2014-103B – Risk Identification (SD)

Criteria: Management is assessing other factors that may contribute to or increase the risk to which the City is exposed.

Condition: The City experienced a high degree of management turnover, which can result in a lack of consistent leadership, operational stability, and efficiency. Between January 1, 2010 and January 18, 2017, nine different individuals served as City Manager. Audit issues noted in prior years' review and audit reports were not corrected. Likewise, recommendations to address the noted issues were not implemented.

No risk assessment, evaluation, or risk prioritization was completed during our review period.

Related Finding(s): SCO Finding 14

Recommendation: We recommend that City Management assess other factors that may contribute to or increase the risk of which the City is exposed.

Management Response and Corrective Action Plan

City's Response: The City concurs with the recommendation.

Corrective Action Plan: The City will establish and document policies and procedures designed to serve as a system of internal controls required by OMB's Uniform Guidance (2CFR 200) in the General Accounting policy. These are anticipated to be ready by November 30, 2020. In the meantime, more scrutiny has been placed into hiring decisions in order to hire managers to aid in anticipating, identifying, and reacting to routine events that affect the achievement of objectives.

Planned Implementation Date: June 30, 2021
Responsible Person/s: Craig J. Cornwell, City Manager and Sharon Rahban, City Controller

E+P's Comment 2019: In progress.

2014-104B – Risk Identification (SD)

Criteria: Management is identifying risks City-wide and for each significant activity level of the City.

Condition: The City experienced a high degree of management turnover, which can result in a lack of consistent leadership, operational stability, and efficiency. Between January 1, 2010 and January 18, 2017, nine different individuals served as City Manager. Audit issues noted in prior years' review and audit reports were not corrected. Likewise, recommendations to address the noted issues were not implemented.

No risk assessment, evaluation, or risk prioritization was completed during our review period.

Related Finding(s): SCO Finding 14

Recommendation: We recommend that City Management identify risks on a City-wide level, as well as for each significant activity level of the City.

Management Response and Corrective Action Plan

City's Response: The City concurs with the recommendation.

Corrective Action Plan: The City will establish and document policies and procedures designed to serve as a system of internal controls required by OMB's Uniform Guidance (2CFR 200) in the General Accounting policy. These are anticipated to be ready by November 30, 2020. In the meantime, training is underway address this finding for the fiscal year 2020 audit.

Planned Implementation Date: June 30, 2021
Responsible Person/s: Craig J. Cornwell, City Manager and Sharon Rahban, City Controller

E+P's Comment 2019: Not started.

2014-105B – Risk Analysis (MW)

Criteria: After risks to the City have been identified, management undertakes a thorough and complete analysis of the possible effect.

Condition: The City experienced a high degree of management turnover, which can result in a lack of consistent leadership, operational stability, and efficiency. Between January 1, 2010 and January 18, 2017, nine different individuals served as City Manager. Audit issues noted in prior years' review and audit reports were not corrected. Likewise, recommendations to address the noted issues were not implemented.

No risk assessment, evaluation, or risk prioritization was completed during our review period.

Related Finding(s): SCO Finding 14

Recommendation: We recommend that once the City has a proper risk assessment plan in place, City Management should thoroughly and completely analyze the possible effects of the identified risks.

Management Response and Corrective Action Plan

City's Response: The City concurs with the recommendation.

Corrective Action Plan: The City will establish and document policies and procedures designed to serve as a system of internal controls required by OMB's Uniform Guidance (2CFR 200) in the General Accounting policy. These are anticipated to be ready by November 30, 2020. In the meantime, training is underway address this finding for the fiscal year 2020 audit.

Planned Implementation Date: June 30, 2021
Responsible Person/s: Craig J. Cornwell, City Manager and Sharon Rahban, City Controller

E+P's Comment 2019: Not started.

2014-106B – Risk Analysis (SD)

Criteria: Management has developed an approach for risk management and control based on how much risk can be prudently accepted.

Condition: The City experienced a high degree of management turnover, which can result in a lack of consistent leadership, operational stability, and efficiency. Between January 1, 2010 and January 18, 2017, nine different individuals served as City Manager. Audit issues noted in prior years' review and audit reports were not corrected. Likewise, recommendations to address the noted issues were not implemented.

No risk assessment, evaluation, or risk prioritization was completed during our review period.

Related Finding(s): SCO Finding 14

Recommendation: We recommend the City develop and establish an approach for risk management and control. The City should also formalize in City Policies how much risk can be prudently accepted.

Management Response and Corrective Action Plan

City's Response: The City concurs with the recommendation.

Corrective Action Plan: The City will establish and document policies and procedures designed to serve as a system of internal controls required by OMB's Uniform Guidance (2CFR 200) in the General Accounting policy. These are anticipated to be ready by November 30, 2020. In the meantime, training is underway address this finding for the fiscal year 2020 audit.

Planned Implementation Date: June 30, 2021
Responsible Person/s: Craig J. Cornwell, City Manager and Sharon Rahban, City Controller

E+P's Comment 2019: Not started.

2014-107B – Policies and Procedures (General Applications) (MW)

Criteria: The control activities identified as necessary are in place and being applied.

Condition: Outside the City Controller's Office, most of the employees that the SCO interviewed were unaware of control activities in place or how they are being applied.

Recommendation: We recommend the City update its formal Policies and Procedures manual to incorporate the recently implemented internal control procedures, and complete these updates as soon as possible.

Management Response and Corrective Action Plan

City's Response: The City concurs with the recommendation.

Corrective Action Plan: The City will establish and document policies and procedures designed to serve as a system of internal controls required by OMB's Uniform Guidance (2CFR 200) in the General Accounting policy. These are anticipated to be ready by November 30, 2020. In the meantime, training is underway address this finding for the fiscal year 2020 audit.

Planned Implementation Date: June 30, 2021
Responsible Person/s: Craig J. Cornwell, City Manager and Sharon Rahban, City Controller

E+P's Comment 2019: In progress.

2014-108B – Policies and Procedures (General Applications) (MW)

Criteria: Control activities are regularly evaluated to ensure that they are still appropriate and working as intended.

Condition: Outside the City Controller's Office, most of the employees that the SCO interviewed were unaware of control activities in place or how they are being applied.

Recommendation: We recommend the City continue to review and update its Administrative Policies and Procedures manuals to ensure consistency with current processes and organizational structure; and perform periodic and ongoing reviews to ensure proper documentation, accuracy, and completeness in its financial transactions and records. When completed, the updated Administrative Policies and Procedures manuals should be readily available to all responsible employees. The manuals should clearly state the authority and responsibility of all employees, especially the authority to authorize transactions and the responsibility for the safekeeping of assets and records.

Management Response and Corrective Action Plan

City's Response: The City concurs with the recommendation.

Corrective Action Plan: The City will establish and document policies and procedures designed to serve as a system of internal controls required by OMB's Uniform Guidance (2CFR 200) in the General Accounting policy to create policies for major transaction systems and for business processes to establish control standards. In the meantime, the City Manager and City Controller's offices will take steps to address the specific finding noted above by working together with Human Resources to update job specifications and disseminate the policies and have employee acknowledge and sign them.

Planned Implementation Date: June 30, 2021
Responsible Person/s: Craig J. Cornwell, City Manager and Sharon Rahban, City Controller

E+P's Comment 2019: Not started.

2014-109B – Common Categories of Control Activities (MW)

Criteria: Top level reviews are made of actual performance relative to budgets, forecasts, and prior periods.

Condition: There were approvals of budget and budget amendments. However, there were no review of actual to budget costs for FY 2013-14, FY 2014-15, and FY 2015-16. During these fiscal years, audits of the financial statements were not completed.

Recommendation: We recommend the City Council and City Management limit their spending to adopted budget amounts. In addition, we recommend the City Council regularly request reports from the City Management showing a comparison of budgeted to actual expenditures to ensure that the City does not spend in excess of approved budgets.

Management Response and Corrective Action Plan

City's Response: The City concurs with the recommendation.

Corrective Action Plan: The City will establish and document policies and procedures designed to serve as a system of internal controls required by OMB's Uniform Guidance (2CFR 200) in the Accounts Payable policy. These are anticipated to be ready by December 31, 2020.

Planned Implementation Date: June 30, 2021
Responsible Person/s: Craig J. Cornwell, City Manager and Sharon Rahban, City Controller

E+P's Comment 2019: In progress.

2014-110B – Common Categories of Control Activities (SD)

Criteria: Managers review performance reports.

Condition: There were approvals of budget and budget amendments. However, there were no review of actual to budget costs for FY 2013-14, FY 2014-15, and FY 2015-16. During these fiscal years, audits of the financial statements were not completed.

Recommendation: We recommend that City Management review performance reports to gain an understanding where additional training or other corrective actions are necessary.

Management Response and Corrective Action Plan

City's Response: The City concurs with the recommendation.

Corrective Action Plan: The City will establish and document policies and procedures designed to serve as a system of internal controls required by OMB's Uniform Guidance (2CFR 200) in the Budget policy. These are anticipated to be ready by December 31, 2020.

Planned Implementation Date: June 30, 2021
Responsible Person/s: Craig J. Cornwell, City Manager and Sharon Rahban, City Controller

E+P's Comment 2019: In progress.

2014-111B – Common Categories of Control Activities (MW)

Criteria: For information processing, a variety of controls are in place for performing check accuracy, completeness, and authorization of transactions.

Condition: During the SCO review period, there were no systems of segregation of duties in place for cash receipts, purchasing, and timesheet recording.

Related Finding(s): SCO Finding 10

Recommendation: We recommend the City assess its current processes and implement policies and procedures to segregate incompatible functions.

Management Response and Corrective Action Plan

City's Response: The City concurs with the recommendation.

Corrective Action Plan: The City will establish and document policies and procedures designed to serve as a system of internal controls required by OMB's Uniform Guidance (2CFR 200) in the Cash Receipts, Purchasing, and Payroll policies.

Planned Implementation Date: June 30, 2021
Responsible Person/s: Craig J. Cornwell, City Manager and Sharon Rahban, City Controller

E+P's Comment 2019: In progress.

2014-112B – Common Categories of Control Activities (SD)

Criteria: Controlled items are periodically counted and compared to amounts shown on control records.

Condition: There were no records to show that counts and comparisons of controlled items had been conducted.

Related Finding(s): SCO Finding 12

Recommendation: We recommend the City periodically count controlled items and to compare these counts with control records to ensure accuracy and integrity of the recorded amounts.

Management Response and Corrective Action Plan

City's Response: The City concurs with the recommendation.

Corrective Action Plan: The City will establish and document policies and procedures designed to serve as a system of internal controls required by OMB's Uniform Guidance (2CFR 200) in the Bank Reconciliation, Capital Asset, and Inventory policies.

Planned Implementation Date: June 30, 2021
Responsible Person/s: Craig J. Cornwell, City Manager and Sharon Rahban, City Controller

E+P's Comment 2019: In progress

2014-113B – Common Categories of Control Activities (BP)

Criteria: For performance indicators, management compares different sets of data and investigate differences.

Condition: There were no documents to show that management had reviewed and compared different sets of data relating to performance indicators.

Recommendation: We recommend that City Management compare different sets of data and investigate differences relating to performance indicators.

Management Response and Corrective Action Plan

City's Response: The City concurs with the recommendation.

Corrective Action Plan: The City will establish, document, and update policies and procedures designed to serve as a system of internal controls required by OMB's Uniform Guidance (2CFR 200) in the financial policies.

Planned Implementation Date: June 30, 2021
Responsible Person/s: Craig J. Cornwell, City Manager and Sharon Rahban, City Controller

E+P's Comment 2019: In progress.

2014-114B – Common Categories of Control Activities (MW)

Criteria: Duties are properly segregated among different people to reduce the risk or error or inappropriate actions

Condition: There is lack of segregation of duties such as employees performed incompatible functions, including cash counting, timesheet report and account payable.

Related Finding(s): SCO Finding 10

Recommendation: We recommend that City Management and department heads evaluate if proper segregation of duties are in place. If not, mitigating controls should be developed and implemented to decrease the risk of error or inappropriate actions.

Management Response and Corrective Action Plan

City's Response: The City concurs with the recommendation.

Corrective Action Plan: The City will establish and document policies and procedures designed to serve as a system of internal controls required by OMB's Uniform Guidance (2CFR 200) in the General Accounting policy to create policies for major transaction systems and for business processes to establish control standards. In the meantime, the City Manager, City Treasurer, and City Controller's Office will take steps to address the specific finding noted above.

Partially implemented. The Treasurer's Office implemented updated policies and procedures effective January 2017 that emphasizes segregation of duties and dual custody of cash at all times. Cash counting and verification of deposits are reviewed by the deputies and duties are periodically rotated. Security cameras are installed for monitoring of cash handling.

Planned Implementation Date: June 30, 2021
Responsible Person/s: Craig J. Cornwell, City Manager, Douglas Sanders, City Treasurer, and Sharon Rahban, City Controller

E+P's comment 2019: In progress.

2014-115B – Common Categories of Control Activities (SD)

Criteria: Administrative and operation policies are in writing, current, and do they set clear procedures for compliance.

Condition: There were written administrative and operation policies; however, these policies and procedures have not been updated.

Related Finding(s): SCO Finding 13

Recommendation: We recommend the City continue to review and update its Administrative Policies and Procedures manuals to ensure consistency with current processes and organizational structure; and perform periodic and ongoing reviews to ensure proper documentation, accuracy, and completeness in its financial transactions and records.

Management Response and Corrective Action Plan

City's Response: The City concurs with the recommendation.

Corrective Action Plan: The City will establish, document, and update policies and procedures designed to serve as a system of internal controls required by OMB's Uniform Guidance (2CFR 200) in the financial policies.

Planned Implementation Date: June 30, 2021
Responsible Person/s: Craig J. Cornwell, City Manager and Sharon Rahban, City Controller

E+P's Comment 2019: In progress.

2014-116B – Information (SD)

Criteria: Mechanisms are in place to obtain relevant information on legislative or regulatory developments and program, budget, or economic changes?

Condition: The comparison of budget to actual that is generally presented in the external Comprehensive Annual Financial Report was not available for FY 2013-14, FY 2014-15, and FY 2015-16. The audited financial statements for these fiscal years have not been completed. The City has been understaffed due to layoffs and furloughs. This is not a high priority for the City; accordingly, no staff had been assigned to obtain the relevant information for regulatory programs.

Related Finding(s): SCO Finding 15, 16

Recommendation: We recommend the City assign a higher priority to, and direct more resources towards completing, its audited financial statements by the deadline of no later than six months after fiscal year-end.

Management Response and Corrective Action Plan

City's Response: The City concurs with the recommendation.

Corrective Action Plan: The City will establish and document policies and procedures designed to serve as a system of internal controls required by OMB's Uniform Guidance (2CFR 200) in the financial policies which includes budget-to-actual monitoring and reporting. In the meantime, the City Manager and City Controller's offices are taking steps to address prior year audit issues by ensuring employees and management are adequately trained to perform their respective duties.

Planned Implementation Date: June 30, 2021
Responsible Person/s: Craig J. Cornwell, City Manager and Sharon Rahban, City Controller

E+P's Comment 2019: In progress.

2014-117B – Information (SD)

Criteria: Information is provided to the right people in sufficient detail and on time to enable them to carry out their responsibilities efficiently and effectively.

Condition: The comparison of budget to actual that is presented in the external Comprehensive Annual Financial Report was not available for FY 2013-14, FY 2014-15, and FY 2015-16. The audited financial statements for these fiscal years have not been completed. The City has been understaffed due to layoffs and furloughs. This is not a high priority for the City; accordingly, no staff had been assigned to obtain the relevant information for regulatory programs.

Related Finding(s): SCO Finding 15, 16

Recommendation: We recommend that City Management communicate and manifest the importance of timely communication in the policies and employee manuals.

Management Response and Corrective Action Plan

City's Response: The City concurs with the recommendation.

Corrective Action Plan: The City will establish and document policies and procedures designed to serve as a system of internal controls required by OMB's Uniform Guidance (2CFR 200) in the financial policies which includes budget-to-actual monitoring and reporting. In the meantime, the City Manager and City Controller's offices are taking steps to address prior year audit issues by ensuring employees and management are adequately trained to perform their respective duties.

Planned Implementation Date: June 30, 2021
Responsible Person/s: Craig J. Cornwell, City Manager and Sharon Rahban, City Controller

E+P's Comment 2019: In progress.

2014-118B – Information (SD)

Criteria: Development or revision of information systems is based on the strategic plan linked to the entity's overall strategy, and is responsive to achieving City-wide objectives.

Condition: The County of Los Angeles Civil Grand Jury Report for FY 2011-12 recommended that charter cities, including the City of Compton, develop and adopt a strategic plan that articulates the mission, vision, core values, and priorities for the City. In its response, the City stated that it will implement its plan in the near future.

Related Finding(s): SCO Finding 18

Recommendation: We recommend the City have development or revision of information systems based on the City's overall strategy. These systems should also be responsive to achieving City-wide objectives.

Management Response and Corrective Action Plan

City's Response: The City concurs with the recommendation.

Corrective Action Plan: The City will establish and document policies and procedures designed to serve as a system of internal controls required by OMB's Uniform Guidance (2CFR 200). In the meantime, the City Controller proposes to implement the capital asset and accounts receivable modules of OneSolution to assist with the tracking of transactions that are in line with producing accurate and timely reports necessary for strategic decision making. The budget enhancement for that will be included for fiscal year 2022.

Planned Implementation Date: June 30, 2022
Responsible Person/s: Craig J. Cornwell, City Manager and Sharon Rahban, City Controller

E+P's Comment 2019: Not started.

2014-119B – Information (SD)

Criteria: Management supports the development of necessary information systems and show its support by committing appropriate resources.

Condition: The comparison of budget to actual that is presented in the external Comprehensive Annual Financial Report was not available for FY 2013-14, FY 2014-15, and FY 2015-16. The audited financial statements for these fiscal years have not been completed. The City has been understaffed due to layoffs and furloughs. This is not a high priority for the City; accordingly, no staff had been assigned to obtain the relevant information for regulatory programs.

Related Finding(s): SCO Finding 15, 16

Recommendation: We recommend that City Management support the development of necessary information systems, including committing appropriate resources.

Management Response and Corrective Action Plan

City's Response: The City concurs with the recommendation.

Corrective Action Plan: The City will establish and document policies and procedures designed to serve as a system of internal controls required by OMB's Uniform Guidance (2CFR 200) in the General Accounting policy. These are anticipated to be ready by November 30, 2020. In the meantime, the City has filled positions in fiscal year 2020, however vacant positions due to the COVID pandemic have been removed from the fiscal year 2021 budget. Ultimately, the City will review the usage of the billing software, Springbrook, and OneSolution to utilize improvements in reporting tools available from these software's modules.

Planned Implementation Date: June 30, 2021
Responsible Person/s: Craig J. Cornwell, City Manager and Sharon Rahban, City Controller

E+P's Comment 2019: Not started.

2014-120B – Communication (SD)

Criteria: Management ensures that effective internal communications occur.

Condition: The SCO's observation and inquiry suggests that employees receive clear messages from top management; however, management does not receive significant information from employees. For example, billings approved by the City Manager, although questionable due to lack of adequate review and documentation, were never questioned by City employees.

Recommendation: We recommend the City Council fulfill its fiduciary responsibility by exercising meaningful oversight over the City's affairs. The City should also develop and implement policies and procedures to ensure that its management performs a detailed review and gains full understanding before entering into any type of legally-binding agreement.

Management Response and Corrective Action Plan

City's Response: The City concurs with the recommendation.

Corrective Action Plan: The City will establish and document policies and procedures designed to serve as a system of internal controls required by OMB's Uniform Guidance (2CFR 200) in the General Accounting, Cash Receipts, Payroll, Accounts Payable, and Purchasing policies. In these policies, staff is required to only process transactions that appear reasonable and flag those that appear questionable until they are resolved. A City-wide Ethics and Fraud policy will be implemented to cover all transactions that may have not met the applicability of the other financial policies. Each department shall conduct their own meetings to provide information over to staff. In the meantime, the City Manager and City Controller's offices are taking steps to ensure effective internal communications occur by conducting employee and management training to perform their respective duties and implementing a fraud hotline.

Planned Implementation Date: June 30, 2021
Responsible Person/s: Craig J. Cornwell, City Manager and Sharon Rahban, City Controller

E+P's Comment 2019: In progress.

2014-121B – Communication (SD)

Criteria: Management ensures that effective external communication occurs regarding issues with serious impact on programs, projects and other activities.

Condition: Recommendations to correct prior years' audit issues were not implemented.

Related Finding(s): SCO Finding 17

Recommendation: We recommend the City adopt formal governance processes and procedures to provide appropriate oversight of internal audit functions and activities, and respond in a timely manner to recommendations. In addition, we recommend the City establish an audit committee.

Management Response and Corrective Action Plan

City's Response: The City concurs with the recommendation.

Corrective Action Plan: The City will establish and document policies and procedures designed to serve as a system of internal controls required by OMB's Uniform Guidance (2CFR 200) in the financial policies. In the meantime, the City Manager and City Controller's offices are taking steps to address prior year audit issues by ensuring employees and management are adequately trained to perform their respective duties.

Planned Implementation Date: June 30, 2021
Responsible Person/s: Craig J. Cornwell, City Manager and Sharon Rahban, City Controller

E+P's Comment 2019: In progress.

2014-122B – Communication (BP)

Criteria: The City employs various forms and means of communicating important information with employee and others.

Condition: The SCO's observation and inquiry suggests that employees receive clear messages from top management; however, management does not receive significant information from employees. For example, billings approved by the City Manager, although questionable due to lack of adequate review and documentation, were never questioned by City employees.

Recommendation: We recommend the City has forms and means of communication in place to be able to communicate important information with employees and others.

Management Response and Corrective Action Plan

City's Response: The City concurs with the recommendation.

Corrective Action Plan: The City will establish and document policies and procedures designed to serve as a system of internal controls required by OMB's Uniform Guidance (2CFR 200) in the General Accounting, Cash Receipts, Payroll, Accounts Payable, and Purchasing policies. In these policies, staff is required to only process transactions that appear reasonable and flag those that appear questionable until they are resolved. A City-wide Ethics and Fraud policy will be implemented to cover all transactions that may have not met the applicability of the other financial policies. Each department shall conduct their own meetings to provide information over to staff.

Planned Implementation Date: June 30, 2021
Responsible Person/s: Craig J. Cornwell, City Manager and Sharon Rahban, City Controller

E+P's Comment 2019: In progress.

2014-123B – Communication (SD)

Criteria: The City manages, develops, and revises its information system in an effort to continually improve usefulness and reliability.

Condition: The SCO cannot determine from the review if pertinent information was identified, captured, and communicated in a form and time frame that allowed employees to carry out their responsibilities.

Recommendation: We recommend the City manage, develop, and revise its information system in an effort to continually improve usefulness and reliability of information.

Management Response and Corrective Action Plan

City's Response: The City concurs with the recommendation.

Corrective Action Plan: The City will establish and document policies and procedures designed to serve as a system of internal controls required by OMB's Uniform Guidance (2CFR 200) in the General Accounting policy and to create policies for major transaction systems and for business processes to establish control standards.

Planned Implementation Date: June 30, 2021
Responsible Person/s: Craig J. Cornwell, City Manager and Sharon Rahban, City Controller

E+P's Comment 2019: Not started.

2014-124B – On-Going Monitoring (MW)

Criteria: Management has a strategy to ensure that ongoing monitoring is effective and will trigger separate evaluations.

Condition: The City's strategic plan had not yet been implemented during our review. In addition, there is no audit committee to implement on-going monitoring and to take proactive actions relating to audit and internal control issues.

Related Finding(s): SCO Finding 18

Recommendation: We recommend the City formally establish an audit committee that will be directly responsible for the appointment, compensation, retention, and oversight of independent auditors engaged for the purpose of issuing audit reports or other independent audit review services.

Management Response and Corrective Action Plan

City's Response: The City concurs with the recommendation.

Corrective Action Plan: The City will establish and document policies and procedures designed to serve as a system of internal controls required by OMB's Uniform Guidance (2CFR 200) in the General Accounting policy to create policies for major transaction systems and for business processes to establish control standards.

Planned Implementation Date: June 30, 2021
Responsible Person/s: Craig J. Cornwell, City Manager and Sharon Rahban, City Controller

E+P's Comment 2019: In progress.

2014-125B – On-Going Monitoring (SD)

Criteria: City personnel, in the process of performing their regular duties, obtain information about whether internal control is functioning properly.

Condition: City Controller's Office staff are aware of internal controls in place; however, other City employees appeared to lack knowledge about internal control functions.

Recommendation: We recommend the City train and educate City personnel to obtain information and evaluate whether internal control they work with on a daily basis is functioning properly.

Management Response and Corrective Action Plan

City's Response: The City concurs with the recommendation.

Corrective Action Plan: The City will establish and document policies and procedures designed to serve as a system of internal controls required by OMB's Uniform Guidance (2CFR 200) in the General Accounting policy. These are anticipated to be ready by November 30, 2020. In the meantime, the City Controller's Office will address the finding above by conducting necessary training of staff once the policy has been implemented.

Planned Implementation Date: June 30, 2021
Responsible Person/s: Craig J. Cornwell, City Manager and Sharon Rahban, City Controller

E+P's Comment 2019: In progress.

2014-126B – On-Going Monitoring (MW)

Criteria: Communications from external parties are corroborated with internally generated data and able to indicate problems with internal control.

Condition: Internal control issues noted in prior years' reviews and audits had not been addressed by management.

Related Finding(s): SCO Finding 14

Recommendation: We recommend the City adopt formal governance processes and procedures to provide appropriate oversight of internal audit functions and activities, and respond in a timely manner to recommendations.

Management Response and Corrective Action Plan

City's Response: The City concurs with the recommendation.

Corrective Action Plan: The City will establish and document policies and procedures designed to serve as a system of internal controls required by OMB's Uniform Guidance (2CFR 200) in the financial policies. In the meantime, the City Manager and City Controller's offices are taking steps to address prior year internal control issues.

Planned Implementation Date: June 30, 2021
Responsible Person/s: Craig J. Cornwell, City Manager and Sharon Rahban, City Controller

E+P's Comment 2019: In progress.

2014-127B – On-Going Monitoring (MW)

Criteria: There is appropriate organizational structure and supervision to help provide oversight of internal control functions.

Condition: An Audit Committee has not been established and there has been frequent turnover of the Controller position over the past years.

Related Finding(s): SCO Finding 18

Recommendation: We recommend the City establish an appropriate organizational structure, such as an audit committee, to have oversight of internal control functions.

Management Response and Corrective Action Plan

City's Response: The City concurs with the recommendation.

Corrective Action Plan: The City has established an audit committee in February 2020. The City will establish and document policies and procedures designed to serve as a system of internal controls required by OMB's Uniform Guidance (2CFR 200) in the financial policies. In the meantime, the City Manager and City Controller's offices are taking steps to address prior year internal control issues.

Planned Implementation Date: June 30, 2020
Responsible Person/s: Craig J. Cornwell, City Manager and Sharon Rahban, City Controller

E+P's Comment 2019: To be tested.

2014-128B – On-Going Monitoring (MW)

Criteria: Data recorded by information and financial systems are periodically compared with physical assets and discrepancies are investigated.

Condition: The SCO is not aware of any asset inventory having been conducted by the City.

Related Finding(s): SCO Finding 12

Recommendation: We recommend the City have periodic physical asset observations to compare to recorded information and financial records.

Management Response and Corrective Action Plan

City's Response: The City concurs with the recommendation.

Corrective Action Plan: The City will establish and document policies and procedures designed to serve as a system of internal controls required by OMB's Uniform Guidance (2CFR 200) in the General Accounting and Capital Assets policy. These are anticipated to be ready by November 30, 2020. In the meantime, the City has started on the planning for the capital asset inventory, valuation, and implementation of the capital assets module of OneSolution.

Planned Implementation Date: June 30, 2021
Responsible Person/s: Sharon Rahban, City Controller

E+P's Comment 2019: In progress.

2014-129B – On-Going Monitoring (MW)

Criteria: The City Auditor's Office and other auditors are regularly providing recommendations for improvements in internal control, and is management taking appropriate follow-up action.

Condition: The City does not have an internal audit unit. There is an internal auditor position, which was vacant at the time of our review; however, the previous internal auditor in office for approximately four years had not completed any audit reports or reviews. Management has not implemented prior external audit recommendations.

Related Finding(s): SCO Finding 16, 17

Recommendation: We recommend the City fill the internal audit position to allow for periodic internal audit reports to help in improving internal control.

Management Response and Corrective Action Plan

City's Response: The City concurs with the recommendation. The Internal Auditor is currently performing Accounting Manager duties, therefore a budget enhancement is needed so that internal audit duties can be performed.

Corrective Action Plan: The City will establish and document policies and procedures designed to serve as a system of internal controls required by OMB's Uniform Guidance (2CFR 200) in the General Accounting policy. These are anticipated to be ready by November 30, 2020. In the meantime, the City Controller is proposing a budget enhancement for fiscal year 2022 to implement and conduct internal audits.

Planned Implementation Date: June 30, 2022
Responsible Person/s: Sharon Rahban, City Controller

E+P's Comment 2019: Not started.

2014-130B – On-Going Monitoring (BP)

Criteria: Meetings with employees are used to provide management with feedback on whether internal control is effective.

Condition: City employees cannot remember when the last meeting relating to internal controls was conducted between employees and management.

Recommendation: We recommend the City have periodic internal control meetings with employees to gain insights of the employees' perspective and get some feedback.

Management Response and Corrective Action Plan

City's Response: The City concurs with the recommendation.

Corrective Action Plan: The City will establish and document policies and procedures designed to serve as a system of internal controls required by OMB's Uniform Guidance (2CFR 200) in the General Accounting policy. These are anticipated to be ready by November 30, 2020. In the meantime, the City Controller will conduct monitoring training over staff and set periodic internal control meetings.

Planned Implementation Date: June 30, 2021
Responsible Person/s: Craig J. Cornwell, City Manager and Sharon Rahban, City Controller

E+P's Comment 2019: Not started.

2014-131B – On-Going Monitoring (BP)

Criteria: Employees are regularly asked to state explicitly whether they comply with the City's code of conduct.

Condition: Some of the City staff that the SCO interviewed did not appear to be well-informed about the City Code of Conduct.

Recommendation: We recommend the City emphasize the importance of the City's Code of Conduct and the adherence to it.

Management Response and Corrective Action Plan

City's Response: The City concurs with the recommendation.

Corrective Action Plan: The City will establish and document policies and procedures designed to serve as a system of internal controls required by OMB's Uniform Guidance (2CFR 200) in the Ethics policy. In addition, the City will update Section 1.9 of the Standard Operating Manual the acts as a Code of Conduct policy to be more expansive and conduct training of staff on the policy.

Planned Implementation Date: June 30, 2021
Responsible Person/s: Craig J. Cornwell, City Manager and Sharon Rahban, City Controller

E+P's Comment 2019: In progress.

2014-132B – Separate Evaluation (MW)

Criteria: The scope and frequency of separate internal control evaluations are appropriate for the City.

Condition: Annually, as part of the Comprehensive Annual Financial Report. However, these annual reports were not completed for FY 2013-14, FY 2014-15, and FY 2015-16.

Related Finding(s): SCO Finding 15

Recommendation: We recommend that once an internal control unit has been established that the scope and frequency of separate internal control evaluations to be tailored to the City's circumstances and needs.

Management Response and Corrective Action Plan

City's Response: The City concurs with the recommendation.

Corrective Action Plan: The City will establish and document policies and procedures designed to serve as a system of internal controls required by OMB's Uniform Guidance (2CFR 200) in the General Accounting policy so that this finding does not reoccur. These are anticipated to be ready by November 30, 2020.

Planned Implementation Date: June 30, 2021
Responsible Person/s: Craig J. Cornwell, City Manager and Sharon Rahban, City Controller

E+P's Comment 2019: Not started.

2014-133B – Separate Evaluation (MW)

Criteria: The evaluations are conducted by the City Auditor's Office, who has sufficient resources, ability, and independence.

Condition: The City does not have a City Auditor's Office.

Recommendation: We recommend that once an internal control unit has been established that the City ensures that they have the necessary resources, ability, and independence.

Management Response and Corrective Action Plan

City's Response: The City concurs with the recommendation.

Corrective Action Plan: The City will establish and document policies and procedures designed to serve as a system of internal controls required by OMB's Uniform Guidance (2CFR 200) in the General Accounting policy. These are anticipated to be ready by November 30, 2020. In the meantime, the City Controller is proposing a budget enhancement for fiscal year 2022 to implement and conduct internal audits.

Planned Implementation Date: June 30, 2022
Responsible Person/s: Sharon Rahban, City Controller

E+P's Comment 2019: Not started.

2014-134B – Separate Evaluation (MW)

Criteria: Deficiencies found during separate evaluations are promptly resolved.

Condition: Deputy Treasurer admitted to embezzling money from the City's cash receipts on 12/15/16. The Mayer Hoffman McCann CPA firm reported that it was unable to reach an opinion on whether the City's FY 2010-11 June financial statements were free of material misstatements, due to their inability to obtain sufficient evidence from the Mayor or the City with respect to the Mayor's concerns of fraud on 7/24/12. Governance practices recommended by the FY 2011 -12 Civil Grand Jury Report were not implemented, such as: develop a strategic plan, develop and report on performance measures, develop specific goals for the City's executive and conduct annual evaluation of City's executive. The City Council failed to exercise oversight over the City's financial and operational activities. Prior years' audit and review finding and recommendation were not implemented.

Related Finding(s): SCO Finding 3, 7, 17

Recommendation: We recommend that any deficiencies found during internal audit evaluations are promptly resolved to reduce the risk of subsequent effects.

Management Response and Corrective Action Plan

City's Response: The City concurs with the recommendation.

Corrective Action Plan: The City will establish and document policies and procedures designed to serve as a system of internal controls required by OMB's Uniform Guidance (2CFR 200) in the General Accounting policy. These are anticipated to be ready by November 30, 2020. In the meantime, the City Manager and City Controller's Office will take steps to address the specific finding noted above.

Planned Implementation Date: June 30, 2021
Responsible Person/s: Craig J. Cornwell, City Manager and Sharon Rahban, City Controller

E+P's Comment 2019: In progress.

2014-135B – Report Deficiencies (SD)

Criteria: There is ongoing monitoring of internal controls.

Condition: Prior years' audit issues had not been corrected. Some issues noted in the FY 2011-12 Los Angeles County Grand Jury Report were still outstanding as of the end of our field work.

Related Finding(s): SCO Finding 17, 18

Recommendation: We recommend the City implement ongoing monitoring of internal controls to gain comfort of their functionalities and/or discover any deficiencies that need to be further investigated and addressed.

Management Response and Corrective Action Plan

City's Response: The City concurs with the recommendation.

Corrective Action Plan: The City will establish and document policies and procedures designed to serve as a system of internal controls required by OMB's Uniform Guidance (2CFR 200) in the General Accounting policy. These are anticipated to be ready by November 30, 2020. In the meantime, the City Manager and City Controller's Office will take steps to address the specific finding noted above.

Planned Implementation Date: June 30, 2021
Responsible Person/s: Craig J. Cornwell, City Manager and Sharon Rahban, City Controller

E+P's Comment 2019: In progress.

2014-136B – Report Deficiencies (SD)

Criteria: Deficiencies are reported to the person directly responsible and to a person at least one level higher.

Condition: Deputy Treasurer admitted to embezzling money from the City's cash receipts on 12/15/16. The Mayer Hoffman McCann CPA firm reported that it was unable to reach an opinion on whether the City's FY 2010-11 June financial statements were free of material misstatements, due to their inability to obtain sufficient evidence from the Mayor or the City with respect to the Mayor's concerns of fraud on 7/24/12. Governance practices recommended by the FY 2011 -12 Civil Grand Jury Report were not implemented, such as: develop a strategic plan, develop and report on performance measures, develop specific goals for the City's executive and conduct annual evaluation of City's executive. The City Council failed to exercise oversight over the City's financial and operational activities. Prior years' audit and review finding and recommendation were not implemented.

Related Finding(s): SCO Finding 3, 7, 17

Recommendation: We recommend that issues and deficiencies are directly communicated to the Responsible Personnel and elevated to someone at least a level higher.

Management Response and Corrective Action Plan

City's Response: The City concurs with the recommendation.

Corrective Action Plan: The City will establish and document policies and procedures designed to serve as a system of internal controls required by OMB's Uniform Guidance (2CFR 200) in the General Accounting policy. The policies and procedures will include expectations for segregation of duties assignment of authority and responsibility, reconciliation, information and communication, and monitoring for persons with responsibility for systems of processes. These are anticipated to be ready by November 30, 2020. In the meantime, the City Manager and City Controller's Office will take steps to address the specific finding noted above by implementing a fraud hotline.

Planned Implementation Date: June 30, 2021
Responsible Person/s: Craig J. Cornwell, City Manager and Sharon Rahban, City Controller

E+P's Comment 2019: In progress.

2014-137B – Report Deficiencies (MW)

Criteria: The identified transactions or events are investigated to determine causes and correct problems.

Condition: Prior years' audit and review issues had not been corrected.

Related Finding(s): SCO Finding 17

Recommendation: We recommend the City develop a priority schedule of the identified audit findings and establish an estimated completion date to allow the City to focus on the items that need more immediate attention. Going forward, we recommend that an audit committee be responsible overseeing the response to audit findings and the implementation of the City's corrective action plans.

Management Response and Corrective Action Plan

City's Response: The City concurs with the recommendation.

Corrective Action Plan: The City will establish and document policies and procedures designed to serve as a system of internal controls required by OMB's Uniform Guidance (2CFR 200) in the General Accounting policy. The policies and procedures will include expectations for segregation of duties assignment of authority and responsibility, reconciliation, information and communication, and monitoring for persons with responsibility for systems of processes. These are anticipated to be ready by November 30, 2020. In the meantime, the City Manager and City Controller's Office will take steps to address the specific finding noted above by communicating priorities to the Finance Committee.

Planned Implementation Date: June 30, 2021
Responsible Person/s: Craig J. Cornwell, City Manager and Sharon Rahban, City Controller

E+P's Comment 2019: In progress.

CITY OF COMPTON
SCHEDULE OF SCO SPECIAL GAS TAX STREET IMPROVEMENT FUND AUDIT FINDINGS
FOR THE PERIODS OF JULY 1, 2007 THROUGH JUNE 30, 2016

2014-138C – Unallowable Borrowing (MW, NC)

Criteria: Streets and Highways Code section 2101 states, in part:

> "...all moneys in the Highway Users Tax Account in the Transportation Tax Fund and hereafter received in the account are appropriated for... (a) The research, planning, construction, improvement, maintenance, and operation of public streets and highways..."

Condition: As of June 30, 2016, the City borrowed $3,024,755 from its HUTA apportionments; this amount was comprised of $2,260,802 Due from Other Funds and $763,953 from Advances to the General Fund. HUTA apportionments are restricted to street-related expenditures only; borrowing is an unallowable activity.

On July 1, 2012, the City advanced $756,446 to the General Fund from its Transportation Investment Fund, in which the City deposits its Section 2103 HUTA apportionments. As of June 30, 2016, the outstanding advance to the General Fund from the HUTA apportionments, including accrued interest of $7,507, is $763,953.

On June 30, 2014, the City borrowed HUTA apportionments totaling $2,260,802 from its Transportation Investment Fund and its Special Gas Tax Street Improvement Fund to cover the negative cash balances of various special revenue funds.

Recommendation: The SCO recommended that the City transfer $3,024,755 to the Special Gas Tax Street Improvement Fund to replenish the fund for the unallowable borrowing. In addition, the SCO recommended that the City adopt policies and procedures to prevent any future borrowing of HUTA apportionments.

E+P concurs with the SCO's recommendation.

Management Response and Corrective Action Plan

City's Response: The City will comply with the Controller's direction to reimburse the indicated funds as recommended by the State Controller's audit. The City is in agreement with the State Controller's recommendation to follow internal control policies and procedures.

Planned Implementation Date: June 30, 2021
Responsible Person/s: Douglas Sanders, City Treasurer and Sharon Rahban, City Controller

E+P's Comment 2019: In progress.

2014-139C – Unsupported Traffic Congestion Relief Fund Allocations Cost (MW, NC)

Criteria: Revenue and Taxation Code section 7104(e) states, in part:

> "Funds allocated to a City, County, or City and County under paragraph (4) or (5) of subdivision (c) shall be used only for street and highway maintenance, rehabilitation, reconstruction, and storm damage repair..."

Revenue and Taxation Code section 7104(f)(7) requires a City to expend its Traffic Congestion Relief Fund allocations within the fiscal year following the fiscal year in which the allocations were made. In addition, the code indicates that funds not expended within that period shall be returned to the SCO.

Condition: The City charged $652,982 of unsupported costs to its Traffic Congestion Relief Fund allocations for FY 2007-08 and FY 2009-10. Therefore, the costs are unallowable.

The City charged $166,982 of unsupported contract service costs in FY 2007-08 and allocated $486,000 of equipment rental shortfall in FY 2009-10 to the Transportation Investment Fund. The City did not support these costs with proper documentation.

Recommendation: The SCO recommended that the City return $652,982 to the SCO, Attention: Departmental Accounting Office – A/R, P.O. Box 942850, Sacramento, California 94250.

E+P concurs with the SCO's recommendation.

Management Response and Corrective Action Plan

City's Response: The City will comply with the Controller's direction to reimburse the indicated funds as recommended by the State Controller's audit. The City is in agreement with the State Controller's recommendation to follow internal control policies and procedures.

Planned Implementation Date: June 30, 2021
Responsible Person/s: Sharon Rahban, City Controller

E+P's Comment 2019: Not started.

2014-140C – Unsupported Equipment Rental Charges (MW, NC)

Criteria: Streets and Highways Code section 2101 states, in part:

> "...all moneys in the Highway Users Tax Account in the Transportation Tax Fund and hereafter received in the account are appropriated for... (a) The research, planning, construction, improvement, maintenance, and operation of public streets and highways...."

Condition: The City charged $562,208 of unsupported equipment rental charges to its Special Gas Tax Street Improvement Fund for FY 2008-09 through FY 2010-11. Therefore, the costs are unallowable.

The City allocated equipment rental charges at an hourly rate based on usage for each month. The City did not identify how it determined the rates charged for equipment usage, or substantiate that the equipment was used for street-related purposes. The City did not substantiate the allocations made to cover its equipment rental shortage.

Recommendation: The SCO recommended that the City:

- Reimburse the Special Gas Tax Street Improvement Fund $562,208 for the unsupported costs; and
- Establish procedures to ensure that expenditures charged to the Special Gas Tax Street Improvement Fund are adequately supported.

E+P concurs with the SCO's recommendation.

Management Response and Corrective Action Plan

City's Response: The City will comply with the Controller's direction to reimburse the indicated funds as recommended by the State Controller's audit. The City is in agreement with the State Controller's recommendation to follow internal control policies and procedures.

Planned Implementation Date: June 30, 2021
Responsible Person/s: Sharon Rahban, City Controller

E+P's Comment 2019: Not started.

2014-141C – Ineligible Gas Tax Expenditures (MW, NC)

Criteria: Streets and Highways Code section 2101 states, in part:

> "...all moneys in the Highway Users Tax Account in the Transportation Tax Fund and hereafter received in the account are appropriated for... (a) The research, planning, construction, improvement, maintenance, and operation of public streets and highways...."

Condition: The City charged $532,540 for non-street-related services and supplies to the Special Gas Tax Street Improvement Fund and Transportation Investment Fund (for which the City deposits Section 2103 HUTA apportionments) for FY 2013-14 through FY 2015-16. Therefore, the expenditures are ineligible.

The City charged $6,879,713 of services and supplies. SCO tested $4,797,816 and identified $532,540 of ineligible expenditures.

Recommendation: The SCO recommended that the City:

- Reimburse the Special Gas Tax Street Improvement Fund $532,540; and
- Establish adequate procedures to ensure that all costs charged to the Special Gas Tax Street Improvement Fund are for street-related purposes.

E+P concurs with the SCO's recommendation.

Management Response and Corrective Action Plan

City's Response: The City will comply with the Controller's direction to reimburse the indicated funds as recommended by the State Controller's audit. The City is in agreement with the State Controller's recommendation to follow internal control policies and procedures.

Planned Implementation Date: June 30, 2021
Responsible Person/s: Sharon Rahban, City Controller

E+P's Comment 2019: Not started.

2014-142C – Ineligible Gas Tax Expenditures (MW, NC)

Criteria: Article 16, section 18, of the California Constitution, states, in part:

> "(a) No county, City, town, township, board of education, or school district, shall incur any indebtedness or liability in any manner or for any purpose exceeding in any year the income and revenue provided for such year."

Condition: The City charged expenditures in excess of available funds to the Special Gas Tax Street Improvement Fund by $325,950 during FY 2009-10. Therefore, the excess expenditures are unallowable.

Recommendation: The SCO recommended that the City:

- Transfer $325,950 to the Special Gas Tax Street Improvement Fund to replenish the fund; and
- Establish procedures to verify the existence of available funds prior to charging expenditures to the fund.

E+P concurs with the SCO's recommendation.

Management Response and Corrective Action Plan

City's Response: The City will comply with the Controller's direction to reimburse the indicated funds as recommended by the State Controller's audit. The City is in agreement with the State Controller's recommendation to follow internal control policies and procedures.

Planned Implementation Date: June 30, 2021
Responsible Person/s: Sharon Rahban, City Controller

E+P's Comment 2019: Not started.

2014-143C – Traffic Congestion Relief Fund Expenditure Requirement Not Met (SD, NC)

Criteria: Revenue and Taxation Code section 7104(f)(7) states that Traffic Congestion Relief Fund allocations are to be spent within the fiscal year following the fiscal year in which the allocations were made. It further states that funds not spent within that period are to be returned to the SCO.

Condition: The City did not spend $130,805 of its FY 2006-07 Traffic Congestion Relief Fund allocations by June 30, 2008. Therefore, the City is required to return the amount to the SCO.

The City received $721,672 in Traffic Congestion Relief Fund allocations in FY 2006-07; it expended $423,885 in FY 2006-07 and $166,982 in FY 2007-08. Therefore, as of June 30, 2008, the unexpended balance was $130,805.

Recommendation: The SCO recommended that the City return $130,805 to the SCO, Attention: Departmental Accounting Office – A/R, P.O. Box 942850, Sacramento, California 94250.

E+P concurs with the SCO's recommendation.

Management Response and Corrective Action Plan

City's Response: The City will comply with the Controller's direction to reimburse the indicated funds as recommended by the State Controller's audit. The City is in agreement with the State Controller's recommendation to follow internal control policies and procedures.

Planned Implementation Date: June 30, 2021
Responsible Person/s: Sharon Rahban, City Controller

E+P's Comment 2019: Not started.

2014-144C – Unsupported Gas Tax Revenue Adjustments (SD, NC)

Condition: The City understated gas tax revenues in FY 2013-14 by $26,758 and overstated gas tax revenues by $58,930, for a net overstatement of $32,172.

The City records Streets and Highways Code Section 2103 apportionments (Section 2103 HUTA) in the Transportation Investment Fund.

For the Special Gas Tax Street Improvement Fund, the City reversed the July 2013 Section 2103 HUTA apportionment of $85,362 and accrued $35,180 in unsupported revenues in June 2016, totaling $58,930 in understated revenues. The City did not support these adjustments.

For the Transportation Investment Fund, the City accrued $58,604 in unsupported Section 2103 HUTA apportionments in June 2013, and $23,750 in unsupported Section 2103 HUTA apportionments in June 2016, totaling $82,354 in overstated revenues. The City did not support these adjustments.

Recommendation: The SCO recommended that the City:

- Reimburse the Special Gas Tax Street Improvement Fund $50,182 and reduce the Transportation Investment Fund balance by $82,354 for the unsupported revenue adjustments; and
- Establish procedures to ensure that adjustments to the Special Gas Tax Street Improvement Fund are adequately supported.

E+P concurs with the SCO's recommendation.

Management Response and Corrective Action Plan

City's Response: The City will comply with the Controller's direction to reimburse the indicated funds as recommended by the State Controller's audit. The City is in agreement with the State Controller's recommendation to follow internal control policies and procedures.

Planned Implementation Date: June 30, 2021
Responsible Person/s: Sharon Rahban, City Controller

E+P's Comment 2019: Not started.

2014-145C – Unallocated Interest Income (SD, NC)

Criteria: Streets and Highways Code section 2113 states, in part,

> "Interest received by a City from the investment of money in its special gas tax street improvement fund shall be deposited in the fund and shall be used for street purposes."

Condition: The City did not allocate $9,967 of interest income earned between FY 2012-13 and FY 2015-16, to the Special Gas Tax Street Improvement Fund. This amount consisted of $7,582 interest earned on advanced funds and $2,385 from investment of money in the fund.

As noted in Finding 2014-138C, on July 1, 2012, the City advanced $756,446 to the General Fund from its HUTA apportionments. Per City Resolution No. 23,970, the City accrued interest income at 0.495%, yielding interest income as shown in the following table. The City credited interest income it earned during FY 2012-13 and FY 2013-14 to the advanced funds; however, it did not credit the interest earnings for FY 2014-15 and FY 2015-16, totaling $7,582, to the advanced funds.

In addition, the City did not allocate to the Special Gas Tax Street Improvement Fund its share of interest income from the investment of money, from FY 2012-13 through FY 2015-16, totaling $2,385.

Recommendation: The SCO recommended that the City:

- Transfer $9,967 to the Special Gas Tax Street Improvement Fund for the unallocated interest income; and
- Establish procedures to ensure that interest income is correctly allocated to the Fund.

E+P concurs with the SCO's recommendation.

Management Response and Corrective Action Plan

City's Response: The City will comply with the Controller's direction to reimburse the indicated funds as recommended by the State Controller's audit. The City is in agreement with the State Controller's recommendation to follow internal control policies and procedures.

Planned Implementation Date: June 30, 2021
Responsible Person/s: Sharon Rahban, City Controller

E+P's Comment 2019: Not started.

2014-146C – Payment on Invoices (SD, NC)

Condition: The City made payments to vendors on invoices that do not agree with the terms of contracts.

Service contracts between the City and vendors indicate that the vendor shall be reimbursed by City upon the receipt of itemized receipts, and that invoices shall detail the work performed on each task, as applicable. However, invoices received by the City lacked itemized, detailed descriptions of work performed.

In addition, while reviewing a catch basin cleaning contract, the SCO noted that the unit price charged and the frequency of services did not agree with the terms stated in the contract.

Although the expenditures for these service contracts were in compliance with applicable code sections, the SCO noted that the invoices for eligible work were not in agreement with the terms of the contracts. Following invoice procedures as indicated in the service contracts will help ensure that the City is paying for services stated in its contracts.

Recommendation: The SCO recommended that the City follow invoice procedures as indicated in service contracts.

E+P concurs with the SCO's recommendation.

Management Response and Corrective Action Plan

> **City's Response:** The City will establish and document policies and procedures designed to serve as a system of internal controls required by OMB's Uniform Guidance (2CFR 200) in the General Accounting and Accounts Payable policies. These are anticipated to be ready by November 30, 2020. In the meantime, the City Controller will conduct training to staff to address this audit area.
>
> **Planned Implementation Date:** June 30, 2021
> **Responsible Person/s:** Sharon Rahban, City Controller

E+P's Comment 2019: In progress.

January 26, 2021

TO: HONORABLE MAYOR AND COUNCIL MEMBERS

FROM: CITY MANAGER

SUBJECT: A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF COMPTON AUTHORIZING THE CITY MANAGER TO ENTER INTO A THREE (3) YEAR SERVICES AND SUPPORT AGREEMENT WITH AND ESTABLISH A PURCHASE ORDER FOR IGM TECHNOLOGY CORPORATION FOR USE OF GRAVITY BUDGET MODULE SOFTWARE ($44,590)

SUMMARY

Adoption of this resolution will authorize the City Manager to enter into a three (3) year (i.e. February 1, 2021 through January 31, 2024) Services and Support agreement with IGM Technology Corporation for access and use of the Gravity Module Software. Additionally, the establishment of a purchase order in the amount of Eighteen Thousand Two Hundred Dollars ($18,200.00) for the first (1st) year of services and support provided (i.e. $5,200 service fees and $13,000 implementation cost). The cost of services and support in the second (2nd) year of the agreement will be Thirteen Thousand Dollars ($13,000.00) and Thirteen Thousand Nine Hundred Dollars ($13,900.00) for the third (3rd) contract year.

BACKGROUND

The City currently uses Microsoft Excel to electronically record and maintain its financial accounting data when preparing the Citywide fiscal year budget. In the past, the City has experienced Microsoft Excel to transpose and calculate formulas in error.

Thus, staff solicited proposals/bids for similar budget software modules and the following were received:

Company Name	Annual Cost	Implementation Cost	Total
**IGM Technology	$ 5,200	$13,000	$18,200
Workiva	$17,500	$36,800	$54,300
Oracle	$15,000	$28,500	$43,500

**IGM Technology's annual service cost for the first (1st) year is $13,000, however this company offered a 60% discount (i.e. $7,800) for the first year.

STATEMENT OF THE ISSUE

IGM Technology Corporation's ("IGM") proposal/bid presented software module that staff believes would be the most efficient for the City's needs and at a reasonable cost.

"Gravity" is a proprietary application developed and maintained by IGM. It is their flagship software platform that is 100% cloud-based. It is an enterprise scalable reporting and process automation solution that enables users to collaboratively merge enterprise data. It helps organizations to improve efficiency, enhance the controls and increase the quality of their external reports, as well as automate other processes within the budget process.

Gravity software will help data-link spreadsheets, provide an audit trail of all changes made, and produce high quality reports. The goal is to streamline the budget process and enhance the budget document with narratives and visuals. Gravity also has a "what-if scenario" ability that will allow management to explore various budget scenarios and use that information to make more insightful decisions.

It is proposed that the City enter into a three (3) year (i.e. February 1, 2021 through January 31, 2024) services and support agreement with IGM, which will include the following services:

- Gravity Base Platform
- Gravity Budget Book Module
- Budget Book Implementation Services
- Budgeting Operations & Maintenance Template
- Budgeting Human Resources Template

FINANCIAL IMPACT

The total cost for the proposed agreement is $44,590, payable over the 3-year term of the agreement.

Funds in the amount of Eighteen Thousand Two Hundred Dollars ($18,200.00) for service and support for the first contract year are available in the City Manager's Office budget in Account No. 1001-510-000-4222 (Computer Software).

Appropriated funds for each contract year are as follows:

	Contract Year 1	***Contract Year 2***	***Contract Year 3***	***TOTAL***
Agreement	$5,200	$13,000	$13,390	$31,590
Implementation	$13,000	$0	$0	$13,000
Total	$18,200	$13,000	$13,390	$44,590

Funds for the remaining years of the contract shall be appropriated in future City budgets.

RECOMMENDATION

It is recommended that the Mayor and City Council adopt the attached Resolution.

CRAIG J. CORNWELL
CITY MANAGER

RESOLUTION NO. _____

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF COMPTON AUTHORIZING THE CITY MANAGER TO ENTER INTO A THREE (3) YEAR SERVICES AND SUPPORT AGREEMENT WITH AND ESTABLISH A PURCHASE ORDER FOR IGM TECHNOLOGY CORPORATION FOR USE OF GRAVITY BUDGET MODULE SOFTWARE ($44,590)

WHEREAS, the City uses Microsoft Excel to electronically record and maintain its financial accounting data when preparing the Citywide fiscal year budget, however, in the past, the City has experienced Microsoft Excel to transpose and calculate formulas in error; and

WHEREAS, thus, staff solicited proposals/bids for similar budget software modules and received responses as follows:

Company Name	Annual Cost	Implementation Cost	Total
**IGM Technology	$ 5,200	$13,000	$18,200
Workiva	$17,500	$36,800	$54,300
Oracle	$15,000	$28,500	$43,500

**IGM Technology's annual service cost for the first (1st) year is $13,000, however this company offered a 60% discount (i.e. $7,800) for the first year.

WHEREAS, staff reviewed the responses presented and determined that IGM Technology Corporation's ("IGM") proposal/bid presented software module that staff believes would be the most efficient for the City's needs and at a reasonable cost; and

WHEREAS, "Gravity" is a proprietary application developed and maintained by IGM. It is their flagship software platform that is 100% cloud-based that will help data-link spreadsheets, provide an audit trail of all changes made, and produce high quality reports. The goal is to streamline the budget process and enhance the budget document with narratives and visuals. Gravity also has a "what-if scenario" ability that will allow management to explore various budget scenarios and use that information to make more insightful decisions; and

WHEREAS, it is proposed that the City enter into a three (3) year (i.e. February 1, 2021 through January 31, 2024) services and support agreement with IGM, which will include the following services:

- Gravity Base Platform
- Gravity Budget Book Module
- Budget Book Implementation Services
- Budgeting Operations & Maintenance Template
- Budgeting Human Resources Template

WHEREAS, funds for this expenditure are available in the 2020-2021 Fiscal Year Budget.

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF COMPTON DOES HEREBY RESOLVE AS FOLLOWS:

Section 1. That the proposal/bid of IGM Technology Corporation is hereby accepted and all other rejected.

Section 2. That the City Manager is hereby authorized to enter into a three (3) year (i.e. February 1, 2021 through January 31, 2024) Services and Support agreement with IGM Technology Corporation for access and use of the Gravity Module Software.

Section 3. That funds in the amount of $18,200 are available in the 2020-2021 Fiscal Year budget of the City Manager's Department in Account No. 1001-510-000-4222.

Section 4. That a purchase order in the amount of $18,200 is authorized to be issued for IGM Technology Corporation.

Section 5. That funds for future payments will be allocated in future City budgets in the amounts below:

	Contract Year 2	***Contract Year 3***
Agreement	$13,000	$13,390
Implementation	$0	$0
Total	$13,000	$13,390

Section 6. That a copy of this Resolution shall be filed in the offices of the City Clerk, City Attorney, City Manager, and City Controller.

Section 7. That the Mayor shall sign and the City Clerk shall attest to the adoption of this Resolution.

ADOPTED this _____ day of _____, 2021.

_____
MAYOR OF THE CITY OF COMPTON

ATTEST:

_____
CITY CLERK OF THE CITY OF COMPTON

STATE OF CALIFORNIA)
COUNTY OF LOS ANGELES) ss
CITY OF COMPTON)

I, Alita Godwin, City Clerk of the City of Compton, hereby certify that the foregoing Resolution was adopted by the City Council of the City of Compton, signed by the Mayor and attested by the City Clerk at a regular meeting thereof held on this _____ day of _____, 2021.

That said Resolution was adopted by the following vote, to wit:

AYES: COUNCILMEMBERS-
NOES: COUNCILMEMBERS-
ABSTAIN: COUNCILMEMBERS-
ABSENT: COUNCILMEMBERS-

_____
CITY CLERK OF THE CITY OF COMPTON

SAAS SERVICES AGREEMENT – ORDER FORM

Customer: City of Compton, CA	Contact: Craig Cornwell
Address: 205 S Willowbrook, Ave	Title: City Manager
Compton, CA 90220	Phone: 310-605-5585
	E-Mail: ccornwell@comptoncity.org

Services: Access to Gravity (the "Service(s)").

Service Fees – Year 1: The Customer has the right to identify up to 3 Named Users and 8 Data Collection Users to have Access to Gravity. The Service Capacity includes:

• Gravity Base Platform (includes 1 Named User)	$8,000
• Gravity Budget Book module (includes 2 Named Users)	$5,000

Sub-Total	$13,000
Less 60% discount (for the first year ONLY)	($7,800)

Total Service Fees – Year 1	**$5,200 USD**

Service Fees for the first year are payable net 30 days after the commencement of the Gravity Kick-off meeting.

Services Fees – Year 2: If the Customer chooses to renew its subscription to Gravity for a second year with the same Service Capacity, then the Service Fees in Year 2 will be $13,000.

Service Fees for Year 2 would be payable in advance upon renewal.

Service Fees in subsequent years will be governed by the terms and conditions of this SaaS Service Agreement.

Services Fees – Year 3: If the Customer chooses to renew its subscription to Gravity for a third year with the same Service Capacity, then the Service Fees in Year 3 will be $13,390

Service Fees for Year 3 would be payable in advance upon renewal.

Service Fees in subsequent years will be governed by the terms and conditions of this SaaS Services Agreement.

Implementation Services: Company will use commercially reasonable efforts to provide Customer the services described in the Statement of Work ("SOW") attached as Exhibit A hereto ("Implementation Services"), and Customer shall pay Company the Implementation Fee in accordance with the terms herein.

Implementation Fee (one-time fee):

• Budget Book Implementation Services (one-time fee)	$7,000
• Budgeting Operations & Maintenance Template (one-time fee)	$3,000
• Budgeting HR Template (one-time fee)	$3,000
Total Implementation Fee (one-time fee):	**$13,000 USD**

Implementation fees are payable net 30 days after the commencement of the Gravity Kick-off meeting.

This SaaS Services Agreement ("Agreement") is entered into on this _____ day of _____, 2021 (the "Effective Date") between **IGM Technology Corp**. with a place of business at 2 Bloor Street West, 7th Floor, Toronto, Ontario ("Company"), and the Customer listed above ("Customer"). This Agreement includes and incorporates the above Order Form, as well as the attached Terms and Conditions and contains, among other things, warranty disclaimers, liability limitations and use limitations. There shall be no force or effect to any different terms of any related purchase order or similar form even if signed by the parties after the date hereof.

IGM Technology Corp.:

By: Itzhak Gleicher

Name: _____

Title: CEO

The City of Compton, CA:

By: _____

Name: Craig J. Cornwell

Title: City Manager

ATTEST:

By: _____

Name: Alita Godwin

Title: City Clerk

Approved as to form:

By: _____

Name: Damon M. Brown

Title: City Attorney



TERMS AND CONDITIONS

1. SAAS SERVICES AND SUPPORT

1.1 Subject to the terms of this Agreement, Company will use commercially reasonable efforts to provide Customer the Services in accordance with the Service Level Terms attached hereto as Exhibit B.

1.2 Subject to the terms hereof, Company will provide Customer with reasonable technical support services in accordance with the Support Terms attached hereto as Exhibit C.

2. RESTRICTIONS AND RESPONSIBILITIES

2.1 Customer will not, directly or indirectly: reverse engineer, decompile, disassemble or otherwise attempt to discover the source code, object code or underlying structure, ideas, know-how or algorithms relevant to the Services or any software, documentation or data related to the Services ("Software"); modify, translate, or create derivative works based on the Services or any Software (except to the extent expressly permitted by Company or authorized within the Services); use the Services or any Software for timesharing or service bureau purposes or otherwise for the benefit of a third party; or remove any proprietary notices or labels.

2.2 Customer represents, covenants, and warrants that Customer will use the Services only in compliance with Company's standard terms of service then in effect and all applicable laws and regulations. Customer hereby agrees to indemnify and hold harmless Company against any damages, losses, liabilities, settlements and expenses (including without limitation costs and attorneys' fees) in connection with any claim or action that arises from an alleged violation of the foregoing or otherwise from Customer's use of Services.

2.3 Customer shall be responsible for obtaining and maintaining any equipment and ancillary services needed to connect to, access or otherwise use the Services, including, without limitation, modems, hardware, servers, software, operating systems, networking, web servers and the like (collectively, "Equipment"). Customer shall also be responsible for maintaining the security of the Equipment and the administrative and user passwords.

3. CONFIDENTIALITY; PROPRIETARY RIGHTS

3.1 Each party (the "Receiving Party") understands that the other party (the "Disclosing Party") has disclosed or may disclose business, technical or financial information relating to the Disclosing Party's business (hereinafter referred to as "Proprietary Information" of the Disclosing Party). Proprietary Information of Company includes non-public information regarding features, functionality and performance of the Service. Proprietary Information of Customer includes non-public data provided by Customer to Company to enable the provision of the Services ("Customer Data"). The Receiving Party agrees: (i) to take reasonable precautions to protect such Proprietary Information, and (ii) not to use (except in performance of the Services or as otherwise permitted herein) or divulge to any third person any such Proprietary Information. The Disclosing Party agrees that the foregoing shall not apply with respect to any information after five (5) years following the disclosure thereof or any information that the Receiving Party can document (a) is or becomes generally available to the public, or (b) was in its possession or known by it prior to receipt from the Disclosing Party, or (c) was rightfully disclosed to it without restriction by a third party, or (d) was independently developed without use of any Proprietary Information of the Disclosing Party or (e) is required to be disclosed by law.

3.2 Customer shall own all right, title and interest in and to the Customer Data. Company shall own and retain all right, title and interest in and to (a) the Services and Software, all improvements, enhancements or modifications thereto, (b) any software, applications, inventions or other technology developed in connection with Implementation Services or support, and (c) all intellectual property rights related to any of the foregoing.

3.3 No rights or licenses are granted except as expressly set forth herein.

4. PAYMENT OF FEES

4.1 Customer will pay Company the then applicable fees described in the Order Form for the Services and Implementation Services in accordance with the terms therein (the "Fees"). If Customer's use of the Services exceeds the Service Capacity set forth on the Order Form or otherwise requires the payment of additional fees (per the terms of this Agreement), Customer shall be billed for such usage and Customer agrees to pay the additional fees in the manner provided herein. After the initial 3 year term, Company reserves the right to increase the Service Fees to a maximum of 5% to reflect inflation and ongoing enhancements applied to the software platform, to change the Fees or applicable charges and to institute new charges and Fees at the end of the Initial Service Term or then-current renewal term. If Customer believes that Company has billed Customer incorrectly, Customer must contact Company no later than 60 days after the closing date on the first billing statement in which the error or problem appeared, in order to receive an adjustment or credit. Inquiries should be directed to Company's customer support department.

4.2 Company will bill through an invoice. Full payment for invoices issued in any given month must be received by Company thirty (30) days after the mailing date of the invoice. Unpaid amounts are subject to a finance charge of 1.5% per month on any outstanding balance, or the maximum permitted by law, whichever is lower, plus all expenses of collection and may result in

immediate termination of Service. Customer shall be responsible for all taxes associated with Services other than taxes based on Company's net income.

5. TERM AND TERMINATION

5.1 Subject to earlier termination as provided below, this Agreement is for a 3 year service term as specified in the Order Form.

5.2 In addition to any other remedies it may have, either party may also terminate this Agreement upon thirty (30) days' notice (or without notice in the case of nonpayment), if the other party materially breaches any of the terms or conditions of this Agreement. Customer will pay in full for the Services up to and including the last day on which the Services are provided. Upon any termination, Company will make all Customer Data available to Customer for electronic retrieval for a period of thirty (30) days, but thereafter Company may, but is not obligated to, delete stored Customer Data. All sections of this Agreement which by their nature should survive termination will survive termination, including, without limitation, accrued rights to payment, confidentiality obligations, warranty disclaimers, and limitations of liability.

6. WARRANTY AND DISCLAIMER

Company shall use reasonable efforts consistent with prevailing industry standards to maintain the Services in a manner which minimizes errors and interruptions in the Services and shall perform the Implementation Services in a professional and workmanlike manner. Services may be temporarily unavailable for scheduled maintenance or for unscheduled emergency maintenance, either by Company or by third-party providers, or because of other causes beyond Company's reasonable control, but Company shall use reasonable efforts to provide advance notice in writing or by e-mail of any scheduled service disruption. HOWEVER, COMPANY DOES NOT WARRANT THAT THE SERVICES WILL BE UNINTERRUPTED OR ERROR FREE; NOR DOES IT MAKE ANY WARRANTY AS TO THE RESULTS THAT MAY BE OBTAINED FROM USE OF THE SERVICES. EXCEPT AS EXPRESSLY SET FORTH IN THIS SECTION, THE SERVICES AND IMPLEMENTATION SERVICES ARE PROVIDED "AS IS" AND COMPANY DISCLAIMS ALL WARRANTIES, EXPRESS OR IMPLIED, INCLUDING, BUT NOT LIMITED TO, IMPLIED WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE AND NON-INFRINGEMENT.

7. LIMITATION OF LIABILITY

NOTWITHSTANDING ANYTHING TO THE CONTRARY, EXCEPT FOR BODILY INJURY OF A PERSON, COMPANY AND ITS SUPPLIERS (INCLUDING BUT NOT LIMITED TO ALL EQUIPMENT AND TECHNOLOGY SUPPLIERS), OFFICERS, AFFILIATES, REPRESENTATIVES, CONTRACTORS AND EMPLOYEES SHALL NOT BE RESPONSIBLE OR LIABLE WITH RESPECT TO ANY SUBJECT MATTER OF THIS AGREEMENT OR TERMS AND CONDITIONS RELATED THERETO UNDER ANY CONTRACT, NEGLIGENCE, STRICT LIABILITY OR OTHER THEORY: (A) FOR ERROR OR INTERRUPTION OF USE OR FOR LOSS OR INACCURACY OR CORRUPTION OF DATA OR COST OF PROCUREMENT OF SUBSTITUTE GOODS, SERVICES OR TECHNOLOGY OR LOSS OF BUSINESS; (B) FOR ANY INDIRECT, EXEMPLARY, INCIDENTAL, SPECIAL OR CONSEQUENTIAL DAMAGES; (C) FOR ANY MATTER BEYOND COMPANY'S REASONABLE CONTROL; OR (D) FOR ANY AMOUNTS THAT, TOGETHER WITH AMOUNTS ASSOCIATED WITH ALL OTHER CLAIMS, EXCEED THE FEES PAID BY CUSTOMER TO COMPANY FOR THE SERVICES UNDER THIS AGREEMENT IN THE 12 MONTHS PRIOR TO THE ACT THAT GAVE RISE TO THE LIABILITY, IN EACH CASE, WHETHER OR NOT COMPANY HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES.

8. MISCELLANEOUS

If any provision of this Agreement is found to be unenforceable or invalid, that provision will be limited or eliminated to the minimum extent necessary so that this Agreement will otherwise remain in full force and effect and enforceable. This Agreement is not assignable, transferable or sub-licensable by Customer except with Company's prior written consent. Company may transfer and assign any of its rights and obligations under this Agreement without consent. This Agreement is the complete and exclusive statement of the mutual understanding of the parties and supersedes and cancels all previous written and oral agreements, communications and other understandings relating to the subject matter of this Agreement, and that all waivers and modifications must be in a writing signed by both parties, except as otherwise provided herein. No agency, partnership, joint venture, or employment is created as a result of this Agreement and Customer does not have any authority of any kind to bind Company in any respect whatsoever. In any action or proceeding to enforce rights under this Agreement, the prevailing party will be entitled to recover costs and attorneys' fees. All notices under this Agreement will be in writing and will be deemed to have been duly given when received, if personally delivered; when receipt is electronically confirmed, if transmitted by facsimile or e-mail; the day after it is sent, if sent for next day delivery by recognized overnight delivery service; and upon receipt, if sent by certified or registered mail, return receipt requested. This Agreement shall be governed by the laws of the State of California without regard to its conflict of law provisions. Customer agrees to reasonably cooperate with Company to serve as a reference account upon request.

EXHIBIT A

Statement of Work

The Company will provide the following services:

- Gravity - Implementation Services for Budget Book automation
  - Unlimited on-line training
  - IGM Consulting Services in setting up and using Gravity to produce the next Budget Book

- Gravity - Implementation Services for Gravity Budget Planning templates
  - Unlimited on-line training
  - IGM Consulting Services in setting up two budgeting planning templates
    - Operations & Maintenance Template
    - HR Template

.

These Implementation Services will be provided to the Customer within three months of the Effective Date. Implementation Services required by the Customer after this time period could be provided by IGM at IGM's standard consulting services rate.



EXHIBIT B

Service Level Terms

The Services shall be available 99.9%, measured monthly, excluding holidays and weekends and scheduled maintenance. If Customer requests maintenance during these hours, any uptime or downtime calculation will exclude periods affected by such maintenance. Further, any downtime resulting from outages of third party connections or utilities or other reasons beyond Company's control will also be excluded from any such calculation. Customer's sole and exclusive remedy, and Company's entire liability, in connection with Service availability shall be that for each period of downtime lasting longer than one hour, Company will credit Customer 5% of Service fees; provided that no more than one such credit will accrue per day. Downtime shall begin to accrue as soon as Customer (with notice to Company) recognizes that downtime is taking place, and continues until the availability of the Services is restored. In order to receive downtime credit, Customer must notify Company in writing within 24 hours from the time of downtime, and failure to provide such notice will forfeit the right to receive downtime credit. Such credits may not be redeemed for cash. Company will apply any credits accumulated in the prior annual period, towards the Service Fees in the next annual period.

EXHIBIT C

Support Terms

IGM will provide Technical Support to customer via both telephone and electronic mail with 24/7 (“Support Hours”).
customer may initiate a helpdesk ticket during Support Hours by calling IGM’s customer support line or any time by emailing support@igm.technology

Customer may initiate a helpdesk ticket during Support Hours by calling Company’s hot line support number, 800-419-1459 or any time by emailing **support@igm.technology**

Company will use commercially reasonable efforts to respond to all Helpdesk tickets within one (1) business day.

January 26, 2021

TO: MAYOR AND MEMBERS OF THE CITY COUNCIL

FROM: CITY CLERK/LOCAL ELECTIONS OFFICIAL

RE: AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF COMPTON AMENDING CHAPTER VI OF THE COMPTON MUNICIPAL CODE BY ADDING SECTION 6-24 (CAMPAIGN CONTRIBUTION LIMITS)

SUMMARY

Pursuant to City Council request, staff presents an ordinance for consideration that would amend Chapter 6 of the Compton Municipal Code ("Municipal Code") to address the provisions of California Assembly Bill 571 by adding Section 6-24 to the Municipal Code, titled "Campaign Contribution Limits", setting forth "no limit" on campaign contributions for City elective offices.

BACKGROUND

The California Political Reform Act of 1974 ("Political Reform Act"), codified at Government Code Section 81000, *et seq*., was amended by the voters in 1988 to impose contribution limitations for statewide offices, and authorized local jurisdictions to enact contribution limits or other prohibitions. In 2019, the Legislature amended the Political Reform Act to impose contribution limitations on local elective offices in jurisdictions that have not enacted their own contribution limits with the passage of Assembly Bill ("AB") 571. AB 571 imposes a default campaign contribution limit upon cities and counties without campaign contribution limits beginning January 1, 2021. The City of Compton ("City") currently does not have campaign contribution limits or regulations.

STATEMENT OF ISSUE

AB 571 authorizes counties and cities to establish their own campaign contribution limits for their elective offices. Counties and cities that wish to adopt local contribution limits must consider how their local agency will enforce such restrictions, as AB 571 does not provide the Fair Political Practices Commission ("FPPC") with authority to administer or enforce locally set campaign contribution limits. Elections Code Section 10202 (automatically repealed on January 1, 2021) and Government Code Section 85702.5 (effective on January 1, 2021) further permits the City to establish its own campaign contribution limits that are different from what is established by Government Code Section 85301 and 83124 by resolution or ordinance.

It is the intent of the City Council that this proposed Ordinance establishing that there be no limit on campaign contributions comply with the free speech clauses of the United States and California Constitutions and the decisional law by the federal and state courts. Based on the foregoing, the City Council does not desire to establish a campaign contribution limit for candidates for Elective City office.

FINANCIAL IMPACT

Since there is no limit on contributions, no enforcement regulations are required and no associated costs expected.

RECOMMENDATION

Adoption of the attached Ordinance is within the discretion of the City Council.

ALITA GODWIN
CITY CLERK/LOCAL ELECTIONS OFFICIAL

APPROVED FOR FORWARDING:

CRAIG J. CORNWELL
CITY MANAGER

ORDINANCE NO. _____

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF COMPTON AMENDING CHAPTER VI OF THE COMPTON MUNICIPAL CODE BY ADDING SECTION 6-24 (CAMPAIGN CONTRIBUTION LIMITS)

WHEREAS, the California Political Reform Act of 1974 ("Political Reform Act"), codified at Government Code Section 81000, *et seq*., was amended by the voters in 1988 to impose contribution limitations for statewide offices, and authorized local jurisdictions to enact contribution limits or other prohibitions; and

WHEREAS, in 2019, the Legislature amended the Political Reform Act to impose contribution limitations on local elective offices in jurisdictions that have not enacted their own contribution limits with the passage of Assembly Bill ("AB") 571; and

WHEREAS, AB 571 imposes a default campaign contribution limit upon cities and counties without campaign contribution limits beginning January 1, 2021, but further authorizes counties and cities to establish their own campaign contribution limits for their elective offices; and

WHEREAS, Elections Code Section 10202 (automatically repealed on January 1, 2021) and Government Code Section 85702.5 (effective on January 1, 2021) further permits the City to establish its own campaign contribution limits that are different from what is established by Government Code Section 85301 and 83124 by resolution or ordinance; and

WHEREAS, the City of Compton currently does not have campaign contribution limits or regulations and it is the intent of the City Council that this Ordinance establishing that there be no limit on campaign contributions comply with the free speech clauses of the United States and California Constitutions and the decisional law by the federal and state courts; and

WHEREAS, based on the foregoing, the City Council does not desire to establish campaign contribution limits for candidates for Elective City office.

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF COMPTON DOES HEREBY ORDAIN AS FOLLOWS:

Section 1. That Chapter 6 (Election Procedure) of the Compton Municipal Code is hereby amended to add a new Section 6-24 (titled "Campaign Contribution Limits) to read as follows:

6-24 CAMPAIGN CONTRIBUTION LIMITS.

6-24.1 Purpose. On October 8, 2019, the Governor signed Assembly Bill 571, setting campaign limits for elective city offices commensurate with State limits. Assembly Bill 571 also authorizes a city to set its own campaign contribution limits different than the State limits. The purpose of this Section is to comply with the provision of Government Code Section 85702.5 which authorizes a city to impose its own limit on campaign contributions by ordinance or resolution.

6-24.2 Definitions. Except as more specifically provided herein, the definitions set forth in the Political Reform Act of 1974 (Government Code Sections 81000, *et seq*., as amended) shall govern interpretation of this Section 6-24 and are hereby incorporated by reference.

*"**City election**"* shall mean any primary, general, or special election, including a recall election, held within the City of Compton for elective City office or on a City measure. Each primary, general, or special election is a separate election for purposes of this section.

*"**Elective City office**"* shall mean member of the City Council, the Mayor, the City Clerk, the City Treasurer and the City Attorney.

6-24.3 City Campaign Contribution Limits. The City Council hereby imposes no limit on the campaign contributions that a candidate for Elective City office may receive for any separate City election.

Section 2. That should any provision, section, subsection, sentence, paragraph, clause, phrase or word of this Ordinance, hereby adopted, be rendered or declared invalid by any final court action in a court of competent jurisdiction, or by any reason of any preemptive legislation, such invalidity shall not affect the remaining provisions of this Ordinance which can be implemented without the invalid provisions, and, to this end, the provisions of this Ordinance are declared to be severable.

Section 3. That a copy of this Ordinance shall be filed in the offices of the City Clerk, City Manager and the City Attorney.

Section 4. That this Ordinance shall take effect thirty (30) days after the date of its final passage and adoption by the City Council.

Section 5. That the Mayor shall sign and the City Clerk shall attest to the adoption of this Ordinance and shall cause same to be published as required by law.

ADOPTED this _____ day of _____, 2021.

_____
MAYOR OF THE CITY OF COMPTON

ATTEST:

_____
CITY CLERK OF THE CITY OF COMPTON

STATE OF CALIFORNIA)
COUNTY OF LOS ANGELES) ss
CITY OF COMPTON)

I, Alita Godwin, City Clerk of the City of Compton, do hereby certify that the foregoing Ordinance was adopted by the City Council of the City of Compton, signed by the Mayor and attested by the City Clerk at a regular meeting thereof held on the _____ day of _____, 2021.

That said Ordinance was adopted by the following vote, to wit:

AYES: COUNCIL MEMBERS-
NOES: COUNCIL MEMBERS-
ABSENT: COUNCIL MEMBERS-
ABSTAIN: COUNCIL MEMBERS-

_____
CITY CLERK OF THE CITY OF COMPTON

January 26, 2021

TO: HONORABLE MAYOR AND CITY COUNCIL MEMBERS

FROM: CITY MANAGER

SUBJECT: A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF COMPTON ADOPTING THE RECOMMENDED AMENDMENTS TO THE COMPTON PERSONNEL RULES AND REGULATIONS, RULES 10.2B(1), 10.2B(2), 10.2C AND 10.3E

SUMMARY

Adoption of the attached resolution will accept the recommendation of the Compton Personnel Board and adopt the proposed amendments to the Compton Personnel Rules and Regulations, Rule 10 (Administrative Reviews and Appeals); more specifically, Rule 10.2B(1) – "Method of Appeal", Section 10.2B(2) – "Timeliness and Scope of Appeal Level Decisions", Section 10.2C – "Further Appeal to City Council", and 10.3E – "Hearings".

The primary purpose of the proposed amendments is to provide for a more efficient and expedited employee discipline appeal process, in addition to a few "housekeeping" measures to clarity certain provisions and eliminate ineffective language.

BACKGROUND

Pursuant to Section 1010(a) of the Compton City Charter, the Personnel Board has the power to:

> "After a public hearing thereon, recommend to the City Council the adoption, amendment or repeal of Civil Service rules and regulations;"

Compton Personnel Rules and Regulations, Rule 2.4A provides:

> "Upon the recommendation of the City Manager, transmitted to the City Council together with certification that recommended additions, deletions, or other changes to these *(Personnel Rules and Regulations)* Rules have been previously transmitted to the Personnel Board at least one calendar week earlier, the City Council may adopt any such recommendations, as submitted or in any modified form as they may decide by a vote of the majority." *(Emphasis added).*

Rule 10. Administrative Reviews and Appeals provides review and reconsideration rights and procedures as a fair and just approach to personnel administration of City employment. Section 10.1 primarily addresses the Grievance Procedure for Review and Reconsideration, Section 10.2 addresses Severe Discipline Determination and Appeal Procedures and Section 10.3 provides General Provisions Governing Grievance Reconsideration and Appeals.

When a permanent Classified Service employee receives severe discipline (e.g. suspension, demotion or dismissal), pursuant to the City's Civil Service system, that employee is entitled to appeal (usually to the Personnel Board) the City's implementation of that severe discipline.

As formulated, the City's Personnel Board ("Board") is essentially a "part-time" administrative entity, required by ordinance to conduct regular meetings only once a month with the authority to call special meetings "as-needed." The established meeting time for the Personnel Board is 6:00 p.m. The Board's regular meetings are generally consumed with conducting routine City business; such as, temporary appointment and exemption requests, approval of eligible lists, approval of new and amended classification specification requests, public hearings pertaining to the above, etc.

STATEMENT OF ISSUE

Historically, due to the limited meeting days and hours that the Board may be able to convene, appeal hearings requested by disciplined employees have taken many months to reach conclusion (inclusive of regular and special meetings) – providing frustration for the parties and the Board, so much so that members of the Board requested that City administration and the City Attorney investigate utilizing the outside "Hearing Officer" process for conducting the appeal hearing and make a recommendation to the Board. The proposed amendments to specified sections of Rule 10 will accomplish this request.

Current Section 10.2B(1) – "Method of Appeal" will be *partially amended*, primarily to provide specificity and clarity. Section 10.2B(2) – "Timeliness and Scope of Appeal Level Decisions" will be *amended in total* to provide, among other matters:

- Parties (i.e. City representative and disciplined employee or their representative) shall select an outside Hearing Officer knowledgeable and skilled in public sector and employment relations, who shall commence the appeal within 60 days or sooner

- Procedural guide for conducting the appeal process. This provides all involved of how the appeal hearing will be conducted and what is expected of each party, preventing unnecessary delays in concluding the appeal hearing

- Within thirty (30) days of conclusion of appeal hearing, proposed written decision of the Hearing Officer, with factual and legal findings, presented to the Board's Clerk who will provide to the Board members and parties

- Board will have ten (10) days to render a final decision (per City Charter requirements) on the severe discipline appeal that either (a) adopts the Hearing Officer's proposed decision in its entirety or (b) rejects the proposed decision of the Hearing Officer and instead renders its own decision based on the record

Current Section 10.2C – "Further Appeal to City Council" will be *amended in total* to delete this section from the Personnel Rules and Regulations. Deletion of this section is essentially a "housekeeping" measure in that its provisions conflicts with Section 1108 of the City Charter, which addresses severe discipline appeals and decisions and provides that … "[I]n the absent of fraud or bad faith, the findings and decisions of the said Board shall be final and conclusive."

Current Section 10.3E – "Hearings" will be *partially amended* primarily to provide specificity and clarity. Additionally, the City agreed to the following amendments:

- Except for the severe discipline employee's own expenses, the City agrees to pay the cost of the Hearing Officer's services, reporter and transcript of proceeding

- Salary of non-party City employee witnesses called to testify by the appealing employee during normal working hours will be paid by the City

As indicated above, because of the limited days and hours that the Board may be able to convene, the appeal hearing process usually may take, and has taken, 6 to 12 months to complete, which has consequentially resulted in other employees with requests for severe discipline appeal hearings to endure extensively long waiting time before they are able to get before the Board.

Use of the outside Hearing Officer procedure should make the appeal hearing process much more expedite, efficient and less frustrating for the parties and Board. The Hearing Officers are professionals with knowledge and experience in the applicable areas of the law and the conducting of appeal hearings. The Hearing Officers work "full-time", thus they are able to conduct an appeal hearing that starts in the morning and proceeds throughout the day, getting more work completed and resulting in an appeal hearing that may only take a matter of several days or week to complete rather than months.

Once the appeal hearing is concluded, the Hearing Officer will submit a written proposed decision for the Board's consideration and final decision. The Board can adopt the Hearing Officer's proposed decision in its entirety as its own or based on the record of the appeal proceeding reject the Hearing Officer's decision and render its own decision.

City Management and City Attorney representatives conducted numerous meet and confer meetings with interested employee bargaining units' representatives pertaining to amending the within-specified sections of Rule 10 of the Personnel Rules and Regulations, culminating in the attached agreed recommended amendments.

Pursuant to Section 1010(a) of the Compton City Charter, the Board conducted a public hearing on the proposed amendments to the specified sections of Rule 10 of the Personnel Rules and Regulations at its regular meeting conducted on November 19, 2020, and after reviewing the proposed amendments, the Board recommended the following revisions:

- Rule 10.2B(1)(a) – change the two (2) references to "the Human Resources Department" to "Human Resources" and
- Rule 10.2B(4)(c) – change the one (1) reference to "Human Resources Director" to "Human Resources"; and

Oher than the above-stated Board recommended revisions, and there being no objections to the proposed amendments to the specified sections of Rule 10 of the Personnel Rules and Regulations received or presented, the Board voted unanimously to recommend to the City Council adoption of the proposed amendments to Sections 10.2.B(1), 10.2B(2), 10.2C and 10.3E of the Compton Personnel Rules and Regulations as reflected in the attached "Exhibit A".

FINANCIAL IMPACT

While there may be a financial impact due to the City Management's agreement to pay the cost of the Hearing Officer process (excluding the appealing employees' attorney's fee, witness fees and other costs), it is believed that ultimately there will be a financial savings to the City in that due to the expedited nature of the proceedings the costs of a protracted and lengthy process before the Board saves on the amount of attorney's fees, reporter fees, City witness fees, Board compensation, etc. that the City currently pays.

It should noted that there is presented to the Council concurrently with this Resolution a separate resolution requesting that the Council approve a Side Letter Agreement to the Memorandum of Agreement ("MOA") between the City of Compton and the Compton Management Employees Association/AFSCME Local 2325, which will amend *Section C of Article 26* of said MOA, which purportedly allows employees who receive an adverse decision to their disciplinary appeal from the Personnel Board with the opportunity to appeal that decision to *binding* arbitration. This Section will be amended to provide that the *"… procedure for handling severe discipline and appeal shall be those outlined in Section 10.2 of the Personnel Rules and Regulations."* Amendment of this MOA provision was integral part of the good faith negotiations between the parties in reaching a final agreement on the proposed Personnel Rules and Regulations amendments.

RECOMMENDATION

Staff recommends the adoption of the attached Resolution.

**CRAIG J. CORNWELL
CITY ATTORNEY**

RESOLUTION NO. _____

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF COMPTON ADOPTING THE RECOMMENDED AMENDMENTS TO THE COMPTON PERSONNEL RULES AND REGULATIONS, RULES 10.2B(1), 10.2B(2), 10.2C AND 10.3E

WHEREAS, the Personnel Board ("Board") of the City of Compton is a Compton City Charter created body whose members are appointed by the City Council of the City of Compton; and

WHEREAS, pursuant to Section 1010(a) of the Compton City Charter, the Board has the duty and power to … "[A]fter a public hearing thereon, recommend to the City Council the adoption, amendment or repeal of Civil Service rules and regulations"; and

WHEREAS, Compton Personnel Rules and Regulations, Rule 2.4A provides … "Upon the recommendation of the City Manager, transmitted to the City Council together with certification that recommended additions, deletions, or other changes to these *(Personnel Rules and Regulations)* Rules have been previously transmitted to the Personnel Board at least one calendar week earlier, the City Council may adopt any such recommendations, as submitted or in any modified form as they may decide by a vote of the majority." *(Emphasis added)*; and

WHEREAS, Rule 10 of the Compton Personnel Rules and Regulations provides review and reconsideration rights and procedures as a fair and just approach to personnel administration of City employment. Section 10.1 primarily addresses the Grievance Procedure for Review and Reconsideration, Section 10.2 addresses Severe Discipline Determination and Appeal Procedures and Section 10.3 provides General Provisions Governing Grievance Reconsideration and Appeals; and

WHEREAS, when a permanent Classified Service employee receives severe discipline (e.g. suspension, demotion or dismissal), pursuant to the City's Civil Service system (i.e. Rule 10), that employee is entitled to appeal (usually to the Board) the City's administration of that severe discipline; and

WHEREAS, as formulated, the City's Board is essentially a "part-time" administrative entity, required by ordinance to conduct regular meetings only once a month with the authority to call special meetings "as-needed" and an established meeting time of 6:00 p.m.; and

WHEREAS, the Board's regular meetings are generally consumed with conducting routine City business; such as, temporary appointment and exemption requests, approval of eligible lists, approval of new and amended classification specification requests and public hearings pertaining to the above, etc.; and

WHEREAS, historically, due to the limited days and hours that the Board may be able to convene, the appeal hearing process usually may take, and has taken as much as six (6) months and longer to complete, which has consequentially resulted in other employees with requests for severe discipline appeal hearings to endure extensively long waiting times before they are able to have their appeal requests presented to the Board; and

WHEREAS, City Management, the City Attorney's Office and representatives of the various City employee bargaining units conducted numerous meetings to discuss and ultimately agree upon the proposed amendments to the specified sections of Rule 10 of the Personnel Rules and Regulations; and

WHEREAS, pursuant to Section 1010(a) of the Compton City Charter, the Board conducted a public hearing on the proposed amendments to the specified sections of Rule 10 of the Personnel Rules and Regulations at its regular meeting conducted on November 19, 2020; and

WHEREAS, after reviewing the proposed amendments, the Board recommended the following revisions:

- Rule 10.2B(1)(a) – change the two (2) references to "the Human Resources Department" to "Human Resources" and
- Rule 10.2B(4)(c) – change the one (1) reference to "Human Resources Director" to "Human Resources"; and

WHEREAS, other than the above-stated Board recommended revisions, and there being no objections to the proposed amendments to the specified sections of Rule 10 of the Personnel Rules and Regulations received or presented, the Board voted unanimously to recommend to the City Council adoption of the proposed amendments to Sections 10.2.B(1), 10.2B(2), 10.2C and 10.3E of the Compton Personnel Rules and Regulations as reflected in the attached "Exhibit A".

NOW, THEREFORE, THE PERSONNEL BOARD OF THE CITY OF COMPTON DOES HEREBY RESOLVE AS FOLLOWS:

Section 1. That the recitals above stated are incorporated herein.

Section 2. That the proposed amendments to Sections 10.2B(1), 10.2B(2), 10.2C and 10.3E of the Compton Personnel Rules and Regulations, as reflected in "Exhibit A", attached hereto and incorporated herein, are hereby adopted.

Section 3. That Human Resources shall cause the City's Personnel Rules and Regulations to be amended to incorporate the herein adopted amendments to the specified provisions of Rule 10.

Section 4. That this Resolution shall become effective only if, and when, the City Council adopts a resolution approving a Side Letter Agreement to the Memorandum of Agreement ("MOA") between the City and the Compton Management Employees Association/AFSCME Local 2325, which amends *Section C of Article 26* of said MOA.

Section 5. That a copy of this Resolution, including "Exhibit A", shall be filed in the offices of the City Clerk, every City Department and Agency and each recognized Employee Bargaining Unit.

Section 6. That the Mayor shall sign and the City Clerk shall attest to the adoption of this Resolution.

ADOPTED this _____ day of _____, 2021.

_____
MAYOR OF THE CITY OF COMPTON

ATTEST:

_____
CITY CLERK OF THE CITY OF COMPTON

STATE OF CALIFORNIA
COUNTY OF LOS ANGELES
CITY OF COMPTON: ss

I, Alita Godwin, City Clerk of the City of Compton, hereby certify that the foregoing Resolution was adopted by the City Council, signed by the Mayor, and attested to by the City Clerk at a regular meeting thereof held on the _____ day of _____, 2021.

That said Resolution was adopted by the following vote, to wit:

AYES: COUNCIL MEMBERS-
NOES: COUNCIL MEMBERS-
ABSTAIN: COUNCIL MEMBERS-
ABSENT: COUNCIL MEMBERS-

_____
CITY CLERK OF THE CITY OF COMPTON

COMPTON PERSONNEL BOARD RESOLUTION –

RECOMMENDING COUNCIL ADOPTION OF PROPOSED AMENDMENTS TO PERSONNEL RULES AND REGULATIONS,

RULE 10

[10.2B(1), 10.2B(2), 10.2C AND 10.3E]

A RESOLUTION OF THE PERSONNEL BOARD OF THE CITY OF COMPTON RECOMMENDING, PURSUANT TO SECTION 1010(a) OF THE COMPTON CITY CHARTER, THAT THE CITY COUNCIL AMEND SPECIFIED SECTIONS OF RULE 10 OF THE COMPTON PERSONNEL RULES AND REGULATIONS.

WHEREAS, the Personnel Board ("Board") of the City of Compton is a Compton City Charter created body whose members are appointed by the City Council of the City of Compton; and

WHEREAS, pursuant to Section 1010(a) of the Compton City Charter, the Board has the duty and power to ... "[A]fter a public hearing thereon, recommend to the City Council the adoption, amendment or repeal of Civil Service rules and regulations"; and

WHEREAS, Rule 10 of the Compton Personnel Rules and Regulations provides review and reconsideration rights and procedures as a fair and just approach to personnel administration of City employment. Section 10.1 primarily addresses the Grievance Procedure for Review and Reconsideration, Section 10.2 addresses Severe Discipline Determination and Appeal Procedures and Section 10.3 provides General Provisions Governing Grievance Reconsideration and Appeals; and

WHEREAS, when a permanent Classified Service employee receives severe discipline (e.g. suspension, demotion or dismissal), pursuant to the City's Civil Service system, that employee is entitled to appeal (usually to the Board) the City's administration of that severe discipline; and

WHEREAS, as formulated, the City's Board is essentially a "part-time" administrative entity, required by ordinance to conduct regular meetings only once a month with the authority to call special meetings "as-needed" and an established meeting time of 6:00 p.m.; and

WHEREAS, the Board's regular meetings are generally consumed with conducting routine City business; such as, temporary appointment and exemption requests, approval of eligible lists, approval of new and amended classification specification requests and public hearings pertaining to the above, etc.; and

WHEREAS, historically, due to the limited days and hours that the Board may be able to convene, the appeal hearing process usually may take, and has taken as much as six (6) months and longer to complete, which has consequentially resulted in other employees with requests for severe discipline appeal hearings to endure extensively long waiting times before they are able to have their appeal requests presented to the Board; and

WHEREAS, in efforts to expedite the appeal process the Board recommends that the City Council amend specified sections of Rule 10; specifically Sections 10.2B(1), 10.2B(2), 10.2C and 10.3E; of the Personnel Rules and Regulations to, in addition to other matters, provide that employee appeals from severe discipline proceed directly to an outside professional and appropriately experienced hearing officer, who shall conduct the appeal hearing and render a proposed decision for the Board to consider for acceptance or the rendering of a separate decision; and

WHEREAS, the Board recommends Council amendment of Personnel Rules and Regulations, Rule 10.2B(1) – "Method of Appeal" primarily to provide specificity and clarity; Section 10.2B(2) – "Timeliness and Scope of Appeal Level Decisions" in total to provide for the "Hearing Officer" appeal process and procedure; Section 10.2C – "Further Appeal to City Council" deletion as essentially a "housekeeping" measure in that its provisions conflicts with Section 1108 of the City Charter, which addresses severe discipline appeals and decisions and provides that ... "[I]n the absent of fraud or bad faith, the findings and decisions of the said Board shall be final and conclusive"; and Section 10.3E – "Hearings" primarily to provide specificity and clarity; and

WHEREAS, the Board was informed that City Management, the City Attorney's Office and interested representatives of the various City employee bargaining units conducted numerous meetings to discuss and ultimately agree upon the proposed amendments to the specified sections of Rule 10 of the Personnel Rules and Regulations; and

WHEREAS, pursuant to Section 1010(a) of the Compton City Charter, the Board conducted a public hearing on the proposed amendments to the specified sections of Rule 10 of the Personnel Rules and Regulations at its regular meeting conducted on November 19, 2020; and

WHEREAS, after reviewing the proposed amendments, the Board recommended the following revisions:

- Rule 10.2B(1)(a) – change the two (2) references to "the Human Resources Department" to "Human Resources" and
- Rule 10.2B(4)(c) – change the one (1) reference to "Human Resources Director" to "Human Resources"; and

WHEREAS, other than the above-stated Board recommended revisions, and there being no objections to the proposed amendments to the specified sections of Rule 10 of the Personnel Rules and Regulations received or presented, the Board voted unanimously to recommend to the City Council adoption of the proposed amendments to Sections 10.2.B(1), 10.2B(2), 10.2C and 10.3E of the Compton Personnel Rules and Regulations as reflected in the attached "Exhibit A."

NOW, THEREFORE, THE PERSONNEL BOARD OF THE CITY OF COMPTON DOES HEREBY RESOLVE AS FOLLOWS:

Section 1. That the recitals above stated are incorporated herein.

Section 2. That in accordance with the provisions of Section 1010(a) of the Compton City Charter, and following a public hearing thereon on November 19, 2020, the Personnel Board recommends that the City Council amend Sections 10.2B(1), 10.2B(2), 10.2C and 10.3E of the Compton Personnel Rules and Regulations, as reflected in "Exhibit A", attached hereto and incorporated herein.

Section 3. That the Personnel Board Chairperson shall sign and the Board Clerk shall attest to the adoption of this Resolution.

ADOPTED this 19th day of November, 2020.

CHAIRPERSON OF THE PERSONNEL BOARD OF THE CITY OF COMPTON

ATTEST:

CITY CLERK OF THE PERSONNEL BOARD OF THE CITY OF COMPTON

I, Alita Godwin, Clerk of the Personnel Board of the City of Compton, hereby certify that the foregoing Resolution was adopted by the Personnel Board, signed by the Chairperson, and attested by the Personnel Board Clerk at a regular meeting thereof held on the 19th day of November, 2020.

That said Resolution was adopted by the following vote to wit:

AYES:	**BOARD MEMBERS-** Grant, Liggins, Pitts, Rivers, Duhart
NOES:	**BOARD MEMBERS-** None
ABSENT:	**BOARD MEMBERS-** None
ABSTAIN:	**BOARD MEMBERS-** None



CLERK OF THE PERSONNEL BOARD
OF THE CITY OF COMPTON

EXHIBIT A

AMENDMENTS – PERSONNEL RULES AND REGULATIONS, RULE 10

[10.2B(1), 10.2B(2), 10.2C AND 10.3E]

10.2B. Appeal From Severe Discipline

(1) Appeal Procedure

(a) On or before the tenth (10^{th}) work day (i.e. City Hall business days), after final determination of severe discipline is delivered, an appeal procedure may be invoked by the disciplined employee by delivering written notice of such appeal to Human Resources. The applicable City form will be provided with the Notice of Discipline and available in Human Resources. Such notice of appeal shall contain a statement of the grounds upon which it is based as well as the relief sought by the disciplined employee.

If the disciplined employee fails to invoke the appeal procedure within the above prescribed time, the disciplined employee shall have waived the right to an appeal hearing on the disciplinary action imposed.

(b) When a timely appeal has been filed in accordance with procedural requirements prescribed in these Rules, within ten (10) working days (i.e. City Hall business days) of receipt of the notice of appeal filed by the disciplined employee the parties shall request a list of seven (7) Hearing Officers who are skilled and knowledgeable in public sector labor and employment relations, from the State Mediation and Conciliation Services to be distributed to both parties. Within ten (10) calendar days of receipt of the list, the City and the disciplined employee, or employee representative, if any, shall select the Hearing Officer by alternatively striking names until one (1) name remains. The party who strikes the first name from the panel shall be determined by the flip of a coin. The City shall provide the selected Hearing Officer with copies of all documents, papers and other materials provided to the disciplined employee and any documents, papers and other materials that the disciplined employee provided in response thereto. The City shall also provide the selected Hearing Officer with copies of all applicable laws, ordinances, rules, regulations and/or policies governing the hearing.

(c) The Hearing Officer shall commence the appeal hearing as soon as possible; but no later than within sixty (60) calendar days; following his or her selection unless an extension of time is granted in writing by mutual consent of the parties. For good cause, at the request of any party, the Hearing Officer may reschedule a hearing.

(2) Conduct of Appeal Hearing

The following shall be a procedural guide for the Hearing Officer in the conduct of an appeal hearing.

(a) Any disciplinary appeal hearing conducted pursuant to these Rules shall include, as the first order of business, a factual determination by the Hearing Officer relating to the extent the disciplining authority taking action complied with the predetermination procedures set forth in Rule 10.2A above. If the Hearing Officer determines that the disciplining authority has so complied, such determination shall be included in the Hearing Officer's proposed decision.

(b) Each party shall be required to identify their proposed witnesses and proposed documentary exhibits; except rebuttal witnesses and exhibits; to the other party and Hearing Officer on or before the date of commencement of the appeal hearing, as determined by the Hearing Officer.

(c) Each party shall have the following rights: to call and examine witnesses; to introduce exhibits; to cross-examine opposing witnesses on any matter relevant to the issues; and, to impeach any witness regardless of which party first called the individual to testify.

(d) Unless stipulated by the parties in writing in advance, failure of the disciplined employee and/or his or her representative, if any, to appear at the scheduled disciplinary appeal hearing without good cause; as determined by the Hearing Officer; may be grounds for dismissal of the appeal proceedings and sustaining the discipline decision of the City.

(e) Oral evidence shall be taken only under oath or affirmation and shall be reported by a certified shorthand reporter.

(f) The appeal hearing may be conducted informally and the Rules of Evidence need not apply. The burden of proof in a disciplinary appeal shall be by a preponderance of the evidence. The Hearing Officer shall rule on objections raised by either party of the hearing.

(g) The order of proof in the hearing shall be as follows:

(i) Any party may give an opening statement.

(ii) The City's representative shall present evidence in support of the charges.

(iii) The disciplined employee or the employee's representative may present evidence in support of the employee.

(iv) Any party may then offer rebuttal evidence.

(v) Any party may give an oral closing argument. If agreed by the parties, the Hearing Officer may allow the parties to submit written closing arguments, in which case the Hearing Officer shall specify the date that written closing arguments shall be served on the Hearing Officer and the other party.

(vi) The conduct of the appeal hearing shall be under the control of the Hearing Officer with due regard for the rights and privileges of the parties. In order to expedite the proceedings, the Hearing Officer may establish reasonable time limits on the parties for the examination and cross-examination of witnesses, oral or written closing arguments, and establish other rules regarding the presentation of evidence during the discipline appeal proceedings. During the examination of a witness, the Hearing Officer may exclude from the hearing proceedings any and all other witnesses.

(3) Decision of Hearing Officer

(a) Within thirty (30) calendar days after the appeal hearing has been concluded the Hearing Officer shall prepare and file with the Clerk to the Personnel Board a proposed written decision containing a statement of the factual and legal basis of the proposed decision in a form that may be adopted by the Personnel Board as the decision in the case. The proposed decision shall be submitted to the Personnel Board by the Clerk to the Personnel Board, with a copy mailed to each party and/or their representative. The suspension, demotion or removal order of the City shall be sustained by the Hearing Officer unless the Hearing Officer finds by a preponderance of the evidence that the suspension, demotion or removal was made without just cause, in which case the Hearing Officer shall render findings and a proposed decision in favor of the disciplined employee recommending that the discipline administered by the City be overturned.

(b) In no case brought to a hearing under these Rules shall the Hearing Officer have any power to alter, amend, change, add to, or subtract from any of the terms of these Rules and Regulations. The Hearing Officer's proposed decision shall be advisory to the Personnel Board.

(4) Personnel Board Decision

(a) Unless stipulated in writing by the parties, the Personnel Board shall issue a final decision within ten (10) calendar days of receipt of the Hearing Officer's proposed decision.

(b) The Personnel Board shall have the power to adopt or reject the proposed decision of the Hearing Officer. It shall not be required for the Personnel Board to make separate findings on each charge laid against the disciplined employee or to find that each charge has been proven. The Board, by a majority vote, may take one of the following actions:

(i) Adopt the Hearing Officer's proposed decision in its entirety.

(ii) Reject the Hearing Officer's proposed decision and decide the case on the record, including the transcript.

(c) The decision of the Personnel Board shall be in writing. A copy of the Personnel Board's final decision shall be sent by the Clerk to the Personnel Board, to the disciplined employee and/or his or her representative, if any, the City Manager, Human Resources and the City Attorney. Unless otherwise provided in writing in an Employer/Employee Memorandum of Agreement, the decision of the Personnel Board shall be final and conclusive.

(d) The decision of the Personnel Board shall be reviewable by petition filed pursuant to Code of Civil Procedure Section 1094.5, and any amendments thereto, provided such review is sought not later than the ninetieth (90th) calendar day following the date on which the decision becomes final in accordance with provisions of Code of Civil Procedure Section 1094.5.

10.2C. Further Appeal to City Council

DELETED IN ITS ENTIRETY.

10.3E. Hearings

In all cases of an appeal under Rule 10.2, and in those cases where the employee requests a hearing under the procedures of Rule 10.1, the following requirements shall be followed:

(a) In all cases where the hearing is convened pursuant to Rule 10.1 (i.e. Grievance Appeals), the parties shall share equally all the expenses of the grievance hearing, with the exception of their own counsel's fees and witness services. A certified shorthand reporter may be ordered by the parties and be present during the proceedings. The cost of the reporter and at least one (1) copy of the transcripts of the proceedings provided to the hearing officer or Personnel Board shall be shared equally by the parties. Any copies of transcripts of the proceedings other than that provided to the hearing officer or Personnel Board will be paid solely by the requesting party.

(b) In all cases where an appeal hearing is convened pursuant to Rule 10.2 (i.e. Severe Discipline Appeals), the parties shall be responsible for their own expenses, including their own counsel's fees and witness services. A certified shorthand reporter shall be ordered and shall be present during the proceedings. The cost of the State Mediation and Conciliation Services, the reporter and at least one (1) copy of the transcripts of the proceedings provided to the Hearing Officer or the Personnel Board shall be paid by the City.

(c) Upon the request of either party, and upon its own motion, the Hearing Officer or the Personnel Board shall have the power to issue subpoenas to compel the attendance at any hearing held under these Rules of any witness and to administer oaths or affirmations in conjunction with testimony given at such hearings. When non-party employees of the City are called to testify on behalf of the City's case during non-working hours, they will be compensated for all time required of them during such non-duty hours at their regular rate of pay in the form of additional pay or

compensatory time, as the City may decide in its discretion. If called by the aggrieved or disciplined employee, an employee's normal pay for time released from normal work duties will be paid by the City. Non-employee witnesses called by the City to testify on its behalf may be reimbursed for their actual loss of earnings and any expenses incurred. The refusal of a non-party City employee to appear and testify under oath, when called to testify on behalf of the City, may be grounds for discipline.

(d) In no case brought to a hearing under these Rules shall the Hearing Officer or the Personnel Board have any power to alter, amend, change, add to, or subtract from any of the terms of these Rules and Regulations or any other resolution bearing upon the matter which has been adopted by the City Council. The Hearing Officer or the Personnel Board shall be required to determine only whether there has been a violation of said Rules, Regulations or resolutions in the respect alleged in the grievance or the appeal. The decision of the Personnel Board, or the Hearing Officer, shall be based solely upon the evidence and arguments presented by the respective parties at the hearing, and on any stipulations entered into by them in writing. Findings of fact and conclusions drawn therefrom, together with the determination or award resulting from the hearing will be issued in writing; in cases of a severe discipline appeal hearing, unless otherwise stipulated by the parties, within ten (10) calendar days of the Personnel Board's receipt of the Hearing Officer's proposed decision; and, in cases of a grievance hearing, within the time limits agreed to between the employee, the City, and the hearing tribunal; at the conclusion of the hearing.

COMPTON PERSONNEL RULES AND REGULATIONS, RULE 10

CURRENT RULES 10.2B(1), 10.2B(2), 10.2C AND 10.3E

WITH PROPOSED AMENDMENTS/REVISIONS IDENTIFIED

10.2B. Appeal From ~~Serious~~ Severe Discipline

~~(1) Method of Appeal~~

(1) Appeal Procedure

(a) On or before the tenth (10th) work day **(i.e. City Hall business days)** after final determination of severe discipline is delivered, an appeal procedure may be invoked by the disciplined employee by delivering written notice of such appeal to the ~~City Manager~~ **Human Resources Department. The applicable form will be provided with the Notice of Disciple and available in the Human Resources Department.** Such notice of appeal shall contain a statement of the grounds upon which it is based ~~and shall specifically state which Charter provisions, ordinances, rules or regulations are alleged to have been violated by the disciplining determination~~, **as well as the relief sought by the disciplined employee.**

If the disciplined employee fails to invoke the appeal procedure within the above prescribed time, the disciplined employee shall have waived the right to an appeal hearing on the disciplinary action imposed.

~~(2) Timeliness and Scope of Appeal Level Decisions~~

~~When a timely appeal has been filed in accordance with procedural requirements prescribed in these Rules, the Personnel Board shall grant a hearing on the appeal which may be conducted informally and the Rules of Evidence need not apply. After the appeal has been received, the Personnel Board shall certify its findings and recommendations to the City Manager. The suspension, demotion or removal order by the City Manager, from whose action the appeal was taken, shall be sustained unless the Board shall, by majority vote, render its decision finding that the suspension, demotion or removal was made without sufficient cause. If such action is found to have been taken without sufficient cause, the Board shall direct that the appealing employee shall be paid all or a portion of the wages or salary to which he/she would have been entitled had he/she not been suspended, demoted or removed. All decisions of the Board will be accompanied by written findings of fact and conclusions covering the issues raised and the evidence upon which it bases such decision.~~

(b) When a timely appeal has been filed in accordance with procedural requirements prescribed in these Rules, within ten (10) working days (i.e. City Hall business days) of receipt of the notice of appeal filed by the disciplined employee the parties shall request a list of seven (7) Hearing Officers who are skilled and knowledgeable in public sector labor and employment relations, from the State Mediation and Conciliation Services

to be distributed to both parties. Within ten (10) calendar days of receipt of the list, the City and the disciplined employee, or employee representative, if any, shall select the Hearing Officer by alternatively striking names until one (1) name remains. The party who strikes the first name from the panel shall be determined by the flip of a coin. The City shall provide the selected Hearing Officer with copies of all documents, papers and other materials provided to the disciplined employee and any documents, papers and other materials that the disciplined employee provided in response thereto. The City shall also provide the selected Hearing Officer with copies of all applicable laws, ordinances, rules, regulations and/or policies governing the hearing.

(c) The Hearing Officer shall commence the appeal hearing as soon as possible; but no later than within sixty (60) calendar days; following his or her selection unless an extension of time is granted in writing by mutual consent of the parties. For good cause, at the request of any party, the Hearing Officer may reschedule a hearing.

(2) Conduct of Appeal Hearing

The following shall be a procedural guide for the Hearing Officer in the conduct of an appeal hearing.

(a) Any disciplinary appeal hearing conducted pursuant to these Rules shall include, as the first order of business, a factual determination by the Hearing Officer relating to the extent the disciplining authority taking action complied with the predetermination procedures set forth in Rule 10.2A above. If the Hearing Officer determines that the disciplining authority has so complied, the disciplined employee shall stipulate to this fact. Such stipulation, such determination shall be included in the Hearing Officer's proposed decision.

(b) Each party shall be required to identify their proposed witnesses and proposed documentary exhibits; except rebuttal witnesses and exhibits; to the other party and Hearing Officer on or before the date of commencement of the appeal hearing, as determined by the Hearing Officer.

(c) Each party shall have the following rights: to call and examine witnesses; to introduce exhibits; to cross-examine opposing witnesses on any matter relevant to the issues; and, to impeach any witness regardless of which party first called the individual to testify.

(d) Unless stipulated by the parties in writing in advance, failure of the disciplined employee and/or his or her representative, if any, to appear at the scheduled disciplinary appeal hearing without good cause; as determined by the Hearing Officer; may be grounds for dismissal of the appeal proceedings and sustaining the discipline decision of the City.

(e) Oral evidence shall be taken only under oath or affirmation and shall be reported by a certified shorthand reporter.

(f) The appeal hearing may be conducted informally and the Rules of Evidence need not apply. The burden of proof in a disciplinary appeal shall be by a preponderance of the evidence. The Hearing Officer shall rule on objections raised by either party of the hearing.

(g) The order of proof in the hearing shall be as follows:

(i) Any party may give an opening statement.

(ii) The City's representative shall present evidence in support of the charges.

(iii) The disciplined employee or the employee's representative may present evidence in support of the employee.

(iv) Any party may then offer rebuttal evidence.

(v) Any party may give an oral closing argument. If agreed by the parties, the Hearing Officer may allow the parties to submit written closing arguments, in which case the Hearing Officer shall specify the date that written closing arguments shall be served on the Hearing Officer and the other party.

(vi) The conduct of the appeal hearing shall be under the control of the Hearing Officer with due regard for the rights and privileges of the parties. In order to expedite the proceedings, the Hearing Officer may establish reasonable time limits on the parties for the examination of witnesses, oral or written closing arguments, and establish other rules regarding the presentation of evidence during the discipline appeal proceedings. During the examination of a witness, the Hearing Officer may exclude from the hearing proceedings any and all other witnesses.

(3) Decision of Hearing Officer

(a) Within thirty (30) calendar days after the appeal hearing has been concluded the Hearing Officer shall prepare and file with the Clerk to the Personnel Board a proposed written decision containing a statement of the factual and legal basis of the proposed decision in a form that may be adopted by the Personnel Board as the decision in the case. The proposed decision shall be submitted to the Personnel Board by the Clerk to the Personnel Board, with a copy mailed to each party and/or their representative. The suspension, demotion or removal order of the City shall be sustained by the Hearing Officer unless the Hearing Officer finds by a preponderance of the evidence that the suspension, demotion or removal was made without just cause, in which case the Hearing Officer

shall render findings and a proposed decision in favor of the disciplined employee recommending that the discipline administered by the City be overturned.

(b) In no case brought to a hearing under these Rules shall the Hearing Officer have any power to alter, amend, change, add to, or subtract from any of the terms of these Rules and Regulations. The Hearing Officer's proposed decision shall be advisory to the Personnel Board.

(4) Personnel Board Decision

(a) Unless stipulated in writing by the parties, the Personnel Board shall issue a final decision within ten (10) calendar days of receipt of the Hearing Officer's proposed decision.

(b) The Personnel Board shall have the power to adopt or reject the proposed decision of the Hearing Officer. It shall not be required for the Personnel Board to make separate findings on each charge laid against the disciplined employee or to find that each charge has been proven. The Board, by a majority vote, may take one of the following actions:

(i) Adopt the Hearing Officer's proposed decision in its entirety.

(ii) Reject the Hearing Officer's proposed decision and decide the case on the record, including the transcript.

(c) The decision of the Personnel Board shall be in writing. A copy of the Personnel Board's final decision shall be sent by the Clerk to the Personnel Board to the disciplined employee and/or his or her representative, if any, the City Manager, Human Resources Director and the City Attorney. Unless otherwise provided in writing in an Employer/Employee Memorandum of Agreement, the decision of the Personnel Board shall be final and conclusive.

(d) The decision of the Personnel Board shall be reviewable by petition filed pursuant to Code of Civil Procedure Section 1094.5, and any amendments thereto, provided such review is sought not later than the ninetieth (90th) calendar day following the date on which the decision becomes final in accordance with provisions of Code of Civil Procedure Section 1094.5.

10.2C. Further Appeal to City Council

DELETED IN ITS ENTIRETY.

10.3E. Hearings

In all cases of an appeal under Rule 10.2, and in those cases where the employee requests a hearing under the procedures of Rule 10.1, the following requirements shall be followed:

~~(a) The parties shall share equally all the expenses of grievance hearings, with the exception of their own counsel's fees and witness services. Also, any copies of transcripts of the proceeding other than that provided to the hearing officer or Personnel Board will be paid solely by the requesting party. The cost of a hearing officer shall be borne equally by the City and the employee.~~

~~(b) In all cases where an appeal hearing is convened pursuant to Rule 10.2, a reporter shall be ordered and shall be present during the entire proceedings unless waived by both the City and the employee. If not waived by parties, the cost of a reporter and of one copy of the transcript of the hearing which is provided to the Personnel Board, shall be borne equally by the City and the employee. In grievance hearings under Rule 10.1, stenographic minutes or a taped recording will be sufficient and a copy provided to the employee, at cost, upon request. Should either party request a court reporter in such grievance hearings, the entire cost will be borne by that party unless other provisions are made.~~

(a) In all cases where the hearing is convened pursuant to Rule 10.1 (i.e. Grievance Appeals), the parties shall share equally all the expenses of the grievance hearing, with the exception of their own counsel's fees and witness services. A certified shorthand reporter may be ordered by the parties and be present during the proceedings. The cost of the reporter and at least one (1) copy of the transcripts of the proceedings provided to the hearing officer or Personnel Board shall be shared equally by the parties. Any copies of transcripts of the proceedings other than that provided to the hearing officer or Personnel Board will be paid solely by the requesting party.

(b) In all cases where an appeal hearing is convened pursuant to Rule 10.2 (i.e. Severe Discipline Appeals), the parties shall be responsible for their own expenses, including their own counsel's fees and witness services. A certified shorthand reporter shall be ordered and shall be present during the proceedings. The cost of the State Mediation and Conciliation Services, the reporter and at least one (1) copy of the transcripts of the proceedings provided to the Hearing Officer or the Personnel Board shall be paid by the City.

(c) Upon the request of either party, and upon its own motion, the **Hearing Officer or** the Personnel Board shall have the power to issue subpoenas to compel the attendance at any hearing held under these Rules ~~or~~ **of** any witness and to administer oaths or affirmations in conjunction with testimony given at such hearings. When **non-party** employees of the City are called to testify ~~in~~ **on** behalf of the City's case during non-working hours, they will be compensated for all time required of them during such non-duty hours at their regular rate of pay in the form of additional pay or compensatory time, as the City may decide in its discretion. If called by the aggrieved **or disciplined** employee, an employee's normal pay for time released from normal work duties will be paid by the **City.** ~~aggrieved employee and not by the City.~~ Non-employee witnesses called by the City to testify on its behalf may be reimbursed for their actual loss of earnings and any expenses incurred. ~~, in the~~

~~discretion of the City.~~ **The refusal of a non-party City employee to appear and testify under oath, when called to testify on behalf of the City, may be grounds for discipline.**

(d) In no case brought to a hearing under these Rules shall the **Hearing Officer** or the Personnel Board have any power to alter, amend, change, add to, or subtract from any of the terms of these Rules and Regulations or any other resolution bearing upon the matter which has been adopted by the City Council. The **Hearing Officer** or the Personnel Board shall be required to determine only whether there has been a violation of said Rules, Regulations or resolutions in the respect alleged in the grievance or the appeal. The decision of the Personnel Board, or the **Hearing Officer**, shall be based solely upon the evidence and arguments presented by the respective parties at the hearing, and on any stipulations entered into by them in writing. Findings of fact and conclusions drawn therefrom, together with the determination or award resulting from the hearing will be issued in writing ~~within the time limits agreed to between the employee, the City, and the hearing tribunal; at the conclusion of the hearing~~; **in cases of a severe discipline appeal hearing, unless otherwise stipulated by the parties, within ten (10) calendar days of the Personnel Board's receipt of the Hearing Officer's proposed decision; and in cases of a grievance hearing, within the time limits agreed to between the employee, the City, and the hearing tribunal; at the conclusion of the hearing.**

January 26, 2021

TO: HONORABLE MAYOR AND CITY COUNCIL MEMBERS

FROM: CITY MANAGER

SUBJECT: A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF COMPTON RATIFYING A SIDE LETTER AGREEMENT AMENDING THE MEMORANDUM OF AGREEMENT BETWEEN THE CITY OF COMPTON AND THE COMPTON MANAGEMENT EMPLOYEES ASSOCIATION/AFSCME LOCAL 2325 TO AMEND ARTICLE 26, SECTION C OF THE MEMORANDUM OF AGREEMENT

SUMMARY

Adoption of the attached resolution will ratify the Side Letter Agreement entered into amending the Memorandum of Agreement between the City of Compton ("City") and the Compton Management Employees Association, affiliated with the American Federation of State, County and Municipal Employee Union, designated as Local 2325 ("CMEA/AFSCME Local 2325").

Ratification of the Side Letter Agreement will approve amendment of *Section C of Article 26* of the Memorandum of Agreement ("MOA") between the City and CMEA/AFSCME Local 2325, which section addresses appeals from severe discipline administered against specified City employees.

BACKGROUND

Pursuant to Resolution No. 24,779, adopted by the City Council on May 8, 2018, the City and CMEA/AFSCME Local 2325 entered into a MOA, effective July 1, 2016 through June 30, 2019. CMEA/AFSCME Local 2325 typically represents Chief Executive, Executive and Supervisory designated position classifications. *Section C of Article 26* of the MOA entered into between the City and the CMEA/AFSCME Local 2325 provides that as concerns Chief Executive and Executive specification classifications…*"[A]ppeals resulting from severe discipline may be submitted to binding arbitration, by either party, after being heard by the Personnel Board and the award of the arbitrator is binding upon the City Manager/City Council and the appellant."*

Interpretation of the above-cited section has led to disagreement and litigation between the City and a number of employees within the applicable classifications.

STATEMENT OF ISSUE

In efforts to improve the expediency and efficiency of the severe discipline (i.e. suspension, demotion or dismissal) appeal process, for a period of more than a year, City Management and City Attorney representatives have conducted numerous meet and confer meetings with interested employee bargaining units' representatives pertaining to amendments to the Compton Personnel Rules and Regulations, Rule 10 (Administrative Reviews and Appeals); more specifically, Rule 10.2B(1) – "Method of Appeal", Section 10.2B(2) – "Timeliness and Scope of Appeal Level Decisions", Section 10.2C – "Further Appeal to City Council", and 10.3E – "Hearings".

The primary purpose of the proposed amendments is to provide for a more efficient and expedited employee discipline appeal process, in addition to a few "housekeeping" measures to clarity certain provisions and eliminate ineffective language. The negotiations had during these meetings culminated in a number of mutual concessions between the City and the employee bargaining units, including CMEA/AFSCME Local 2325's agreement to amendment of *Section C of Article 26* of their MOA to read as follows:

> "C. *Grievances regarding severe discipline.* The procedure for handling severe discipline and appeal shall be those outlined in Section 10.2 of the Personnel Rules and Regulations."

It should note that there is presented to the Council concurrently with this Resolution a separate resolution requesting that the Council adopt the proposed amendments to the Compton Personnel Rules and Regulations, Rule 10; more specifically, Rule 10.2B(1), Section 10.2B(2), Section 10.2C, and 10.3E. Amendment of this MOA provision was integral part of the good faith negotiations between the parties in reaching a final agreement on the proposed Personnel Rules and Regulations amendments.

FINANCIAL IMPACT

It is believed that the City will realize a financial savings by adoption of this Resolution in that amendment of this Section of the MOA will foreclose litigation regarding interpretation of its provisions; preclude repetitive administrative hearings of the same appeal (i.e. the Personnel Board's administrative decision will be final -- no "2nd bites at the apple"); all of which saves time, resources and expenses to the City and all involved.

RECOMMENATION

Staff recommends that the City Council adopt the attached Resolution.

CRAIG J. CORNWELL
CITY MANAGER

RESOLUTION NO. _____

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF COMPTON RATIFYING A SIDE LETTER AGREEMENT AMENDING THE MEMORANDUM OF AGREEMENT BETWEEN THE CITY OF COMPTON AND THE COMPTON MANAGEMENT EMPLOYEES ASSOCIATION/AFSCME LOCAL 2325 TO AMEND ARTICLE 26, SECTION C OF THE MEMORANDUM OF AGREEMENT

WHEREAS, the City of Compton ("City") and the Compton Management Employees Association, affiliated with the American Federation of State, County and Municipal Employee Union, designated as Local 2325 ("CMEA/AFSCME Local 2325"), are parties to a Memorandum of Agreement ("MOA"), with an effective term of July 1, 2016 through June 30, 2019; and

WHEREAS, CMEA/AFSCME Local 2325 typically represents Chief Executive, Executive and Supervisory designated position classifications; and

WHEREAS, *Section C of Article 26* of the MOA entered into between the City and the CMEA/AFSCME Local 2325 provides that as concerns Chief Executive and Executive specification classifications…*"[A]ppeals resulting from severe discipline may be submitted to binding arbitration, by either party, after being heard by the Personnel Board and the award of the arbitrator is binding upon the City Manager/City Council and the appellant."*; and

WHEREAS, interpretation of the above-cited section has led to disagreement and litigation between the City and a number of employees within the applicable classifications; and

WHEREAS, in efforts to improve the expediency and efficiency of the severe discipline (i.e. suspension, demotion or dismissal) appeal process, for a period of more than a year, City Management and City Attorney representatives have conducted numerous meet and confer meetings with interested employee bargaining units' representatives pertaining to amendments to the Compton Personnel Rules and Regulations, Rule 10 (Administrative Reviews and Appeals); more specifically, Rule 10.2B(1) – "Method of Appeal", Section 10.2B(2) – "Timeliness and Scope of Appeal Level Decisions", Section 10.2C – "Further Appeal to City Council", and 10.3E – "Hearings"; and

WHEREAS, the primary purpose of the proposed amendments is to provide for a more efficient and expedited employee discipline appeal process, in addition to a few "housekeeping" measures to clarity certain provisions and eliminate ineffective language; and

WHEREAS, the negotiations had during these meetings culminated in a number of mutual concessions between the City and the employee bargaining units, including CMEA/AFSCME Local 2325's agreement to amendment of Section C of Article 26 of their MOA.

NOW, THEREFORE, THE PERSONNEL BOARD OF THE CITY OF COMPTON DOES HEREBY RESOLVE AS FOLLOWS:

Section 1. That the recitals above stated are incorporated herein.

Section 2. That the attached Side Letter of Agreement between the City of Compton and the Compton Management Employees Association/American Federation of State, County and Municipal Employees, Local 2325 is hereby ratified.

Section 3. That pursuant to the provisions of the attached Side Letter of Agreement, ***Section C of Article 26*** of the Memorandum of Agreement between the City of Compton and the Compton Management Employees Association/American Federation of State, County and Municipal Employees, Local 2325 is hereby amended in total to read as follows:

> "**C.** ***Grievances regarding severe discipline.*** The procedure for handling severe discipline and appeal shall be those outlined in Section 10.2 of the Personnel Rules and Regulations.**"**

Section 4. That all other terms and conditions of the current Memorandum of Agreement shall remain in effect and unchanged.

Section 5. That this Resolution shall become effective only if, and when, the City Council adopts a resolution approving proposed amendments to the Compton Personnel Rules and Regulations, Rule 10 (Administrative Reviews and Appeals); more specifically, Rule 10.2B(1) – "Method of Appeal", Section 10.2B(2) – "Timeliness and Scope of Appeal Level Decisions", Section 10.2C – "Further Appeal to City Council", and 10.3E – "Hearings".

Section 6. That a copy of this Resolution, including the attached Side Letter of Agreement, shall be filed in the offices of the City Clerk, City Manager, City Attorney, Human Resources and President of the Compton Management Employees Association/American Federation of State, County and Municipal Employees, Local 2325.

Section 7. That the Mayor shall sign and the City Clerk shall attest to the adoption of this Resolution.

ADOPTED this _____ day of _____, 2021.

_____
MAYOR OF THE CITY OF COMPTON

ATTEST:

_____
CITY CLERK OF THE CITY OF COMPTON

STATE OF CALIFORNIA
COUNTY OF LOS ANGELES
CITY OF COMPTON: ss

I, Alita Godwin, City Clerk of the City of Compton, hereby certify that the foregoing Resolution was adopted by the City Council, signed by the Mayor, and attested to by the City Clerk at a regular meeting thereof held on the _____ day of _____, 2021.

That said Resolution was adopted by the following vote, to wit:

AYES: COUNCIL MEMBERS-
NOES: COUNCIL MEMBERS-
ABSTAIN: COUNCIL MEMBERS-
ABSENT: COUNCIL MEMBERS-

_____
CITY CLERK OF THE CITY OF COMPTON

SIDE LETTER OF AGREEMENT

MEMORANDUM OF AGREEMENT
BETWEEN
CITY OF COMPTON
AND
COMPTON MANAGEMENT EMPLOYEES ASSOCIATION/AMERICAN FEDERATION OF STATE, COUNTY AND MUNICIPAL EMPLOYEES ("AFSCME"), LOCAL 2325

WHEREAS, the City of Compton ("City") and the Compton Management Employees Association/American Federation of State, County and Municipal Employees, Local 2325 ("CMEA/AFSCME, Local 2325") are Parties to a Memorandum of Agreement ("MOA"); and

WHEREAS, the current term of the MOA is July 1, 2016 through June 30, 2019; and

WHEREAS, in efforts to improve the expediency and efficiency of the severe discipline (i.e. suspension, demotion or dismissal) appeal process, City Management and interested employee bargaining units' representatives; including representatives of CMEA/AFSCME, Local 2325; have conducted numerous meet and confer meetings pertaining to amendments to the Compton Personnel Rules and Regulations, Rule 10 (Administrative Reviews and Appeals); more specifically, Rule 10.2B(1) – "Method of Appeal", Section 10.2B(2) – "Timeliness and Scope of Appeal Level Decisions", Section 10.2C – "Further Appeal to City Council", and 10.3E – "Hearings"; and

WHEREAS, the negotiations had during these meetings culminated in a number of mutual concessions between the City and the employee bargaining units, including CMEA/AFSCME Local 2325's agreement to amend *Section C of Article 26* of the MOA; and

WHEREAS, the undersigned Parties are authorized representatives of the City and CMEA/AFSCME Local 2325.

NOW, THEREFORE, the Parties do hereby acknowledge and mutually agree to amend the Memorandum of Agreement as follows:

1. That upon full execution of this Side Letter of Agreement, **Section C of Article 26** of the Memorandum of Agreement between the City of Compton and the Compton Management Employees Association/American Federation of State, County and Municipal Employees, Local 2325, shall be amended in its entirety to read as follows:

> "C. *Grievances regarding severe discipline.* The procedures for handling severe discipline and appeal shall be those outlined in Section 10.2 of the Personnel Rules and Regulations.

2. That this Side Letter of Agreement shall not be considered "fully executed" unless, and until, approved by the Compton City Council.

IN WITNESS WHEREOF, the authorized representatives of the Parties have executed this **SIDE LETTER OF AGREEMENT.**

COMPTON MANAGEMENT EMPLOYEE ASSOCIATION/AFSCME, LOCAL 2325

By _____
Desmond Fletcher, President

Dated: 1/20/21

By _____
Bob Adams, Business Representative
AFSCME, Council 36

Dated: 1/20/21

CITY OF COMPTON

By _____
Craig J. Cornwell, City Manger

Dated: 1/21/2021

Approved as to form:

By _____
Damon M. Brown, City Attorney

Dated: 1/20/2021