



AGENDA REPORT

Finance Department

DATE:	December 20, 2022
TO:	Mayor Butt and Members of the City Council
FROM:	Shasa Curl, City Manager Nickie Mastay, Deputy City Manager Delmy Cuellar, Director of Finance Mubeen Qader, Budget Administrator Antonio Banuelos, Accounting Manager Jerry Chak, Accounting Manager
Subject:	Proposed Corrective Action Plan to State Auditor's Recommendations
FINANCIAL IMPACT:	No Fiscal Impact
PREVIOUS COUNCIL ACTION:	Click or tap here to enter text.
STATEMENT OF THE ISSUE:	Proposed Corrective Action Plan in response to the California State Auditor's 2021-806-Audit of the City of Richmond as required under California Code of Regulations, Title 2, Section 61140.
RECOMMENDED ACTION:	RECEIVE a report regarding the City's proposed Corrective Action Plan to State Audit No. 2021-806 – Finance (Delmy Cuellar 510-620-6790/Mubeen Qader 510-412-2077).

DISCUSSION:

On April 4, 2022, the City of Richmond was notified by the California State Auditor that they will be conducting an audit of the City as approved by the Joint Legislative Audit Committee on June 30, 2021. The State Auditor's local audit program identifies and supports local government agencies that might be at high risk based upon analysis of the City's audited financial statements. Richmond's risk assessment began in February 2021 based upon the City's June 2020 financial statements.

The Audit was initiated in May 2022 and was completed and published on November 10, 2022. During the audit process, the State Auditor held meetings with City staff members to review and discuss many aspects of the City's financial management procedures and protocol. In compliance with the State Auditor's request, City staff members provided complete access to the City's financial data and systems.

State Auditor Recommendations:

At the conclusion of audit, the State Auditor formalized eleven (11) recommendations that the City has grouped into three broad areas: (1) Budget Strategy, (2) Housing Authority Administration, and (3) Operations, as summarized below (see Attachment 2):

Budget Strategy

1. Review/Update Fund Balance Reserve Policy
2. Identify Contingent Budget Balancing Options
3. Expand 5-Year Financial Projection Model with Risk Scenarios
4. Review/Update Pension Funding Policy
5. Review/Update OPEB Funding Policy
6. Update Workforce/ Position Analysis

Housing Authority Administration

7. Complete Housing Authority Recovery Agreement Actions
8. Execute Housing Authority/ City Administration Agreement

Operations

9. Review/Update Contract Compliance Documentation Process
10. Review/Update Contract Compliance Checklist
11. Review/Update Fee Schedule Policy

City's Corrective Action Plan

In response to the State Auditor's report, the City must provide a Corrective Action Plan by January 9, 2023, and submit written updates and supporting information every six months from the issuance of the Audit Report regarding the City's efforts to implement the plan. [California Code of Regulations, Title 2, Section 61140] This six-month update will be due on May 23, 2023.

The Corrective Action Plan must include the following:

1. The specific actions the City will perform to address the deficiencies identified;
2. A timetable for implementing those actions; and
3. The names of the individuals who will be responsible for implementation.

The City's proposed Corrective Action Plan anticipates prioritizing the first six recommendations related to Budget Strategy through the upcoming Fiscal Year 2023-2024 budget development cycle, with completion by June 2023. The Housing Authority recommendations and Operations recommendations are also anticipated to be substantially addressed by June 2023, with some carryover into 2024.

The full California State Auditor's report regarding the City of Richmond is available on the weblink here: <https://www.auditor.ca.gov/reports/2021-806/index.html>

DOCUMENTS ATTACHED:

Attachment 1 – Proposed Corrective Action Plan

Attachment 2 – California State Auditors Transmittal Letter dated November 10, 2022