



AGENDA REPORT

Finance Department

DATE:	May 2, 2023
TO:	Mayor Martinez and Members of the City Council
FROM:	Shasa Curl, City Manager Nickie Mastay, Deputy City Manager – Internal Services Mubeen Qader, Deputy Director of Finance Antonio Banuelos, Accounting Manager Jerry Chak, Accounting Manager
Subject:	State Auditor's Recommendations Corrective Action Plan May 2023 Update
FINANCIAL IMPACT:	No Fiscal Impact
PREVIOUS COUNCIL ACTION:	December 20, 2022
STATEMENT OF THE ISSUE:	California State Auditor's 2021-806-Audit Corrective Action Plan, May 2023 Update.
RECOMMENDED ACTION:	RECEIVE a report regarding the City's Corrective Action Plan update to State Audit No. 2021-806 – Finance (Nickie Mastay 510-620-6609/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:

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 May 2023 Update

In response to the State Auditor's report, the City provided a Corrective Action Plan on December 21, 2022, after the City Council's review on December 20, 2022. California Code of Regulations, Title 2, Section 61140 requires submitting subsequent updates every six months from the issuance of the State Audit report and the first six-month update is due on May 10, 2023.

City staff is continuously working on implementing several of the Budget Strategy area recommendations and has made significant progress. City Council will receive presentations/updates in the coming weeks regarding the Budget Strategy area. The Housing Authority Administration section recommendations are in progress and City staff expect these to be addressed soon. City staff updates to the Operations section recommendations are marked as complete (Attachment 1).

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 – State Audit Corrective Action Plan May 2023 Update
Attachment 2 – State Audit 9 – Contract Compliance Training
Attachment 3 – State Audit 10 -- Contract Compliance Checklists