

Citywide Audits

Presented by
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January 16, 2019



Council's Request for Information


- What audits have been done
- What was their scope
- Were there findings
 - In some cases, yes
- How long did the audits take
 - Some audits can be completed in days, others take weeks, and in some cases months
 - Audits are continuous and occur throughout the year



What audits have been done and what was their scope?

- **Financial Audit**
 - Purpose: to make sure financial statements comply with Generally Accepted Accounting Principles
- **Compliance Audit**
 - Purpose: to make sure the entity that received financial assistance complies with laws, regulations and agreements
- **Operational Audit**
 - Purpose: evaluate the efficiency, effectiveness, and economy of an entity's operations
- **Information System Audit**
 - Purpose: to ensure systems are secure and for proper functioning of the information system throughout the life of a business
- **Environmental Audit**
 - Purpose: to ensure compliance with the environmental laws and regulations

| Department | Audit Type | Internal/External Firm | Agency/Firm | Frequency | Scope or Goal | Cost |
|-----------------|------------|------------------------|-------------|-----------|--|----------|
| Fire Department | | | | | Payment card industry data security standard audit and of our physical processes and network to ensure the City complies with best | \$ 3,608 |
| | | | | | Provides business insurance rates for cities (evaluations: Fire department, water supply, emergency communications) | 1,464 |
| | | | | | Hazardous Material Team certification and typing | No cost |
| | | | | | Certified Unified Program Agencies (CUPA) - Hazardous Material inspections | No cost |
| | | | | | Educational "E" - Residential "R" - Industrial "I" - Hazardous waste inspections | No cost |
| | | | | | Occupancy inspections | No cost |
| | | | | | Homeland security | No cost |



SOUTH COAST
AIR QUALITY
MANAGEMENT DISTRICT

| Name of Agency/Firm | Frequency | Scope or Goal | Cost |
|------------------------------------|-----------|---|--------|
| Soll, Lunghard, LLP (FY 2009-2010) | Annually | Audit of allocations made to the City by AB 2766 Subvention Program known as the Clean Air Act. The audit is submitted to the South Coast Air Quality Management District (SCAQMD). | \$ 988 |

| Scope or Goal | Cost |
|---|---------|
| Provides business insurance rates for cities (evaluations: Fire department, water supply, emergency communications) | No cost |
| Hazardous Material Team certification and typing | No cost |
| Certified Unified Program Agencies (CUPA) - Hazardous Material Inspections | No cost |
| Educational "E" - Residential "R" - Industrial | No cost |
| Occupancy inspections | No cost |

| Scope or Goal | Cost |
|--|--|
| (Electric Utility) CPCU requires Utility to: conduct detailed site visit, physical inspection and assessment. | \$15,000 (performed by Pacific Utilities Installation) |
| Sanitary Survey Inspection of the drinking water system including wells, pumps, storage and plants for any changes, issues, and recommendations. | |
| Inspects DWP facilities for chemicals and correct California Environmental Reporting System (CERS) reporting. | |
| Inspects and tests backflow devices for Corona DWP service connections where potable water, irrigation, and reclaimed water are delivered. | \$324,100 |
| Inspects permit posting, logs, and specific requirements written on permits as it pertains to the drinking water and water reclamation systems. | |
| Inspects hazardous waste facilities for compliance at DWP's facilities. | |
| Inspection of Water Reclamation Facilities in accordance with the facility's permit as it pertains to compliance. | |
| Inspect and sample Inland Empire Brine Line Discharge locations within Corona DWP's service area as it pertains to the drinking water and water reclamation systems. | |
| Inspect portable engine/equipment units at DWP facilities including Water and Water Reclamation Treatment Facilities. | \$570 per unit (renewal and inspection fee) |
| Safety Inspection (Airport) Inspect/audit flight safety issues or concerns, identification and remediation. | |

| Scope or Goal | Cost |
|--|------------------------------|
| Waste Management (October 2018) about Kids California Code of Regulations, Article 2, Section 101158 (Waste). All sites reported in | Onetime, Unable to locate \$ |
| Waste Management contracted to Nels Klyver in | |
| Waste Management into the automated files | |
| Waste Management, completeness and accuracy records in each of the CDE/MCIC | No Cost |
| Waste Management are trained and in compliance with waste policies. Documentation is "Need to Know" for each ACHS 30 character "route to field." | No Cost |
| Waste Management ability contract must be in place during. It covers physical, chemical, safety. | No Cost |
| Waste Management within policy. | No Cost |
| Waste Management effort to reconcile any equipment inventory of Homeland Security facility located and correctly labeled in Last one conducted August 2017 | No Cost |
| Waste Management compliance checks on labor e-reporting items related to the one conducted September 2015 | No Cost |
| Waste Management for health and safety (May 2018) | \$ 1,328 |
| Waste Management for health and safety conducted 2015. | \$ 350 |
| Waste Management minors, ensure jail is in 209 of the Welfare and | No Cost |

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Summary of Audits

- List includes **133** different types of ‘audits’
- **111** (83%) conducted by an **external**, independent agency or firm
 - Estimated Cost = \$950,000
 - Not representative of annual amount as some audits were one-time
- **18** (14%) conducted **internally**, by City staff
- **4** (3%) were a **combination** of both an external agency and City staff
- Of these 133 audits, **97** (73%) are **required** or mandated
- **36** (27%) are **above and beyond**
 - In other words, Council or City Management requested for an audit or review that was not required or mandated



Overview of Departmental Audits

Administrative Services

External – 34
Internal – 4
Combination – 0

Community Development

External – 1
Internal – 0
Combination – 1

Dept. of Water & Power

External – 13
Internal – 2
Combination – 0

Fire

External – 8
Internal – 0
Combination – 2

Information Technology

External – 6
Internal – 2
Combination – 0

Legal & Risk Management

External – 5
Internal – 0
Combination – 0

Library & Rec. Services

External – 1
Internal – 0
Combination – 0

Maintenance Services

External – 18
Internal – 1
Combination – 0

Police

External – 17
Internal – 9
Combination – 1

Public Works

External – 8
Internal – 0
Combination – 0



Audits that were 'Above & Beyond'

- Citygate Associates – operational audits
- KPMG – benefits plan and sustainability analysis
- Lance, Soll & Lunghard, LLP – agreed upon procedures (AUP)



Citygate Associates – Operational Audits

- Citywide Management Audits – 1995 through 2001
 - Purpose: citywide overview of rotating management audits, provide action plan for each department
 - Findings: 250 recommendations made citywide
 - Estimated cost = \$418,000
- Fire Audit – 2000
 - Purpose: prevention plan
 - Cost = \$26,000
- Fire Audit – 2013
 - Purpose: standards of cover, strategic plan, and fire stations
 - Cost = \$125,000



KPMG – Benefits Plan and Sustainability Analysis

- Purpose:
 - Review of employee benefit plans
 - Developed projections of employee benefit cost over ten years
 - Performed "what-if" analysis of employee benefit cost projections
 - Discussed range of options to mitigate budget shortfalls
 - Reviewed budget projections for employee benefit costs under alternative scenarios
- Findings: KPMG offered alternatives to pension plans, medical benefits, and OPEB plan to reduce employee benefit costs
- Cost = \$75,000

More information can be found @ www.coronaca.gov/businesses/finance
under Documents/Presentations → • 12/14/2016 – [Study Session – Benefit Plan Analysis Presentation](#)



Lance, Soll & Lunghard, LLP – Agreed Upon Procedures

- Review and evaluate the following areas:
 - Cash Receipts
 - Inventory/Warehouse Processes
 - Bank Reconciliations
 - Purchasing, Procurement, and Cash Disbursements in the Department of Water and Power and Maintenance Services Department
 - Purchasing, Procurement, and Cash Disbursements cycles of the City
 - Wire Transfers
 - DUI Billings
 - COPS Hiring Grant
 - Animal Control's Cash Handling
 - Police's AB 109 PACT Fiscal Agent Responsibilities
 - Police Telestaff Timekeeping Procedures
 - Fire Inspection Billing
 - Fire Telestaff Timekeeping Procedures
 - Emergency Medical Services (EMS) Billings
 - Safekeeping & Monitoring of Police Evidence
 - Appropriations Limit
 - Investment Portfolio
 - Measure A Local Streets and Road Program



Lance, Soll & Lunghard, LLP – Agreed Upon Procedures

- Purpose: evaluate procedures of the City with respect to the targeted area's responsibilities, review its internal control structure applicable to the Committee of Sponsoring Organizations (COSO) internal control framework, and the application of best practices
- Findings with recommended action made in the following areas:
 - Bank Reconciliations
 - Vendor Contracts and Payments
 - Inventory Procedures
 - Fire Telestaff Timekeeping
 - Purchasing Procurement and Disbursement Procedures in DWP and Maintenance Services
 - Emergency Medical Services (EMS) Billings



Lance, Soll & Lunghard, LLP – Agreed Upon Procedures

- Findings...continued:
 - Fire Inspection Billing
 - Fire Telestaff Timekeeping Procedures
 - Police's AB 109 PACT Fiscal Agent Responsibilities
 - Animal Control's Cash Handling
 - DUI Billings
 - Police's Telestaff Timekeeping Procedures
 - Safekeeping & Monitoring of Police Evidence
- Cost = \$94,500
- Agenda report on March 15, 2017
- More information can be found @ www.coronaca.gov/businesses/finance
under Documents/Presentations →
 - 4/6/2016 – Auditor's Report on Applying Agreed Upon Procedures
 - 2016 [Financial and Audit Results – Presented by LSL Certified Public Accountants](#)
 - 2015 [Financial and Audit Results – Presented by LSL Certified Public Accountants](#)



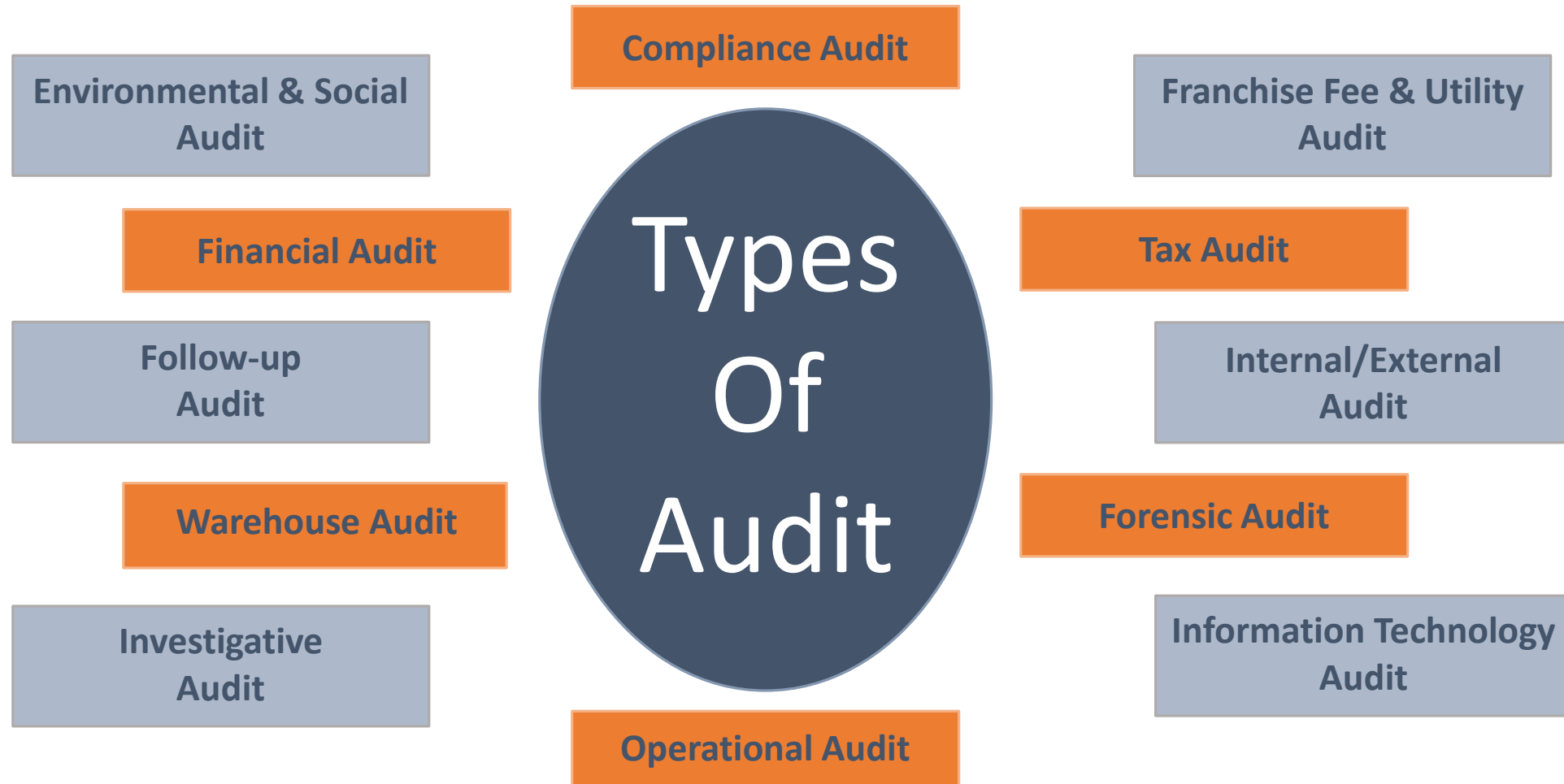
Next Up...

- Per Council's direction, additional 'above and beyond' audits
- RFP's have been issued for:
 - Fire Department Operational Performance Consulting Services
 - Police Department Operational Performance Consulting Services
- RFP's will close on January 15, 2019
- Estimated cost for both audits will range from \$150,000 - \$200,000

More information can be found @ www.coronaca.gov/i-want-to/rfp-posts-list under Bid Opportunities →

| BID NUMBER | TITLE | CLOSING | STATUS |
|--------------|--|------------------------|--------|
| RFP 19-002MS | City of Corona Fire Department Operational Performance Consulting Services | 01/15/2019 10:00 AM | Open |
| RFP 19-003MS | City of Corona Police Department Operational Performance Consulting Services | 01/15/2019 10:00 AM | Open |

What Other Audits are Available?





Forensic Audits

- Used wherever an entity's finances present a legal concern
- The process of reviewing a person's or company's financial statements to determine if they are accurate and lawful
- Most commonly associated with the IRS and tax audits, but it may also be commissioned by private companies to establish a complete view of a single entity's finances
- Forensic audits are presented as evidence by a prosecutor or by a lawyer representing an interested party



Closing Remarks

- 13 years of Comprehensive Annual Financial Reports can be found online @ www.coronaca.gov/government/departments-divisions/finance/budget-annual-reports
- Audits occur throughout the City on a regular basis
- Most are mandated for compliance and regulatory purposes
- Others are conducted to ensure best practices
- Most audits are performed by an outside independent body
- Management is committed to continue having the various types of audits to ensure best practices, accuracy of financial statements, fraud prevention, and operational efficiency

Questions



www.CoronaCA.gov

