



Agenda
City of Beaumont Finance and Audit Committee
Meeting
Regular Session 6:00 PM

550 E 6th Street, Beaumont, Ca
Monday, March 4, 2019

Materials related to an item on this agenda submitted to the Finance and Audit Committee after distribution of the agenda packets are available for public inspection in the City Clerk's office at 550 E. 6th Street during normal business hours

Any Person with a disability who requires accommodations in order to participate in this meeting should telephone the City Clerk's office at 951 769 8520, at least 48 hours prior to the meeting in order to make a request for a disability related modification or accommodation.

Page

REGULAR MEETING

CALL TO ORDER

Committee Members: Mayor Martinez, Council Member Carroll, Treasurer Baron Ginnetti, Chair Steve Cooley, Vice Chair Stephen Martino, Member Richard Bennecke, Member Ana Olvera, Member Billiath Bengesa, and Alternate Members Andrew Forster and Thomas LeMasters

Action on any requests for excused absence:

Pledge of Allegiance:

Approval/Adjustments to Agenda:

Conflict of Interest Disclosure:

PUBLIC COMMENT PERIOD (ITEMS NOT ON THE AGENDA):

Any one person may address the Committee on any matter not on this agenda. If you wish to speak, please fill out a "Public Comment Form" provided at the back table and give it to the Committee Chair or Secretary. There is a three (3) minute limit on public comments. There will be no sharing or passing of time to another person. State Law prohibits the Committee from discussing or taking actions brought up by your comments.

ACTION ITEMS/PUBLIC HEARINGS/REQUESTS

- | | |
|--|---------|
| 1. Adoption of Minutes
Approval of minutes dated February 4, 2019
FAC Minutes 02.04.19 | 3 - 6 |
| 2. January 2019 Financial Reports
Review and approve for presentation to City Council on March 19, 2019.
Item 2 | 7 - 14 |
| 3. Overhead Cost Allocation Plan for FY18-19
Discuss content of the Overhead Cost Allocation Plan. | 15 - 18 |

Accept Overhead Cost Allocation Plan for FY18-19

[Item 3](#)

- 4. Fraud Program and Policy** 19 - 46
Review and recommend any changes to the documents.

[Item 4](#)

- 5. Business License Reconciliation Control** 47 - 48
Receive and file.

[Item 5](#)

- 6. Internal Control Checklist** 49 - 50
Receive and file.

[Item 6](#)

- 7. CFD Overview** 51 - 73
Receive and file.

[Item 7](#)

- 8. Future Agenda Items**

- 9. Finance Director's Comments**

- 10. Meeting Review - Treasurer's Monthly Finance and Audit Committee Report to Council**

Adjournment of the Finance and Audit Committee of the March 4, 2019 Meeting at ____ p.m.

The next regular meeting of the Finance and Audit Committee Meeting is scheduled for Monday, April 1, 2019 at 6:00 p.m.

Beaumont City Hall – Online www.BeaumontCa.gov



MINUTES
Finance and Audit Committee Meeting
Monday, February 4, 2019
Council Chambers
550 E 6th St. Beaumont, Ca
Regular Session: 6:00 PM

REGULAR MEETING

CALL TO ORDER at 6:03 p.m.

Present Committee Members: Mayor Martinez, Council Member Carroll, Treasurer Baron Ginnetti, Chair Steve Cooley, Member Stephen Martino, Member Ana Olvera, Member Billiath Bengesa, Alternate Member Andrew Forster and Alternate Member Thomas LeMasters

Absent: Member Richard Bennecke

Action on any requests for excused absence: **None**

Pledge of Allegiance

Approval/Adjustments to Agenda: **None**

Conflict of Interest Disclosure: **None**

PUBLIC COMMENT PERIOD (ITEMS NOT ON THE AGENDA):

Any one person may address the Committee on any matter not on this agenda. If you wish to speak, please fill out a "Public Comment Form" provided at the back table and give it to the Committee Chair or Secretary. There is a three (3) minute limit on public comments. There will be no sharing or passing of time to another person. State Law prohibits the Committee from discussing or taking actions brought up by your comments.

No speakers

ACTION ITEMS/PUBLIC HEARINGS/REQUESTS

1. Reorganization of Committee

Motion by Council Member Carroll

Second by Council Member Martinez

Member Bengesa

Member Olvera

Member Martino

absent **Member Bennecke**

Member Cooley

Council Member Carroll

Council Member Martinez

To appoint Steven Cooley as Chair and Stephen Martino as Vice Chair

Approved by a 6 - 0 vote

2. Adoption of Minutes
Motion by Vice Chair Martino
Second by Member Olvera
 Member Bengesa
 Member Olvera
 Member Martino
 absent_ Member Bennecke
 Member Cooley
 abstain_ Council Member Carroll
 Council Member Martinez
To approve minutes dated January 7, 2019
Approved by a 5 - 0 vote

3. Internal Control Checklist
Motion by Council Member Carroll
Second by Vice Chair Martino
 Member Bengesa
 Member Olvera
 Member Martino
 absent_ Member Bennecke
 Member Cooley
 Council Member Carroll
 Council Member Martinez
To receive and file.
Approved by a 6 - 0 vote

4. Monthly Pass/Sticker Reconciliation to Cash Receipts
Motion by Vice Chair Martino
Second by Member Bengesa
 Member Bengesa
 Member Olvera
 Member Martino
 absent_ Member Bennecke
 Member Cooley
 Council Member Carroll
 Council Member Martinez
To receive and file.
Approved by a 6 - 0 vote

5. After Hours Cash Receipts
Motion by Member Olvera

Second by Vice Chair Martino

- Member Bengesa**
- Member Olvera**
- Member Martino**
- absent_ Member Bennecke**
- Member Cooley**
- Council Member Carroll**
- Council Member Martinez**

To receive and file.

Approved by a 6 - 0 vote

6. **November 2018 and December 2018 Financial Reports**

Motion by Council Member Carroll

Second by Vice Chair Martino

- Member Bengesa**
- Member Olvera**
- Member Martino**
- absent_ Member Bennecke**
- Member Cooley**
- Council Member Carroll**
- Council Member Martinez**

To approve for presentation to City Council on February 19, 2019

Approved by a 6 - 0 vote

7. **Future Agenda Items**

- **Duties of the Committee**
- **Audit and Internal Control Letter**
- **CFD Accounting Summary**

8. **Finance Director's Comments**

Finance Director gave a status of the current audit.

9. **Meeting Review - Treasurer's Monthly Finance and Audit Committee Report to Council**

ADJOURNMENT

Adjournment of the Finance and Audit Committee of the February 4, 2019 Meeting at 7:13 p.m.

Finance and Audit Committee
February 4, 2019

The next regular meeting of the Finance and Audit Committee Meeting is scheduled for Monday, March 4, 2019 at 6:00 p.m.

Beaumont City Hall – Online www.BeaumontCa.gov

Staff Report

TO: Finance and Audit Committee Members
 FROM: Melana Taylor, Director of Finance
 DATE: March 4, 2019
 SUBJECT: January 2019 Financial Reports

Background and Analysis:

The January 2019 Monthly Financial Reports are attached for review, as follows:

1. General Fund (summary level) – Actual versus Budget, current month and year to date
2. General Fund (summary level) – current versus Prior Year, current month and year to date
3. Waste Water Fund (summary level) – Actual versus Budget, current month and year to date
4. Waste Water Fund (summary level) – Current versus Prior Year, current month and year to date
5. Treasurer’s Report – Cash Account Reconciled Balance allocations by Fund

Variances Noted:

Report 2	Revenues	Category 40 - Taxes	Taxes remitted in Jan 2018, correspond to remittance in Feb 2019
Remittance 1/22/18		Total \$13,549,202.57	Property Tax \$792,705.49
Remittance 2/1/19		Total \$13,551,639.68	Property Tax \$842,757.31
			Increase \$ 50,051.82 6.3%

Report 4	Revenues	Category 56 – Proprietary Revenues	Billing of utility services for FY18 were coded to the incorrect periods making the year to date to FY19 not comparative

Analysis is attached

Finance Director Review: 

Recommendation:

1. Review and approve for presentation to City Council on March 19, 2019



City of Beaumont, CA

PRELIMINARY

GENERAL FUND
Income Statement - Budget to Actual
For the Seven Months and Year to Date 01/31/2019

	Current Total Budget	January 2019 Activity	Year to Date Activity	Variance Favorable (Unfavorable)	% Remaining	FY18-19 Projection
REVENUES						
40 - TAXES	16,980,867.00	1,205,871.94	5,678,462.64	(11,302,404.36)	-66.56%	16,980,867.00
41 - LICENSES	212,100.00	6,702.98	86,391.99	(125,708.01)	-59.27%	212,100.00
42 - PERMITS	5,397,170.00	296,910.93	3,589,611.26	(1,807,558.74)	-33.49%	5,397,170.00
45 - INTERGOVERNMENTAL	21,288.00	0.00	29,318.92	8,030.92	37.73%	21,288.00
47 - CHARGES FOR SERVICE	7,702,800.00	1,107,907.52	4,654,761.71	(3,048,038.29)	-39.57%	7,702,800.00
50 - FINES AND FORFEITURES	110,000.00	6,351.35	41,006.23	(68,993.77)	-62.72%	110,000.00
53 - COST RECOVERY	0.00	52,537.78	256,686.71	256,686.71	0.00%	0.00
54 - MISCELLANEOUS REVENUES	22,500.00	1,942.46	9,143.61	(13,356.39)	-59.36%	22,500.00
58 - OTHER FINANCING SOURCES	0.00	1,545.00	23,764.04	23,764.04	0.00%	0.00
TOTAL REVENUES	30,446,725.00	2,679,769.96	14,369,147.11	(16,077,577.89)	-52.8%	30,446,725.00
EXPENSES						
60 - PERSONNEL SERVICES	17,314,871.00	1,220,327.19	9,336,342.25	7,978,528.75	46.1%	17,314,871.00
65 - OPERATING COSTS	17,335,227.40	1,479,293.01	8,309,636.64	9,025,590.76	52.1%	17,335,227.40
70 - CAPITAL IMPROVEMENTS	1,029,371.60	2,224.03	234,586.24	794,785.36	77.2%	1,029,371.60
TOTAL EXPENSES	35,679,470.00	2,701,844.23	17,880,565.13	17,798,904.87	49.9%	35,679,470.00
TRANSFERS						
90 - TRANSFERS	5,232,745.00	0.00	(226,987.47)	(5,459,732.47)	-104.3%	5,232,745.00
NET CHANGE	0.00	(22,074.27)	(3,738,405.49)	(3,738,405.49)	0.0%	0.00

FY18-19 PROJECTED NET CHANGE -



City of Beaumont, CA

PRELIMINARY

GENERAL FUND
Comparative Income Statement
For the Seven Months and Year to Date 01/31/2018 and 2019

	2017-2018 January 2018	2018-2019 January 2019	January Activity Favorable / (Unfavorable)	Variance %	2017-2018 Year to Date Activity	2018-2019 Year to Date Activity	YTD Variance Favorable / (Unfavorable)	Variance %
REVENUES								
40 - TAXES	2,119,867.27	1,205,871.94	(913,995.33)	-43.12%	6,190,073.99	5,678,462.64	(511,611.35)	-8.27%
41 - LICENSES	3,751.53	6,702.98	2,951.45	78.67%	54,159.57	86,391.99	32,232.42	59.51%
42 - PERMITS	310,516.13	296,910.93	(13,605.20)	-4.38%	2,118,373.03	3,589,611.26	1,471,238.23	69.45%
45 - INTERGOVERNMENTAL	0.00	0.00	0.00	0.00%	7,288.01	29,318.92	22,030.91	302.29%
47 - CHARGES FOR SERVICE	1,073,806.59	1,107,907.52	34,100.93	3.18%	4,863,613.99	4,654,761.71	(208,852.28)	-4.29%
50 - FINES AND FORFEITURES	7,817.16	6,351.35	(1,465.81)	-18.75%	42,729.67	41,006.23	(1,723.44)	-4.03%
53 - COST RECOVERY	94,149.76	52,537.78	(41,611.98)	-44.20%	221,985.29	256,686.71	34,701.42	15.63%
54 - MISCELLANEOUS REVENUES	2,073.95	1,942.46	(131.49)	-6.34%	16,223.37	9,143.61	(7,079.76)	-43.64%
58 - OTHER FINANCING SOURCES	0.00	1,545.00	1,545.00	0.00%	0.00	23,764.04	23,764.04	0.00%
TOTAL REVENUES	3,611,982.39	2,679,769.96	(932,212.43)	-25.81%	13,514,446.92	14,369,147.11	854,700.19	6.32%
EXPENSES								
60 - PERSONNEL SERVICES	1,182,770.56	1,220,327.19	(37,556.63)	-3.18%	7,710,903.82	9,336,342.25	(1,625,438.43)	-21.08%
65 - OPERATING COSTS	1,465,228.85	1,479,293.01	(14,064.16)	-0.96%	7,794,653.44	8,309,636.64	(514,983.20)	-6.61%
70 - CAPITAL IMPROVEMENTS	47,548.80	2,224.03	45,324.77	95.32%	453,210.45	234,586.24	(218,624.21)	48.24%
TOTAL EXPENSES	2,695,548.21	2,701,844.23	(6,296.02)	-0.23%	15,958,767.71	17,880,565.13	(1,921,797.42)	-12.04%
TRANSFERS								
90 - TRANSFERS	-	-	-	0.00%	(4,611.11)	(226,987.47)	(222,376.36)	-4822.62%
NET CHANGE	916,434.18	(22,074.27)	(938,508.45)	-102.41%	(2,448,931.90)	(3,738,405.49)	(1,289,473.59)	-52.65%

PREPARED BY MANAGEMENT
FOR DISCUSSION PURPOSES ONLY

02/28/2019



City of Beaumont, CA

PRELIMINARY

WASTE WATER FUNDS
Income Statement - Budget to Actual
For the Seven Months and Year to Date 1/31/2019

	Current Total Budget	January 2019 Activity	Year to Date Activity	Variance Favorable (Unfavorable)	% Remaining	FY18-19 Projection
REVENUES						
47 - CHARGES FOR SERVICE	2,050,000.00	318,100.05	2,198,355.62	148,355.62	7.2%	2,050,000.00
50 - FINES AND FORFEITURES	0.00	1,750.00	3,500.00	3,500.00	0.0%	0.00
54 - MISCELLANEOUS REVENUES	0.00	184,156.60	331,421.62	331,421.62	0.0%	0.00
56 - PROPRIETARY REVENUES	8,810,000.00	1,489,497.45	4,447,838.00	(4,362,162.00)	-49.5%	8,810,000.00
58 - OTHER FINANCING SOURCES	90,000,000.00	830.88	8,896,465.88	(81,103,534.12)	-90.1%	90,000,000.00
TOTAL REVENUES	100,860,000.00	1,994,334.98	15,877,581.12	(84,982,418.88)	-84.3%	100,860,000.00
EXPENSES						
60 - PERSONNEL SERVICES	1,155,764.00	53,623.10	337,068.45	818,695.55	70.8%	1,155,764.00
65 - OPERATING COSTS	7,141,120.00	319,885.45	2,504,638.18	4,636,481.82	64.9%	7,141,120.00
70 - CAPITAL IMPROVEMENTS	87,289,750.00	3,728,445.27	4,200,419.14	83,089,330.86	95.2%	87,289,750.00
TOTAL EXPENSES	95,586,634.00	4,101,953.82	7,042,125.77	88,544,508.23	92.6%	95,586,634.00
TRANSFERS						
90 - TRANSFERS	50,000.00	-	3,136,047.00	3,086,047.00	6172.1%	50,000.00
NET CHANGE	5,323,366.00	(2,107,618.84)	11,971,502.35	6,648,136.35	124.9%	5,323,366.00
FY18-19 PROJECTED NET CHANGE	5,323,366.00					



City of Beaumont, CA

PRELIMINARY

WASTE WATER FUNDS
Comparative Income Statement
For the Seven Months and Year to Date 1/31/2018 and 2019

	2017-2018 January 2018	2018-2019 January 2019	January Activity Favorable / (Unfavorable)	Variance %	2017-2018 Year to Date Activity	2018-2019 Year to Date Activity	YTD Variance / (Unfavorable)	Variance %
REVENUES								
47 - CHARGES FOR SERVICE	261,851.52	318,100.05	56,248.53	21.48%	970,726.57	2,198,355.62	1,227,629.05	126.46%
50 - FINES AND FORFEITURES	0.00	1,750.00	1,750.00	0.00%	4,698.52	3,500.00	(1,198.52)	-25.51%
54 - MISCELLANEOUS REVENUES	0.00	184,156.60	184,156.60	0.00%	0.00	331,421.62	331,421.62	0.00%
56 - PROPRIETARY REVENUES	1,351,665.14	1,489,497.45	137,832.31	10.20%	5,350,248.82	4,447,838.00	(902,410.82)	-16.87%
58- OTHER FINANCING SOURCES	0.00	830.88	830.88	0.00%	0.00	8,896,465.88	8,896,465.88	0.00%
TOTAL REVENUES	1,613,516.66	1,994,334.98	380,818.32	23.60%	6,325,673.91	15,877,581.12	9,551,907.21	151.00%
EXPENSES								
60 - PERSONNEL SERVICES	27,552.19	53,623.10	(26,070.91)	-94.62%	122,484.62	337,068.45	(214,583.83)	-175.19%
65 - OPERATING COSTS	733,860.53	319,885.45	413,975.08	56.41%	3,324,281.66	2,504,638.18	819,643.48	24.66%
70 - CAPITAL IMPROVEMENTS	240.90	3,728,445.27	(3,728,204.37)	-1547614.93%	138,837.93	4,200,419.14	(4,061,581.21)	-2925.41%
TOTAL EXPENSES	761,653.62	4,101,953.82	(3,340,300.20)	-438.56%	3,585,604.21	7,042,125.77	(3,456,521.56)	-96.40%
TRANSFERS								
90 - TRANSFERS	0.00	-	0.00	0.00%	525,000.00	3,136,047.00	2,611,047.00	497.34%
NET CHANGE	851,863.04	(2,107,618.84)	(2,959,481.88)	-347.41%	3,265,069.70	11,971,502.35	8,706,432.65	266.65%

PREPARED BY MANAGEMENT
FOR DISCUSSION PURPOSES ONLY

02/28/2019

CITY OF BEAUMONT
Cash Balance Analysis and Reconciliation
For the Seven Months Ending January 31, 2019

Fund	Fund Name	Beginning Cash 06/30/2018	Revenues	Expenses	Fund Transfers	Net Change Assets	Net Adjmts to Equity	Net Change Liabilities	Ending Cash 1/31/2019
	GENERAL FUNDS	8,262,961.20	14,369,480.51	(18,180,565.13)	73,012.53	2,516,717.99	-	(2,442,357.28)	4,599,249.82
	SPECIAL REVENUE FUNDS	10,386,928.17	1,309,900.34	(189,327.33)	(130,054.39)	233,980.44	357,142.32	(150,676.29)	11,817,893.26
	CAPITAL FUNDS	36,267,375.48	15,353,087.57	(23,358,913.68)	13,793,024.55	1,552,329.23	919,150.37	2,801,638.53	47,327,692.05
	WASTEWATER FUNDS	13,276,268.32	15,877,581.12	(7,042,125.77)	3,136,047.00	(90,050,317.15)	-	79,536,765.08	14,734,218.60
	TRANSIT FUNDS	1,154,061.19	2,164,059.89	(1,988,416.82)	321.66	(448,657.33)	-	(102,473.59)	778,895.00
	AGENCY FUNDS	13,919,790.31	25,765,348.65	(18,230,486.74)	(16,870,582.77)	(79,945,179.15)	-	81,110,425.70	5,749,316.00
	TOTAL FUNDS	83,267,384.67	74,839,458.08	(68,989,835.47)	1,768.58	(166,141,125.97)	1,276,292.69	160,753,322.15	85,007,264.73

Reconciled Balances

Pooled Cash - Checking	33,734,678.11	38,486,478.58
Payroll	2,121,841.14	948,295.92
Workers Compensation	98,510.38	20,029.04
Gas Tax/Transportation	1,717,530.87	1,326,474.25
Construction	9,623,238.94	7,676,304.01
Seizure/Evidence	524,325.75	524,325.75
LAIF	35,447,259.48	36,025,357.18
Total Reconciled Balances	83,267,384.67	85,007,264.73

FOR MANAGEMENT DISCUSSION PURPOSES ONLY

City of Beaumont
Utility Billing Cycle Analysis

		Bi-Monthly Utility Billing													
		July	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jne		
FY17-18				1,297,724.60 <i>Jly&Aug</i>		1,308,205.93 <i>Sep&Oct</i>	1,316,847.18 <i>Nov&Dec</i>	1,325,465.44 <i>Jan&Feb</i>				1,329,854.24 <i>Mar&Apr</i>	1,346,189.47 <i>May&Jne</i>		
FY18-19				1,470,388.67 <i>Jly&Aug</i>		1,482,094.44 <i>Sep&Oct</i>	1,491,453.96 <i>Nov&Dec</i>								
\$ Change				172,664.07		173,888.51	174,606.78			(1,325,465.44)		(1,329,854.24)	(1,346,189.47)		
% Change				13.305%		13.292%	13.259%			-100.0%		-100.0%	-100.0%		
6 months year to date change		<table border="1"> <tr> <td>521,159.36</td> </tr> <tr> <td>13.285%</td> </tr> </table>												521,159.36	13.285%
521,159.36															
13.285%															

Staff Report

TO: Finance and Audit Committee Members
FROM: Melana Taylor, Director of Finance
DATE: March 4, 2019
SUBJECT: Overhead Cost Allocation Plan for FY18-19

Background and Analysis:

The fiscal year 2017 audit included an evaluation of the related internal controls within the City. Finding #2017-010 indicates that the current allocation methods used for administrative costs may not be reasonable and appropriate based on current circumstances and that the City is not allocating any indirect costs to federal or state grants. The auditors have recommended a full cost allocation study of administrative costs with clearly defined and documented methodology.

A complete cost study was included in a contract awarded to MGT Consulting Group on April 16, 2016. The complete cost study was presented to City Council and the final report was received in March 2017. The Government Finance Officers Association (GFOA) also provides a best practice guide for indirect cost allocations. Because of the varied reasons for which indirect cost allocations are performed, a one-size-fits-all approach is typically not possible. The City of Beaumont does not allocate indirect costs to projects or grants, so the 2017 indirect cost study does not reflect of the use of time on a functional basis. Additionally, the overhead cost allocation was based on an administrative organization that was in a state of change, and therefore no longer applies to the current administrative support services structure.

Per the GFOA guidance, an indirect cost allocation can be performed by the government's own staff using a team approach. The cost allocation plan should be applicable for a maximum of three years, but due to the changes in the government's administration and the structural changes within the City, staff recommends this plan be reviewed and updated on an annual basis.

The internally developed allocation plan has been created by the finance department with input from other directors and the City Manager to capture a percentage of time and cost allocated to the appropriate functions within the City.

Finance Director Review: 

Recommendation:

1. Discuss content of the Overhead Cost Allocation Plan.
2. Accept Overhead Cost Allocation Plan for FY18-19.

CITY OF BEAUMONT
Allocation by Functional Expense
For FY19

Dept	General	Restricted	Grants	CFD	Sewer	Transit	TOTAL
General Govt	Various						
Personnel							
CM	25.0%			35.0%	35.0%	5.0%	100.0%
Asst CM	20.0%			10.0%	65.0%	5.0%	100.0%
Finance Dir	38.0%			35.0%	25.0%	2.0%	100.0%
Admin Dir	80.0%			2.0%	15.0%	3.0%	100.0%
Admin Department	90.0%				5.0%	5.0%	100.0%
Finance Department	65.0%			10.0%	15.0%	10.0%	100.0%
HR/Risk Department	85.0%				5.0%	10.0%	100.0%
IT Department	90.0%				5.0%	5.0%	100.0%
Others	80.0%			10.0%	5.0%	5.0%	100.0%
Operational (avg personnel)	63.7%			11.3%	19.4%	5.6%	100.0%
Capital	100.0%						100.0%
Comm Development	1350						
Personnel	95.0%			5.0%			100.0%
Operational	100.0%						100.0%
Capital	100.0%						100.0%
Comm Services	Various						
Personnel							
Director (60%)	35.0%			65.0%			100.0%
Others	100.0%						100.0%
Operational	90.0%			10.0%			100.0%
Capital	100.0%						100.0%
Public Safety	Various						
Personnel	100.0%	Direct Costs	Direct Costs				100.0%
Operational	100.0%	Direct Costs	Direct Costs				100.0%
Capital	100.0%	Direct Costs	Direct Costs				100.0%
Public Works	3100						
Personnel							
Director	50.0%		Direct Costs				50.0%
Others	75.0%		Direct Costs		25.0%		100.0%
Operational	100.0%	Direct Costs	Direct Costs				100.0%
Capital	100.0%	Direct Costs	Direct Costs				100.0%
Streets	3250						
Personnel	5.0%	95.0%	Direct Costs				100.0%
Operational	5.0%	95.0%	Direct Costs				100.0%
Capital	5.0%	95.0%	Direct Costs				100.0%
Facilities	6000						
Personnel	95.0%					5.0%	100.0%
Operational	95.0%					5.0%	100.0%
Capital	95.0%					5.0%	100.0%
Grounds	6050						
Personnel	20.0%			80.0%			100.0%
Operational	20.0%			80.0%			100.0%
Capital	20.0%			80.0%			100.0%
Sewer							
Personnel							
Manager					100.0%		100.0%
Others					100.0%		100.0%
Operational					100.0%		100.0%
Capital					100.0%		100.0%
Transit							
Personnel							
Director (40%)						100.0%	100.0%
Others						100.0%	100.0%
Operational						100.0%	100.0%
Capital						100.0%	100.0%

FOOTNOTES TO ALLOCATION PLAN

General Government Departments: 1050, 1150, 1200, 1225, 1230, 1235
Community Services Departments: 1550, 6100
Public Safety Departments: 2000, 2030, 2040, 2050, 2080, 2090, 2100

Unallocated Departments:
Legal and Risk 1300
Building and Safety 2150
Refuse 3150

Considerations

ACM - percentage for sewer is reflective of the time necessary to coordinate and oversee the construction of the Wastewater Treatment Plant and the Brine Line. This percentage is subject to change.

Admin Director - percentage for sewer is reflective of the time necessary for position development, recruitment, hiring and orientation of the sewer staff established in FY18-19. this percentage is subject to change.

Community Services and **Transit Director** are the same individual, being split between the two departments. With the addition of Community Services in FY18-19, that allocation is slightly higher than the already existing responsibility of Transit.

Administrative Operational costs are calculated based on the percentage of all personnel applied to the various functions.

Restricted funds and **Grants** apply direct costs of the specific department, and no indirect costs are applied. Restricted funds from the State Gas Tax is applied to the Streets department for continuing maintenance and represents approximately 95% of the funding of that department.

Capital Projects are accounted for specifically in Funds 500 and 710 - so not included in overhead or functional expense allocation

Staff Report

TO: Finance and Audit Committee Members

FROM: Melana Taylor, Director of Finance

DATE: March 4, 2019

SUBJECT: Fraud Program and Policy

Background and Analysis:

The fiscal year 2017 audit included an evaluation of the related internal controls within the City. Finding #2017-003 indicates that a comprehensive Fraud Program and Policy should be established for the City of Beaumont that includes a reporting mechanism for employees and members of the public. Through inquiry of various members of City staff, the auditors determined that no clear path of reporting fraud had been clearly identified or communicated. As a result, significant research had been performed, and a program and policy was drafted.

After further internal discussion, management has separated the fraud program and policy between internal and external source notification. The audit finding relates to the internal ability to report fraud, waste or abuse by employees of the City. To that end, the following documents have been completed and staff training has been scheduled for March 2019:

- 1. Code of Core Values and Ethics
- 2. Fraud Program and Policy
- 3. Fraud Training Material

The public can report any suspected wrong-doing to the City Manager, a member of City Council, the Chief of Police, the District Attorney's Office, or any number of other agencies and/or organizations. For this reason, the City is not implementing a fraud reporting mechanism for the public.

Finance Director Review: 

Recommendation:

- 1. Review and recommend any changes to the documents.

CITY OF BEAUMONT

CODE OF CORE VALUES AND ETHICS

CITY OF BEAUMONT
CODE OF CORE VALUES AND ETHICS

Goals of the Code of Core Values and Ethics

- To make the City of Beaumont (“City”) a better community, built on mutual respect and trust
- To promote and maintain the highest standards of personal and professional conduct among all involved in City government - elected officials, City employees, volunteers, and members of the City’s commissions and committees

1. Preamble

The proper operation of democratic government requires that decision-makers be independent, impartial, and accountable to the people they serve. The City has adopted this Code of Core Values and Ethics (“Core Values”) to promote and maintain the highest standards of personal and professional conduct in the City’s government. All elected and appointed officials, City employees, volunteers, and others who participate in the City’s government are required to pledge to these Core Values, understand how it applies to their specific responsibilities, and practice the eight core values in their work. Because we seek public confidence in the City’s services and public trust of its decision-makers, our decisions and our work must meet the most demanding ethical standards and demonstrate the highest levels of achievement in following these Core Values.

2. Purpose

The purpose of the Core Values is to set a standard of conduct for all elected officials, officers, employees, and members of advisory commissions and committees of the City. This policy is not intended to supersede or invalidate any statute, ordinance, or civil service rule or regulation.

3. Applicability

The Core Values shall apply to all elected officials, appointed officials, employees, and members of advisory commissions, and committees, and volunteers of the City (collectively, “Representatives”).

4. Core Values

Representatives of the City shall be **ethical**. Representatives shall endeavor to practice the following core values:

a. As a Representative of the City, I will be *ethical*. In practice, I will:

- 1) Be trustworthy, acting with the utmost integrity and moral courage.
- 2) Be truthful, do what I say I will do.

- 3) Make impartial decisions, free of bribes, unlawful gifts, narrow political interests, and financial and other personal interests that impair my independence of judgment or action.
- 4) Be fair, distributing benefits and burdens according to consistent and equitable criteria.
- 5) Extend equal opportunities and due process to all parties in matters under consideration. If I engage in unilateral meetings and discussions, I do so without making voting decisions.
- 6) Show respect for persons, confidences, and information designated as “confidential.”
- 7) Use my title(s) only when conducting official City business, for information purposes, or as an indication of background and expertise, carefully considering whether I am exceeding or appearing to exceed my authority.

b. As a Representative of the City, I will be *professional*. In practice, I will:

- 1) Apply my knowledge and expertise to my assigned responsibilities and to the interpersonal relationships that are part of my job in a consistent, confident, competent, and productive manner.
- 2) Approach my job and work-related relationships with a positive attitude.
- 3) Keep my professional knowledge and skills current and growing.

c. As a Representative of the City, I will be *service-oriented*. In practice, I will:

1. Provide friendly, receptive, courteous service to everyone.
2. Be attuned to, and show empathy for the needs and concerns of citizens, public officials, and city workers.
3. Interact with constituents in an interested, engaged, and responsive manner.

d. As a Representative of the City, I will be *fiscally responsible*. In practice, I will:

- 1) Make decisions after prudent consideration of their financial impact, taking into account the long-term financial needs of the City, especially its financial stability.
- 2) Properly care for the City’s assets (e.g., personnel, time, property, equipment, funds) and follow established procedures.
- 3) Make financial decisions that are in the best interest of the City and its residents.

- e. **As a Representative of the City, I will be *organized*. In practice, I will:**
 - 1) Act in an efficient manner, making decisions and recommendations based upon research and facts, taking into consideration short and long-term goals.
 - 2) Follow through in a responsible way, keeping others informed, and responding in a timely fashion.
 - 3) Be respectful of established City processes and guidelines.

- f. **As a Representative of the City, I will be *communicative*. In practice, I will:**
 - 1) Convey the City's care for and commitment to its residents and business community.
 - 2) Communicate in various ways to show that I am approachable, open-minded and willing to participate in dialog.
 - 3) Engage in effective two-way communication, by listening carefully, asking questions, and determining an appropriate response which adds value to conversations.

- g. **As a Representative of the City, I will be *collaborative*. In practice, I will:**
 - 1) Act in a cooperative manner with groups and other individuals, working together in a spirit of tolerance and understanding.
 - 2) Work towards consensus building and gain value from diverse opinions.
 - 3) Accomplish the goals and responsibilities of my individual position, while respecting my role as a member of a team.
 - 4) Consider the broader regional and State-wide implications of the City's decisions and issues.

- h. **As a Representative of the City, I will be *progressive*. In practice, I will:**
 - 1. Exhibit a proactive, innovative approach to setting goals and conducting the City's business.
 - 2. Display a style that maintains consistent standards, but is also sensitive to the need for compromise, "thinking outside the box," and improving existing paradigms when necessary.
 - 3. Promote intelligent and thoughtful innovation in order to forward the City's policy agenda and City services.

5. Ethics Policy

In addition to the core values described above, the City has established an Ethics Policy to promote the highest standards of personal and professional ethics by individuals charged with carrying on the City's business. This is a "values based" approach to ethical behavior, rather than a rules-based system. It is not intended to address all potential ethical issues which may arise, or to replace the various codes of ethics of professional associations but to supplement those codes.

6. Integrity/Honesty

Representatives shall be honest with fellow officials, the public and others. Representatives shall make the decision that is in the best interest of the public, without consideration of popularity of said decision. Additionally, Representatives shall take responsibility for their actions and disclose suspected instances of corruption to the appropriate authorities.

7. Accountability/Responsibility

Representatives shall hold a high standard and be accountable to the public, stakeholders, and other institutions. Such persons are required to be an agent of the democratic process, thus receive input, explain actions, accept results of the body's decisions, and engage in continuous improvement. Representatives are prudent stewards of public resources and actively consider the impact of their decisions on the financial and social stability of the City and its residents.

8. Respect

Representatives shall treat fellow officials, employees and the public with courtesy and civility, even when there is disagreement on what is best for the community. Representatives shall actively listen, ask questions, seek diverse opinions and participate in added value discussion for the purpose of consensus building, and make decisions and recommendations based upon research and facts involving employees and stakeholders, taking into consideration short and long-term goals. Furthermore, Representatives shall support a positive work environment for City employees and others who serve the City.

9. Fairness

Representatives shall be impartial when making decisions, avoiding the temptation to favor those who have supported the covered person and disfavor those who have not. They shall support the public's right to know and will promote their meaningful participation in the conduct of the public's business. Furthermore, Representatives shall treat all persons, claims, and transactions in a fair and equitable manner, and make decisions based on the merits of the issue, with attention to due process.

10. Comply with the Law

Representatives shall comply with the laws of the United States, the State of California, and City in the performance of their public duties. These laws include but are not limited to: the United States and California Constitutions; United States and California codes, regulations, interpretive administrative findings and relevant case law, City ordinances, City standard practices and procedures, and the City's personnel and policy manuals. These laws include, but are not limited to, topics relating to ethics and conduct, including conflicts of interest, financial disclosure regulations, and campaign finance contribution limitations and reporting requirements. Additionally, certain City professionals are guided by particular rules regarding ethics provided by their professional organizations.

11. Act in the Public Interest

Recognizing that stewardship of the public interest must be their primary concern, Representatives shall work for the common good of the people of the City and not any private or personal interest, and they shall assure fair and equal treatment of all persons, claims, and transactions coming before the City, including the City Council, commissions, and committees.

12. Conflict of Interest

In order to assure their independence and impartiality on behalf of the common good, Representatives shall not use their official positions to influence government decisions in which they have a material financial interest or personal relationship which may give the appearance of a conflict of interest. In accordance with the law, Representatives shall disclose investments, interests in real property, sources of income, and gifts, and they shall abstain from participating in deliberations and decisions-making where conflicts may exist. (*See California Government Code §§ 1090 et seq., 81000 et seq., 82000 et seq., 87100 et seq.; 87407; California Health & Safety Code §§ 33130 et seq.; California Penal Code §68; 2 Code of California Regulations §§ 18700 et seq.*)

13. Regulations Regarding Personal Advantages and Perquisites

Representatives shall comply with the requirements of the United States and California Constitutions; United States and California codes, regulations, interpretive administrative findings and relevant case law, relating to the acceptance and reporting of gifts, loans, and other possible perquisites of office. (*See California Constitution, Art. XII, § 7; Gov. Code §§ 3204, 8314, 36501 et seq., 82000 et seq., 87200 et seq., 87400 et seq.; 89001, 89500 et seq.; Pen. Code § 424 et seq.; 2 Code of Cal. Regs. §§ 18700 et seq., 18930 et seq.*)

14. Confidential Information

Representatives shall respect the confidentiality of information concerning City property, personnel or proceedings of the City. They shall neither disclose confidential

information without proper legal authorization, nor use such information to advance their personal interests. (See Gov. Code §§54963, 82000 *et seq.*)

15. Use of Public Resources

Representatives shall not use public resources not available to the public in general, such as City employees, time, equipment, supplies or facilities, for private gain. Representatives shall not utilize the City's name or logo for the purpose of endorsing any political candidate. (See Gov. Code §§ 3204, 8314, 89001, 89500 *et seq.*; Pen. Code § 424 *et seq.*; 2 Code of Cal. Regs. §§ 18901.)

16. Representation of Private Interests

In keeping with their role as stewards of the public interest, members of the City Council shall not appear on behalf of the private interests of third parties before the City Council or any board, commission, committee, or proceeding of the City, nor shall members of boards, commissions and committees appear before their own bodies or before the City Council on behalf of the private interests of third parties related to the areas of service of their bodies.

17. Advocacy

Representatives shall represent the official policies or positions of the City Council, commission or committee to the best of their ability. When presenting their individual opinions and positions, Representatives shall explicitly state they do not represent their body or the City of Beaumont, nor will they allow the inference that they do.

18. Governmental Transparency Laws

Representatives are governed by relevant government transparency laws, including, but not limited to, the California Brown Act (Gov. Code §§ 54950 *et seq.* and California Public Records Act (Gov. Code §§ 6250 *et seq.*)

19. Positive Workplace Environment

City Council Members, Commissioner and Committee Members shall support the maintenance of a positive and constructive workplace environment for City employees, for persons dealing with the City, and for each other as well. These persons shall recognize their special role in dealings with City employees and refrain from creating the perception of inappropriate direction to employees.

20. Reporting

No employee may be adversely affected because the employee refused to carry out a directive, which in fact, constitutes fraud or is a violation of federal or state law.

Insofar as possible, the identity of the reporting employee will remain confidential. However, the City reserves the right to disclose the identity of the reporting employee if,

in the City’s absolute discretion, the identity may have to be disclosed to conduct a thorough investigation, to comply with applicable laws and/or to provide accused individuals their legal rights of defense.

Reports of alleged improper activity or unlawful activity as described above and/or any suspected incidents of fraud, waste, or abuse should provide as much specific information as possible including names, dates, places, and events that took place. It is a violation of the Core Values to retaliate against an employee who makes a report anonymously under California Labor Code Sections 1102.5 and 1106. Employees shall direct reports of alleged improper or unlawful activity to their immediate supervisor or director, Human Resources, and/or City Manager. If the reports of the improper or unlawful activity involves the City Manager, such reports shall be made to the City Attorney. If the reports of the improper or unlawful activity involves the City Attorney, such reports shall be made to the Mayor.

21. Investigation and Enforcement

It is the duty of every employee to cooperate in an investigation involving a violation or an alleged violation of the law and/or this policy. Upon the request of the City, an employee will participate and fully cooperate in any investigation, whether conducted by the City or its agent(s). If as a result of a good faith investigation and a resultant reasonable conclusion that a violation of this policy has occurred, the offending employee may be subject to disciplinary action up to and including termination.

22. Enforcement

Any official found to be in violation of the Core Values may be subject to censure by the City Council. Any member of an advisory commission or committee or volunteer found to be in violation may be subject to dismissal. In the case of an employee, appropriate action shall be taken by the City Manager or by an authorized designee.

ACKNOWLEDGMENT OF RECEIPT

I have read and understand the CITY OF BEAUMONT CODE OF CORE VALUES AND ETHICS.

Print Name

Signature

Date: _____

CITY OF BEAUMONT

FRAUD PROGRAM AND POLICY

CITY OF BEAUMONT

Fraud Preventative Measures

The City is implementing an internal fraud prevention and reporting policy and procedure. The most effective fraud prevention system is for it to be easily understood and accessible. This procedure will allow employees to report fraud at any time, anonymously, and without fear of retaliation.

Employee Education

A PowerPoint course has been developed by City staff and will be administered to all employees on an annual basis, much like the workplace harassment training that is conducted annually. Additionally, a poster has been developed and will be maintained at all City employee locations that instructs employees how to report suspected fraud or waste. Periodically, training bulletins will be sent out to all employees reminding them of their responsibility to report fraud and waste.

Reporting

Reports of alleged improper activity or unlawful activity as described herein, and/or any suspected incidents of fraud, waste, or abuse should provide as much specific information as possible including names, dates, places, and events that took place. Employees can submit reports of alleged improper or unlawful activity to Human Resources, the City Manager or email to fraud@beaumontca.gov. If the reports of the improper or unlawful activity involves the City Manager, such reports are to be made to the City Attorney. If the reports of the improper or unlawful activity involves the City Attorney, such reports are to be made to the Mayor. It is a violation of this Code to retaliate against an employee who makes a report anonymously under California Labor Code Sections 1102.5 and 1106.

Response, Inquiry and Reporting

The City will designate a responsible individual with the primary task of reviewing reports and maintaining a log of reports received. The log would include, but not be limited to: Date, Time, Reporting Party (if provided), and complaint.

An investigative committee will be formed, comprised of key City staff, the Mayor and a member of the Finance and Audit Committee. Complaints will be separated by department under inquiry, and the applicable Director would not be allowed to participate in the review and investigation of the complaint. Other Committee members would be responsible for investigating, reporting, and concluding/closing complaints.

It is recommended that an investigative committee be comprised of the following members:

- Mayor
- Chair of the Finance and Audit Committee
- City Manager

- Chief of Police
- Director of Administrative Services
- Director of Finance
- Other Members Deemed Appropriate to Review Each Specific Complaint

The City Attorney has the responsibility of approving the format of how complaints may be received. Recipients of the fraud investigation findings report will include the reporting party (if known), the investigative committee members, and possibly, the City Attorney. The investigation documentation will not be released to members of the committee or reporting party due to any potential criminal investigation.

The findings of all reports found to be sustained will be reported to Human Resources and the Beaumont Police Department. It will be the responsibility of the Chief of Police to report the findings in a police report which will be forwarded to the District Attorney’s Office for review.

Complaints about members of the Police Department will continue to be handled in the same manner as prescribed in the Beaumont Police Department Policy Manual, California Penal Code and California Government Code.

Other Support for the Fraud Prevention and Detection Program

WHAT TO REPORT		
TERM	DEFINITION	EXAMPLES
FRAUD	Any intentional act or omission designed to deceive others, resulting in the victim (City of Beaumont) suffering a loss and/or the perpetrator achieving a gain.	<ul style="list-style-type: none"> • Falsifying financial records to conceal the theft of money or city property. • Theft or misuse of city money, equipment, supplies, and/or other materials. • Soliciting or accepting a bribe or kickback. • Falsifying payroll information.
WASTE	The intentional or unintentional expenditure, consumption, mismanagement, use or squandering of city resources.	<ul style="list-style-type: none"> • Unnecessary and/or excessive spending of city funds to purchase supplies or equipment.
ABUSE OF AUTHORITY/ POSITION	Intentional destruction, diversion, manipulation, misapplication, maltreatment, or misuse of city resources. Extravagant or excessive use as to abuse one’s position or authority. Abuse can occur in financial or non-financial settings.	<ul style="list-style-type: none"> • Failure to report damage to city equipment or property. • Receiving favor for awarding contracts to certain vendors. • Creating unneeded overtime. • Making procurement or vendor selections that are contrary to existing policies.



CITY OF BEAUMONT
 550 E. 6th Street, Beaumont, CA 92223
 Phone (951) 769-8520 Fax (951) 769-8526
BeaumontCa.gov

REPORT OF FRAUD OR ABUSE

Reporter Name (Optional): _____

Is a final report of findings requested? YES NO

Please select the method to receive the final report:

Email: _____
 Phone: _____

INCIDENT REPORT

Date: _____ Time: _____

Location: _____

Individuals involved: _____

Description of incident:

Other information:

Witnesses: _____

Supporting documents or evidence available:

- Yes, attached
- Yes, will provide upon request
- No, none available

Incorporated November 18, 1912

CITY OF BEAUMONT

FRAUD TRAINING MATERIAL

CITY OF BEAUMONT

HOW TO IDENTIFY AND REPORT FRAUD – WASTE – ABUSE

S. Finance 2/27/19

CITY OF BEAUMONT CODE OF CORE VALUES AND ETHICS

► Goals:

- Make the City of Beaumont a better community, built on mutual respect and trust
- Promote and maintain the highest standards of personal and professional conduct among all involved in City government



As A Representative of the City, I Will Be:

- ▶ Ethical
- ▶ Organized
- ▶ Communicative
- ▶ Collaborative
- ▶ Proactive



Core Values

Integrity, Honesty, Accountability, Responsibility, Respect, Fairness, Comply with the Law, and Act in the Public Interest

On behalf of the common good, will not use official positions to influence government decisions in which there is a material financial interest or family relationship giving rise to an appearance of a conflict of interest.

Will not use public resources that are not available to the public for private gain – staff time, equipment, supplies or facilities



POSITIVE WORKPLACE

City Council Members, Committee Members, and other Elected or Appointed Officials support the maintenance of a positive and constructive workplace environment for City employees as well as for each other.



WHAT IS FRAUD?

An intentional act or omission designed to deceive others resulting in the City of Beaumont suffering a loss and/or the perpetrator achieving a gain.

- Falsifying financial records
- Theft or misuse of City money, equipment, supplies, or materials
- Soliciting or accepting a bribe or kickback
- Falsifying payroll information



EXAMPLES

▶ FRAUD

Using City vehicle to run personal errands

Accepting \$20 from developer to overlook an inspection item

Claiming false overtime

Keeping \$5 out of the cash drawer

▶ NOT FRAUD

Taking breaks in accordance with the law

Data entry error resulting in cash drawer discrepancy

Working overtime with supervisor approval

Driving City vehicle home when on stand-by



WHAT IS WASTE?

The intentional or unintentional expenditure, consumption, mismanagement, use, or squandering of City resources.

- Purchase of services that are unnecessary
- Purchase of new tools when same tools are already available
- Purchase of item costing twice going rate for personal preference



WHAT IS ABUSE?

Abuse of Authority or Position for the intentional destruction, diversion, manipulation, misapplication, maltreatment, or misuse of City resources.

Extravagant or excessive use, whether financial or nonfinancial.

Bypassing standards of care established by the City or other oversight agencies.



EXAMPLES

Failure to report damage to City equipment or property

Creating unnecessary and unneeded overtime

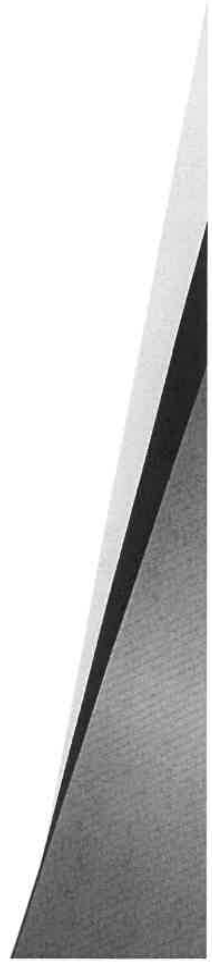
Making travel choices that are contrary to City travel policies

Making vendor selections contrary to existing policies

Asking staff or consultants to perform tasks without proper documentation



WHAT ARE OTHER EXAMPLES?



HOW TO REPORT

The City encourages the reporting of fraud, waste, or abuse

Fill-in Form

Send to: Human Resources or other Director

Email: fraud@beaumontca.gov

Reporting can be done anonymously

All reports will be investigated



INFORMATION TO INCLUDE

- ▶ Names of individuals involved
- ▶ What happened and why you believe it is/was wrong
- ▶ When and where the incident happened
- ▶ Names and contact information for anyone that may have witnessed the incident
- ▶ Department(s) impacted
- ▶ Any documentation or other evidence you may have
- ▶ If want to obtain results of the investigation, the complaint must include your name and contact information.

Whistleblower Policy

- ❖ **Confidentiality**
 - ❖ Confidentiality of all complaints including documents (to the extent permitted by law) will be maintained.
- ❖ **Protection**
 - ❖ The City will not retaliate, nor will it tolerate retaliation against those who, in good faith, report suspected fraud or waste, or who participate in an investigation of suspected violations. Any act of retaliation is to be immediately reported to Human Resources.

Note: Those who file complaints may be protected through the State of California Whistleblower Protection Act or other State or federal laws.

Staff Report

TO: Finance and Audit Committee Members
 FROM: Melana Taylor, Director of Finance
 DATE: March 4, 2019
 SUBJECT: Business License Reconciliation Control

Background and Analysis:

The fiscal year 2017 audit included an evaluation of the related internal controls within the City. Finding #2017-007 indicates that an individual independent of the business license issuance and collection functions review and reconcile the amounts from the HdL business license program to the revenues posted in the City’s general ledger.


A procedure has been developed for monthly reconciliation between the two independent programs that will serve as a mitigating control until a decision can be made regarding the business license software and potential integration.

The procedure was tested against two randomly selected months and the results were as follows:

Month	C/R - No License	License - No C/R	C/R in GL - No License	Notes
Nov 2017	# 1 \$ 57.75	# 1 \$ 30.00	N/A N/A	N/A
April 2018	# 3 \$ 321.50	# 1 \$ 56.25	# 2 \$ 181.00	\$30 Cherry Festival

The differences identified in November 2017 were both related to timing issues, as was April 2018, except for one entry in the general ledger. In April 2018, \$30 was received in business license revenue for a booth being set up at the annual Cherry Festival. This receipt was taken in originally as event income and was reclassified by the finance department to properly record the revenue generated.

The monthly reconciliation procedure as drafted will segregate the duties and verify the posting of business license revenue to comply with the recommendation made by the auditors.

Finance Director Review: 

Recommendation:

1. Receive and file.

CITY OF BEAUMONT
POLICY AND PROCEDURES
RECONCILIATION OF BUSINESS LICENSE REVENUE

The City of Beaumont issues business licenses through a software that is not integrated with the cashiering or general ledger software programs. In order to ascertain that all business licenses issued had a corresponding license payment and conversely that all license payments have a corresponding business license issued, a monthly reconciliation is to be performed.

ADMINISTRATIVE SERVICES

The administrative services department is responsible for collection of various fees, including business licenses, and for issuance of business licenses. Business licenses are renewed on an annual basis between May and July, but new business licenses can be issued at any time during the fiscal year.

FINANCE DEPARTMENT

Monthly, the following reports will be generated:

1. Cash receipt report from Incode 9 (cashiering) for code 120 (Business License)
2. Business license software report for all payments posted to the system for the month
3. General ledger report from Incode 10 (finance) for business license income

The reconciliation will begin with a comparison of report #1 to report #2. A listing will be created of all payments in report #1 that have no corresponding business license issued in report #2 and licenses issued in report #2 that had no payment recorded in report #1.

The results from the first comparison will be reviewed against any entries that may have been made into the report #3 for adjustments or Energov based payments.

The finance department will create a report of differences and submit to the administrative services supervisor for resolution or explanation.

Upon completion of review, the report of differences will be returned to the finance department with all applicable responses. Unresolved differences will be escalated for further investigation. The final report will be maintained in an electronic file.

Staff Report

TO: Finance and Audit Committee Members
 FROM: Melana Taylor, Director of Finance
 DATE: March 4, 2019
 SUBJECT: Internal Control Checklist

Background and Analysis:

The fiscal year 2017 audit included an evaluation of the related internal controls within the City. The Pun Group has issued an Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance with Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*. This report does not provide an opinion on the effectiveness of the internal controls or compliance.

Finding #	Finding Description	Status
2017-001	Internal Control over Financial Reporting	Complete
2017-002	Policies and Procedures	Complete
2017-003	Comprehensive Fraud Program and Policy	Complete
2017-004	Segregation of Duties – Cash Receipts	Complete
2017-005	Segregation of Duties – Building Permits	Complete
2017-006	Development Impact Fees	Complete
2017-007	Segregation of Duties – Business Licenses	Draft
2017-008	Transient Occupancy Tax and Utility Users Tax	Complete
2017-009	Oversight for Fuel Credit Card Activity	Complete
2017-010	Overhead Cost Allocation Activity	Draft
2017-011	Segregation of Duties – Police Department	Complete
2017-012	Segregation of Duties – Bus Passes	Complete

All findings have been addressed and corrective actions will be fully implemented by March 31, 2019.

Finance Director Review: 

Recommendation:

1. Receive and file.

CITY OF BEAUMONT
Internal Control Matters
Identified as of 6/30/17

Finding #	Type	Finding Description	Goal	Priority	Actions Taken thru 3/4/19	Pending Actions	% Complete	Due Date	Completion	1st Full FY
2017-001	M	Internal Control over Financial Reporting	Financial report accuracy, completeness, reliability, compliance, efficiency and timeliness	3 Done	Month End close checklist started July 2017 Year End Checklist being used 6/30/18 Additional staffing in place effective October 2018				7/1/17 MT	06/30/2018
2017-002	M	Policies and Procedures	Formal policies and procedures with approval by City Council to be evaluated annually and updated as necessary that provides guidance to staff and management	6 Done	City-wide financial policies established 9/20/16 Finance department policies established 1/16/18 CFD bond debt policies established 2/20/18	Develop further debt policy, project accounting policies, purchase order policies			9/20/16 MT 1/16/18 MT 2/20/18 MT	06/30/2018 06/30/2019 06/30/2019
ONGOING CONTINUAL PROCESS										
2017-003	M	Comprehensive Fraud Program and Policy	Formal and comprehensive policy that provides clear expectations as well as guidance for reporting potential problems	8 Done	Established funding in FY18-19 Budget Employee training scheduled for March					02/27/2019 06/30/2020
2017-004	M	Segregation of Duties - Cash Receipts	Remove ability to edit/void transactions by those with custody of cash	4 Done	Restructure of oversight, additional required authorization for credits and voids				7/1/18 MT	06/30/2019
2017-005	M	Segregation of Duties - Building Permits	Remove ability to issue permits without receiving proper payment	1 Done	Permit/plan checks issued through integrated software started December 2017				12/1/17 MT	06/30/2019
2017-006	M	Development Impact Fees	Remove opportunity for DIF revenues to be misstated due to error or fraud	5 Done	Monthly independent reconciliation started July 2017	Integrated software still being implemented			7/1/17 MT	06/30/2018
2017-007	M	Segregation of Duties - Business Licenses	Remove ability to issue licenses without receiving proper payment	9 Drafted	Drafting interim process to reconcile existing system data until new system is in place	Software solutions are being investigated	95%	03/31/2019		
2017-008	S	Transient Occupancy Tax and Utility Users Tax	Determine that all revenues are reported and remitted to the City on a timely basis Potential revenue recovery for "audit" of remittances	10 Done	TOT reporting entities notified of penalties for delinquent filings effective QE 9/30/18 Monthly checklist utilized	Refine data captured for reconciliation			7/1/18 MT 7/1/17 MT	06/30/2019 06/30/2018
2017-009	S	Oversight for Fuel Credit Card Activity	Remove opportunity for misuse of city fuel account credit cards	2 Done	Fuel statements utilized to review usage monthly Administrative access has been limited New/replacement cards can only be issued by Finance				12/1/16 MT	06/30/2018
2017-010	S	Overhead Cost Allocation Activity	Formalize recognition of management cost of effort to be allocated between other functions within the City	11 Drafted			95%	03/31/2019		
2017-011	O	Segregation of Duties - Police Dept	Formalize after hours receipt of funds process	7 Done	Discussed with PD staff and documented process in writing.				2/4/19 MT	06/30/2020
2017-012	O	Segregation of Duties - Bus Passes	Remove opportunity to issue bus passes without receiving proper payment	12 Done	Transit dept has established tracking system	Implement one reconciliation at a time Starting with highest value pass			2/4/19 MT	06/30/2020

TYPE: M Material Weakness
S Significant Deficiency
O Other Matter

Status as of 1/7/19

Staff Report

TO: Finance and Audit Committee Members
FROM: Melana Taylor, Director of Finance
DATE: March 4, 2019
SUBJECT: CFD Overview

Background and Analysis:

The City of Beaumont has a significant amount of Communities Facilities Districts (CFD) areas and bond debt to manage. CFDs were created through the Mello-Roos Community Facilities Act of 1982 and California Government Code Section 53311 and have significant amount of technical aspects, both legal and financial.

Flow charts are attached, providing a general overview and understanding of the flow of information and funds.

A presentation was made by Albert A. Webb Associates at a City Council Special Meeting Workshop on February 22, 2016, about the basics of CFDs in California. I have provided a copy of that presentation with this staff report.

Finance Director Review: 

Recommendation:

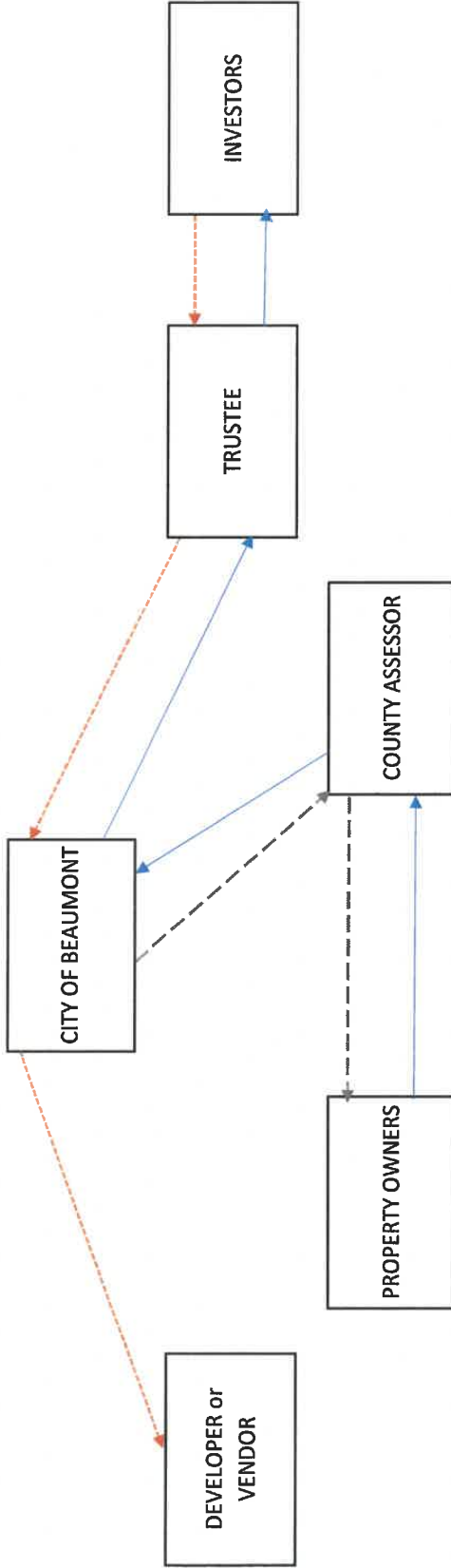
1. Receive and file.

CITY OF BEAUMONT
FINANCE AND AUDIT COMMITTEE

AGENDA ITEM
CFD OVERVIEW

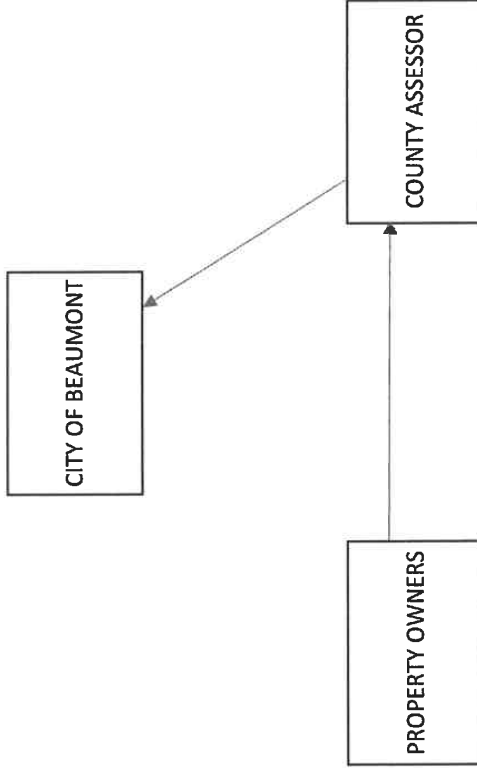
FLOW CHARTS

THE DEBT SERVICE ASSESSMENT



Step One - Orange
Step Two - Grey
Step Three - Blue

THE MAINTENANCE ASSESSMENT



SOME IMPROVEMENT AREAS ALSO HAVE A PUBLIC SAFETY ASSESSMENT
SOME IMPROVEMENT AREAS ALSO HAVE A PUBLIC FACILITY ASSESSMENT
**** THESE WORK THE SAME WAY ****

City of Beaumont
CFD Flow Charts

The City records the activity --

FUND 250	FUND 255	FUND 260	FUND 265	FUND 510	FUND 840	FUND 850
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Admin	Maint	Safety	Facilities	Excess/Pay-Go	CFD	BFA
By IA	By IA	By IA	By IA	By IA	Debt	2nd Level
					By IA	
					By Bond	By Bond

Improvement Areas:

1	7C	10	17B	2016-1
2	7D	11	17C	2016-2
3	7E	12	18	2016-3
4	8A	13	19A	2016-4
5	8B	14	19C	2019-1
6A	8C	14A	20	
6A1	8D	14B	21	
6B	8E	15	22	
7A1	8F	16	23	
7B	9	17A	25	

Bonds:

1994, IA 1, 2, 4, 5, 6B	2013A, IA 19C
2007A, IA 3, 11	2015A, IA 7A1
2007B, IA 8	2015B, IA 10A
2007 C/D, IA 9, 10A, 12A	2015C, IA 18
2011 A/B, IA 17B	2015D, IA 16
2012A, IA 8C	2017A, IA 6A1, 8, 8A, 8B, 8C, 8D, 14B, 19C, 14, 14A
2012B, IA 20	2018A, IA 8C, 8D, 17C, 7B, 7D, 8E
2012 C/D/E/F, IA 7B, 7C	

City of Beaumont
CFD Flow Charts

Transactions are recorded in the general ledger as they occur

Exception: Interest earnings on trustee cash

Trustee accounts are reconciled monthly

Entries are made to general ledger for interest earnings

Quarterly amounts are released and "transfer" from Funds 250, 255, 260, and 265, as applicable

Year end analysis is performed to determine that the amounts transferred are reasonable based on the Overhead Cost Allocation Plan

CITY OF BEAUMONT
FINANCE AND AUDIT COMMITTEE

AGENDA ITEM
CFD OVERVIEW

February 22, 2016
Power Point Presentation

CFD 101 Workshop

February 22, 2016



Strength through History & Innovation

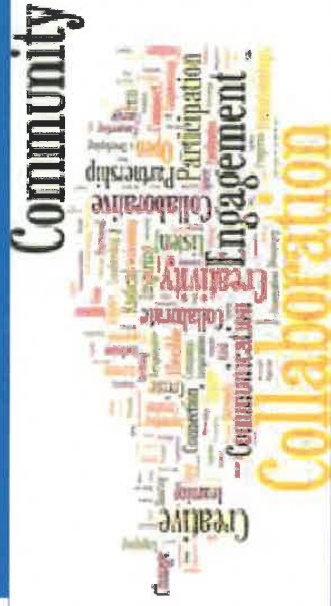


Presentation Overview

- Purpose of Workshop
- Community Facilities District (CFD) Fundamentals
- California Statistics
- Formation Process
- Bond Issuance Procedures
- Annual Administration
- Special Tax Prepayment
- Questions

Purpose of Workshop

- Review and explain the various aspects of CFDs
- Promote transparency and understanding
- Educate Council to aid in informed decision making
- Answer property owner questions and concerns
- Dispel myths and rumors



CFD Fundamentals

CFD rates are set and controlled by a Rate and Method of Apportionment (RMA)

- Defines the methodology used to calculate the special taxes
- Sets the maximum tax allowed
- Is the administration roadmap

CFDs can be categorized into two types – Facilities and Services

Category	CFD Type	
	Facilities	Service
Issue Bonds	Yes	No
Maturity Date	Yes	No*
Improvement Type	Public	Public
Finances	Construction/Acquisition of improvements & fees	Annual maintenance costs of ongoing services

*Normally lasts as long as agency provides the service

CFD Fundamentals (cont.)

CFD Facilities and Services - continued

- Improvements must have a useful life of five (5) years or more
- Need not be located within the boundaries of the CFD

Facilities	Service
<ol style="list-style-type: none"> 1. Park, recreation, parkway, and open space facilities 2. School sites and structures 3. Libraries 4. Child care facilities 5. Utility infrastructure including: Energy, water, natural gas, telephone and cable television transmission and distribution systems 6. Storm drainage and treatment facilities 7. Any other governmental facilities the legislative body is authorized to contribute revenue to, construct, own, or operate 	<ol style="list-style-type: none"> 1. Police and fire services 2. Ambulance and paramedic services 3. Maintenance and lighting of parks, parkways, streets, roads, and open space 5. Flood and storm protection, and storm drain services 6. Removal and remediation of hazardous substances

CFD use in California

1. Mello-Roos Community Facilities Act of 1982
 - California Government Code Section 53311
2. Statewide
 - 891 agencies
 - 1,392 separate bond issues totaling \$16.1B outstanding
3. Riverside County
 - 40 agencies
 - 319 separate CFDs
 - \$2.9B bonds outstanding
4. City of Beaumont
 - 1 CFD comprised of 59 Improvement Areas (IA)
 - 29 bonded IAs
 - \$208.1M bonds outstanding (as of 9/2/2015)

Source: Items 1 & 2 above per California Debt and Investment Advisory Commission (CDIAC) California Mello-Roos CFD Yearly Fiscal Status Report 2012-2013

Formation Process

- 1. Application and Petition**
- 2. Adoption of Goals and Policies**
 - Facilities priority & eligibility
 - Credit quality
 - Disclosure requirements
 - Special tax/maximum special tax limits
 - 2% total effective tax rate
 - Appraisal criteria/value-to-lien
- 3. Resolution of Intention (ROI) Meeting (first meeting)**
 - Approve CFD and/or IA boundaries
 - Identify facilities & services
 - Declare intention to
 - Form CFD/designate IA
 - Levy Special tax
 - Issue bonds
 - Set public hearing

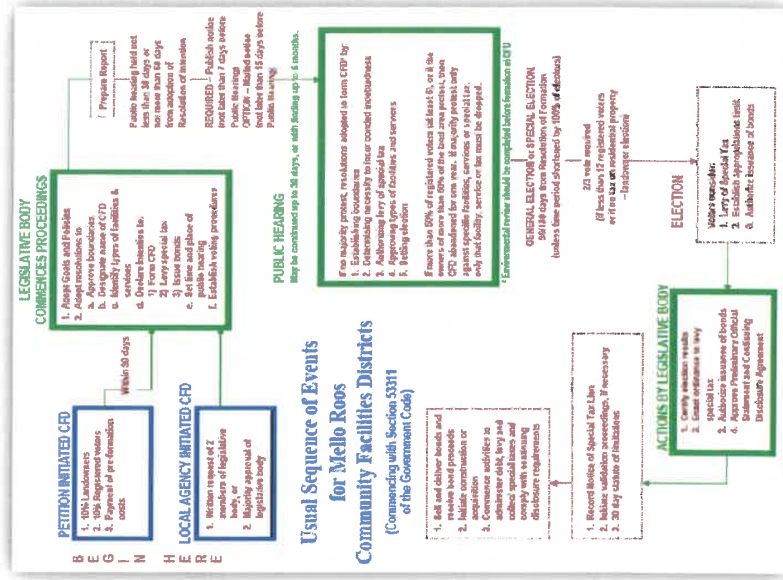
Formation Process (cont.)

- 4. Public Hearing (PH)** (second meeting)
 - Establish boundaries
 - Declare necessity to incur bond debt
 - Authorize the levy of special tax
 - Approve facilities & services
 - Set election

- 5. Special Election**
 - Can be held same day of PH
 - If 100% of voters waive election period
 - Election requires 2/3rd voter approval
 - Land owner vote if <12 registered voters in prev. 90 days
 - Land owner - 1 acre (or portion of acre) = 1 vote
 - Registered voter - general election
 - Voters consider and cast vote for
 - Levy of special tax
 - Establish appropriations limit
 - Authorize issuance of bonds

Formation Process (cont.)

- 6. **Post-Election Activity** (approved vote)
 - Certify election results
 - Ordinance to levy special tax
 - Authorize ability to issue bonds
 - Record notice of special tax lien
 - (within 15 days)



Bond Issuance Procedures

- 1. Interim Procedures**
 - Select Fiscal Agent or Trustee
 - Prepare
 - Bond documents
 - Appraisal and absorption analysis
 - Preliminary official statement
 - Report debt issuance to CDIAC
 - Solicit Bond insurance (fully developed CFDs only)

- 2. Legislative Body Adopts Resolutions Approving**
 - Bond documents
 - Bond purchase contract
 - Preliminary and final official statement
 - Continuing disclosure agreements

Bond Issuance Procedures (cont.)

- 3. Bond Sale**
 - Negotiate pricing
 - Price, terms, and maturity schedule finalized
 - Bond purchase contracts signed
 - Closing date set
 - Official statement finalized

- 4. Bond Closing**
 - Agreements executed and delivered
 - Bond purchase price wired to account of local agency
 - Bonds released to purchasers
 - Bond proceeds used to acquire eligible public facilities

Common Bond Guidelines

New Money Bond Sale

- Development 80% individually owned
- Appraisal dated within 3 months of bond issuance
- If less than 95% developed then larger reserve required
- 4:1 value-to-lien ratio
- Low delinquency rate <5%

Bond Refunding

- 4% minimum savings on annual debt service
- 10:1 value-to-lien ratio
- Low delinquency rate <5%
- Pooled financing of multiple CFDs/IAs
 - Diversification can equal better rates

Annual Administration

After a CFD is formed there are several actions that must be completed annually.

1. Special Tax calculation approaches
 1. Assigned rate (no bonds)
 2. Pay-go (bonds and facility)
 3. Traditional approach uses budgeted cost accounting:
 - Debt service payment
 - + Administration expense
 - + Delinquency reserve
 - = **Special Tax requirement** (typically less than the max tax!)
2. Monitor delinquency and foreclosures
3. Annual reporting
 - CDIAC
 - Continuing disclosure
4. Arbitrage calculation
5. Property owner services

Annual Administration (cont.)

6. Debt Service Monitoring
 - Special Tax prepayment
 - Bond call analysis
 - Reserve fund analysis

Prudent administration can equal tax reductions for property owners:

1. Bond refunding opportunities
2. Annual budget preparation and review
3. Fund analysis

The following illustrates common administration practices providing tax reductions:

Item	Assigned Tax Rate*	Levied Tax Rate	Annual Savings	% Savings
Assigned CFD Tax (Formation)	\$3,115	\$3,115	N/A	N/A
CFD Tax at Bonding (Year 3)	\$3,241	\$2,959	\$281	8%
CFD Tax at Refunding (Year 10)	\$3,723	\$3,292	\$430	12%

*Annual escalation of 2%

Special Tax Prepayment

1. Property owner provides City written notice of intent to prepay
2. Within five (5) days, City provides amount of non-refundable deposit - \$800 per request
3. Owner pays deposit and payoff quote provided within fifteen (15) days
4. Payment must be received within "Good through Date"
 - New deposit/new calculation needed if missed
5. Notice of Cancellation of Special Taxes recorded within thirty (30)

Questions

Question and Answer Session

- Council session first
- Followed by property owner (by speaker card)