

CITY OF BEAUMONT

Review Report

ADMINISTRATIVE AND INTERNAL ACCOUNTING CONTROLS

July 1, 2012, through June 30, 2014



BETTY T. YEE
California State Controller

November 2015



BETTY T. YEE
California State Controller

November 3, 2015

The Honorable Brenda Knight
Mayor of the City of Beaumont
550 E. 6th Street
Beaumont, CA 92223

Dear Mayor Knight:

Enclosed is the report of the State Controller's Office (SCO) review of the City of Beaumont's (City) administrative and internal accounting controls. The review was conducted to assess the adequacy of the City's controls for safeguarding assets and to ensure proper use of public funds.

Our review found weaknesses in the City's accounting and administrative controls system. We also noted the numerous deficiencies described in the Findings and Recommendations section of our report.

As a part of the review, we assessed various aspects of the City's internal control components and elements based on guidance by the Government Accountability Office. Of the 79 control elements evaluated pertaining to internal control components, we found 75, or 95% of control elements, that were considered inadequate and one control element that was not applicable.

The results of our review and evaluation of the elements of internal control are included in this report as an Appendix. Our assessments of the elements were based on the conditions that existed during our review period of fiscal year (FY) 2012-13 and FY 2013-14.

It should be noted that the City is in the process of developing corrective actions and implementing our recommendations. Therefore, the City should be commended for taking these matters seriously and being proactive in resolving the noted deficiencies. We would like to express our thanks to the City staff and management, who were helpful throughout the review process.

As always, my staff and I are available to address your questions. You may contact Mike Spalj, Chief, Local Government Audits Bureau, by telephone at (916) 324-6984, or by email at mspalj@sco.ca.gov.

Sincerely,

Original signed by

JEFFREY V. BROWNFIELD
Chief, Division of Audits

JVB/as

cc: Elizabeth Gibbs-Urtiaga, Acting City Manager
City of Beaumont
Mike Lara, Mayor Pro Tem
City of Beaumont
Jeff Fox, Councilmember
City of Beaumont
Mark Orozco, Councilmember
City of Beaumont
Lloyd White, Councilmember
City of Beaumont
Onyx Jones, Interim Finance Director
City of Beaumont
Nancy Carroll, Treasurer
City of Beaumont
George Lolas, Chief Operating Officer
State Controller's Office
Mike Spalj, Chief
Local Government Audits Bureau
Division of Audits
Efren Loste, Audit Manager
Local Government Audits Bureau
Division of Audits
Michael Cheng, Auditor-in-Charge
Local Government Audits Bureau
Division of Audits

Contents

Review Report

Introduction	1
Background	3
Objective, Scope, and Methodology	3
Conclusion	4
Views of Responsible Officials	4
Restricted Use	4
Findings and Recommendations	5

Appendix—Evaluation of Elements of Internal Control

Attachment—City’s Response to Draft Review Report

Review Report

Introduction

The State Controller's Office (SCO) reviewed the City of Beaumont's system of administrative and internal accounting controls for the period of July 1, 2012, through June 30, 2014 (fiscal year [FY] 2012-13 and FY 2013-14). We expanded our testing as necessary to include current and/or prior-period transactions to follow up on issues identified through our interviews of city officials and through our review of the independent auditors' reports and other audit reports.

On May 19, 2015, the SCO notified the City of Beaumont's City Manager, Alan C. Kapanicas, that the City of Beaumont did not comply with state law regarding the submittal of annual reports and independent audits. In our analysis and comparison of financial transactions reports to the audited financial statements, we noted differences as follows:

Financial Transactions Report for FY 2012-13:

- The city did not record capital assets within its governmental activities and, accordingly, did not record depreciation expenses on those assets.
- General Fund, Fund Equity, was understated by \$3,879,488 (\$11,043,473 was reported instead of the actual of \$14,922,961).
- General Fund, Cash and Investment, was overstated by \$16,035,923 (\$16,065,349 was reported instead of the actual of \$29,426).
- Total Revenues was overstated by \$4,052,615 (\$54,706,184 was reported, instead of the actual of \$50,653,569).
- Total Expenditures was understated by \$50,451,334 (\$51,443,340 was reported, instead of the actual of \$101,894,674).
- Enterprise Fund, Transit Fares, was understated by \$209,226 (\$190,808 was reported, instead of the actual of \$400,034).
- Investment in Community Facility District (CFD) bonds, totaling \$220,101,793, was not included in the Agency Funds Financial Statement.

Financial Transactions Report for FY 2013-14:

- General Fund, Fund Equity, was understated by \$3,096,013 (\$12,049,103 was reported, instead of the actual of \$15,145,116).
- General Fund, Cash and Investment, was overstated by \$15,489,921 (\$15,517,144 was reported, instead of the actual of \$27,223).
- Total Revenues was understated by \$6,370,389 (\$35,530,592 was reported, instead of the actual of \$41,900,981).
- Total Expenditures was understated by \$1,525,267 (\$42,074,213 was reported, instead of the actual of \$43,599,480).

- Enterprise Fund, Waste Activity, Prior Year Adjustment, negative \$341,609, was not included to restate the ending Enterprise Fund balance.
- Investment in CFD bonds, \$216,046,830, was not included in Agency Funds Financial Statement.

City of Beaumont Independent Auditor's Report for FY 2012-13:

- Management's Discussion and Analysis was not presented as required to supplement the basic financial statements.
- Governmental Activities, Unrestricted Net Position, had a deficit of \$32,707,527.
- General Fund, Unassigned Fund, had a deficit of \$6,866,481.
- It is not clear whether the \$21,500,000 in advances to the Beaumont Redevelopment Successor Agency will be collectible due to the dissolution of the Redevelopment Agency.
- It is not clear whether the City will be able to reduce the deficit without additional revenue sources or expenditure cuts.
- The City currently does not have the financial resources to pay the Western Riverside Council of Governments (WRCOG) Transportation Uniform Mitigation Fee (TUMF) lawsuit settlement in the amount of \$42,994,879, plus interest and fees.

City of Beaumont Draft Independent Auditor's Report for FY 2013-14 (Posted on City's Website):

- Management's Discussion and Analysis was not presented as required to supplement the basic financial statements.
- Governmental Activities, Unrestricted Net Position, had a deficit of \$34,861,337.
- General Fund, Unassigned Fund, had a deficit of \$6,623,679.
- It is not clear whether the \$21,500,000 in advances to the Beaumont Redevelopment Successor Agency will be collectible due to the dissolution of the Redevelopment Agency.
- It is not clear whether the City will be able to reduce its deficit without additional revenue sources or expenditure cuts.
- The City currently does not have the financial resources to pay the WRCOG TUMF lawsuit settlement in the amount of \$42,994,879, plus pre-judgement interest of \$14,809,096.

After considering the above information, the SCO has concluded that there is reason to believe that the City's ability to provide reliable and accurate information relating to required financial reports is questionable. Therefore, under Government Code section 12464(a), we conducted an investigation to validate the financial transaction reports submitted by the City for FY 2012-13 and FY 2013-14. Under Government Code section 12464(b), the costs of this review, including those for preparing a report of the results and transmitting copies to the City Council, will be borne by the City.

Our review included an analysis of the administrative and internal accounting controls and fiscal management practices of the City. This included assessing the impact of allegations of wrongdoing by city officials and any findings on selected local, state, and federal programs administered by the City.

This report presents the results of findings and conclusions reached in our review of the City's administrative and internal accounting controls system.

Background

The City of Beaumont was incorporated on November 18, 1912. It is a "general law" city governed by a city council/city manager form of government. The 2010 United States Census reported that the City of Beaumont had a population of 36,877.

The City of Beaumont includes as component units in its financial reports the Beaumont Financing Authority, the Community Facility District 93-1, the Beaumont Utility Authority, and the Beaumont Conservation Authority. Although legally separate, these entities are governed by all members of the City Council and are managed by City staff; thus, the entities are treated by the City of Beaumont as component units for financial reporting purposes.

Objective, Scope, and Methodology

The objective of this review was to evaluate the City of Beaumont's system of administrative and internal accounting controls to ensure:

- Effectiveness and efficiency of operations;
- Reliability of financial reporting;
- Compliance with applicable laws and regulations; and
- Adequate safeguard of public resources.

To accomplish our objective, we performed the following procedures:

- Evaluated the City's formal written internal policies and procedures;
- Conducted interviews with City employees and observed the City's business operations for the purpose of evaluating City-wide administrative and internal accounting controls;

- Reviewed the City's documentation and supporting financial records;
- On a limited basis, performed tests of transactions to ensure adherence with prescribed policies and procedures and to validate and test the effectiveness of controls; and
- Assessed various aspects of the City's internal control components and elements based on guidance by the Government Accountability Office.

Conclusion

We found the City of Beaumont's administrative and internal accounting control deficiencies to be serious and pervasive; in effect, such controls are non-existent. The weaknesses in the City's administrative and internal accounting controls system resulted in numerous findings that should be addressed and corrected by the City.

As part of our review, we made an assessment of various aspects of the City's internal control components and elements based on the guidelines established by the Government Accountability Office's Internal Control Management and Evaluation tool. Of the 79 control elements evaluated pertaining to internal control components, we found 75 of 79 (95%) for which controls were considered to be inadequate and one control element that was considered not applicable. The results of our review and evaluation of elements of internal control are included in this report as an Appendix.

The City should develop a comprehensive corrective action plan to address these deficiencies. The plan should identify the tasks to be performed, as well as milestones and timelines for completion. The City Council should require periodic updates at public meetings of the progress in implementing the corrective action plan.

Views of Responsible Officials

We issued a draft report on October 8, 2015. Elizabeth Gibbs-Urriaga, Acting City Manager, responded to the findings by email on October 19, 2015 and in a letter postmarked October 21, 2015. The City is in the process of developing corrective actions and implementing our recommendations. The City's response is included in this final review report as an attachment.

Restricted Use

This report is solely for the information and use of the City of Beaumont and the SCO; it is not intended to be and should not be used by anyone other than these parties. This restriction is not intended to limit distribution of this report, which is a matter of public record.

Original signed by

JEFFREY V. BROWNFIELD
Chief, Division of Audits

November 3, 2015

Findings and Recommendations

Noncompliance with Government Code section 12464

Pursuant to Government Code section 12464, our review disclosed the following reporting issues at the City of Beaumont (City):

Financial Transactions Report for fiscal year (FY) 2012-2013:

- The City has not recorded capital assets within its governmental activities, and accordingly, has not recorded depreciation expenses on those assets.
- General Fund, Fund Equity, was understated by \$3,879,488 (\$11,043,473 was reported instead of the actual of \$14,922,961).
- General Fund, Cash and Investment, was overstated by \$16,035,923 (\$16,065,349 was reported instead of the actual of \$29,426).
- Total Revenues was overstated by \$4,052,615 (\$54,706,184 was reported instead of the actual of \$50,653,569).
- Total Expenditures was understated by \$50,451,334 (\$51,443,340 was reported instead of the actual of \$101,894,674).
- Enterprise Fund, Transit Fares, was understated by \$209,226 (\$190,808 was reported instead of the actual of \$400,034).
- Investment in Community Facility District bonds, totaling \$220,101,793, was not included in the Agency Funds Financial Statement.

Financial Transactions Report for FY 2013-14:

- General Fund, Fund Equity, was understated by \$3,096,013 (\$12,049,103 was reported instead of the actual of \$15,145,116).
- General Fund, Cash and Investment, was overstated by \$15,489,921 (\$15,517,144 was reported instead of the actual of \$27,223).
- Total Revenues was understated by \$6,370,389 (\$35,530,592 was reported instead of the actual of \$41,900,981).
- Total Expenditures was understated by \$1,525,267 (\$42,074,213 was reported instead of the actual of \$43,599,480).
- Enterprise Fund, Waste Activity, Prior Year Adjustment, negative \$341,609, was not included to restate the ending Enterprise Fund balance.
- Investment in CFD bonds, totaling \$216,046,830, was not included in the Agency Funds Financial Statement.

Recommendation

The City should consider the issues above when preparing future Financial Transactions Reports. The City's Financial Transactions Reports submitted to the State Controller's Office (SCO) should include all year-end final closing adjustments. The City should also ensure that internal control findings and recommendations noted in this report are reviewed and evaluated for their impact on future reporting.

City's Response

- a. On October 1, 2015, the Interim Finance Director, Onyx Jones, contacted Mr. Jeffrey V. Brownfield, Chief, Division of Audits at the SCO regarding the completion of the City's FY 2015 Financial Transactions Report. The Interim Finance Director explained that the steps listed below would need to be taken by the City during the next 6 months to a year in order to correct all previous year Financial Transaction Report discrepancies and to ensure timeliness and accuracy of the future annual reports:
 - i. The Finance Department will work with the City's new audit firm to complete FY 2015 audited financials that will be compliant with GASB 34, include a Management Discussion & Analysis (MD&A), and reflect a proper recording and valuation of fixed assets.
 - ii. All prior period adjustments for cash, investments, fund balance/equity, bond transactions, and auditor adjustments for both government and business activities, will be recorded in the FY 2015 Financial Transaction Report so that it reconciles to the FY 2015 Government Wide Audited Financial Statements.
 - iii. The FY 2015 Agency Fund Financial Transaction Reports will include the proper accounting of the Beaumont Financing Authority and any other missing agency funds.
 - iv. The Interim Finance Director is also working on an internal year-end check-list with deadlines to ensure FY 2016 closing entries are recorded in the City's general ledger system and reflected in the FY 2016 Financial Transaction Report by the State Controller's deadline of October 2016.
 - v. The Finance department will ensure that any auditor adjustments booked after the October 2016 deadline are shown as prior period adjustments in the following year's Financial Transaction Reports to ensure that the balances continue to tie to the City's audited financial statements.
- b. The City does understand that there is no section in the California Government Code that requires that the annual Financial Transaction reports be based on audited information and there is no legal requirement to include an audit report; however, the City will create a practice of ensuring a copy of the audited financial statements are sent to the State Controller's office when completed and any adjustments needed to reconcile the Financial Transaction to the audited financial statements will be properly recorded in the following year's Financial Transaction Report.

**Results of Analysis
of the City's
Administrative and
Internal
Accounting
Control System**SCO's Comments

The City is in the process of taking appropriate corrective action to submit more accurate and timely reports.

We found the City's administrative and internal accounting control deficiencies to be serious and pervasive; in effect, such controls were non-existent. The weaknesses in the City's administrative and internal accounting controls system resulted in numerous findings that should be addressed and corrected by the City. We also found a serious lack of oversight by the City Council over the City's financial and operational activities.

We assessed various aspects of the City's internal controls components and elements based on the guidelines established by the Government Accountability Office's Internal Control Management and Evaluation tool. Of the 79 control elements evaluated pertaining to internal control components, we found 75 of 79 (95%) that were considered inadequate and one control element that was considered non-applicable. In the overarching components under control environment for integrity and ethical value, commitment to competence, and management oversight and control, we found that none of the eight control elements were adequate.

Using the results of our internal control matrix, we performed reviews of selected transactions to document examples of weak and nonexistent controls. The specific findings described in this report resulted, at least in part, from these deficiencies.

Recommendation

While we have provided specific recommendations to address the findings described below, from a broader perspective, we recommend that the City develop a comprehensive corrective action plan to address the deficiencies noted in the Appendix. The plan should identify the tasks to be performed, as well as milestones and timelines for completion. In addition, we recommend that the City of Beaumont's City Council require periodic updates at public meetings of the progress in implementing the corrective action plan.

City's Response

- a. The City is working on a corrective action plan to address the deficiencies identified in this report. The City has already begun creating Financial Management Policies, employee handbooks, an internal checklist of staff responsibilities, hiring the necessary staff/consultants to complete the work, and developing timelines.
- b. The Finance Department will be providing quarterly updates to Council on the progress. The first information update is scheduled to be presented to Council in November 2015.

SCO's Comments

The City is in the process of taking appropriate corrective action to remedy the noted deficiencies.

**FINDING 1—
Lack of proper
accounting and
records of bond
issuances, fixed assets,
and inventory**

The City failed to properly account for and maintain records for its component units' bond transactions and its fixed assets and inventory.

Total Lack of Accounting for and Questionable Use of Bond Proceeds

The City did not keep proper accounting records of its component units'—the Beaumont Financing Authority (Authority), the Community Facilities District No. 93-1 (District), and Beaumont Utility Authority (Utility)—transactions relating to Authority, District, and Utility bond issuances totaling \$626 million.

We noted the following:

- The Authority issued \$313.09 million in local agency revenue bonds for use mainly in acquiring District bonds and for a sewer enterprise project between 1993 and 2014;
- The District issued \$303.12 million in special tax bonds for use in the various improvement areas within the District between 1994 through 2014; and
- The Utility issued \$9.79 million in revenue bonds for a wastewater enterprise project in 2001.

It should also be noted that during FY 2014-15, the District issued an additional \$44.36 million in special tax bonds for the refunding of prior bonds. The Authority concurrently issued another \$44.36 million in local agency revenue bonds for acquiring the District bonds.

The Indenture of Trust between the Authority and the Trustee requires the Authority to:

...keep, or cause to be kept, proper books of record and account, prepared in accordance with generally accepted accounting principles, in which complete and accurate entries shall be made of all transactions relating to the Bond proceeds, the Revenues, the District Bonds, and all funds and accounts established pursuant to the Indenture.

Similarly, the Indenture of Trust between the District and the Trustee requires the District to:

...keep, or cause to be kept, proper books of record and account, and spreadsheet showing the allocation of moneys in the Construction Fund, Cost of Issuance Fund, Administrative Expense Fund between each of the Improvement Areas within the District and of the allocable share of each improvement acquired or constructed by the District, and the status of such costs in relation to then current budget for each improvement.

The Indenture of Trust between the Utility and the Trustee requires the Utility to:

...at all times keep, or cause to be kept, proper books of record and account prepared in accordance with industry standards in which complete and accurate entries shall be made of all transactions made by it relating to Gross Wastewater Revenues and all funds and accounts established pursuant to the Indenture.

Although legally separate entities, the Authority, District, and the Utility are all governed by the City Council and are managed by City staff; thus,

they are treated by the City as component units for financial reporting purposes. The City was responsible for managing the component units' activities, including performing the accounting functions; however, it did not fulfill these responsibilities. The City failed to provide us with any accounting records for the bond transactions for our review. The current City management and employees performing accounting functions did not have any information or records of bond transactions. We were given access to the former Finance Director's computer files; however, we were able to find only incomplete spreadsheets and copies of requisitions pertaining to the bond transactions.

Based on our interviews of current City staff members and our review of the available records, we noted the following:

- Bond proceeds are held by the Trustee in specific accounts until such time the Trustee receives an authorization, through a Requisition Form, from the City to release funds. A requisition could be a request for payment to a vendor either through a check or electronic transfer of funds to a vendor's account, or a request to transfer funds from one bond account to another.
- It is not clear how the City accounted for the bond proceeds payments in its financial accounting system. We could not trace any of the requisitions tested to the City's ledgers (official accounting records).
- The City lacked sufficient supporting documentation for the requisitions and, therefore, we could not determine whether the bond proceeds were used for their intended purposes.
- It appears that the former Finance Director was responsible for the accounting of the bonds, as evidenced by payments the former Finance Director received directly from the bond proceeds. Invoices from these payments were described as payments for "reviewing, summarizing, and recording of bond transactions." Additionally, it is unclear whether these tasks relating to bonds were separate chargeable tasks outside of the responsibilities of Finance Director. The agreement for the Finance Director services was not available for review, as the City destructed the document citing its retention policies.
- The former City Manager and former City Public Works Director, principals of General Government Management Services (GGMS) and Urban Logic Consultants, Inc. (ULC), respectively, both provided professional services in several of the bond issuances as Special Tax Consultant and Project Engineer, and received fees from the bond proceeds for the services provided. Agreements for these services were not available for review, making it unclear whether the services were separate chargeable tasks outside of the responsibilities of City Manager and Public Works Director. The former City Manager and former City Public Works Director were consultants working for the City.
- Requisitions, including payments to GGMS and ULC, were prepared and approved by the Public Works Director and the City Manager. Considering that these payments were made to companies owned by the requisition approvers, the City should have taken additional procedures to minimize conflict of interest.

Due to the lack of proper accounting records, we were not able to determine how the bond proceeds were spent. Based on interviews of current City staff members and documents reviewed, it appears that the former Finance Director, City Manager, and Public Works Director had complete control over the bond proceeds and each of them was personally benefitting financially. We could not determine the extent of these financial benefits because the City could not provide us with agreements and/or information on payments to the former Finance Director, City Manager, and Public Works Director from the bond proceeds. In effect, this situation created a conflict of interest that the City failed to address or prevent from occurring. It is difficult to understand why the City Council would ever approve or condone having the City's executive management team's personal businesses enter into such agreements with the City. Basically, the City Management and the City Council failed to exercise its fiduciary responsibilities in protecting taxpayer dollars.

Accounting for Fixed Assets and Inventory

Proper accounting of fixed assets and equipment is a crucial part of the City's financial statements. Deficient recordings and improper depreciation of a City's capital assets can lead to inaccurate financial reporting and result in a qualified audit opinion. It is important for the City to capitalize and depreciate its fixed assets because doing so will provide accurate values of the City's fixed assets and capture the true amount of expenditures.

In our review of the City's Comprehensive Annual Financial Reports (CAFR) for FY 2007-08 through FY 2013-14, we found that the City has not capitalized capital assets nor recorded depreciation expenses within its governmental activities financial statements. This resulted in inaccurate financial statements as well as a qualified audit opinion.

In addition, we noted that the City did not regularly perform inventory checks of its information technology (IT) equipment. There was no written policy or procedure for regular physical counts of equipment, nor was there an established policy and procedure over acquisitions or disposal of equipment. The City provided us with an inventory list that we used to verify whether items on the list existed and items were recorded properly. Upon testing the list, we noted the following issues:

- The City's equipment inventory items are not physically and individually tagged;
- Serial numbers, dates of acquisition, and historical costs are not recorded; and
- Some of the inventory items were not recorded at all.

Overall, we found that the inventory list was incomplete due to missing information and the City's failure to record all equipment.

Recommendation

The City should reconstruct all of the bond proceeds records and determine whether or not these proceeds were spent appropriately and for the intended purpose. This process should include a review of agreements with and payments to the City's Executive Management Team for their services regarding the bond proceeds. If the City determines that these payments were not appropriate, it should seek legal recourse against these individuals and their businesses. The City should also establish policies and procedures to:

- Properly account for and maintain records of bond proceeds;
- Ensure that bond proceeds are spent on the intended purpose; and
- Minimize potential conflict-of-interest risks.

The City should establish policies and procedures to capitalize and depreciate its fixed assets and create an action plan to carry out this objective. In addition, the City should establish policies and procedures for how to properly conduct regular annual inventory counts to ensure that City equipment inventory is properly accounted for.

City's Response

Total Lack of Accounting for and questionable use of Bond Proceeds

Prior Year Clean Up

1. The City has begun the process of reconstructing all bond transactions, where trustee statement are available, and recording them properly in the general ledger system. The transactions recorded will provide detail on how the bond funds were utilized, will record fixed assets when appropriate, will show proper bond issuance transactions and will reconcile to the audited financial statements. Our estimated completion date for this task is October 2016. Due to the magnitude of this project, the City will inform the SCO if additional time is needed.
2. There will be quarterly updates to Council that summarizes how the previous year's bond funds were used by the City and a detailed accountability of how the bonds funds are being spent currently in FY 2016.
3. In the event the City determines that unlawful payments were made to individuals, companies or other third parties, the City will evaluate available legal recourse and, where appropriate, notify law enforcement agencies of possible criminal activity.

FY 2016 and moving forward

1. As a part of the FY 2016 monthly process, all bond transactions will be recorded and monthly bank reconciliations with the Trustee bank statements will be performed by the newly hired senior accountant and reviewed and approved by the Finance Director and City Manager.

2. Any disbursements of bond funds will be recorded in the City's general ledger system and requisitions for reimbursement will be processed with proper back up documentation and a dual control approval system.
3. Per the City's new Purchasing ordinance approved in July 2015 (Appendix A), any purchase request with bond funds for public works projects under \$5,000.00 must be approved by the City Manager and Finance Director. Purchase requests in excess of \$5,000.00 will undergo a competitive bidding process, be reviewed by the Finance Director and City Manager and presented to Council for approval.
4. The current competitive bidding process requires Council's approval of the request for proposal (RFP). The RFP is then submitted to the public and/or emailed to numerous potential bidders. All proposing firms must meet minimum qualifications. The proposals received are scored by a minimum of three reviewers who have expertise in the subject area of the RFP. Staff will conduct and score interviews with each qualified firm as necessary, and will conduct reference checks for all qualified firms.
5. Once a vendor is approved by Council, the vendor is issued a Purchase Order with a not-to-exceed-amount. The payment of invoices against the purchase orders are tracked in the General Ledger and reviewed by the Finance Director, City Treasurer and City Manager. City Council also reviews the payments through its approval process of the warrant registers.
6. Every RFP issued by the City and every contract signed by the mayor include a conflict of interest statement that has been approved by the City Attorney and City Council. (Appendix B)

Accounting for Fixed Assets and Inventory

1. The Finance Department will be working on a RFP in November 2015 to hire a professional firm to conduct a fixed asset inventory, identification and valuation per the GASB 34 requirement.
2. There will also be a fixed assets policy developed to determine how to classify assets (land, buildings, equipment, infrastructure, right of way, intangible assets, etc.), what fixed assets should be expensed versus depreciated, and what methods of depreciation will be implemented for each classification of assets.
3. The new vendor will also be requested to set up a new barcode tagging system for assets valued in excess of \$5,000 so the City can update its records annually.
4. Fixed assets currently recorded in the enterprise funds will be reviewed and amended as necessary. Fixed assets associated with Governmental Activities and Agency Funds will be identified and recorded with the proper valuations.
5. The Finance Department will also be working with the various City departments to conduct year-end inventory counts for inventory held in Grounds Maintenance, Vehicle Maintenance, and the Sewer Fund.

6. The Finance Department has been informed by the City's current software company, Microsoft, that the current general ledger software, Great Plains, is outdated and must be upgraded. Among other features, the upgrade will allow for more user licenses, a fixed asset module, a budget module, and a purchase requisition module that will encumber funds in the budget as purchase orders are approved.

SCO's Comments

The City has begun to implement our recommendations and is taking steps to properly account for its bond issuances, fixed assets, and inventory.

The finding remains as stated.

FINDING 2— Questionable Use of a Seller's Permit

In October 2008, the Beaumont Financing Authority (Authority) applied for and was issued a seller's permit by the Board of Equalization (BOE) for the purpose of selling retail goods. The seller's permit allowed the Authority to make purchases from vendors located outside of the City's jurisdiction without paying sales taxes. Sales taxes were subsequently to be collected upon the Authority's reselling of the goods. We noted the following issues surrounding the Authority's use of the seller's permit:

- It does not appear that the Authority is in the business of reselling goods. Although items were purchased using the Authority's resale certificate, the Authority does not maintain a record of inventory nor sales.
- The City made purchases using the Authority's resale certificate for items used for City operations and items for personal use by employees, such as computer and electronics purchases made through the City's computer loan program. Although there is no actual record of a sale, the City recorded sales tax liability for these purchases, making them appear as sales generated within the City—sales from the Authority to the City or to its employees.
- The Authority allowed a City vendor to use its resale certificate to purchase the vendor's own inventory (see Finding 3).
- The Authority misrepresented the gross sales and the tax liability on the quarterly tax return to the BOE because it calculated the gross sales based on an estimate instead of actual sales. In calculating its reportable quarterly sales tax liability, the City calculated its gross sales by dividing the sales tax liabilities it recorded in its general ledger to the applicable sales tax rate.
- The Authority may have understated its sales tax liability because no internal controls exist to ensure that the correct amount is collected. We noted that sales tax is calculated manually each time it is collected, no software controls are in place to determine whether sales tax is applicable, and sales tax is not reviewed by a second person.
- The Authority's resale operation appears to be merely a mechanism to shift sales tax revenues from other local jurisdictions to the City by moving the point of sale to the City.

The City stated that it stopped using the resale certificate for purchases effective June 11, 2015. On August 6, 2015, the City provided the SCO a copy of a letter advising its vendors that all future invoices to the City must include applicable sales tax.

Recommendation

- The City should seek guidance from the BOE and gain a clear understanding regarding its seller's permit and the use of the resale certificate.
- The City should implement policies and procedures to account for the Authority's purchases intended for resale, to record its resale transactions, and to file accurate sales tax returns.
- The City should require that vendors include a detailed description in invoices for their purchases. Doing so will aid in identifying whether the purchases are for goods or services, and in determining whether the City should pay sales tax. Furthermore, including such descriptions will help in properly accounting for the Authority's sales tax liability.

City's Response

1. As noted in the SCO's report, the City has ceased using the resale certificate for purchases effective June 11, 2015, under the direction of the current Acting City Manager. The Interim Finance Director also mailed letters to all of the City's vendors advising them that all future invoices to the City must include applicable sales tax. (Appendix C)
2. The City currently has an audit scheduled with a representative from the Board of Equalization ("BOE") on October 22, 2015. The Acting City Manager, the Interim Finance Director, and the Interim City Attorney will be meeting with the BOE to discuss the items highlighted on this report. The result of the BOE audit will be addressed in and become a part of the City's corrective action plan.

SCO's Comments

As noted in this report, the City has stopped using the resale certificate for purchases.

The finding remains as stated.

**FINDING 3—
Questionable
Agreement and
Transactions with a
City Vendor**

From 2009 to 2015, the City used the Authority's resale certificate to purchase approximately \$6.5 million of Beaumont Electric, Inc.'s (BEI) supplies and equipment without paying vendors any sales tax. Purportedly, the objective of this arrangement was to increase the City's sales tax revenue, similar to the operation detailed in Finding 2. Following is a brief description of the operation:

1. BEI purchased supplies from vendors and avoided sales tax charges by using the Authority's resale certificate. Vendors did not charge sales tax because they believed that the items purchased were for retail.
2. The City paid the vendors according to a spreadsheet prepared by BEI with vendor names, amounts to be paid, and sales tax due. The City never received any invoices and vendors never received any sales tax.
3. The City used the spreadsheet to determine how much sales tax to remit to the BOE.
4. BEI reimbursed the City 30-60 days later for the amount paid to its vendors, along with the sales tax due. The City never invoiced BEI or made any sort of reimbursement request because it relied on BEI to reliably and accurately repay it. As of June 30, 2014, the "Due from Beaumont Electric" account had an outstanding balance of \$393,737.

The arrangement was highly questionable because it lacks transparency, involving unknown terms, conditions, and parties. There are numerous internal control issues as well. Following are observations we noted with regards to this operation:

- The terms and conditions of this arrangement were never formally documented. The City could not provide a written agreement and claims there was only an oral agreement between the City and BEI.
- Similar to Finding 2, it does not appear the City is in the business of reselling goods. Although items are purchased using the resale certificate, the City does not maintain a record of inventory nor sales.
- The City allowed BEI to order supplies and equipment using the Authority's resale certificate. In general, local agencies should not authorize private businesses to make purchases in their names.
- The City paid the BEI suppliers without adequate supporting documentation. The BEI suppliers are paid without confirming that the invoices existed and that the amounts were correct. Furthermore, by not reviewing invoices before payment, the City bypassed internal controls designed to ensure public funds are used appropriately.
- The City relied on BEI to determine when sales tax was applicable and to calculate the amount to be collected. The City should have been responsible for this function. Therefore we could not determine whether sales tax was properly collected on all purchases.

- After vendors were paid, the City did not have adequate controls in place with regards to the reimbursement of the paid invoices. There was no schedule of payments and the City did not send an invoice to BEI to seek reimbursement. The City relied on BEI to ensure that the City was reimbursed. Our analysis of BEI's reimbursements to the City revealed that it took approximately 30 to 60 days to receive reimbursement.

Recommendation

- The City should have a written agreement for transparency purposes and to properly identify the type of agreement, the parties involved, and the terms and conditions.
- The City should assess, analyze, and evaluate the agreement to ensure that the benefits exceed the costs and to determine if the agreement is reasonable and allowable.
- The City should verify and keep a log of the payments it is making to third parties, and should keep track of its reimbursement payments to ensure that they are properly accounted for. The City should review and verify that it has all the supporting documentation.

City's Response

1. The Acting City Manager discontinued the arrangement with Beaumont Electric immediately upon appointment on June 2nd 2015.
2. City Staff provided Council and the public with detailed information regarding the transactions that occurred between the City and Beaumont Electric. (Appendix D)
3. City staff was able to reconcile the outstanding balance of Beaumont Electric and has determined that the correct outstanding balance owed to the City is \$9,234.04
4. The City's new proposed Financial Management Policies, that are scheduled to be reviewed by the City's new Standing Financial Committee in November, would prohibit these types of agreements from being created in the future.

SCO's Comments

The City has discontinued the arrangement with the vendor and performed a reconciliation of the outstanding balance owed to the City by the vendor. Additionally, the City has included in its new proposed Financial Management Policies a policy prohibiting such types of agreements from being created.

The finding remains as stated.

**FINDING 4—
Lack of adequate
oversight over
contract awards**

We found that City management failed to properly manage contract awards for purchase of supplies and personal property, procurement of professional services, and procurement of public works contracts. In general, we found that the City's Municipal Code pertaining to competitive bidding requirements was not always followed for some of the contracts.

In our review of City contracts for FY 2012-13 through FY 2013-14, we found examples in which the City failed to follow its competitive bidding requirements, as follows:

- A contract for centrifuge equipment used at the wastewater treatment plant was awarded to Andritz Separation Inc. without proper competitive bidding. We tested and traced \$229,037 of this contract to invoices and checks. The City contends that this vendor is a sole source vendor, but did not provide documents to support its claim.
- A contract to provide pumps for the City was awarded to Xylem Water Solutions USA, Inc. without proper competitive bidding. We tested and traced \$37,166 of this contract to invoices and checks. The City contends that this vendor is a sole source vendor for this brand of pumps, but did not provide documents to support its claim.
- A contract for professional services for the City's groundwater basins was awarded to Wildermuth Environmental Inc. without proper competitive bidding. We tested and traced \$178,156 of this contract to invoices and checks. The City contends that this vendor performed specialized work, has considerable experience working with the City's groundwater basins, and that legal counsel advised the City that a competitive bidding process was not required; however, the City did not provide documents to support its claim.
- A contract to build a new pedestrian bridge was awarded to Paragon Bridge Works, Inc. without proper competitive bidding. We tested and traced \$160,967 of this contract to invoices and checks. The City contends that this bridge was custom-made and therefore did not require the City to follow the competitive bidding process. Building a customized bridge can be considered a type of "professional service" and a "public works project," which should follow competitive bidding procedures.
- On December 17, 2013, the City entered into a contract with Urban Logic Consultants (ULC) for engineering services without following competitive bidding process. This contract established a new procedure in which future engineering projects would be processed through "job cards" that would detail the scope of work to be performed and estimated costs would be approved by the City Engineer, Finance Director, and the City Manager. This contract did not require "job cards" to go through the competitive bidding process nor did it require City Council approval.
 - We could not determine how much the City paid to ULC from 1993 through 2002-03.

- From FY 2003-04 through 2013-14, the City paid approximately \$38 million to ULC. We could not verify if all these payments went through the competitive bidding process because most ULC records were seized during a raid by the Riverside County District Attorney's Office. The City should not approve of agreements wherein large projects can be funded without the City Council's direct approval and for which competitive bidding process can be avoided.

The City's Municipal Code outlines the competitive bidding requirements for each type of contract award as follows:

Section 3.00.040 Competitive Negotiation-When Required states:

Purchasing supplies, equipment and personal property shall be by competitive negotiation except as provided in section 3.00.050.

Section 3.00.050 Competitive Negotiation Procedures states:

Purchases subject to the competitive negotiation requirement shall be made by the Purchasing Officer as follows:

- A. Request for Proposal: A request for proposal shall be prepared and shall identify all significant evaluation factors, including price or costs when required, and their relative importance.
- B. Solicitation for Proposals: Proposals shall be solicited from an adequate number of qualified sources to permit reasonable competition consistent with the nature and requirements of the procurement. The request for proposals should be publicized and reasonable requests by other sources to compete should be honored to the maximum extent practicable.
- C. Evaluation: The Purchasing Officer shall provide mechanisms for technical evaluation of the proposals received and determinations of responsible offerors, for the purpose of written or oral discussions and selection for contract award.
- D. Award: Award may be made to the responsible offeror whose proposal will be most advantageous to the City, price and other factors considered. Unsuccessful offerors should be notified promptly. (Ord. No. 815, § 1,11-20-01)

Section 3.00.060 Exemptions to Competitive Negotiation states:

Competitive negotiation for the purchase of supplies, equipment and personal property shall not be required in the following circumstances:

- A. In the case of an emergency.
- B. When the amount involved is less than ten thousand dollars (\$10,000.00).
- C. When the item can be obtained from only one vendor.

Section 3.01.040 Competitive Procurement Procedures states:

The Procurement Officer shall comply with the following procedure for the procurement of professional services:

- A. Request for Proposal: Prepare a request for proposal and submit the request for proposal to the City Council for approval. The request for proposal shall identify all significant evaluation factors, including price or costs when required, and their relative importance.
- B. Solicitation of Proposal: The request for proposals shall be publicized and disclosed publically on the City website. Any properly qualified firm or professional shall be permitted to timely submit a responsive proposal for consideration.
- C. Evaluation: The Procurement Officer shall develop mechanisms for the technical evaluation of proposals received, and shall conduct discussions with the proposers regarding anticipated concepts and the relative utility of alternative methods of approach for furnishing the required services.
- D. Compilation: The Procurement Officer shall compile the proposals for consideration by the City Council.

Section 3.01.050 Exemptions to Competitive Procurement Procedure states:

Upon obtaining approval from the City Council, the Procurement Officer may engage services of a professional firm or individual without complying with the Competitive Procurement Procedures in the following circumstances:

- A. The services are available only from a single source; or
- B. Public exigency or emergency will not permit delay; or
- C. State or federal grant or loan requirements authorize noncompetitive procurement of such services; or
- D. After solicitation of a number of sources, competition is deemed inadequate.

In circumstances of public exigency or emergency where prior approval of the City Council cannot be reasonably obtained, the City Manager may engage services of a professional firm or individual. The professional services contract shall be submitted to the City Council at the next regularly scheduled City Council meeting.

Section 3.02.050 Competitive Bidding-When Required states:

Public works projects over five thousand dollars (\$5,000.00) shall be implemented by competitive bidding. A project may not be split into smaller portions to avoid the competitive bidding requirement.

Section 3.02.060 Exemptions to Competitive Bidding states:

Public works contracts may be awarded without competitive bidding in the following circumstances:

- A. When the amount involved is five thousand dollars (\$5,000.00) or less;
- B. The services sought are available only from a single source;
- C. An emergency exists, as determined the City Council by a four-fifths vote; or
- D. If the Contracting Officer determines, on the basis of reasonable evidence, that competitive bidding would be impossible and unnecessary, and that it is in the public interest to implement the project as a “design-build” project.

In each of the cases cited, the City failed to comply with its Municipal Code requirements and, therefore, did not follow a competitive bidding process. The competitive bidding process is beneficial for cities because it helps them obtain goods and services at lower prices by stimulating competition. The process also prevents favoritism toward any one vendor by creating a fair and equal opportunity for all vendors to bid on city contracts. If this process is not followed, concerns may arise about the adequacy of accountability and oversight over the stewardship of public funds.

Recommendation

The City should ensure that it complies with its Municipal Code pertaining to the competitive bidding process. City management should also establish policies and procedures to ensure that all future contracts are awarded properly.

City’s Response

1. City Council recently approved the creation of a new City Engineer/Public Works Director position during the FY 2016 budget process. This position will be held by a City employee who has an engineering license. The City Engineer/Public Works Director will provide oversight for all public works projects and will provide Council with quarterly updates on all Capital Improvement Projects to ensure that projects are meeting the needs of the City.
2. As indicated previously under our response to Finding #1,
 - a. City Council approved a new Purchasing Ordinance in July 2015 that requires a competitive bidding process for Public Works Contracts over \$5,000 and Professional Service Agreements over \$10,000.
 - b. The current competitive bidding process recently implemented includes the following steps:
 - i. Council approves the RFP,
 - ii. The RFP is then submitted to the public and/or emailed to numerous potential bidders,

- iii. All proposing firms are screened by a matrix to determine that they meet minimum qualifications,
 - iv. Qualified firms have their proposals scored by a minimum of three reviewers who have expertise in the subject area of the RFP,
 - v. Staff will conduct and score interviews with each qualified firm as necessary,
 - vi. Reference checks will be done for all qualified firms.
- c. Once a vendor is approved by Council, the vendor is issued a Purchase Order with a not to exceed amount. The payment of invoices against the purchase orders are tracked in the General Ledger and reviewed by the Finance Director, City Treasurer and City Manager. City Council also reviews the payments through its approval process of the warrant registers.
 - d. Examples of recent competitive bids conducted by the City involved the identification and selection of a part-time City Engineer, a Third Party Administrator for Worker's Compensation, and a Special District Administrator.
3. Any contracts that were approved under the City's previous "job card" system are being brought back to Council to determine if the contract should be rewritten, cancelled, or in very rare circumstances, approved to continue as is.
 4. We are currently working on a draft Financial Policies and Procedures Manual that summarizes the new Purchasing Ordinance, a flow chart for purchases exceeding \$5,000 (Appendix E), and a one page summary for processing Purchase Orders and Vendor Invoices. These procedures will be amended as the new software system is implemented and some of these procedures are automated. The manual will also be vetted by the new Standing Financial Committee and City Council.
 5. The new purchasing ordinance also requires that contracts be renewed on an annual basis through Council approval.
 6. Exceptions to the Competitive Bid Process will be defined in detail in the Financial Policies and Procedures Manual. The manual will also stipulate how these exceptions will be documented and substantiated.
 - a. Finance has also provided staff with further clarification regarding **sole source vendors**.
 - i. A "Sole Source" purchase means that only one supplier (source), to the best of the requester's knowledge and belief, based upon thorough research (i.e. conducting a market survey through telephone and written contact), is capable of delivering the required product or service. Similar types of goods and services may exist, but only one supplier, for reasons of expertise, and/or standardization, quality, compatibility with existing equipment, specifications, or availability, is the only source that is acceptable to meet a specific need.
 - b. **Emergency purchases** exceeding \$10,000 must be approved by the City Manager, Council must be notified by email immediately, and the purchase is taken back to Council to be ratified at the next available Council meeting.

SCO's Comments

The City is in the process of implementing our recommendations. The City recently approved a new purchasing ordinance that requires a competitive bidding process. Additionally, the City is currently working on a draft Financial Policies and Procedures Manual that summarizes the new Purchasing Ordinance with purchasing procedures to ensure that all future contracts are awarded properly.

The finding remains as stated.

**FINDING 5—
Deficiencies in
Maintaining
Supporting
Documentation**

We noted that the city had deficiencies in maintaining supporting documentation over their financial transactions. Specifically we noted the following:

Lack of receipts for and descriptions of credit card purchases

The City did not have formal policies and procedures regarding the use of credit cards for city business. From July 1, 2012, through June 30, 2014, City management charged a total of \$132,549.92 in expenses on City-issued credit cards. Out of the total expenses incurred during this time period, we found that \$9,888.70, or 7.5%, did not have sufficient documentation such as receipts and/or a written description or justification for the charges.

The aforementioned charges included meals, hotel stays, accessories purchases, and miscellaneous expenditures.

The fact that City officials and upper management routinely incurred charges without adequate supporting documentation, justification, and/or description demonstrates a lack of fiscal control and accountability.

Missing invoices

During our review, we found that City management has failed to keep track of invoices paid. The City was unable to provide J.F. Shea Construction, Inc. invoices of \$1,091,016.65 for FY 2013-14 because the City was unable to locate them. From FY 2007-08 through FY 2013-14, the City paid J.F. Shea Construction, Inc. approximately \$11 million.

Lack of supporting documentation over employee loans

The City made loans, such as payroll advances and deferred compensation loans, to city employees without various internal controls.

For payroll advances, the City did not have written policies and procedures and did not document payroll advance requests. The City provided us with emails from the former Finance Director directing staff to prepare checks for an employee and a written agreement signed by the employee acknowledging the advances and agreeing to repay the City. We were not provided with documentation of advance requests made by the employee. The City also did not provide an ordinance or written policy authorizing this loan practice or the circumstances under which such loans could be

authorized. Based on interviews with City employees, it appears the terms and conditions of the loans were made at the discretion of City management, but we could not verify this claim without written documentation.

Deferred compensation loans were similarly questionable. There were no written policies and procedures for such loans and the City did not provide us with any supporting documentation. According to interviews with current City staff, a certain employee is no longer working for the City, but as of September 9, 2015, still owes the City approximately \$1,000. The City is in the process of billing the former employee. Without written policies and procedures, we could not determine if any measures were in place to ensure that employee loans were paid off before employees separated from the City.

Lack of sufficient documentation over note receivable with a private business

The City had insufficient documentation for a note receivable with a private business, AC Propane. The City provided us with an unsigned copy of a settlement agreement between AC Propane and the City's former Redevelopment Agency. According to the City this note of \$26,180 was part of a land sale to the AC Propane.

The City also provided us with three different payment schedules for this note, each with different payment dates. One indicated that the note should be paid off by December 2011, another indicated December 2014, and the third does not indicate when the note will be paid in full. As of the end of FY 2014-15, the note is still not fully paid. We could not determine if there was an official agreed-upon payment schedule between AC Propane and the City. In fact, there were times when the City received a payment that was different from the amount invoiced by the City. It appears that these payment schedules merely served as guidelines.

The City is currently attempting to clarify the terms and conditions of this note—in particular, the payment schedule originally agreed-upon during the settlement agreement that took place back in 2003. Having no official documentation for this note can lead to difficulties for the City when collecting payments; confusion over the timing, amount, and method of payments; and uncertainty over the City's ability to enforce this land deal.

Recommendation

The City should implement appropriate control measures to ensure proper review and approval of all charges relating to meals, lodging, and incidental expenses, including City-issued credit card charges. The City should establish policies and procedures to ensure that the accounting documents are maintained at the City's premises.

The City should establish policies and procedures governing employee loans if it wishes to continue this practice. Written policies and procedures should detail items such as:

- Eligibility
- Payback period and mechanism
- Written terms and conditions of each loan
- Documented agreement between employee and employer

The City should establish policies and procedures to ensure that supporting documentation over note receivables is properly maintained. It is crucial to keep track of note receivables and provide guidance to staff.

City's Response

Lack of Receipts and descriptions of credit card purchases

1. Currently, the City maintains only one credit card account with Home Depot and has billing accounts with Walmart, Stater Bros. and various fuel accounts.
 - a. Finance requires all purchases follow the Purchasing Ordinance and receipts are turned in on a monthly basis.
 - b. A missing receipt affidavit (Appendix F) is signed for missing receipts and any employee who loses more than three receipts will have his/her purchasing privileges revoked.
 - c. In the case of fuel purchases when there is no receipt available, staff has been directed to maintain a log that records when they purchase fuel and the current mileage.
2. The City has also implemented a new travel policy (Appendix G) to ensure proper approval of all travel related charges such as meals, lodging, and incidentals.

Missing Invoices

1. City Council recently approved a new Accounting Technician position in the FY 2016 budget. This position will have the responsibility of scanning in all invoices and their back up to the City's "Laser fiche" documentation retention system.
 - a. When the new software upgrade is complete, each department will scan in copies of their invoices along with back-up into the general ledger system prior to being paid.
 - b. Finance will also work with IT to ensure adequate backups are being done and verified to ensure recovery of data in the event of system failure.

Lack of Supporting Documentation over employee loans

1. The Acting City Manager immediately discontinued the practice of issuing payroll advances upon her appointment in June 2015. The City is working with employees to pay off any remaining advancement balances owed.

2. The current Acting Administrative Services Director has improved the exit process for employees to ensure all employee loans/advances with the City have been paid through the employee's final check, prior to termination. There is currently, only one employee with a remaining balance.
3. The City previously maintained a large portion of its employee files electronically; however, the Laserfiche system on which the files were stored crashed in September 2012. IT attempted to restore the data from backup tapes and discovered some of the backup tapes were unreadable. The City now has a backup policy in place that verifies that the daily backups are being done and uses disk storage rather than mechanical tapes.

Lack of sufficient documentation over note receivable with a private business

1. The notes receivable in questions are related to an agreement between the Successor Agency of the City of Beaumont ("Successor Agency") and AC Propane.
 - a. In the month of September 2015, the Finance Department provided the owner of AC Propane with an update payment schedule. The outstanding balance will also be shown in the FY 2015 audited financial statements of the Successor Agency and all payments from AC Propane will be properly recorded in the semi-annual ROPS schedule.

SCO's Comments

The City is in the process of implementing our recommendations. The City has implemented new purchasing procedures and a new travel policy, approved a new position to help maintain proper documentation of invoices, discontinued the practice of issuing payroll advances, and taken corrective actions on the note receivable with a private business.

The finding remains as stated.

**FINDING 6—
Lack of written
administrative
policies and
procedures**

During our review and inquiry with several City employees and management, we noted that the City does not have a comprehensive written Administrative Policies and Procedures Manual. In fact, in many cases there was a total lack of formal written policies and procedures.

Although the City did have some desk procedures and most employees knew how to perform their job functions, there was no documentation of the overall processes and procedures for the accounting system. Therefore, most staff members did not have an understanding of the accounting system except as it relates to their assigned duties.

Written administrative policies and procedures are important to a city's operation because they provide an objective set of rules by which a city operates. Written policies and procedures also help establish the legitimacy of management action by ensuring that the application of management rules and decisions is performed in an objective, fair, and consistent manner. Finally, they help ensure that city management is held accountable for decisions that deviate from the established procedures.

Recommendation

The City should develop an Administrative Policies and Procedures Manual to ensure consistency with current processes and organizational structure. The City should also perform periodic and ongoing reviews to ensure proper documentation, accuracy, and completeness in its financial transactions and records. Changes in policies and procedures that occur between these periodic reviews should be updated and documented promptly.

The Administrative Policies and Procedures Manual should also indicate which employees are to perform which procedures. Procedures should be described as they are actually intended to be performed. Also, the documentation of accounting policies and procedures should explain the design and purpose of procedures related to controls in order to increase employee understanding of, and support for, the controls.

The Administrative Policies and Procedures Manual should be readily available to all employees. It 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.

City's Response

1. City staff is working on finalizing Financial Management Policies and a Financial Policies and Procedures Manual in the next three months.
2. Once these documents have been approved by Council, they will be reviewed and updated on a biennial basis and/or as needed. There will also be ongoing employee training to ensure comprehension and compliance with all policies and procedures.
3. The City Attorney is also working with the City to conduct its annual AB1234 Ethics Training in November 2015.

SCO's Comments

The City is in the process of implementing our recommendations.

The finding remains as stated.

**FINDING 7—
Fund balance and
cash balance
deficits and cash
impairment**

Our review of the City's General Fund year-end fund balances revealed that from FY 2009-10 through FY 2013-14, the balances ended in material deficits. The General Fund is the main operating fund for the City, and the deficit amounts in unassigned fund balances indicate overspending. Year-end balance amounts were as follows:

<u>General Fund</u>	
<u>Fiscal Year</u>	<u>Ending Balance</u>
2009-10	\$ (10,277,406)
2010-11	\$ (10,871,054)
2011-12	\$ (4,162,063)
2012-13	\$ (6,866,481)
2013-14	\$ (6,354,884)

Based on our analysis, and as reflected in the table above, the City will not have sufficient revenue to fund the level of services provided for upcoming years. The City has implemented several cutbacks to reduce expenditures, including instituting a hiring freeze over the last year, analyzing all expenditures with department heads, and worked with the State of California Finance Department to collect on the debt owed by the former Redevelopment Agency.

We also noted that the General Fund cash balances per the general ledger were negative at June 30, 2013, and June 30, 2014, with balances of (\$9,344,446) and (\$10,023,368), respectively. The General Fund is the main operating fund for the City and its cash is maintained in an investment pool with cash from other funds, including State funds, Federal funds, restricted funds, and unrestricted funds.

When the General Fund cash balances are negative, cash from State funds, federal funds, restricted funds, and unrestricted funds in the investment pool with positive cash balances are used to pay for General Fund-related expenditures. Thus, any of these funds—even restricted funds—that have a positive cash balance are potentially impaired and may not be able to make timely payments of required expenditures.

Although it is clear that the General Fund negative cash balances pose an impairment to funds within the investment pool, the specific impact of the impairment on each fund could not be determined.

The City addressed these issues in its FY 2013-14 Comprehensive Annual Financial Report (CAFR) under Note 6, part a. The City acknowledged the General Fund negative cash balances and said it was borrowing funds from the Community Facilities District (CFD) Capital Project Fund to pay for the operating costs of the City. Furthermore, the City is planning to pay that back with the \$21,500,000 that it advanced to the Redevelopment Agency. However, as the Redevelopment Agency has been dissolved, the collectability of the \$21,500,000, as noted in the May 5, 2015 Financial Analysis of City Funds Report, is "(1) highly uncertain, (2) of an undeterminable amount, and (3) if repaid, cannot be expected to be received by the City for at least 9 years." Additionally, even though the City acknowledges borrowing from the CFD Capital Project Fund to pay for the General Fund's operating costs per the CAFR, no adjusting journal entry was made in the general ledgers to account for it. This borrowing of funds is done only for presentational purposes in the CAFR and is not reflected in the City's general ledger.

Following are the Cash and Investments balances according to the general ledger and the CAFR:

Fiscal Year Ending	Cash and Investments Per General Ledger	Cash and Investments Per CAFR
June 30, 2013	\$ (9,344,446)	\$ 29,426
June 30, 2014	\$ (10,023,368)	\$ 27,223

Without adjusting journal entries, there is no account of an actual transfer of funds from the CFD Capital Project Fund to the General Fund. As it stands, cash of the restricted funds are potentially impaired as reflected by the huge deficit within the City’s General Fund.

Recommendation

The City should develop an action plan for how to fund its operating services, without relying on the possibility of repayment from the former Redevelopment Agency. The City should also monitor the changes to its cash and fund balances to ensure that revenues received are equal to or more than expenditures incurred. Doing so will ensure that the City will be able to continue to provide current services and avert fiscal emergencies.

The City should also develop and implement policies and procedures to ensure that it does not impair cash from other funds, especially restricted funds, by using the cash to pay for the general operating costs that should be paid from the General Fund. Furthermore, if loans are made to the General Fund, those loans should be documented with interest calculated and payment schedules included.

City’s Response

1. City Council recently approved a budget for FY 2016 that expects operating expenditures to equal operating revenues. A copy of the document can be found on the City website at <http://www.ci.beaumont.ca.us/DocumentCenter/View/26466>. The budget included the elimination of 23.5 full-time equivalent positions, drastic cuts to operations in every department, and budget line item detail that has never previously been provided to Council. However, this budget does not address the negative (General Fund) fund balance.
2. As mentioned previously, the FY 2016 Budget document included a very detailed budget message on page 3 of the document. In the budget message, the City Manager discussed a Four Step plan to address the General Fund’s deficit balance. The four steps included:
 - a. Stopping the General Fund from operating in a deficit each year
 - b. Developing a multi-year work out plan to sustainability

- c. Developing a formal capital improvement plan
 - d. Presenting the Financial Management Policies to the Standing Financial Committee and City Council for approval
3. The Finance Department is working with the City Treasurer to develop detailed monthly reports that will reflect the City's cash balances and financial position. These reports will be presented to City Council on a regular basis beginning in November 2015.
 4. The Finance Department has also entered the budget line item details for revenues and expenditures in its financial software and has created monthly reports that can be distributed to department heads so they can monitor their respective spending.
 5. The City is going to work with the City Attorney's office to seek approval from the Department of Finance ("DOF") to honor the former Redevelopment Agency's Master Agreement loan with the City. Now that Senate Bill 107 has been approved, the Successor Agency may seek a Finding of Completion from the DOF because it has a plan in place for the payment of the outstanding obligation. However, management is aware that if the DOF does approve the Master Loan Agreement, it will be for an amount that could be significantly less than the amount that has been reported on the audited financials, in addition, the amount approved would be paid over several years and not in a lump sum.
 6. The City will work with the City Attorney to determine that if loans are made to the General Fund in the future, they will be documented properly, with payment schedules and calculated interest.

SCO's Comments

The City is in the process of implementing our recommendations.

The finding remains as stated.

FINDING 8— Lack of performance evaluations and specific job descriptions

An important element of internal control is an organization's commitment to competence. It is crucial for an organization to demonstrate commitment to attracting, developing, and retaining competent individuals in alignment with the organization's objectives. Some of the tools commonly used are performance evaluations, specific job descriptions, and a defined organizational structure.

Performance evaluations are missing

Our review of the City's staff performance evaluations log and a selected sample of personnel files revealed that evaluations were not completed consistently. A significant number of staff evaluations were either missing or were never completed.

We also noted that the City's Human Resources (HR) Department staff did not start keeping track of whether performance reviews were submitted to HR until recently.

It is crucial to ensure that candidates for succession are trained properly in order to avoid a lapse in internal controls.

Lack of specific job descriptions in key roles and lack of organizational chart

Job descriptions and organizational charts are important tools that establish baseline expectations for a position. We found that the City did not have official job descriptions for accountants, human resources technicians, and assistants to the City Manager. Without job descriptions, the staff who perform these functions do not have clear expectations of specific duties and responsibilities. Generalities in job descriptions are insufficient, especially when written policies and procedures are missing. Without clearly identified duties, it is difficult for City management to determine the necessary qualifications.

In particular, we found that City staff performing accounting functions were not required to have a background in accounting in either education or work experience. If staff members are expected to perform accounting functions, they should be required to have some accounting background.

In addition, the City lacks a detailed organizational chart. The current chart organizes the City staff into three overly broad sections without listing staff and management positions and their respective responsibilities. Without an organizational chart, there can be no clear established lines of reporting.

Overall, the City lacks organizational structure because of a lack of formal job duties and clear reporting lines.

Recommendation

The HR Department should ensure that all City departments complete all of the past-due staff performance evaluations. The HR Department should also require that all departments conduct staff performance evaluations on a regular basis to determine if the knowledge, skills, and abilities of staff members are sufficient to perform their respective functions, and it should monitor the evaluation process on a regular basis. Performance evaluation is an important tool that helps identify staff training needs and hold individuals accountable for performance of internal control responsibilities. The City should also maintain a review log of all performance evaluations.

The City should establish official job descriptions that include:

- Position title
- Chain of command for reporting and supervisory responsibilities
- Description of job duties and responsibilities
- Required minimum knowledge, skills, abilities, experience, and education to perform the duties and responsibilities

The qualifications and requirements should match the job duties and responsibilities. Furthermore, the City should also create a detailed organizational chart to establish clear reporting lines.

City's Response

1. The FY 2016 Budget document also includes an updated City Organization chart on page 2 that clearly defines the City's hierarchal chain of command.
2. There were several new positions created in the FY 2016 budget (Senior Accountant, Accounting Technician, Deputy City Clerk, Administrative Services Director, City Engineer/Public Works Director, etc.) and their job duties, responsibilities, skills, experience, and education will be taken to Council for approval prior to hiring. (Appendix H)
3. The Administrative Services Manager will continue working with all department heads to ensure evaluations/employee improvement plans are done for all employees. In the past, paperless performance evaluations were indeed conducted but due to unacceptable backup practices, they were often lost. The current employee information will be filed electronically on a regular/yearly basis and IT will ensure this data is backed up properly.
4. All new positions currently being filled are subject to an interview by a panel and testing to assess the applicant's skills and knowledge.

SCO's Comments

The City is in the process of implementing our recommendations.

The finding remains as stated.

**FINDING 9—
Significant control
deficiencies over fiscal
functions**

We noted significant control deficiencies over many of the City's fiscal functions. These deficiencies are pervasive and were noted in many aspects of the City's operations. In particular, we noted the following:

Bank reconciliations are not prepared, reviewed, and approved in a timely manner

In our review of the City's bank reconciliation process and procedures for the period of July 1, 2012, through June 30, 2015, we noted that the majority of the City's bank reconciliations were not completed within 30 days after the close of the month, nor did the City provide documentation of a review by upper management ever taking place. Furthermore, there does not appear to be official policies and procedures on bank reconciliations.

During FY 2012-13, the City waited until fiscal year-end to prepare the monthly bank reconciliations. The month of July 2012 bank reconciliation was performed seven months after month-end, while the remaining 11 months were all reconciled in July and August, after the fiscal year-end. No documentation exists of any review process taking place.

For FY 2013-14, the City continued preparing bank reconciliations near the fiscal year-end; bank reconciliations for October 2013 through March 2014 were not performed until May 2014. There were also only two months for which the bank reconciliations showed evidence of review.

For FY 2014-15, as of June 30, 2015, the City had prepared bank reconciliations only up to November 2014, with seven months of reconciliations still to be performed.

It is clear that bank reconciliations are not prepared, reviewed, or approved in a timely manner. This puts the City at risk of having insufficient controls over its cash accounts, and staff might not be able to detect errors or fraud after the fact. Furthermore, without written policies and procedures, it is difficult to train staff on how to complete the integral reconciliation process.

Cash can be the most vulnerable asset to an entity. Timely bank reconciliations provide the necessary control mechanisms to protect this valuable resource by uncovering irregularities such as unauthorized bank withdrawals. Timely monthly preparation of bank reconciliations also assists in the regular monitoring of the City's cash flows.

Bank reconciliation is an important monthly task for the City's accounting department because it:

- Compares the City's general ledger against its bank statement to check for any irregularities or overcharges;
- Gives City management a picture of the City's available cash flow/cash shortages;
- Provides City management with good financial oversight from month to month; and
- Alerts the City with information regarding misclassified and/or missing funds.

It is also essential that the duties of issuing payments and performing reconciliation are separated. Furthermore, bank reconciliation statements should be reviewed and approved by upper management, performed at least once a month, and reviewed by an external auditor at least once a year.

Lack of segregation of duties

Proper segregation of duties helps to ensure that funds and assets are properly recorded, protected, and appropriated. During our review of City employee duties, we noted that incompatible functions were performed by a single individual. These functions include accounts payable, bank transfers, and cash receipts.

Accounts Payable

The staff member responsible for accounts payable processed invoices, made entries in the general ledger, printed checks, and also added new vendors in the vendor listing. This situation provides an opportunity and ability for a person to commit fraud by processing a fraudulent invoice, recording a false entry, or producing a live warrant.

Bank Transfers

The City's former Finance Director was responsible for bank transfers for certain transactions. He prepared transfers, entered the transfers, and approved transfers. A single individual should not be responsible for all of these functions.

Cash Receipts

The City staff members responsible for cash receipts can void their own transactions and make adjustments. This arrangement could allow a person to commit fraud by recording a customer's payment and subsequently voiding it. A second person, perhaps a supervisor, should be responsible for adjustments. In addition, we noted that daily receipts are not recounted by a second individual. To reduce mistakes and deter fraud, daily cash receipts should be recounted by a supervisor or manager.

Lack of detailed annual budgets and expenditure control mechanism

The City's annual budgets lack sufficient detail. From FY 2010-11 through FY 2013-14, the budgets were not detailed and did not provide much guidance to the City's management. The lack of sufficient detail made it more difficult for the City to properly track revenues and expenditures throughout the year and ensure that expenditures were limited to what was budgeted.

Additionally, the City lacked a control mechanism over its expenditures. In our review of the City's accounting system, we found that the City is not using an encumbrance accounting system. The City also lacked a purchase order process to ensure proper management approvals on purchases.

The use of encumbrance accounting helps manage available appropriation and budget balances. Recognizing commitments that will subsequently become expenditures prevents use of budgeted funds for other expenditures. The use of purchase orders ensures that proper authorization is obtained and that funds are available before a purchase takes place. Using encumbrances places the authority and responsibility for spending at the proper level of management, ensuring that departments limit expenditures to amounts budgeted.

Lack of an audit committee

The City does not have an audit committee; however, the City formed the Internal Controls Review Ad Hoc Committee in October 2015. The Committee has two main objectives:

1. Perform a financial analysis of City funds; and
2. Perform an independent review of internal controls over cash.

The lack of an audit committee contributed to:

- A lack of written administrative policies and procedures manual;

- The use of the same CPA firm for the last 20 years; and
- The City's failure to monitor and resolve issues noted in the City's CAFR (the same issues were included in the City's CAFR from FY 2007-08 through FY 2013-14).

Without an audit committee, the City's financial reporting processes and internal controls will continue to deteriorate.

The Government Finance Officers Association (GFOA) recommends that every state and local government should establish an audit committee as a way of best practices. As stated on the GFOA website:

An audit committee is a practical means for a governing body to provide much needed independent review and oversight of the government's financial reporting processes, its internal controls, and its independent auditors. An audit committee also provides a forum separate from management in which auditors and other interested parties can candidly discuss concerns. By effectively carrying out its functions and responsibilities, an audit committee helps to ensure that management properly develops and adheres to a sound system of internal controls, that procedures are in place to objectively assess management practices, and that the independent auditor, through their own review, objectively assess the governments financial reporting practices.

An audit committee is essential for a city's operations because it can:

- Improve financial practices/reporting and risk management policies/practices;
- Discuss significant accounting and reporting issues to understand the potential effect on financial statements;
- Ensure that there is a suitable and efficient internal control system in place and enhance the internal/external audit functions;
- Review the City's internal controls for effectiveness or deficiency on the processes they affect;
- Oversee and evaluate the auditor's performance and make a recommendation about whether or not to retain the same audit firm the following year;
- Present the auditor's comments, findings, and /or recommendations and considers actions the City should take to correct and improve its financial reporting and management practices; and
- Provide a forum in which management, auditors, and other interested parties can meaningfully discuss and deliberate concerns and significant matters.

Inadequate controls over employee user access levels for Incode and Great Plains accounting information systems

During our review, we found a lack of adequate controls over user access requirements for the City's Incode and Great Plains accounting information systems.

The City uses Incode for billing sewer and trash services and Great Plains for accounting transactions. The City hired an outside company to manage its information technology (IT) systems, and with direction from City management, the company assigns employees their user-access levels for the Incode and Great Plains accounting information systems.

We found that the Incode and Great Plains accounting information systems had inadequate controls over employee user access requirements; specifically:

- Certain employees were granted access to Incode to process payments when it was not part of their normal course of duties. This included the ability to record receipt transactions, create and change billing account data, and clear account balances.
- For the Great Plains system, several Customer Service Coordinators had unrestricted “power user” access, which allowed them access to all of the accounting functions. This is the same “power user” access granted to the Finance Director.

Employees’ user-access levels should match their responsibilities. This is a major component of segregation of duties and helps to ensure that controls are not overridden. By not restricting employees’ user access levels within the aforementioned systems, the City is at risk of potential mismanagement of funds, inaccurate accounting transactions, and even fraudulent activities.

Lack of internal controls over petty cash

We found that the City lacked policies and procedures over the handling and disbursement of petty cash funds. Our review of the City’s petty cash fund activities during FY 2012-13 through FY 2013-14 revealed that the City did not keep an official log of transactions to help track disbursements. The City also did not have an established criteria for when the use of petty cash was suitable. Essentially, controls over the petty cash were deficient, which results in a higher risk of the misuse of funds and the increased risk of abuse of the petty cash funds.

Recommendation

To strengthen the City’s internal control and enable more financial oversight, the City should:

- Establish and implement policies and procedures for bank reconciliations to ensure that they are completed, reviewed, and approved in a timely manner.
- Separate responsibilities to reduce the risk of errors and fraud. Review and approval by a second person may be the most important compensating control activity.
- Prepare a detailed budget so that management can perform analyses of financial data, including actual results.
- Create and implement the use of an audit committee.

- Implement policies and procedures to ensure that there are adequate controls over employee user access requirements for the Incode and Great Plains information systems. The City should also review its current employees' user access levels and verify whether those employees' duties and responsibilities matched their user access levels.
- Establish policies and procedures over petty cash.

City's Response

The City recently had a CPA audit firm, Macias Gini & O'Connell LLP, conduct an internal audit of the City's operations within the Finance Department. A link to that report is <http://www.ci.beaumont.ca.us/DocumentCenter/View/25841> and the Management Response is found in Appendix I.

Bank reconciliations are not prepared, reviewed, and approved in a timely manner

1. The Finance Department has recently completed 6 months of bank reconciliations in two months and is currently working on June 2015 bank reconciliations.
2. The incoming Senior Accountant will be responsible for completing FY 2016 bank reconciliations which will be reviewed and approved by the Finance Director and City Manager. The elected City Treasurer will also review the bank statements.

Lack of segregation of duties

1. The new Accounting Technician position will be responsible for entering invoices and printing checks; and the Senior Accountant will post the transactions to the general ledger after their review.
2. On October 6, 2015, City Council approved an amendment to Ordinance 3.12.020 (Appendix J) regarding the approval of warrants. The amendment requires the Finance Director and City Treasurer to audit, certify and present the warrants to Council.
3. Bank transfers are now being completed by the Administrative Services Director, entered as journal entries by finance staff, and approved by the Finance Director.
4. City Staff is in the process of working with the software company, Tyler Works, to make improvements to the cash receipting functions. Currently, the system will not allow employees to delete an entire batch unless they enter a password; unfortunately, staff members are able to void their own transactions or make adjustments.

Lack of detailed budgets and expenditure control mechanism

1. As indicated in the City's response to Finding #7, the Finance Department has entered the budget detail line items in the City's general ledger for revenues and expenditures.
2. The Finance Department is also working with the City Treasurer to develop detailed monthly reports that will be presented to City

Council and department heads so they can monitor their respective spending.

Lack of an audit committee

1. On August 18, 2015, Council was presented with Ordinance 2.35 which established a nine voting member Standing Finance Committee (“SFC”) (Appendix K). The SFC will serve in an advisory capacity to the City Council on budget, investments, financial planning, audits, transparency and other special oversight projects as determined by Council. There are at least 5 voting members who will be appointed by Council, must be able to fulfill application requirements, and must be residents of Beaumont. One additional member may be a non-resident but who owns a business in Beaumont. The other members of the SFC will be elected officials.
2. Council discussed in open session that it envisioned the SFC as replacing/taking the responsibilities of the City’s previous Internal Controls Ad Hoc Audit Committee.
3. The SFC primary goals will be to advise Council on financial matters, work to promote fiscal responsibility, enhance accountability, recommend fiscal policies and investment policies, provide an independent review of the financial reporting process, and provide a review of the City’s internal controls.
4. An ordinance adding Section 2.080.120 to the City’s Municipal Code also provided details of the City Treasurer’s duties (Appendix L). This position will also oversee the activities of the Financial Standing Committee.
5. Finally, the proposed Financial Management Policies specifically directs the City Manager or designee to present the Government Wide Financial Statements to Council as an action item requiring a staff report and full discussion.

Inadequate controls over employee user access levels for Incode and Great Plains accounting information systems

1. As the Finance Department hires new staff currently budgeted in the FY 2016 budget and as it completes the upgrade of its accounting system, a new user level access matrix will be completed to ensure all users only have access to modules their position oversees and can only perform functions approved at their authorization level.
2. This matrix will be reviewed by the City’s external audit firm which will ensure there is a proper segregation of duties for each position.

Lack of controls over petty cash

1. New petty cash procedures are outlined in the proposed Fiscal Policies and Procedures Manual.
2. Current petty cash drawers will be submitted to Finance and reconciled.
3. Department Heads in Administrative Services, Police, and Recreation will be issued new petty cash drawers. The Department Head will sign that he/she has received the funds and will go over the new policies and procedures.

4. Each cash drawer will be reconciled and replenished by the departments on a monthly basis and the Senior Accountant will randomly audit the cash drawers on an annual basis or as needed.
5. The City has also engaged an armored truck service to pick up the City's daily deposits and to deliver change requests when needed.
6. The Customer Service Coordinators have also implemented dual control procedures to confirm daily deposits are accurate and verify all change request received from the bank is accurate. (Appendix M).

SCO's Comments

The City is in the process of implementing our recommendations. The City has performed six months of bank reconciliations in two months, approved two accounting positions to help with properly segregating duties and timely completion of bank reconciliations, prepared a detailed budget for FY 2016, established a nine voting member Standing Finance Committee that will serve in an advisory capacity to the City Council on budget, investments, financial planning, audits, transparency and other special oversight projects as determined by Council, and drafted new procedures for handling cash.

The finding remains as stated.

FINDING 10— Inadequate financial reporting

We found that the City's financial reports lacked sufficient detail. Financial reports provide transparency and accountability, and are vital for making crucial management decisions. Financial reporting also provides assurance to city residents, investors, creditors, and other governmental agencies.

We noted that the City's CAFR from FY 2007-08 through FY 2013-14 did not include the Management Discussion and Analysis (MD&A). An MD&A is required by GASB Statement No. 34. The MD&A can also serve as a beneficial and important tool that provides transparency to the City Management and City Council, especially given the City's fiscal situation, which includes:

- Deficit unrestricted net position of \$34,861,337 in the City's Governmental Activities;
- Deficit unassigned fund balance of \$6,354,884 within the City's General Fund as of June 30, 2014;
- Uncertainty as to whether the City will ever collect the \$21,500,000 loan made to the former Redevelopment Agency; and
- Possible WRCOG TUMF settlement against the City in the amount of \$42,994,879, plus interest and fees.

According to GASB Statement No. 34, the MD&A conveys an objective and easily readable analysis of City Government's financial performance based on currently known facts, decisions, or conditions. It highlights key issues that affected or will affect a government's financial health, as well

as provides short-term and long-term analyses of the City Government's activities.

The MD&A is critical to the City's CAFR because it:

- Analyzes the financial performance/position for the year, provides comparisons of the current year results to the previous year, discusses both the positive and negative aspects of the comparison, assesses whether financial position has improved or deteriorated as a result of the year's activities, and explains how/why finances changed from year to year.
- Analyzes the significant changes that occur in funds and significant budget variances.
- Describes capital asset and long-term debt activity during the year.
- Addresses restrictions, commitments, or other limitations significantly affecting the availability of fund resources for future use.
- Describes the current known facts, decisions, or conditions that are expected to have a significant effect on the City's financial position or results of operations.

We also noted that the Beaumont Financing Authority (Authority) filed incomplete Financial Transactions Reports (FTR). Each report showed \$0 revenues, \$0 expenditures, and \$0 bond proceeds, even though the Authority is charged with accounting for approximately \$313.09 million in bond proceeds.

The Authority was created on April 1, 1993. It is a joint powers authority (JPA) comprised of the City of Beaumont and the Beaumont Redevelopment Agency. Its main purpose is to issue bonds to pay the cost of any public capital improvement, working capital, liability and other insurance needs, or projects whenever there are significant public benefits, as determined by the City.

As a JPA, the Authority is required to submit a report to the SCO every year within 90 days after the close of each fiscal year. Per Government Code section 53891:

The officer of each local agency who has charge of the financial records shall furnish to the Controller a report of all the financial transactions of the local agency during the next preceding fiscal year. The report shall be furnished within 90 days after the close of each fiscal year and shall be in the form required by the Controller....

In addition, we noted that Community Facilities District No. 93-1 (District) never filed an FTR. Per Government Code section 53890, a local agency refers to "...any city, county, any district, and any community redevelopment agency required to furnish financial reports pursuant to section 12463.1 or 12463.3."

As a special district, the District is required to file an FTR. It is crucial for the District to file the FTR, especially because the District is charged with accounting for approximately \$303.12 million in bond proceeds. FTRs

provide much needed accountability and transparency.

Recommendation

The City should file the Authority's and District's FTRs, complete with the transactions that occurred during the reporting period. If it does not, then the City should include these entities' transactions within the City's own report. We recommend that the City contact our Division of Accounting and Reporting for further detail and instructions.

We also recommend that the City establish policies and procedures to include the MD&A section in its CAFR according to the standards set forth by GASB Statement No. 34.

City's Response

1. The Finance Department will work with the State Controller's Division of Accounting and Reporting to ensure there is proper reporting of the Beaumont Financing Authority and the City's Community Facilities Districts for their annual Financial Transaction Reports. The Report for FY 2014-15 will properly include these entities.
2. The Finance Department will also work with the City's external audit firm to ensure the MD&A section of the FY 2015 CAFR is completed and done according to the standards set forth by GASB Statement No. 34.

SCO's Comments

The City is in the process of implementing our recommendations.

The finding remains as stated.

**Appendix—
City of Beaumont
Evaluation of Elements of Internal Control**

Internal Control Elements		Yes	No	Comments
Management Oversight and Control (Control Environment)				
A1.	Integrity and Ethical Values			
	a. Are code of conduct and other policies regarding acceptable business practice, conflicts of interest, or expected standards to ethical and moral behavior established and communicated to all City management and employees?		X	Although the City did establish and communicate its policies regarding acceptable business practices and other policies, we noted many instances where they were not implemented, followed or complied with, and/or enforced.
	b. Is the reasonable management attitude of “Tone at the Top” established and communicated to City management and staff?		X	Proper “Tone at the Top” can be communicated via written policies and procedures, which were found to be missing. See Finding 6.
	c. Is everyday interaction with vendors, clients, auditors and other parties based on honesty and fairness?		X	City’s sales tax operation was not fairly applied to all vendors. See Finding 2.
	d. Is appropriate remedial action taken in response to non-compliance?		X	Audit findings are repeated and are not corrected. See Finding 9.
	e. Is management appropriately addressing intervention or overriding established controls?		X	Processes relating to City’s relationship with Beaumont Electric, Inc. (BEI) overrode many established controls. See Finding 3.
A2.	Commitment to Competence			
	a. Is management identifying and defining the tasks required to accomplish particular jobs and fill - various positions?		X	Performance evaluations are missing and job descriptions for key roles were not established. See Finding 8.
	b. Does the City conduct appropriate analysis of the knowledge, skills, and abilities needed to perform job assignments?		X	See A2a.
	c. Is the City providing training and counseling in order to help employees maintain and improve their job competence?		X	See A2a.

A3.	Audit Committee			
	a. Does the City have an audit committee that is appropriate for the size and nature of the entity?		X	City did not establish an audit committee. See Finding 9.
	b. Are members of the audit committee independent from the City management?		X	See A3a.
	c. Do audit committee members have sufficient knowledge, experience, and time to serve effectively?		X	See A3a.
	d. Does the audit committee meet regularly to set policies and objectives, review the City's performance, and take appropriate actions; and are minutes of such meetings prepared and signed on timely basis?		X	See A3a.
	e. Do the members of the audit committee regularly receive the information they need to monitor management's objectives and strategies?		X	See A3a.
	f. Does the audit committee review the scope and activities of the internal and external auditors?		X	See A3a.
	g. Does the audit committee meet privately with the Chief Financial Officer/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?		X	See A3a.
	h. Does the audit committee take actions as a result of its audit findings?		X	See A3a.
A4.	Management Philosophy and Operating Style			
	a. Is management conservative in accepting risks, and does management move carefully, and proceed only after careful evaluation?		X	Management accepted too much risk by not having written policies and procedures in place, in addition to having a questionable agreement with BEI. See Findings 3 and 6.
	b. Are procedures or activities in place to regularly educate and communicate to management and employees the importance of internal controls and to raise the level of understanding control?		X	See Finding 6.

	c. Is personnel turnover in key functions at an acceptable level?		X	While the City's overall turnover rate was not high, after the former Finance Director and City Manager separated from the City, there was a severe lapse in City's administrative and financial operations due to a lack of qualified successors. Due to poor succession planning and inadequate training, new staff were not adequately prepared to take over these critical functions.
	d. Does management have a positive and supportive attitude towards internal control and audit functions?		X	Audit findings were not corrected. Many areas lack internal controls. See Findings 6 and 9.
	e. Are valuable assets and information safeguarded from unauthorized access or use?		X	Lack of internal controls over petty cash, credit cards, inventory, fixed assets, accounting information systems. See Findings 1 and 9.
	f. Are there frequent interactions of senior management and operation management?		X	Lack of regular communication between top management and department heads, especially regarding budgets, and cost tracking.
	g. Is management attitude appropriate towards financial, budgetary and other operational reporting?		X	Budgets lacked detail. Department heads did not regularly track costs. See Finding 9.
	A5. Organizational Structure			
	a. Is the City's organizational structure appropriate for its size and the nature of its operation?		X	Former City Manager and Former Finance Director had too much authority and responsibility. The City also lacked a detailed organizational chart.
	b. Are key areas of authority and responsibility defined and communicated throughout the organization?		X	Some key positions do not have official job descriptions and there was a lack of a detailed organizational chart. See Finding 8.
	c. Have appropriate and clear reporting relationships been established?		X	See A5b.
	d. Does management periodically evaluate the organization's structure and make changes as necessary in fluctuating conditions?		X	The City did not create additional job positions as city grew and did not update job descriptions or update organizational chart. See Finding 8.
	e. Does the City employ an appropriate number of employees, particularly in managerial positions?		X	The Accounting department did not have sufficient staff for proper segregation of duties. See Finding 9.
	A6. Assignment of authority and responsibility			
	a. Is the City appropriately assigning authority and delegating responsibility to the proper personnel to deal with organizational goals and objectives?		X	The Former Finance Director had too much authority and responsibility for proper segregation of duties. See Finding 9.

	b. 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?		X	Due to the City's growth, procedures are changed regularly but written policies and procedures are not updated regularly or are non-existent. Consequently, employees did not have comprehensive guidelines that showed how their work interrelated with others. See Finding 6.
	c. Is delegation of authority appropriate in relation to the assignment of responsibility?		X	Delegation of authority within the City's accounting information systems was not appropriate in relation to employees' responsibilities. See Finding 9.
A7. Human Resources policies and practices				
	a. Are policies and procedures established for hiring, training, and promoting employees and management?		X	Personnel files are missing and certain key roles are missing job descriptions. See Finding 8.
	b. Are background checks conducted on candidates for employment?		X	Evidence of a background check was missing in some personnel files.
	c. Are employees provided the proper amount of supervision?		X	Staff in charge of cash receipts also had authority to void transactions, and daily cash collections were not recounted by supervisor. Bank reconciliations were not reviewed in a timely manner if at all. See Finding 9.
Risk Assessment				
B1. Establishment of Entity-wide Objectives				
	a. Are there entity-wide objectives that were established by management?		X	Budgets lacked detail and management did not provide a Management Discussion and Analysis in the City's CAFR. Formal written policies and procedures are also a way for management to formally establish objectives. See Findings 6, 9, and 10.
	b. Are City-wide objectives clearly communicated to all employees, and does management obtain feedback signifying that communication has been effective?		X	See B1a.
	c. Is there a relationship and consistency between the department's operational strategies and the City-wide objectives?		X	See B1a.
	d. Is there 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?		X	City management did not establish a control structure, as evident by its lack of an audit committee, which is normally charged with establishing a structure to ensure that objectives are accomplished and risks are addressed. See Finding 9.

B2. Risk Identification			
a. Is management appropriately and comprehensively identifying risk using various methodologies?		X	Management did not identify types of accounting errors, policy violations, fraud, or noncompliance to be attentive of in written policies and procedures. See Finding 6.
b. Are there mechanisms in place to anticipate, identify, and react to routine events or acts that affect achievement of objectives?		X	Mechanisms are not established through formal written policies and procedures. For example, an encumbrance system was not implemented. See Finding 6.
c. Do adequate mechanisms exist to identify risks to the City arising from external factors?		X	The City created increased external risk through the arrangement with BEI. See Finding 3.
d. Is management assessing other factors that may contribute to or increase the risk to which the City is exposed?		X	The City did not properly assess the risks associated with overspending. See Finding 7.
e. Is management identifying risks City-wide and for each significant activity level of the City?		X	The City did not identify City-wide or activity level risks through formal written policies and procedures. See Finding 6.
B3. Risk Analysis			
a. After risks to the City have been identified, does management undertake a thorough and complete analysis of the possible effect?		X	Audit findings are repeated and not corrected by the City. See Finding 9.
b. Has management developed an approach for risk management and control based on how much risk can be prudently accepted?		X	Management did not establish an approach for risk management, as evident by its lack of formal written policies and procedures. See Finding 6.
Control Activities			
C1. Policies and Procedures (General Applications)			
a. Do appropriate procedures, techniques, and mechanisms exist with respect to each City's activities?		X	There was a lack of formal written policies and procedures and numerous internal control deficiencies over fiscal functions. See Findings 6 and 9.
b. Are the control activities identified as necessary in place and being applied?		X	Control activities were not identified through formal written policies and procedures. See Finding 6.
c. Are control activities regularly evaluated to ensure that they are still appropriate and working as intended?		X	Control activities were regularly evaluated by an independent CPA firm but audit findings were not corrected.

C2. Common Categories of Control Activities			
a. Are top level reviews made of actual performance relative to budgets, forecasts, and prior periods?		X	Budgets lack detail and management does not keep track of its budgeted revenue and expenditures. See Finding 9.
b. Do managers review performance reports?		X	Department heads did not regularly review performance reports. See Finding 9.
c. For information processing, are varieties of controls in place for performing check accuracy, completeness, and authorization of transactions?		X	Accounting information systems had control deficiencies, such as inappropriate access levels. See Finding 9.
d. Are controlled items periodically counted and compared to amounts shown on control records?		X	IT equipment was not regularly counted and compared to amounts shown on control records. Fixed assets were also not properly depreciated. See Finding 1.
e. For performance indicators, does management compare different sets of data and investigate differences?		X	Department heads did not regularly review performance reports. See Finding 9.
f. Are duties properly segregated among different people to reduce the risk or error or inappropriate actions?		X	There was a lack of segregation of duties in key functions. See Finding 9.
g. Are administrative and operation policies in writing, current, and do they set clear procedures for compliance?		X	There was a lack of formal written policies and procedures. See Finding 6.
Information and Communication			
D1. Information			
a. Are mechanisms in place to obtain relevant information on legislative or regulatory developments and program, budget, or economic changes?		X	The City's budgets were not sufficiently detailed, which led to overspending and deficit balances within the General Fund. See Finding 7.
b. Is information provided to the right people in sufficient detail and on time to enable them to carry out their responsibilities efficiently and effectively?		X	See D1a. Budgets provided to the City Council were not sufficiently detailed. In particular, the FY 2013-14 budget showed a General Fund beginning balance of approximately \$11 million in "reserves," when in fact it was in a deficit balance of \$(6,866,481) and was only considered positive because of loans and advances totaling \$21,289,442.
c. Is development or revision of information systems based on the strategic plan linked to the entity's overall strategy, and is it responsive to achieving City-wide objectives?		X	The City lacked a formal written information systems development plan. See Finding 6. Management was also not responsive to its IT firm's recommendation to upgrade servers.

	d. Does management support the development of necessary information systems and show its support by committing appropriate resources?	X	Critical servers were not replaced when deemed outdated by IT firm.
D2. Communications			
	a. Does management ensure that effective internal communications occur?	X	Department heads did not regularly discuss budget planning with top City management, and performance reports were not reviewed.
	b. Does management ensure that effective external communication occurs regarding issues with serious impact on programs, projects and other activities?	X	City did not properly follow report guidelines. See Finding 10.
	c. Does the City employ various forms and means of communicating important information with employee and others?	X	See D2a.
	d. Does the City manage, develop, and revise its information systems in an effort to continually improve usefulness and reliability?	X	Information systems are not properly managed. User access levels should be more restrictive to improve reliability of information.
Monitoring			
E1. On-going monitoring			
	a. Does management have a strategy to ensure that ongoing monitoring is effective and will trigger separate evaluations?	X	There was a lack of budget monitoring and expense tracking, lack of an audit committee, and lack of written policies procedures over monitoring of internal controls. See Findings 6 and 9.
	b. Do City personnel, in the process of performing their regular duties, obtain information about whether internal control is functioning properly?	X	See E1a.
	c. Are communications from external parties corroborated with internally generated data and able to indicate problems with internal control?	X	BEI did not submit invoices to be matched with purchase orders. See Finding 3.
	d. Is there appropriate organizational structure and supervision to help provide oversight of internal control functions?	X	There was no detailed organizational chart. See Finding 8.
	e. Are data recorded by information and financial systems periodically compared with physical assets and discrepancies?	X	Fixed assets and IT equipment were not properly accounted for. See Finding 1.

	f. Are the City Auditor's Office and other auditors regularly providing recommendations for improvements in internal control, and is management taking appropriate follow-up action?		X	Auditors regularly provided recommendations but management did not take appropriate follow-up actions.
	g. Are meetings with employees used to provide management with feedback on whether internal control is effective?	X		
	h. Are employees' regularly asked to state explicitly whether they comply with the City's code of conduct?		X	Employees are formally asked only during hiring orientations.
	E2. Separate evaluation			
	a. Are the scope and frequency of separate internal control evaluations appropriate for the City?		X	The City did not assign anyone to oversee establishing internal control evaluations and ongoing monitoring. Furthermore, there was no audit committee.
	b. Are the methodologies for evaluating the City's internal control logical and appropriate?		X	See E2a.
	c. If the evaluations are conducted by the City Auditor's Office, does the office have sufficient resources, ability, and independence?			N/A
	d. Are deficiencies found during separate evaluations promptly resolved?		X	Auditors regularly provided recommendations but management did not take appropriate follow-up actions.
	E3. Reporting deficiencies			
	a. Are there means of obtaining reports of deficiencies from both internal and external sources?	X		
	b. Is there ongoing monitoring of internal controls?		X	See E2a.
	c. Are deficiencies reported to the person directly responsible and to a person at least one level higher?	X		
	d. Are the identified transactions or events investigated to determine causes and correct problems?		X	Auditors regularly provided recommendations but management did not take appropriate follow-up actions. Issues with the City's arrangement with Beaumont Electric continued for years. See Finding 3.

**Attachment—
City's Response to Draft Review Report**



CITY OF BEAUMONT

Mr. Brownfield,

I wish to thank you for the opportunity to respond to your comprehensive review of the administrative and internal controls of the City of Beaumont ("City"). As stated in your letter, the primary focus of your report was on the activities associated with Fiscal Years 2012-13 and 2013-14. A lot has happened within the City this summer, including but not limited to:

- Identifying, researching, and addressing the many concerns you highlighted in your report;
- Initiating the process of properly closing the books for FY 2014-15;
- Implementing a long list of immediate actions the City has taken since June 2015 to address unacceptable practices; and
- Developing specific plans to address the City's General Fund insolvency and remaining weaknesses in internal controls.

The City has no qualms or concerns about any material aspect of your findings and recommendations. The relatively new City Council, City Treasurer, Interim Finance Director and I are all on the same page and are committed to correcting the City's past practices. This unacceptable operating environment and corporate culture did not occur overnight. Consequently, it will take some heavy lifting over time to ameliorate all of the weaknesses that we have identified and that you confirmed in your report. However, on a positive note, so much has already been accomplished with a relatively small number of staff and assistance from outside municipal turnaround experts.

Much Has Been Accomplished

The largest Internal Control category in your Appendix is properly entitled *Management Oversight and Control*. It is City Management, in conjunction with City Council, who set the tone and expectations of professional standards, ethics and accountability at the City. As you know, on June 2, 2015, Council appointed me as the Acting City Manager. Shortly thereafter, I hired an Interim Finance Director in July 2015.

A sample of the new City ethos is found in the FY 2015-16 Budget Document. The Budget Message addresses many of the budget controls and accountability problems highlighted in your review. (See <http://www.ci.beaumont.ca.us/DocumentCenter/View/26466>). We understand the source of the City's problems and as an immediate response thereto, we have chosen a new independent financial auditor, adopted new Purchasing Policies, are correcting poor contracting practices and eliminating potential ethical conflicts (in fact or from an appearance perspective). Improvements have been made to internal controls over accounting, accounts payable and cash handling. The arrangement with Beaumont Electric was immediately stopped upon my appointment and staff has been directed to cease the use of the Beaumont Financing Authority's seller's permit.



Next Steps—The Plan

There is a proposed four-step process to get the City's fiscal house in order (see page 7 of the budget message). On September 15, 2015, I proposed, and ultimately Council approved, a difficult FY 2015-16 General Fund operating budget that stops the financial bleeding and requires expenditures to match revenues. The City is also currently reconciling its special revenue funds, bond proceeds, and formulating a Capital Improvement Plan for approval this fall. The City's next step is to begin working on a Work-Out Plan to Sustainability. This plan will eliminate the General Fund budgetary and cash insolvency that is well documented in the City's financial statements and budget. Finally, Council will soon be working with a newly formed Standing Financial Committee, made up of qualified members of the community and elected officials, to review and adopt a final draft of the City's Financial Management Plan.

The City will continue to review all of its historical records and address any questionable activities with the City Attorney. Rest assured, in the event the City and its legal team determine that unlawful payments were made to individuals, companies or other third parties, the City will evaluate available legal recourse and, where appropriate, notify law enforcement agencies of possible criminal activity. Likewise, if there are avenues for pursuing financial redress from contractors and/or insurance policies, we will pursue these as well.

Mr. Brownfield, we assure you that we have our eye on the ball and are taking the necessary steps to get the City's finances back in order. As per your previous conversation with our Interim Finance Director, Onyx Jones, we are also requesting an extension of time to file the FY 2015 State Controller's Financial Transaction Reports. Additionally, the City is committed to providing the State Controller's Office ("SCO") with a six month update and correcting all the findings identified in this report no later than October 2016.

Thus far, we have summarized our actions and outlined our plans on a macro level; however, following is our response to your detailed findings and recommendations.

Sincerely,

Elizabeth Gibbs-Urriaga
Acting City Manager

CITY OF BEAUMONT

Management Response to Findings and Recommendations

A. Noncompliance with Government Code Section 12464

- a. On October 1, 2015, the Interim Finance Director, Onyx Jones, contacted Mr. Jeffrey V. Brownfield, Chief, Division of Audits at the SCO regarding the completion of the City's FY 2015 Financial Transactions Report. The Interim Finance Director explained that the steps listed below would need to be taken by the City during the next 6 months to a year in order to correct all previous year Financial Transaction Report discrepancies and to ensure timeliness and accuracy of the future annual reports:
 - i. The Finance Department will work with the City's new audit firm to complete FY 2015 audited financials that will be compliant with GASB 34, include a Management Discussion & Analysis (MD&A), and reflect a proper recording and valuation of fixed assets.
 - ii. All prior period adjustments for cash, investments, fund balance/equity, bond transactions, and auditor adjustments for both government and business activities, will be recorded in the FY 2015 Financial Transaction Report so that it reconciles to the FY 2015 Government Wide Audited Financial Statements.
 - iii. The FY 2015 Agency Fund Financial Transaction Reports will include the proper accounting of the Beaumont Financing Authority and any other missing agency funds.
 - iv. The Interim Finance Director is also working on an internal year-end check-list with deadlines to ensure FY 2016 closing entries are recorded in the City's general ledger system and reflected in the FY 2016 Financial Transaction Report by the State Controller's deadline of October 2016.
 - v. The Finance department will ensure that any auditor adjustments booked after the October 2016 deadline are shown as prior period adjustments in the following year's Financial Transaction Reports to ensure that the balances continue to tie to the City's audited financial statements.
- b. The City does understand that there is no section in the California Government Code that requires that the annual Financial Transaction reports be based on audited information and there is no legal requirement to include an audit report; however, the City will create a practice of ensuring a copy of the audited financial statements are sent to the State Controller's office when completed and any adjustments needed to reconcile the Financial Transaction to the audited financial statements will be properly recorded in the following year's Financial Transaction Report.

B. Results of Analysis of the City's Administrative and Internal Accounting Control System

- a. The City is working on a corrective action plan to address the deficiencies identified in this report. The City has already begun creating Financial Management Policies, employee handbooks, an internal checklist of staff responsibilities, hiring the necessary staff/consultants to complete the work, and developing timelines.
- b. The Finance Department will be providing quarterly updates to Council on the progress. The first information update is scheduled to be presented to Council in November 2015.

Finding #1: Lack of proper accounting and records of bond issuances, fixed assets, and inventory.

Total Lack of Accounting for and questionable use of Bond Proceeds

Prior Year Clean Up

1. The City has begun the process of reconstructing all bond transactions, where trustee statement are available, and recording them properly in the general ledger system. The transactions recorded will provide detail on how the bond funds were utilized, will record fixed assets when appropriate, will show proper bond issuance transactions and will reconcile to the audited financial statements. Our estimated completion date for this task is October 2016. Due to the magnitude of this project, the City will inform the SCO if additional time is needed.
2. There will be quarterly updates to Council that summarizes how the previous year's bond funds were used by the City and a detailed accountability of how the bonds funds are being spent currently in FY 2016.
3. In the event the City determines that unlawful payments were made to individuals, companies or other third parties, the City will evaluate available legal recourse and, where appropriate, notify law enforcement agencies of possible criminal activity.

FY 2016 and moving forward

1. As a part of the FY 2016 monthly process, all bond transactions will be recorded and monthly bank reconciliations with the Trustee bank statements will be performed by the newly hired senior accountant and reviewed and approved by the Finance Director and City Manager.
2. Any disbursements of bond funds will be recorded in the City's general ledger system and requisitions for reimbursement will be processed with proper back up documentation and a dual control approval system.
3. Per the City's new Purchasing ordinance approved in July 2015 (Appendix A), any purchase request with bond funds for public works projects under \$5,000.00 must be

approved by the City Manager and Finance Director. Purchase requests in excess of \$5,000.00 will undergo a competitive bidding process, be reviewed by the Finance Director and City Manager and presented to Council for approval.

4. The current competitive bidding process requires Council's approval of the request for proposal (RFP). The RFP is then submitted to the public and/or emailed to numerous potential bidders. All proposing firms must meet minimum qualifications. The proposals received are scored by a minimum of three reviewers who have expertise in the subject area of the RFP. Staff will conduct and score interviews with each qualified firm as necessary, and will conduct reference checks for all qualified firms.
5. Once a vendor is approved by Council, the vendor is issued a Purchase Order with a not-to-exceed amount. The payment of invoices against the purchase orders are tracked in the General Ledger and reviewed by the Finance Director, City Treasurer and City Manager. City Council also reviews the payments through its approval process of the warrant registers.
6. Every RFP issued by the City and every contract signed by the mayor include a conflict of interest statement that has been approved by the City Attorney and City Council. (Appendix B)

Accounting for Fixed Assets and Inventory

1. The Finance Department will be working on a RFP in November 2015 to hire a professional firm to conduct a fixed asset inventory, identification and valuation per the GASB 34 requirement.
2. There will also be a fixed assets policy developed to determine how to classify assets (land, buildings, equipment, infrastructure, right of way, intangible assets, etc.), what fixed assets should be expensed versus depreciated, and what methods of depreciation will be implemented for each classification of assets.
3. The new vendor will also be requested to set up a new barcode tagging system for assets valued in excess of \$5,000 so the City can update its records annually.
4. Fixed assets currently recorded in the enterprise funds will be reviewed and amended as necessary. Fixed assets associated with Governmental Activities and Agency Funds will be identified and recorded with the proper valuations.
5. The Finance Department will also be working with the various City departments to conduct year-end inventory counts for inventory held in Grounds Maintenance, Vehicle Maintenance, and the Sewer Fund.
6. The Finance Department has been informed by the City's current software company, Microsoft, that the current general ledger software, Great Plains, is outdated and must be upgraded. Among other features, the upgrade will allow for more user licenses, a fixed asset module, a budget module, and a purchase requisition module that will encumber funds in the budget as purchase orders are approved.

Finding #2 Questionable use of a Seller's Permit.

1. As noted in the SCO's report, the City has ceased using the resale certificate for purchases effective June 11, 2015, under the direction of the current Acting City Manager. The Interim Finance Director also mailed letters to all of the City's vendors advising them that all future invoices to the City must include applicable sales tax. (Appendix C)
2. The City currently has an audit scheduled with a representative from the Board of Equalization ("BOE") on October 22, 2015. The Acting City Manager, the Interim Finance Director, and the Interim City Attorney will be meeting with the BOE to discuss the items highlighted on this report. The result of the BOE audit will be addressed in and become a part of the City's corrective action plan.

Finding #3: Questionable Agreement and Transactions with a City Vendor.

1. The Acting City Manager discontinued the arrangement with Beaumont Electric immediately upon appointment on June 2nd 2015.
2. City Staff provided Council and the public with detailed information regarding the transactions that occurred between the City and Beaumont Electric. (Appendix D)
3. City staff was able to reconcile the outstanding balance of Beaumont Electric and has determined that the correct outstanding balance owed to the City is \$9,234.04
4. The City's new proposed Financial Management Policies, that are scheduled to be reviewed by the City's new Standing Financial Committee in November, would prohibit these types of agreements from being created in the future.

Finding #4: Lack of adequate oversight over contract awards.

1. City Council recently approved the creation of a new City Engineer/Public Works Director position during the FY 2016 budget process. This position will be held by a City employee who has an engineering license. The City Engineer/Public Works Director will provide oversight for all public works projects and will provide Council with quarterly updates on all Capital Improvement Projects to ensure that projects are meeting the needs of the City.
2. As indicated previously under our response to Finding #1,
 - a. City Council approved a new Purchasing Ordinance in July 2015 that requires a competitive bidding process for Public Works Contracts over \$5,000 and Professional Service Agreements over \$10,000.
 - b. The current competitive bidding process recently implemented includes the following steps:
 - i. Council approves the RFP,

- ii. The RFP is then submitted to the public and/or emailed to numerous potential bidders,
 - iii. All proposing firms are screened by a matrix to determine that they meet minimum qualifications,
 - iv. Qualified firms have their proposals scored by a minimum of three reviewers who have expertise in the subject area of the RFP,
 - v. Staff will conduct and score interviews with each qualified firm as necessary,
 - vi. Reference checks will be done for all qualified firms.
- c. Once a vendor is approved by Council, the vendor is issued a Purchase Order with a not to exceed amount. The payment of invoices against the purchase orders are tracked in the General Ledger and reviewed by the Finance Director, City Treasurer and City Manager. City Council also reviews the payments through its approval process of the warrant registers.
- d. Examples of recent competitive bids conducted by the City involved the identification and selection of a part-time City Engineer, a Third Party Administrator for Worker's Compensation, and a Special District Administrator.
3. Any contracts that were approved under the City's previous "job card" system are being brought back to Council to determine if the contract should be rewritten, cancelled, or in very rare circumstances, approved to continue as is.
4. We are currently working on a draft Financial Policies and Procedures Manual that summarizes the new Purchasing Ordinance, a flow chart for purchases exceeding \$5,000 (Appendix E), and a one page summary for processing Purchase Orders and Vendor Invoices. These procedures will be amended as the new software system is implemented and some of these procedures are automated. The manual will also be vetted by the new Standing Financial Committee and City Council.
5. The new purchasing ordinance also requires that contracts be renewed on an annual basis through Council approval.
6. Exceptions to the Competitive Bid Process will be defined in detail in the Financial Policies and Procedures Manual. The manual will also stipulate how these exceptions will be documented and substantiated.
- a. Finance has also provided staff with further clarification regarding **sole source vendors**.
 - i. A "Sole Source" purchase means that only one supplier (source), to the best of the requester's knowledge and belief, based upon thorough research (i.e. conducting a market survey through telephone and written contact), is capable of delivering the required product or service. Similar types of

goods and services may exist, but only one supplier, for reasons of expertise, and/or standardization, quality, compatibility with existing equipment, specifications, or availability, is the only source that is acceptable to meet a specific need.

- b. **Emergency purchases** exceeding \$10,000 must be approved by the City Manager, Council must be notified by email immediately, and the purchase is taken back to Council to be ratified at the next available Council meeting.

Finding #5: Deficiencies in Maintaining Supporting Documentation.

Lack of Receipts and descriptions of credit card purchases

1. Currently, the City maintains only one credit card account with Home Depot and has billing accounts with Walmart, Stater Bros. and various fuel accounts.
 - a. Finance requires all purchases follow the Purchasing Ordinance and receipts are turned in on a monthly basis.
 - b. A missing receipt affidavit (Appendix F) is signed for missing receipts and any employee who loses more than three receipts will have his/her purchasing privileges revoked.
 - c. In the case of fuel purchases when there is no receipt available, staff has been directed to maintain a log that records when they purchase fuel and the current mileage.
2. The City has also implemented a new travel policy (Appendix G) to ensure proper approval of all travel related charges such as meals, lodging, and incidentals.

Missing Invoices

1. City Council recently approved a new Accounting Technician position in the FY 2016 budget. This position will have the responsibility of scanning in all invoices and their back up to the City's "Laser fiche" documentation retention system.
 - a. When the new software upgrade is complete, each department will scan in copies of their invoices along with back-up into the general ledger system prior to being paid.
 - b. Finance will also work with IT to ensure adequate backups are being done and verified to ensure recovery of data in the event of system failure.

Lack of Supporting Documentation over employee loans

1. The Acting City Manager immediately discontinued the practice of issuing payroll advances upon her appointment in June 2015. The City is working with employees to pay off any remaining advancement balances owed.

2. The current Acting Administrative Services Director has improved the exit process for employees to ensure all employee loans/advances with the City have been paid through the employee's final check, prior to termination. There is currently, only one employee with a remaining balance.
3. The City previously maintained a large portion of its employee files electronically; however, the Laserfiche system on which the files were stored crashed in September 2012. IT attempted to restore the data from backup tapes and discovered some of the backup tapes were unreadable. The City now has a backup policy in place that verifies that the daily backups are being done and uses disk storage rather than mechanical tapes.

Lack of sufficient documentation over note receivable with a private business

1. The notes receivable in questions are related to an agreement between the Successor Agency of the City of Beaumont ("Successor Agency") and AC Propane.
 - a. In the month of September 2015, the Finance Department provided the owner of AC Propane with an update payment schedule. The outstanding balance will also be shown in the FY 2015 audited financial statements of the Successor Agency and all payments from AC Propane will be properly recorded in the semi-annual ROPS schedule.

Finding #6: Lack of Written Administrative Policies and Procedures

1. City staff is working on finalizing Financial Management Policies and a Financial Policies and Procedures Manual in the next three months.
2. Once these documents have been approved by Council, they will be reviewed and updated on a biennial basis and/or as needed. There will also be ongoing employee training to ensure comprehension and compliance with all policies and procedures.
3. The City Attorney is also working with the City to conduct its annual AB1234 Ethics Training in November 2015.

Finding #7: Fund Balance and Cash Balance deficits and cash impairment

1. City Council recently approved a budget for FY 2016 that expects operating expenditures to equal operating revenues. A copy of the document can be found on the City website at <http://www.ci.beaumont.ca.us/DocumentCenter/View/26466>. The budget included the elimination of 23.5 full-time equivalent positions, drastic cuts to operations in every department, and budget line item detail that has never previously been provided to Council. However, this budget does not address the negative (General Fund) fund balance.
2. As mentioned previously, the FY 2016 Budget document included a very detailed budget message on page 3 of the document. In the budget message, the City Manager discussed a Four Step plan to address the General Fund's deficit balance. The four steps included:

- a. Stopping the General Fund from operating in a deficit each year
 - b. Developing a multi-year work out plan to sustainability
 - c. Developing a formal capital improvement plan
 - d. Presenting the Financial Management Policies to the Standing Financial Committee and City Council for approval
3. The Finance Department is working with the City Treasurer to develop detailed monthly reports that will reflect the City's cash balances and financial position. These reports will be presented to City Council on a regular basis beginning in November 2015.
 4. The Finance Department has also entered the budget line item details for revenues and expenditures in its financial software and has created monthly reports that can be distributed to department heads so they can monitor their respective spending.
 5. The City is going to work with the City Attorney's office to seek approval from the Department of Finance ("DOF") to honor the former Redevelopment Agency's Master Agreement loan with the City. Now that Senate Bill 107 has been approved, the Successor Agency may seek a Finding of Completion from the DOF because it has a plan in place for the payment of the outstanding obligation. However, management is aware that if the DOF does approve the Master Loan Agreement, it will be for an amount that could be significantly less than the amount that has been reported on the audited financials, in addition, the amount approved would be paid over several years and not in a lump sum.
 6. The City will work with the City Attorney to determine that if loans are made to the General Fund in the future, they will be documented properly, with payment schedules and calculated interest.

Finding #8: Lack of performance evaluations and specific job descriptions

1. The FY 2016 Budget document also includes an updated City Organization chart on page 2 that clearly defines the City's hierarchal chain of command.
2. There were several new positions created in the FY 2016 budget (Senior Accountant, Accounting Technician, Deputy City Clerk, Administrative Services Director, City Engineer/Public Works Director, etc.) and their job duties, responsibilities, skills, experience, and education will be taken to Council for approval prior to hiring. (Appendix H)
3. The Administrative Services Manager will continue working with all department heads to ensure evaluations/employee improvement plans are done for all employees. In the past, paperless performance evaluations were indeed conducted but due to unacceptable backup practices, they were often lost. The current employee information will be filed electronically on a regular/yearly basis and IT will ensure this data is backed up properly.
4. All new positions currently being filled are subject to an interview by a panel and testing to assess the applicant's skills and knowledge.

Finding #9: Significant control deficiencies over fiscal functions

The City recently had a CPA audit firm, Macias Gini & O'Connell LLP, conduct an internal audit of the City's operations within the Finance Department. A link to that report is <http://www.ci.beaumont.ca.us/DocumentCenter/View/25841> and the Management Response is found in Appendix I.

Bank reconciliations are not prepared, reviewed, and approved in a timely manner

1. The Finance Department has recently completed 6 months of bank reconciliations in two months and is currently working on June 2015 bank reconciliations.
2. The incoming Senior Accountant will be responsible for completing FY 2016 bank reconciliations which will be reviewed and approved by the Finance Director and City Manager. The elected City Treasurer will also review the bank statements.

Lack of segregation of duties

1. The new Accounting Technician position will be responsible for entering invoices and printing checks; and the Senior Accountant will post the transactions to the general ledger after their review.
2. On October 6, 2015, City Council approved an amendment to Ordinance 3.12.020 (Appendix J) regarding the approval of warrants. The amendment requires the Finance Director and City Treasurer to audit, certify and present the warrants to Council.
3. Bank transfers are now being completed by the Administrative Services Director, entered as journal entries by finance staff, and approved by the Finance Director.
4. City Staff is in the process of working with the software company, Tyler Works, to make improvements to the cash receipting functions. Currently, the system will not allow employees to delete an entire batch unless they enter a password; unfortunately, staff members are able to void their own transactions or make adjustments.

Lack of detailed budgets and expenditure control mechanism

1. As indicated in the City's response to Finding #7, the Finance Department has entered the budget detail line items in the City's general ledger for revenues and expenditures.
2. The Finance Department is also working with the City Treasurer to develop detailed monthly reports that will be presented to City Council and department heads so they can monitor their respective spending.

Lack of an audit committee

1. On August 18, 2015, Council was presented with Ordinance 2.35 which established a nine voting member Standing Finance Committee ("SFC") (Appendix K). The SFC will serve in an advisory capacity to the City Council on budget, investments, financial planning, audits, transparency and other special oversight projects as determined by

Council. There are at least 5 voting members who will be appointed by Council, must be able to fulfill application requirements, and must be residents of Beaumont. One additional member may be a non-resident but who owns a business in Beaumont. The other members of the SFC will be elected officials.

2. Council discussed in open session that it envisioned the SFC as replacing/taking the responsibilities of the City's previous Internal Controls Ad Hoc Audit Committee.
3. The SFC primary goals will be to advise Council on financial matters, work to promote fiscal responsibility, enhance accountability, recommend fiscal policies and investment policies, provide an independent review of the financial reporting process, and provide a review of the City's internal controls.
4. An ordinance adding Section 2.080.120 to the City's Municipal Code also provided details of the City Treasurer's duties (Appendix L). This position will also oversee the activities of the Financial Standing Committee.
5. Finally, the proposed Financial Management Policies specifically directs the City Manager or designee to present the Government Wide Financial Statements to Council as an action item requiring a staff report and full discussion.

Inadequate controls over employee user access levels for Incode and Great Plains accounting information systems

1. As the Finance Department hires new staff currently budgeted in the FY 2016 budget and as it completes the upgrade of its accounting system, a new user level access matrix will be completed to ensure all users only have access to modules their position oversees and can only perform functions approved at their authorization level.
2. This matrix will be reviewed by the City's external audit firm which will ensure there is a proper segregation of duties for each position.

Lack of controls over petty cash

1. New petty cash procedures are outlined in the proposed Fiscal Policies and Procedures Manual.
2. Current petty cash drawers will be submitted to Finance and reconciled.
3. Department Heads in Administrative Services, Police, and Recreation will be issued new petty cash drawers. The Department Head will sign that he/she has received the funds and will go over the new policies and procedures.
4. Each cash drawer will be reconciled and replenished by the departments on a monthly basis and the Senior Accountant will randomly audit the cash drawers on an annual basis or as needed.
5. The City has also engaged an armored truck service to pick up the City's daily deposits and to deliver change requests when needed.

6. The Customer Service Coordinators have also implemented dual control procedures to confirm daily deposits are accurate and verify all change request received from the bank is accurate. (Appendix M).

Finding #10 Inadequate financial reporting

1. The Finance Department will work with the State Controller's Division of Accounting and Reporting to ensure there is proper reporting of the Beaumont Financing Authority and the City's Community Facilities Districts for their annual Financial Transaction Reports. The Report for FY 2014-15 will properly include these entities.
2. The Finance Department will also work with the City's external audit firm to ensure the MD&A section of the FY 2015 CAFR is completed and done according to the standards set forth by GASB Statement No. 34.

APPENDIX:

A. Purchasing Ordinance

ORDINANCE NO. 1060

**AN ORDINANCE OF THE CITY OF BEAUMONT
APPROVING AMENDMENTS TO THE CITY OF
BEAUMONT MUNICIPAL CODE PERTAINING TO THE
PROCUREMENT OF PROFESSIONAL SERVICES**

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF BEAUMONT DOES ORDAIN AS FOLLOWS:

SECTION 1. CEQA. The City Council finds that the actions contemplated by this Ordinance are exempt from the California Environmental Quality Act ("CEQA") pursuant to Section 15060(c)(2) (the activity will not result in a direct or reasonably foreseeable indirect physical change in the environment) and 15060(c)(3) (the activity is not a project as defined in Section 15378) of the CEQA Guidelines, California Code of Regulations, Title 14, Chapter 3, because it has no potential for resulting in physical change to the environment, directly or indirectly.

SECTION 2. Severability. The City Council hereby declares that if any provision, section, paragraph, sentence, or word of this Ordinance is rendered or declared to be invalid or unconstitutional by any final court action in a court of competent jurisdiction, or by reason of any preemptive legislation, such invalidity shall not affect the other provisions, sections, paragraphs, sentences or words of this Ordinance, and to this end the provisions of this Ordinance are severable. The City Council declares that it would have adopted this Ordinance irrespective of the invalidity of any particular portion thereof and intends that the invalid portions should be severed and the balance of the Ordinance enforced.

SECTION 3. Prosecution of Prior Ordinances. Neither the adoption of this Ordinance nor the repeal of any other ordinance of this City shall in any manner affect the prosecution of any violation of any City ordinance or provision of the City of Beaumont Municipal Code, committed prior to the effective date hereof, nor be construed as a waiver of any penalty or the penal provisions applicable to any violation thereof.

SECTION 4. The City Council hereby amends Title 3, Chapter 3.01 "Procurement of Professional Services" to read as follows:

Chapter 3.01

PROCUREMENT OF PROFESSIONAL SERVICES

Sections:

- 3.01.010 Purpose and Policy.
- 3.01.020 Procurement Officer-Office Created.
- 3.01.030 Procurement Officer-Duties.
- 3.01.040 Competitive Procurement Procedures.
- 3.01.050 Exemptions to Competitive Procurement Procedures.
- 3.01.060 Award of Contract.

- 3.01.070 Term of Professional Services.
- 3.01.080 City Council Discretion.
- 3.01.090 Contracts Under Ten Thousand Dollars (\$10,000.00).

3.01.010 Purpose and Policy. It shall be the policy of the City that the procurement of professional services, including engineering, architectural, landscape architectural, environmental, land surveying, or construction project management services shall be on the basis of demonstrated competence and on the professional qualifications necessary for the satisfactory performance of the services required, and on the fairness and reasonableness of the costs of services to the City, but shall not be awarded solely on the basis of cost.

3.01.020 Procurement Officer-Office Created. There is created the position of Procurement Officer. The duties of this Officer shall be administered by the City Manager or such person as he or she may designate.

3.01.030 Procurement Officer-Duties. The duties of the Procurement Officer shall be:

A. The promulgation of administrative regulations and the adoption of such other rules and regulations as may be prescribed by the City Manager and approved by the City Council. Such regulations shall specifically prohibit practices which might result in unlawful activity including, but not limited to, rebates, kickbacks, or other unlawful consideration, and shall specifically prohibit City employees from participating in the selection process when those employees have a relationship with a person or business entity seeking a contract under this Section which would subject those employees to the prohibitions of the conflict of interest laws.

B. The negotiation and recommendation of execution of contracts for professional services.

3.01.040 Competitive Procurement Procedures. The Procurement Officer shall comply with the following procedure for the procurement of professional services:

A. Request for Proposal: Prepare a request for proposal and submit the request for proposal to the City Council for approval. The request for proposal shall identify all significant evaluation factors, including price or costs when required, and their relative importance.

B. Solicitation of Proposal: The request for proposals shall be publicized and disclosed publically on the City website. Any properly qualified firm or professional shall be permitted to timely submit a responsive proposal for consideration.

C. Evaluation: The Procurement Officer shall develop mechanisms for the technical evaluation of proposals received, and shall conduct discussions with the proposers regarding anticipated concepts and the relative utility of alternative methods of approach for furnishing the required services.

D. Compilation: The Procurement Officer shall compile the proposals for consideration by the City Council.

3.01.050 Exemptions to Competitive Procurement Procedure. Upon obtaining approval from the City Council, the Procurement Officer may engage services of a professional firm or individual without complying with the Competitive Procurement Procedures in the following circumstances:

- A. The services are available only from a single source; or
- B. Public exigency or emergency will not permit delay; or
- C. State or federal grant or loan requirements authorize noncompetitive procurement of such services; or
- D. After solicitation of a number of sources, competition is deemed inadequate.

In circumstances of public exigency or emergency where prior approval of the City Council cannot be reasonably obtained, the City Manager may engage services of a professional firm or individual. The professional services contract shall be submitted to the City Council at the next regularly scheduled City Council meeting.

3.01.060 Award of Contract. City Council approval is required for all contracts for professional services when the cost of the services is ten thousand dollars (\$10,000.00) or more. The contract shall clearly state the names of the professionals that will provide services under the contract, along with their hourly rate. The contract shall also state a "not to exceed" sum. The professional shall not exceed the "not to exceed" sum without the City Council's prior approval.

3.01.070 Term of Professional Services. The term of any professional services contract awarded shall not exceed one (1) year. Contracts shall be submitted to the City Council annually for approval, renewal, termination, non-renewal or extension. Professional services contracts shall not contain "evergreen" type clauses that allow for automatic renewal without City Council approval.

3.01.080. City Council Discretion. The award of a contract for professional services shall be within the City Council's discretion. The City Council may, in its discretion, modify or extend a request for proposal for professional services. The City Council reserves the right to reject any and all proposals.

3.01.090 Contracts Under Ten Thousand Dollars (\$10,000.00). Professional services contracts under ten thousand dollars (\$10,000.00) may be awarded by the Procurement Officer without City Council approval. Professional services contracts shall not be divided into smaller contracts or subcontracts to avoid the competitive procedures set forth in Sections 3.01.040 and 3.01.060.

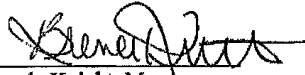
SECTION 5. Effective Date and Publication. The Mayor shall sign and the City Clerk shall certify to the passage of this Ordinance and cause the same or a summary thereof to be published within 15 days after adoption in accordance with Government Code Section 36933. This Ordinance shall take effect 30 days after adoption in accordance with Government Code Section 36937.

NOW, THEREFORE, BE IT ORDAINED that the City Council of the City of Beaumont, California, approves an amendment to the City Code.

AYES: Fox, Lara, Knight, Orozco, White
NOES: None
ABSENT: None
ABSTAIN: None

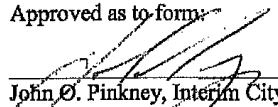
PASSED, APPROVED AND ADOPTED at a regular meeting of the City Council of the City of Beaumont, California, held on the 21st day of July, 2015.

AYES: Fox, Lara, Knight, Orozco, White
NOES: None
ABSENT: None
ABSTAIN: None


Brenda Knight, Mayor

(Seal)

Attest: 
Julio Martinez, City Clerk

Approved as to form:

John O. Pinkney, Interim City Attorney



CITY OF BEAUMONT

LEGAL NOTICE

NOTICE IS HEREBY GIVEN, that the Beaumont City Council will conduct a public hearing on Tuesday, July 7, 2015 in room 5 at the Beaumont Civic Center, 550 E. 6th Street, Beaumont, California 92223, to receive testimony and comments from all interested persons regarding the adoption of the following matter(s):

**AN ORDINANCE OF THE CITY OF BEAUMONT
APPROVING AMENDMENTS TO THE CITY OF
BEAUMONT MUNICIPAL CODE PERTAINING TO THE
PROCUREMENT OF PROFESSIONAL SERVICES**

The ordinance to be considered for adoption is summarized as follows:

Ordinance amends Title 3, Chapter 3.01 of the City of Beaumont Municipal Code relating to the procurement of professional services (as defined). This ordinance amends existing law pertaining to competitive procurement of professional services and requires City Council approval on all professional services contracts over ten thousand dollars (\$10,000.00). The ordinance also establishes substantive requirements for professional services contracts and places a term limit on professional services contracts. This ordinance also places discretion in the City Council to modify and extend professional services contracts. This ordinance finally provides that professional services contracts for less than ten thousand dollars (\$10,000.00) may be awarded by the Procurement Officer, but that such contracts cannot be divided so as to avoid the competitive procurement procedures.

Date: June 8, 2015

Publish one time only in the Record Gazette on June 19, 2015

APPENDIX:

B. Conflict of Interest Statement

APPENDIX B

Excerpt from

AGREEMENT FOR PROFESSIONAL SERVICES BY INDEPENDENT CONTRACTOR

13.03 CONTRACTOR shall timely file FPPC Form 700 Conflict of Interest Statements with CITY if required by California law and/or the CITY's conflict of interest policy.

13.06 CONTRACTOR covenants that neither it nor any officer or principal of its firm has any interest, nor shall they acquire any interest, either directly or indirectly, which will conflict in any manner or degree with the performance of their Services hereunder. CONTRACTOR further covenants that in the performance of this Agreement, no person having such interest shall be employed by it as an officer, employee, agent, or subcontractor.

13.07 CONTRACTOR has read and is aware of the provisions of Section 1090 et seq. and Section 87100 et seq. of the Government Code relating to conflicts of interest of public officers and employees. CONTRACTOR agrees that they are unaware of any financial or economic interest of any public officer or employee of the CITY relating to this Agreement. It is further understood and agreed that if such a financial interest does exist at the inception of this Agreement, the CITY may immediately terminate this Agreement by giving notice thereof. CONTRACTOR shall comply with the requirements of Government Code section 87100 et seq. and section 1090 in the performance of and during the term of this Agreement.

13.08 Improper Consideration. CONTRACTOR shall not offer (either directly or through an intermediary) any improper consideration such as, but not limited to, cash, discounts, services, the provision of travel or entertainment, or any items of value to any officer, employee or agent of the CITY in an attempt to secure favorable treatment regarding this Agreement or any contract awarded by CITY. The CITY, by notice, may immediately terminate this Agreement if it determines that any improper consideration as described in the preceding sentence was offered to any officer, employee or agent of the CITY with respect to the proposal and award process of this Agreement or any CITY contract. This prohibition shall apply to any amendment, extension or evaluation process once this Agreement or any CITY contract has been awarded. CONTRACTOR shall immediately report any attempt by any CITY officer, employee or agent to solicit (either directly or through an intermediary) improper consideration from CONTRACTOR.

Excerpt from

**CITY OF BEAUMONT
REQUEST FOR PROPOSAL**

12. Conflict of Interest

The consultant shall disclose any financial, business, or other relationships with the City, its officials and staff. The consultant shall also list current clients who may have a financial interest in the outcome of this contract. The Financial Advisor shall not be permitted to participate directly or indirectly in any manner in the purchase of any financing debt or bonds relating to any phase of a project for which Financial Advisor services are provided.

APPENDIX:

C.Sales Tax Letter to Vendors



CITY OF BEAUMONT

To Whom It May Concern,

Please be advised that we, the City of Beaumont, have been informed by our auditors that we can no longer make purchases through the Beaumont Finance Authority. Therefore; we are requesting that all our vendors remit invoices in the name of the City of Beaumont and all eligible purchases should be taxed with the applicable sales tax rate.

Any payment of invoices made in our office after June 11, 2015 must include sales tax.

We appreciate your patience in this matter.

Please feel free to call 951-769-8516 if you have any further questions.

A handwritten signature in cursive script that reads "Onyx Jones".

Onyx Jones

Interim Finance Director

APPENDIX:

D. Beaumont Electric Staff Reports

STAFF REPORT

TO: Mayor and City Council
FROM: Acting City Manager/City Attorney
DATE: August 18, 2015
SUBJECT: BEAUMONT ELECTRIC

ACTIONS: (1) Receive and file report

BACKGROUND and ANALYSIS:

At the June 16, 2015, City Council requested that staff review the City's relationship with Beaumont Electric, Inc. ("BEI") and report back to City Council.

For over ten years, the City contracted with Beaumont Electric to provide electric contracting services (Attachment 1). Below is a summary of \$12,459,345.02 in payments made by the City to Beaumont Electric commencing in FY 03-04 through FY 14-15:

Payments to Beaumont Electric, Inc.:

FY03-04	\$ 124,906.09
FY04-05	596,536.80
FY05-06	2,582,522.60
FY06-07	2,915,969.30
FY07-08	2,169,525.71
FY08-09	2,042,016.93
FY09-10	738,731.74
FY10-11	288,251.18
FY11-12	587,620.93
FY12-13	234,249.13
FY13-14	104,994.32
FY14-15	68,189.57
OTHER	5,830.72
TOTAL:	\$12,459,345.02

Beginning in or about 2009, the Beaumont Finance Authority ("BFA") began purchasing inventory for BEI with the BFA advancing the funds for the purchases. The BFA/City would then carry the account receivable due from BEI on its books until paid by BEI.

There were several vendors that supplied equipment and inventory purchased by the BFA for the benefit of BEI. Below is a summary of the amounts paid to each of these vendors on behalf of BEI over the entire period that these activities occurred:

King Luminaire -	\$ 200,744.80
Graybar -	\$ 866,220.67
Mission Electric Supply -	\$ 222,508.22
South Coast Lighting & Design -	\$ 205,046.68
Stresscrete -	\$ 155,158.25
Walters -	\$4,597,780.24

Total paid to vendors - \$6,247,458.86

The City would receive spreadsheets showing several invoices and amounts due to various vendors, and then pay those vendors based on the spreadsheets.

Below is a description of the year end balances BEI owed to the City as of June 30th for fiscal years 2010 through 2015.

City of Beaumont
Selected Analysis of G/L Activity
Account: 01-0000-0503-0000 - Due from Beaumont Electric
Range: Transactions 9/22/2009 through 6/15/2015

BALANCE OUTSTANDING AS OF:		
6/30/2010	\$	51,745.07
6/30/2011	\$	51,745.07
6/30/2012	\$	616,851.64
6/30/2013	\$	476,087.00
6/30/2014	\$	393,736.96
6/15/2015	\$	120,831.76

During the first week of June 2015, the Acting City Manager directed Finance staff to hold all current unpaid invoices from BEI for other vendors and cease paying any vendor that the City did not receive the services or supplies for City related business. On June 11, 2015, the City received a letter from BEI indicating that due to the City no longer making payments to vendors, BEI was ending the arrangement with BFA effective June 8, 2015 (Attachment 2).

At the request of the City, BEI delivered documentation to City staff on August 6th and staff is in the process of reviewing that documentation, as well as BFA documentation of the transactions with BEI to determine the amount of any balance owed to BFA. Once the

financial transactions between BEI and the BFA have been fully reconciled, a further report will be provided to Council and the public.

Respectfully submitted,
Acting City Manager

ATTACHMENT 2



Beaumont Electric, Inc.

safety • efficiency • value

877 W. 4th St., Suite A
Beaumont, CA 92223

p. 951.845.8872
f. 951.789.8668

CA Lic. # C10-718329 AZ# 137677 NV# 47459

June 11, 2015

City of Beaumont
550 E. 6th Street
Beaumont, CA 92223

RE: Beaumont Financing Authority (BFA)

Effective June 8, 2015, Beaumont Electric, Inc. has decided to end its arrangement with the BFA. We regret the loss of benefit to the City of Beaumont, however we feel this is the right decision for our company.

Beaumont Electric, Inc. was approached several years ago by the City of Beaumont to enter into an arrangement that would bring sales tax revenue to the City via the BFA. It was explained that the practice was used in many other cities to help offset the void of sales tax revenue that was left when the Redevelopment funds were taken away by the State of California.

To help illustrate this process, we were provided with the example of Robertson's Ready Mix Concrete. They have a facility in Beaumont, however all sales go through Corona. Beaumont does not get any sales tax revenue from Robertson's Ready Mix, despite its operations and activity within the city limits. The sales are actually captured in Corona, giving Corona the 1% sales tax revenue.

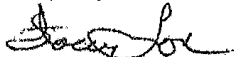
The arrangement between Beaumont Electric, Inc. and the BFA was implemented to similarly route sales tax dollars to the City of Beaumont. As a certificated reseller permitted by the State of California, the BFA purchased materials without sales tax from suppliers with operations in several branch locations. Subsequently, Beaumont Electric, Inc. would pay the sales bill to the City (the reseller) and would include sales tax to the payment. Each transaction yielded 1% sales tax to the BFA / City of Beaumont. This method of sales tax collection has brought tens of thousands of dollars of sales tax revenue into the City of Beaumont. Additionally, all purchases were the full responsibility of Beaumont Electric, Inc., and the BFA bore no risk. In some years, the amount of sales tax revenue was as high as \$20,000 to \$30,000 per year.

Recently, the City of Beaumont has pulled invoices and held payment to material vendors, subsequently stalling and/or ceasing payment to those vendors for material purchase under the BFA resale certificate. Consequently, Beaumont Electric, Inc. has been forced to pay those vendors directly to avoid additional late fees beyond those that have already been incurred due to this action. Due to these recent procedural impediments, Beaumont Electric, Inc. has ceased using the BFA as of June 8, 2015.

We regret having to discontinue this arrangement as it has provided an unequivocal benefit to the City of Beaumont via the generation of sales tax revenue. BEI does expend additional time and cost in order to accurately track, log and manage transactions with the BFA and material suppliers, however we agreed to this arrangement knowing that it would be financially beneficial to our City.

We will work diligently with the City to close the account. We wish the City all of the best and hope it is able to find an equally practical method by which it can continue to generate sales tax revenue.

Respectfully,



Stacey Love
President

Women Owned Business Enterprise (WBE) #37419 Certified Small Business (SBE) #48466
Illuminating Engineering Society # 140572

APPENDIX D

AGENDA ITEM _____

To: Mayor and City Council
Through: Acting City Manager
From: Finance Department
Date: October 20, 2015
Subject: **Beaumont Electric Update**

ACTIONS:

- (1) Receive and file report

BACKGROUND:

At the June 16, 2015 City Council requested staff to review the City's relationship with Beaumont Electric, Inc. ("BEI") and report back to City Council.

On August 18th the Acting City Manager/ City Attorney provided a detailed report regarding the activity between the City and Beaumont Electric. City Council members had several questions for the representatives of BEI and BEI requested that Council submit those questions in writing. Immediately following the August 18th meeting BEI was sent an email asking for a response to questions raised by Council and that to date, no response has been received.

At the close of the August 18th meeting the Acting City Manager also informed Council that once the financial transactions between BEI and the BFA have been fully reconciled by the Finance Department, a further report would be provided to Council and the public.

Since that time Finance staff has reviewed the invoices, payments, and reconciliations provided by Beaumont Electric and the City's general ledger. Based on the Finance Department's findings, we would like to provide the following updates/clarifications:

Item #1

The report from August 18th stated, "Beginning in or about 2009, the Beaumont Finance Authority ("BFA") began purchasing inventory for BEI with the BFA advancing the funds for the purchases. The BFA/City would then carry the account receivable due from BEI on its books until paid by BEI."

There are several points of clarification to add to this statement now that the City has reviewed the vendor invoices provided by Beaumont Electric:

1. Employees/Officers of BEI ordered inventory from their vendors in the name of the BFA. The City is in receipt of the vendor invoices and they were billed to BFA in C/O BEI and addressed to BEI's site address.

2. The vendor invoices submitted by BEI were paid from the City's general bank account and transactions were only recorded on the balance sheet of the General Fund.
3. The BFA fund never recorded any of these transactions on their general ledger.
4. The cash advanced to Beaumont Electric to make these purchases was essentially from restricted cash due to fact that the General Fund was operating with a negative cash balance during this time period.

Item #2

There were several vendors that supplied equipment and inventory purchased by the BFA for the benefit of BEI. The summary presented in the previous report has been updated now that we have additional information.

King Luminaire -	\$ 200,744.80
Graybar -	\$ 866,220.67
Mission Electric Supply -	\$ 222,508.22
South Coast Lighting & Design -	\$ 205,046.68
Stresscrete -	\$ 155,158.25
Walters -	\$4,597,780.24

Total paid to vendors - \$6,247,458.86

Item #3

Below is a description of the year end balances BEI owed the City as of June 30th for fiscal years 2010 through FYTD 2016.

City of Beaumont

Selected Analysis of G/L Activity

Account: 01-0000-0503-0000 - Due from Beaumont Electric

Range: Transactions 9/22/2009 through 8/31/2015

	BALANCE OUTSTANDING AS OF:
6/30/2010	\$ 51,745.07
6/30/2011	\$ 51,745.07
6/30/2012	\$ 616,851.64
6/30/2013	\$ 476,087.00
6/30/2014	\$ 393,736.96
6/15/2015	\$ 120,831.76
8/31/2015	\$ 9,234.04

Since the report was provided on August 18th 2015, Finance staff made the following adjustments to the outstanding balance:

- Payments received from Beaumont Electric not shown previously were for \$66,244.35

- There was an outstanding balance the City owed Beaumont Electric for outstanding invoices for \$20,743.24
- A payment from Beaumont Electric for \$24,610.13 was coded to the wrong balance sheet account in the General Fund.

Item #4

In the previous report, it was noted that the City had contracted with Beaumont Electric to provide electric contracting services for a total sum of \$12,459,345.02 over a period of 13 years. However, Finance staff is in the process of receiving prior year bank statements from Union Bank, the trustee for all bond funds, and a preliminary review of the bank statements shows capital project cost paid directly from the trustee to Beaumont Electric. Since these expenses were never recorded in the City's general ledger system, staff is working on reconciling this information and reporting back to Council in the near future.

The Acting City Manager ended the above practices between BEI and the BFA/City in June of 2015. Moreover, the Acting City Manager and Interim Finance Director have a meeting scheduled with the Board of Equalization this month to discuss the relationship between BEI and the City and any resulting sales tax issues. The Acting City Manager, Interim City Attorney and Interim Finance Director will continue working to resolve any financial and legal issues that result from the relationship between BEI and the City and will continue to update the Council on an ongoing basis.

FISCAL IMPACT:

The Beaumont Electric receivable account #01-0000-0503-0000 has been amended to reflect the correct ending balance of \$ 9,234.04.

Respectfully Submitted;
Onyx Jones, Interim Finance Director

City Management Review: _____

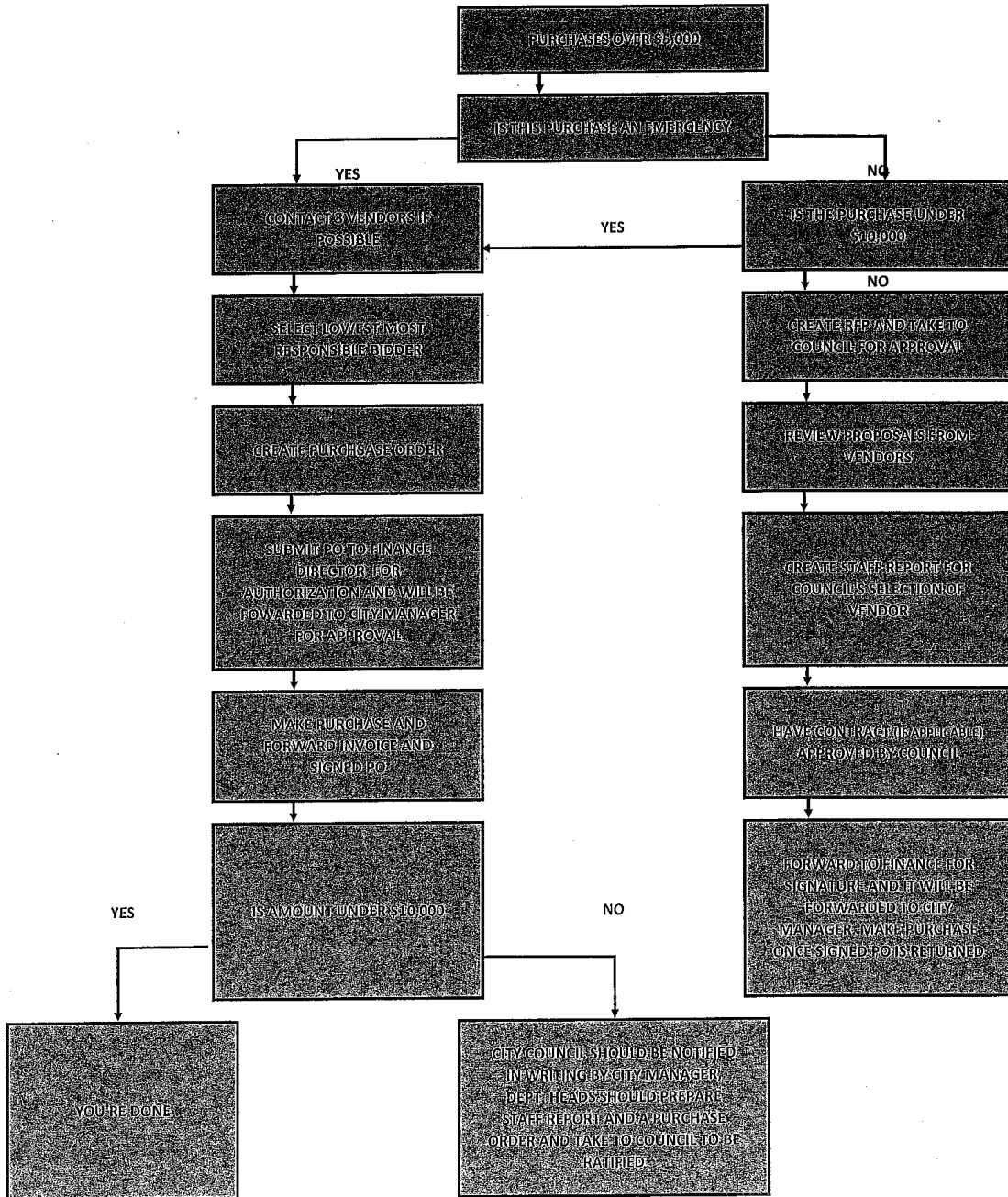
Date: _____

APPENDIX:

E. Flow Chart of Purchases over \$5,000

**CITY OF BEAUMONT
PURCHASING WORK FLOW**

APPENDIX E



APPENDIX:

F. Missing Receipt Affidavit

APPENDIX F

CITY OF BEAUMONT Missing Receipt/Invoice Affidavit

When a receipt is lost or otherwise unavailable and all measures to obtain a copy have been exhausted, the Missing Receipt Affidavit should be completed. It should be signed by the employee and the employee's supervisor and submitted to accounts payable department in lieu of a receipt.

Employee Name (please print):

Department (please print):

I certify that I made the purchase shown below while conducting business on behalf of the City of Beaumont but do not have a receipt because (check all that apply):

<input type="checkbox"/>	Vendor did not provide a detailed receipt
<input type="checkbox"/>	I had a receipt but cannot locate it
<input type="checkbox"/>	I have a receipt but it is not readable and this document is provided in order to describe the items purchased
<input type="checkbox"/>	Order was placed via telephone, fax, or Internet and vendor has not supplied an invoice

All information must be typed, or printed in ink. All information is required. Use one affidavit per lost receipt.

Vendor Name		
City		
Date of Purchase		
Detail Description of Items Purchased (each line limited to 60 characters – attach additional sheet if necessary)	Item Amount	
Total Purchase Amount		

Tax paid: No Yes

This document will be used in lieu of an invoice or receipt for this transaction. I certify that all items listed above (and on the attached, if applicable) were purchased and received for City of Beaumont business. For credit card holders, I understand that habitual use of this form instead of submitting actual receipts/invoices will result in suspension or termination of credit card/cash advance privileges.

Employee Signature: _____ Date: _____

Supervisory Signature: _____ Date: _____

Supervisory Name (print): _____

Witness Signature: _____ Date: _____

Witness Name (print): _____

APPENDIX:

G. Travel Policy

**City of Beaumont
Elected or Appointed Official
Travel Expense and Reimbursement
Policy**



**Adopted:
April 21, 2015**

Table of Contents

PURPOSE	3
SCOPE	3
DEFINITIONS.....	3
PROCEDURES FOR TRAVEL REIMBURSEMENTS	4
A. Travel Forms.....	4
1. Commuter Travel Reimbursement Form (COB Form #XX).....	4
2. Resident Travel Reimbursement Form (COB Form #XX)	4
B. Authorized Expenses.....	5
C. Unauthorized Expenses	5
D. Transportation.....	6
1. General Rules.....	6
2. Air Travel	6
3. Automobile.....	7
E. Lodging for RESIDENT Travel	7
1. Use of Sponsor Group Rate Where Available	7
2. Allowable Alternatives When Sponsor Group Rate Not Available	7
F. Meals Expenses.....	8
G. Final Accounting.....	8
H. Audit of Reimbursement.....	8
I. Reports to the City Council	9
J. Compliance with Laws	9
K. Policy Violations	9

PURPOSE

The City hereby expressly acknowledges its responsibility to wisely administer limited public resources and to expend them only when there will be a substantial benefit to the City and its residents.

Accordingly, it is the intent of this policy to establish rules and guidelines governing reimbursement to elected or appointed officials of the City of Beaumont for actual and necessary expenses incurred in the performance of official duties.

SCOPE

This policy shall apply when City of Beaumont elected or appointed officials are representing the City of Beaumont in their official capacity as an elected or appointed official on approved City of Beaumont business. . This policy conforms to the requirements of California Government Code sections 53232 through 53232.4.

DEFINITIONS

For purposes of this policy, the following definitions shall apply:

- A. "Appointed Official" means any official appointed by the City Council of the City of Beaumont to serve on any entity or body duly created by the Beaumont City Council.
- B. "City" means the City of Beaumont.
- C. "Elected Official" means each member of the City Council, the Mayor, the City Clerk, and the City Treasurer.
- D. "COMMUTER Travel" means travel to any conference, meeting, educational seminar, event, or activity that occurs within a 50-mile radius of the City of Beaumont and does not include an overnight stay.

- E. "RESIDENT Travel" means travel to any conference, meeting, educational seminar, event or activity that occurs beyond a 50-mile radius of the City of Beaumont and includes a minimum of one night away from the Traveler's primary residence.
- F. "TRAVELER" for the purposes of this policy shall mean an elected or appointed official who is attending a meeting, conference, seminar, event or activity as an approved representative of the City of Beaumont.
- G. "Coach" means lowest airfare of the airline, i.e. economy airfare, at the time of booking.

PROCEDURES FOR TRAVEL REIMBURSEMENTS

A. Travel Forms

1. Commuter Travel Reimbursement Form (COB Form #15-01)

The Commuter Travel reimbursement form shall be used for any commuter travel by a traveler requesting reimbursement for expenses associated with said travel.

Reimbursements shall generally be limited to incidental fees associated with said travel including, but not limited to, conference or meeting fees, mileage at current IRS rate, toll charges and/or parking fees.

2. Resident Travel Reimbursement Form (COB Form #15-02)

The Resident Travel Reimbursement form shall be used for any non-commuter travel by a traveler requesting reimbursement for expenses associated with said travel.

Reimbursement shall generally be limited to actual and incidental costs associated with said travel including, but not limited to, airline ticket fees (economy or coach fares), one piece of checked baggage, rental car, taxi or shuttle fees, hotel costs based on current IRS rates, per diem based on current California Peace Officer Standard Training (POST) rates, and incidental expenses as noted above.

B. Authorized Expenses

All travel outside those regular meetings of an appointed position (e.g. RCTC and ERICA.) shall require prior City Council approval.

Expenses incurred by Traveler in connection with the following activities or events constitute authorized and reimbursable expenses, provided that the following requirements of this policy are also met:

1. Communicating or meeting with representatives of Regional, State or Federal agencies and entities on policy positions expressly adopted by the City Council;
2. Participating in Regional, State and Federal organizations whose activities directly affect and enhance the City's interests (e.g., League of California Cities);
3. Attending City-sponsored or endorsed events as directed by the City Council;
4. Meeting to implement a strategy approved by the City Council for attracting businesses to the City or retaining businesses already established in the City.

C. Unauthorized Expenses

The following expenditures incurred by Traveler in the course and scope of their official duties shall not be reimbursed:

1. The personal portion of any trip;
2. Costs associated with any political or charitable event;
3. Expenses incurred by or on behalf of a family member or partner who accompanies the Traveler on official business;
4. Expenses associated with entertainment, including but not limited to, theater events, movies (including in-room viewing), sporting events, and personal recreation, such as golfing, spa treatments, and fitness workouts at a gym; and
5. Non-mileage personal automobile expenses, including but not limited to repairs, insurance, gasoline, traffic citations.

D. Transportation

1. General Rules

- a. To conserve City resources and keep expenses within community standards for public officials, expenditures shall adhere to the guidelines set forth in this policy. If expenses are incurred that exceed these guidelines, the cost reimbursed by the City shall be limited to the expenses that fall within the guidelines.
- b. All travel on City business shall be planned to provide for the most economical mode and class of transportation reasonably available, using the most direct and time-efficient route. Reasonable travel modes include airline, personal vehicle, commuter trains, shuttles, or taxis.
- c. Traveler shall travel using government and group rates where available.
- d. Except as provided below, travel expenses shall be reimbursed only for those days actually spent on City business. Accordingly, allowable expenses generally are those incurred for the days on which conference/event activities are scheduled. Extending trips for personal travel may be authorized at the Traveler's expense including, but not limited to, increased transportation costs if applicable).
- e. Expenses may be reimbursed for RESIDENT travel days not to exceed one day before and one day after the event only if circumstances prevent travel at reasonable hours on the actual beginning and ending days of a conference. Reasonable hours are defined as between 5:00 a.m. and 11:00 p.m. Reimbursement for more than one day of travel to or from the destination must be approved in advance by the City Council.

2. Air Travel

- a. Whenever possible, travel arrangements should be made in advance to take advantage of discount plans.
- b. The City will only reimburse coach or equivalent air fare.
- c. The City will reimburse the regular cost of one "checked bag" if charged by the airline and the Traveler is staying in excess of one night at their destination. This expense is to be reported on the travel form under incidentals.

3. Automobile

a. Use of Personal Vehicle

Reimbursement for use of personal vehicle shall be based on the lesser of the following two costs:

- (1) the lowest cost, coach round-trip air fare available when booking event;
or
- (2) the Internal Revenue Service "mileage" rate currently in effect at the time of travel (see www.irs.gov).

The IRS rates are designed to compensate the driver for gasoline, insurance, maintenance, and other expenses associated with operating the vehicle. This amount does not include bridge and road tolls, which are separately reimbursable. The IRS rates will not be paid for rental vehicles.

E. Lodging for RESIDENT Travel

1. Use of Sponsor Group Rate Where Available

Resident Traveler shall be reimbursed for the reasonable cost of single occupancy accommodations. The lodging expenses must not exceed the maximum group rate published by the conference or activity sponsor, if lodging at the group rate is available at the time of booking.

2. Allowable Alternatives When Sponsor Group Rate Not Available

a. Comparable Lodging at Government and Group Rate.

If lodging at the published group rate offered by the sponsor is not available at the time of booking, the Traveler shall be reimbursed for the costs of lodging comparable in location and quality. Comparable lodging must be reserved at the government or group rate offered by the provider of lodging. To obtain a list of hotels offering government rates in various areas, refer to the State of California's travel website (<http://www.catravelsmart.com/lodguideframes.htm>).

b. Internal Revenue Service Rates.

If government or group rates are not available from the provider at a given time or in a given area, lodging rates that do not exceed the IRS per

diem rate for a given area are presumed reasonable and hence, reimbursable.

F. Meals Expenses

1. Meal allowance will be based on IRS publication 1542, which includes tax and gratuity. Only meals actually falling within the travel time will be reimbursed.

For calculation of meal and incidental (M&EI) expenses allowance, the following percentages apply to the established General Services Administration (GSA) IRS/City rate, www.gsa.gov/, depending on the City traveled.

Breakfast	20%
Lunch	30%
Dinner	45%
Incidentals	5%

2. The City will not reimburse for the purchase of alcoholic beverages.
3. Meals included in registration costs or hotel fees cannot be claimed for reimbursement.

G. Final Accounting

Accounting for meeting, training and travel activity should be done as soon as the event concludes but no later than thirty (30) business days after returning to the City.

H. Audit of Reimbursement

All expenses are subject to verification that they are in compliance with this policy.

I. Reports to the City Council

Traveler shall provide a brief report to Council on meetings and conferences they have attended at City expense. If multiple Travelers attended the same event, they may make a joint report. Travelers should confer with the City Attorney regarding legal issues that may arise under the Brown Act when they prepare and present joint reports.

J. Compliance with Laws

Traveler should be aware that some expenditures may be subject to reporting under the Political Reform Act and other laws. In addition, all agency expenditures are public records subject to disclosure under the Public Records Act.

K. Policy Violations

Violations of this policy, including falsifying expense reports, may result in any or all of the following: (1) loss of reimbursement privileges; (2) a demand for restitution to the City; (3) reporting the expenses to state and federal tax authorities as income to the Traveler; (4) civil penalties of up to \$1,000.00 per day and three times the value of the resources used; and (5) criminal prosecution for misuse of public resources. Government Code, Section 53232.4.

APPENDIX G

CITY OF BEAUMONT COMMUTER TRAVEL AUTHORIZATION AND EXPENSE REPORT FORM						
<i>THIS IS A (check one):</i> <input type="checkbox"/> REQUEST FOR TRAVEL ADVANCE OR PER DIEM <input type="checkbox"/> CLAIM FOR REIMBURSEMENT						
NAME		DEPARTMENT		DATE OF ADVANCE REQUEST / CLAIM		
POSITION		PURPOSE OF TRIP		AUTHORIZED BY:	DATE:	
METHOD OF TRANSPORTATION	DEPARTED FROM			ARRIVED AT		
NAME (Personal Vehicle, Train, Bus, etc.)	NAME OF CITY	DATE	TIME	NAME OF CITY	DATE	TIME
DATES						
DESCRIPTION	Pre-Trip					TOTAL
BREAKFAST						
LUNCH						
DINNER						
PER DIEM (M & IE)						
MAJOR TRANSPORTATION						
CAR RENTAL						
MILEAGE						
PARKING						
TAXI, SHUTTLE, ETC.						
REGISTRATION FEE						
MISC. (explain below)						
TOTAL						
EXPLANATION OF ITEMS:						
The undersigned, under penalty of perjury, states that the above claim is correct.		REQUEST FOR <input type="checkbox"/> ADVANCE or <input type="checkbox"/> PER DIEM		AMOUNT		
		Please submit 2 weeks in advance of event				
		ACTUAL EXPENDITURES				
		CASH ADVANCE OR PER DIEM RECEIVED				
		PAID IN ADVANCE OF EVENT (other than credit card)				
		PAID VIA PERSONAL CREDIT CARD				
		LAST 4 DIGITS OF CARD #:				
		Highlight all expenses paid by credit card				
Employee/Elected Signature _____		TOTAL DUE <input type="checkbox"/> TO CITY <input type="checkbox"/> TO TRAVELER				
Approved by Dept Head _____ Date _____		DEPT. NO. - EXPENDITURE NO.		Amount per account		
Approved by City Manager _____ Date _____ (required for out-of-state travel only)						
Finance Review _____		Travel Coordinator _____				
Commonly Used Account: XXXX DEPT NUMBER 4035 TRAVEL, TRAINING & MEETINGS						

APPENDIX:

H. Job Descriptions in Finance



EMPLOYMENT OPPORTUNITY

Senior Accountant

Recruitment Closes: October 26, 2015 at 5:00 p.m.

City of Beaumont
550 E 6th Street
Beaumont, CA 92223

(951) 769-8520
www.ci.beaumont.ca.us

Full Time Part Time Temporary FLSA Exempt Subject to MOU Benefits Available

SALARY RANGE: Step 54 - Step 64

THE POSITION:

Under general direction of the Finance Director, performs advanced professional accounting work in maintaining the general ledger and in the performance of various complex analytical work. The work of this class requires the application of professional accounting techniques to a variety of problems. Incumbents in this class must be able to exercise considerable judgment in allocating charges and credits to proper accounts, prepare standard special financial reports and possess strong personal computer skills. Incumbents exercise independent judgment in the interpretation of procedures and regulations. Work may involve supervision of other accounting personnel.

CORE (ESSENTIAL) DUTIES:

- Must be able to meet the physical, mental, and environmental requirements identified in this job description
- Examine accounts and records for proper authorizations, certifications and distribution of charges
- Supervise control over general and subsidiary ledger controls
- Review and verify journal and ledger entries and trial balances
- Inspect accounting system to determine efficiency and protective value.
- Develop and maintain internal controls
- Review records pertaining to inventory and fixed assets such as equipment and buildings to determine effective utilization
- Analyze data obtained for deficiencies in control, duplication of effort, extravagance or lack of compliance with established policies and procedures
- Prepare reports of findings and recommendations
- Instruct and advise on preparation of financial statements and other related records and reports
- Conduct special investigations/projects as assigned
- Work with outside auditors to insure reports reflect the proper financial condition of the City or Redevelopment Agency
- Prepare federal and state grant reports
- Review and perform various reconciliations
- Perform internal operational audits as needed
- Coordinate audit related activities with other City departments and outside agencies
- Submit, coordinate and recommend changes to information systems as required to meet federal, state and municipal requirements
- Supervise, train and evaluate subordinates as assigned

KNOWLEDGE, SKILLS, & ABILITIES:

- Knowledge of governmental accounting and its application to municipal accounting.
- Knowledge of principles of financial administration, including budgeting and reporting
- Thorough knowledge of informational systems used for accounting and the internal controls required.

(Continued)

Selection procedures may include:

- Applicants will be screened for relevant education and experience
- Those applicants passing the initial screening process may be asked to participate in a written exam
- Those applicants passing the written exam may be required to complete a supplemental written assignment to assess the candidate's writing ability prior to participating in an oral interview
- Candidates who successfully complete the above mentioned requirements will be placed on an eligibility list. Prior to appointment, candidates will be required to pass a comprehensive background check which may include, fingerprinting through Department of Justice, a comprehensive medical examinations, psychological assessment, polygraph, and pre-employment drug screening.

How to Apply:

All application packets must be returned to:

Human Resources Dept.
550 E. 6th Street,
Beaumont, CA 92223

Faxed applications will not be accepted. Resumes may be attached, but will not be accepted without a completed City application.

ALL POSITIONS ARE POSTED IN-HOUSE FOR THE FIRST 10 DAYS AFTER INITIAL POSTING. ONCE 10 DAYS HAS ELAPSED ALL POTENTIAL CANDIDATES ARE WEL.COME TO APPLY.

Senior Accountant (continued)



KNOWLEDGE, SKILLS, & ABILITIES (continued):

- Analyze and evaluate accounting and auditing problems.
- Analyze financial accounting and reports.
- Develop accounting and related data in the preparation of reports and analyses.
- Detect and explain account irregularities and to recommend effective corrective measures.
- Perform original work in the development and modification of accounting systems.
- Communicate clearly and concisely, orally and in writing.
- Operate a personal computer using database and spread sheet programs; perform limited program modifications to adapt software to varying applications.
- Supervise, train and evaluate subordinates as assigned.

EXPERIENCE, EDUCATION, AND LICENSES:

- Minimum eighteen (18) years of age.
- Must possess a high school diploma from an accredited high school or G.E.D. equivalent.
- Must possess a Bachelor's Degree from an accredited college or university with major course work in business management, accounting, or an equivalent field.
- Minimum of five years of experience in local government accounting is required.
- Must possess a valid California Class C Driver's License and maintain possession of such license during the course of employment.
- Must have an acceptable driving record, be insurable at standard rates by City's insurance carrier, and maintain such insurability during the course of employment.

PHYSICAL, MENTAL, AND ENVIRONMENTAL REQUIREMENTS:

Must be found to be free from any physical, emotional or mental conditions, as determined by a qualified physician and/or psychologist, which with or without accommodation might affect the ability of the employee to perform essential job functions. The position may require prolonged sitting, standing, walking, reaching, twisting, turning, kneeling, bending, squatting, and stooping in the performance of daily office activities. Additionally, the position requires grasping, repetitive hand movement, and fine coordination in retrieving and entering data using a computer keyboard. Near and far vision is required in order to read work related documents and use the computer. Acute hearing is required when providing phone and personal service.

This classification is not intended to be all-inclusive. An employee may be required to perform other reasonable duties as assigned by management. The city reserves the right, with the concurrence of the department head, to revise or change classification duties and responsibilities as the need arises and as consistent with the meet and confers process. Nothing herein is intended to constitute a written or implied contract of employment.

THE CITY OF BEAUMONT IS AN EQUAL OPPORTUNITY EMPLOYER.
WOMEN, MINORITIES, AND DISABLED INDIVIDUALS ARE ENCOURAGED TO APPLY.
THE CITY OF BEAUMONT IS A DRUG-FREE WORKPLACE.



EMPLOYMENT OPPORTUNITY

Accounting Technician

Recruitment Closes: September 17, 2015 at 5:00 p.m.

City of Beaumont
550 E 6th Street
Beaumont, CA 92223

(951) 769-8520
www.ci.beaumont.ca.us

Full Time Part Time Temporary FLSA Exempt Subject to MOU Benefits Available

SALARY RANGE: Step 40 - Step 50

THE POSITION:

Under general direction of the Finance Director, performs a variety of specialized, technical, and complex accounting clerical work of above average difficulty in connection with the preparation review and maintenance of financial and statistical records; and does related work as assigned.

CORE (ESSENTIAL) DUTIES:

- Must be able to meet the physical, mental, and environmental requirements identified in this job description.
- Audit claims, warrants, computer source documents and other accounts and records for proper accuracy, authorizations, certifications and distribution of charges.
- Prepare, review and verify journal and ledger entries and trial balances.
- Post, adjust, reconcile internal accounts and balances to centralized accounting records.
- Use judgment in balancing and reconciling differences within the record keeping system.
- Interact with co-workers at all levels in the organization in a collaborative and customer service oriented manner.
- Respond to public and employee inquiries in a courteous manner; provide information within the area assignment resolve complaints in an efficient and timely manner.
- Prepare reports of findings and recommendations.
- Conduct special investigations/projects as assigned.
- Work with outside auditors to insure reports reflect the proper financial condition of the City or Redevelopment Agency.
- Prepare federal and state grant reports.
- Review and perform various reconciliations.
- Create and maintain complex filing systems to include insurances, certificates, records, reports and various other documents.
- Prepare check warrants, invoices, requisitions, purchase orders and other similar documents.
- Prepares a variety of weekly, monthly, quarterly and annual reports.
- Input payroll data, basic knowledge of payroll functions and spreadsheets.

KNOWLEDGE, SKILLS, & ABILITIES:

- Knowledge of governmental accounting and its application to municipal accounting.
- Knowledge of principles of financial administration, including budgeting and reporting
- Thorough knowledge of informational systems used for accounting and the internal controls required.

(Continued)

Selection procedures may include:

- Applicants will be screened for relevant education and experience
- Those applicants passing the initial screening process may be asked to participate in a written exam
- Those applicants passing the written exam may be required to complete a supplemental written assignment to assess the candidate's writing ability prior to participating in an oral interview
- Candidates who successfully complete the above mentioned requirements will be placed on an eligibility list. Prior to appointment, candidates will be required to pass a comprehensive background check which may include, fingerprinting through Department of Justice, a comprehensive medical examinations, psychological assessment, polygraph, and pre-employment drug screening.

How to Apply:

All application packets must be returned to:

Human Resources Dept.
550 E. 6th Street,
Beaumont, CA 92223

Faxed applications will not be accepted. Resumes may be attached, but will not be accepted without a completed City application.

ALL POSITIONS ARE POSTED IN-HOUSE FOR THE FIRST 10 DAYS AFTER INITIAL POSTING. ONCE 10 DAYS HAS ELAPSED ALL POTENTIAL CANDIDATES ARE WELCOME TO APPLY.

Accounting Technician (*continued*)



KNOWLEDGE, SKILLS, & ABILITIES (*continued*):

- Analyze and evaluate accounting and auditing problems.
- Analyze financial accounting and reports.
- Develop accounting and related data in the preparation of reports and analyses.
- Detect and explain account irregularities and to recommend effective corrective measures.
- Perform original work in the development and modification of accounting systems.
- Communicate clearly and concisely, orally and in writing.
- Operate a personal computer using database and spread sheet programs; perform limited program modifications to adapt software to varying applications.

EXPERIENCE, EDUCATION, AND LICENSES:

- Minimum eighteen (18) years of age.
- Must possess a high school diploma from an accredited high school or G.E.D. equivalent.
- Some college level course work in accounting, bookkeeping or finance.
- Minimum of two (2) years of experience in local government accounting is required.
- Must possess a valid California Class C Driver's License and maintain possession of such license during the course of employment.
- Must have an acceptable driving record, be insurable at standard rates by City's insurance carrier, and maintain such insurability during the course of employment.

PHYSICAL, MENTAL, AND ENVIRONMENTAL REQUIREMENTS:

Must be found to be free from any physical, emotional or mental conditions, as determined by a qualified physician and/or psychologist, which with or without accommodation might affect the ability of the employee to perform essential job functions. The position may require prolonged sitting, standing, walking, reaching, twisting, turning, kneeling, bending, squatting, and stooping in the performance of daily office activities. Additionally, the position requires grasping, repetitive hand movement, and fine coordination in retrieving and entering data using a computer keyboard. Near and far vision is required in order to read work related documents and use the computer. Acute hearing is required when providing phone and personal service.

This classification is not intended to be all-inclusive. An employee may be required to perform other reasonable duties as assigned by management. The city reserves the right, with the concurrence of the department head, to revise or change classification duties and responsibilities as the need arises and as consistent with the meet and confers process. Nothing herein is intended to constitute a written or implied contract of employment.

THE CITY OF BEAUMONT IS AN EQUAL OPPORTUNITY EMPLOYER.
WOMEN, MINORITIES, AND DISABLED INDIVIDUALS ARE ENCOURAGED TO APPLY.
THE CITY OF BEAUMONT IS A DRUG-FREE WORKPLACE.



EMPLOYMENT OPPORTUNITY
Public Works Director/Engineer
Recruitment Closes: October 28, 2015 at 5:00 p.m.

City of Beaumont
550 E 6th Street
Beaumont, CA 92223

(951) 769-8520
www.ci.beaumont.ca.us

Full Time Part Time Temporary FLSA Exempt Subject to MOU Benefits Available

SALARY RANGE: Step 66 - Step 76

THE POSITION:

Under administrative direction, plans, oversees and directs the activities and operations of the Public Works Department, including engineering, street services, wastewater, land developments, traffic engineering, capital improvement programs, traffic planning and engineering, special projects, control staffing levels and department budget; coordinates assigned activities with other departments and outside agencies; and provide highly responsible and complex administrative support to the City Manager; participates as a member of the executive management team; and does related work as assigned.

CORE (ESSENTIAL) DUTIES:

- Plans, assigns, directs and exercises administrative supervision over divisional employees engaged in a wide variety of engineering services, public works maintenance and operating tasks;
- Assume full management responsibility for all department services and activities including engineering, streets, traffic and wastewater operations;
- Recommends and administers policies and procedures;
- May serve as City Engineer;
- Supervises and participates in the City's capital improvement plan and budget;
- Oversee and participate in the development and administration of the department budget;
- Approve the forecast of funds needed for staffing, equipment, materials and supplies;
- Approve expenditures and implement budgetary adjustment as appropriate and necessary;
- Directs the selection training, development, evaluation and discipline of department staff pursuant to City guidelines and agreements;
- Advises and supports the City Manager's office and City Council and represents the department in policy matters;
- Directs and participates in the development and implementation of the City's goals, objectives, policies and procedures;
- Represents the Public Works Department in relations with the community, advisory committees, local, state, federal and other public works agencies and professional organizations;
- Schedules public hearings and leads discussions regarding proposed public works projects;
- Perform research regarding equipment and operations; advise the acceptance of bids and the ordering of supplies;
- Respond and resolve difficult and sensitive citizen inquiries and complaints.

KNOWLEDGE, SKILLS, & ABILITIES:

- Extensive knowledge of municipal public works, planning, design, maintenance and construction;
- Knowledge of California engineering and administration principles related to the design and construction of public works project;

(Continued)

Selection procedures may include:

- Applicants will be screened for relevant education and experience
- Those applicants passing the initial screening process may be asked to participate in a written exam
- Those applicants passing the written exam may be required to complete a supplemental written assignment to assess the candidate's writing ability prior to participating in an oral interview
- Candidates who successfully complete the above mentioned requirements will be placed on an eligibility list. Prior to appointment, candidates will be required to pass a comprehensive background check which may include, fingerprinting through Department of Justice, a comprehensive medical examinations, psychological assessment, polygraph, and pre-employment drug screening.

How to Apply:

All application packets must be returned to:

Human Resources Dept.
550 E. 6th Street,
Beaumont, CA 92223

Faxed applications will not be accepted. Resumes may be attached, but will not be accepted without a completed City application.

ALL POSITIONS ARE POSTED IN-HOUSE FOR THE FIRST 10 DAYS AFTER INITIAL POSTING. ONCE 10 DAYS HAS ELAPSED ALL POTENTIAL CANDIDATES ARE WELCOME TO APPLY.

Public Works Director / Engineer (*continued*)



KNOWLEDGE, SKILLS, & ABILITIES (*continued*):

- Knowledge of municipal organizations administration, budgeting, staffing and supervision;
- Civil engineering principles related to planning, traffic, streets, public buildings, capital facilities planning, technical, legal and financial requirements involved in the conduct of municipal public works studies;
- Knowledge of enterprise operations and rate setting principles for operations;
- Techniques and methods of preparing designs, plans, specifications, estimates and reports for proposed municipal facilities;
- Knowledge of recent developments, current literature and sources of information in California Public Works Administration;
- Communicate clearly and concisely, orally and in writing;
- Operate a personal computer using database and spread sheet programs; perform limited program modifications to adapt software to varying applications.

EXPERIENCE, EDUCATION, AND LICENSES:

- Minimum eighteen (18) years of age;
- Must possess a high school diploma from an accredited high school or G.E.D. equivalent;
- Must possess a Bachelor's Degree from an accredited college or university with major course work in Engineering, Public Administration or an equivalent field;
- Masters degree in a related field desirable;
- Ten (10) years of responsible management experience involving public works operations;
- Registration as a Civil Engineer, Traffic Engineer or Land Surveyor in the State of California is highly desirable;
- Must possess a valid California Class C Driver's License and maintain possession of such license during the course of employment;
- Must have an acceptable driving record, be insurable at standard rates by City's insurance carrier, and maintain such insurability during the course of employment.

PHYSICAL, MENTAL, AND ENVIRONMENTAL REQUIREMENTS:

Must be found to be free from any physical, emotional or mental conditions, as determined by a qualified physician and/or psychologist, which with or without accommodation might affect the ability of the employee to perform essential job functions. The position may require prolonged sitting, standing, walking, reaching, twisting, turning, kneeling, bending, squatting, and stooping in the performance of daily office activities. Additionally, the position requires grasping, repetitive hand movement, and fine coordination in retrieving and entering data using a computer keyboard. Near and far vision is required in order to read work related documents and use the computer. Acute hearing is required when providing phone and personal service. The position requires lifting, carrying, pushing, and/or pulling objects weighing up to 25 pounds. Incumbent must be willing to work shift work, including nights, weekends, and holidays. Must be able to work in adverse weather conditions, including extreme heat and cold.

This classification is not intended to be all-inclusive. An employee may be required to perform other reasonable duties as assigned by management. The city reserves the right, with the concurrence of the department head, to revise or change classification duties and responsibilities as the need arises and as consistent with the meet and confers process. Nothing herein is intended to constitute a written or implied contract of employment.

THE CITY OF BEAUMONT IS AN EQUAL OPPORTUNITY EMPLOYER.
WOMEN, MINORITIES, AND DISABLED INDIVIDUALS ARE ENCOURAGED TO APPLY.
THE CITY OF BEAUMONT IS A DRUG-FREE WORKPLACE.

APPENDIX:

I. Management Response to MGO
Internal Control Report

Memorandum

To: Honorable Mayor Knight and City Council members
City Treasurer Carroll
City Clerk Martinez

CC: Beaumont Managers

From: Elizabeth Gibbs-Urtiaga, Acting City Manager

Date: August 4, 2015

Re: Response to Review of Internal Controls for Cash Receipts and Disbursements

The initial findings in this document have outlined serious issues in the City's methodology, practices, and procedures as it relates to Finance and IT services.

Specific areas of concern include:

INTERNAL CONTROLS

- *FINDING: Lack of overall emphasis by elected officials and Finance staff on improving the processes that control the City's finances (Internal Controls)*

Management Response:

Separation of Duties and Oversight: There was a long period of time that the Finance Department operated with very lean staffing and it has become clear, the organization concentrated too much authority and expertise in one person, the Finance Director. The Finance Director position became vacant in April 2015 and the need for more accounting staff to establish a separation of duties became evident shortly after I assumed the role of Acting City Manager. Under my direction and with Council approval the City has entered into a contract with Ms. Onyx Jones as the Interim Finance Director and we have obtained two accountants from temporary agencies.

An internal control checklist is being developed that will show each hierarchy of approval for each task within Finance. This list will be reviewed with the current City auditors and modified if necessary.

August 4, 2015

- **FINDING:** *Lack of comprehensive, current policies and procedures for Finance Dept activities*

Management Response:

The Interim Finance Director along with myself, are developing a new Policy and Procedure Handbook that will be presented to Council for approval by September 2015.

- **FINDING:** *Financial systems access is not adequately restricted or reviewed on a regular basis*

Management Response:

Access to Financial software and web-based programs: Information Technology (IT) staff has been directed to shut off all access for any City programs, web-based or otherwise, effective immediately upon the termination or resignation of any employee. This has always been the City's practice as it relates to building access, once an employee is no longer with the City, their badge/ ID card is deactivated. Passwords for any web-based or software programs used by the City are also immediately rendered inactive or changed to restrict access for employees who are no longer with the City of Beaumont.

- **FINDING:** *Key reconciliations are not performed adequately or on a regular basis.*

Management Response:

The new Finance Director has created a task list (Exhibit A) which will include deadlines for all procedures done within the Finance Department. These tasks will be assigned to available Finance staff and reviewed by Finance Director when complete.

CONTROLS OVER CASH RECEIPTS

- **FINDING:** *Documentation of the daily recording of bank deposits into the Finance software accounting system needs a more standardized approach.*

August 4, 2015

Management Response:

A software upgrade is being considered that will allow cash receipts to be posted directly into the general ledger without manual input. Staff will also be upgrading the bank reconciliation module so information can be downloaded from the bank and reconciled to the general ledger very easily.

- *FINDING: Documentation for purchases are not maintained that indicate compliance with the City's Municipal Code and State Law.*

Response:

A new Purchasing Ordinance was approved by City Council on July 7, 2015 (Exhibit B). All department heads have been given copies of this ordinance and written internal procedures with a workflow chart are being developed so that everyone has been given the same information. The Interim Finance Director and/or Acting City Manager will review all invoices/payments prior to being paid to ensure compliance with the new ordinance.

- *FINDING: The method the City employs to pay Sales and Use Taxes on purchases may not be appropriate*

Response:

Sales Tax and the Use of the Beaumont Finance Authority: On June 11, 2015, I directed all managers and Finance staff to stop the practice of withholding sales tax for purchases made outside of the City of Beaumont. Furthermore, I have reached out to the consultant that we have under contract i.e. HdL, for assistance on this matter. HdL is a prominent sales tax expert in the state that is used by many cities. I will be working with HdL to review our practices, along with possible consultation with our City Attorney, and bring back our joint findings and recommendations on this matter.

- *FINDING: Payments to electrical supply vendors are not properly supported by documentation.*

Response:

Beaumont Electric- As of June 3, 2015, Finance staff was directed to temporarily withhold all payments of invoices related to the sale of

August 4, 2015

wholesale electrical supplies from vendors outside of the City of Beaumont. Furthermore, staff is working with Beaumont Electric to reconcile all payments made, obtain original invoices of those vendors that were issued payments by the City and produce a final report to Council in the near future.

- *FINDING: Payments of all types are not always approved by all required parties.*

Response:

The Interim Finance Director and/or Acting City Manager will review all invoices/payments prior to being paid to ensure compliance with the new ordinance.

- *FINDING: Controls over petty cash are lacking.*

Response:

Management Response:

Daily operating cash procedures are also being developed and all staff handling cash will be trained on the new procedures.

City staff is appreciative to MGO for their thorough review of our financial practices and is committed to moving forward in a positive manner to continue to implement many of the changes recommended by the auditors.

We will continue to implement the recommended practices that have not yet been addressed with the assistance of Urban Futures, the Interim Finance Director, our Interim City Attorney and possibly others.

August 4, 2015

EXHIBIT A

CITY OF BEAUMONT

Finance Director/Department

ON GOING RESPONSIBILITIES

Staff: training, recruitment, documentation/implementation of disciplinary actions

Department liason for finance related items

Implementation of system upgrades & end user training

Review/manage chart of accounts and structure of funds

Review JV's, BA's, purchase requisitions (train staff on proper documentation of back up)

Review financial impact of all Staff Reports approved by Council and ensure financial items are booked properly

Write Staff Reports for the Finance Department

MONTHLY/QUARTERLY RESPONSIBILITIES

Review Bank Reconciliations / Interest Allocations

Interim Financial Statements

Monthly financial updates to Management and Council

MID-YEAR/BUDGET RESPONSIBILITIES

Review available resources (CASH) & fund balance of all funds

Departmental mid-year budget adjustments

Mid Year Staff Report with Financial Analysis

Review Semi-Annual (annual) RPTTF

Provide information Semi Annual Disclosure report on bonds

YEAR-END RESPONSIBILITIES

Create Year End Check list

Year End Single Audit

Review/organize auditor PBC's

Reivew Financial Statements / Other Reports

Coordinate completion of SEFA (Schedule of Expenditures of Federal Awards)

Debt Schedules, presentation in audit

Address OPEB related issues / valuation

Fixed Assets & LHFR reporting / tracking

AB1600 Reporting, tracking/spending of Development Impact Fees

Reconciliation of Due to/ Due From, Advances to/from, etc.

GANN limit calculation

Internal controls (cash handling procedures, inventory, jv/ba approval process, etc)

PO Rollforwards, Capital Projects Carry Forwards

Worker's Compensation, General Liability, Compensated Absences

Street / Gas Tax / Measure I audits

OUTSIDE REPORTING

Review quarterly/annual grant drawdowns and financial reports

Diesel fuel tax return

Sales tax return

US Census Surveys
Tax Returns (non-profit agencies etc.)
AB 2766 AQMD
AB2788 MOE (Dec 31st)
State Controller's Report
State Mandate Reports for cost recovery
Payroll Tax Reporting
Affordable Care Act reporting

BUDGET PREPARATION

Create a Budget Manual to assist departments in creating budget schedules
Create Budget timeline
Review components needed for a CSMFO Budget award and determine what steps are needed to receive the award
Create a Budget Checklist
Write Staff Report and Budget Message
Review GF revenue projections, GF subsidies, capital request, and cost saving strategies for the GF
Authorized positions / position budgeting

OVERSIGHT

Daily cash postings, wires, special cash movement & reconciliation to GL
Monitor CDBG & other grant activity for compliance
Review the methodology and accuracy of Internal Service Fund allocations and/or OH Calculation
Special projects within Finance
Address the DOF with any Successor Agency requirements (Due Diligence, Property Management Plan, RPTTF issues.)
Understand the purpose of all Special Revenue Funds, Fiduciary Funds, Enterprise Funds, Private Purpose Funds, etc. and monitor financial activity/reporting
Monitor/Track Internal Loan Agreements
Accounts Payable - Work with departments to ensure accuracy of utility bills and the proper allocation of the charges
Accounts Payable - Ensure signature authorities are updated with list of employees, their authorized limits, and their signature and initials
Accounts Payable - reimbursement/payments adhere to purchasing ordinance, travel policies, cell phone policies, etc.
Payroll - Accuracy, proper implementation of MOU's, cash obligations
Payroll - Labor negotiations/ concession agreements (review financial impact)
Financial reporting for local revenue measures

August 4, 2015

EXHIBIT B

PURCHASING ORDINANCE
FOUND IN APPENDIX A

APPENDIX:

J. Ordinance 3.12.020 Check Warrants

4.D.

Staff Report

TO: Beaumont City Council
FROM: Interim City Attorney
DATE: October 6, 2015
SUBJECT: Approval of Ordinance to Amend Municipal Code re: Warrant Approval

Background:

As part of our review of City policies, procedures and practices, our office has reviewed the City Municipal Code and procedures relating to approval of warrants. The City's current warrant approval provisions at Municipal Code Section 3.12.20 provide for a procedure different than the Government Code by requiring city council approval before the payment of payroll and other demands.

Government Code §37208 provides that a city council is not required to approve payroll and other budgeted demands prior to issuing payment. Under the Government Code, such payments may be presented to the city council for ratification and approval at the first meeting after delivery of the warrants or checks.

The proposed ordinance amends Section 3.12.20 of the City of Beaumont Municipal Code to incorporate the warrant approval processes authorized by Government Code §37208. Upon adopting the ordinance proposed herein, the Municipal Code will be compliant with current warrant approval provisions of the Government Code.

Pursuant to Government Code section 37209, the duties of the City Clerk under these Government Code provisions will be delegated to the city finance director. The ordinance also provides for additional oversight by requiring that warrants also be approved and presented by the city treasurer.

Fiscal Impact: None

Recommendation: Adopt the Proposed Ordinance after a Public Hearing to bring City procedure in line with the Government Code.

Submitted By: Interim City Attorney

City Management Review: *LCU*

Date: 9-24-15

1
000125

ORDINANCE NO. _____

**AN ORDINANCE OF THE CITY COUNCIL OF THE CITY
OF BEAUMONT, CALIFORNIA AMENDING SECTION
3.12.020 OF THE BEAUMONT MUNICIPAL CODE
REGARDING CITY COUNCIL APPROVAL OF
WARRANTS**

WHEREAS, Sections 37202, 37203 and 37208 of the California Government Code permit General Law cities to establish procedures for the approval and signing of warrants and/or checks; and

WHEREAS, it has been determined that modifications to the City's current procedures for the approval of warrant registers would reduce staff and Council Member workloads and would lessen the turnaround time required for the City to pay certain vendors for goods and services received; and

WHEREAS, the proposed procedural modifications will not undermine the City's ability to account for and control the use of public funds;

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF BEAUMONT DOES ORDAIN AS FOLLOWS:

SECTION 1. CEQA. The City Council finds that the actions contemplated by this Ordinance are exempt from the California Environmental Quality Act ("CEQA") pursuant to Section 15060 (c)(2) (the activity will not result in a direct or reasonably foreseeable indirect physical change in the environment) and 15060(c)(3) (the activity is not a project as defined in Section 15378) of the CEQA Guidelines, California Code of Regulations, Title 14, Chapter 3, because it has no potential for resulting in physical change to the environment, directly or indirectly.

SECTION 2. Severability. The City Council hereby declares that if any provision, section, paragraph, sentence, or word of this Ordinance is rendered or declared to be invalid or unconstitutional by any final court action in a court of competent jurisdiction, or by reason of any preemptive legislation, such invalidity shall not affect the other provisions, sections, paragraphs, sentences or words of this Ordinance, and to this end the provisions of this Ordinance are severable. The City Council declares that it would have adopted this Ordinance irrespective of the invalidity of any particular portion thereof and intends that the invalid portions should be severed and the balance of the Ordinance enforced.

SECTION 3. The City Council hereby amends Section 3.12.020 of the City of Beaumont Municipal Code in its entirety to read as follows:

Section 3.12.020 Payment of Claims, Demands, etc.

A. Payment Approval. Pursuant to §37202 of the California Government Code, demands against the city for payment shall be audited by the city treasurer and city finance director and thereafter submitted to the city council for approval or rejection prior to payment, either separately or in a register of audited demands, and shall have attached thereto an affidavit or certificate of the city treasurer and city finance director certifying as to the accuracy of the demands and the availability of funds for payment thereof;

B. Prepayment. In conformance with the authority provided by §37208 of the Government Code, the following demands and payments need not be audited by the city council prior to payment when such payments are included in the register of audited demands presented to the city council at the first meeting after delivery of such warrants or checks:

- i. Properly approved and certified payroll warrants or checks;
- ii. Warrants or checks certified or approved by the city treasurer and city finance director as conforming to the authorized expenditures set forth in the council-adopted city budget.

C. City Finance Director Approval. The responsibilities of the city clerk to audit, certify and present warrants under Government Code §§ 37201-37208 are hereby delegated to the city finance director as authorized by Government Code §37209.

SECTION 4. Effective Date and Publication. The Mayor shall sign and the City Clerk shall certify to the passage of this Ordinance and cause the same or a summary thereof to be published within 15 days after adoption in accordance with Government Code Section 36933. This Ordinance shall take effect 30 days after adoption in accordance with Government Code Section 36937.

NOW, THEREFORE, BE IT ORDAINED that the City Council of the City of Beaumont, California, approves this amendment to the Municipal Code.

INTRODUCED AND READ for the first time and ordered posted at a regular meeting of the City Council of the City of Beaumont, California, held on the ____ day of _____, 2015, by the following roll call vote:

AYES:
NOES
ABSENT
ABSTAIN

Brenda Knight, Mayor

Attest: _____
Julio Martinez, City Clerk

PASSED, APPROVED AND ADOPTED at a regular meeting of the City Council of the City of Beaumont, California, held on the _____ day of _____, 2015.

AYES:
NOES:
ABSENT:
ABSTAIN:

Brenda Knight, Mayor

(Seal)

Attest: _____
Julio Martinez, City Clerk

Approved as to form:

John O. Pinkney, Interim City Attorney



CITY OF BEAUMONT

LEGAL NOTICE

NOTICE IS HEREBY GIVEN, that the Beaumont City Council will conduct a public hearing on Tuesday, October 6, 2015 at approximately 6:00 p.m. in room 5 at the Beaumont Civic Center, 550 E. 6th Street, Beaumont, California 92223, to receive testimony and comments from all interested persons regarding the adoption of the following matter(s):

**AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF BEAUMONT,
CALIFORNIA AMENDING SECTION 3.12.020 OF THE BEAUMONT MUNICIPAL
CODE REGARDING CITY COUNCIL APPROVAL OF WARRANTS**

In accordance with authority granted under California Government Code Section 37201 et. seq. this ordinance allows for City Council ratification of payroll and budgeted demands at the first meeting after payment is made and jointly authorizes the city finance director and treasurer to audit, certify and present to the City Council all demands for payment.

Publish one time only in the Record Gazette on September 25, 2015

080189

Record Gazette
218 N. Murray St.
Proof of Publication
(2015.5 C.C.P.)

122849 - APPROVAL OF WARRANTS

State of California)
County of Riverside) ss.

I am a citizen of the United States and a resident of the State of California; I am over the age of eighteen years, and not a party to or interested in the above matter. I am the principal clerk of the printer and publisher of Record Gazette, a newspaper published in the English language in the City of Banning, County of Riverside, and adjudicated a newspaper of general circulation as defined by the laws of the state of California by the Superior Court of the County of Riverside, under the date October 14, 1988, Case No. 84737. That the notice, of which the annexed is a copy, has been published in each regular and entire issue of said newspaper and not in any supplement thereof on the following dates, to-wit:

September 25, 2015

Executed on: 09/25/2015

At Banning, CA

I certify (or declare) under penalty of perjury that the foregoing is true and correct.


Signature

NOTICE IS HEREBY GIVEN, that the Beaumont City Council will conduct a public hearing on Tuesday, October 6, 2015 at approximately 8:00 p.m. in room 5 at the Beaumont Civic Center, 500 E. 8th Street, Beaumont, California 92223, to receive testimony and comments from all interested persons regarding the adoption of the following matter(s):
AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF BEAUMONT, CALIFORNIA AMENDING SECTION 5.12.020 OF THE BEAUMONT MUNICIPAL CODE REGARDING CITY COUNCIL APPROVAL OF WARRANTS
In accordance with authority granted under California Government Code Section 37201 et. seq., this ordinance allows for City Council ratification of payroll and budgeted demands at the first meeting after payment is made and jointly authorizes the city finance director and treasurer to audit, certify and present to the City Council all demands for payment.
Published in the city in the Record Gazette on September 25, 2015.
The Record Gazette
No. 122849
09/25, 2015

APPENDIX:

K. Ordinance 2.35 Standing Financial
Committee

ORDINANCE NO. _____

**AN ORDINANCE OF THE CITY COUNCIL OF THE CITY
OF BEAUMONT, CALIFORNIA ADDING CHAPTER 2.35
"STANDING FINANCIAL COMMITTEE" TO THE CITY
OF BEAUMONT MUNICIPAL CODE**

WHEREAS, the City Council of the City of Beaumont desires to enhance transparency and accountability regarding City financial affairs, as well as establish effective fiscal management and investment policies within the City; and

WHEREAS, the City Council desires to provide for increased citizen input and participation regarding fiscal policy and practices; and

WHEREAS, the City Council finds that it is in the best interests of the City to establish a Standing Financial Committee to act in an advisory capacity to the City Council in order to meet such goals.

**NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF BEAUMONT DOES
ORDAIN AS FOLLOWS:**

SECTION 1. CEQA. The City Council finds that the actions contemplated by this Ordinance are exempt from the California Environmental Quality Act ("CEQA") pursuant to Section 15060 (c)(2) (the activity will not result in a direct or reasonably foreseeable indirect physical change in the environment) and 15060(c)(3) (the activity is not a project as defined in Section 15378) of the CEQA Guidelines, California Code of Regulations, Title 14, Chapter 3, because it has no potential for resulting in physical change to the environment, directly or indirectly.

SECTION 2. Severability. The City Council hereby declares that if any provision, section, paragraph, sentence, or word of this Ordinance is rendered or declared to be invalid or unconstitutional by any final court action in a court of competent jurisdiction, or by reason of any preemptive legislation, such invalidity shall not affect the other provisions, sections, paragraphs, sentences or words of this Ordinance, and to this end the provisions of this Ordinance are severable. The City Council declares that it would have adopted this Ordinance irrespective of the invalidity of any particular portion thereof and intends that the invalid portions should be severed and the balance of the Ordinance enforced.

SECTION 3. The City Council hereby adds Chapter 2.35 "Standing Financial Committee" to the City of Beaumont Municipal Code as follows:

Chapter 2.35
“Standing Financial Committee”

Sections:	
2.35.010	Purpose and Intent.
2.35.020	Definitions.
2.35.030	Creation of Committee.
2.35.040	Appointment and Qualifications of Committee Members.
2.35.050	Term and Tenure of Members.
2.35.060	Powers and Duties.
2.35.070	Rules and Regulations.

2.35.010 Purpose and Intent. The purpose of this Chapter is to establish a Standing Financial Committee. The Standing Financial Committee shall act in an advisory capacity to the City Council and work to promote enhanced fiscal responsibility, accountability, integrity, transparency, and to recommend fiscal and investment policies for City Council consideration.

2.35.020 Definitions.

- (A) “City” shall mean the City of Beaumont;
- (B) “Code” shall mean the City of Beaumont Municipal Code;
- (C) “Committee” shall mean the Standing Financial Committee as established herein.

2.35.030 Creation of Committee. There is hereby created a Standing Financial Committee. The Committee shall consist of nine (9) members.

2.35.040 Appointment and Qualifications of Committee Members. The City Council shall appoint the members of the Committee. Committee members shall be at least eighteen (18) years of age and shall consist of at least two (2) members of the City Council, the City Treasurer, the City Manager or his or her designee, and four (4) residents of the City of Beaumont. The ninth committee member shall not be required to be a City resident, but if not a City resident, must own a business operating within the City.

2.35.050 Term and Tenure of Members. All members of the Committee shall be appointed for a term of two (2) years and shall serve at the pleasure of the City Council. Members shall serve without compensation.

2.35.060 Powers and Duties. The Committee shall be advisory to the City Council. The Committee shall hold public meetings at least once every sixty days. The Committee shall make recommendations to the City Council regarding:

- (A) City investment policies and practices;
- (B) Long term financial planning;

(C) Such other matters as the City Council may request from time to time

2.35.070 Rules and Regulations. The Committee shall appoint a chair, who shall conduct Committee meetings and report quarterly to the City Council on Committee activities and recommendations. The Committee shall adopt such rules and regulations as are needed to conduct its meetings and shall comply with the Brown Act and other applicable laws.

SECTION 4. Effective Date and Publication. The Mayor shall sign and the City Clerk shall certify to the passage of this Ordinance and cause the same or a summary thereof to be published within 15 days after adoption in accordance with Government Code Section 36933. This Ordinance shall take effect 30 days after adoption in accordance with Government Code Section 36937.

NOW, THEREFORE, BE IT ORDAINED that the City Council of the City of Beaumont, California, approves this amendment to the City Code.

INTRODUCED AND READ for the first time and ordered posted at a regular meeting of the City Council of the City of Beaumont, California, held on the ____ day of August, 2015, by the following roll call vote:

AYES:
NOES
ABSENT
ABSTAIN

Brenda Knight, Mayor

Attest: _____
Julio Martinez, City Clerk

Approved as to form:

John O. Pinkney, Interim City Attorney



CITY OF BEAUMONT

LEGAL NOTICE

NOTICE IS HEREBY GIVEN, that the Beaumont City Council will conduct a public hearing on Tuesday, August 18, 2015 at approximately 6:00 p.m. in room 5 at the Beaumont Civic Center, 550 E. 6th Street, Beaumont, California 92223, to receive testimony and comments from all interested persons regarding the adoption of the following matter(s):

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF BEAUMONT, CALIFORNIA ADDING CHAPTER 2.35 "STANDING FINANCIAL COMMITTEE" TO THE CITY OF BEAUMONT MUNICIPAL CODE

The intent of the ordinance is to set forth the duties and responsibilities of the Standing Financial Committee. The Beaumont City Council desires to enhance transparency and accountability regarding City financial affairs, as well as establish effective fiscal management and investment policies within the City. The City Council also desires to provide for increased citizen input and participation regarding fiscal policy and practices. The City Council finds that it is in the best interests of the City to establish a Standing Financial Committee to act in an advisory capacity to the City Council in order to meet such goals.

Date: August 4, 2015

Publish one time only in the Record Gazette on August 7, 2015

APPENDIX:

L. Ordinance 2.080.120 City Treasurer
Duties

To: Mayor and City Council
From: Treasurer's Office
By: Nancy Carroll
Agenda Date: August 18, 2015
Subject: An Ordinance of the City Council of the City Of
Beaumont, California Adding Chapter 2.35 to the City of
Beaumont Municipal Code

Background/ Summary:

Before the City Council is an ordinance that would establish a nine voting member Standing Financial Committee. This Committee would serve in an advisory capacity to the City Council on budget, investments, financial planning, audits, transparency and other special oversight projects as determined by Council. The City Manager and the highest ranking financial staff member (to be determined by the City Manager) would be included as non-voting members of the Committee. All other members would be appointed by Council. Elected members would include two Council Members and the City Treasurer. Five public members will be Beaumont residents with one additional member who may or may not reside in Beaumont but if not, must own a business in the City. All citizen members must meet and fulfill application requirements before appointment.

Fiscal Impact:

No compensation is offered for Committee members.

Actions:

Hold a Public Hearing and approve the first reading of the Ordinance adding Chapter 2.35 to the Beaumont Municipal Code.

Carroll

AGENDA ITEM 4.e

To: Mayor and City Council

From: Treasurer's Office

By: Nancy Carroll

Agenda Date: August 18, 2015

Subject: An Ordinance of the City Council of the City Of Beaumont, California Adding Section 2.08.120 "City Treasurer Duties" to the City of Beaumont Municipal Code

Background/ Summary:

Before the City Council is an ordinance that would define the duties of the City Treasurer and advance the interests of the City by establishing these duties and responsibilities. These changes have been reviewed by the City Attorney.

Fiscal Impact:

There is no fiscal impact to the City.

Actions:

Hold a Public Hearing and Approve the first reading of the Ordinance adding section 2.08.120 to the Beaumont Municipal Code.

BC

ORDINANCE NO. ____

**AN ORDINANCE OF THE CITY COUNCIL OF THE CITY
OF BEAUMONT, CALIFORNIA ADDING SECTION
2.08.120 "CITY TREASURER DUTIES" TO THE CITY OF
BEAUMONT MUNICIPAL CODE**

WHEREAS, Beaumont Municipal Code does not currently set forth the duties and responsibilities of the City Treasurer; and

WHEREAS, the City Council of the City of Beaumont desires to enhance transparency and accountability regarding City financial affairs, as well as establish effective fiscal management and investment policies within the City; and

WHEREAS, the City Council desires to provide for increased input and participation of the City Treasurer regarding the City's fiscal policy and practices; and

WHEREAS, the City Council finds that it is in the best interests of the City to adopt duties and responsibilities of the City Treasurer.

**NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF BEAUMONT DOES
ORDAIN AS FOLLOWS:**

SECTION 1. CEQA. The City Council finds that the actions contemplated by this Ordinance are exempt from the California Environmental Quality Act ("CEQA") pursuant to Section 15060 (c)(2) (the activity will not result in a direct or reasonably foreseeable indirect physical change in the environment) and 15060(c)(3) (the activity is not a project as defined in Section 15378) of the CEQA Guidelines, California Code of Regulations, Title 14, Chapter 3, because it has no potential for resulting in physical change to the environment, directly or indirectly.

SECTION 2. Severability. The City Council hereby declares that if any provision, section, paragraph, sentence, or word of this Ordinance is rendered or declared to be invalid or unconstitutional by any final court action in a court of competent jurisdiction, or by reason of any preemptive legislation, such invalidity shall not affect the other provisions, sections, paragraphs, sentences or words of this Ordinance, and to this end the provisions of this Ordinance are severable. The City Council declares that it would have adopted this Ordinance irrespective of the invalidity of any particular portion thereof and intends that the invalid portions should be severed and the balance of the Ordinance enforced.

SECTION 3. The City Council hereby adds Section 2.08.120 "City Treasurer Duties" to the City of Beaumont Municipal Code as follows:

Section 2.080.120
“City Treasurer Duties”

Section 2.080.120 **City Treasurer Duties.**

A. The City Treasurer shall perform those duties established by the general laws of the State of California relating to the management and investment of City money set forth in Sections 41001 et seq. of the Government Code. Such duties include but are not limited to:

1. Receiving and safely keeping all money coming into his or her hands as City Treasurer;
2. Complying with all laws governing the deposit and securing of public funds and the handling of trust funds in his possession;
3. Paying out money only on warrants signed by legally designated persons;
4. Submitting to the City Clerk, at least once each month, a written report and accounting of all receipts, disbursements, and fund balances and filing a copy of the written report and accounting with the legislative body;
5. The City Treasurer may appoint deputies for whose acts the City Treasurer and his or her bondsmen are responsible. The deputies shall hold office at the pleasure of the City Treasurer and receive such compensation as is provided by the City Council.

B. The City Treasurer shall also perform the following duties:

1. Reviewing the monthly warrants on a biweekly basis with the City’s Finance Director, or his or her designee, to determine the integrity of the warrants and to ensure the warrants are properly issued;
2. Delivering monthly summary accounting of all receipts, expenses and fund balances to the City Council and working with the City’s Finance Director, or his or her designee, to ensure accuracy of said reports;
3. Providing a monthly City Treasurer’s report to the City Council, raising issues of concern and or requests for City Council action;
4. Representing the City as needed and/or requested by the City Council at City, County, State or Commission meetings;
5. Working with the City’s Finance Director and staff to prepare and deliver additional reports as requested by the City Council. Reports may be added to a monthly, quarterly or annual schedule if deemed to be beneficial to the City Council and decision making;

6. Completing special projects as requested by the City Council;

7. Serving on all City Financial committees including budget formation, audit decisions and process, risk assessment, financial strategy, revenue development and transparency policies for the security and integrity of City assets, funds, information and security.

C. The authority of the City Council to invest or reinvest City funds may be delegated to the City Treasurer, subject to annual review and renewal by the City Council, pursuant to Section 53607 of the California Government Code. In the event the City Council delegates the City's investment and reinvestment authority to the City Treasurer, the City Treasurer shall assume full responsibility for investment activities until said delegation of authority is revoked or expires, and shall make a monthly report of investment activities to the City Council. The City Treasurer shall have the duty to enforce the investment policy of the City as may be adopted and amended from time to time by the City Council.

SECTION 4. Effective Date and Publication. The Mayor shall sign and the City Clerk shall certify to the passage of this Ordinance and cause the same or a summary thereof to be published within 15 days after adoption in accordance with Government Code Section 36933. This Ordinance shall take effect 30 days after adoption in accordance with Government Code Section 36937.

NOW, THEREFORE, BE IT ORDAINED that the City Council of the City of Beaumont, California, approves this amendment to the City Code.

INTRODUCED AND READ for the first time and ordered posted at a regular meeting of the City Council of the City of Beaumont, California, held on the ____ day of _____, 2015, by the following roll call vote:

AYES:
NOES
ABSENT
ABSTAIN

Brenda Knight, Mayor

Attest: _____
Julio Martinez, City Clerk

PASSED, APPROVED AND ADOPTED at a regular meeting of the City Council of the City of Beaumont, California, held on the ____ day of _____, 2015.

AYES:
NOES:
ABSENT:
ABSTAIN:

Brenda Knight, Mayor

(Seal)

Attest: _____
Julio Martinez, City Clerk

Approved as to form:

John O. Pinkney, Interim City Attorney



CITY OF BEAUMONT

LEGAL NOTICE

NOTICE IS HEREBY GIVEN, that the Beaumont City Council will conduct a public hearing on Tuesday, August 18, 2015 at approximately 6:00 p.m. in room 5 at the Beaumont Civic Center, 550 E. 6th Street, Beaumont, California 92223, to receive testimony and comments from all interested persons regarding the adoption of the following matter(s):

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF BEAUMONT, CALIFORNIA ADDING SECTION 2.08.120 "CITY TREASURER DUTIES" TO THE CITY OF BEAUMONT MUNICIPAL CODE

The intent of the ordinance is to set forth the duties and responsibilities of the City Treasurer. The Beaumont City Council desires to enhance transparency and accountability regarding City financial affairs, as well as establish effective fiscal management and investment policies within the City. The City Council also desires to provide for increased input and participation of the City Treasurer regarding fiscal policy and practices.

Date: August 18, 2015

Publish one time only in the Record Gazette on August 7, 2015

APPENDIX:

M. Sample Cash Count Sheet

Money Count Worksheet

APPENDIX M

Name/Event/Source of Funds: _____

Date: _____

Coins

Pennies	@	\$0.01	\$ -
Nickels	@	\$0.05	\$ -
Dimes	@	\$0.10	\$ -
Quarters	@	\$0.25	\$ -
\$.50 Piece	@	\$0.50	\$ -
\$1.00 Piece	@	\$1.00	\$ -

Total Coin: \$0.00

Currency

Ones	@	\$1.00	\$ -
Twos	@	\$2.00	\$ -
Fives	@	\$5.00	\$ -
Tens	@	\$10.00	\$ -
Twenties	@	\$20.00	\$ -
Fifties	@	\$50.00	\$ -
Hundreds	@	\$100.00	\$ -

Total Currency: \$0.00

Total Cash: \$0.00

Total Checks: _____

Please attach a completed bank check deposit slip, as well Total Checks:

Total Deposit: \$0.00

Counter #1

Counter #2

Print Name

Print Name

Signature

Signature

**State Controller's Office
Division of Audits
Post Office Box 942850
Sacramento, CA 94250-5874**

<http://www.sco.ca.gov>