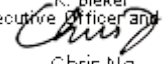


FILED

06/03/2026

K. Bieker
Executive Officer and Clerk

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SUPERIOR COURT OF THE STATE OF CALIFORNIA
 FOR THE COUNTY OF VENTURA

City of Oxnard *ex rel.* **Moving Oxnard
 Forward, Inc.,**

Plaintiff,

vs.

Eadie+Payne LLP,
Eden Casareno,
Alexander Nguyen,
Stephen Fischer,
 and DOES 3 through 25, inclusive,

 Defendants.

Case No.: 2025CUNP042170

Assigned for all purposes to:
 Hon. Dana K. Caudill, Dept. 21

Second Amended Complaint for Damages
 [California False Claims Act;
 Waste of Taxpayer Funds]

Action Filed: Apr. 16, 2025
 Trial Date: Not Set

Relator and Qui Tam Plaintiff Moving Oxnard Forward, on behalf of Plaintiff City of Oxnard, alleges as follows:

1. Plaintiff sues under the California False Claims Act, Government Code section 12650 et seq. (CFCA) and other theories, to recover funds on behalf of the City of Oxnard that were unlawfully paid to Defendant Eadie+Payne LLP. Plaintiff's other theories of recovery are permissible because the CFCA is not exclusive to "any other remedies provided for in any other law or available under common law." (Gov Code § 12655(a).)

1 **PARTIES**

2 2. Plaintiff **CITY OF OXNARD** (the City) is a municipal corporation, general law city, and
3 political subdivision of the State of California wholly located within Ventura County.

4 3. Relator **MOVING OXNARD FORWARD, INC.** (MOF), the qui tam plaintiff, is a
5 nonprofit public benefit corporation organized under the laws of the State of California. MOF has
6 its principal place of business in the City of Oxnard. MOF's purpose and mission also include
7 public interest litigation on behalf of its members and the community.

8 **A. The Auditors**

9 4. MOF refers to the Defendants identified below as the Auditors:

10 5. Defendant **EADIE+PAYNE LLP** is a limited liability partnership organized under the
11 laws of the State of California having its principal place of business in the City of Riverside.
12 Eadie+Payne is a public accounting firm.

13 6. Defendant **EDEN CASARENO** is sued in her individual capacity. She is a certified public
14 accountant and an Eadie+Payne equity partner. Plaintiff is informed and believes that she resides
15 in the City of Riverside, Riverside County.

16 **B. The City Defendants**

17 7. MOF refers to the Defendants identified below as the City Defendants:

18 8. Defendant **ALEXANDER NGUYEN** was Doe One in the initial Complaint. He is
19 currently employed by the City of Oxnard as its City Manager but is sued in his individual
20 capacity for conduct that exceeded the scope of his employment. Plaintiff is informed and
21 believes that he resides in the City of Oxnard, Ventura County.

22 9. Defendant **STEPHEN FISCHER** was Doe Two in the initial Complaint. He is currently
23 employed by the City of Oxnard as its City Attorney but is sued in his individual capacity for
24 conduct that exceeded the scope of his employment. Plaintiff is informed and believes that he
25 resides in the City of Oxnard, Ventura County.

26 **C. The City Conspirators**

27 10. In the paragraphs below, MOF describes a conspiracy between the Auditors and various
28

1 City employees that started as early as 2017 and continued at least until December 2024. That
2 conspiracy's evolving membership committed a number of wrongful acts prior to the CFCA
3 violations at issue in this complaint. To put it simply, that conspiracy did "bad things" that help
4 establish the formation and operation of Defendants' conspiracy to violate the CFCA.¹ While
5 every City Defendant is one of the City Conspirators, not all City Conspirators are among the
6 City Defendants.

7 **D. The remaining DOE Defendants:**

8 11. The true names of Defendants DOES 3 through 25, inclusive, are unknown to Plaintiff,
9 who therefore brings this action against DOES 3 through 25, inclusive, by such fictitious names
10 and will seek leave of this Complaint to show their true names, identities, and capacities when
11 they have been ascertained. These DOES are most likely to include other Eadie+Payne
12 employees/partners, other City employees, former Eadie+Payne employees/partners and/or
13 former City employees.

14 **JURISDICTION AND VENUE**

15 12. Jurisdiction in Ventura County is proper because the injury Plaintiff complains of took
16 place in the City of Oxnard, County of Ventura. (Code Civ. Proc. § 395(a).)

17 13. Jurisdiction in Ventura County is proper because the conduct through which this cause of
18 action arose occurred, at least in part, in the City of Oxnard, County of Ventura. (Code Civ. Proc.
19 § 393(a).)

20 **FACTS COMMON TO ALL CAUSES OF ACTION**

21 14. The CFCA violations at issue in this case arise under the "**Rotation Requirement**" set
22 forth in subdivision (b) of Government Code section 12410.6, which requires that cities and other
23 local agencies rotate their auditor at least every six years.

24 15. More specifically, the Rotation Requirement provides that Oxnard may not "employ a
25 public accounting firm to provide audit services" when either (1) "the lead audit partner or
26 coordinating audit partner having primary responsibility for the audit", (the "**Lead Auditor**") or
27

28

¹ The other wrongful acts, legal or otherwise, are not at issue in this case.

(2) “the audit partner responsible for reviewing the audit” (the “**Reviewing Auditor**”), has provided “audit services” to the city in six consecutive years.² (Gov. Code § 12410.6, subd. (b).)

16. In this action, MOF alleges that the Auditors presented requests for payment to the City in connection with services they performed in violation of the Rotation Requirement. Those requests were false claims under the CFCA because the Rotation Requirement prohibited the Auditors from conducting the City’s audits starting with FY 2020-21. More succinctly, the Auditors’ claims were false because they could not be paid for work they could not lawfully perform. The City, however, paid the Auditors’ false claims, which caused damages.

17. The City Defendants share with the Auditors in CFCA liability because they either (1) presented false claims to their subordinates (e.g., they forwarded the Auditors’ invoices with a demand that subordinate employees pay them); (2) made false statements in support of the false claims; and/or (3) conspired with the Auditors to violate the CFCA.

18. The fact of the Rotation Requirement violation was illustrated in *Moving Oxnard Forward v. City of Oxnard* (Super. Ct. Ventura County, No. 2023CUWM017768, 2023), where MOF prevailed in litigation to prohibit the Auditors from conducting the City’s audits so long as Defendant Eden Casareno was the City’s Lead Auditor. That litigation does not trigger the CFCA’s public disclosure bar because MOF was the “original source” of any resulting public disclosure. (Gov. Code § 12652, subd. (d)(3)(A)-(B).). Under the CFCA, MOF was the “original source” of any public disclosure because it voluntarily disclosed the information on which this

² Government Code section 12410.6 provides in full: (a) An audit for any local agency, including those submitted to the Controller pursuant to subdivision (a) of Section 12410.5, shall be made by a certified public accountant or public accountant, licensed by, and in good standing with, the California Board of Accountancy. [¶] (b) Commencing with the 2013-14 fiscal year, a local agency shall not employ a public accounting firm to provide audit services to a local agency if the lead audit partner or coordinating audit partner having primary responsibility for the audit, or the audit partner responsible for reviewing the audit, has performed audit services for that local agency for six consecutive fiscal years. For purposes of calculating the six consecutive fiscal years, the local agency shall not take into account any time that a public accounting firm was employed by that local agency prior to the 2013-14 fiscal year. The Controller may waive this requirement if the Controller finds that another eligible public accounting firm is not available to perform the audit.

claim is based to the City in a May 1, 2023 letter to the City Council. (Gov. Code § 12652, subd. (d)(3)(C).) A copy of MOF's letter is attached as **Exhibit 1** to this complaint.

19. This amended complaint follows the Auditors' demurrer to the original complaint where they disclaimed a knowing CFCA violation because the City allowed them to continue as its auditor irrespective of the Rotation Requirement.³ (But the City did not knowingly approve the arrangement because the Auditors and City Conspirators conspired to misrepresent the true nature of the situation to both the City Council and other City employees. As discussed herein, they did this because the City Conspirators ensured that the City paid the Auditors an above-market fee, and in exchange, the Auditors would allow the City Conspirators to influence their audit findings.

20. The Rotation Requirement is more than mere technicality. It is an important substantive protection that was implemented in response to a scandal that developed in the City of Bell. In response to lessons learned from Bell, the Legislature intended for the Rotation Requirement to prevent corruption and/or collusion and their appearance or temptation by preventing situations that foster corruption or collusion in the first place.

21. In this context, deliberate attempts to circumvent the Rotation Requirement should be construed as indicia of fraud or corruption and looked upon with suspicion. Here, a result of the Auditors' participation in a conspiracy to violate the Rotation Requirement is that the City did not receive the independent audit the Rotation Requirement is intended to ensure.

22. MOF's concerns about the Auditors' lack of independence are more than conjecture. The problem in this case builds on a foundation where the City's senior staff has had a culture of corruption that is not completely different from Bell. In 1998, Ed Sotelo (Oxnard's City Manager at the time) misappropriated city funds for his personal use in the form an unauthorized loan to himself. A few years later, Sotelo unlawfully increased his pension benefit without city council approval.

³ That original complaint named only the Auditors as defendants and did not yet name any City Defendant.

1 23. These problems (and others) were illustrated in a 2012 report by the Ventura County
2 District Attorney. But it took a change of auditors—*new independent auditors*—to more fully
3 identify the problems. The new auditors published their first report in June 2016 (for the City’s
4 2014-15 fiscal year) and reported more than 100 adverse findings that needed the City’s attention.

5 24. Ironically, it was the Defendant Auditors who conducted that FY 2014-15 audit and made
6 those findings. But even though the Auditors’ 2016 work could be praised, subsequent events
7 show that they are not immune from the problems the Rotation Requirement was intended to
8 prevent. As they became more ingrained with City staff, they lost their independence.

9 25. One of the findings from the Auditors’ first report, Finding 2015-032, was that the
10 elected City Treasurer had been approving checks and wire transfers without reviewing
11 supporting documentation. The Auditors’ recommendation was that the Treasurer do this. The
12 Treasurer at the time, Danielle Navas, resigned less than two months after the Auditors’ report
13 prominently featured her failure to perform essential job duties. Based on his promise to bring
14 greater transparency and financial controls to City finances, Phil Molina (a longtime council critic
15 and one-time City Finance Director)⁴ was elected Treasurer shortly thereafter.

16 26. Given Molina’s past criticism of the City, there was some preexisting tension between
17 him and the City Conspirators when he assumed the office of Treasurer. Once Treasurer
18 Molina’s oversight identified several embarrassing problems, a feud grew between him and then-
19 City Manager Greg Nyhoff. When Alexander Nguyen replaced Nyhoff as City Manager, Nguyen
20 escalated the feud.

21 27. Meanwhile, the Auditors’ relationship with the City Conspirators started to change
22 shortly after their first audit report when the City Conspirators pushed through a \$140,000
23 supplement to the Auditors’ contract. A reason given for the supplement was that the poor state
24

25
26 ⁴ In 1999, Molina’s job title was Director of Finance and Administrative Services. Over the years,
27 the title for that position has changed. The job has also been referred to as Director of Finance or
28 Chief Financial Officer (CFO), the title that is used today. To avoid confusion that might result
from the differing titles for the same position, MOF will refer to the position as “Finance
Director.”

1 of the City's financial affairs caused the Auditors to do much more work than anticipated. But its
2 effect was that the Auditors' relationship with staff got much closer.

3 28. The relationship got so close that, just one year later, the Auditors walked back their
4 Finding 2015-032 relating to the Treasurer's review of supporting documentation for checks and
5 wire transfers. Despite overwhelming evidence of the City's refusal to provide the Treasurer with
6 supporting documentation, the Auditors eventually reported that the City had satisfied Finding
7 2015-032. With this determination, the Auditors supported the City Conspirators' effort to
8 prevent the Treasurer from exercising his oversight responsibilities. City Conspirators would
9 later defend the status quo of mismanagement by arguing that no Treasurer had ever reviewed
10 supporting documentation for checks and wire transfers as if that history of treasurers failing to
11 do their job was a reason why no future treasurer should ever review that documentation.

12 29. When the Auditors' contract expired after FY 2018-19, the City Conspirators needed to
13 continue working with the Auditors because a new auditor might (1) reverse the Auditors'
14 determination that Finding 2015-032 had been satisfied (and question the City Conspirators' role
15 in how that happened), (2) discover problems that the City Conspirators were hiding from both
16 its Treasurer and Auditors, or (3) both. The Auditors needed to continue with the City because
17 they did not want to (1) lose more than \$1 million of Oxnard revenue, which was substantial for
18 their small firm, (2) be subject to scrutiny for their determination that Finding 2015-032 had been
19 satisfied despite evidence of the City Conspirators' refusal to comply with it, and (3) face the
20 consequences that would result if new auditors discovered hidden problems they missed (or
21 deliberately overlooked). For the Auditors, both substantial income and their professional
22 reputation were at stake.

23 30. Therefore, for their mutual benefit, the Auditors and City Conspirators devised a scheme
24 to avoid the Rotation Requirement so the Auditors could continue auditing the City for another
25 five years.
26

27 31. Under that scheme, the Auditors would transition a new partner, Hong Nguyen, into the
28 role of Lead Auditor once Defendant Casareno provided audit services to the City in six

1 consecutive years (which would happen during the FY 2019-20 audit). On the surface, there was
2 nothing wrong with this plan. Except, however, the plan fell apart when Hong Nguyen left
3 Eadie+Payne in December 2021. At that point, Casareno resumed her role as Lead Auditor (and
4 continued as Lead Auditor for three more years).

5 32. Casareno's return to Lead Auditor after Hong Nguyen's departure shows circumstances
6 most favorable to Defendants. MOF believes, however, that Hong Nguyen's involvement in the
7 scheme might have been a farce. It may be that, without disclosing it to the City Council (or
8 anyone else), the Auditors and City Conspirators offered Hong Nguyen as Lead Auditor in name
9 only so Casareno could remain in the role for all practical purposes even while Hong Nguyen
10 remained at the firm.⁵

11 33. To the extent the City (i.e., the City Council) agreed with this arrangement, it agreed only
12 because of the conspiracy between the Auditors and the City Conspirators and the fact that those
13 conspirators deliberately misrepresented both the Rotation Requirement and either (1) the effect
14 of Hong Nguyen's December 2021 departure, and/or (2) the intended extent of Hong Nguyen's
15 involvement from the outset. In sum, the conspiracy concealed the illegality of the conspirators'
16 conduct from the City Council and other City employees.

17 **A. The 2010 Bell scandal rocked California government and prompted the Legislature to**
18 **implement the Rotation Requirement that is at issue in this case.**

19 34. On July 14, 2010, the *Los Angeles Times* published the first of several investigative reports
20 about the City of Bell. It had discovered that Bell paid \$787,000, \$457,000, and \$376,288
21 annually to its City Manager, Police Chief, and Assistant City Manager, respectively. The small,
22 relatively poor Los Angeles County city,⁶ was paying its top officials substantially more than
23 comparably sized cities. The Long Beach City Manager, for example, was paid \$235,000 per year
24 in a city with about 500,000 people; Bell's police chief was paid about 50 percent more than the

25 _____
26 ⁵ The possibility that Hong Nguyen was not part of this plan might explain her decision to leave
27 Eadie+Payne to go work for a headhunting firm, an apparent step down from her position as a
28 partner at a CPA firm.

⁶ Bell's population was approximately 38,000, and its per capita income was \$24,800; 90 percent
of its residents were Hispanic or Latino.

1 Los Angeles Police Chief; and Bell's Assistant City Manager was paid more than most city
2 managers.

3 35. That initial report set off a firestorm, and the ensuing investigations revealing how Bell
4 had gotten to that point were as shocking as the outcome itself. Part of the problem arose out of
5 Bell's audits which, prior to the scandal, had been clean. The California State Controller
6 described Bell's auditor as "a rubberstamp rather than a responsible auditor committed to
7 providing the public with the transparency and accountability that could have prevented the
8 mismanagement of the city's finances by Bell's officials." (Gottlieb, *Audits of Bell were "rubber*
9 *stamp," state controller says*, Los Angeles Times (Dec. 22, 2010) (Attached as **Exhibit 2**.) A
10 contributing factor was the fact that Bell had been working with the same auditing firm for more
11 than a decade, which called its auditor's independence into question. A related *Los Angeles Times*
12 report discovered that "independent" audits of public agencies in California frequently failed to
13 recognize and note cases of questionable mismanagement and obvious fraud. (Garrison, et al.,
14 *Bad city finances often go unflagged; Auditors gave clean reports to Bell, a far from isolated case*, Los
15 Angeles Times (Nov. 12, 2010) (Attached as **Exhibit 3**.)⁷

16 36. In 2012, as a response to the Bell scandal, the State Legislature passed Assembly Bill 1345
17 (A.B. 1345), which added the Rotation Requirement to state law. The State Controller's Office
18 sponsored A.B. 1345, which it intended to "strengthen the *independent* audit process and provide
19 a safeguard to protect taxpayers from waste, fraud and abuse." (Assem. Com. on Local Gov.,
20 Analysis of A.B. 1345 (2011-2012 Reg. Sess.) as amended Jun. 6, 2012, p. 3 [emphasis added].)
21 More to the point, the Legislature recognized that "[Bell's] independent auditor failed to report
22 abuses such as excessive salaries, illegal loans, and questionable fees. In a series of audits of Bell's
23 finances, the Controller found that the independent auditor failed to comply with 13 of 17
24 fieldwork auditing standards and reported no significant deficiencies in any of the city's funds."

25
26
27
28 ⁷ As a matter of pleading, MOF incorporates the facts set forth in Exhibits 2 and 3 as if they were
alleged in this complaint.

1 (Assem. Com. on Local Gov., Analysis of A.B. 1345 (2011-2012 Reg. Sess.) as amended Jun. 6,
2 2012, p. 3.)

3 37. On this foundation, the purpose of the Rotation Requirement was to ensure that
4 “independent auditors remain independent by the same means as had been applicable to school
5 districts since 2002.” (Sen. Rules Com., Analysis of A.B. 1345 (2011-2012 Reg. Sess.) as
6 amended Jun. 6, 2012, p. 3.) This is important because when an auditor fails, only another auditor
7 will be positioned to see the failure: Even if they have the skill to see the error, other third parties
8 (e.g., the public) do not have access to all the information necessary to do so. Put differently,
9 problems in an audit will be discovered only if there is an audit of the audit, and the public does
10 not have the access, skill, or resources to do this.

11 38. The Rotation Requirement addresses this problem by (1) reducing opportunities for
12 Auditors to conspire with the officials they are auditing, and (2) increasing the opportunities for a
13 new auditor to discover such problems. This foundation establishes that the Rotation
14 Requirement was much more than a trivial technicality.

15 **B. The City of Oxnard was experiencing its own troubles at the same time as Bell.**

16 39. Evidence of the earliest problems in Oxnard goes back to 1998 when former City Manager
17 Ed Sotelo gave himself a loan from public funds. Phil Molina was Oxnard’s Finance Director at
18 the time, and he questioned the loan. But then-City Attorney Gary Gillig insisted that it was ok.
19

20 40. About a year later, the City (i.e., Sotelo) fired Molina after Molina raised concerns that
21 members of the Oxnard City Council might have engineered a “sweetheart deal” with favored
22 contractors at city expense.⁸ Molina sued the City for wrongful termination, and the City
23 eventually paid him \$875,000 to resolve the case.⁹

24
25 ⁸ Sotelo unlawfully padded his pension in 2003, after Molina had left the City.

26 ⁹ That federal lawsuit went on for many years and had gone to the Ninth Circuit Court of Appeals
27 and back before it was resolved. (*Molina v. City of Oxnard* (C.D. Cal. No. CV-00-02291); *Molina*
28 *v. City of Oxnard* (9th Cir. 2006, No. 04-55173) 173 Fed.Appx. 577, 2006 U.S. App. LEXIS 6340;
see also *Molina v. Board of Administration, etc.* (2011) 200 Cal.App.4th 53, 56-58 [describing some
of this history].)

1 41. Ten years later, the District Attorney's Office began an investigation into "serious
2 allegations of corruption" in Oxnard that involved "potential criminal violations of conflict of
3 interest, misappropriation, and gift-reporting laws." That investigation resulted in the District
4 Attorney's 2012 report on its public integrity investigation of Oxnard officials. A copy of this
5 report is attached as **Exhibit 4**. The District Attorney's report identified many problems beyond
6 the City Manager's personal loan and pension padding and addressed several other officials'
7 misappropriation of "taxpayer dollars to pay for excessive travel, meal expenses, and personal
8 purchases."

9 42. Relating to this case, the reasons why the abuses went unchecked may be more important
10 than the abuses themselves. The abuses, the "clear pattern of fiscal waste by a small number of
11 city officials", resulted from "Oxnard's lax policies and record keeping." Those lax policies and
12 record keeping were especially problematic because they prevented the District Attorney from
13 obtaining the evidence necessary to pursue criminal charges against the offenders.

14 **C. The Auditors prepared their first audit of Oxnard's finances after fiscal year 2014-15**
15 **and identified more than 100 serious problems.**

16 43. Oxnard hired the Auditors to be their auditor starting in its 2014-15 fiscal year. The
17 Auditors submitted their first "Single Audit Report" in June 2016. They presented that report,
18 titled "*Independent Auditor's Report on Compliance for Each Major Program and on Internal Control*
19 *Over Compliance in Accordance with OMB Circular A-133 and on the Schedule of Expenditures of*
20 *Federal Awards*", nearly a full year after the applicable year-end. It is attached as **Exhibit 5**.

21 44. The Auditors' report tended to piggyback on the District Attorney's 2012 report as it had
22 over 100 adverse findings, mostly related to internal controls, and triggered scrutiny over Oxnard
23 from the State Controller's Office. Of those more-than-100 findings, Finding 2015-032 related to
24 the City Treasurer.

25 45. Finding 2015-032 was that "[t]he Treasurer did not review all supporting documentation
26 prior to signing the check or wire transfer authorization." In response, the Auditors
27 recommended that "[t]he Treasurer or designated individual in the Treasurer's Office should
28 review all supporting documentation prior to signing the check or wire transfer authorization"

(Recommendation 2015-032). This finding was categorized as a “significant deficiency”, which the Auditors explained as “less severe than a material weakness, yet important enough to merit attention by those charged with governance.” The City responded to the Auditors’ finding and recommendation and said that the “recommendation ... will be considered in connection with the City’s implementation of an integrated internal control framework consistent with the Standards established in the GAO ‘Green Book’ during fiscal 2016-17 and fiscal 2017-18.”

46. In the following year’s Single Audit Report, dated March 27, 2017 for FY 2015-16, the Auditors reported on the status of their findings from their FY 2014-15 report. (This report is attached as **Exhibit 6**). Relating to Finding 2015-032, the Auditors reported the City’s response: “We concur with the recommendation, and it was implemented effective December 2016. The Treasurer is working with the City Manager, Assistant City Manager and [Finance Director] to develop a good working arrangement that allows for the Treasurer to review all supporting documentation prior to signing the checks, wires, and ACH transactions.” In sum, the City reported that it had satisfied the finding, not by some alternative means but because it had strictly adhered to Recommendation 2015-032 such that the Treasurer was reviewing the supporting documentation.

D. Oxnard voters elected Phil Molina Treasurer and gave him a mandate to provide independent oversight of City finances.

47. The reference to the Treasurer in the Auditors’ FY 2015-16 report is a reference to Phil Molina, who was elected Treasurer in 2016 to replace the Treasurer whose resignation was precipitated by the Auditors’ FY 2014-15 report. Molina assumed the office in December 2016, and according to the City’s response to the Auditors (and the public), immediately began “working with the City Manager, Assistant City Manager and [Finance Director] to develop a good working arrangement that allows for the Treasurer to review all supporting documentation prior to signing the checks, wires, and ACH transactions.”

48. As stated above, Molina was once the City’s Finance Director. He served in that role from 1997 to 1999, leaving only when former City Manager Ed Sotelo terminated his employment in violation of whistleblower protections. But Molina, an Oxnard resident, did not disappear after

1 Sotelo fired him. He remained active in the community, and in the build-up to the Auditors' FY
2 2014-15 report, he was a frequent critic of City staff and the Council inaction that enabled what
3 he described as misconduct.

4 49. Molina, like many City critics, appeared to be vindicated by the Auditors' FY 2014-15
5 report as it identified widespread mismanagement that residents had been complaining about for
6 many years. So validated, criticism from Molina (and others who shared his view that the City
7 was mismanaged, if not corrupt) intensified. This culminated in Molina's 2016 candidacy for
8 Treasurer.

9 50. The 2016 campaign for Treasurer was hard-fought and intense. Molina campaigned
10 aggressively on the need to bring transparency and oversight to City Hall based on the perception
11 that the City Council was doing very little to supervise management. As part of his campaign,
12 Molina pledged to review supporting documentation for checks and wire transfers in the manner
13 the Auditors' Recommendation 2015-032 required.

14 51. Molina finished first against three other candidates, where he and another reform
15 candidate (who campaigned on a similar platform) combined to receive 73.2 percent of vote.
16 They soundly defeated the other two candidates, one of whom was perceived by many as the
17 "City candidate" (i.e., the one favored by City staff). Those two candidates finished a distant
18 third and fourth. That election clearly showed that Oxnard residents did not trust City staff and
19 wanted there to be independent oversight of City finances. Given Molina's past, he was already
20 the subject of the City Manager's animosity. After his election, the City Manager's animus
21 intensified.

22
23 **E. The City Conspritors conspired with the Auditors to reduce fiscal oversight in the**
24 **City.**

25 52. The requirement that the Treasurer "review all supporting documentation prior to
26 signing [a] check or wire transfer authorization" was not just an auditor recommendation. It is
27 also consistent with section 41001 of the Government Code, which requires that the Treasurer
28 "receive and *safely keep*" the City's money. (Gov. Code § 41001 [emphasis added].) If the

1 Treasurer is unable to verify that the funds should be disbursed, he cannot fulfill his duty to safely
2 keep City funds.

3 53. City staff, however, actively interfered with the Treasurer's ability to comply with the
4 Auditor's recommendation because the political mandate that put the Treasurer into office (and
5 kept him there) was contrary to the City Manager's need to control everything that happens at
6 City Hall.

7 54. There are several reasonable explanations for this. The most innocent might arise out of a
8 clash of personalities and egos. Going back to 1999, Molina was not afraid to speak up publicly
9 and by doing so, found himself outside the City Manager's circle of trust. The fact that the City
10 had to pay Molina \$875,000 did not help matters. In 2016, when Molina returned in an elected
11 capacity, the staff had changed but the institutional memory remained except that, by 2016,
12 Molina should have been free from City Manager's interference and accountable only to Oxnard
13 voters. But that independence is exactly why the City Manager hated him so much.

14 55. From the City Manager's perspective, the only persons who should have access to the
15 City's financial information are those directly under his chain of command, his so-called "circle
16 of trust." In such a situation, if someone did not toe the line as he drew it, he could terminate that
17 person's employment with the City. This meant that information about City finances would not
18 be disclosed unless the City Manager allowed it to be disclosed.

19 56. There are a variety of reasons why a city manager might want to control the flow of
20 information from the City to residents. The most innocent might be an egotistical desire to
21 maintain control solely for the sake of control itself. It is the city manager's way of letting
22 everyone know he is in charge. Less innocent is the possibility that he wants to control his image
23 by sharing only good news and withholding bad. The most nefarious possibility is that he is
24 covering up illegal activity.

25 57. Regardless of any Oxnard city manager's motivation, it is easy to see the conflict between
26 him and an independently elected Treasurer accountable only to voters: If the Treasurer does his
27 job, it is likely that he will (A) communicate more to residents than the City Manager wants
28

1 and/or (B) find something that the City Manager does not want the City Council, residents, or
2 anyone else to know about. This is why two Oxnard city managers have fought so hard to prevent
3 the Treasurer's oversight.

4 *i. Shortly after the Auditors began work on Oxnard's FY 2015-16 audit, the City*
5 *Conspirators pushed through an amendment to their agreement to allow payments that*
6 *were not part of the Auditors' initial bid.*

7 58. The Auditors' bid for the Oxnard contract was inclusive of all expenses. Given the extent
8 of the City's problems, it may be that the Auditors got more work than they had bargained for.
9 Nonetheless, rather than hold the Auditors accountable to the agreement, the City agreed to a
10 September 2016 contract amendment that allowed the Auditors to bill for expenses of up to
11 \$35,000 annually for audits in fiscal years 2015-16 through 2018-19.

12 59. Furthermore, when the City paid the Auditors' expense bills, it did so without requiring
13 any receipts or other supporting documentation to show that the expenses were actually incurred,
14 necessary, and otherwise related to Oxnard's audits. The City paid the Auditors close to the
15 maximum \$35,000¹⁰ in each of those four years without question as if they had simply increased
16 the amount of the Auditors' fee instead of allowing the Auditors to be reimbursed for reasonable
17 and necessary expenses.

18 60. While litigating *Moving Oxnard Forward*, *supra*, Ventura County, No.
19 2023CUWM017768, MOF obtained from the Auditors receipts and internal expense reports that
20 the Auditors asserted were connected to the Oxnard audits. These were receipts that the
21 Auditors did not attach to their invoices even though they should have. In many cases, the
22 Auditors could not (or would not) specifically state which expenses had been reimbursed by
23 Oxnard and which had not. However, the Auditors had also redacted information from many
24 receipts leaving an inference that everything left unredacted related to Oxnard. The receipts
25 themselves showed dinners with expensive entrées with alcohol and dessert at restaurants near
26 Oxnard as well as a \$467.98 receipt for one night at the Millennium Biltmore hotel in Los Angeles
27 plus other meals and hotel stays near the Auditors' office and/or residences (but not close to
28

¹⁰ In some years, the City paid a little more than \$35,000.

1 Oxnard). It is not immediately clear whether City officials joined the Auditors for any of the fancy
2 dinners near Oxnard. But it is ironic if these are the types of expenses the City reimbursed to its
3 auditors because they are the kinds of expenses that the Bell auditors should have flagged and
4 similar to those described in the District Attorney's report.¹¹

5 61. Had the City increased the Auditors' fee by \$35,000 annually, few would care how they
6 spent their money. In this context, it appears as if the Auditors' expense allowance was really just
7 a way to increase their fee without saying so (because renegotiating the fee would look worse than
8 allowing them to recover expenses). But with a wink-and-a-nod, the City agreed to pay the
9 Auditors' "expenses" without scrutiny.

10 62. The City Conspirators' willingness to help the Auditors remedy the problems associated
11 with the fact that they underbid the work ingratiated them to those who helped them. That
12 ingratiation and the resulting familiarity between the Auditors and the City had the effect of
13 reducing and then eliminating the Auditors' independence. The fact that the Auditors would
14 eventually start to purchase meals and donuts for City staff (in violation of the City's gift policy)
15 shows that they eventually became fond of if not friends with the employees that they were
16 supposed be independent of. This is the exact sort of problem that the Rotation Requirement was
17 intended to prevent.

18 *ii. City staff refused to provide the Treasurer with supporting documentation, and the City*
19 *Attorney insisted that the Treasurer approve checks and wire transfers without reviewing*
20 *supporting documentation.*

21 63. A good illustration of the situation as it was shortly after Molina's election is contained in
22 a February 9 and 10, 2017 email exchange between Treasurer Molina, the City Attorney, the
23 City's Human Resources (HR) Director, and others. The exchange (and some subsequent
24 emails), attached as **Exhibit 7**, began with Molina's request to the HR Director, Steven Naveau

25
26
27 ¹¹ Furthermore, there were also instances where the Auditors' expense bills were for large, round
28 numbers such as \$5,000 or \$3,500. Some of these came close to year-end as if the Auditors were
trying to use up a portion of the expense budget that had not been billed. That these items are
tied to expenses for those exact amounts is hard to believe.

1 (then known as Steve Janice), for source documents related to a payment to AIMS.¹² In violation
2 of Recommendation 2015-032, the HR Director refused to provide Molina with the information
3 he requested.

4 64. City Attorney Stephen Fischer weighed in and wrote: “The Human Resources Director
5 is correct. Pursuant to [Oxnard City Code § 2-184], the [Finance Director’s] function is to
6 prepare and audit each demand, ‘certify as to the accuracy of each demand and the availability of
7 funds for payment thereof’, and deliver the demands to the City Treasurer. The City Treasurer is
8 required to pay written demands delivered. Id.”

9 65. Irrespective of whatever was provided for in Oxnard’s municipal code, the Auditor’s
10 recommendation in response to Finding 2015-032 could not have been more explicit: “**The**
11 **Treasurer or designated individual in the Treasurer’s Office should review all supporting**
12 **documentation** prior to signing the check or wire transfer authorization.” (p. 337, *infra* [Ex. 5,
13 p. 31] [emphasis added].) Because the Finance Director was not the “designated individual in the
14 Treasurer’s office” that the Auditors contemplated, the City Attorney’s email to Molina directly
15 contradicted the Auditors’ recommendation.¹³

16 66. Another problem is that the City Attorney’s position also ran contrary to the
17 understanding of Jim Throop, who was the City’s Finance Director at the time. In that same
18 email thread, Throop indicated that he had once supported Molina’s position but apologized
19 because the City Attorney forced him to change course.
20

21
22 ¹² MOF officers recall that AIMS was probably an insurance company.

23 ¹³ Moreover, section 41006 of the Government Code provides that it is the Treasurer who
24 appoints his deputies. The Treasurer never appointed the Finance Director (or anyone else in the
25 Department of Finance) as one of his deputies. This issue was recently part of the litigation
26 between Molina and Nguyen where Molina claimed that the City would not allow him to hire a
27 deputy, and Nguyen claimed that Molina had not requested to hire a deputy. To the extent
28 Nguyen’s claim is true, MOF is informed and believes that such a request would have been futile.
Indeed, a result of that litigation was the order directing the Nguyen to allow Molina to hire his
own staff. MOF is informed and believes that Nguyen is not fully complying with that order. In
any event, it would have been up to the Treasurer (and the Treasurer alone) to appoint someone
in his office to fulfill this duty in his place. He had not done so.

1 67. When Molina responded to the HR Director, City Attorney, and Throop, he sent his
2 response to everyone on the email chain and added several others to the distribution (Defendant
3 Casareno among them). He wrote:

4 It seems strange to me that you and the City Attorney should work together to
5 stop the Elected City Treasurer from receiving the type of evidence aka “source
6 documents” that the Elected City Treasurer deems is necessary to assure every
7 process has been followed BEFORE the City Treasurer disburses City taxpayers’
8 money.

9 I understand that I have no authority to determine if a warrant for an invoice is
10 legal as long as it is properly drawn, but I still have the responsibility of inquiring
11 as to the legality of the claim when it is not based on a lawful demand or where I
12 notice facts which would reasonably put me on alert of the illegality of a claim.
13 [City of Redondo Beach v. Delong (1981) 123 Cal. App. 3d 1035] By preventing me
14 from reviewing the detailed source documents you prohibit me from being able to
15 ‘inquire as to the legality of the claim’ because I cannot determine if it was based
16 on a lawful demand.

17 In the absence of receiving the detailed source documents and with the need to
18 assure the public and the auditors that every dollar spent has the “certification as
19 to the accuracy of each demand and the availability of funds for payment thereof”,
20 I must demand that for every ACH, EFT, and request for a warrant, from each
21 department head who submits the request, sign the statement on each request
22 that she/he certifies to the accuracy and the availability of fund, which is NOT
23 now being done.

24 68. By including Casareno on the distribution, Molina put her (and her firm) on notice of the
25 City’s refusal to comply with Recommendation 2015-032. This is noteworthy due to its timing. In
26 Molina’s February 10, 2017 email to Casareno, he showed her that the City categorically refused
27 to comply with Recommendation 2015-032. About six weeks later, on March 27, 2017, the
28 Auditors published Casareno’s report on the City’s FY 2015-16 audit. In Casareno’s report, the
Auditors reported that the City agreed with Recommendation 2015-032 and was working with
Molina to implement it. (p. 337, *infra* [Ex. 6, p. 31.]) Based on the February 9 and 10, 2017 email
discussion, Casareno knew this was false.

69. Councilmember Bert Perello also weighed in on that discussion via an email he sent to
then-Mayor Tim Flynn (and many others) to complain that Treasurer Molina was being
stonewalled by City staff. Perello wrote that Molina was “fac[ing] roadblocks from the very top

1 Council appointed positions as well as department heads.” According to Perello (who continues
2 to serve on the City Council), Flynn seemed to condone this behavior because Molina was not in
3 the City Manager’s “circle of trust” even though “the position of Treasurer [sic] is to collect ,
4 supply , invest and above all PROTECT the City of Oxnard purse.”

5 70. Put differently, Perello highlighted that the City Manager’s trust in Molina (or lack
6 thereof) is irrelevant to the Treasurer’s oversight responsibility where he serves as a check on the
7 City Manager and his staff. This is because, on matters relevant to Finding 2015-032, the
8 Treasurer would not be making decisions on behalf of the City or City Manager. To this end,
9 rather than having Molina within the City Manager’s circle of trust, it would actually be better if
10 there was an arm’s length between them because that distance would help preserve the
11 Treasurer’s independence and objectivity.

12 ***iii. The City Conspirators’ refusal to provide supporting documentation to the Treasurer led***
13 ***to actual problems.***

14 71. On or about March 23, 2017, it was discovered that the City had paid the same Delta
15 Dental invoice twice, once on February 23 and again on March 8. This was an invoice that the
16 City—i.e., the City Attorney—required the Treasurer to pay without reviewing supporting
17 documentation. In other words, the Treasurer was required to take the Finance Director’s word
18 that the payment was proper, and it so happened that the Finance Director approved the same
19 payment twice. The Treasurer contended at the time that had he been given supporting
20 documentation for the invoices, that he would have discovered the error and would not have
21 made the second payment. Molina publicized this error not only to the Auditors but also to many
22 community influencers causing embarrassment to City staff.

23 72. Other examples of problems that Molina identified, and communicated in various public
24 forums to residents and other stakeholders, include payment for unauthorized overtime to police
25 officers and continued payments on a contract after it had expired. While the double payment to
26 Delta Dental was most likely an accident, payments for unauthorized overtime and expired
27 contracts are less clear. Was the contractor friends with a City official who had sufficient
28 influence to trigger an “accidental” overpayment? Was police department leadership violating

1 the City's overtime policy? These are serious concerns and are among the more nefarious types
2 of activities that the City Conspirators would want to coverup or otherwise hide and conceal from
3 an independent Treasurer.

4 *iv. The City Conspirators conspired with the Auditors to tell the public that the City was*
5 *providing the Treasurer with supporting documentation—as the Auditors had*
6 *recommended—even though the Auditors knew that was false.*

7 73. At some time prior to the Auditors' March 27, 2017 report on the City's FY 2015-16
8 audit, the City told the Auditors that it agreed with Recommendation 2015-032 and was working
9 with Molina to implement it (because that is what the Auditors reported). The City Conspirators
10 repeated this assertion at various other times. However, at all times relevant to such statements,
11 Phil Molina had provided the Auditors with sufficient information to put them on notice that the
12 City Conspirators lied about the City's compliance with Recommendation 2015-032.
13 Nonetheless, both the City Conspirators *and Auditors* pushed forward as if the Auditors had
14 never made Finding 2015-032 or the related recommendation.

15 74. On September 13, 2017, Defendant Eden Casareno doubled down on the lie: As part of
16 her status report on the City's FY 2016-17 audit, she gave information to the Oxnard Fiscal
17 Policy Task Force (FPTF) indicating that the City had *satisfied* Recommendation 2015-032.
18 While she did not state this in her oral presentation, she did include it in the printed materials she
19 provided to the FPTF.

20 75. A week later, on September 20, 2017, then-Assistant City Manager Jesus Nava sent an
21 email summarizing Casareno's report and referred to her printed materials. Nava's email and
22 related responses are attached as **Exhibit 8**, and Casareno's materials and related agenda report
23 are attached as **Exhibit 9**. In his email, Nava explained the Auditors had concluded that "the
24 City's policies and procedures ... sufficiently address Finding[] 2015-032" because continuing to
25 require that the Treasurer review supporting documentation for checks and wire transfers would
26 duplicate work already done by the Department of Finance (e.g., the Finance Director) such that
27 the Treasurer's review is no longer necessary.

1 76. A problem with this change in the Auditor's position is that nothing had changed in
2 Oxnard since FY 2014-15 to warrant such a significant change in the Auditor's position:
3 Circumstances were exactly the same as they were two years earlier.

4 77. When Casareno prepared the Auditors' FY 2014-15 report, the applicable procedure was
5 that the Department of Finance would receive a claim for payment and process it by, *inter alia*,
6 reviewing supporting documentation to verify it, before submitting it to the Treasurer for
7 payment. In this context, the Auditors' concern in Finding 2015-032 was either (A) the
8 Department of Finance was not providing that information to the Treasurer (who did not ask for
9 it), or (B) the Treasurer was receiving the information but not reviewing it. In any event, Finding
10 2015-032 is not to be construed as requiring review by either the Treasurer or Department of
11 Finance. Instead, it should be construed as requiring review by both, which is an essential
12 purpose of requiring two signatures to approve payments.

13 78. Neither Nava nor Casareno explained why the Auditors once recommended this multi-
14 layered, two-step review then changed their mind barely a year later. Other than the additional
15 \$140,000 the City paid to the Auditors, the only change in circumstances was that the City now
16 had a Treasurer who was actually interested in doing his job. In this context, the City's problem
17 was less about any duplication of effort and more about the fact that Molina was doing his job so
18 well and made discoveries that embarrassed City staff.¹⁴ But rather than address the problems
19 Molina identified, the City Conspirators sought to limit his oversight abilities to prevent him
20 from discovering similar problems.

21
22 79. The reaction to Nava's email was soundly negative. Councilmember Bert Perello
23 responded with concern that the practice staff proposed is a practice that led to so many problems
24 in the past and that "a requirement of extra eyes from the second party responsible to sign city
25 dispersement [sic] of PUBLIC FUNDS is not fool hardy or revolutionary, it is common sense."
26 Perello also noted that no one had presented evidence that requiring the Treasurer to review

27 ¹⁴ There was not a complete duplication of effort. While the Finance Director is reasonably
28 expected to review every single payment, the Auditor-approved process for the Treasurer was to
review a representative sample of payments.

1 supporting documentation actually slowed down the process or resulted in delay or additional
2 costs.

3 80. Others added to the discussion and repeated Councilmember Perello's sentiment.
4 Resident watchdog and online journalist George Miller (known to MOF officers as a retired
5 operations management consultant), for example, questioned "[t]he ferocity of opposition" to
6 the Treasurer's review of supporting documentation and recognized that over 70 percent of
7 Oxnard voters insisted on that review by voting for either Molina or Larry Stein in the 2016
8 election. Jim Lavery (known to MOF officers as a retired municipal finance expert) stated that it
9 was "obvious that [Mayor] Flynn, [and Councilmembers] MacDonald and Ramirez are for all
10 intents and purposes allowing [City Manager] Nyhoff and staff to return the City to the good old
11 days of [former Mayor/City Manager] Holden/Sotelo", both of whom featured prominently in
12 the District Attorney's investigation and report on corruption in the City. Miller and Lavery's
13 views were the predominant sentiment among Oxnard residents where City's reputation for
14 corruption among its senior staff had not changed much since the 2012 District Attorney's report
15 called out similar mismanagement of City finances. The effort by senior staff to prevent Molina
16 from doing his job did not reduce that perception.

17 81. Treasurer Molina was among those included on the email chain. He weighed in to correct
18 the record based on his perception of what happened because he believed that Nava heard only
19 what he wanted to hear from Casareno's report. Molina interpreted her report differently and
20 believed that the Auditors were (falsely) under the impression that the City was providing him
21 with the supporting documentation he had been asking for. Molina believed that false impression
22 was the basis for the Auditors' conclusion that the City complied with Finding 2015-032.
23

24 82. Time would prove that Molina's perception was wrong. The Auditors knew that the City
25 was actively preventing Molina from reviewing supporting documentation and concluded that the
26 City satisfied Finding 2015-032 anyway.¹⁵ What caused them to change their mind?

27 ¹⁵ Months later, when the Auditors presented their final FY 2016-17 report, they reported that the
28 City had "implemented" their recommendation. However, when Casareno gave a presentation

Continued on next page

83. The answer reasonably lies in the closeness that had been developing in the relationship between the Auditors and City staff that goes back to the 2016 amendment to the Auditors' contract, which allowed the Auditors to bill an additional \$140,000 for expenses. When the Auditors deviated from their Recommendation 2015-032, barely a year had passed since the amendment. Even if City staff did not offer the amendment as a direct exchange for the Auditors' quid pro quo promise to help them in the future, the amendment served to ingratiate the Auditors to the City employees who pushed the amendment through. In this context, the fact that the Auditors owed them a debt was implied. By reversing course on Recommendation 2015-032, the Auditors repaid that debt.

v. When Alexander Nguyen was appointed City Manager, he worked to eliminate all of the Treasurer's oversight duties.

84. On July 9, 2018, Alexander Nguyen became the Oxnard City Manager. He came to Oxnard from the City of Riverside, where he had been an assistant to former Riverside City Manager John Ruzzo.

85. Ruzzo is notable because he seems to be cut from same cloth as Ed Sotelo, the Oxnard City Manager who was the subject of the District Attorney's 2012 report. Riverside fired Ruzzo due to an undisclosed "personnel matter" shortly after the Mayor sued over procedural irregularities in the way Ruzzo pushed his (excessive) compensation through the City Council a few months prior. Ruzzo's connection to Nguyen is notable because Riverside watchdogs have described Nguyen as Ruzzo's vindictive, petty, and vengeful enforcer who would use intimidation to help ensure that Ruzzo always got his way. Firing Nguyen was one of the first acts of Ruzzo's successor.

86. On this foundation, Nguyen fit in with the culture that Sotelo and Nyhoff had built in Oxnard where intimidation is a means to ensure compliance, not necessarily by staff who must comply, but by elected officials susceptible to such tactics.

to the City Council about her findings, she omitted this finding from her formal presentation. A copy of this report is attached as **Exhibit 10**.

1 87. For example, many of the allegations above involve statements made by Councilmember
2 Bert Perello. When Perello was elected, he was an outsider (and a critic of the City's senior staff),
3 which was evident in some of his early communications. Over time, however, this started to
4 change, and Perello stopped asking difficult questions.

5 88. MOF officers believed that Perello's change was the result of intimidation by Nyhoff.
6 Comments Perello made during a July 28, 2022 City Council meeting support this. During that
7 meeting, the council voted to extend Nguyen's contract and Perello praised him as a contrast to
8 Nyhoff who Perello accused of threatening him with a harassment accusation because he asked
9 too many questions about the City's audits and financial statements. This explains why Perello,
10 who was once so vocal, stopped asking Nyhoff tough questions.

11 89. Perello seems to have learned whatever lesson Nyhoff tried to teach him because Perello
12 has never asked Nguyen the same types of tough questions he asked of Nyhoff and has, instead,
13 been a rubberstamp for whatever Nguyen wants. If Perello wants to avoid allegations of
14 harassment, it was probably good that he learned from Nyhoff's lesson because Nguyen uses the
15 same approach to get what he wants. This is evident in Nguyen's reputation from Riverside plus
16 his threats to Molina and his response when Molina stood his ground.

17 90. The relationship between Molina and Nguyen was hostile from the outset. On Nguyen's
18 third day of City employment, he asked Treasurer Molina why he had submitted a whistleblower
19 complaint. The fact that Nguyen saw fit to ask about this—and that others had informed him of
20 it—shows that Nguyen and those before him thought Molina was a problem.

21 91. MOF is informed and believes that, over the next two years, Alexander Nguyen
22 commissioned five investigations of Molina. Of those investigations, the City Manager did not
23 publicize the first four because the investigations did not show wrongdoing. Despite those four
24 failures, Nguyen continued searching for an investigator who would deliver the investigation
25 report he was looking for. His fifth attempt was successful, and that last investigation is the only
26 one Nguyen has publicized. Nguyen would later use this report to convince the City Council to
27
28

1 strip all of Molina's duties and give them to an "Assistant Treasurer" who worked for the City
2 Manager.

3 92. That fifth investigation started on August 27, 2019, just 11 days after Molina's August 16,
4 2019 complaint to the City's HR Department that Alexander Nguyen had been making
5 disparaging comments about his age.

6 93. The report that resulted from that fifth investigation (attached as **Exhibit 11**), describes
7 its limited scope. It initially focused only on (1) Molina's inquiry into an employee in the City
8 Manager's Office relating to an alleged cash shortfall (parking lot receipts from a summer 2019
9 Dallas Cowboys training camp that the employee was responsible for), where it was alleged that
10 Molina violated the City's anti-bullying policy (pp. 594-595, *infra*);¹⁶ (2) emails Molina sent
11 ,which City staff claimed "were designed to enhance his own image" at the expense of staff, also
12 alleged as violations of the City's anti-bullying policy (pp. 609-610 & 629-630, *infra*); and (3)
13 allegations that Molina exceeded the scope of his duties as Treasurer (pp. 623, 643, 650-651,
14 *infra*).

15 94. The investigation's scope was later expanded to include matters relating to the
16 investigation itself and "concerns regarding comments that Mr. Molina allegedly made in the
17 workplace that [the reporting employee] found objectionable and potentially harassing." (p 573,
18 *infra*.)
19

20 95. Relating to the scope of Molina's duties, Nguyen's investigator concluded, by a
21 preponderance of evidence, "that Mr. Molina did not exceed the scope of his position as City
22

23 ¹⁶ The inquiry into the situation did not show that the employee did anything wrong, and the
24 investigator generally concluded that Molina should never have looked into the issue. The
25 reasonableness of Molina's inquiry should not be judged by the outcome, because the concern
26 was reasonable at the time. Also, because Molina is responsible to safely keep the City's cash, it
27 was not unreasonable for him to make the inquiry into someone who served on Nguyen's
28 personal staff when Nguyen could not be trusted to do so himself. Perhaps Nguyen would have
taken the issue more seriously if the alleged wrong doer was not someone on his personal staff. In
any event, it is ironic for the City Conspirators to describe Molina's inquiry as bullying given the
amount of bullying that Molina has endured.

1 Treasurer by engaging in a review of the accounts payable register of checks and holding those
2 checks, including checks requested by the Public Works Department [and the Finance
3 Department], that he determined lacked sufficient funding or supporting documentation.”
4 (pp. 574-575, *infra* [emphasis added].) In investigating that claim, the investigator considered a
5 memorandum from a then-Assistant City Attorney describing the Treasurer’s duties; section
6 41003 of the Government Code, which the investigator construed as requiring the Treasurer to
7 “[p]ay out of money on properly signed warrants” (without regard for this provisions
8 requirement for the Treasurer to “safely keep” City funds); Oxnard City Code §§ 2-168 & 2-
9 184-02-185 (construed as requiring the Treasurer “to pay written demands submitted and
10 audited by the CFO”); a June 28, 2017 letter from Liebert Cassidy Whitmore analyzing the
11 City’s accounts payable process; Penal Code sections 424-426 (criminal penalties for the willful
12 failure to transfer public funds); and a City Council Resolution.

13 96. There is no indication that the investigator was given (or even knew about) the Auditors’
14 Recommendation 2015-032, which required the Treasurer to perform some of the activities the
15 City challenged.¹⁷ (pp. 624-625, 644-645, *infra*.)

16 97. In any event, without the benefit of Recommendation 2015-032 and in the face of every
17 City argument to the contrary, the investigator still concluded that the Treasurer has authority to
18 review supporting documentation for checks and wire transfers. (pp. 623, 643, *infra*.) In stating
19 his conclusion, the investigator noted that even the Assistant CFO (who strongly objected to
20 Molina’s oversight) conceded that Molina (at least sometimes) acted properly in the
21 identification of problems. (p. 646, *infra*.)

22 98. On balance, the investigator’s report tends to support a conclusion that, but for Molina’s
23 oversight, City staff would allocate expenditures to whatever budget items were convenient for
24 them at the time irrespective of the City’s actual budget. (pp. 626-629, *infra*.) Molina’s oversight
25 forced them to clean up their accounting and, as that happened, the number of problems Molina
26 identified decreased. (p. 628, *infra*.) In other words, Nguyen’s investigation helped show that
27

28 ¹⁷ Though, by that time, the Auditors had reversed the finding as discussed above.

1 Molina was succeeding at the job voters elected him to do even if staff was resistant to the
2 change.

3 99. Related to this point, the investigator noted: “The [Finance Director] conceded that Mr.
4 Molina is requiring departments to abide by the line items [sic] budgets that they prepared,
5 submitted and had the City Council approve. [But] [f]rom the [Finance Director]’s perspective,
6 he finds it inappropriate for Mr. Molina to use this level of scrutiny with respect to the check
7 requests.” (p. 646, *infra*.) Put differently, the Finance Director thought it was inappropriate for
8 the Treasurer to require that the staff comply with City Council-approved budgets. The inverse
9 of this is that the Finance Director would prefer that the City staff have discretion to disregard
10 City Council directives and budgets that they think are inconvenient as if the City Council merely
11 offers suggestions rather than sets the policies they must follow.

12 100. In line with this, the Public Works Director sharply criticized Molina’s oversight and
13 complained about the effect it had on some City vendors (their payments were late). (pp. 625-
14 626, *infra*.) The Director’s criticism was misplaced, however, because if the Department had
15 done its job correctly in the first place, the problems complained of would never have happened.
16 In this context, Molina did not create the problem, he only uncovered it. That the problems may
17 have existed unchecked for as long as anyone could remember only makes matters worse.
18 Ultimately, as the Public Works Department improved its operations, the number of problems
19 Molina identified decreased. (p. 628, *infra*.)
20

21 101. That the problem existed unchecked for so long illustrates the City’s culture of
22 mismanagement and relates back to Finding 2015-032. As the Assistant Treasurer confirmed to
23 the investigator: No prior treasurer had ever done what Molina was doing.¹⁸ (pp. 626, 647, *infra*.)
24

25 ¹⁸ As will be explained more completely below, the Assistant Treasurer was not Treasurer
26 Molina’s assistant. Molina did not hire her and had no supervisory authority over her. Rather
27 than reporting to the Treasurer, the Assistant Treasurer was under the City Manager’s chain-of-
28 command and treated by City staff as the de facto Treasurer while the City Conspirators worked
to transfer the Treasurer’s duties to her and otherwise ignore Molina. If the Assistant Treasurer
was not one of the City Conspirators, she was an enabler who did whatever the City Conspirators
wanted her to do. She was eventually rewarded with a significant pay increase.

1 Falling back on the City's institutional problems, the Assistant Treasurer then stated her belief
2 that Molina should not be doing this because she believed the City already had enough safety
3 measures. (p. 626, *infra.*) Her belief was obviously wrong, however, because those existing safety
4 measures (whatever they were) resulted in endemic problems that the City admitted to the
5 investigator over the course of that fifth investigation. Ironically, it seems that Molina's discovery
6 of those problems was one reason for the investigation (as if Molina, the messenger, was the
7 problem). This shows just how deeply this mismanagement is ingrained in Oxnard's culture.

8 102. In any event, the statements of senior staff (i.e., the Finance Director, Public Works
9 Director and Assistant Treasurer) as compared to lower-level staff suggest that lower-level
10 employees saw no problem with the Treasurer's oversight. (pp. 626 & 648, *infra.*) Those who
11 seemed concerned about it seemed only to be concerned because their managers were concerned:
12 The City's culture told them Molina was a problem but they did not really understand why. (Cf.
13 p. 628, *infra.*) It ultimately seems that reasonableness of the Treasurer's oversight was obvious to
14 everyone but the City Conspirators.

15 103. Herein lies one of the biggest problems between the closeness of the relationship between
16 the Auditors and the City Conspirators. Thanks to 20 years of history (which Finding 2015-032 is
17 a part of), the fact of the City's prior mismanagement approached common knowledge. However,
18 the City has done little to change. By enlisting the Auditors to report that the City had satisfied
19 Recommendation 2015-032, the City was able to hide its refusal to change because it could refer to
20 the Auditors' report as proof that it had done so.

21 104. MOF must acknowledge that much of the fifth investigator's report was critical of
22 Molina. But the investigation was limited only to factual findings. (p. 577, *infra.*) The investigator
23 did not consider the legality of certain policies as applied to Oxnard's independently elected
24 Treasurer or whether the City Manager had authority to tell the Treasurer what to do. In that
25 context, there was no need for a factual investigation to show that the Treasurer often ignored the
26 City Manager (everyone knew he did, and the Treasurer readily admitted as much). In this
27 context, the more appropriate questions were the questions of law that the investigator ignored.
28

1 While some of those questions might remain outstanding, others were litigated in *Molina v.*
2 *Nguyen, infra*, where the appellate opinion in that case shows that the City Manager was wrong in
3 many (if not most) respects.

4 105. One area of disagreement is the City Manager's authority to prohibit so-called "mass
5 emails", which some described as "keyboard warfare." (p. 609, *infra*.) As to the emails, the
6 City's general complaint is that Molina "publiciz[es] sensitive information in an effort to enhance
7 his own image while negatively impacting the City's image." (p. 635, *infra*.) The fifth
8 investigation report provided a substantial description of the emails from the City's perspective
9 but did not provide copies of the emails themselves or address any factual contentions made
10 therein. Instead, the problem seems to be the fact of the emails themselves, which the City
11 Manager tried to prevent.

12 106. On that point, the Assistant CFO reported to the investigator:

13 We already have a trust issue in this City with our citizens given all of the decades
14 long mismanagement that has happened and we're really working hard to rebuild
15 that trust and get the credibility and he's really undermining that with this kind of
16 stuff.

17 (p. 635, *infra*.)

18 107. But the problem as MOF sees it is that Molina generally reports on what he sees. Trust is
19 built through transparency and fixing problems as they are identified, not punishing the
20 messenger. If Molina sees then publicizes a problem and trust erodes because he does so, the
21 reduced trust is deserved because the City should be focusing its energy on working with Molina
22 and fixing the problems he identifies instead of attacking him. While there may be situations
23 where the Treasurer should allow the City time to fix a problem before publicizing it to the world,
24 the circumstances here suggest that opportunity has long since passed because the City
25 Conspirators don't think they are doing anything wrong even though most indications suggest
26 that the decades long mismanagement the Assistant CFO referred to continues to this day.

27 108. In any event, why should Molina, who is accountable only to voters (and not the City
28 Manager) be prohibited from enlisting residents to help effectuate change from the top. This isn't

1 about making him look good or the City look bad. It's about fixing the institutional
2 mismanagement that the City Conspirators are trying to cover up.

3 109. When Nugyen ultimately used the fifth investigation to strip Molina of his duties, he
4 ignored much of the foregoing. Instead, his focus was on the investigator's conclusion that "[b]y
5 a preponderance of the evidence, the Investigator finds that Mr. Molina made inappropriate
6 comments concerning female employees' appearance/attire, stereotypical female roles, and
7 sexual innuendo in the workplace that violated the City's Sexual Harassment policy contained in
8 its Personnel Rules and Regulations."

9 110. This issue arose when one employee, while being interviewed about Molina's
10 performance of his duties, "raised concerns regarding comments that Mr. Molina allegedly made
11 in the workplace that [she] found objectionable and potentially harassing." (p. 573, *infra*.) As the
12 investigation was already underway when this issue came up, it was added to the investigation's
13 scope. (p. 573, *infra*.)

14 111. Even though the report suggests that statements were made to several employees, only
15 one person raised the issue. (See pp. 573 & 592-593, *infra*.) Without corroborating allegations, the
16 investigator substantiated the claim by asking 19 employees if they heard the statements (while
17 planting the seed that the statements were offensive). (pp. 592-593, *infra*.) But of the 17
18 employees who reportedly heard the statements, only three claimed to have been offended by
19 them. (p. 592, *infra*.)

20 112. For his part, Nguyen pounced on the investigator's conclusion that Molina made
21 "inappropriate comments" and used it to try and frame the issue to suggest that Molina had
22 engaged in sexual harassment that exceeded all bounds of reason. But the details buried deep in
23 the report did not go so far:

- 24
25 a. With respect to comments on appearance or attire, the investigator noted that
26 Molina would make comments such as "That's a pretty dress you're wearing."
27 Such a comment might violate the letter of the City's harassment policy, which
28 prohibits "comments about an individual's body or dress," but did not necessarily

1 violate the spirit of the rule because it was not sexual in nature and was not
2 inherently offensive.¹⁹ While such a comment could be offensive in some
3 contexts, the investigator cited no evidence that the comment could be construed
4 as anything other than a friendly comment, and there were no exacerbating factors
5 to suggest a meaning that was anything other than the words' face value.²⁰ Indeed,
6 14 of the 17 employees who heard such comments did not think they were
7 offensive. Furthermore, MOF is informed and believes that other employees
8 frequently make similar comments without any repercussion whatsoever. The
9 effect of this is that the City uses a literal interpretation of the rule to weaponize it
10 against those who fall out of the City Manager's favor while applying it more
11 reasonably in every other situation.

- 12 b. Superficially, the worst of the investigator's findings might be his conclusion that
13 Molina's comments included "sexual innuendo." That was certainly the part of
14 the report that Nguyen focused on the most. But the so-called innuendo was the
15 allegation that Molina asked who would give him CPR if he had a heart attack
16 without anything else to demonstrate how or why a reference to a lifesaving
17 procedure became sexual. Context here is also important, and MOF is informed
18 and believes that the statement was part of a discussion about CPR training for
19 Treasurer's Office. Molina, who has had CPR training, was considering training
20 for the entire office. The possibility that CPR training might one day benefit him
21

22 ¹⁹ The entire rule at issue applies to "[v]erbal conduct including making derogatory comments,
23 sexually explicit jokes, slurs, sexual innuendo and insults, or comments about an individual's
24 body or dress." Because the investigator did not consider questions of law, he did not consider
25 the possibility that the rule was overbroad and that comments on clothing or new haircuts and the
26 like are commonplace and often welcomed. On matters such as this, context is particularly
27 important.

28 ²⁰ The investigator seems to have concluded otherwise. But the basis for the conclusion is not
stated. To the extent his conclusion was based on the fact that the employees were offended,
there are no facts to show the context necessary to establish that the circumstances were those in
which a reasonable person would have been offended.

(or anyone else in the office) had no sexual undertones whatsoever. Therefore, while the investigator's conclusion had some shock value—which is exactly what Nguyen ordered—the underlying statement is devoid of any sexual innuendo.

- c. Given the weaknesses of the conclusions above, the worst Molina did was suggest that some female employees in his office go home to cook for their families. Taken out of context and construed by modern norms, this looks worse than it was intended. But MOF is informed and believes that Molina made such comments with good intentions to say that there was no need for the employees to continue working after normal business hours. Rather than representing malicious harassment, the statement was intended to be considerate and not overly demanding of employees who had a life outside of work. MOF's officers, knowing Molina, do not believe that the comment was intended to be a social commentary about traditional gender roles.

113. It may be that these comments warrant discussion about how different people could perceive the same discussion differently. But they did not justify everything that followed.

114. The inflammatory language that the investigator used (but disclaimed in footnotes) may be a bigger concern. For example: the investigator concluded that Molina made “inappropriate comments” because (in a footnote very early in his report) he defined “inappropriate” as meaning “that the comments at issue violated the City's Personnel Rules and Regulations”. (p. 575, *infra*, fn. 1.) He then used the term repeatedly throughout his report where the word “inappropriate” was likely (if not intended) to be construed by its ordinary meaning, which is much worse. This suggests potential overbreadth issues with respect to the rule in question.

115. The investigator similarly defined “sexual innuendo” as “encompass[ing] comments that are capable of a sexual interpretation” regardless of whether that interpretation is reasonable. (p. 593, *infra*, fn. 10.) A middle or high school teacher might report that anything is capable of a sexual interpretation, but the mere existence of that possibility does not make it reasonable in everyday discourse. To this end, the CPR discussion was capable of a sexual interpretation only if

1 one believes that anything can be interpreted sexually. However, had the investigator's definition
2 included a reasonableness component, he would not have been able to support a finding that
3 Molina's comments were sexual innuendo. This is important because the investigator's
4 conclusion on this issue was a key part of the decision to strip Molina of his duties.

5 116. Nguyen's reliance on the investigator's report to support a form of discipline draws
6 comparisons to the City's improper reliance on a similar report that was used to discipline David
7 Birch, an employee against whom there were substantially worse allegations than those made
8 against Molina. The City fired Birch after the investigator concluded that he said he wanted to
9 "get a car ride with one employee ... because he 'gives better blowjobs'" and once "came up
10 behind [another] employee and squeezed his nipples" among much more. When Birch sued, the
11 court reversed the City's imposition of discipline primarily because the City relied on the
12 investigator's report, which was hearsay, even though there was an administrative hearing at
13 which Birch defended himself.

14 117. Nguyen's tendency to rely on hearsay when imposing discipline is the key similarity
15 between the two situations because when Nguyen convinced the City Council to strip Molina of
16 his duties, he did not give Molina a reasonable opportunity to defend himself. While Nguyen
17 supported his argument with a substantial written report and a 12-minute presentation, Molina
18 did not have notice of all the allegations against him before he heard Nguyen's presentation. With
19 zero preparation,²¹ Molina had only 12 minutes to present his response. When Molina was done,
20 the City Manager took another 10 minutes to reply. The outcome of this process is that the City
21 Council not only stripped Molina of his duties, but it also reduced his pay by 85 percent.²² While
22 the pay change did not take effect until the next election, the change to part-time pay for full-time
23

24 ²¹ Molina only received the investigator's report when it was made public three days before the
25 meeting. He did not have copies of the witnesses' statements (only the investigator's report of
26 them) and was not given the right to cross examine those witnesses. He also did not have advance
27 notice of the new arguments and allegations that Nguyen presented for the first time at the
28 council meeting.

²² Before the change, the elected Treasurer's salary could range from \$114,656.88 to \$157,652.98
per year; after the change, the City reduced the Treasurer's salary to just \$20,412.08 per year.
MOF is informed and believes that in 2019, Molina's salary was \$136,999.18.

responsibilities was intended to disincentivize anyone who might run for the office so that Nguyen could fill the position with someone who would be loyal to him.

118. When Nguyen convinced the City Council to strip Molina of substantially all his duties, including those duties prescribed by statute, he also convinced the Council to transfer those duties to the Assistant Treasurer. As indicated above, the Assistant Treasurer was not appointed by Molina and was, instead, part of the City Manager's chain of command.²³ The result is that Nguyen effectively wrote Molina's elected oversight position out of existence and transferred it to someone under his own control. That Assistant Treasurer, after she complied with Nguyen's campaign of vindictiveness, received a substantial raise (and was paid much more than Molina ever was) shortly before her retirement to forever increase her City pension as a reward for her participation in the conspiracy.

119. Aside from the fact that Nguyen is threatened by Molina's oversight efforts, the ultimate issue between Nguyen and Molina is the fact that Molina, as an independently elected official, operates outside of Nguyen's sphere of control. Nguyen can't fire him. He can't even tell him what to do. And because Nguyen demands total control, that is a problem for him.

120. But it illustrates another defect in the fifth investigation: the investigator's apparent agreement that Molina should be treated as if he was a regular city employee subject to Nguyen's supervision and control. If that were the case, then Molina would be guilty of significant insubordination because he rarely does what Nguyen wants him to do. But Nguyen is not a dictator who has king-like authority over the City and its officials (especially City officials who are independently elected by City voters). Related to this case, Oxnard voters elected Molina to a position that has some independent oversight responsibility over City finances. It is obvious that Nguyen does not like the oversight and would prefer that the Treasurer report to him, but the Treasurer's independence is a reality he must live with.

²³ Nguyen appointed an Assistant Treasurer in violation of sections 41006 and 41007 of the Government Code which give the Treasurer the power to appoint deputies to serve at his or her pleasure.

1 121. To be fair, the relationship between the City Manager and Treasurer should not be so
2 contentious, and both sides bear some responsibility for the position they are in. But the root of
3 the problem goes back to a succession of City Managers who have worked so aggressively to
4 prevent Molina from doing one his most fundamental jobs—review supporting documentation
5 for checks and wire transfers—as the Auditors recommended in response to Finding 2015-032. It
6 is understandably hard to build a cooperative relationship on the foundation that Nguyen and his
7 predecessors have built.

8 122. Molina did not give up after the City stripped him of his duties. Instead, he sued to have
9 his duties restored. After the trial court in *Molina v. Nguyen* (Super. Ct. Ventura County, 2020,
10 No. 56-2020-00541689-CU-PT-VTA), denied Molina’s petition, the Court of Appeal reversed
11 and ordered Molina’s duties restored. (*Molina v. Nguyen* (Aug. 7, 2024, B327286 [2024
12 Cal.App.Unpub.LEXIS 4923].) In reversing the trial court, the appellate opinion stated that
13 “[t]he treasurer is independent and can provide a check on other city officials, including
14 the City Counsel and the director of finance” (*id.* at *9)²⁴ and that “[a] city treasurer
15 deprived of the office’s duties is tantamount to no treasurer, and that “[t]he City may not
16 through legerdemain un-elect the office of city treasurer and defeat the choice of the voters” (*id.*
17 at pp. *2-3). The appellate court also ordered the City to reverse the pay reduction.

18 123. But the appellate opinion has not yet been enough to resolve the problem because the City
19 has stonewalled Molina’s efforts to obtain the resources necessary to do his job. Through the date
20 of this complaint, Molina, Nguyen, and the City continue to litigate the City’s failure to comply
21 with the judgment in *Molina v. Nguyen*. That litigation has already resulted in one successful
22 motion by Molina to enforce the judgment, and the City’s continued noncompliance suggests
23 that there is more to come.
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28 ²⁴ In a September 3, 2024 order modifying the opinion, the court corrected a spelling error in this sentence changing “City counsel” to “City Council”. (See 2024 Cal.App.Unpub. LEXIS 5532.)

1 124. In the end, despite everything that has happened—or more reasonably because of it—
2 Oxnard voters reelected Molina in 2020 and 2024 so he can continue working to bring the
3 transparency and oversight he has been fighting for since he was first elected nearly ten years ago.

4 **F. The Auditors’ ultimate reward in the conspiracy was a five-year contract extension.**

5 125. On May 19, 2020 (just weeks before the June 30 end of FY 2019-20), the City entered
6 into a five-year contract with Eadie+Payne to conduct the City’s audits in fiscal years 2019-20
7 through 2023-24. By that time, the Auditors had conducted the City’s audits with Defendant
8 Casareno as Lead Auditor in each of the five preceding years from FY 2014-15 through 2018-19.

9 126. Before hiring the Auditors for another five years, the City put the project out to bid. It
10 received two bids in response to its Request for Proposals and awarded the extension to the
11 Auditors over a less expensive proposal from a qualified bidder based largely on the Auditors’
12 experience with Oxnard. In his report to the City Council, then-Finance Director Kevin Riper
13 wrote, “Eadie+Payne demonstrated significantly more familiarity with the particular challenges
14 facing the City of Oxnard — obviously due in great part to having been the City’s auditor for the
15 past five years.” Riper also focused on the Auditors’ experience with cities in distress (an
16 apparent admission that the City was still in distress because it had not yet solved the problems
17 identified five years earlier).

18 127. During discussion of the issue, city council members expressed reasonable concerns that
19 arose out of the policies that support the Rotation Requirement even if they did not know to
20 address the Rotation Requirement directly. Then-Councilmember Vianey Lopez asked about the
21 standard for rotating auditors. Councilmember Bert Perello said that he heard they were required
22 to change auditors every five years. Then-Councilmember Carmen Ramirez opined that it would
23 not be good for the city to get too entrenched with its auditor.

24 128. Perello’s concern about continuing with the same auditor was more than a passing
25 question. Before the April 28, 2020 Finance & Governance Committee meeting, Perello held
26 strong convictions that the City was required to change auditors after five years. The day before
27
28

1 that committee meeting, Perello met privately with City Manager Nguyen to discuss his concerns
2 about the contract renewal. After that private meeting, Perello's position changed.

3 129. At the committee meeting, after Lopez raised her concerns, then-Finance Director Kevin
4 Riper and City Attorney Fischer made false statements—statements they knew were false—with
5 intent to influence the Council's decision to continue with the Auditors.²⁵

6 130. Rather than inform the Council of the Rotation Requirement and its impact, Riper told
7 the Council that there is no standard that requires them to rotate auditors. To the extent such
8 standards exist, Riper described them as part of private sector accounting rules (as if they might
9 be more stringent than government rules). At most, Riper suggested that rotation was a best
10 practice (that they were not complying with) rather than a legal requirement.

11 131. For his part, City Attorney Stephen Fischer said that the City has a three-year *minimum*
12 requirement for its auditors but that there was otherwise no maximum. The essence of Fischer's
13 representation to the Council is that they could use the same auditor in perpetuity irrespective of
14 the Rotation Requirement.

15 132. In any event, Riper went on to explain that best practices, not the Rotation Requirement
16 (or any other statutory limit), were the reason why the Auditors would transition Defendant
17 Casareno out of the role of Lead Auditor by making her and Hong Nguyen "co-audit partners"
18 for FY 2019-20 (in what would be Casareno's sixth consecutive year of providing audit services
19 to the City). Then, in FY 2020-21, Hong Nguyen would take over completely.

20 133. Nguyen also chimed in following Riper's statements. Nguyen stated that "within the
21 audit firm itself, they rotate the senior partner so that internal to them, they have fresh eyes on
22 this as well. And that's also a best practice." By publicly endorsing the Casareno-to-Hong
23 rotation as a best practice that would ensure fresh eyes, Nguyen reinforced the false impression
24 that rotation was merely a best practice, rather than a legal requirement.
25

26
27 ²⁵ If neither Riper nor Fischer knew that the Rotation Requirement existed, they should have
28 known about it. If they didn't know about it, then they acted in deliberate ignorance of the
requirement or with reckless disregard for its existence.

1 134. Nguyen and the other City Conspirators created this scheme because they all knew that,
2 due to the Rotation Requirement, Eadie+Payne could not serve as Oxnard's auditor starting in
3 FY 2020-21 if Eden Casareno remained its Lead Auditor. Nonetheless, by describing their
4 objective as complying with a best practice (rather than a legal mandate), the City Conspirators
5 withheld critical information from the City Council.

6 135. At the conclusion of the committee meeting, Perello reversed his prior position. He stated
7 that he had had "very strongly" "held feelings that after five years we needed to change the
8 auditor," but that based on the explanation he received—including the explanation Nguyen
9 provided in their private meeting the day before—he was willing to support the contract
10 extension. Perello expressed that he trusted the staff who made the decision to recommend the
11 contract extension, and Perello voted in favor of recommending the contract extension. At the
12 May 19, 2020 City Council meeting, Perello again referenced having been told that rotating to a
13 new lead partner resolved any rotation concern, and he voted to approve the five-year contract
14 extension.

15 136. Given the relationship between the Auditors and the City Conspirators (and their
16 misrepresentations to the City Council) it is reasonable to conclude that the Auditors' familiarity
17 with the City is the precise reason why the City Conspirators wanted to continue that
18 relationship. Indeed, given everything that transpired between them in connection with Finding
19 2015-032 and the Treasurer's oversight (plus whatever else the public does not know about), a
20 degree of entrenchment was developing between the them such that their mutual futures were
21 dependent upon the symbiotic relationship that had developed.

22 137. Suppose a new auditor made the same finding as Finding 2015-032 but also found that (1)
23 the City Conspirators made misrepresentations about the Treasurer's oversight to the Auditors,
24 and/or (2) that the Auditors disregarded actual knowledge of the City's noncompliance when
25 they deemed the recommendation satisfied: That possibility would be catastrophic for everyone
26 involved.
27
28

1 138. A new audit finding comparable to Finding 2015-032 would be hard to dismiss in the same
2 manner that Nguyen has dismissed Molina's concerns. Such a finding by a new and independent
3 auditor would have a heightened weight of authority as compared to the complaints Molina had
4 made over the prior five years. But such a finding, under the circumstances presented, would also
5 invite unwanted scrutiny from the State Controller's Office and might even expose City
6 Defendants (or more broadly the City Conspirators) to criminal prosecution under section 1854
7 of the Government Code for interfering with the Treasurer's duties. But what if there was more?
8 What if the City Manager or another City Conspirator has put in so much effort to prevent
9 independent oversight because they are trying to prevent the Treasurer from discovering criminal
10 conduct comparable to that described in the District Attorney's 2012 report (or worse)? A new
11 auditor might make that discovery.

12 139. But the risks are even greater for the Auditors, who were motivated not only by their
13 greed to continue a contract worth more than \$1 million but also by their desire to protect their
14 professional reputation. Suffice it to say, a new auditor's finding that the Auditors disregarded
15 evidence of the City's noncompliance then changed their recommendation accordingly would not
16 be good for them. A new auditor might also criticize the Auditors' failure to substantiate expense
17 reimbursement requests by providing receipts, and the City's failure to ask for receipts. The
18 Auditors needed to remain as Oxnard's auditor for as long as possible to keep that from
19 happening.

20 140. To the extent these concerns might be uncertain: The Rotation Requirement does not
21 exist to punish governments and auditors who act improperly. It exists without any wrongdoing
22 whatsoever. Instead of serving to address actual instances of misconduct, the Rotation
23 Requirement is a prophylactic measure intended to avoid both the problems MOF is worried
24 about and the worry itself. Put differently, it exists to not only prevent impropriety but also the
25 perception of impropriety. This is because auditors have such a specialized role that it would take
26 a different auditor to discover the problem. Therefore, it is enough that the concerns exist even if
27 the government believes that the concerns are not well founded.
28

1 **G. The Auditors conspired with the City Defendants to make false claims starting with the**
2 **FY 2020-21 audit.**

3 141. Hong Nguyen left Eadie+Payne in December 2021, before the Auditors completed
4 Oxnard's FY 2020-21 audit. After she left, Defendants' plan fell apart.

5 142. Upon Hong Nguyen's departure, Casareno reached out to then-Finance Director Betsy
6 George and City Attorney Fischer to inform them of the development and discuss what to do
7 next. Having been appointed Finance Director in August 2021, George was relatively new to the
8 role and was not part of the scheme to avoid the Rotation Requirement when the City awarded
9 the Auditors a five-year contract extension on May 19, 2020.²⁶ She was also not a part of the
10 conspiracy the resulted in the unilateral change to Recommendation 2015-032 or the stripping of
11 Treasurer Molina's duties. Thus, when faced with this situation, she might reasonably have done
12 whatever the City Attorney told her to do.

13 143. On that foundation, Fischer and Nguyen devised a plan for moving forward. Under their
14 plan, Eden Casareno (instead of another Eadie+Payne partner) would resume her prior role of
15 Lead Auditor, which she did for the remainder of the Auditors' FY 2020-21 audit and into the
16 three subsequent years (FYs 2021-22, 2022-23, and 2023-24). Defendants did not remove
17 Casareno from the role until forced to do so in response to a court order.

18 144. Defendants' plan rested on the City Conspirators' earlier misrepresentations to the City
19 Council whereby they told the Council that auditor rotation was a best practice rather than legal
20 mandate. On that foundation, the City Council (when it eventually learned that Casareno was still
21 Eadie+Payne's Lead Auditor)²⁷ would reasonably believe that the changed circumstances
22 prevented their compliance with a best practice. But they did not know or have reason to believe
23 that the City was continuing with the Auditors in violation of state law because it was reasonable
24 for them to rely on the City Conspirators' misrepresentations.

25
26 _____
27 ²⁶ George had only joined the City a few months earlier, in June 2021, when she was appointed
28 Assistant CFO. George stayed in the role of Finance Director until her retirement on January 19,
2023.

²⁷ The City Conspirators did not seek Council approval of their plan.

1 145. In following this plan, the City Conspirators disregarded the possibility that exigent
2 circumstances might justify a one-time exception to the Rotation Requirement. That exception
3 allows the State Controller to “waive the requirement if the Controller finds that another eligible
4 public accounting firm is not available to perform the audit.” (Gov. Code § 12410.6, subd. (b).)
5 To the extent the exception might have applied (maybe another eligible firm could not step in on
6 such short notice), Defendants did not request an exception. Their failure to make that request
7 precludes any equitable consideration that might waive their noncompliance.

8 146. It is ultimately issues relating to and following the FY 2020-21 audit that form the basis of
9 the CFCA claims against Defendants because the Rotation Requirement did not bar the
10 Auditors’ services until that year. MOF addresses so much prior history not because those prior
11 actions were also illegal but because that history shows the formation of Defendants’ conspiracy
12 and what each of them hoped to obtain through it.

13 147. More specifically, MOF contends that the Auditors’ false claims were their invoices to
14 the City for audit services starting in FY 2020-21 where Eden Casareno was again the Lead
15 Auditor. Those invoices were false claims because (1) Eadie+Payne could not lawfully conduct
16 Oxnard’s audits in those years if Casareno was Lead Auditor, and (2) their invoices included an
17 implied certification that they could lawfully perform the services they provided and that they
18 were entitled to be paid for doing the work. The Auditors knew their claims were false because,
19 *inter alia*, they knew that (1) the Rotation Requirement prohibited them from conducting
20 Oxnard’s audit, and (2) the City Conspirators had misrepresented the law to the City Council.
21 To this end, it may be that the City Conspirators “approved” the Auditors’ continued work, but
22 the Auditors knew that the City Conspirators did not have authority to make that approval.
23 Nonetheless, even if MOF cannot prove Defendants’ *knowledge* of the false claim, it can show
24 Defendants’ conspiracy first to violate the Rotation Requirement and then the CFCA.
25

26 **THE CALIFORNIA FALSE CLAIMS ACT**

27 148. Under the CFCA, “[a]ny person who commits any [one of eight] enumerated acts ...
28 violated [the CFCA] and shall be liable to the state or to the political subdivision for three times

1 the amount of damages that the state or political subdivision sustains because of the act of that
2 person.” (Gov. Code § 12652, subd. (a).) In the first through third causes of action, below, MOF
3 contends that Defendants committed three of the enumerated acts that give rise to CFCA
4 liability. The CFCA applies to Defendants because it broadly defines person to include “any
5 natural person, corporation, firm, association, organization, partnership, limited liability
6 company, business, or trust.” (Gov. Code § 12650, subd. (b)(9).) Except for Defendant
7 Eadie+Payne LLP, all defendants are natural persons. Defendant Eadie+Payne LLP is,
8 nonetheless, a person as the CFCA defines the term.

9 149. This action by MOF is allowed because the CFCA establishes a private cause of action
10 allowing private persons to sue on behalf of a political subdivision of the state. (Gov. Code
11 § 12652(c)(1).) Under the definition of “person” set forth above, MOF is a person and has
12 standing to sue on the City’s behalf.

13 **A. Defendants violated the CFCA in any one of three different ways.**

14 150. In the **First Cause of Action**, below, MOF alleges that the Auditors face CFCA liability
15 because they “[k]nowingly present[ed] or cause[d] to be presented a false or fraudulent claim for
16 payment or approval.” (Gov. Code § 12651, subd. (a)(1).) Eden Casareno is liable for the invoices
17 she presented to the City, which were false claims. Eadie+Payne is liable because Eden Casareno
18 was acting as its agent and presented false claims to the City in the course of that relationship and
19 on Eadie+Payne’s behalf.

20 151. While MOF is aware that some City employees presented claims to other City employees
21 for the purpose of triggering payments from the City to Eadie+Payne, MOF currently lacks
22 sufficient information and belief to allege which City employees presented such claims and
23 whether they knew the claims were false. Rather than knowing that the claims they presented
24 were false, MOF is informed and believes that the presenting employees were, instead, relying on
25 materially false statements made by Alexander Nguyen and/or Stephen Fischer. The false
26 statements made by Nguyen and Fischer are addressed in the second cause of action.
27
28

1 152. In the **Second Cause of Action**, below, MOF alleges that all Defendants face CFCA
2 liability because they “[k]nowingly ma[de], use[d], or cause[d] to be made or used a false record
3 or statement material to a false or fraudulent claim.” (Gov. Code § 12651, subd. (a)(2).) To the
4 extent the Auditors did not *present* false claims to the City, they each made, used, or caused to be
5 made or used false records and statements material to a false claim that someone else presented.
6 Furthermore, while MOF lacks sufficient information and belief to allege that Defendants
7 Alexander Nguyen and Stephen Fischer *presented* false claims to a city employee, they allege here
8 that the both knowingly made false statements material to a false claim.

9 153. In the **Third Cause of Action**, below, MOF alleges that all Defendants face liability for
10 conspiring to violate the CFCA. (Gov. Code § 12651, subd. (a)(3).) Here the fact of Defendants’
11 conspiracy is enough to establish liability even if MOF cannot be proven that a conspirator
12 presented or made a false claim. To the extent anyone else presented or made the false claim,
13 Defendants conspired to make that happen.

14 **B. A prior public disclosure of the facts of this case does not bar MOF’s CFAC action.**

15 154. The CFCA denies jurisdiction in certain situations where “substantially the same
16 allegations or transactions as alleged in the action or claim were publicly disclosed.” (Gov. Code
17 § 12652(d)(3)(A).) Those situations include (i) “[a] criminal, civil, or administrative hearing in
18 which the state or prosecuting authority of a political subdivision or their agents are a party; (ii)
19 certain public reports of the City, and (iii) “[t]he news media.”

20 155. Such a disclosure was made in the litigation *Moving Oxnard Forward v. City of Oxnard*
21 (Super. Ct. Ventura County, No. 2023CUWM017768, 2023). But the disclosure bar does not
22 apply because MOF was the original source of that disclosure. MOF was the original source of
23 the disclosure because, prior to filing the lawsuit, it voluntarily gave the City notice of the
24 information on which allegations or transactions in the claim are based. That notice was the type
25 of voluntary disclosure the CFCA describes. (See Gov. Code § 12652, subd. (d)(3)(B).)

26 156. MOF gave that notice in a May 1, 2023 letter to the Oxnard City Council informing it that
27 Government Code section 12410.6 barred Eadie+Payne from continuing to provide audit services
28

on accord of the fact that Casareno would be the lead partner having primary responsibility for the City's audit, i.e., she would be the Lead Auditor. (See Ex. 1.) Before May 1, 2023, the subject of MOF's letter had never been disclosed in a lawsuit or other official proceeding, a City report, or the news media.

C. Defendants are liable for treble damages, attorneys fees, and a civil penalty.

157. Each of the Defendants is jointly and severally liable for the damages described below. (Gov. Code § 12651, subd. (c).)

158. Treble Damages: The Auditors provided services to the City pursuant to a May 19, 2020 agreement with the City, Agreement No. A-8223. Under that agreement, attached as **Exhibit 12** (and the related engagement letter, attached as **Exhibit 13**), the City was to pay the Auditors \$1,075,100 to conduct audits over a five-year period that started with Oxnard's FY 2019-20 and ended with FY 2023-24. The Rotation Requirement is triggered once a potential Lead Auditor provides audit services in six consecutive years. For Casareno, that sixth consecutive year was the first year of the new contract, FY 2019-20. Once Casareno provided audit services to the City in FY 2019-20, the Rotation Requirement prohibited her from being the Lead Auditor starting in FY 2020-21 because she had previously provided audit services in every year since FY 2014-15. Therefore, the Auditors provided services in four years that they could not lawfully provide (FY 2020-21 to FY 2023-24).

159. For the purpose of this complaint, MOF assumes that the City paid the Auditors an equal amount in every year for the duration of the five-year contract. That annual fee is \$215,020. Therefore, the total amount of unlawful payments over the applicable four-year period is estimated as \$860,080. Because the CFCA provides for treble damages, that amount increases to \$2,580,240.

160. MOF is informed and believes that there have been other agreements and payments from Oxnard to Eadie+Payne in violation of section 12410.6. Plaintiff is further informed and believes that those other agreements have increased the amount of funds Eadie+Payne unlawfully

1 received from Oxnard. Therefore, MOF expects that the actual amount of damages will be
2 higher.

3 161. Attorneys Fees and Costs: In addition to treble damages for the actual damages caused by
4 the CFCA violation, a person who violates the CFCA shall also be liable for “the costs of a civil
5 action brought to recover any of those penalties or damages.” (Gov. Code § 12650, subd. (a); *id.*
6 at § 12652, subd. (g).) MOF will pursue attorneys’ fees after trial in a properly noticed motion for
7 attorneys’ fees.

8 162. Civil Penalty: A person found liable under the CFCA shall also “be liable to the state or
9 political subdivision for a civil penalty of not less than five thousand five hundred dollars (\$5,500)
10 and not more than eleven thousand dollars (\$11,000) for each violation, as adjusted by the
11 Federal Civil Penalties Inflation Adjustment Act of 1990, Public Law 101–410 Section 5, 104 Stat.
12 891, note following 28 U.S.C. Section 2461.” (Gov. Code § 12650, subd. (a).)

13 163. MOF presumes that the Auditors billed the City on a monthly basis, every month, and
14 contends that each separate invoice was a false claim under the CFCA. Every invoice the
15 Auditors presented to the City for work performed with Eden Casareno as Lead Auditor starting
16 with FY 2020-21 was a false claim. MOF is informed and believes that Auditors billed the City in
17 every subsequent month until a court order prohibited future work starting in December 2024. If
18 Casareno resumed as Lead Auditor when Hong Nguyen left in December 2021, this would be 36
19 months of false claims. At \$11,000 each, the civil penalty is estimated at \$396,000 plus the
20 adjustment provided for in the CFCA. If Casareno never left as Lead Auditor, this amount will be
21 higher.
22

23 **D. MOF currently lacks sufficient information and belief to allege CFCA violations against**
24 **the City Conspirators and other Eadie+Payne employees who are not (yet) named as**
25 **Defendants.**

26 164. The conspiracy to prevent the Treasurer’s oversight of City finances runs deeper than
27 the conspiracy to violate the CFCA. To this end, there are some City Conspirators who are not
28 named as defendants in this CFCA action.

1 165. Some City Conspirators left the conspiracy before it turned into a conspiracy to violate
2 the CFCA. Such City Conspirators include former City Manager Greg Nyhoff and former
3 Finance Director Kevin Riper because each of them left the City before Casareno returned as
4 Lead Auditor for the FY 2020-21 audit in violation of the Rotation Requirement.²⁸

5 166. Other City employees were late to the conspiracy. Betsy George, for example, was
6 appointed Finance Director in August 2021 to replace Riper, and Javier Chagoyen-Lázaro
7 replaced George in June 2023. Neither was there for the May 19, 2020 contract extension where
8 the most egregious of false statements in support of the conspiracy were made. While both
9 George and Chagoyen-Lázaro made false statements in support the Auditors' false claims, MOF
10 cannot definitively say that either of them knew their statements were false to the same degree
11 that Alexander Nguyen and Stephen Fischer each knew that their statements were false.
12 However, these City Conspirators can be named as DOE Defendants if subsequent discovery
13 reveals that any of them knew their statements to be false.

14 167. Lower-level employees at either the City or Eadie+Payne also made false claims and/or
15 statements in support that were material to the City's unlawful payments to the Auditors. But
16 MOF similarly lacks sufficient information and belief to allege that any of them knew their
17 statements were false because they were acting on orders from their superiors without knowledge
18 that their superiors were directing them to engage in unlawful activity. Like everyone else
19 discussed above, however, subsequently discovered information may change this.

20 CAUSES OF ACTION

21 **I. FIRST CAUSE OF ACTION: MAKING A FALSE CLAIM (Gov. Code § 12650(a)(1)** 22 **Against the Auditors**

23 168. Plaintiff realleges and incorporates by reference paragraphs 1 through 163, above, as if
24 fully set forth herein.
25
26

27 ²⁸ Riper left the City in July 2021, close in time to when the Auditors began preparing to conduct
28 the City's FY 2020-21 audit. If the false claims started prior his departure, Riper probably knew
that those claims were false and could be added as DOE Defendant if that is discovered.

1 169. In this cause of action, MOF focuses on the first of eight acts through which a defendant
2 can be liable for violating the CFCA. On this theory, a defendant who “[k]nowingly presents or
3 causes to be presented a false or fraudulent claim for payment or approval”, is liable for treble
4 damages. (Gov. Code § 12651, subd. (a)(1).)

5 170. For defendants to be liable under section 12651(a)(1), they must have “knowingly
6 presented or caused to be presented a false or fraudulent claim to [the City of Oxnard] for
7 payment or approval” and that the “false or fraudulent claim was material to [the City’s]
8 decision to pay” the claim. (See CACI 4800.)

9 **A. The Auditors’ false claims were the invoices they submitted for services provided in**
10 **violation of the Rotation Requirement.**

11 171. The Auditors’ claims to the City were its invoices and other bills, which when presented
12 to the City, were requests or demands for payment of money. (See Gov. Code § 12650(b)(1)(A).)
13 The Auditors’ claims included an implied certification that they could lawfully perform the work
14 in question and that they had the right to be paid for doing the work. The Auditors’ claims were
15 false claims because that implied certification was false. The implied certification was false at any
16 time when Eden Casareno was the Lead Auditor starting with Oxnard’s FY 2020-21 (Casareno’s
17 seventh year of providing audit services to the City). The falsity of the Auditors’ claims is based,
18 in part, on the following:

- 19 a. The Auditors provided audit services to the City of Oxnard starting in its FY
20 2014-15 with Casareno as the Lead Auditor at least through FY 2018-19
21 (Casareno’s fifth year as Oxnard’s Lead Auditor).
- 22 b. The Auditors’ agreement with the City expired after that FY 2018-19 audit, but
23 on May 19, 2020, the City extended the Auditors’ agreement for another five
24 years.
- 25 c. Due to the Rotation Requirement, Eadie+Payne would not be able to perform its
26 obligation under the extended contract starting in FY 2020-21, the extension’s
27 second year, if Casareno remained as Lead Auditor because she would have
28

provided audit services to the City in each of the prior six years. To avoid that problem, the Auditors proposed that Hong Nguyen would be Casareno's Co-Engagement Partner in FY 2019-20 then take over as the lead in FY 2020-21.

- d. Nonetheless, by serving as co-engagement partner with Nguyen in FY 2019-20, Casareno provided audit services to Oxnard in a sixth consecutive year.

Furthermore, the Auditors described the arrangement in a manner that suggested that Casareno would continue everything she had done in the past such that there would be no practical difference between her role as co-engagement partner and Lead Auditor. And, Casareno could not explain how the two co-engagement partners' roles would differ. This suggests that Casareno not only provided audit services in that sixth year but that she also continued to serve as Lead Auditor.

- e. In December 2021, Hong Nguyen left Eadie+Payne before completing the FY 2020-21 audit. Upon her departure, Eden Casareno resumed the role of Oxnard's Lead Auditor and remained in that role until December 2024 when the court in *Moving Oxnard Forward v. Oxnard* ordered her to stop.

172. On these allegations, the Auditors' certification was false starting in December 2021 because Casareno could not lawfully resume the role of Lead Auditor because she had provided audit services to the City in each of the prior six years. Alternatively, MOF is informed and believes that Hong Nguyen did not actually take over as Lead Auditor in FY 2020-21 and that Casareno remained as Lead Auditor despite representations to the contrary. If this is true, then the Auditors' false claims started when they began submitting claims in connection with the City's FY 2020-21 audit because there was no point in time in which Casareno could be the Lead Auditor for that audit.

B. The Auditors knew that the claims they presented to the City were false.

173. The Auditors knew their claims were false because they knew (A) of the Rotation Requirement, and (B) that Casareno was serving as Lead Auditor in violation of the Rotation Requirement.

1 174. MOF anticipates that the Auditors will disclaim knowledge of their false claims because,
2 despite knowing of the Rotation Requirement, they (1) believed that the Rotation Requirement's
3 use of "audit services" was limited to services by a Lead Auditor and thought that Casareno's
4 string of consecutive years broke when she became the co-engagement partner in FY 2019-20
5 (and that she did not learn otherwise until the *Moving Oxnard Forward* judgment); and/or (2)
6 thought it was okay to violate the Rotation Requirement because the City had excused the
7 violation.

8 ***i. The Auditors knew that the Rotation Requirement applied to Casareno's continued***
9 ***service as Lead Auditor in FY 2020-21 before the Moving Oxnard Forward litigation.***

10 175. In anticipation of its 2020 contract extension, the Auditors created Hong Nguyen's
11 partnership position (just for her and the work they planned to do in Oxnard) and devised the
12 plan described herein (i.e., the plan for Nguyen to transition to Lead Auditor) for the purpose of
13 complying with the Rotation Requirement. As part of that plan, the Auditors represented that
14 Casareno and Hong Nguyen would be co-engagement partners for the FY 2019-20 audit (before
15 Nguyen would become Lead Auditor in FY 2020-21).

16 176. In the *Moving Oxnard Forward* litigation, the City argued that the Auditors did not violate
17 the Rotation Requirement because they believed that Casareno did not provide "audit services"
18 in FY 2019-20 because she was not the Lead Auditor (she was, instead, a co-engagement
19 partner). To support this argument, the City proposed a narrow construction of "audit services"
20 that was limited only to the audit services provided by a Lead Auditor. The court rejected the
21 City's argument, saying that it "defies the plain meaning of the statute's words." Under its plain
22 terms, the Rotation Requirement is triggered by six consecutive years of "audit services," and is
23 not limited to the audit services provided by a Lead Auditor.

24 177. Advancing the City's *Moving Oxnard Forward* argument, the Auditors deny that they
25 knowingly violated the CFCA (i.e., they did not knowingly violate the Rotation Requirement)
26 because they believed that Casareno's year as a co-engagement partner broke the string of
27 consecutive years in which she provided "audit services." Instead, they learned of the violation
28 through the *Moving Oxnard Forward* judgment, which they complied with.

1 178. Irrespective of the *Moving Oxnard Forward* arguments, the Auditors did not genuinely
2 believe that Casareno was exempt from the Rotation Requirement. While the Auditors may have
3 hoped that the court would agree with the argument, they did not believe it themselves.

4 179. The Auditors' disbelief of the argument can be inferred from the fact that Casareno could
5 not explain how her role as co-engagement partner (in FY 2019-20) was different from her role as
6 Lead Auditor (in FYs 2014-15 through 2018-19) or what Hong Nguyen would be doing differently
7 in her newly-titled role. Therefore, her title change was arbitrary and made with intent to deceive
8 because Casareno continued to serve as Lead Auditor as a matter of fact even though her title was
9 different. Thus, the Auditors violated the Rotation Requirement even if the City's *Moving*
10 *Oxnard Forward* argument is credited.

11 180. Put differently, the Auditors knowingly violated the Rotation Requirement and knowingly
12 presented false claims long before the *Moving Oxnard Forward* judgment.

13 181. The fact that the Auditors gave Casareno the title co-engagement partner (despite her
14 continued work as Lead Auditor), helps underscore MOF's conspiracy allegations as the
15 Auditors and City Conspirators were doing everything possible to ensure that the Auditors could
16 continue conducting Oxnard's audits for as long as possible, irrespective of the Rotation
17 Requirement.
18

19 182. These allegations tend to support MOF's belief that Casareno might never have left the
20 role of Lead Auditor such that the Auditors' claims were false claims as soon as they began
21 working on the FY 2020-21 audit (in the second year of their May 19, 2020 agreement with the
22 City). This belief is buttressed by Casareno's communications to the City which also support an
23 inference that she continued the work of Lead Auditor.

24 183. Furthermore, the Rotation Requirement is not sufficiently ambiguous to give credence to
25 the Auditors' denial of knowledge. The statutory language plainly applies to "audit services"
26 without any qualification (Gov. Code § 12410.6), and the Auditors' reading comprehension
27 should be deemed sufficient to show their knowledge that "audit services" is not limited only to
28 audit services performed by a Lead Auditor but otherwise includes all audit services. Put

1 differently, the Auditors are smart enough that they did not need a judge to explain the scope of
2 “audit services” or tell them that they had violated the Rotation Requirement.

3 184. The Auditors’ contrary assertion strikes comparable to someone who is driving 65 mph in
4 a 25 mph school zone, with knowledge of the clearly stated 25 mph limit, who nonetheless
5 disclaims knowledge of the limit solely because a judge never told them that 65 mph is faster than
6 25 mph. Put more simply, the Auditors knew what they were doing, and even if they might have
7 been disappointed by the *Moving Oxnard Forward* judgment, they were not surprised by and were
8 otherwise anticipating it.

9 ***ii. The City’s approval of the arrangement—if it approved the arrangement—does not***
10 ***negate the Auditors’ knowledge of their violation.***

11 185. This is because the Auditors knew that the City Conspirators made material
12 misrepresentations to the City Council that induced the council to “approve” their contract
13 extension. The Auditors also had knowledge of the City Conspirators motivation to continue in
14 the unlawful arrangement (e.g., the conspiracy to walk-back Finding 2025-032 and ultimately
15 remove the Treasurer from the check-approval process plus their fear about what might happen if
16 a new auditor made that discovery). In this scenario, the City’s so-called approval is ineffective
17 because it was based on misrepresentations intended to further the Auditors’ conspiracy with the
18 City Conspirators.

19 186. In this context, the Auditors’ false claims to the City are more than mere mistake or
20 technicality. They are the result of a deliberate deception intended to interfere with the
21 Treasurer’s oversight responsibilities. That deception was well outside the City Conspirators’
22 scope of employment such that they did not have authority to approve or otherwise waive the
23 Auditors’ failure to comply with the Rotation Requirement. The Auditors knew this.

24 187. To the extent that the Auditors disclaim actual knowledge of the false claims, their
25 subjective belief that they acted lawfully is not objectively reasonable for a public accounting firm
26 and its certified public accountant equity partner. In that regard, these licensed professionals
27
28

1 acted with reckless disregard for or with deliberate ignorance of their obligations and rights under
2 the law.

3 188. On this point, the Auditors, as certified public accountants, have “a public responsibility
4 transcending any employment relationship with the client” where the accountant’s “public
5 watchdog” function requires allegiance not to the client but to the public trust. (See, e.g., *Bily v.*
6 *Arthur Young & Co.* (1992) 3 Cal. 4th 370, 383-384.) The fact that the public relies on the
7 representations made in a certified public accountant’s audit “imposes [on the Auditors] a public
8 interest responsibility” that does not necessarily exist elsewhere. (*Nat’l Medical Transp. Network*
9 *v. Deloitte & Touche* (1998) 62 Cal.App.4th 412, 428-429.) In this context, the Auditors had an
10 ethical obligation to turn down work that would cause them to violate the Rotation Requirement.

11 189. A prohibition on payments to the Auditors under the circumstances presented in this case
12 are analogous to other situations where comparable payments are similarly prohibited.
13 Unlicensed contractors may not be paid for work that requires a license. (Bus. & Prof. Code
14 § 7028.). The same is true for attorneys. (Bus. & Prof. Code § 6125) Even landlords may not
15 collect or demand rent when renting dwellings that do not comply with applicable law. (Civ. Code
16 § 1942.4).

17 190. The ultimate problem, as mentioned throughout, relates to independence. (See Cal. Code
18 Regs., tit. 16 § 65 [requiring a public accountant’s independence].) An auditor who allows their
19 public entity employer to violate the Rotation Requirement cannot be said to be independent to
20 the extent that should be required. This is especially true in here given the reasons why the
21 Auditors conspired with the City Conspirators to violate the Rotation Requirement. The end
22 result is breach of the public trust.

23 **C. Eden Casareno presented the Auditors’ false claims to the City.**

24 191. As the Lead Auditor responsible for Oxnard’s audit, Casareno was responsible for billing
25 the City for the work she and her subordinates performed. To this end, the Auditors’ invoices
26 were prepared and presented to the City under Casareno’s direction, supervision, and control.
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1 On that basis, Casareno should be deemed to be the one who presented the Auditors' invoices to
2 the City.

3 192. Furthermore, MOF is aware of several occasions when Casareno herself actually
4 presented the Auditors' invoices to the City without relying on one of her subordinates to be the
5 intermediary. While MOF has knowledge of this fact as to some invoices that Casareno presented
6 before those invoices would have been false claims, MOF does not have all of the Auditors'
7 billing records through December 2024. Nonetheless, based on its knowledge of the Auditors'
8 past practices, MOF is informed and believes that Casareno sometimes was the person who
9 actually presented the Auditors' claims and that she occasionally did so from December 2021 to
10 December 2024 (even though a subordinate working under her direction, supervision, and
11 control presented the Auditors' claims more frequently).

12 **D. Eadie+Payne is jointly liable for Casareno's CFCA violations because Casareno was**
13 **acting as Eadie+Payne's agent.**

14 193. At all relevant times, Defendant Eden Casareno was one of Eadie+Payne's equity
15 partners. Pursuant to section 16301 of the Corporations Code and common law principles,
16 Casareno was an agent of the firm "for the purpose of its business." When Casareno (or a
17 subordinate working under her direction) presented a false claim to the City of Oxnard, it was
18 done so to carry on in the ordinary course of Eadie+Payne's business and with both actual and
19 apparent authority to act on the firm's behalf. To the extent these presentations of false claims
20 were not done for carrying on the ordinary course of Eadie+Payne's business, MOF is informed
21 and believes that Casareno's partners authorized the activity.

22 194. Furthermore, because Casareno was acting as an agent of Eadie+Payne, her knowledge is
23 imputed to her firm. To this end, Eadie+Payne knowingly submitted false claims just as Casareno
24 did. The agency relationship between Casareno and Eadie+Payne extends to the Eadie+Payne
25 employees who were working under Casareno's direction, control, and supervision for acts taken
26 by them while working under Casareno's direction, control, and supervision.

1 **E. The Auditors' false claims were material to the City's decision to pay.**

2 195. The Auditors' false claims were material to the City's decision to pay because the City
3 employees responsible for completing payments²⁹ would not have made payments to the Auditors
4 without an invoice to pay from and their belief that the payments were for services lawfully
5 provided.

6 **II. SECOND CAUSE OF ACTION: MAKING A FALSE STATEMENT MATERIAL TO A**
7 **FALSE CLAIM (Gov. Code § 12650(a)(2)**
8 **Against the Auditors & Fischer**

9 196. Petitioner realleges and incorporates by reference paragraphs 1 through 163, above, as if
10 fully set forth herein.

11 197. In this cause of action, MOF focuses on the second of eight acts through which a
12 defendant can be liable for violating the CFCA. On this theory, a defendant who "[k]nowingly
13 makes, uses, or causes to be made or used a false record or statement material to a false or
14 fraudulent claim" is liable for treble damages. (Gov. Code § 12651, subd. (a)(2).)

15 **A. If the Auditors did not present false claims to the City, then they made, used, or caused**
16 **to be made or used records or statements that were material to a false claim paid by the**
17 **City.**

18 198. With respect to the Auditors, Plaintiff incorporates paragraphs 167 through 191 relating to
19 the Auditors' CFCA violation in the first cause of action, as if fully set forth herein.

20 199. If the first cause of action is insufficient to establish that the Auditors knowingly
21 presented a false claim to the City, then its allegations help establish that the Auditors knowingly
22 made, used, or caused to be made or used a false record or statement that was material to the false
23 claim.

24 200. On this theory, Defendant Eden Casareno made time entries and other billing records
25 that were used to make the invoices that were presented to the City. Even if she did not make any
26 of these records, she caused them to be made. Casareno then used the records by causing invoices

27 ²⁹ The City employees responsible for completing payments do not include any City
28 Conspirators. MOF is informed and believes that the City Conspirators do not personally execute
payments on the City's behalf. Instead, they direct their subordinates to do so. Those
subordinates are the City employees this allegation refers to.

1 to be presented to the City with the implied certification that the Auditors could lawfully perform
2 and be paid for doing the work. As above, Casareno knew that each of the records and/or
3 statements was false because she knew that she remained as Eadie+Payne's Lead Auditor for
4 Oxnard's audits and, on that basis, that state law prohibited both her and Eadie+Payne from
5 doing that work starting in FY 2020-21.

6 201. Also as above, Eadie+Payne remains liable for Casareno's CFCA violations on account of
7 their agency relationship. Eadie+Payne is alternatively liable because it, as Casareno's employer,
8 caused her to make and use the false records and statements that are the basis of this CFCA
9 action even if there is some reason why Casareno is not individually liable for the violations. This
10 remains true even if Eadie+Payne caused someone other than Casareno to make or use the false
11 records and statements at issue.

12 202. These acts by Casareno and/or Eadie+Payne were material to the false claims for the
13 same reasons as stated in the first cause of action, above.

14 **B. The City Defendants made false statements material to the payment of the Auditors'**
15 **false claims.**

16 203. As stated above, the CFCA imposes liability on a defendant who "[k]nowingly makes,
17 uses, or causes to be made or used a false record or statement material to a false or fraudulent
18 claim." (Gov. Code § 12650, subd. (a)(2).)

19 204. MOF is informed and believes that the City's accounts payable process starts in the
20 Department of Finance where the Finance Director has ultimate responsibility for verifying all
21 expenditures of City funds. Before 2020, the Finance Director (after verifying an expenditure)
22 would certify to the Treasurer that payment was to be made, and the Treasurer would be
23 responsible for making disbursements. In the Auditors' FY 2014-15 audit, they made the adverse
24 finding that the Treasurer was not reviewing supporting documentation before signing off on
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1 checks.³⁰ Since 2016, the Oxnard Treasurer has attempted to comply with the Auditors’
2 recommendation.

3 205. As explained above, the general object of the City Conspirators’ conspiracy was to
4 prevent the Treasurer from exercising his oversight responsibilities. Convincing the Auditors to
5 change their Recommendation 2015-032 (in exchange for the \$140,000 contract enhancement)
6 was one of the conspiracy’s key accomplishments as the City Conspirators ultimately obtained
7 the object of that conspiracy by convincing the City Council to strip the Treasurer of his duties
8 and reassign them to a Department of Finance employee who worked under the City Manager’s
9 control. Under today’s procedures, the City Conspirators have elevated the Assistant Treasurer
10 above the Treasurer and expect that she will blindly sign off on all check requests that the
11 Finance Director approves even though two people are required to sign off on payments.

12 206. Relevant to this cause of action is that the Finance Director, in certifying payments to the
13 Auditors, has relied on statements by the City Manager and City Attorney attesting that the
14 Auditors could lawfully conduct the City’s audits in FY 2020-21 and beyond.³¹ Both the City
15 Manager and City Attorney made such statements in and around April and May 2020, when they
16 convinced/permitted the City Council to extend the Auditors’ contract. They made them again
17 in or around December 2021 when Hong Nguyen left Eadie+Payne. And MOF is informed and
18 believes that they continued to make such false statements through entry of judgment in the
19 *Moving Oxnard Forward v. Oxnard* litigation.
20

21 207. In *Moving Oxnard Forward v. Oxnard*, MOF argued that the Rotation Requirement plainly
22 applies to any provision of “audit services” without qualification. Therefore, Casareno could not
23 be Lead Auditor in FY 2020-21 because she had provided some form of audit services to City in
24 each of the prior six years. The City argued that Casareno broke the six-consecutive-year string of
25

26 ³⁰ Given the processes in place at the time, the Auditors’ failure to make any findings on this issue
27 relating to the Finance Director supports an inference that the Finance Director was, in fact,
28 certifying the payments as valid to the Treasurer.

³¹ If MOF learns that any Oxnard Finance Director knew that the statements are false, then that
Finance Director would be added as a DOE Defendant.

1 service in FY 2019-20 because she was the Co-Engagement Partner (not Lead Auditor) for that
2 audit.

3 208. The City's *Moving Oxnard Forward v. Oxnard* argument aside, the City Defendants knew
4 their statements were false because, on an objective basis, the Rotation Requirement is clear: It
5 applies to "audit services" without qualification. The City's prior contention, that it only applies
6 to "audit services" performed by a Lead Auditor, is totally and completely without merit and
7 could not be believed by any reasonable person, let alone a reasonable attorney. The City
8 Defendants, therefore, should have known that the claims were false.

9 209. Nonetheless, even if it might have been reasonable for the City Defendants to hold such a
10 belief, they did not actually believe it to be true. Put differently, the City Defendants knew their
11 statements were false even though they argued otherwise in the litigation. Allegations that
12 support this include the conspiracy to prevent the Treasurer's oversight and the need for the City
13 to continue with the Auditors in furtherance of that conspiracy; the risk that both the Auditors
14 and City Conspirators faced if their prior efforts to undermine the Treasurer's oversight were
15 exposed by a new auditor; the scheme they developed, which had been described as necessary to
16 comply with the Rotation Requirement; and the City Conspirators' misrepresentations to the
17 City Council about the Rotation Requirement's existence.

18 210. More important than these broad theories is the fact that Eden Casareno, despite her co-
19 engagement partner title (whatever that might mean) continued to serve as Lead Auditor in FY
20 2019-20, and the City Defendants knew it. Therefore, the City Defendants could not have
21 believed their *Moving Oxnard Forward v. Oxnard* argument because the foundation on which it
22 depended was flawed: Even if "audit services" under the Rotation Requirement is limited only to
23 the audit services of a Lead Auditor, the prohibition applied to the Auditors because Casareno
24 had been the City's Lead Auditor in each of the prior six years. Every defendant knew this.

25 211. A further demonstration of the City Defendants' knowledge, which arises out of their
26 conspiracy with the Auditors, is the fact that City Attorney Stephen Fischer's staff made efforts
27 to help the Auditors in defense of this lawsuit. This is likely a breach of his duty of loyalty to the
28

1 City because the City is a Plaintiff in this action, and its attorney was helping the Defendants with
2 their defense.

3 212. A basis for this contention is both the email that Assistant City Attorney Kenneth Rozell
4 sent the Auditors' attorney offering "to assist as your case moves forward" and the City
5 Attorney's processing of the public records request that resulted in the email's disclosure. A
6 portion of the City's first response to MOF's records request is attached as **Exhibit 14**. It
7 included Rozell's email, a reply from the Auditors, and a large whited-out redaction. The fact of
8 that redaction, which was not explained or disclosed to MOF, reinforces Fischer's role in the
9 conspiracy because its unexplained (and unjustified) omission not only violated the California
10 Public Records Act, but it also showed Fischer's intent to conceal its existence from MOF.

11 213. When asked about the white space, the City eventually disclosed the unredacted email.
12 The redaction was a second email from Rozell to the Auditors' attorneys and an attachment.
13 That attachment provided the Auditors' attorney with information about an argument the City
14 made in defense of the *Moving Oxnard Forward v. Oxnard* litigation, as if it might be something
15 the City Attorney thinks the Auditors could benefit from in their defense of this case. The
16 unredacted email and related attachment are attached as **Exhibit 15**.

17 214. MOF knew to request the emails after seeing an interaction between Rozell and the
18 Auditors' attorney, who were both present in person at the hearing on the Auditors' demurrer to
19 the complaint.³² When the hearing concluded, the Auditors' attorney approached two of MOF's
20 officers (who were also present) in a friendly manner and said something to the effect of "I
21 presume you got notice" and started to talk about the case. MOF's officers quickly identified
22 themselves, and the Auditors' attorney quickly halted³³ and instead approached Rozell with
23 whom he had a private conversation. While MOF's officers could not hear the conversation, they
24 observed the participants' body language, which was warm and friendly. It appeared to them that
25

26
27 _____
28 ³² Rozell sat in the audience and observed.

³³ He apparently thought they were there on behalf of the City.

1 Rozell and the Auditors' attorney had talked before and were discussing strategy to assist in the
2 Auditors' defense of the litigation in which the City was the plaintiff.

3 215. MOF is informed and believes that Rozell sent the email offering to help the Auditors and
4 that he did in fact appear at the hearing in support of the Auditors under the direction of
5 Defendant Stephen Fischer for the purpose of furthering Defendants' conspiracy and in an
6 attempt to minimize the possibility that Fischer might be named as a defendant in this case.
7 While MOF is concerned about the extent to which Rozell has assisted an adverse party in the
8 litigation, MOF presently lacks sufficient information and belief that Rozell made false
9 statements material to the Auditors' false claim or participated with the other City Defendants in
10 the conspiracy to violate the CFCA, which is the focus here (even though Rozell's conduct might
11 otherwise be improper).

12 216. The City Defendants' statements that the Auditors could lawfully conduct the City's
13 audit in FY 2020-21 and subsequent years are material to the false claims because MOF is
14 informed and believes that the City employees who ultimately executed payments from the City
15 to the Auditors would not have made those payments unless they believed that the payments
16 were lawful.³⁴ They believed the payments were lawful because they trusted the representations
17 and statements made by both the City Attorney and City Manager.
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23 ³⁴ Any employee willing to make the payment with knowledge that it was false could be added as a
24 DOE Defendant to the cause of action under section 125651(a)(1) or (2). Nonetheless, because so
25 many other employees were involved—accounts payable staff, the Controller, the Assistant
26 Treasurer, and those employees responsible for printing checks, executing wire transfers, or
27 otherwise completing payments by other means—it is doubtful that *everyone* would have been
28 willing to join in the City Defendants' conspiracy. If all of these employees knew that the
payment was false, someone would have spoken up. In any event, the false claims coming from
both the City Manager and City Attorney would have been especially credible to the lower-level
employees who relied upon them.

1 **III. THIRD CAUSE OF ACTION: CONSPIRACY TO VIOLATE THE CALIFORNIA**
2 **FALSE CLAIMS ACT (Gov. Code § 12650(a)(3)**
3 **Against All Defendants**

4 217. Petitioner realleges and incorporates by reference paragraphs 1 through 163, above, as if
5 fully set forth herein.

6 218. In this cause of action, MOF focuses on the third of eight acts through which a defendant
7 can be liable for violating the CFCA. On this theory, a defendant who “[c]onspires to commit a
8 violation of [section 12651(a)].”, is liable for treble damages. (Gov. Code § 12651, subd. (a)(3).)

9 219. A conspiracy under the CFCA requires “(1) the formation and operation of the
10 conspiracy, (2) wrongful conduct in furtherance of the conspiracy, and (3) damages arising from
11 the wrongful conduct.” (*State ex rel. Edelweiss Fund, LLC v. JPMorgan Chase & Co.* (2023) 90
12 Cal.App.5th 1119, 1144 [cleaned up].) These requirements can be satisfied by inference based on
13 “the nature of the acts done, the relation of the parties, the interests of the alleged conspirators,
14 and other circumstances.” (*Id.* at pp. 1145-1146.) Conspiracy liability extends to “all those who
15 ‘concurred in the tortious scheme with knowledge of its unlawful purpose’”, where tacit consent,
16 rather than express approval, is sufficient to establish liability. (*Novartis Vaccines & Diagnostics,*
17 *Inc. v. Stop Huntingdon Animal Cruelty USA, Inc.* (2006) 143 Cal.App.4th 1284, 1300.)

18 220. Allegations supporting the inferences that establish Defendants’ conspiracy are found
19 throughout this complaint. To this end, Plaintiff also incorporates by reference all allegations
20 supporting the first cause of action (paragraphs 165 to 191) and the second cause of action
21 (paragraphs 193 to 212) as those causes of action, even if insufficient to establish the CFCA
22 violations they allege, contain allegations that support Defendant’s conspiracy liability.

23 221. Defendants’ conspiracy to violate the CFCA is built on the City Conspirators’ conspiracy
24 to eliminate the Treasurer’s oversight responsibility, which the Auditors joined and participated
25 in by, among other things, changing their Recommendation 2015-032 without anything to show
26 that circumstances had changed from the time they made that recommendation (other than the
27 additional \$140,000 that the City Conspirators agreed to pay them).
28

1 222. Wrongful conduct in furtherance of that conspiracy included the Auditors' violation of
2 the Rotation Requirement and the City Conspirators work to allow the Auditors to continue
3 conducting the City's audit irrespective of state law prohibiting them from doing so. Because the
4 Auditors should never have performed the audit services in question (or be paid to provide
5 them), Defendants' conspiracy to violate the Rotation Requirement is a conspiracy to violate the
6 CFCA. Defendants' conspiracy to violate the Rotation Requirement is more than one big mistake
7 because they violated the Rotation Requirement to fulfill an illicit purpose.

8 223. It is not clear to MOF whether the conspiracy's leader is City Manager Alexander
9 Nguyen or City Attorney Stephen Fischer. Nguyen is the City's chief executive and seems to
10 have had the more contentious relationship with Treasurer Molina. Fischer, however, has been
11 one of the City Conspirators since the conspiracy's first days and most directly sought to order
12 Molina to make payments based on nothing more than the Finance Director's request. He is also
13 the only person who has been a member of the conspiracy for the entirety of its existence and
14 deliberately misrepresented the law to the city council members in April and May 2020 when he
15 told them that there was no legal requirement for the City to change auditors. He was also one of
16 the first people Eden Casareno contacted when Hong Nguyen left Eadie+Payne, and MOF
17 believes that the purpose of their discussion was to devise a plan that would allow the Auditors to
18 continue as the City's auditor despite that problematic development. In any event, because both
19 Fischer and Nguyen are liable based on their membership and participation in the conspiracy, it
20 matters little which of them was its leader.

21 224. As to Nguyen, more specifically, he joined and participated in the conspiracy no later than
22 December 2021, when Hong Nguyen departed Eadie+Payne. Nguyen had direct personal
23 knowledge of the rotation arrangement from the outset of the five-year contract: in April 2020, he
24 participated in the Finance & Governance Committee meeting at which the contract was
25 recommended for approval, publicly endorsed the Casareno-to-Hong rotation as a best practice
26 ensuring "fresh eyes," and met privately with Councilmember Perello the day before the
27 committee vote. Perello had previously expressed strong convictions that the City needed to
28

1 change auditors after five years. However, after meeting with Nguyen and discussing the issue,
2 Perello reversed course and voted to approve the contract. In so doing, Perello stated that his
3 conversation with Nguyen, Nguyen's representations about the partner rotation, and Perello's
4 trust in the staff are why he changed his mind.

5 225. Alexander Nguyen was also present at the May 19, 2020 city council meeting where the
6 city council approved the contract. At that meeting, Nguyen was present to hear Kevin Riper
7 describe the situation, Councilmember Carmen Ramirez express concern that it is not good to get
8 too entrenched with the auditor, and Councilmember Perello refer back to his prior questions
9 (questions Nguyen answered) and explain that his concerns had been addressed.

10 226. Because of his direct involvement in the contract approval, Alexander Nguyen reasonably
11 understood Casareno could not lawfully step back into the role of Lead Auditor when Hong
12 Nguyen left in December 2021. And because of his direct involvement in the contract approval,
13 Alexander Nguyen knew that the foundational premise on which the city council approved the
14 contract no longer existed. Put differently, he knew that the city council wanted to comply with
15 the law and represented that the city would comply with the law.

16 227. When Hong Nguyen left Eadie+Payne and Casareno resumed the Lead Auditor role,
17 Alexander Nguyen knew both that the City was no longer complying with the Rotation
18 Requirement and that the reasons why the city council extended the Auditors' contract no longer
19 existed. Despite having that knowledge, Alexander Nguyen took no action to enforce the
20 Rotation Requirement, alert the council, or terminate the contract. Therefore, at minimum, he
21 acquiesced to Eadie+Payne's continued role with that knowledge and tacitly consented to and
22 joined the conspiracy to violate the CFCA (if he had not already joined). These failures were
23 wrongful acts in furtherance of the conspiracy.

24 228. However, given the history described herein, it would be stretched to presume that
25 Alexander Nguyen's approval was tacit. There were substantial reasons why he would want to
26 continue with the Auditors irrespective of the Rotation Requirement. Plaintiff has alleged that
27 Nguyen made statements to induce Councilmember Bert Perello to approve the Auditors'
28

1 renewed contract and that he joined with Fischer to devise the scheme to continue with the
2 Auditors after Hong Nguyen left Eadie+Payne. Indeed, Plaintiff has alleged that Nguyen might
3 very well be the ringleader of the conspiracy, and the history outlined in the Facts Common to All
4 Causes of Action shows that Nguyen has sufficient motivation to be the conspiracy's leader.

5 229. Even if Plaintiff has not yet ascertained the exact content of all of Nguyen's statements to
6 the degree necessary to support its claim in the second cause of action, Nguyen's conversation
7 with Perello shows that such statements were made. The fact of those conversations, which
8 Perello described as convincing him to support the Auditors' contract extension, are additional
9 wrongful acts in support of the conspiracy irrespective of the exact words that were said. The
10 conversation itself was a wrongful act because its purpose and effect was to ensure that Perello
11 would not interfere with Nguyen's desire to continue with the Auditors.

12 230. The end result is that Alexander Nguyen's conduct served to facilitate the submission of
13 the Auditors' false claims to the City even if Nguyen insulated himself from making his own false
14 statements. On balance, Nguyen's conduct shows (1) that he knew about the Rotation
15 Requirement, (2) that he knew the Auditor's stated plan to comply with the Rotation
16 Requirement, (3) that he had a direct role in convincing Councilmember Perello to support the
17 Auditor's renewed contract based on his representations that the arrangement was lawful, and
18 (4) that he held coordinate or otherwise approve the Auditors' continued work on the City's
19 audit after Hong Nguyen left Eadie+Payne and their scheme to try and avoid the Rotation
20 Requirement collapsed.

21 231. Nguyen's tacit consent to this arrangement is consistent with his demonstrated motive,
22 described throughout this complaint, to eliminate independent oversight of City finances and
23 suppress Treasurer Molina's oversight efforts: continuing with an auditor beholden to the City
24 Conspirators served that purpose far better than any new, independent auditor would have.
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1 **IV. FOURTH CAUSE OF ACTION: DISGORGEMENT OF UNLAWFULLY RECEIVED**
2 **PUBLIC FUNDS (Code Civ. Proc. § 526a; Cal. Const., Art. XVI, § 6)**
3 **Against All Defendants**

4 232. Petitioner realleges and incorporates by reference paragraphs 1 through 163, above, as if
5 fully set forth herein.

6 233. MOF is a resident of City of Oxnard. It has paid sales and use taxes in and for the benefit
7 of the City of Oxnard. MOF also has members who are residents of the City of Oxnard. Those
8 members have paid income taxes for the benefit of Oxnard, sales and use taxes in and for the
9 benefit of Oxnard, property taxes in and for the benefit of Oxnard, and business license taxes in
10 and for the benefit of Oxnard.

11 234. Section 6 of article XVI of the California Constitution denies government the “power to
12 make any gift or authorize the making of any gift, of any public money or thing of value to any
13 individual, municipal or other corporation.”

14 235. Because Defendants were barred by law from providing services to the City of Oxnard,
15 there was no public purpose to the payments from Oxnard to Eadie+Payne. Therefore, the
16 payments were a “gift” of public funds. The city did not receive the independent audit that it
17 ought to have received.

18 236. As an alternative to remedies provided for under the CFCA, the Auditors should be
19 disgorged of the funds they were not entitled to receive and should be directed to refund those
20 payments back to the City of Oxnard. Section 526a of the Code of Civil Procedure confers
21 standing to bring this claim against Defendants. (*A.J. Fistes Corp. v. GDL Best Contractors, Inc.*
22 (2019) 38 Cal.App.5th 677, 689.) Similarly, the City Defendants—who acted outside the scope of
23 their authority to act on behalf of the City—should be required to reimburse to the City the funds
24 they paid to the Auditors because the City Defendants did not have authority to authorize those
25 unlawful payments.
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1 **PRAYER FOR RELIEF**

2 On behalf of Plaintiff, City of Oxnard, Relator and Qui Tam Plaintiff Moving Oxnard
3 Forward, Inc. prays that the Court:

4 1. Award treble damages against Defendants according to proof or otherwise order
5 Defendants to refund to the City of Oxnard the funds they unlawfully received;

6 2. Impose a civil penalty of up to \$11,000, plus a statutory inflation adjustment,
7 against Defendants for each CFCA violation, and permitted inflation adjustments, according
8 to proof;

9 3. Award MOF its attorneys' fees and costs reasonably incurred herein (see Gov.
10 Code §§ 12650, subd. (a) & 12652, subd. (g) [allowing attorneys fees]; and

11 4. For such other and further relief as the Court deems proper.
12

13 DATE: June 3, 2026

Respectfully Submitted,
14 LAW OFFICE OF CHAD MORGAN, APC

15 By: _____ /s/
16 Chad D. Morgan
17 Attorney for Relator,
18 Moving Oxnard Forward, Inc.
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EXHIBIT 1

MOVING OXNARD FORWARD

2130 POSADA DR, OXNARD, CA, 93030 - WWW.MOVINGOXNARDFORWARD.ORG

May 1, 2023

To: Oxnard City Council
300 West Third St
Oxnard, CA 93030

Dear Members of the City Council:

On February 12, 2018, more than five years ago, City Treasurer Phillip Molina emailed Councilmember Perello and others, notifying them of Government Code Section 12410.6 (b).

On March 8, 2023 Mr. Molina emailed the city council, City Attorney Stephen Fischer and auditor Eden Casareno of Eadie and Payne LLP, informing all of the requirements of section 12410.6 (b).

For reference, Government Code Section 12410.6 (b) states the following:

Commencing with the 2013–14 fiscal year, a local agency shall not employ a public accounting firm to provide audit services to a local agency if the lead audit partner or coordinating audit partner having primary responsibility for the audit, or the audit partner responsible for reviewing the audit, has performed audit services for that local agency for six consecutive fiscal years. For purposes of calculating the six consecutive fiscal years, the local agency shall not take into account any time that a public accounting firm was employed by that local agency prior to the 2013–14 fiscal year. The Controller may waive this requirement if the Controller finds that another eligible public accounting firm is not available to perform the audit.

Unless the City received a waiver of the requirement from California State Controller Malia Cohen, the City of Oxnard has been out of compliance with this requirement for two consecutive years.

At the March 28, 2023 Finance and Governance Committee, Ms. Casareno expressed that her firm plans to audit the next fiscal year, which ends on June 30, 2023. That statement along with the existence of the City's May 19, 2020 executed agreement with Eadie and Payne contracting for audit services through June 30, 2025 suggests to us that the City had not yet taken steps to comply with section 12410.6 (b).

At the April 13, 2023 Oxnard City Council meeting, our organization asked what the City of Oxnard intends to do to comply with section 12410.6 (b)'s requirements to rotate auditors at least once every six years. To date, we have not heard from City staff.

We request that the City commit in writing, no later than May 16, 2023, that it will comply with the requirements of section 12410.6 (b). Alternatively, if the City contends that it is not subject to this requirement, we request that it advise us of such authority.

Thank you for your attention to this matter.

Sincerely,

Aaron Starr

Aaron Starr
President

EXHIBIT 2

Bell audits called a 'rubber-stamp'

Gottlieb, Jeff . Gottlieb, Jeff.

[ProQuest document link](#)

ABSTRACT

A prominent accounting firm's audits of Bell's city finances amounted to a "rubber-stamp," according to a state controller's study concluding that much of the alleged wrongdoing would have been detected earlier had the firm done its job.

FULL TEXT

A prominent accounting firm's audits of Bell's city finances amounted to a "rubber-stamp," according to a state controller's study concluding that much of the alleged wrongdoing would have been detected earlier had the firm done its job.

The long-awaited report is being closely watched because Mayer Hoffman McCann audits the books of dozens of government agencies in California and has 30 offices nationwide. Officials at several agencies, including California's public employee retirement board, have said they were awaiting the controller's study to help determine whether they would consider changes in their auditing contracts.

The controller's office found that MHM failed to comply with 13 of 17 "fieldwork auditing standards" when reviewing Bell's books in the 2008-09 fiscal year. The firm focused mostly on comparing financial numbers year to year rather than looking at potential for inappropriate or illegal activities, the controller's report said.

MHM's reviews gave clean audits to Bell, where eight current and former city officials were charged this fall in what prosecutors called a widespread corruption scheme that occurred over several years. The controller's report said MHM did not find any city funds that had "significant deficiencies." The report said auditors did not explain why deficit balances of three funds totaling \$8.89 million "were not considered significant."

"MHM appears to have been a rubber-stamp rather than a responsible auditor committed to providing the public with the transparency and accountability that could have prevented the mismanagement of the city's finances by Bell officials," said Controller John Chiang in a statement. "Had MHM fully complied with the 17 applicable fieldwork standards, it would have led them to identify some -- if not all -- of the problems."

Chiang said his office is forwarding the report to the state Board of Accountancy, which regulates accounting firms in California. A board official has said it would open an investigation. If significant problems are found, penalties could range from fines to the loss of licenses. The controller also sent copies of the study to the Los Angeles County district attorney's office and state attorney general, which have been investigating the city.

MHM strongly disputed the controller's findings, suggesting that Bell officials deceived the firm. "Recent evidence disclosed by the controller's office shows that Mayer Hoffman was subjected to a massive scheme of collusion that reached through every layer of city government, to undermine the audit process and deceive the auditors," the firm said in its response.

Bill Hancock, president of the firm, said in a statement that his firm "adheres to the highest standards.... But in those 50 years we have never seen anything like the pervasive collusion of so many individuals acting in concert to deceive auditors, as happened at Bell."

The report is likely to fuel debate about whether the state's laws covering local government audits need to be strengthened. A Times review of state and local records found that the independent audits required of cities and other government bodies frequently fail to uncover fraud and mismanagement. Many cities hit with corruption or mismanagement over the last decade, including San Diego, Compton and South Gate, received clean audits, even in cases in which officials later were sent to prison. About one-fourth of the state's municipal redevelopment agencies do not file annual reports as the law requires.

A spokeswoman for Chiang, Hallye Jordan, said the controller and others are looking at ways to ensure that auditors of public agencies do a better job. She said Chiang has spoken to Gov.-elect Jerry Brown and others about legislation to improve fiscal responsibility.

"The fact that an accounting firm may be unable to uncover fiscal mismanagement is a concern and points out an inherent problem of not having centralized oversight of thousands of local agencies," she said. "The controller believes this is a vivid illustration of a problem that needs to be addressed."

Chiang's report is the latest critical look at a city that has been enveloped by scandal since The Times revealed the enormous salaries paid to administrators and part-time politicians in one of L.A. County's poorest cities. An earlier controller's audit found that the city had overcharged property owners and businesses more than \$6 million in fees and had mysteriously placed \$23.5 million in bond funds in a checking account that paid no interest, costing the city about \$1.7 million in potential earnings.

Bell is now teetering on the edge of insolvency and may have to take drastic steps, such as disbanding its Police Department, to balance the city's finances.

Prosecutors have alleged that top Bell officials misappropriated \$5.5 million in public funds. Robert Rizzo, Bell's former city administrator, has been charged with 53 counts of misappropriation of public funds, conflicts of interest and other offenses. The Times revealed that Rizzo issued loans to other city officials and that the city ran highly unusual programs to generate revenue by towing cars and demanding high fees from business owners.

Mayer Hoffman, based in Leawood, Kan., has been Bell's independent auditor since 2006, when it bought Conrad and Associates, the independent auditor for the city since 1994.

The controller's office said it found that the MHM "firm assessed risk of fraud [in Bell] as low, concluded that it could rely on the city's internal controls, and reduced its substantive testing to consist primarily of analytical procedures."

But in its response, MHM disputes all the findings aside from some "minor documentation issues."

"Could we turn back the clock with the benefit of hindsight, of course we would have done things differently," Hancock said in a statement. "But hindsight is not the test."

Bell's interim chief administrative officer, Pedro Carrillo, said the controller's audit "further highlights the corrective actions that are necessary to reform the practices of the past."

DETAILS

Subject:	Cities; Annual reports; Fines & penalties; Auditors; Auditing standards; Field study; Municipal finance
Location:	Bell California
Lexile score:	1610 L
Publication title:	Los Angeles Times; Los Angeles, Calif.
Pages:	A.1
Publication year:	2010
Publication date:	Dec 22, 2010
Section:	Main News; Part A; Metro Desk
Publisher:	Los Angeles Times Communications LLC
Place of publication:	Los Angeles, Calif.
Country of publication:	United States
Publication subject:	General Interest Periodicals--United States
ISSN:	04583035
Source type:	Newspaper
Language of publication:	English
Document type:	News
ProQuest document ID:	819574404
Document URL:	https://www.proquest.com/newspapers/bell-audits-called-rubber-stamp/docview/819574404/se-2?accountid=31714
Copyright:	(Copyright (c) 2010 Los Angeles Times)
Last updated:	2017-11-17
Database:	eLibrary

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EXHIBIT 3

Bad city finances often go unflagged; Auditors gave clean reports to Bell, a far from isolated case.

Garrison, Jessica; Gottlieb, Jeff . Garrison, Jessica; Gottlieb, Jeff.

[ProQuest document link](#)

ABSTRACT

[...] year after year, during a period marked by record salaries, illegal taxes, loans to insiders and arbitrary fees on businesses, the city's outside auditors, Mayer Hoffman McCann, gave Bell's financial record a clean bill of health. [...] Bell is far from alone, according to a Times review of state and local records, which found that the independent audits that public agencies in California are legally required to obtain frequently fail to flag cases of fraud and mismanagement. * Many cities that have been troubled by public corruption or mismanagement during the last decade -- including San Diego, Compton and South Gate -- got clean audits, even in cases in which public officials were later sent to prison. * There has been a widespread failure by auditors to make sure that cities are properly spending hundreds of millions of dollars in redevelopment money.

FULL TEXT

The scandal in the city of Bell has resulted in seven separate investigations and one round of criminal charges against former City Administrator Robert Rizzo and other current and former officials. But year after year, during a period marked by record salaries, illegal taxes, loans to insiders and arbitrary fees on businesses, the city's outside auditors, Mayer Hoffman McCann, gave Bell's financial record a clean bill of health.

And Bell is far from alone, according to a Times review of state and local records, which found that the independent audits that public agencies in California are legally required to obtain frequently fail to flag cases of fraud and mismanagement.

* Many cities that have been troubled by public corruption or mismanagement during the last decade -- including San Diego, Compton and South Gate -- got clean audits, even in cases in which public officials were later sent to prison.

* There has been a widespread failure by auditors to make sure that cities are properly spending hundreds of millions of dollars in redevelopment money. Each year, about 100 of the state's 391 municipal redevelopment agencies fail to file annual reports as required by law. Auditors are supposed to flag that failure as a major audit violation that can be followed up by the attorney general's office, but auditors catch the problem in fewer than 20% of cases, according to a recent report from the state Senate Office of Oversight and Outcomes.

* Firms that deliver negative audits risk being replaced. Cities pay the auditors, and some officials have responded to negative findings by hiring new auditors. In at least one case, the new auditors gave Victorville a clean rating after the previous auditor found a raft of problems.

"The audits of municipal governments in California ... are more creative than reality" based, said former San Diego City Atty. Michael Aguirre. "They come in and help cover up what has been going on in a city so they can issue a clean financial statement, for which they are charging lots and lots of money."

Concerns about the quality of municipal auditing have been raised over the years by legislators and others. But the scandal in Bell has brought new attention to the issue. Even as Mayer Hoffman McCann issued audits that did not flag problems in Bell, the city won numerous awards for the financial reports on which the auditor signed off.

State Controller John Chiang's office is investigating the quality of the Bell audits. But officials said they have already seen enough to conclude there were major problems. Hallye Jordan, spokeswoman for Chiang, said state auditors were baffled by "how a CPA firm could miss the abuses the controller's office found, and found rather quickly."

Mayer Hoffman McCann declined to comment on the Bell audits. The firm released a statement saying it was cooperating with the controller's office in its review of Bell's finances.

"Our hearts go out to the city of Bell's hardworking taxpayers," the statement said. "Our goal is to ... work with the state controller and other regulatory authorities to pinpoint any issues that contributed to the situation in Bell, so that this can be prevented" in the future.

Among the most glaring problems in Bell, Chiang wrote in a September report, was the lack of internal controls, something auditors are usually supposed to check. "We found the city of Bell's administrative and internal accounting control system to be, in effect, nonexistent, as all financial activities and transactions revolved around one individual - the former chief administrative officer -- who apparently had complete control," Chiang's report said, referring to Rizzo.

The Times, using documents obtained from the city, found excessive compensation for top officials, with Rizzo on track to earn more than \$1.5 million in 2010. The Times also uncovered \$1.9 million in illegal loans the city doled out to employees, a car dealer and a foundation without City Council approval, and special fees Bell demanded that some merchants pay to stay in business. None of these issues was noted by auditors.

After The Times' reports, the controller's office in a matter of weeks determined that the city had overcharged residents and businesses more than \$6 million in taxes and fees. Chiang's investigators also found that officials had placed \$23.5 million in bond funds in a non-interest-bearing checking account, costing the city about \$1.7 million in potential interest.

Those problems and others could have been found by auditors, according to experts in the field.

"I audit 70 cities in the state. I know what these guys make," said Gary Caporicci, a certified public accountant who gives seminars on government accounting. "If I saw somebody makes \$800,000, you have to say, 'Time out. What's going on here?' ... It's so out of line to what other clients have.... Where are they getting all the money?"

Auditors also missed simple things, Caporicci noted, including the fact that Bell's redevelopment agency did not produce an annual report or adopt an annual budget.

"Should there have been enough red flags that some reasonable tests and procedures would have detected them?" asked Eric Sussman, a lecturer in accounting at UCLA's Anderson School of Management. "There's no question about that."

Records and interviews show that the problems extend beyond Bell, with some of the biggest audit breakdowns occurring in redevelopment agencies -- obscure arms of municipal government that allow cities and counties to use

property taxes that otherwise would go to local schools and counties for economic development.

The Times' review found that auditors around the state do a poor job of verifying that agencies are following the most basic tenets of redevelopment law.

Each year, according to a review by the Senate Office of Oversight and Outcomes, approximately 100 of the state's 391 municipal redevelopment agencies fail to file their annual report on time.

That is supposed to be a "major audit violation," and auditors are required to report it the controller's office the following year. But only about 15 or 20 auditors each year do so, according to the report.

In addition to noting whether agencies have filed their required annual reports, auditors are supposed to make sure cities are following proper procedures before spending affordable housing money on things like city officials' salaries.

But in nine of 12 municipalities the Senate Office of Oversight and Outcomes selected for review this year, officials had failed to do so. Not one of those agencies -- in Culver City, Hercules, Kerman, Marina, Monterey Park, Pismo Beach, San Bruno, Torrance or Tulare County -- had been flagged by their auditor for the problem, according to the report.

"Nobody is watching anybody," said state Sen. Alan Lowenthal (D-Long Beach), who has been a critic of redevelopment auditing and sponsored a bill in 2008 to strengthen it; the bill was vetoed. "I don't think people understand the enormity of the problem."

San Diego provides another example. Five years ago, when some said the city was teetering on the brink of bankruptcy, a number of officials, including former Mayor Dick Murphy, resigned after it was revealed that the city had a \$1.5-billion deficit in its pension program. An independent investigation led by Arthur Levitt Jr., a former chairman of the Securities and Exchange Commission, found mismanagement and illegal financial manipulations.

And yet, during that period, auditors had given the city a clean bill of health. In 2007, the auditor agreed to pay a \$15,000 fine to the SEC for signing off on misleading financial statements.

Financial auditors are not supposed to be prosecutors or detectives.

They are supposed to investigate and comment on the accuracy of the city's financial statements. If they fail to do so, they could be sued for negligence. Los Banos filed a suit against its auditor last month for failing to detect that an employee had stolen more than \$1.5 million. The state Board of Accountancy can fine an auditing firm or even strip it of its license.

But not all city officials want their auditors to uncover problems, and firms that do so are sometimes replaced.

In Victorville, Caporicci's firm issued an audit that found more than a dozen major problems and concluded that the city "had not maintained adequate internal control and accounting records."

City officials fired his firm and hired Mayer Hoffman McCann, Bell's auditors.

Victorville spokeswoman Yvonne Hester said officials had fired Caporicci not because they did not like his findings but because he had turned his audit in late, an allegation Caporicci denies.

Mayer Hoffman McCann gave Victorville a clean audit the next year, although it also found that the city was under so much financial strain it was "unclear if the city could continue as a going concern."

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Illustration

Caption: PHOTO: AUDIT: State Controller John Chiang, right, with interim City Administrator Pedro Carrillo, says Bell's internal accounting control system was nonexistent.; PHOTOGRAPHER: Mariah Tauger Los Angeles Times

DETAILS

Subject:	Criminal investigations; Controllers; Annual reports; Municipal finance
Location:	Bell California
Lexile score:	1560 L
Publication title:	Los Angeles Times; Los Angeles, Calif.
Pages:	A.1
Publication year:	2010
Publication date:	Nov 12, 2010
Section:	Main News; Part A; Metro Desk
Publisher:	Los Angeles Times Communications LLC
Place of publication:	Los Angeles, Calif.
Country of publication:	United States
Publication subject:	General Interest Periodicals--United States
ISSN:	04583035
Source type:	Newspaper
Language of publication:	English
Document type:	News
ProQuest document ID:	763449821

Document URL: https://www.proquest.com/newspapers/bad-city-finances-often-go-unflagged-auditors/docview/763449821/se-2?accountid=31714

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Last updated: 2017-11-17

Database: eLibrary

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EXHIBIT 4

A REPORT ON THE PUBLIC INTEGRITY INVESTIGATION OF OXNARD CITY OFFICIALS



GREGORY D. TOTTON
District Attorney
County of Ventura
State of California

April 18, 2012

(Rev. 06/15/2012)

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EXECUTIVE SUMMARY

During the summer of 2010, the Ventura County District Attorney's Office learned of serious allegations of corruption involving elected and non-elected officials at the City of Oxnard.¹ The allegations involved potential criminal violations of conflict of interest, misappropriation, and gift-reporting laws. In response, the District Attorney conducted a thorough investigation to determine the truth of the allegations and whether the law had been violated. The investigation focused specifically on the following allegations:

- Several city officials misappropriated taxpayer dollars to pay for excessive travel, meal expenses, and personal purchases.
- City Manager Ed Sotelo violated misappropriation and conflict of interest laws by taking an improper \$10,000 personal loan of city funds and establishing an improper retirement benefit for himself and others.
- Public Works Director Ken Ortega² misappropriated taxpayer dollars to fund a formal grand opening celebration of a city facility.
- City officials received gifts of vacations, meals, rounds of golf, and event tickets from companies doing significant business with the city, without publicly declaring the gifts as required by law.
- City officials violated conflict of interest laws by approving multi-million dollar city contracts from which they stood to profit.

To determine the truth of these allegations, district attorney investigators interviewed dozens of witnesses and executed more than 30 search warrants at more than 50 locations, gathering over 100,000 pages of documentary evidence. The investigation found evidence establishing the following:

- A clear pattern of fiscal waste by a small number of city officials. Oxnard's lax policies and recordkeeping enabled officials to spend excessively while

¹ As used in this report, the term "officials" refers to elected City of Oxnard city council members and non-elected City of Oxnard employees in supervisory positions.

² In June 2010, Ken Ortega resigned from city employment. For ease of reading, Ortega's position will be referred to as Public Works Director throughout this report, as that was the position he held during the relevant times discussed in the report. The same convention will be applied to other officials who have changed position or employment since June 2010.

traveling on city business. These same deficient policies and recordkeeping leave insufficient evidence to prove criminal misappropriation under the law.

- City Manager Sotelo took an impermissible personal loan of city funds in 1998. Because the statute of limitations for this conduct has expired, the loan having occurred more than 13 years ago, the law does not permit prosecution.
- In 2003, City Manager Sotelo implemented a retirement benefit for himself and others that was improper because under state law only the city council has the legal authority to set employee salaries and benefits. Because the statute of limitations has expired and there is insufficient evidence to prove a criminal violation of misappropriation or conflict of interest laws, this conduct cannot be prosecuted.
- A formal grand opening celebration that cost an estimated \$95,000 appears to have been funded with a combination of private contributions and diverted city funds. The available evidence does not reliably establish the extent of city funds expended on the celebration or who authorized the expenditures. City of Oxnard contracting practices did not accurately reflect the scope or cost of work to be performed under city contracts. Inaccurate contracting practices resulted in the improper diversion of city funds through an artificially inflated contract amendment. The diverted funds were used to finance a mural and a scale model featured at the grand opening celebration. Due to incomplete recordkeeping of both contracting practices and city expenditures, the evidence is insufficient to establish criminal misappropriation.
- Several city officials failed to declare gifts they received. The failures to declare gifts of meals, golf and event tickets have been referred to the Fair Political Practices Commission for administrative enforcement action. There is insufficient evidence to prove the most serious allegations involving gift vacations and the statute of limitations has expired as to many of the gifts.
- Close relationships existed between several city officials and private individuals conducting multi-million dollar transactions with the city. There were several instances of international travel by officials aboard one company's private aircraft. Companies affiliated with the private individuals made significant profits from transactions with the city. However, there is no evidence that the officials had any direct financial interests in the questioned transactions. The evidence does not establish criminal conflicts of interest related to the multi-million dollar transactions examined.

The Investigation

In May 2010, the *Ventura County Star* reported that city officials had received gifts from companies doing business with the city without declaring the gifts as required by law.³ In response to the initial allegations, district attorney investigators examined public records and interviewed witnesses. The interviews and records confirmed that several city officials received gifts from companies doing business with the City of Oxnard and failed to publicly declare the gifts as required by California law.⁴ Investigators subsequently received reports of additional violations by city officials and encountered a lack of cooperation and repeated delay attempts from some city officials. The Mayor of Oxnard told the District Attorney that he suspected the city manager and assistant city manager were engaged in a “cover-up.”

In response, the District Attorney sought and was granted court authorization to search Oxnard City Hall on August 13, 2010. Subsequent search warrants were served at various city facilities, the homes and offices of several city officials, the offices of several companies doing business with the city, and numerous financial and escrow companies. In addition, several businesses provided documents voluntarily and the city provided additional documentation in response to Public Records Act requests.

The investigation was hampered by serious impediments to obtaining evidence, including city policies and practices that did not reliably document expenses or payments, the unavailability of critical witnesses, and the inevitable loss of evidence with the passage of time. Also, when interviewed by district attorney investigators, several City of Oxnard officials made statements that were demonstrably false, including Mayor Tom Holden, City Councilmember Andres Herrera, and City Manager Ed Sotelo. Mayor Holden repeatedly denied having taken international trips aboard a local businessman’s private jet, when in truth he had done so. Councilmember Herrera and City Manager Sotelo each said they had stayed in New York City on a city-expensed trip for only two or three nights, when in truth they had stayed five nights.

³ Hadly, “Gifts Get Scrutiny as Oxnard Official Admits Not Reporting Some Freebies, *Ventura County Star*, May 29, 2010, <http://www.vcstar.com/news/2010/may/29/gifts-get-scrutiny-as-oxnard-official-admits-not/> accessed on April 13, 2012.

⁴ As discussed in Section Six of this report, there is no criminal prohibition against companies providing gifts to officials. The reporting requirement is an obligation imposed on the official, not the company. However, officials are required to declare certain gifts they receive and are limited in the value of the gifts they may accept.

Criminal Filing Standards

In determining whether to file criminal charges, the Ventura County District Attorney's Office is guided by the same standards used by prosecutors throughout the state. In summary, a prosecutor may only file criminal charges if he or she believes, based on the evidence available after a thorough investigation, that the accused is in fact guilty of a crime and that guilt can be proven beyond a reasonable doubt at trial.

Misappropriation of Public Funds (Penal Code section 424)

Under California law, the crime of misappropriation of public funds refers generally to the unlawful use, taking, or expenditure of public money by a public official. In August 2011, the California Supreme Court issued a ruling in an unrelated case that dramatically increased the proof required under misappropriation law.⁵ The court added a new requirement that to prove misappropriation, prosecutors must prove the official knew, or was criminally negligent in not knowing, the use of public funds was unlawful.

Expensive Meals

City officials regularly traveled on city business, when most of the misappropriation of public funds was reported to have taken place. When traveling, officials often ate expensive dinners at taxpayer expense in cities such as Washington, D.C., New Orleans, Las Vegas, and New York. The dinner bills, paid with city credit cards, often ran into the hundreds of dollars, with group meals most often paid for with a single credit card by an employee. Witnesses suspected the expensive meals were an unlawful expenditure of public funds.

Meal expenditures by Oxnard's *non-elected employees* are governed by the city's travel and reimbursement policy. The city's published meal reimbursement policy contained no effective limitations, permitting restaurant bills of virtually unlimited amounts to be paid with taxpayer funds, as long as receipts were submitted. Because the Oxnard officials followed the city's written policy authorizing virtually unlimited expenses, the non-elected city officials' expensive meal expenditures did not violate the law.

⁵ *Stark v. Superior Court* (2011) 52 Cal.4th 368.

In contrast, California law and a 2005 Oxnard resolution limit Oxnard's *elected officials* to Internal Revenue Service (IRS) reimbursement rates.⁶ The city's policies and recordkeeping practices did not consistently identify the officials present at particular meals or who was legally responsible for any portion of the bill. Due to the city's inadequate recordkeeping systems and practices, it cannot be determined whether any elected official's portion of a group meal exceeded IRS rates. Moreover, the evidence does not establish the officials knew or were criminally negligent in not knowing their expenditures were illegal. As a result, there is insufficient evidence to prove misappropriation under the law.

Personal Purchases

Officials reportedly misappropriated city funds by using city funds for personal purchases while traveling. Significant allegations were made that three officials unnecessarily extended a city-funded trip to New York City, essentially taking a vacation at taxpayer expense. However, the investigation revealed that one official paid a portion of his hotel bill. In addition, there is evidence corroborating claims the trip was extended to meet hotel minimum-stay requirements during a busy travel season and to meet with representatives of a company doing business with the city.

The investigation also revealed that while officials traveled on city business, they occasionally used city credit cards for personal purchases such as spa charges, in-room expenses, alcohol, or, in a few instances, spouses' travel or meal expenses. State law and city policy prohibit such use.⁷ Nonetheless, city practice allowed officials to charge personal expenses and reimburse the city at the end of the trip. Because the city's recordkeeping system does not itemize personal expenses nor reliably record who reimbursed the city, it is impossible to determine whether personal purchases were actually paid for by the city or by the official. Moreover, the evidence is insufficient to prove the officials were aware that the city's practice was contrary to law, as required by the California Supreme Court decision in *Stark v. Superior Court*. As a result, the evidence is insufficient to prove criminal misappropriation.

Personal Loan

City Manager Sotelo reportedly misappropriated city funds by loaning himself \$10,000 of city funds without lawful authorization. In 1998, City Manager Sotelo requested and received a \$10,000 personal loan of city funds. There is no evidence that the loan was approved by city council. Consequently, the loan was unauthorized

⁶ Government Code sections 53232.2 and 53232.3.

⁷ Penal Code section 424; Government Code section 8314.

and therefore improper. However, the statute of limitations bars prosecution because the conduct occurred 13 years ago.

Retirement Benefit

In 2003, City Manager Sotelo created a \$300 monthly retirement benefit for city management, including himself.⁸ Although this was done without formal city council approval as required by state law,⁹ there is evidence that councilmembers informally authorized Sotelo to create the benefit. Thus, there is insufficient evidence to prove that Sotelo's creation of the benefit was criminal. In addition, the statute of limitations has expired, barring prosecution.

Grand Opening Celebration and Contractual Impropriety

Public Works Director Ortega reportedly misappropriated city funds in three ways – to pay for a formal grand opening celebration at a city facility, to commission a mural and a scale model of another project displayed at the facility, and to pay favored consultants for unnecessary services to the city.

The grand opening celebration was funded primarily by payments from private companies involved in the facility's construction or having other business with the city. Although city funds were diverted to pay for a portion of the celebration, the evidence does not reliably establish the nature of the city's expenditures or who authorized the expenditures.

The mural and scale model on display at the city facility were purchased by a company doing business with the city, using city funds received from the city. The city diverted public funds by overpaying the company under an artificially inflated city contract pertaining to another Oxnard city facility. The company used the excess funds to pay for the mural and scale model. The evidence does not establish who inflated the city contract. Instead, several city officials were identified who may have been responsible. The investigation revealed that similar contracting practices were used at other times by officials with the Public Works Department.

Several direct city contracts with the allegedly favored consultants were lawfully authorized and do not amount to misappropriation. The evidence does not reliably

⁸ As of July 1, 2007, Oxnard's "Top Management" classification included the assistant city manager, chief financial officer, city clerk, city treasurer, community development director, deputy city manager, development services director, fire chief, housing director, human resources director, library director, police chief, and public works director. The city manager and city attorney were entitled to the same benefits given to Top Management by the terms of their city employment contracts.

⁹ Government Code section 36506.

establish that the use of the consultants as subcontractors was without authority of law or which city officials were responsible for the subcontracting expenditures. Moreover, the statute of limitations has expired as to these allegations.

Based on the available evidence, the various misappropriation allegations involving Ortega cannot be proven beyond a reasonable doubt.

Failure to Declare Gifts (Penal Code section 118 / Government Code sections 87203 & 87207)

Several City of Oxnard officials reportedly received gifts from various companies involved in multi-million dollar transactions with the city, without publicly declaring the gifts as required by law. Three officials allegedly received separate gifts of travel to Cabo San Lucas, Mexico, courtesy of one local businessman. These trips cannot be substantiated as gifts. One official clearly purchased his trips. Another provided evidence that he exchanged fair value in services for his trips. It cannot be determined whether the third official's trips were gifts.

Reports were also made that officials received gifts of meals, rounds of golf, Broadway show tickets, and tickets to sporting events. These reports have proven true as to several officials, though in lesser amounts than alleged. While there is evidence to prove the gifts were not disclosed, there is insufficient evidence to prove the nondisclosure constituted felony perjury. Enforcement of these reporting violations has been referred to the Fair Political Practices Commission in accordance with the Political Reform Act.¹⁰

Conflict of Interest (Government Code sections 1090 / 87100)

City officials reportedly violated conflict of interest laws by having financial interests in multi-million dollar contracts they approved. The questioned transactions included the RiverPark development, fees for underwriting a number of municipal bond issuances, the city's purchase of a sports park property at Oxnard Boulevard and Gonzales Road, the city's purchase of a police annex building on Sturgis Road, the city's sale of vacant lots in Oxnard Shores, and the selection of the operator of the city's Materials Recovery Facility.

¹⁰ Government Code sections 81000, *et seq.*

Conflict of interest concerns arose as to the RiverPark development and the municipal bond issuances as a result of gifts given to city officials by the companies involved. Conflict of interest allegations were raised about the sports park purchase because a company bought the property and sold it to the city on the same day, allegedly profiting by more than \$8 million. Conflicts of interest were also reported as to the Sturgis Road, Oxnard Shores and Materials Recovery Facility transactions due to the close personal relationships between several city officials and one local businessman who was involved in all three transactions. The businessman was alleged to have given the officials gifts of travel to Cabo San Lucas, Mexico, on a private jet.

There is clear evidence of close relationships between city officials and some of the individuals involved in the transactions. There is also evidence that officials received gifts from some of the businesses involved, though the travel to Cabo San Lucas cannot be substantiated as gifts. However, there is no evidence that any of the officials had a direct financial interest in any of the transactions they approved and insufficient evidence that any official had an indirect financial interest in any transaction. Accordingly, there is insufficient evidence to prove any criminal conflicts of interest.

Deficiencies in City Policies and Practices

The investigation revealed several city policies and practices that do not comply with state law. Other city policies leave the city vulnerable to waste and abuse. These policies are identified below.

Responsibility for Employee Benefits

Although state law requires city council to set employee benefits,¹¹ the council impermissibly delegated its responsibility to the city manager. This allowed a supplemental retirement benefit for city management to go undisclosed to city council and the public for several years. Oxnard city councilmembers have since become aware of their legal responsibility to set employee salary and benefits and have committed to doing so in the future. The city council is reportedly examining its legal ability to modify or cancel the retirement benefit.

¹¹ Government Code section 36506. Violation of this code section does not carry a criminal penalty.

City Credit Card Usage

Though state law and city policy prohibit the use of city credit cards for personal purchases,¹² city practice allowed such use under certain circumstances. The city's recordkeeping systems failed to accurately identify the personal purchases and failed to ensure reimbursements were made to the city. While the city has modified its credit card practices, city reimbursement policies still permit some personal expenses to be charged to a city credit card, as long as reimbursement to the city is made.

Excessive Spending on Travel Expenses

City policy and practices permitted virtually unlimited spending of public funds on meals and other travel expenses. In one example, taxpayers paid more than \$14,000 for five city officials to travel to New York City to attend an industry award dinner.¹³ In February 2011, the city modified its travel reimbursement policies, limiting all employees and elected officials to the federal government's published reimbursement rates.

Failure to Report City-Expensed Travel by Elected Council

Under California law and city resolution, when a city councilmember travels at public expense, the member must provide a brief report about the travel at the next city council meeting.¹⁴ In Oxnard, city officials did not consistently comply with this legal requirement. Failure to make the required report thwarts transparency in government.

Failure to Use Competitive Bidding

The City of Oxnard used the same investment banking company as a bond underwriter for several years. While the city has no legal obligation to solicit competitive bids for each bond issuance, the failure to regularly seek competitive bids reduced transparency and risked undermining public confidence in the use of taxpayer funds. Within the past 18 months, the city used a competitive process to establish a pool of qualified underwriters and began to diversify its use of bond underwriters.

¹² Government Code sections 8314 and 36514.5; Penal Code section 424.

¹³ In June 2009, the City of Oxnard cut budget allocations to several city departments in response to tightening fiscal limitations.

¹⁴ Government Code section 53232.3. Violation of this reporting requirement does not carry a criminal penalty.

Failure to Comply with City Ethics Standards

Oxnard city policy appropriately demands adherence to the highest ethical standards:

The policy of the City is that City officials and employees shall observe the highest standards of ethics.... City officials and employees shall conduct themselves so as not to give a reasonable basis for the impression that any such official or employee can be improperly influenced in the performance of his or her City duties.... They shall avoid even the appearance of conflict between their City duties and their personal interests.

The investigation revealed that several officials in the city did not follow the city's published ethics standards. City policy prohibits officials from accepting gifts valued at more than \$50 from anyone doing business with the city. Many officials routinely violated this policy.

Conclusion

This report is not intended as an indictment of the City of Oxnard, its residents, or the vast majority of employees. The allegations and misconduct described in this report are limited to a very small group of individuals serving the city in leadership positions.

A thorough investigation by the District Attorney's Office revealed that the most serious allegations of criminal conduct are unsupported by the evidence. Several multi-million dollar transactions were scrutinized and no evidence of criminal activity was found. However, the investigation raised legitimate questions regarding the use of taxpayer funds and the lack of accountability among several city officials. The investigation established that city officials took advantage of the city's policies and practices to enjoy expensive meals with city funds. These same policies and practices insulate the officials from liability for the expenditures.

Some of these same city officials violated city ethics standards and state law while accepting gifts of meals, golf, and event tickets from companies doing business with the city, then failing to report the gifts as required by state law. The investigation also revealed that city contracting practices did not accurately reflect the scope or cost of work to be performed under city contracts. The lax contracting practices allowed city officials to conceal the true nature of city expenditures on a grand opening celebration for a city water facility and to divert city funds to finance a mural and scale model at the water facility. In addition, the investigation

determined that City Manager Ed Sotelo used his position to obtain an improper \$10,000 loan of city funds and to create an improper supplemental retirement benefit for himself and others.

It is not the District Attorney's role to evaluate the wisdom of the city's transactions and no such evaluation is included in this report. Such judgments are best left to the community the officials serve. Nonetheless, where city policies and practices conflict with state laws, or expose the city to potential criminal abuse, those policies and practices are identified as requiring reform.

SECTION ONE - PURPOSE & SCOPE OF THE REPORT

The District Attorney's Office plays a dual role in the criminal justice system, having both prosecutorial and investigative functions. In the area of public integrity, it is the duty of the District Attorney's Office to investigate allegations of criminal wrongdoing involving local government. When such allegations arise, the District Attorney's duty is to protect both the public from corruption in government and the innocent from unfounded allegations. Accordingly, any such investigation is conducted with the singular goal of finding the truth.

In June 2010, the District Attorney's Office learned of serious allegations of criminal activity by officials¹⁵ in the City of Oxnard. Early reports alleged misappropriation of public funds, failure to disclose receipt of gifts as required by law, and possible conflicts of interest. Initial inquiries by district attorney investigators quickly confirmed that city officials had failed to disclose gifts from companies doing business with the city. Significantly, the initial inquiries met with resistance and deception by key city officials.

The investigation of city officials understandably resulted in significant media attention and public interest. The purpose of this report is to inform the public and local government how the investigation unfolded, what was learned, and how the results of the investigation intersect with California law. The report is by its nature a summary. It would be impossible to include every investigative step taken, every issue examined, or every statement made by each witness. This report includes the most significant aspects of the investigation in order to provide a clear understanding of the results. This report was authored by Chief Deputy District Attorney W. Charles Hughes.

Unlike most public reports issued by the Ventura County District Attorney's Office, this report does not address a discrete event or series of related events. The investigation examined a wide variety of related and unrelated events between 2005 and 2010. As a result, only the early portions of the investigation are presented chronologically to provide a clear understanding of how the investigation unfolded. The balance of the investigation is summarized by category of alleged misconduct.

The report is organized in a number of sections, each addressing separate aspects of the investigation and the applicable law. One section provides an overview of the

¹⁵ As used in this report, the term "officials" refers to elected City of Oxnard city council members and non-elected City of Oxnard employees in supervisory positions.

investigation and is followed by a section outlining several significant evidentiary challenges encountered during the investigation. Successive sections discuss the applicable law of misappropriation, nondisclosure of gifts, and conflict of interest, as well as the evidence obtained regarding the allegations. These sections are followed by a discussion of several city policies and practices that conflict with state law and expose the city and the taxpayers to potential waste and abuse.

In determining whether to file criminal charges, the Ventura County District Attorney's Office uses the criteria adopted by California prosecutors. A prosecutor may file criminal charges only if he or she believes, based on the evidence available after a thorough investigation, that the accused is guilty of a crime and that guilt can be proven beyond a reasonable doubt at trial. In evaluating whether the evidence is sufficient to prove guilt, prosecutors are obligated to consider not only the statements of the accused, but the likely defenses to be asserted at trial. Moreover, the District Attorney's Office works with a number of administrative agencies having concurrent enforcement jurisdiction and violations may be addressed through alternate enforcement mechanisms. In this investigation, the Fair Political Practices Commission has concurrent jurisdiction with administrative enforcement authority over violations of the Political Reform Act.

While it is the duty of the District Attorney's Office to investigate potential criminal conduct, it is not the District Attorney's role to evaluate the wisdom of particular local governmental decisions. Except as it relates to compliance with California law, it is beyond the function of the District Attorney's Office to assess local governmental decision-making. However, the investigation revealed policies and practices within the City of Oxnard that are contrary to state law. These policies and practices resulted in fiscal abuses at the highest levels. In many instances, the city's own practices and inadequate recordkeeping system made it impossible to prove certain violations beyond a reasonable doubt. This report identifies these policies and practices so that local government and the public can make their own review and take appropriate corrective action. The recommendations contained within this report are made with that end in mind.

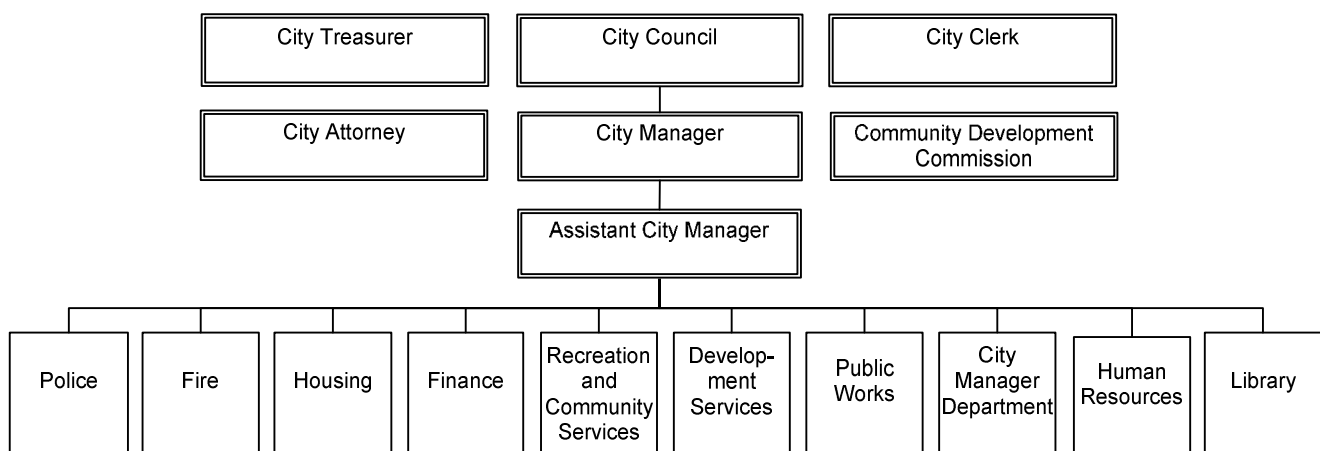
Oxnard's city government employs more than 1,100 people and this report involves only a very small number of them. The misconduct of the few should not be permitted to tarnish the reputation of the many.

SECTION TWO - STRUCTURE OF OXNARD CITY GOVERNMENT

The City of Oxnard is the largest city in Ventura County, with a population of nearly 200,000 residents and an annual budget of \$368 million. Its city council is comprised of four elected councilmembers and an elected mayor. These are part-time positions. In Oxnard's form of government, the mayor's position is largely ceremonial and the mayor has only one vote of five on the city council. Though the mayor presides over city council meetings and is designated to sign official documents for the city, he has no power to act on his own, without a majority vote of the city council.

Like many cities, Oxnard has a city manager who is the highest ranking full-time city official and is responsible for the day-to-day operation of city government. The city manager is hired by a majority vote of the city council and may be removed by a majority vote of the city council. In Oxnard's government, the city council makes policy and legislative decisions, such as zoning and budgeting decisions. The city manager implements policy, hires department heads, oversees city function, and is ultimately responsible for managing the city's budget and resources. The city manager is essentially the chief executive of city operations. The chart below shows the organization of the City of Oxnard government.

Figure 1 – City of Oxnard Organizational Chart



In California, city governments operate under one of two sets of rules – general laws or city charter. Oxnard is a general law city. General law cities must follow state laws that specify how a city must operate. Charter cities are different. They have a governing document similar to a constitution, known as a city charter, that specifies how the city must operate. As a general law city, Oxnard must comply with state laws regarding the function of city government.

SECTION THREE - GENESIS OF THE INVESTIGATION

The District Attorney's Office is a county law enforcement agency with primary responsibility for investigating allegations of criminal misconduct by government officials. In June 2010, the District Attorney's Office received reports of corruption among City of Oxnard officials. The District Attorney assigned investigators within the District Attorney Bureau of Investigation to examine the alleged improprieties. As is customary, the examination began with informal inquiries to determine whether a formal public integrity investigation was warranted. The inquiries quickly confirmed portions of the allegations. As the early stages of the investigation progressed, investigators confirmed additional aspects of the allegations and encountered repeated delays, deceit, and a lack of cooperation from some city officials. Ultimately, it became necessary to obtain a court order authorizing a search of city hall and the investigation became public knowledge when the search occurred at city hall on August 13, 2010.

At the outset, investigators were told that Public Works Director Ken Ortega¹⁶ received gifts from companies doing business with the city but did not publicly disclose the gifts as required by law.¹⁷ Further, Ortega was alleged to have concealed payment of public funds for a formal dinner event to celebrate the grand opening of a city water desalination ("desalter") facility. On June 9, 2010, district attorney investigators spoke with Ortega. He admitted receiving numerous gifts from companies doing business with the city. He also admitted not reporting the gifts on his Form 700, saying that he misunderstood the reporting requirements.

More specifically, Ortega admitted having attended a 2006 Los Angeles Lakers basketball game hosted by Jeff Savard, Vice-President of Kennedy/Jenks Consultants, a local engineering and consulting firm doing significant business with the City of Oxnard's Public Works Department. Ortega admitted that Savard paid for limousine transportation to and from the game and hosted refreshments during the game and dinner afterward.¹⁸ Ortega stated that at the time he was in a position to approve, and did approve, contracts between the city and Kennedy/Jenks

¹⁶ In June 2010, Ken Ortega resigned from city employment. For ease of reading, Ortega's position will be referred to as Public Works Director throughout this report, as that was the position he held during the relevant times discussed in the report. The same convention will be applied to other officials who have changed position or employment since June 2010.

¹⁷ California law requires government officials to declare each year the gifts they receive valued at \$50 or more on a public document known as a Form 700 Statement of Economic Interests. Officials are also limited in the value of the gifts they may accept. A more detailed discussion of the disclosure requirements may be found in Section Six of this report.

¹⁸ There is no criminal prohibition against companies providing such gifts to government officials. The reporting requirement is an obligation imposed on the official, not the company.

Consultants. Ortega also admitted having received gifts from John Kim, a principal at De La Rosa & Co., an investment banking firm doing business with the city in connection with hundreds of millions of dollars of municipal bond issues.

Significantly, Ortega told investigators that he felt he was being unfairly singled out for conduct that was common practice in Oxnard. Ortega alleged that other officials in Oxnard received frequent gifts from companies doing business with the city. Ortega said that John Kim of De La Rosa & Co. hosted a 2005 golf outing at the Presidio Golf Course in San Francisco and hosted expensive dinners for Oxnard city officials during a trip to New York in 2008.¹⁹ Among the other officials who reportedly received gifts from Kim were Mayor Tom Holden; Councilmembers Andres Herrera, Tim Flynn and Dean Maulhardt; City Manager Ed Sotelo; and Chief Financial Officer James Cameron. Ortega described the failure to report gifts as common practice for city officials.

Having learned this information, investigators set out to determine whether it was true. They first reviewed the officials' Form 700s obtained from the Oxnard City Clerk's Office.²⁰ The forms revealed that neither City Manager Sotelo nor anyone on city council declared any gifts received between 2005 and 2009. Chief Financial Officer James Cameron, however, declared a \$45 ticket to a Broadway show he received from De La Rosa & Co. on December 4, 2008. Cameron also declared a \$300 ticket to a 2008 Dodgers game from De La Rosa & Co. With this information, investigators confirmed that De La Rosa & Co. had in fact given gifts to at least one city official.

In a further attempt to verify the gift allegations, district attorney investigators interviewed several witnesses. City Manager Ed Sotelo spoke with investigators on July 22, 2010. During that interview, Sotelo confirmed that he attended the Presidio golf event in San Francisco and that there had been a city event in New York, though he declined to discuss the details of the events. While Sotelo denied knowingly receiving gift meals, he confirmed that De La Rosa & Co. may have paid for city officials' meals without his knowledge. Sotelo maintained that when he attends

¹⁹ Several Oxnard officials and their spouses traveled to New York City in December 2008. Councilmember Andres Herrera, City Manager Ed Sotelo, Chief Financial Officer James Cameron, and their spouses stayed at the Times Square Hilton for five nights, from December 2, 2008, through December 7, 2008. Finance Manager Mike More, Public Works Director Ken Ortega, and their spouses stayed at the Doubletree Hotel in Times Square. The purpose of the trip was to attend an awards ceremony held by a financial industry group. The city won an award from the industry group for creative bond financing and the officials attended the ceremony on the city's behalf. The officials' travel expenses, including most of their meals, were paid for by the City of Oxnard. This trip is discussed in Section Five of the report.

²⁰ The records were obtained by making a Public Records Act request to the Oxnard City Clerk's Office. Under California law, anyone may request copies of public records held by a city. Generally, the city must respond within ten days of the request, unless there are specific reasons to extend the deadline.

business dinners, he expects city staff to pay the city's portion of the bill. Sotelo also cited misconduct involving Public Works Director Ortega, saying that Ortega was involved in contractual improprieties with Kennedy/Jenks Consultants related to the desalter, as well as with JYW Communications, a marketing firm used by various departments in the city.

After interviewing Sotelo, the District Attorney's Office made a much broader Public Records Act request for documents relating to the investigation, including documents pertaining to the desalter celebration, gifts to public officials, and contracts between the city and various companies.

As more witnesses were interviewed, more allegations of misconduct surfaced. For instance, witnesses told investigators that Councilmember Andres Herrera attended the same 2006 Lakers game and dinner that Public Works Director Ortega attended, hosted by Jeff Savard of Kennedy/Jenks Consultants. Witnesses also reported that the 2008 New York trip had been unnecessarily extended by a group of city officials at city expense. Even more serious, witnesses told investigators that several multi-million dollar real estate transactions with the city involved potential conflicts of interest.

Executives with Kennedy/Jenks Consultants confirmed that the firm gave gifts to several city officials. Chief Executive Officer Keith London confirmed that Jeff Savard spent approximately \$2,300 taking Oxnard officials to a 2006 Lakers game and dinner via limousine. Jeff Savard, the Vice-President and Ventura County office manager of Kennedy/Jenks Consultants told investigators that he had numerous breakfast, lunch, and dinner meetings with City of Oxnard Public Works Department employees and that in most cases Kennedy/Jenks Consultants paid the expenses. More significantly, Savard also said that Ortega used \$34,000 of city funds to pay Kennedy/Jenks Consultants for expenses the firm incurred relating to the desalter and the grand opening celebration. Savard said that Kennedy/Jenks Consultants paid for a mural and a model at the desalter facility, an audio-visual presentation about the desalter, and floral expenses for the grand opening celebration. According to Savard, Kennedy/Jenks Consultants paid these expenses after a city contract amendment with the firm was artificially inflated to overpay for work Kennedy/Jenks Consultants would later do related to other city water facilities.

In subsequent interviews, Ortega maintained that the desalter celebration was paid for primarily by the companies involved in designing and building the desalter. He said that the celebration was more elaborate than was typical because the governor was expected to attend. Ortega alleged that City Manager Sotelo was aware that a dinner was planned and that Sotelo personally screened the list of invited guests.

Ortega disavowed any fiscal improprieties and said that former Oxnard Public Works employee Juan Moreno was primarily responsible for seeking vendor funding for the desalter event.

Additional witnesses further corroborated the initial allegations that officials failed to disclose gifts. On August 12, 2010, Councilmember Andres Herrera spoke with investigators and confirmed significant aspects of the gift allegations. Herrera admitted he had played golf at the Presidio Golf Course with Sotelo and the founder of De La Rosa & Co., though he said he did not know who paid the expenses. Herrera also admitted he attended a Lakers game with Kennedy/Jenks Consultants, but again denied knowing who had paid for the event. Though he admitted the group went to dinner after the game, Herrera said he did not eat. Herrera later admitted the vendor paid for the entire outing, but said that he did not declare the gift because he misunderstood the reporting requirements.

Herrera also discussed the New York trip in some detail. Herrera said he flew to New York in December 2008 to receive a bond industry award on behalf of the city. City Manager Sotelo, Chief Financial Officer James Cameron, Public Works Director Ortega, Finance Manager Mike More, and each of their wives also made the trip. Herrera confirmed his wife went on the trip and said he paid her expenses. Herrera said he stayed at the Times Square Hilton for two or three nights. City travel records contradict this claim, showing that he actually stayed five nights. Herrera admitted that he and his wife ate meals that someone else paid for, though again he said he did not know De La Rosa & Co. paid for the meals. Herrera told investigators he did not declare the New York meals and Presidio golf on his Form 700 because he believed they were city-sponsored events and that he was not required to declare them as gifts. He also said he believed the expenses were all placed on Sotelo's credit card.

Chief Financial Officer Cameron also corroborated the initial gift allegations, while significantly contradicting Herrera. Cameron, who began working for Oxnard in April 2008, went to New York as a fill-in for Mayor Tom Holden, who was scheduled to take the trip but had to cancel. Cameron said he stayed at the Times Square Hilton for five nights, as did Herrera and Sotelo. Cameron said he asked why they were staying five nights and was told they had to stay that long for the city to receive a discount.²¹ He was also told that the reservation was nonrefundable. Thus, Cameron confirmed that the New York trip had been extended beyond what was necessary to attend the dinner, though he denied the extension was improper. Cameron also confirmed that while in New York, John Kim paid for two meals for

²¹ As detailed in subsequent sections, the length of the stay did not result in a discount to the city, but may have been the result of a five night minimum stay required by the hotel.

the Oxnard officials and several of their wives, as well as a Broadway show for some of them. Cameron also admitted that in 2009, Kim bought dinner for several city officials at the Cliff House restaurant in San Francisco.

Cameron's statements were consistent with receipts of De La Rosa's expenditures that investigators had obtained. One receipt showed Kim paid \$1,180.25 for dinner at Tribeca Grill in New York on December 3, 2008. Another receipt showed Kim paid \$1,571.66 for dinner at Gotham Bar & Grill in New York on December 4, 2008. The documents also confirmed that De La Rosa & Co. paid for 14 orchestra seats to a Broadway show for December 4, 2008, at a cost of \$88.25 per seat.²²

Finance Manager Mike More provided additional statements to support the gift allegations. More was among the city officials who traveled to New York to receive the bond industry award. According to More, the group stayed in two different hotels in the Times Square area. More only stayed two or three nights, but said that others in the group stayed longer. More stated that he paid cash for his meals, with the exception of one dinner the group ate with John Kim. More told investigators he was not sure if he paid for that meal, saying, "I don't know, it was a big group." More said that John Kim invited him to go to a Broadway show and explained that De La Rosa & Co. was paying for the tickets, but More declined. More recalled attending another group dinner with city officials and John Kim at the Cliff House restaurant in San Francisco. More told investigators that the Cliff House dinner was also attended by City Manager Sotelo and Chief Financial Officer Cameron. More admitted he did not pay for his meal but said he was unsure who did.

On August 13, 2010, investigators met with Tim Flynn, who expanded upon the gift allegations and relayed significant additional suspicions about multi-million dollar corruption and improper favoritism surrounding city transactions. Flynn was then a candidate for city council in the November 2010 election. He had previously served on the council, but was not on the council at the time of his statements. Flynn confirmed that while he was previously on the council, gift meals had been provided to officials by both De La Rosa & Co. and Shea Properties, the developer of the RiverPark project. Flynn told investigators that Shea Properties hosted a "five star" dinner in Las Vegas at an annual convention in 2005. Flynn identified Mayor Holden, Councilmember Herrera, City Manager Sotelo and Assistant City Manager Karen Burnham as other recipients of the meal. Flynn estimated the cost of his meal at \$150. Because he was concerned whether taxpayers were paying for such a meal, he asked Sotelo who was going to pay for the meal. According to Flynn, Sotelo told

²² The play *Gypsy* was performed at the St. James Theatre, located at 246 West 44th Street, New York, New York.

him that Shea Properties would pay for the meal. Flynn said that the next day several officials went golfing with Shea Properties representatives.

Flynn further detailed for investigators several suspicions he had about impropriety in Oxnard city government. He outlined the city's purchase of a sports park property at the intersection of Oxnard Boulevard and Gonzales Road from Ernest Mansi. According to Flynn, Mansi owned the property only momentarily, yet profited approximately \$8 million at the city's expense. Flynn told investigators that he suspected the transaction was a "pay to play" situation, with Mayor Holden supporting the purchase in response to developers' previous financial support of a local charitable organization.²³

Flynn also expressed concerns to investigators about the close relationship between Mayor Holden, Councilmember Herrera, and local businessman Bernard Huberman. Flynn relayed allegations that as a result of the relationships, councilmembers approved several contracts that unnecessarily enriched Huberman's companies. Flynn identified the questioned transactions as the city's purchase of a building on Sturgis Road for the police department, the city's sale of vacant land in Oxnard Shores, and the city's contracts for the operation of its Materials Recovery Facility (MRF). Each of these transactions involved millions of dollars.²⁴

During the investigation's early stages, city officials tried several times to delay the investigation. On July 27, 2010, an investigator called City Manager Sotelo to arrange a brief meeting, but Sotelo did not return the call. Several days later, when the investigator called Sotelo's cell phone, Sotelo tried to put off the meeting until the following week, saying he was too busy to meet. When the investigator offered to meet Sotelo at that night's city council meeting, Sotelo agreed to meet the investigator 15 minutes later at a golf course. At one point, an assistant city attorney for Oxnard phoned the District Attorney's Office to cancel interviews with city employees that had been scheduled for the following day. Later, City Attorney Alan Holmberg asked investigators to delay the investigation at least a week so he could arrange lawyers to attend the employee interviews. The District Attorney's Office declined the delay request and Holmberg ultimately agreed that the employees would make their own decisions about whether to speak with investigators.

²³ As discussed later in this report, this investigation found no evidence of criminality with respect to this transaction.

²⁴ A detailed discussion of these high-cost transactions may be found in Section Eight. The investigation found no evidence of criminality with respect to these transactions.

Investigators also encountered a lack of cooperation from Assistant City Manager Karen Burnham. On August 13, 2010, in response to a Public Records Act request for numerous documents, Burnham turned over just two boxes of documents, including a half-full box of city council minutes that were readily available on the Internet. Burnham told investigators that efforts to turn over additional documents were delayed because certain computerized records had been destroyed, though city personnel were working on restoring the data. Burnham had previously made the same assertion on August 2, 2010. However, Burnham's assertions were contradicted by another city employee, who said that much of the data had been recovered and provided to Burnham as early as August 2, 2010.

The delay attempts and lack of cooperation raised concerns of a "cover-up." These concerns were echoed by Mayor Tom Holden, who called the District Attorney on July 27, 2010, and told him that he suspected City Manager Sotelo and Assistant City Manager Burnham were engaged in some type of cover-up. Mayor Holden said that even he was not getting straight information out of the city manager's office. In a subsequent interview, Mayor Holden said he was fairly certain the city "stonewalled and drug our feet."

As the delays continued, investigators prepared a search warrant to seize the evidence they sought. On August 13, 2010, investigators sought a court order approving the search warrant and authorizing them to search Oxnard City Hall. As is customary in searches for records conducted in businesses open to the public, the District Attorney's Office conducted the search in a manner designed to minimize disruption to business activities. Shortly after 3:00 p.m. that Friday afternoon, investigators entered city hall, seizing dozens of boxes of documents relating to city officials' relationships with businesses, city travel expenses, city credit card usage, policies and procedures manuals, Form 700s, ethics training materials, and city council minutes, resolutions and ordinances. District attorney investigators learned that the city's weekly shredding service continued even after the first warrant was served and after the city manager issued a memorandum instructing employees not to destroy any documents.²⁵

In the ensuing months, district attorney investigators and deputy district attorneys worked to secure evidence, interview witnesses and determine the validity of the many allegations. The investigation focused on events occurring between 2005 and 2010. Investigators relied largely upon search warrants to obtain evidence,

²⁵ Although Penal Code section 135 prohibits intentionally destroying or concealing evidence to prevent the evidence from being produced in an investigation, there is insufficient evidence to prove any Oxnard officials acted in violation of this law.

executing more than 30 search warrants at more than 50 locations. It is important to point out that service of a warrant at a particular location does not mean an occupant of that location was a suspect. Rather, it indicates that investigators had probable cause to believe the location may have contained relevant evidence.

In all, investigators searched several city facilities and numerous departments, including the city manager's office, treasurer's office, city clerk's office, and city council offices, among others. Warrants were executed at several city officials' homes and at several businesses holding contracts with the city. Financial records pertaining to the City of Oxnard and several city officials were obtained from a variety of financial institutions. Escrow and title records were obtained from several companies relating to real estate transactions. In an effort to verify witnesses' statements and defenses raised by those accused of misconduct, search warrants were also executed at numerous businesses unrelated to the city, including various restaurants, hotels, and sports entities.²⁶

A great deal of evidence was obtained simply by requesting it. Numerous documents and business records were provided by cooperative companies doing business with the city. More than a dozen Public Records Act requests were used to obtain additional records maintained by the city. In all, investigators collected more than 100,000 pages of documentary evidence to be examined.

District attorney investigators interviewed dozens of people, seeking either to confirm or disprove the allegations. In most instances people spoke with investigators, though some later invoked their right to remain silent. Among those interviewed were councilmembers and the mayor, the city manager, the assistant city manager and the chief financial officer. Investigators also spoke with a wide variety of current and former city employees, and developers and others doing business with the city. Relevant portions of key witnesses' statements are summarized throughout this report where appropriate to illuminate factual or legal aspects of the investigation.

In all, investigators prepared more than 15,000 pages of investigative reports and transcripts of interviews. All of these materials were analyzed by deputy district attorneys to determine whether crimes were committed and whether there was sufficient evidence to file criminal charges.

²⁶ Where warrants sought records maintained by corporations out of the area and not doing business with the city, the warrants were mailed to the companies' legal departments and the records were provided by mail, in accordance with standard law enforcement procedure.

SECTION FOUR - EVIDENTIARY IMPEDIMENTS

Three categories of evidence are important to prove allegations of official misconduct – statements of eyewitnesses, business and financial records of the events, and statements of the suspected persons. Several critical roadblocks prevented investigators from obtaining the evidence necessary to prove or disprove the allegations of criminal misconduct. In many instances, these roadblocks were caused by the city's own practices, lack of adequate policies, and the failure to create or maintain accurate financial records.

Inadequate Recordkeeping by the City

Key aspects of this investigation involved tracking public funds used for travel and meal expenses and city credit card purchases. These are the types of events and transactions that an effective recordkeeping system should document easily and thoroughly in any business setting, but particularly so where a public entity spends taxpayer funds. Unfortunately, the city's practices and recordkeeping system did not accomplish these tasks with reliable accuracy.

Travel Forms

By city policy, traveling officials are required to prepare a Travel Authorization Request form no later than 10 days after traveling. The travel form must show actual or authorized expenses, with required receipts. City policy requires the purchasing division to audit the submitted items for accuracy and to determine if they are appropriate for reimbursement.

In practice, the submitted travel form often did not accurately reflect the nature of the expenditures. This was particularly true when groups of officials traveled together. For example, when multiple officials dined out together, one official typically paid the bill with his or her city credit card. However, the travel form submitted by the purchasing official often did not identify anyone else who was present at the meal. Only occasionally did the other diners list the meal on their own travel form, indicating that another official paid for the meal. Often there was no accurate record of how many city officials (or non-city officials) were present at a meal paid for by taxpayers. For example, one travel form revealed that on Thursday, November 15, 2007, Sotelo paid \$688.54 for a dinner. The following evening, he

paid \$746.40 for another dinner. Sotelo's travel form did not detail who else was present for these meals, nor did the receipts Sotelo submitted to the city.²⁷

Also, although the travel form was supposed to be signed by the traveling official, the forms were frequently prepared by assistants and submitted unsigned. As a result, the officials cannot be held accountable for the accuracy of the information on the form. Further, the city did not keep the travel forms together for each particular trip. Rather, the travel forms were kept with the city employee's monthly credit card statements. As a result, determining who traveled to a particular conference or attended a city-expensed meal can require cross-referencing approximately 200 credit card statements for the months preceding and following any particular trip.

As to the auditing of travel forms, the investigation revealed that only occasionally did any employee question who was present at an expensive meal or the propriety of an expense. Moreover, as officials were not required to submit itemized receipts, no matter how expensive the meal charge, there is no way of establishing how many diners were present. Nor can it be determined whether alcohol was purchased with city funds.

Based on the city's recordkeeping and fiscal practices, it is impossible to determine from the records whether officials paid for their spouses' meals with city funds, as has been alleged. The end result is that some Oxnard officials routinely spent hundreds of taxpayer dollars at dinners without disclosing what was purchased or whose dinner the city purchased.

Credit Card Usage

Although the city's credit card policy relating to travel and reimbursement flatly prohibits the use of city credit cards for personal purchases, in practice some officials made personal purchases with city credit cards and then reimbursed the city.²⁸ Numerous travel forms reveal this practice. In the example found in [Attachment A](#), Sotelo paid cash for some travel costs, such as taxi fares. He reflected those cash expenditures on the travel form, appropriately requesting that the city reimburse those costs. However, it can also be seen that Sotelo made personal purchases on the city's credit card because he reduced the amount the city was obligated to reimburse him by simply noting on the form \$500 for unspecified "personal costs." Without requiring the official to itemize the individual personal purchases and their cost, it is impossible to audit the expenditure for accuracy.

²⁷ See [Attachment A](#).

²⁸ A copy of the relevant section of the city's credit card policy is found in [Attachment B](#). City of Oxnard Administrative Manual, Policy D-20.

The city's practice alternatively allows officials to reimburse the city for personal charges by making payments directly to the Treasurer's Office. When an official makes such a reimbursement, he or she receives a generic receipt proving payment to the city. Several witnesses told investigators that the receipt is supposed to be attached to the travel form. In some instances, this occurred. However, many of the attached receipts contained no indication of why the payment was made. Frequently, there was no description of the personal charge incurred, making it impossible to determine the accuracy of the reimbursement amount. As discussed below, where no deposit receipt was attached to a travel form, the lack of detail in the city's financial database makes it is impossible to determine whether a reimbursement to the city actually occurred.

Computerized City Financial Records

When an official made a reimbursement to the Treasurer's Office, a city Treasurer's Office employee recorded the transaction in the city's computerized financial recordkeeping system. Pursuant to a search warrant, district attorney investigators obtained access to the city's financial recordkeeping system and attempted to determine whether city officials had reimbursed the city for personal expenses. Unfortunately, there is no tracking code for such reimbursements and there is tremendous inconsistency in how the payments were recorded in the computer system. Many times the computerized records do not identify the official who made the payment to the city or the purpose of the payment. Often, the only computerized record the city maintains about the payment is the fact that a particular amount was deposited into the city account on a particular date. This means a search of the city's database for reimbursements made by an official cannot be relied upon to accurately determine whether the official reimbursed the city for personal expenses. As a result of the city's recordkeeping practices, it is impossible to either validate or invalidate an official's assertion that he or she reimbursed the city for any personal expenditure.

Officials' Financial Records

In a further attempt to determine whether city officials reimbursed the city for personal expenses or reimbursed the businesses and individuals who provided the officials with gifts, district attorney investigators obtained court-ordered search warrants to obtain financial records of city officials suspected of violations. Examination of the records revealed some reimbursements from officials to the city for personal expenditures. However, the multiple possible accounts and numerous alternative reimbursement methods made it impossible to disprove officials' reimbursement claims.

Availability of Witnesses

The eyewitnesses to many of the allegations of unreported gifts and excessive travel and meal expenses are other accused city officials or their spouses. In those circumstances, the availability of witnesses to testify at trial is compromised. The Fifth Amendment of the United States Constitution guarantees the right to be free from self-incrimination. As such, a witness has a privilege not to speak to police or to testify in court when to do so would expose the witness to criminal prosecution. Where, as sometimes occurred in this investigation, witnesses invoke their privilege when questioned by investigators, statements from those witnesses are unavailable. Where the privilege is invoked at trial, the witness is unavailable to prosecutors absent a grant of immunity.

Under the marital privilege, an official's spouse may refuse to testify against the official, and the official may prevent his or her spouse from testifying. While there are exceptions in domestic violence and some other types of cases, the exceptions do not apply to these allegations. As a result, the officials' spouses in this investigation are generally unavailable to prosecutors to testify against their spouses.

The Passage of Time

Many of the allegations involve events that occurred several years ago. The passage of time rarely helps a criminal investigation. Most often it results in faded memories and lost evidence. In this investigation, for example, the City of Oxnard maintains its e-mail records for only a few months. In public integrity investigations, significant information is often found in e-mail communications surrounding questionable events. In this case, e-mail surrounding the events in question simply no longer exists unless it was printed and placed in a file.

Another key example of how the passage of time has hindered the investigation involves the evidence that gifts were accepted. In some instances, the gift-givers kept expense reports listing who was present for a particular meal or event. In other instances, the records were less complete, forcing investigators to rely on the gift-giver's memory of remote events. Several such witnesses remembered some events well, while expressing uncertainty as to others. Similarly, those accused of misconduct remember some events well while other events are vague. In such instances, the availability of corroboration is essential to determine the truth of what happened. Where evidence is vague due to the passage of time and no corroboration is available, there is insufficient reliable evidence to prove charges beyond a reasonable doubt.

In summary, the city's inadequate and inaccurate records, the unavailability of key witnesses, and the passage of time dramatically hampers the ability to prove certain charges beyond a reasonable doubt.

SECTION FIVE - MISAPPROPRIATION OF PUBLIC FUNDS

This section will outline the major legal principles, evidence and analysis relating to the allegations of misappropriation of public funds. The alleged misappropriations fall broadly into the following categories:

- Expensive meals at city expense²⁹
- Personal expenses paid by the city, including:
 - o Extended travel at city expense
 - o Upgraded hotel rooms
 - o Meals and travel expenses provided to spouses at city expense
- A personal loan of city funds
- The Supplemental Post-Retirement Benefit
- Excessive payments for marketing and organizational consulting
- Concealed payments of GREAT Program expenses

An overview of the major legal principles concerning misappropriation of public funds is pivotal to the analysis of evidence in each of these categories. By discussing the law first, the significance of the evidence obtained and the evidence that cannot be obtained, will be more readily apparent.

The Law of Misappropriation – Penal Code section 424

Broadly speaking, the crime of misappropriation of public funds refers to the unauthorized use, taking, or expenditure of public money by a public official. California law does not allow public officials to spend taxpayer money however they would like. Officials may only spend public funds for the public benefit and only in ways specifically authorized by law. Among other things, California Penal Code section 424 prohibits public officials from spending public money for personal purchases, spending public money for the public's benefit but in ways not permitted by law, and loaning public money for personal benefit. Misappropriation is punishable by up to four years in state prison and results in disqualification from holding any office in this state.

²⁹ A detailed discussion of the City of Oxnard meal reimbursement rates and contrasting discussion of the IRS per diem reimbursement rates may be found later in this section.

Recent Change in the Law of Misappropriation

When this investigation began in June 2010, the law of misappropriation was at a crossroads. The courts had held that misappropriation was established when evidence showed an official intentionally committed an act that violated Penal Code section 424. The then-existing law did not require proof that the official knew the act was unlawful. However, during this investigation, the law was challenged before the California Supreme Court in a case involving the auditor-controller of Sutter County, *Stark v. Superior Court*.³⁰

In August 2011, the California Supreme Court issued its decision in the *Stark* case, dramatically raising the burden of proof for prosecutors. The Court added a new requirement to Penal Code section 424, ruling that to be guilty of misappropriation of public funds, an official must know that his or her conduct was without authority of law, or must be criminally negligent in not knowing the conduct was without authority of law. *Stark* was a seminal case profoundly altering California law and directly impacting this investigation. As a result of the Supreme Court's decision, to prevail in a misappropriation case, prosecutors must now prove beyond a reasonable doubt that the official knew, or was criminally negligent in not knowing, that he or she acted without the authority of law.

What Must Be Proven

Under the factual scenarios that are the subject of this investigation, to prove misappropriation of public funds under Penal Code section 424, it must be proven that:

1. An official spent public money,
2. The expenditure was without authority of law, and
3. The official knew that the expenditure was without authority of law or was criminally negligent in not knowing the expenditure was without authority of law.

The Evidence of Expensive Meals

City of Oxnard officials regularly traveled on city business between 2005 and 2010, attending conferences and business meetings in other cities and states. The city manager and assistant city manager also took recruiting trips to meet candidates for positions within the city. Table 1, below, identifies several of the significant or recurring trips taken by city officials. It is by no means comprehensive. The listed officials are identified within city records as having attended the trips. Due to

³⁰ *Stark v. Superior Court* (2011) 52 Cal.4th 368.

limitations of the city's recordkeeping system, not all officials in attendance could be identified.

Table 1 – Examples of City-Expensed Travel

Date	Location	Conference/Event	Attendees
March 2005	Washington, D.C.	National League of Cities	Holden, Herrera, Burnham
October 2005	San Francisco, CA	League of California Cities	Flynn, Herrera, Zaragoza, Sotelo
May 2006	Las Vegas, NV	International Council of Shopping Centers	Holden, Flynn, Herrera, Sotelo, Burnham
March 2007	Washington, D.C.	National League of Cities	Herrera, Sotelo
May 2007	Las Vegas, NV	International Council of Shopping Centers	Holden, Herrera, Sotelo
November 2007	New Orleans, LA	National League of Cities	Holden, Herrera, Sotelo
March 2008	Washington, D.C.	National League of Cities	Sotelo
May 2008	Las Vegas, NV	International Council of Shopping Centers	Holden, Herrera, Sotelo, Burnham, Cannon
December 2008	New York, NY	Bond Buyers Awards	Herrera, Sotelo, Ortega, Cameron, More
January 2009	San Francisco, CA	League of California Cities	MacDonald, Pinkard, Sotelo
March 2009	Washington, D.C.	National League of Cities	Herrera, MacDonald, Ortega, Pinkard, Sotelo
May 2009	Las Vegas, NV	International Council of Shopping Centers	Herrera, MacDonald, Pinkard, Sotelo
March 2010	Washington, D.C.	National League of Cities	Herrera, Burnham
May 2010	Las Vegas, NV	International Council of Shopping Centers	Holden, Herrera, Maulhardt, Pinkard, Sotelo, Burnham, Cannon

When city officials traveled, flights and hotel rooms were commonly arranged by administrative assistants, at times working with travel agents. These expenses were usually placed on city credit cards. Meals during the travel were most often purchased with city credit cards. Because most city council members did not have or use city credit cards, their expenses were typically purchased with city credit cards issued to other traveling city officials or staff members. For cash expenses, officials used their own money and requested reimbursement from the city upon their return. Travel forms identified cash payments for such things as parking, taxi fares and tips, meals paid for with cash, or meals for which the city's standard per diem rate was being requested. In such circumstances, an official would list the expenses, turn in receipts, and request city reimbursement at the end of a trip, after which a check would be issued to the employee. In this way, a city official might expend hundreds or even thousands of dollars of city funds on transportation, accommodations and expensive dinners to attend a conference, and still receive a check for additional out-of-pocket or per diem expenses.

To track travel costs and reimbursements, city travel policy requires employees to prepare a Travel Authorization Request form upon return from city travel.³¹ The completed travel form should summarize the travel in detail, including location, dates, conference fees, transportation methods and costs, accommodations and costs, meals, and other costs. The travel forms are supposed to be verified and signed by the official incurring the costs, though in practice they are at times prepared by assistants and submitted unsigned.

The investigation revealed that expensive dinners were a regular part of some officials' city travel. While not all meals were expensive, it was common for some officials to dine at expensive restaurants with total bills in the hundreds of dollars. Over the years, city taxpayers paid for costly meals at Ruth's Chris Steakhouse, Morton's Steakhouse, Oceanaire, McCormick & Schmick's, and Brennan's, to name a few.

Oxnard city travel policy permitted employees to cover meal expenses in one of two ways.³² The employee may (1) receive a meal allowance of \$70 per day without providing receipts,³³ or (2) use city funds for actual meal expenses, even if it exceeds the \$70 allowance, as long as the employee provides a receipt. The policy tasked the finance department with auditing expenses to ensure they are allowable. Auditing was inconsistently done. Thus, in practice the city's policy permitted virtually

³¹ An example of a Travel Authorization Report form is found in [Attachment A](#).

³² The full text of the City of Oxnard Administrative Manual, Policy B-2 in effect before February 2011, regarding travel and reimbursement may be found in [Attachment C](#).

³³ The \$70 per diem consists of \$15 for breakfast, \$20 for lunch, and \$35 for dinner.

unlimited meal expenses for ranking officials.³⁴ Several witnesses stated that unreasonable meal expenses could theoretically be refused and a few witnesses recalled charges occasionally being disallowed. However, nearly every witness confirmed there was no effective limit to meal expenses as long as receipts were submitted. Documentation seized from city hall reflects a few instances where meal charges were questioned and additional information requested before reimbursement was ultimately approved. City Manager Sotelo admitted the unlikelihood of city employees questioning the expenses coming from his office or city council. Some employees and officials also stated that limited amounts of alcohol could be purchased with the city credit card, with some saying that former City Attorney Gary Gillig had given them that advice.

When more than one city official was present at a meal, the most common practice was for one official to pay for the entire meal on his or her city-issued credit card. Only that official's travel form would reflect payment for the meal, with the official attaching the credit card receipt. Itemized receipts showing the particular food or drinks purchased were rarely provided. Often, the receipt and the official's travel form did not identify the other officials who attended the meal. In most instances, it is impossible to determine from the records how many people attended any particular meal, which officials attended the meal, whether meals were purchased for spouses or other guests, or which expenses any particular official incurred. As discussed elsewhere, in most instances it is also impossible to demonstrate whether an official did or did not repay the city for excessive expenses.³⁵ Recognizing those significant limitations in the evidence, Table 2 below reflects selected meals paid for with city credit cards.

Table 2 – Examples of Expensive Meals

Trip	Restaurant	Amount	Employee's Credit Card	Diners Identified by Receipt or Credit Card Statement
Washington, D.C. March 2005	Oceanaire Seafood	\$189.65	Burnham	"Tom / Andres etc."
	Equinox	\$392.00	Burnham	
San Francisco, CA October 2005	Scoma's	\$540.55	Sotelo	
Costa Mesa, CA May 2006	Scott's Restaurant & Bar	\$207.42	Sotelo	"Andres Herrera + Matt Winegar"

³⁴ As discussed in Section Nine of this report, the travel policy was modified in February 2011 to limit meal allowances for all employees and officials to the IRS reimbursement rates.

³⁵ The investigation did identify a small number of travel reimbursements by city officials.

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Trip	Restaurant	Amount	Employee's Credit Card	Diners Identified by Receipt or Credit Card Statement
Washington, D.C. March 2007	Ruth's Chris Steak House	\$473.54	Sotelo	"CM Councilmember"
	Mie N Yu	\$320.20	Sotelo	
	Oceanaire Seafood	\$383.72	Sotelo	
Pasadena, CA May 2007	JJ Steak House	\$263.55	Sotelo	"Karen Ed + Patty Kinaga Legal Issues"
New Orleans, LA November 2007	Tujagues	\$221.84	Sotelo	
	Antoine's	\$688.54	Sotelo	
	Commander's Palace	\$746.40	Sotelo	
	Brennan's	\$388.52	Sotelo	
Washington, D.C. March 2008	Ruth's Chris Steak House	\$236.36	Sotelo	
	Oceanaire Seafood	\$277.61	Sotelo	
San Francisco, CA April 2008	Scoma's	\$270.28	Sotelo	"H.R. Dir Candidate Background Ck"
New York, NY December 2008	Grand Central Oyster Bar	\$207.01	Sotelo	
	Trattoria Dell'Arte	\$554.53	Sotelo	
San Francisco, CA January 2009	The Firehouse	\$347.61	Sotelo	"New Mayor and Council"
Washington, D.C. March 2009	Mie N Yu	\$380.16	Sotelo	"Sotelo/Pinkard/MacDonald/Herrera"
	McCormick & Schmick's Seafood	\$428.31	Sotelo	"Sotelo/Pinkard/MacDonald/Herrera"
	Morton's The Steakhouse	\$629.14	Sotelo	"Sotelo/Pinkard/MacDonald/Herrera"
San Antonio, TX November 2009	Landry's Seafood	\$305.63	Sotelo	
	Fogo de Chao	\$372.57	Sotelo	
Washington, D.C. March 2010	Mie N Yu	\$379.02	Burnham	
	Filomena Ristorante	\$450.70	Burnham	
Las Vegas, NV May 2010	Dal Toro	\$1,151.54	Cannon	"Maulhardt's 2; Holden 1; Ed 1; Karen 1; Dave 1; Kelle 1; Kym 1; Brian 1; McDonalds 2; Herreras 2; Pinkards 2; Curtis 1; Maria 1" "17; 67.74"
	McCormick & Schmick's Seafood	\$297.04	Cannon	"Curtis; Dave; Tom; Herreras" "5; 50.41 each"
	Ruth's Chris Steak House	\$830.36	Cannon	"McDonald's 2 Herrera's 2 Kelle 1; Dave 1; Ed 1; Karen 1; Curtis 1; Maria 1; Kym 1" "11; 75.49"

Nearly every city official told investigators that their practice was to repay the city when their expenses were excessive or included personal charges. Mayor Holden told investigators that when he traveled alone on city business, he paid for his own meals and incidentals without requesting per diem or submitting reimbursement forms, thus balancing out any dinner expenses he incurred when traveling in a group. Occasionally, a travel form offset the reimbursement amount requested for out-of-pocket or per diem expenses with a notation that the official paid for personal expenses with a city-issued credit card. Only rarely did the official itemize what the personal expenses actually were or how the official arrived at his or her personal expense calculation.

Analysis of Expensive Meals as Potential Misappropriation

Witnesses suspected the expensive meals amounted to an unlawful expenditure of city funds and therefore criminal misappropriation. Beginning in January 2006, California law³⁶ and an Oxnard city council resolution limited meal reimbursement for members of the Oxnard city council to Internal Revenue Service (IRS) meal reimbursement rates, which vary depending on the time of year and the destination of the travel. Though this limitation went into effect in January 2006, the virtually unlimited reimbursement practice in Oxnard never changed. Significantly, Oxnard's per diem rate of \$70 per day exceeded the IRS rate for Ventura County every year until 2009. Examples of the IRS meal per diem rates are contained in the table below:

Table 3 – IRS Per Diem Rates³⁷

Travel Destination	Date	IRS Per Diem (Meals & Incidental Expenses)
Ventura County, CA	October 2004 – September 2005	\$51 per day
Washington, D.C.	March 2005	\$51 per day
San Francisco, CA	October 2005	\$64 per day
Ventura County, CA	October 2005 – September 2006	\$64 per day
Costa Mesa, CA	May 2006	\$64 per day
Ventura County, CA	October 2006 – September 2007	\$64 per day
Washington, D.C.	March 2007	\$64 per day

³⁶ Government Code section 53232.2.

³⁷ The maximum federal per diem rates are listed by location and date in Table 3 of IRS Publication 1542. www.irs.gov/formspubs/article/0,,id=244312,00.html

Travel Destination	Date	IRS Per Diem (Meals & Incidental Expenses)
Pasadena, CA	May 2007	\$64 per day
New Orleans, LA	November 2007	\$59 per day
Ventura County, CA	October 2007 – September 2008	\$64 per day
Washington, D.C.	March 2008	\$64 per day
San Francisco, CA	April 2008	\$64 per day
Orlando, FL	November 2008	\$49 per day
New York, NY	December 2008	\$64 per day
Ventura County, CA	October 2008 – September 2009	\$64 per day
San Francisco, CA	January 2009	\$64 per day
Washington, D.C.	March 2009	\$64 per day
San Antonio, TX	November 2009	\$66 per day
Ventura County, CA	October 2009 – September 2010	\$71 per day
Washington, D.C.	March 2010	\$71 per day
Las Vegas, NV	May 2010	\$71 per day

To prove that the expensive dinners amounted to criminal misappropriation, there must be sufficient admissible evidence to prove each of the elements.

Element 1 – An Official Spent Public Money

The first element that must be proven is that an official spent public money. In those instances that an official used his or her city-issued credit card to purchase a meal, the credit card statement proves the official spent public money. Similarly, a receipt submitted with an official's travel form proves the official spent public money.

Proof becomes more elusive when one official purchased a meal for several people dining in a group. Clearly, the purchasing official spent public funds. To prove the other diners also spent public funds, several things must be proven. First, there must be sufficient evidence proving who the other diners were. Second, there must be evidence proving the other diners actually ate food purchased by the official, as opposed to merely being present or paying for their own meals. Third, the evidence must prove that the other diners knew the purchasing official used a city credit card to pay for their food. Finally, there must be evidence to prove the official did not reimburse the city as claimed. As outlined above, such evidence simply does not exist as to group meals.

Element 2 – The Expenditure Was Without Authority of Law

The next element that must be proven is that the official's expenditure was without authority of law. With regard to meal and travel expenses, different legal standards

apply to the city council than apply to non-elected city employees. For non-elected employees, meal expenses are limited only by city policy. Because city policy authorized the meal expenses, the non-elected employees' expenses were legally permissible.

As to the city council, however, since January 2006, California law and an Oxnard resolution have limited reimbursement to the IRS daily reimbursement rates. Thus, to prove this element as to city councilmembers, it must be proven that the elected official's meal exceeded the IRS reimbursement rate and that the elected official did not repay the city for the excess amount. Again, given the evidentiary impediments discussed above, the evidence does not establish the cost of any particular city councilmember's meal. Most significantly, because the city's recordkeeping practices were inadequate, no evidence exists to verify or disprove the various councilmembers' claims that they reimbursed the city.

Element 3 – The Official Knew the Expenditure Was Without Authority of Law

The final element that must be proven is that the official knew, or was criminally negligent in not knowing, the expenditure was without authority of law. This is the newly created *Stark* requirement. The city's virtually unlimited travel reimbursement policy effectively insulates the officials from criminal responsibility. City policy B-2, outlined above, permitted two options. An official could receive up to \$70 per day for meal expenses or could exceed the \$70 limit simply by purchasing a more expensive meal and submitting a receipt showing the higher cost. As to non-elected employees, the policy, while extremely generous, may not be contrary to law. As to the elected officials, it must be proven beyond a reasonable doubt that the official knew, or was criminally negligent in not knowing, this longstanding policy was contrary to law.

Conclusion – Expensive Meals

The available evidence concerning expensive meals is insufficient to prove criminal misappropriation of public funds. In most instances, there is no evidence to prove which official incurred any particular excessive meal expense. In addition, the city's recordkeeping provides no avenue to disprove the officials' assertions that they reimbursed the city for excess expenses. Finally, because of the city's unduly generous policy, there is insufficient evidence to prove beyond a reasonable doubt that any official knew the meal expenses were contrary to law under the requirements of *Stark*.

The Evidence of Personal Expenses Paid by the City

In addition to expensive meals, city funds were alleged to have been spent for personal purchases or for spousal travel or meals. The most significant instance involves the trip to New York in December 2008. Councilmember Herrera, City Manager Sotelo and Chief Financial Officer Cameron were alleged to have unnecessarily extended the trip, essentially taking a vacation at taxpayer expense. Other potentially personal expenses included upgraded hotel rooms, hotel spa purchases, an airline ticket and baggage fees for spouses, and meals for spouses.

New York Trip Timeline

Several city officials traveled to New York City in December 2008 to receive an award on behalf of the city. Though the awards ceremony took place on only one night, Sotelo, Cameron and Herrera stayed for five nights. The officials flew to New York on Tuesday, December 2, 2008. Cameron, Herrera, and Sotelo stayed at the Times Square Hilton, as did their wives and Sotelo's daughter. Finance Manager Mike More, also accompanied by his wife, stayed at the Doubletree Hotel in Times Square. Public Works Director Ken Ortega flew to New York on December 1, 2008, accompanied by his wife, and also stayed at the Doubletree Hotel in Times Square.

On Wednesday, December 3, 2008, the Bond Buyer Deal of the Year Awards Ceremony was held at the New York Academy of Sciences, located at 7 World Trade Center. Cocktails were scheduled to begin at 6:00 p.m. and the ceremony was scheduled to conclude at 10:00 p.m. John Kim of De La Rosa & Co. said that after the awards concluded, he hosted Sotelo, Herrera, Cameron, Ortega, More and several spouses to dinner at Tribeca Grill. Kim paid the bill of \$1,180.25.

The next night, Thursday, December 4, 2008, John Kim again hosted dinner for Sotelo, his wife and daughter, Ortega, and his wife, as part of a group, this time at Gotham Bar & Grill. It is unclear whether Cameron or Herrera attended. Kim paid a bill of \$1,571.66. After dinner, Kim further hosted some members of the Oxnard group to a performance of the Broadway show, *Gypsy*, including Ortega, Cameron and Sotelo, their wives, and Sotelo's daughter. Tickets for the show cost \$88.25 each.

On Friday, December 5, 2008, Finance Manager More and Public Works Director Ortega left New York, while the other three officials remained for two more nights. That evening, Shea Properties hosted a dinner attended by the three Oxnard officials and their family members at Del Frisco's Double Eagle Steak House. At the time, Shea Properties was the primary developer of the RiverPark project in the city of Oxnard. Shea Properties paid a bill for the group of \$1,298.46. Representatives

from Shea Properties confirmed they invited the officials to have dinner with them in New York on December 5. The city's trip itinerary included the meeting and some Oxnard officials said they thought it was to be a business meeting, although the Shea Properties representative said it was purely social and did not have to take place in New York.

City officials had no city events scheduled on Saturday, December 6, 2008, though Sotelo used his city credit card to pay for a \$554 dinner at Trattoria del Arte that night. Councilmember Herrera's travel form indicates his dinner for that night was "paid by Ed's credit card." The next day, Sunday, December 7, 2008, the officials and their families flew back to California.

New York Trip Expenses

The officials' round-trip flights to New York totaled more than \$1,600. The city also paid for Councilmember Herrera's wife's flight, at least initially, because Mrs. Herrera's flight was charged to Cameron's credit card by the travel agent. As will be discussed later, it is unknown whether this was intentional or whether Councilmember Herrera reimbursed the city for the cost of his wife's flight.

The City of Oxnard paid more than \$9,500 for hotel accommodations for the officials. Rooms for the three ranking officials at the Times Square Hilton cost approximately \$600 per room, per night. Cameron's and Herrera's rooms at the Times Square Hilton cost Oxnard taxpayers nearly \$3,000 each. City Manager Sotelo paid for two nights at the Times Square Hilton on his personal credit card. As a result, his room cost Oxnard taxpayers only \$1,880. The rooms at the Doubletree Hotel in Times Square for Public Works Director Ortega and Finance Manager More cost \$449 per room, per night, though Ortega personally paid for two nights of his stay. The city also paid more than \$1,200 for meals and per diem for the officials. These costs included a \$554 dinner at Trattoria del Arte and a \$207 lunch at Oyster Bar that were charged to Sotelo's city credit card. The costs also included a \$139 breakfast charged to Cameron's city credit card. Oxnard taxpayers also paid nearly \$1,500 in ground transportation and parking charges to take the officials, and, in some cases their wives, back and forth from the two airports. Significantly, taxpayers paid more than \$300 for Sotelo and Herrera's round trips between the airport and the Times Square Hilton. This was more than double the cost of a taxi, according to an e-mail from the city's travel agent to city personnel. Table 4, below, summarizes the New York trip costs.

Table 4 – New York Travel Expenses

	Ed Sotelo	Andres Herrera	James Cameron	Ken Ortega	Mike More	TOTAL
Hotel Costs	\$1,881	\$2,975	\$2,975	\$1,028	\$1,028 ³⁸	\$9,887
Airfare	\$301	\$405	\$389	\$305	\$271	\$1,671
Meals	\$910	\$187	Unknown	\$230	Unknown	\$1,327
Ground Transportation	\$532	\$659	Unknown	\$306	Unknown	\$1,497
TOTAL	\$3,624	\$4,226	\$3,364	\$1,869	\$1,299	\$14,382 ³⁹

In all, taxpayers paid approximately \$14,000 for five city officials to attend a one-evening awards ceremony. City officials spent this money after City Manager Sotelo announced an austerity program severely limiting training and travel due to the city's serious budget issues. Moreover, in the two months following this excursion, Public Works Director Ortega announced additional cutbacks to the department's training budget and suspended the department's coffee and water service to employees. More significantly, in July 2009, the city cut the budgets of numerous city departments to make up for a \$10.2 million general fund budget shortfall.

Herrera told investigators that he only stayed in New York for two nights, which was untrue. Herrera otherwise gave a fairly specific description of what he did during the trip. Sotelo initially said he only stayed three nights, which was also untrue, though Sotelo paid for two nights at the hotel. Sotelo also paid the city \$1,800 following the New York trip. Due to incomplete recordkeeping by the city, it is unknown whether any portion of this payment was to reimburse the city for personal expenses related to the New York trip or whether it was unrelated.

Cameron went to New York as a substitute for Mayor Holden, who was scheduled to attend. When interviewed about the length of the stay, Cameron stated that he was not sure why the stay was five days, but said that he had been told it was to take advantage of some kind of discount that made the extended stay cheaper. Based on

³⁸ Estimated based upon charge for Ortega's room.

³⁹ Any reimbursement by city officials would reduce the total. For example, in January 2009, City Manager Sotelo paid the city \$1,800, though it cannot be determined whether any portion was a reimbursement for the New York travel expenses.

Cameron's statements, investigators interviewed the travel agent who booked the New York trip. At the time of the interview, the travel agent had not done business with the city for more than a year. The travel agent told investigators that she booked the trip around Thanksgiving for travel to New York during the first week of December. She said that early December is one of New York's busiest travel seasons and that accommodations in New York were difficult to obtain on short notice. The travel agent told investigators that she thought the airfare may have been cheaper with a Saturday night stay and there may have been a five-night minimum on the hotel stay. The hotels suggested by the award ceremony promoters were booked up, so the travel agent chose the hotels, booking rooms at two hotels because there were not enough rooms available in the less expensive hotel. She said the hotel bookings were nonrefundable, which is why Cameron went to New York when Mayor Holden could not. The travel agent said that city personnel were normally frugal in their travel selections.

District attorney investigators also interviewed a representative of the Times Square Hilton hotel. The hotel representative confirmed that early December is one of their busiest times and that the Hilton frequently has mandatory minimum stays of three, five or seven nights. Hotel records did not show what the minimum stay was for the officials' trip, but the representative confirmed that it was at least three nights and may well have been five nights. Comparison of the flight costs for those who stayed five nights with those who went home after three nights revealed that the Saturday night stay did not reduce the airfare.

Analysis of New York Trip

There is ample evidence that the five Oxnard officials spent public money on the extended New York trip. The key questions are whether there is sufficient evidence to prove beyond a reasonable doubt that the expenditures were unlawful and that the officials knew so or were criminally negligent in not knowing. The law permits the city to send officials to receive awards on its behalf, but does not permit the officials to extend the trip for purely personal reasons at city expense. The reasons for extending the trip are therefore critical. The false statements of Herrera and Sotelo create an inference that they lied about the length of the trip to hide misconduct. However, independent evidence suggests the trip was not criminal.

The available evidence reveals the hotels were selected by the travel agent based upon short-notice availability and that the length of stay may have been due to a minimum stay required by the hotel. Also, investigators found that the initial Travel Authorization Request forms for the New York travelers only requested travel from December 2, 2008, through December 4, 2008, which may support the assertion

that the dates were selected due to minimum stay requirements. Additionally, representatives from Shea Properties invited the officials to a dinner meeting with them and there is evidence that at least some of the officials believed this would be a business dinner.

Based on the available evidence, there is insufficient evidence to establish beyond a reasonable doubt that the extended trip was without authority of law. Whether to send city officials to an industry trade event is a permissible local governmental decision. Whether to send five officials to receive an award or to pay for a five-night minimum stay is similarly within the discretion of the local government. While this may be a questionable use of taxpayer resources, under the circumstances, it does not appear to be outside the authority of law.

Moreover, while meals and other expenses may have exceeded legal limits, there is insufficient evidence to prove beyond a reasonable doubt that the travelers knew or were criminally negligent in not knowing that the expenses were without authority of law. City Manager Sotelo personally paid for two nights at the hotel and may have reimbursed the city an additional \$1,800 after the trip. Public Works Director Ortega also personally paid for two nights at the hotel. Chief Financial Officer Cameron was a late substitute and the only available evidence is that he believed the length of stay was necessary to secure a savings for the city. Councilmember Herrera attended the Shea Properties meeting two nights after the award ceremony and there is evidence that before it occurred, the meeting was portrayed to officials as a business meeting. Once again, the city's lack of a meaningful policy on travel limitations further undermines the ability to prove knowledge or criminal negligence. The New York trip was clearly expensive. The fundamental question for this report, however, is whether the evidence is sufficient to prove beyond a reasonable doubt the officials are guilty of a crime. In this instance, again due to city policies and inadequate recordkeeping, the evidence does not meet that burden of proof.

Other Potential Personal Expenses

A variety of potentially personal expenses were discovered during the investigation. The table below lists these potentially personal expenses. For the reasons detailed previously, the city's recordkeeping system simply does not establish whether the city actually paid for these expenses.

Table 5 – Potentially Unreimbursed Personal Expenses

Date	Conduct	Cost
October 2005	Two spa treatments (San Francisco) – Herrera	\$225.00
May 2007	Upgraded hotel rooms (Las Vegas) – Holden, Herrera, Sotelo and Burnham	\$163.50 x 4 officials = \$654
May 2008	Upgraded hotel rooms (Las Vegas) – Holden and Herrera	\$163.50 x 2 officials = \$327
September 2008	Airline baggage fee (Richmond, Virginia) – Sotelo’s wife	\$40.00
December 2008	Airline flight to New York – Herrera’s wife	\$405.01
December 2008	Group lunch at Oyster Bar (New York) – Sotelo’s wife and daughter, Cameron’s wife	\$207.01
December 2008	Group dinner at Trattoria Del Arte (New York) – Sotelo’s wife and daughter, Cameron’s wife	\$554.53

Hotel Upgrades

In May 2007, City Manager Sotelo, Mayor Holden, Councilmember Herrera and Assistant City Manager Karen Burnham upgraded their Las Vegas Hilton hotel rooms upon their arrival at a conference. The increased cost for each room was \$54.50 per night, for a total of \$163.50 per room. A witness told investigators that the officials’ rooms were not available when they arrived, so some of the officials requested upgraded rooms that were immediately available, resulting in upgrades for the entire group. The following year, Mayor Holden and Councilmember Herrera again upgraded their Las Vegas Hilton hotel rooms, at the additional cost of \$54.50 per night. No evidence is available as to the reason behind the latter upgrade.

In an effort to determine whether the upgrades occurred because reserved rooms were not available when officials arrived, investigators contacted personnel at the Las Vegas Hilton by telephone. One employee said that it was not possible to determine whether the officials were forced to upgrade their rooms upon arrival. Another employee stated that the reserved rooms would eventually have been

available on the day of arrival, though they may not have been available at the time the officials arrived.

The question regarding upgraded hotel rooms is not whether the officials took the most fiscally prudent steps by upgrading their rooms, but whether it was criminal for them to upgrade the rooms. Because it cannot be proven whether the lower rate rooms were available at the time they were needed, there is insufficient evidence proving that the expenditure was without authority of law. Additionally, it cannot be proven beyond a reasonable doubt that the officials knew that the extra expense was without authority of law.

Spouses' Meals and Travel Expenses

City travel policy expressly prohibits the use of city funds to pay expenses for a spouse to travel with an employee. The policy nonetheless encourages spouses to travel with city employees at their own expense, stating:

[T]he attendance of a spouse serves and promotes desirable City purposes and goals. While traveling, the City Manager encourages spousal participation in the travel at the employee's own expense.

The other purchases identified in Table 5 above would be improper for the city to pay. All city employees who were interviewed on the topic agreed that expenditures on spouses are prohibited and no official claimed they thought it was legal for the city to actually pay their spouse's expenses. Virtually all of the officials interviewed said that when the spouses accompany them for meals, it is their practice to pay for their spouses' meals. Several also said that in group dining situations, the officials would pay portions of the expenses personally, such as by taking turns picking up the check at different meals. While there is some evidence to corroborate this claim, the practice makes accurately accounting for government funds impossible. Moreover, while city credit card policy prohibits the use of city credit cards for personal purchases, the city permits it in practice. The city's practice allowed some officials to put personal purchases on city cards temporarily, then either offset the purchase against reimbursement money owed to the official or repay the city via the treasurer's office.

In most instances, the officials and their spouses are unavailable to testify due to marital or Fifth Amendment privileges. Even when spouses can be placed at group meals, there is no evidence to prove that their expenses actually went on the city credit card as opposed to being paid for personally. Further, the city's recordkeeping system makes it impossible to prove whether these expenses were truly paid by the city or were paid by the officials personally. In most instances, the officials whose

spouses were present at city-paid meals told investigators that they reimbursed the city for their spouses' expenses. The city's recordkeeping makes it impossible to either confirm or contradict this assertion. In addition, there is no evidence that anyone but the purchasing official knew that the expense went on a city credit card, as opposed to having been offset by other shared expenses that evening. In all, there is insufficient evidence to prove the expenditures were criminal misappropriations.

The Evidence of City Manager Sotelo's \$10,000 Personal Loan

In the fall of 1998, City Manager Ed Sotelo obtained a \$10,000 personal loan of city funds at a simple interest rate of 4 percent. In 1998, the bank prime loan rate varied between 7.75 percent and 8.25 percent and unsecured personal loan interest rates were approximately 13 percent.⁴⁰ The loan documents were prepared and signed by then-City Attorney Gary Gillig. The loan was processed and funded after approval from then-Finance Director Phil Molina. The terms of the loan required Sotelo to make interest payments of \$400 to the city every year on or before December 31. The balance of the loan was due and payable upon the earliest of three events: the sale of Sotelo's home, the date of December 31, 2008, or Sotelo's separation from the city.

California law prohibits personal loans of city funds under such circumstances unless the loan is part of the official's employment contract. An improper personal loan can be prosecuted as a misappropriation of public funds under Penal Code section 424(a)(2).

Evidence Regarding the Loan

Former Finance Director Phil Molina told investigators that Sotelo approached him in August or September 1998, saying he needed a \$10,000 loan to make a down-payment on a house. Molina said that he referred Sotelo to then-City Attorney Gillig. According to Molina, Sotelo and Gillig approached him a few weeks later and asked him to process the loan payment to Sotelo. Molina said he questioned them about why the loan had not been on the city council agenda, why the loan was not signed by the mayor, and why the loan had not been approved by city council. According to Molina, City Attorney Gillig angrily told him that Gillig was the highest legal authority in the city and he would decide whether things had to go before council. Molina processed the loan despite his belief that neither he nor the city attorney had

⁴⁰ Board of Governors of the Federal Reserve System, "Bank Prime Loan Rate Changes: Historical Dates of Changes and Rates," Release H.15 Selected Interest Rates (December 17, 2008); Edelberg, Wendy, "Risk-based Pricing of Interest Rates in Household Loan Markets," Working Paper (2003).

the authority to loan public funds without city council approval. Molina told investigators that he did not report the suspected crime to law enforcement despite his concerns.⁴¹

Former Accounting Manager Orlando Capulong told investigators that he issued the \$10,000 check to Sotelo in 1998 after Molina approved it. Capulong confirmed that he had never seen another loan to a city officer and that the city has no written policy authorizing such loans. Capulong also said that the loan was never publicized and the only people who knew about it were Sotelo, Gillig, Molina, More and Capulong. City records reveal that over the years, Sotelo's interest payments were addressed to a variety of officials, including then-Finance Director Marcie Medina (2006), then-Acting Finance Director Susan Winder (2007), and City Attorney Alan Holmberg (2008 and 2009).

Former City Attorney Gillig told investigators that it was strange that Sotelo approached him about the loan, rather than anyone on council approaching him. According to Gillig, Sotelo told him the loan had been approved by council and asked him to write it up. Gillig said he did not confirm Sotelo's statement with anyone on council because he accepted Sotelo's word and did not want it to look like he was checking up on his boss. District attorney investigators obtained two signed versions of Sotelo's loan. In one version, the loan was due at the end of 2003. In the second version, the loan was due at the end of 2008.⁴² When shown copies of the promissory notes, Gillig confirmed that he had drafted and signed them. Gillig told investigators that he never discussed the loan with Molina, but said that he may have discussed it with Finance Manager Mike More.

A review of 1998 city council minutes and resolutions by investigators revealed no approval of the Sotelo loan. A review of Sotelo's employment agreements with the city revealed no mention of the loan. Records from the city's computerized financial system reveal that Sotelo made \$400 interest payments to the city through 2009, though it appears he may have missed a payment in 2001. Moreover, records reveal that Sotelo did not repay the loan in full when two of the triggering events occurred – when he sold his home in October 2003 or in December 2008.

⁴¹ Molina told investigators that in November 1999, after leaving city employment, he met on other issues with Gary Auer, who was chief of the District Attorney Bureau of Investigation. Molina said he provided Auer with a box of documents that contained a copy of the promissory note, though he never specifically told Auer about Sotelo's loan from the city. Former Chief Auer told investigators that although he met with Molina and received documents, he did not see evidence of a loan to Sotelo.

⁴² Copies of the promissory notes are found in [Attachment D](#).

In August 2011, an article in the *Ventura County Star* publicized the loan and its overdue status. According to the article, Sotelo admitted receiving the loan and said that he had always intended to repay the loan when he retired. Sotelo was quoted as saying, “I think the salient point is that the contract required a \$400 payment every year” and “I never missed a year.”

City records show that as of February 2012, Sotelo has repaid the \$10,000 loan and has made the required interest payments.

Analysis of Criminality of the Personal Loan

From the available evidence, Sotelo’s loan appears to have been criminal in that he borrowed or used \$10,000 of public funds without approval from city council. Thus, the loan was without authority of law. Further, as city manager, Sotelo was primarily responsible for putting matters on the city council agenda and clearly knew how to have his loan or employment agreement placed on the agenda for formal approval. Rather than doing so, Sotelo approached Molina and Gillig to have them write up the loan. As the ranking executive officer for the city, Sotelo was at the very least criminally negligent in not knowing his loan had to be approved by city council.

Because this violation occurred more than 13 years ago, however, the statute of limitations precludes prosecution against Sotelo. The applicable law permits prosecution only within four years of the date the crime was discovered by a qualifying city official. In this case, the crime was discovered more than four years ago by several qualifying officials – Finance Director Phil Molina, Finance Manager Mike More, and Accounting Manager Orlando Capulong. Because all of these officials knew of the conduct when it took place, and knew that the loan had not been approved by city council, the statute of limitations expired many years ago and prosecution is prohibited.⁴³

⁴³ The District Attorney’s Office also examined the possibility of prosecuting the loan as an embezzlement of public funds, which has no statute of limitations under Penal Code section 799. However, embezzlement carries with it a requirement that the funds be “fraudulently appropriated.” There is insufficient evidence to meet the fraud element for embezzlement. The loan was obtained in open consultation with several city financial officials and a legal professional. It was accurately entered into the city’s computerized financial system and payments were openly made annually. Although several of the officials were suspicious of the legality of the loan, it does not meet the definition of embezzlement. Rather, that suspicion is exactly what triggered the running of the statute of limitations for misappropriation.

The Evidence of the Supplemental Post-Retirement Benefit

In July 2003, City Manager Sotelo established an additional compensation benefit for the city's Top Management category, plus the city attorney and himself. The benefit, known as the Supplemental Post-Retirement Benefit (SPRB), gave eligible employees a supplemental retirement payment of \$300 per month, in addition to their regular pension benefits through PERS and PARS.⁴⁴ Benefit payments to qualified retiring employees began in 2004. There is no evidence the SPRB was approved by the city council before its implementation. The SPRB was published in the city's Administrative Manual at least as early as January 2008.⁴⁵ As of 2011, payments were being made to six retirees, including former Police Chiefs Arthur Lopez and John Crombach, former City Attorney Gary Gillig, former Treasurer Dale Belcher, former Public Works Director Granville Bowman, and former Human Resources Director Lino Corona.

The matter was reported to the District Attorney's Office and received local media attention in the summer of 2011. The SPRB was examined as a potential misappropriation and a potential conflict of interest. The SPRB was placed on the city council agenda for discussion in September 2011, after the benefit was reported in the *Ventura County Star*. City Manager Sotelo provided a report to the city council concerning the SPRB, saying he had the inherent authority to set salary and benefits as city manager and had done so since 1998. At the meeting, councilmembers expressed their surprise at the existence of the benefit and directed staff to study its legality and whether they could discontinue the benefit. Councilmember Carmen Ramirez expressed her belief that Sotelo's decision was permissible, as did Councilmembers Bryan MacDonald and Irene Pinkard. Councilmember Flynn said that he did not know whether the decision was legal and requested that staff seek an outside legal opinion.

Councilmember Dean Maulhardt told a *Ventura County Star* reporter that the council authorized the city manager to negotiate benefits for non-union employees. Maulhardt also said that the part-time council would be overwhelmed if faced with the compensation details of each of the 160 or so non-union workers under the city manager's purview. Maulhardt was quoted as saying "We authorize people to do things. He did." Councilmember MacDonald subsequently told district attorney investigators that the council allowed Sotelo to make such decisions regarding benefits, though the arrangement was informal.

⁴⁴ PERS is the Public Employees' Retirement System. PARS is the Public Agency Retirement Services.

⁴⁵ A copy of Section E-28 of the City of Oxnard Administrative Manual pertaining to the SPRB may be found in [Attachment F](#).

Analysis of the SPRB as Potential Misappropriation⁴⁶

Government Code section 36506 requires: “By resolution or ordinance, the city council shall fix the compensation of all appointive officers and employees.” Courts interpreting this law have clearly said that a city council cannot delegate its responsibility for determining compensation levels.⁴⁷ Thus, city council could not properly give Sotelo responsibility for setting benefits for city employees.

Sotelo plainly spent public funds by authorizing the SPRB. Because city council did not approve the SPRB, Sotelo’s expenditure was without authority of law. The two remaining questions are therefore whether Sotelo knew the expenditure was without the authority of law and whether the statute of limitations has expired. Current and former councilmembers confirmed that the council delegated to Sotelo the responsibility to set benefits for non-union employees. Former City Attorney Gary Gillig published the SPRB in the city’s Administrative Manual. Several councilmembers publicly stated their belief that Sotelo had the legal authority to set benefits. Though the councilmembers cannot lawfully delegate their responsibility to set compensation, the evidence is that they did so. This corroborates Sotelo’s stated belief that he had the legal authority to establish the SPRB. Based on this evidence, it cannot be proven that Sotelo knew or was criminally negligent in not knowing that his expenditure was without lawful authority. Moreover, the benefit was created in July 2003, well outside the applicable statute of limitations.⁴⁸

The Evidence of Excessive Payments of Taxpayer Funds for Marketing and Organizational Consultants

Witnesses told investigators that Public Works Director Ortega improperly spent city funds on the consulting services of JVW Communications, a marketing firm, and the Communication Goddesses, an organizational consultant. Witnesses reported that over several years Ortega entered into a series of contracts with the firms for unnecessary or redundant work and that the firms were at times paid with city funds restricted to other purposes. Witnesses also told investigators that Ortega later concealed his use of the firms by employing them as subcontractors for other companies and billing the city under the other companies’ city contracts.

City records reveal that between 2003 and 2006, the two firms provided services to various departments within the City of Oxnard under several direct contracts

⁴⁶ Analysis of the SPRB as a potential conflict of interest can be found in Section Five.

⁴⁷ *Bagley v. City of Manhattan Beach* (1976) 18 Cal.3d 22, 25.

⁴⁸ The SPRB was also examined as a potential embezzlement of public funds, which has no statute of limitations under Penal Code section 799. As was true of Sotelo’s personal loan, there is insufficient evidence to meet the fraud element required for embezzlement.

between the city and each firm. Each contract involved different services, related to different projects or departments. Ortega's name only appears on some of the contracts. In addition, both firms worked as subcontractors under other companies' city contracts many times between 2003 and 2006. In the summer of 2006, Sotelo learned the firms were acting as subcontractors under city contracts and about the use of restricted funds. In February 2007, Sotelo instructed Ortega to stop the Public Works Department's use of the firms as subcontractors. Sotelo addressed the issue with Ortega again in June 2007 and August 2007. Eventually, the practice stopped.

Ortega told investigators that the Public Works Department used JMW Communications for several years with independent contracts, both before and after he became Public Works Director. Ortega told investigators that he was aware that some project managers used JMW Communications as a subcontractor to provide public outreach services, but he did not know the scope of the firm's use when Sotelo asked him to stop the practice. Ortega said the Communication Goddesses and JMW Communications services were billed under broad general consulting services contracts with other companies, giving the city wide latitude in requesting the companies to complete tasks for the city. Ortega told investigators that both firms performed work that was necessary and appropriate service to the city. Ortega said that in 2006 or 2007, Sotelo eventually asked him to stop the department's use of the firms as subcontractors. Although it took some time, Ortega stopped the department from using the firms.

Analysis of the Use of Marketing and Organizational Consultants

The city's policies in the early 2000's gave city department heads virtually unfettered authority to enter into contracts on behalf of the city. Though some JMW Communications contracts appear to be related and may have overlapped somewhat, each of the contracts identify different work to be completed for different projects. The evidence does not show that JMW Communications was paid for work it did not do. Significantly, the evidence establishes that Ortega only approved approximately one-half of the direct contracts with JMW Communications. The remaining contracts were approved by other officials, including Ortega's former supervisor. The analysis is similar concerning work performed by the Communication Goddesses. The firm contracted directly with the city several times over a period of years and was used by a variety of city departments, including public works. The evidence does not establish these contracts were without authority of law.

Neither does the evidence establish that Ortega was responsible for the firms' subcontract work or that such use of the firms amounted to a criminal misappropriation. Invoices submitted by companies with city consulting contracts identified the firms as subcontractors and the invoices were approved by numerous city personnel. Again, there is no evidence the firms were paid for work they did not do. In addition, the evidence does not meet the knowledge or criminal negligence standard required by *Stark*. Between 2003 and 2006, many Public Works Department employees at varying ranks used the city's consulting contracts seemingly to complete whatever tasks the city needed, regardless of whether the tasks were closely related to the scope of the contract or any restrictions on the funds. Witnesses openly discussed this as a common city practice, revealing no suspicion that the practice might not be lawful.

There is insufficient evidence to prove Ortega was involved in criminal misappropriation as to either JWV Communications or the Communication Goddesses contracts. In addition, because City Manager Sotelo was aware of these practices and addressed them with Ortega several times beginning in 2006, the statute of limitations bars prosecution.

The Evidence of Concealed Payments of Taxpayer Funds for GREAT Program Expenses

Witnesses told investigators that Ortega used taxpayer funds to pay for a formal grand opening celebration of a city water facility. Ortega also reportedly inflated a city contract amendment and used the excess city funds to commission a mural and scale model for the city.

Oxnard's GREAT (Groundwater Recovery Enhancement and Treatment) Program is a \$250 million public works project launched in 1999 to improve the quality and reliability of the city's water supply and to reduce the city's reliance on imported water. To accomplish its goal, the city is building a number of water purification, desalination, and recovery facilities. This section of the report discusses three different facilities.

- Blending Station 1 (BS1) houses the desalter that is used to remove salt and minerals from Oxnard's brackish groundwater supply. The desalter became operational in the fall of 2008 and was the subject of a grand opening celebration on November 13, 2008. The contract for the initial design of the desalter at BS1 was awarded to Kennedy/Jenks Consultants.

The \$19.5 million contract for construction of the desalter was awarded to Emma Corporation.

- The Advanced Water Purification Facility (AWPF) is a facility, currently under construction, that will purify and recycle water. The facility was still in the design phase in 2008.
- Blending Station 3 (BS3) is a facility that will eventually house another desalter. The desalter at BS3 was still in the design phase in 2007 and 2008. The contract for the design of the desalter at BS1 was awarded to Kennedy/Jenks Consultants. In 2008, some of the funds authorized to pay for the design of the BS3 desalter were diverted to pay for a mural at the BS1 desalter facility and a scale model of the AWPF.

The Desalter Celebration

On November 13, 2008, the city held a grand opening celebration for the BS1 desalter. Approximately 250 people attended the formal affair. Herzog Wine Cellars served wine and appetizers and gave guests etched wine glasses.⁴⁹ Tierra Sur restaurant (located at Herzog Wine Cellars) served a four-course dinner. A video on the history and construction of the desalter was shown to the guests and a scale model of the AWPF was unveiled as the next big step in the GREAT Program.

After the celebration, a councilmember questioned Sotelo about how the celebration was funded and Sotelo requested an accounting from Ortega. Ortega gave Sotelo a written list of expenses, indicating that various companies involved in the GREAT Program, as well as Herzog Wine Cellars, contributed to cover most of the costs of the celebration.⁵⁰ Much of the information Ortega provided proved inaccurate. Sotelo, other city employees, and a private investigator attempted to determine the true expenses and funding for the desalter celebration, with limited success.

⁴⁹ Between 2005 and 2010, Herzog Wine Cellars repeatedly discharged wastewater that did not comply with its city-issued discharge permit, with pH levels or solids content outside the permitted range. Some employees questioned the impartiality of the city's permit enforcement regarding Herzog Wine Cellars. The evidence reveals numerous monthly discharge permit violations. These violations were documented by the city and resulted in monetary penalties based on the level of non-compliance. Records show frequent consultation between city officials and Herzog Wine Cellars representatives and efforts to remedy the violations. The Regional Water Quality Control Board (RWQCB) monitored the city's enforcement efforts via periodic audits. In February 2008, the RWQCB informed the city that due to the ongoing violations, the city's enforcement policies required more formal action. In June 2008, the RWQCB found the city's formal enforcement action against Herzog Wine Cellars sufficient. While a close relationship between city officials and local business raised concerns of preferential treatment, no evidence of criminal wrongdoing was found.

⁵⁰ A copy of Ortega's list of costs for the desalter celebration is in [Attachment G](#).

Due to inaccurate recordkeeping, the passage of time, and a lack of cooperation from some witnesses, the celebration's costs and contributions cannot be fully determined. The following celebration expenses were confirmed:

<u>Item</u>	<u>Cost</u>	<u>Purchaser</u>
• Scale model of AWPf	\$13,500	Kennedy/Jenks
• Audiovisual presentation	\$ 7,401	Kennedy/Jenks
• Flowers	\$ 2,625	Kennedy/Jenks
• Wine	\$ 8,940	Herzog Wine Cellars
• Hors D'oeuvres	\$12,080	Herzog Wine Cellars
• Glasses	\$ 1,400	Herzog Wine Cellars
• Jeroboams ⁵¹	\$ 700	Herzog Wine Cellars
• Dinner, tips, labor & tax	<u>\$49,000</u>	Various Contractors
	<u>\$95,646</u>	

Records show that three companies working on the GREAT Program paid a total of \$49,000 to Herzog Wine Cellars for the dinner costs. One of the companies, Emma Corporation, paid Herzog Wine Cellars \$25,000. After having initially denied that Emma Corporation donated to the desalter celebration, late in the investigation one Emma Corporation employee told investigators that Emma Corporation's contribution was essentially city money. The employee said that Oxnard Project Manager Juan Moreno verbally authorized Emma Corporation personnel to use money saved in a contingency fund during the construction of the desalter to contribute to the celebration.

District attorney investigators confirmed that in addition to the construction changes reflected in the formal billings, Emma Corporation and Kennedy/Jenks Consultants kept an informal "contingency fund" to track additional construction changes not formally submitted to the city. Some of these additional changes reduced construction costs, while others increased costs. This informal contingency fund system was used to permit relatively low-cost adjustments to the construction project to be made quickly without seeking formal approval from the city. At the completion of construction, any net savings should have been returned to the city. Witnesses from both companies told investigators that Moreno verbally approved their use of the contingency fund. The contingency fund records do not detail the reasons for every entry. Neither do they establish whether funds from the contingency fund were used to pay for the desalter celebration.

⁵¹ A jeroboam is a large wine bottle equivalent to four regular bottles.

Investigation of this assertion was complicated by a contractual dispute between the city and Emma Corporation that arose after construction was completed. The dispute centered on the accuracy of Emma Corporation's billings for changes to the construction project. Emma Corporation submitted approximately \$1.9 million in construction change billings that were approved by Moreno. An audit by the city questioned the accuracy of approximately \$600,000 of the construction change billings. To resolve the dispute, Emma Corporation agreed to reduce its billings by \$150,000. The dispute makes it more difficult to establish the reliability of the contingency fund valuations.

The Inflated Contract Amendment for BS3

Kennedy/Jenks Consultants had contracts related to BS1 and BS3. The firm's primary representative on the contracts was Jeff Savard. Savard and Ortega have a longstanding personal and professional relationship, beginning when they first met in college. According to Savard, in May 2008 Ortega asked Kennedy/Jenks Consultants to do additional work at both BS1 and BS3, requiring city council approval to amend the contracts. E-mail obtained from Savard shows that Ortega proposed bundling the work from both BS1 and BS3 into a single contract amendment related to BS3 and Savard agreed. The e-mail suggests Savard and Ortega also agreed on a price of \$90,000 for the work at both facilities and that the BS3 contract amendment would not disclose the work to be done at BS1. Savard said he subsequently e-mailed Ortega a proposed contract amendment consistent with their agreement.

The proposed BS3 contract amendment submitted to city council by public works personnel differed from the amendment Savard said he e-mailed to Ortega, however.⁵² The submitted staff report and contract amendment reflected a cost of \$124,000 rather than the \$90,000 Savard said he requested. The documents did not mention the work to be done at BS1, or a mural, scale model, audiovisual presentation, or flowers. The Oxnard city council approved the \$124,000 contract amendment. Kennedy/Jenks Consultants later performed the work required at BS3 and the agreed-upon work at BS1.

Savard told investigators he did not know the BS3 contract amendment would be inflated to include an extra \$34,000, or who inflated the price, but he expected that

⁵² For a contract amendment to be considered by city council, a city employee must first prepare a staff report discussing the reasons for the amendment and recommending whether council should approve it. The contract amendment is attached to the staff report. Before the contract amendment is placed on the city council agenda for consideration, the staff report is circulated among several city employees, each of whom initials it indicating they have reviewed the report. A copy of the staff report with contract amendment may be found in [Attachment H](#).

Ortega would ask him to spend the extra money on city requests. According to Savard, Ortega asked Kennedy/Jenks Consultants to pay for a mural at BS1, a scale model of the AWPf and an audiovisual presentation at the desalter celebration. Documents confirm these claims and suggest that Juan Moreno asked Kennedy/Jenks to pay for flowers for the desalter celebration. In all, Kennedy/Jenks Consultants' expenses with respect to the contract amendment and desalter celebration were:

• Mural	\$ 20,472
• Model	\$ 13,500
• Audiovisual presentation	\$ 7,401
• Flowers	<u>\$ 2,625</u>
	\$ 43,998

The model maker confirmed he was hired by Ortega and paid by Kennedy/Jenks Consultants. The model was placed on display to visitors at BS1. The muralist, who is Ortega's brother-in-law, was hired by Ortega and paid by Kennedy/Jenks Consultants. The combined cost of the model and mural was \$33,972, just \$28 less than the excess funds in the contract amendment. The audiovisual company representative confirmed he was hired by Ortega and paid by Kennedy/Jenks Consultants.

Investigators were unable to determine who selected the \$124,000 figure for the contract amendment before it was presented to city council. The staff report and amendment documents were prepared by Water Resources Manager Anthony Emmert. Emmert told investigators he vaguely recalled the contract amendment, saying he may have prepared it or it may have been prepared by an assistant. Emmert did not recall how the amendment price was selected, saying that it may have come from Ortega. Emmert denied being involved in an effort to inflate the contract amendment and speculated that the price may have been an error. Emmert's assistant told investigators she typed the staff report and contract amendment. She said that when preparing such documents, she had no input on the content and either received the information the public works director's office, the assistant public works director's office, or from Emmert. Assistant Public Works Director Mark Norris told investigators he approved the staff report, but was not involved in its preparation and had no recollection of the report or contract amendment.

During several interviews, Ortega blamed the contract amendment and desalter celebration irregularities on a former subordinate, Juan Moreno, who was the project manager for the desalter construction. Ortega told investigators that Moreno

was responsible for securing funding for the celebration by seeking contributions from vendors. Ortega also said that the city's public information officer, who worked for City Manager Sotelo, was also involved in the day-to-day planning of the celebration. Ortega said he frequently discussed the event with City Manager Sotelo, who was aware that the event would be a formal dinner. Ortega explained to investigators that the desalter celebration was scheduled in the evening to accommodate the governor's schedule and that the governor's expected attendance was one reason why the event was more formal and costly than was typical. Ortega said that when Sotelo requested a list of the celebration's expenses, Ortega created one from incomplete information he received from Moreno and others. Ortega maintained that during the celebration's planning, there was no formal accounting or listing of who contributed. Rather, the celebration was planned in an informal manner by Moreno and the city's public information officer.

Ortega denied knowing that the BS3 contract amendment had been inflated. When confronted with the e-mail and other documentation obtained from Kennedy/Jenks Consultants and the city, Ortega admitted that it seemed like the contract was inflated to pay for the mural and model. However, he denied being involved, suggesting instead that Moreno may have been responsible. Ortega also said that under the city's contracting practices, it was not uncommon to broadly interpret general consulting services contracts to accomplish tasks that the city wanted done. He said that under the city's contracting practices it was not uncommon for work not specifically within the scope of the contract to be authorized, performed and billed to the contract. There is corroboration for these assertions. Ortega confirmed that he hired his brother-in-law to paint the mural at the desalter and told investigators that he regretted that decision. Ortega said hiring his brother-in-law had the appearance of impropriety and had hurt his reputation. He asserted that having a mural in the building was an appropriate use of city funds and was consistent with the city's desire to place art in public buildings, noting the existence of the city's "Art in Public Places" program.⁵³

⁵³ The city's Art in Public Places program requires developers to fund publicly displayed art within the city.

Analysis of the Concealed Payments for GREAT Program Expenses

The Desalter Celebration

The desalter celebration appears to have been funded with a combination of city and private funds. Efforts by city personnel and investigators to determine the celebration's true costs and funding were only partially successful. Several witnesses were uncooperative and others invoked their right to remain silent. Investigators learned that employees with Emma Corporation and Kennedy/Jenks Consultants used an informal contingency fund system to avoid formal city review of some modifications to the construction project. Employees from both companies told investigators that Public Works Project Manager Moreno verbally authorized and participated in the contingency fund. One witness told investigators that Moreno also verbally authorized the expenditure of city funds from the contingency fund to be used for the desalter celebration. These claims could not be confirmed or refuted. The available evidence does not accurately identify the desalter celebration expenditures or the sources of the funds used to pay for them. Witnesses essentially pointed at each other as having arranged, approved or authorized the city expenditures, with no clear way of determining the truth. Based on the available evidence, it cannot be proven to what extent the city paid for the celebration or who authorized the city's expenditures. As such, there is insufficient evidence to prove criminal misappropriation.

The Inflated Contract Amendment for BS3

To prove misappropriation in this context, the evidence must first prove who artificially inflated the price in the contract amendment. There is no direct evidence implicating Ortega. Jeff Savard is the sole witness that the contract amendment overpaid Kennedy/Jenks Consultants, though he does not know who inflated the contract amendment. Neither does the documentary evidence establish who inflated the figures. While circumstantial evidence suggests that Ortega may have been responsible for the inflated amount, the evidence similarly suggests that a number of others working on the project may have been responsible instead. Emmert admitted that he or his office prepared the BS3 staff report and contract amendment. Emmert could not recall the source of the contract amendment price. Emmert's assistant similarly could not recall the source of the price, but identified Ortega, Assistant Public Works Director Mark Norris, or Emmert as the possible sources. Significantly, the documentary evidence establishes Savard interacted with several city employees about similar questionable GREAT Program contracting practices, as evidenced by an e-mail chain discussing similar inaccurate contract practices related to BS1 and other GREAT Program contracts.

The second requirement to prove misappropriation is that the expenditure of funds was without authority of law. The City of Oxnard had the legal authority to put a mural in a city facility and to display a model of a city facility in the desalter visitors' center. In fact, the initial contract for the design of the desalter at BS1 expressly contemplated inclusion of a visitors' center, necessarily including decorative and display elements. Although there is legal authority to use city funds on such expenditures, there is no legal authority permitting a city employee to mislead city council to approve the expenditure of city funds.

The third requirement to prove misappropriation is the knowledge or criminal negligence element required under *Stark*. The BS3 contract amendment was consistent with the Public Works Department's lax contracting practices. Witnesses from within city government and outside companies confirmed that it was not uncommon to use contract amendments for one project to fund work on related projects, though everyone agreed it was not the preferred practice. Witnesses also told investigators that informal agreements between consultants and city officials are sometimes used to complete work related to one contract that will later be paid for under another contract. Similarly, funds originally designated for one portion of a project are at times used for another portion of the project that is momentarily a higher priority without seeking a contract amendment. With respect to the BS3 contract amendment, the excess funds were put to lawful uses for the city's benefit. Significantly, there were several mechanisms providing lawful authority to expend city funds for the mural and model. Direct contracts between the city and model maker or muralist would have been within any department head's signatory authority, including Ortega's. Alternatively, the mural and model could have been included in a contract amendment related to BS1, because the items were to be displayed there. In addition, an application could have been made for funding from the city's Art in Public Places program.

The inability to establish who inflated the contract amendment and the deficient contracting practices in the Public Works Department leave insufficient evidence to prove criminal misappropriation with respect to the BS3 contract amendment.⁵⁴

⁵⁴ In 2006, the city began modifying its contracting policies. Over several years, individual officials' signatory authority was reduced and, currently, contracts over \$25,000 require city council approval. In 2008, the city created the Contract Compliance Review Committee to examine city contracts for policy compliance. Additional internal controls may be helpful in detecting irregular contracting practices among those public works employees who do not comply with city policy.

SECTION SIX - FAILURE TO DISCLOSE GIFTS

This section will outline the major legal principles, evidence, and analysis relating to the allegations that Oxnard officials failed to disclose gifts received. To promote transparency in government and to avoid conflicts of interest, California law requires that city officials publicly disclose the gifts they receive on a designated form called the Form 700 Statement of Economic Interests.⁵⁵ The District Attorney's Office learned of allegations that officials received numerous gifts they were obligated to disclose but failed to do so.

The allegations focused largely on Oxnard's highest-level officials. The most serious allegations were leveled against Mayor Tom Holden, Councilmember Andres Herrera, City Manager Ed Sotelo, Public Works Director Ken Ortega, and Chief Financial Officer James Cameron. These officials were alleged to have regularly received gifts from companies and individuals conducting significant business with the city. More specifically, the officials were alleged to have received gifts of event tickets, golf outings, expensive meals or air travel from individuals affiliated with De La Rosa & Co., Shea Properties, BLT Enterprises, and Kennedy/Jenks Consultants.

An overview of the major legal principles involved in the nondisclosure of gifts is essential to the analysis of the evidence obtained in this investigation.

The Law Regarding Failure to Disclose Gifts

The California Political Reform Act of 1974 (PRA) was enacted in part to protect taxpayers against undue financial influences corrupting their politicians. One aspect of the PRA requires designated government officials to publicly declare their financial interests each year by filing a Form 700 Statement of Economic Interests. Among other things, officials must report income from non-governmental sources, ownership interests in business entities, partnerships, stocks, and rental properties in the jurisdiction, gifts from non-relatives and travel payments from third parties.

Under the law, a gift is anything for which fair value is not exchanged. Most gifts from a non-relative worth \$50 or more must be reported on the Form 700, though various exceptions apply. In addition to the reporting requirement, there is also a limit on the value of gifts an official may receive. City officials may receive gifts from

⁵⁵ The Form 700 Statement of Economic Interests and the accompanying instruction booklet can be found at the Fair Political Practices Commission Web site, www.fppc.ca.gov.

businesses as long as the total value of gifts from a single source remains below a maximum limit, which has increased over time:

In 2005-2006, the gift limit was \$360 from a single source during a calendar year.

In 2007-2008, the gift limit was \$390 from a single source during a calendar year.

Since 2009, the gift limit has remained \$420 from a single source during a calendar year.

Nearly all Oxnard officials who are management-level or higher are required to file an annual Form 700 Statement of Economic Interests. Form 700 violations may be enforced in one of three ways:

- Filing of felony perjury charges under Penal Code section 118
- Filing of misdemeanor Political Reform Act charges under Government Code sections 87203 / 87207
- Referral to the Fair Political Practices Commission (FPPC) for administrative and civil remedies that typically include imposition of monetary fines

Perjury (Penal Code section 118 - felony)

Form 700s are signed under penalty of perjury. As such, failure to disclose the receipt of gifts may constitute perjury under the right circumstances. To prove a Form 700 filer committed perjury, it must be proven that:

1. The law required disclosure of a particular gift,
2. The Form 700 filer knew he or she was required to disclose the gift,
3. The filer intentionally did not disclose the gift, with the intent to declare falsely under penalty of perjury, and
4. The information not disclosed was material.

Information is considered “material” if it is substantially likely that a reasonable person would think it is important in evaluating whether the official can do his job free from bias caused by the gifts. Under the law of perjury, proof of the gift’s receipt cannot come from the testimony of a single person alone. Corroboration is required because the law does not allow a perjury conviction to result from one person’s word against another’s.

Political Reform Act Violation (Government Code sections 87203 / 87207 – misdemeanor)

The Government Code authorizes misdemeanor prosecution for violations of the Form 700 reporting requirements. The elements are similar to perjury, without the materiality or corroboration requirements. To prove a violation of the PRA, it must be proven that:

1. The law required disclosure of a particular gift,
2. The Form 700 filer knew he or she was required to disclose the gift, and
3. The filer intentionally did not disclose the gift.

Fair Political Practices Commission Referral

The Fair Political Practices Commission may enforce Form 700 violations by filing actions for civil penalties and administrative remedies, including penalties of up to \$5,000 per violation. FPPC enforcement actions differ from traditional criminal prosecution. Criminal prosecution requires proof beyond a reasonable doubt to a jury of 12 people. FPPC administrative hearings have a lower burden of proof, requiring only proof by a preponderance of the evidence. FPPC administrative hearings are conducted before an administrative law judge, rather than a jury.⁵⁶ Most significantly, it is no defense to an FPPC administrative enforcement action that an official mistakenly failed to disclose gifts. While a mistake may reduce the penalty an official receives, it is not a defense to the enforcement action.

Statute of Limitations

The statute of limitations for felony perjury charges is four years from the date the offense is, or reasonably should have been, discovered. For misdemeanor Political Reform Act prosecutions, however, the statute is four years from the filing of the Form 700. As such, misdemeanor prosecution for the nondisclosure of gifts received in 2005 and 2006 is time-barred. The FPPC may commence administrative action within five years from the commission of a Form 700 violation, or discovery of the violation if there is fraudulent concealment of information.

⁵⁶ California Code of Regulations, title 2, section 18361.5.

Under California law and City of Oxnard Resolution, local officials are required to receive training in public service ethics laws and principles every two years.⁵⁷ Records obtained by investigators show compliance with the requirement by members of the Oxnard city council, as well as city officials Ed Sotelo, James Cameron, Karen Burnham, and others. Training provided to the City of Oxnard officials included, among other things, instruction relating to Form 700 disclosure requirements, gift and travel limitations, conflict of interest laws, and prohibitions against using public resources for personal purposes.

Gifts Received by Oxnard Public Officials

It became obvious through this investigation that accepting gifts from companies doing business with the city was fairly common among some city officials. Unfortunately, the disclosure of such gifts was the exception rather than the rule. Notably, the city's own ethics policy prohibits the acceptance of gifts with a combined value of more than \$50 from those conducting business with the city.⁵⁸ While it does not carry the force of law, Oxnard's policy on personal ethics not only bans the receipt of such gifts, but also states, "City officials and employees *shall not accept any gift at all* from any such person or business entity when to do so would create an appearance of impropriety or favoritism in the official's or employee's discharge of his or her official duties." (Italics added) It is clear that the city's ethics policy has not been followed by several officials at the highest levels of Oxnard government.

The receipt of gifts by various officials was confirmed through interviews and records obtained from employees and owners of several businesses, including Shea Properties, De La Rosa & Co., and Kennedy/Jenks Consultants. Shea Properties was engaged in a series of contracts and transactions with the city related to the RiverPark development. De La Rosa & Co. was engaged in a series of contracts with the city related to municipal bond issuances. Kennedy/Jenks Consultants was engaged in a series of contracts with the city related to the GREAT Program.

Tables below list the gifts confirmed either by business records identifying the recipient, multiple witnesses to the gift, city travel records, or admissions by the recipient.⁵⁹ It is impossible to establish the individual value of gift meals because the

⁵⁷ Government Code section 53235, City of Oxnard Resolution 12,980. Officials required to receive the training include the mayor, city councilmembers, city treasurer, city clerk, city manager, assistant city manager, deputy city manager, and department directors, among others.

⁵⁸ The full text of Policy E-26 "Standards of Ethics" is contained in [Attachment E](#).

⁵⁹ The gifts given to the officials' spouses were not required to be reported as gifts before 2011.

meals were purchased for groups. The meals have evidentiary value, however, in demonstrating the frequency of gifts received and that the total value of an individual official's gifts exceeded the \$50 reporting threshold. This is especially true where the official also received a gift round of golf from the same business during that calendar year. A more detailed spreadsheet outlining these gifts can be found in [Attachment I](#).

Ed Sotelo, City Manager

Date	Gift Received	Company
2005	Golf (2 rounds, \$170 & \$170), Meal (1), Drinks	De La Rosa
2005	Golf (2 rounds, \$225 & \$100), Meals (3), Drinks, Hat (\$25)	Shea Properties
2006	Golf (1 round, \$225), Meals (3-4), Snacks	Shea Properties
2007	Golf (1 round, \$225), Meals (4)	Shea Properties
2008	Golf (1 round, \$170), Meals (2), Broadway show (\$88)	De La Rosa
2008	Meals (3)	Shea Properties
2009	Meals (2)	De La Rosa
2009	Meal (1)	Shea Properties

Sotelo did not declare any of these gifts on his Form 700s. In addition, the investigation revealed that Sotelo stayed at Bernard Huberman's Cabo San Lucas, Mexico, residence on two occasions. Sotelo maintained that the trips were not gifts, saying he purchased the vacation stays at silent charity auctions, paying approximately \$3,000 and \$4,000 for each trip. Records from local charities confirm that Sotelo in fact purchased two Cabo San Lucas, Mexico, trips at charity auctions, one for \$2,185 in 2008 and another for \$4,000 in 2009.

Andres Herrera, Councilmember

Date	Gift Received	Company
2005	Golf (2 rounds, \$225 & \$100), Meal (1)	De La Rosa
2005	Golf (2 rounds, \$170 & \$170), Meal (1)	Shea Properties
2006	Golf (1 round, \$225), Meals (2), Snacks	Shea Properties
2006	Lakers game, Limo (approx. \$380)	Kennedy/Jenks
2007	Meal (1)	Shea Properties
2008	Meal (1) (New York)	De La Rosa
2008	Meals (3)	Shea Properties
2010	Meal (1)	Shea Properties

Herrera did not declare any of these gifts on his Form 700s. In addition, records of border crossings reveal that Herrera took two undeclared flights from Cabo San Lucas, Mexico, to the United States on a private jet owned by a Huberman-affiliated

company while Herrera was on city council in 2003 and 2005. The available evidence does not establish whether Herrera paid for the Cabo San Lucas flights. As such, they cannot be proven as gifts.

Tom Holden, Mayor

Date	Gift Received	Company
2005	Golf (1 round, \$100), Meal (1), Hat, Socks, Glove (\$53)	Shea Properties
2006	Golf (1 round, \$225), Meals (3), Snacks	Shea Properties
2008	Meals (2)	Shea Properties

Holden did not declare any of these items on his Form 700s. In addition, records of border crossings and other evidence show that while on city council, Holden took the following flights on a private airplane owned by a Huberman-affiliated company:

Date		
1998	Private flight from Cabo San Lucas, Mexico	Huberman
2000	Private flight from Cabo San Lucas, Mexico	Huberman
2007	Private flight from Cabo San Lucas, Mexico	Huberman
2009	Private flight to Napa, California	Huberman

As will be discussed, Mayor Holden provided evidence that he exchanged fair value for the travel expenses in the form of optometric services he provided to Huberman's family. Thus, the flights cannot be proven as gifts under the law.

Ken Ortega, Public Works Director

Date	Gift Received	Company
2005	Meals (3)	Kennedy/Jenks
2006	Laker game, limo, dinner (approx. \$380), Meal (1)	Kennedy/Jenks, ProUsys
2006	Golf (1 round, \$170), Meals (2)	De La Rosa
2007	Meals (5)	Kennedy/Jenks
2007	Dodger game (\$205)	De La Rosa
2008	Meals (4)	Kennedy/Jenks
2008	Dodger game (\$311), Broadway show (\$88), Meals (4)	De La Rosa
2009	Meals (8)	Kennedy/Jenks
2009	Dodger game (\$311), Meals (3)	De La Rosa

In 2010, Ortega declared the 2009 Dodger game and a 2009 gift dinner both paid for by De La Rosa & Co. Otherwise, he did not declare these gifts on his Form 700.

James Cameron, Chief Financial Officer

Date	Gift Received	Company
2008	Dodger Game (\$311), Meals (5), Broadway show (\$88)	De La Rosa
2009	Meals (5)	De La Rosa

Cameron told investigators that he asked John Kim for the cost of the Dodger game and *Gypsy* tickets and Kim told him they cost \$300 and \$75, respectively. Cameron only declared a value of \$45 for the *Gypsy* ticket on his Form 700. The Broadway show ticket actually cost \$88. Varying reports from De La Rosa & Co. valued the Dodger game ticket at \$311 and \$321. These values, together with five meals received from De La Rosa & Co., establish that Cameron exceeded the annual limit of \$390 in 2008.

Karen Burnham, Assistant City Manager

Date	Gift Received	Company
2005	Meals (2)	Shea Properties
2006	Meals (3)	Shea Properties
2007	Meals (2)	Shea Properties
2008	Meal (1)	Shea Properties

Burnham did not declare any of these items on her Form 700s.

Mike More, Finance Manager

Date	Gift Received	Company
2005	Meals (1-4)	De La Rosa
2006	Golf (\$170), Meals (4)	De La Rosa
2007	Meals (3)	De La Rosa
2008	Meals (6)	De La Rosa
2009	Meals (5)	De La Rosa

More did not declare any of these items on his Form 700s. More admitted that he received two meals that he did not pay for, but told investigators he was not sure whether the value of the meals reached the \$50 reporting threshold.

Curtis Cannon, Community Development Director

Date	Gift Received	Company
2005	Golf (1 round, \$100), Meals (3), Hat	Shea Properties
2006	Meals (2)	Shea Properties
2007	Golf (1 round, \$225), Meals (2)	Shea Properties
2008	Meals (1-2)	Shea Properties

Cannon did not declare any of these items on his Form 700s.

Analysis of Failure to Disclose Gifts

Travel Related to Bernard Huberman

Mayor Holden, Councilmember Herrera and City Manager Sotelo are linked to expensive travel related to Bernard Huberman. The available evidence shows that Sotelo and Holden exchanged sufficiently fair value for their travels. As such, there is insufficient evidence proving the travel was required to be disclosed on their Form 700s. As to Herrera, there is insufficient evidence to prove whether the travel was a gift or fair value was exchanged. As such, it cannot be proven that Herrera's travel required disclosure.

When interviewed, Bernard Huberman told investigators he donates the use of his Cabo San Lucas, Mexico, home and boat, valued at approximately \$3,000 to \$5,000, to local charity auctions. He believed Sotelo had bid on and won such a trip, and believed Holden may have gone on a trip purchased at auction by one of Holden's friends. Huberman said that Herrera attended, and Holden officiated at, Huberman's wedding in Cabo San Lucas in April 2009, but said both paid for their own airfare and stayed at local hotels. Huberman explained, "Anytime [city officials] have gone with me they have gone on their own accord, you know they have never gone with me on my plane or, yeah, I don't believe so."

Records of border crossings establish that Herrera flew from Mexico to the United States on Huberman's aircraft four times – once each in 1998 and 1999 while Herrera was not on city council, and on July 1, 2003, and December 19, 2005, while Herrera was a councilmember. The day after Herrera returned from Mexico in December 2005, he voted to approve the city's multi-million dollar purchase of the Sturgis Road building from Foxborough Park, Inc., a Huberman-affiliated company. However, the available evidence simply cannot establish whether Herrera's flights while on city council were gifts or whether he paid for them.

Sotelo vacationed at Huberman's Cabo San Lucas residence twice. At least one of the trips occurred while Sotelo was considering options for the new city contract to operate the city's Materials Recovery Facility (MRF). Evidence obtained from local charities confirms, however, that Sotelo purchased the trips at charity auctions, paying more than \$6,000 for the two trips. During another trip to Cabo San Lucas not purchased at auction, Sotelo went on a fishing trip Huberman reportedly arranged. A personal check and accompanying letter from Sotelo to Huberman reveal Sotelo reimbursed \$500 for the excursion. As such, the trips did not have to be disclosed.

Records of border crossings establish that Holden flew from Mexico to the United States aboard Huberman's aircraft three times – in December 1998, December 2000, and June 2007. The investigation also revealed that Holden traveled to Napa, California on Huberman's private jet in January 2009.

During his initial interview in 2010, Holden repeatedly made false statements to investigators about his travels with Huberman and his trips to Cabo San Lucas, denying time and again he had ever flown in Huberman's private jet or that he had ever stayed at Huberman's Cabo San Lucas residence. During a second interview, Holden admitted traveling to Cabo San Lucas with Huberman, but claimed he could not remember whether he stayed at Huberman's residence or whether he had flown there on Huberman's private jet. Holden said he did not feel there was a conflict with his association with Huberman because he was not on council during that trip.

During a third interview, Holden finally admitted to investigators that he had flown with Huberman to Cabo San Lucas in Huberman's private plane and stayed at Huberman's residence there. Holden maintained that he had first flown there with Huberman in January 1999, producing an invoice and canceled reimbursement check to Huberman as evidence that the trip was not a gift. Holden said he paid for his flight and lodging because he did not want there to be a conflict. Records of border crossings partially corroborate this claim, though they show that Holden returned to the United States from Mexico in December 1998, not in January 1999. More significantly, Holden told investigators that the next trip he took to Cabo San Lucas with Huberman was when he was no longer on city council, in 2003 or 2004. This assertion was untrue. Records of border crossings reveal that on December 3, 2000, while Holden was on city council, he re-entered the United States from Cabo San Lucas on a private jet accompanied by a member of his wife's family and Huberman, among others.⁶⁰ Holden also told investigators about a third trip to Huberman's Cabo San Lucas home aboard Huberman's plane that took place near Holden's anniversary in 2007. Records of border crossings confirm this trip took place and that Holden's wife was also on board.⁶¹ When Mayor Holden took the 2007 trip, the city was actively engaged in a \$13 million real estate transaction for the sale of vacant lots in Oxnard Shores to Elevar Seven, LLC, a Huberman-affiliated company.⁶²

Holden also admitted to investigators that he and his wife had flown with Huberman to Napa, California in January 2009. Holden maintained that while Huberman had

⁶⁰ Sentence revised 06/15/12.

⁶¹ Sentence revised 06/15/12.

⁶² The city's sale of vacant lots in Oxnard Shores to Elevar Seven, LLC is detailed more fully in Section Eight of this report.

not charged them for the flight, Holden paid for his own hotel room and for an expensive dinner for Huberman while in Napa. Credit card records show that Holden's hotel room at the Silverado Hotel & Spa was paid on Huberman's credit card. Holden's credit card records confirm, however, that Holden paid more than \$775 for a dinner at LaToque, a Napa restaurant. Within three months after Mayor Holden took this trip, BLT Enterprises, a Huberman-affiliated company, submitted a bid for the new contract to operate the city's MRF.⁶³ The Utilities Task Force, of which Mayor Holden was the ranking member, ultimately recommended BLT Enterprises as the finalist to negotiate the new MRF contract.

Holden eventually told investigators that he did not declare all of this travel on his Form 700s because he believed he had exchanged fair value for the trips. Holden maintained that he had provided over \$4,000 in optometry services to Huberman and his family over the years, which exceeded the value of the flights Huberman had given him. Holden told investigators the cost of a commercial flight to Cabo San Lucas in 1999 was \$300, though he said he could fly there for about \$250 in 2010. Holden thought the roundtrip flight to Napa would cost approximately \$150, and said all of his estimates erred on the cautious side. Holden told investigators the value of the services he provided to Huberman's family was much more than what Huberman provided him in airfare. As a result, Holden said, the flights were not gifts under his understanding of the reporting requirements.

To support his statements, Holden gave investigators a partial printout of records from his optometry practice showing that he had written off thousands of dollars of services to Huberman and his family over the years.⁶⁴ District attorney investigators seized a copy of the billing database at Holden's business within days of the third interview. In an effort to confirm or disprove Holden's claims, investigators used special software to scrutinize Holden's billing records. The analysis confirmed that the records appear genuine and that Holden provided more than \$4,000 worth of optometry services to Huberman and his family, without charging Huberman.

To further verify Holden's assertions, investigators examined the cost of chartered flights. Estimates for a charter flight aboard the type of plane Holden took ran from \$1,610 to \$2,400 per hour of flight time, plus various airport fees and travel expenses for pilots. A round trip flight to Cabo San Lucas from Camarillo Airport takes approximately five hours of flight time. A round trip flight to Napa takes approximately two hours of flight time. One local company offered a round trip flight to Cabo San Lucas for a flat fee of \$18,000 and a round trip flight to Napa for

⁶³ A discussion of the city's selection of a new operator for the MRF is found in Section Eight.

⁶⁴ To protect the privacy rights of the medical patients, the patient billing records are not attached to this report.

\$3,950 per day. Another measure of the value of Holden's flights is the cost of commercial flights. Current commercial airfare from Los Angeles International Airport to Napa is approximately \$500 plus tax. The cost in 2007 was estimated to be approximately \$300 round trip. Current airfare from Los Angeles International Airport to San Francisco is approximately \$120.

Holden could not have chartered a private jet to Cabo San Lucas three times and Napa once for the cost of the services he provided to Huberman's family.⁶⁵ However, he could have flown commercially for far less than the cost of his services to Huberman's family. For purposes of perjury prosecution, the more reasonable measure of the flights' value is what it would otherwise have cost Holden to fly commercially. To prove perjury it must be shown that Holden knew that he had not provided at least equal value in exchange for the flights. Even at current fares, Holden could have flown to Cabo San Lucas three times and Napa once for less than half of the value he provided to Huberman's family. There is no evidence that Holden contemplated the costs of charter flights in making his assessment of the flight's value. As a result, there is insufficient evidence to prove beyond a reasonable doubt either that the flights actually constituted gifts or that Holden knew he was required to disclose the flights as gifts.

Further, there is insufficient evidence to prove Holden was required to declare any of his stays at Huberman's residence in Cabo San Lucas. Holden told investigators that Huberman accompanied him during his stays in Cabo San Lucas. Holden also said he paid for all of his own meals and golf outings. Holden correctly told investigators that under Form 700 gift-reporting requirements, he was not required to declare the free lodging as a gift as long as the owner was present during Holden's visit.⁶⁶

Gifts of Golf, Meals, and Event Tickets

Proof of felony perjury charges arising from the intentional failure to disclose gifts requires (1) meeting the corroboration requirement in perjury law, (2) proving the recipient knew the gift was purchased by a company rather than the city, (3) proving the recipient intentionally failed to disclose the gift, instead of misunderstanding the rules or forgetting the gift was received, and (4) proving that the omission was material under the law.

⁶⁵ Until recently, FPPC regulations valued private air travel as the cost of a private chartered flight on a comparable aircraft, divided by the number of elected officials and other Form 700 filers on the flight. Accordingly, the FPPC valuation for a private flight with only one elected official on board would be the entire cost of the chartered flight. This valuation was modified effective January 1, 2012 to divide the cost of the flight by the total number of passengers on board, not just the elected officials. (Regulations of the Fair Political Practices Commission, Title 2, Division 6, California Code of Regulations § 18946.6.)

⁶⁶ California Code of Regulations, title 2, section 18942(a)(7).

Corroboration

As outlined above, there is evidence that each of the officials received at least some gifts that were required to be disclosed. To prove perjury, however, there must be more than one witness's word that he gave the official a gift. In a few instances, an official admitted being present at a meal, event, or round of golf, or another witness puts them there. In a few additional instances, city travel forms reflect that an official did not ask the city to pay for a meal the official attended that was ultimately paid for by a vendor. This evidence is sufficient to corroborate some of the meals and a few of the golf rounds.

Claims of Forgetfulness

Most of the officials claimed they forgot to declare at least some gifts. As to Herrera, Ortega, and Sotelo, the receipt of numerous gifts over a period of several years, without a single disclosure, weakens their claim of forgetfulness. This is especially true for Sotelo who acknowledged during his interview that to be on the safe side, social events, dinners and outings should be reported on Form 700s. It is incredible to suggest that an official receiving several gifts from the same sources year after year honestly forgot to include every single gift on their Form 700s. On the other hand, where an official received only one or two gifts per year, a claim of honest forgetfulness carries greater weight. It is reasonably possible for an official to forget having received a complimentary meal or round of golf. Accordingly, claims of honest forgetfulness are not readily discounted where the receipt of gifts is infrequent.

Claims of Misunderstanding the Requirements

Nearly every official also said, at some point, that they did not fully understand what must be disclosed. The Form 700 instructions can be difficult to understand and the definition of what must be reported has changed over time. Nonetheless, it is clear that gifts of meals, event tickets, and rounds of golf must be disclosed. In fact, common gift examples cited in Form 700 instructions relate to meals, rounds of golf, and event tickets. Also, the instructions contain specific guidance about how to get clarification from the FPPC if there are any questions.⁶⁷ Moreover, City of Oxnard officials are legally required to receive ethics training every two years. The training includes instruction on the Form 700 reporting requirements and gift limitations.

⁶⁷ According to a city official, in an effort to help officials comply with the Form 700 reporting requirements, the city arranged multiple training sessions for its officials in 2011. The training was conducted by representatives of the FPPC.

Several officials contended they did not consider the meals to be gifts because they were not responsible for the cost. Councilmember Herrera stated in his interview that he did not pay attention to who paid for these meals because he was traveling on city business and would not have personally paid for the meal in any event. Mayor Holden made similar assertions. Cameron said he did not consider the meals to be gifts because they were business or working meals with companies contracting with the city. Cameron also said that some dinners he received from Kim occurred during city-paid travel, so he did not believe they constituted gifts to him.

Once again the city's reimbursement policy protects the officials. Under Government Code section 82028, any payment that confers a personal benefit on the recipient is a gift. Ordinarily, officials are limited in the amount of city funds they can spend on travel meals, so that at the very least the excess costs of gift meals would confer a personal benefit on the officials. In the case of Oxnard officials, however, there are no actual limits. There is no evidence to disprove the claim that the officials did not believe the gift meals conferred a personal benefit on them. A perjury conviction requires proof that the official intentionally declared falsely. If an official honestly but mistakenly did not believe the meals amounted to personal gifts, he or she did not intentionally declare falsely on the Form 700s and cannot be guilty of perjury.

Claims of Ignorance

Several officials said they did not know who had paid for particular meals. Herrera and Holden said that city staff members handle arrangements for travel and they rely on city staff to let them know if they must declare a meal as a gift. Councilmember Flynn similarly asserted that City Manager Sotelo took care of meal arrangements and that Flynn never really knew who was paying for any particular meal. City Manager Sotelo, in turn, said that he relies on lower level city staff to pay for his meals and that he did not know certain meals were gifts.

The evidence suggests the officials blinded themselves to who was paying for meals, later claiming they thought the city paid for the meals. Given some officials' habits of costly dinners at city expense, however, it would be difficult to establish that they knew any given dinner was bought by a vendor instead of the city. Still, at least some of these assertions of ignorance seem unbelievable, particularly where some officials admitted they knew who bought the meal and the company buying the meals did so openly. Moreover, intentional ignorance is not a defense to perjury. A person may not affirmatively declare he received no gifts when he intentionally blinded himself to whether he received a gift.

Materiality of the Omission

To prove felony perjury, the gifts omitted from the Form 700 must be “material.” That is, it must be substantially likely that the information would be important to a reasonable person in evaluating whether the official can do their job without being biased by the gifts. The evidence here does not meet that burden. Each year, several city officials failed to disclose one or more meals. In some years, officials also failed to disclose one or more rounds of golf. Over the five years examined, there was a single instance where several officials received tickets to a Broadway show and a few known instances of individual officials receiving tickets to sporting events. Based on the pattern and value of the gifts that can be proven and corroborated, there is insufficient evidence to prove that the undisclosed gifts were material for purposes of felony perjury. Further, the number and dollar value of the gifts are insufficient to warrant felony prosecution.

Conclusions Regarding Form 700 Violations

There is insufficient evidence to prove felony perjury or to prove the Cabo San Lucas and Napa travel required disclosure. There is sufficient evidence, however, to prove intentional nondisclosure as to at least some gifts of meals, golf, and event tickets. Thus, the remaining question is the appropriate enforcement mechanism for these violations – misdemeanor prosecution or referral to the FPPC for administrative enforcement action. In evaluating whether to pursue misdemeanor prosecution or to refer the matters to the FPPC, various factors were considered, including the severity of the violations, whether the violator has past criminal history, whether prosecution of the violations is time-barred by the applicable statutes of limitations, and whether the monetary sanctions the FPPC may impose are adequate to address the violations.

As mentioned previously, the statute of limitations for criminal prosecution has expired as to the two years during which the most significant gifts were received, 2005 and 2006. Misdemeanor prosecution is therefore limited to nondisclosure of gifts received in 2007 and later. In consideration of all the above factors and in light of the available evidence, the appropriate remedy for the nondisclosure of these gifts is referral to the FPPC for administrative enforcement. The violations have been referred to the FPPC for whatever action it deems appropriate.

SECTION SEVEN - CONFLICT OF INTEREST

California law prohibits government officials from being financially interested in any contract they, or their agencies, make. Similarly, a government official may not participate in any governmental decision in which the official has a financial interest. In other words, an officer may not stand to gain financially from any contract his agency enters into, or from any decision the officer participates in making. The courts have long recognized the compelling public policy reason behind these prohibitions – government officials owe their loyalty to the public they serve. If a public official is pulled in one direction by his or her financial interest and in another direction by official duties, the official’s judgment cannot and should not be trusted, even if he or she attempts impartiality.

During this investigation, several officials were identified as having potential conflicts of interest related to multi-million dollar contracts. These alleged conflicts of interest primarily related to the receipt of gifts detailed previously, with subsequent approval of city contracts with those who gave the gifts. Again, an overview of the major legal principles involved in conflict of interest law is vital to an analysis of the available evidence.

Conflicts of interest may arise under Government Code section 1090, and may be charged either as a felony or a misdemeanor, or as a misdemeanor under Government Code section 87100.

Conflict of Interest (Government Code section 1090)

Under Government Code section 1090, city officers and employees “shall not be financially interested in any contract made by them in their official capacity or by any body or board of which they are members.” A violation of this section is punishable by up to three years in state prison. To prove a violation of Government Code section 1090, it must be proven beyond a reasonable doubt that:

1. A person was a city officer,
2. The officer acted in his or her official capacity, and
3. The officer knowingly and intentionally made a contract in which he or she had a financial interest.

For Government Code section 1090 analysis, a person is financially interested in a contract if he knows that the contract may result in a personal financial benefit to him. Some prohibited financial interests are direct interests, such as when an

officer, in his official capacity, does business with himself in his private capacity. The prohibited financial interest may also be indirect, such as when the officer does city business with a company from which his spouse will profit if the contract is made. Though the value of the financial interest need not be substantial, there are numerous legal exceptions where minor financial interests are not criminal. Conflict-of-interest law is extremely technical and the analysis depends entirely on the unique circumstances of each case.

There is no evidence that any of the city officials had a direct financial interest in questioned contracts with Shea Properties, De La Rosa & Co., Kennedy/Jenks Consultants, BLT Enterprises, Inc., Foxborough Park, Inc., or Elevar Seven, Inc. The investigation also examined whether the officers had an indirect financial interest in the contracts, looking at whether the expectation of future gifts might create an indirect financial interest in the contracts they participated in making. An indirect financial interest may establish a conflict of interest under the right circumstances.⁶⁸ However, the facts discovered during this investigation do not support such a conclusion concerning Oxnard officials.

Evaluating whether the officials' expectation of future gifts amounted to an indirect financial interest included examination of whether:

- The officer received a series of gifts from the contracting company
- The gifts were received before, during and after contracts were made with the company
- The pattern of gifts an individual officer received was sufficient in number, value and consistency to demonstrate a past financial effect on the officer
- The pattern of gifts demonstrates a reasonable expectation the gifts would continue because the contract was made
- The pattern of gifts showed that the expectation of continued gifts was tied to the contract at the time it was made

Based upon the gift analysis in the preceding section, these factors do not create an indirect financial interest in this case.

⁶⁸ The circumstances, amount and timing of gifts may potentially constitute a conflict of interest. A recent decision of the California Court of Appeal recognizes that while receipt of campaign contributions generally does not create a conflict of interest, a conflict of interest under section 1090 was established by the timing of substantial campaign contributions, additional monetary gifts of approximately \$1,000 to each of six relatives of city council members, and employment of relatives of city council members who were unqualified for the job. (*Hub City Solid Waste Services, Inc. v. City of Compton* (2010) 186 Cal.App.4th 1114.) In that case, the contributions and gifts were made at about the same time of a key vote, and were given only to those councilmembers who voted in favor. In contrast, in the Oxnard case, the value of the gifts was far less egregious, and the timing and recipients of the gifts do not appear to be tied to any particular decisions.

Shea Properties

The Shea Properties gift pattern consists primarily of golf and meals given to attendees at an annual industry conference in Las Vegas. Other than the conference gifts, Shea Properties paid for only a handful of meals and one celebration dinner following the Bond Buyer's Awards in New York. The gifts were of comparatively low value and were given to the officials who attended the ICSC conference each year regardless of the official's position. The pattern of gifts does not reasonably demonstrate a reasonable expectation the gifts would continue only if the various RiverPark contract amendments with Shea Properties were made.

De La Rosa & Co.

The De La Rosa & Co. gifts involve golf, event tickets, and meals given with greater frequency and not centered on a single, annual conference. Still, for most recipients, the De La Rosa & Co. gifts consisted primarily of meals provided during a few events spaced out over a period of years. The gifts tended to be given while the officials were working directly with De La Rosa & Co. representatives during critical stages of bond issues, or in celebration of completed bond issues. The gifts given during the New York trip were related to an industry awards event honoring a specific bond issued by the city and conceived by De La Rosa & Co.

The analysis is somewhat different for Chief Financial Officer James Cameron, who began receiving gifts in 2008. He attended two events, a Dodger game, and a Broadway show, as a guest of De La Rosa & Co. He declared both events on his Form 700, though he somewhat undervalued them. The balance of Cameron's gifts came in the form of up to a half-dozen working meals that De La Rosa & Co. purchased in 2008 and 2009. After 2008, Cameron received no more gifts of event tickets. On balance, this pattern is not sufficiently numerous, valuable or consistent to establish beyond a reasonable doubt that an expectation of future gifts was tied to approval of the contracts. This is especially evident because Cameron began negotiating with De La Rosa & Co. in 2008, long after De La Rosa & Co. had already established its working relationship with the city.

Public Works Director Ortega received somewhat more valuable gifts from De La Rosa & Co., having received a Dodger game ticket each year in 2007, 2008, and 2009, as well as tickets to a Broadway show in 2008. Nonetheless, the gift pattern does not establish beyond a reasonable doubt that an expectation of future gifts was tied to approval of De La Rosa & Co. contracts, particularly where the evidence suggests that Ortega had no involvement in the decisions to use the services of De La Rosa & Co.

Kennedy/Jenks Consultants

The unreported gifts from Kennedy/Jenks Consultants primarily involve meals provided to city staff, including Public Works Director Ken Ortega, as well as a Laker game, limo trip, and dinner provided to Ortega and Councilmember Herrera. The pattern of gifts does not establish any financial interest in the city's contracts with Kennedy/Jenks Consultants.

The numerous officials' receipt of these gifts plainly violates the city's policy against accepting gifts of more than \$50 from entities with whom the city is doing business. This may cause some members of the public to question city officials' decision making. However, when examined independently, the gift patterns from Shea Properties, De La Rosa & Co. and Kennedy/Jenks Consultants are not numerous, valuable, and consistent enough to prove beyond a reasonable doubt that the recipients had the expectation of financial benefit required by conflict of interest law. With few exceptions, the provable gifts fell within monetary limits specifically permitted under the Political Reform Act. Moreover, multiple representatives from Shea Properties and De La Rosa & Co. told investigators that the Oxnard officials did not receive unusually high levels of gifts compared with other municipalities. The witnesses also said that it was not their impression that the Oxnard politicians expected such gifts. This evidence is insufficient to prove that the officials had a criminal conflict of interest regarding the contracts with Shea Properties, De La Rosa & Co., or Kennedy/Jenks Consultants.

Travel Related to Bernard Huberman

Initially, the pattern of alleged gifts tied to Bernard Huberman's entities raised troubling concerns of conflict of interest. However, independent evidence confirmed that City Manager Sotelo paid for his vacation stays. Similarly, though Mayor Holden repeatedly provided false statements to investigators about his travels aboard Huberman's aircraft, his business records ultimately supported his assertion that he had exchanged fair value for the flights.

As to Councilmember Herrera, there is insufficient evidence to determine whether his four flights on Huberman's aircraft were gifts. Moreover, the pattern of the flights reveals that even if his flights were gifts, they were years apart and Herrera's first two flights occurred in 1998 and 1999, when he was not a member of the city council. Herrera's final flight, in 2005, occurred the day before Herrera voted to approve the city's purchase of a building from a Huberman-affiliated company, circumstances that certainly create the appearance of impropriety.⁶⁹ There were no

⁶⁹ The purchase of the Sturgis Road building is discussed in more detail in Section Eight.

subsequent flights, however. As a result, the pattern of Herrera's flights is insufficient to establish that Herrera had a financial interest in the sale of the building.

Herrera and Holden have long-term personal relationships with Huberman. Two of Herrera's flights occurred while he was not a member of the city council. Both Holden and Herrera attended Huberman's wedding in Cabo San Lucas in April 2009, paying their own way. Holden officiated the wedding.

In discussing his relationship with Huberman, Holden told investigators he and Huberman have been friends for 17 years and at times they talk two to three times per day. Holden said he looks to Huberman for advice and he relies on Huberman for financial assistance for the Oxnard Chamber of Commerce and the Boys & Girls Club of Greater Oxnard and Port Hueneme. Holden said that he and Huberman would alternate paying the bill when they went to lunch or dinner. Holden maintained, however, that he had learned friendships do not necessarily equate to conflicts of interest and that having dinner with friends would not affect his decisions. Holden said he makes city-level decisions in the best interest of the city. He also mentioned to investigators that his vote was only one out of five, though if he ever had complete control over the decision whether to enter into a city contract with a friend, he would abstain. Holden said he never hid his friendship with Huberman and while Holden understands the concern over conflict and undue influence, he feels avoiding people because of friendships would not be beneficial either. Holden also expressed his belief that because he has friendships with people who do business with the city, they are less likely to try to take advantage of the city and they often offer the city more favorable terms.

The personal ties between Holden, Herrera, and Huberman, coupled with the infrequency of the travel, further establish that the flights alone do not constitute a financial interest within the meaning of the conflict of interest laws. While the nature of the relationships understandably caused others in city government to question the impartiality of the officials, the evidence does not establish a criminal conflict of interest.

Alternative Conflict of Interest (Government Code section 87100)

A lesser alternative to Government Code section 1090 prosecution is found in Government Code section 87100. While section 1090 prohibits government officials from being financially interested in a *contract*, section 87100 prohibits government officials from participating in any *governmental decision* in which they have reason to know they have a financial interest. For example, an official approving a contract

for the city to purchase real estate from the official would have a financial interest in the contract and would violate section 1090. An official voting to change the zoning of real estate owned by the official in order to increase its value would have a financial interest in the zoning decision. In the latter example, the official would violate section 87100 instead of section 1090 because there is no contract involved in the governmental decision to change the zoning.

Under Government Code section 87100, “No public official at any level of state or local government shall make, participate in making or in any way attempt to use his official position to influence a governmental decision in which he knows or has reason to know he has a financial interest.” For purposes of section 87100, a public official has a financial interest if it is reasonably foreseeable that the decision will have a “*material* financial effect” on the official, a member of the official’s family, or a donor of gifts exceeding the annual limit within the 12 months preceding the governmental decision. Proof of a violation of section 87100 using a gifts basis requires proof of the financial interest by the 1090 analysis above, plus proof that the gifts would have a *material* financial effect on the official or his family. For the reasons already outlined above, the evidence is insufficient to establish a conflict of interest beyond a reasonable doubt.

A final basis for a misdemeanor 87100 prosecution would be that a donor exceeded the annual gift limit and the recipient participated in a governmental decision that would have a material financial effect on the donor company. As to both of these theories, the applicable statute of limitations is four years from the date of the governmental decision. Only one remaining instance is not barred by the misdemeanor statute of limitations, involving Chief Financial Officer Cameron and a bond issuance in July 2009. However, there is insufficient evidence to prove beyond a reasonable that Cameron had reason to know he had a prohibited financial interest and failed to recuse himself from the decision to use De La Rosa & Co.⁷⁰

The Supplemental Post-Retirement Benefit

As discussed previously, in July 2003, City Manager Ed Sotelo established a Supplemental Post-Retirement Benefit (SPRB) for a management category of employees, plus the city attorney and himself. Because Sotelo stood to benefit from the SPRB he created in his official capacity, he had a financial interest in the contract. Sotelo’s conduct in this instance was not a criminal conflict of interest, however, due to a statutory exception to the conflict-of-interest law. Additionally,

⁷⁰ The FPPC also has administrative enforcement jurisdiction over Government Code section 87100 violations. The potential violations have been referred to the FPPC for its consideration.

the statute of limitations has expired, such that even if the conflict were criminal, prosecution would be time-barred.

Under Government Code section 1091.5(a)(3), a conflict of interest is excused if the official's financial interest in the contract is the same as other members of the general public. This is known as the group benefit exception. For example, assume a city contracts with a utility company to provide electricity service to members of the public. The official who negotiates the contract with the utility company has a financial interest in the contract because it will affect the official's electricity rates. However, that official's financial interest in the contract is the same as other members of the general public. Under the group benefit exception, the official's conflict of interest is permissible.

On its face, a retirement benefit given to a narrow group of city employees would not seem to be a benefit available to the public. However, courts interpreting the group benefit exception have read it quite broadly. A California Supreme Court case, *Lexin v. Superior Court*,⁷¹ addresses the precise issue of city officials determining their own retirement benefits along with the benefits of many other city employees. In *Lexin*, the court ruled that the group benefit exception shielded the officials from criminal prosecution because the decisions they made about retirement benefits impacted not only themselves, but a larger class of city employees.

In the case of the SPRB, Sotelo implemented a group benefit for a class of employees, not only for himself. While the class of recipients was very small compared to the class in *Lexin*, the legal principle still applies. By the terms of his employment contract with the city, Sotelo was entitled to the same benefits that the "Top Management" class of employees received. Members of the city council admittedly delegated to Sotelo the responsibility of setting Top Management benefits. Even though such delegation was impermissible, the delegation occurred and there is no evidence that anyone actually realized it was impermissible. Thus, Sotelo set a benefit for a class of employees as he had been authorized by the city council to do. Accordingly, Sotelo's financial interest falls within the group benefit exception.

Even if the group benefit exception did not apply, however, the statute of limitations would prevent prosecution. The generally applicable statute of limitations for conflicts of interest is four years, and there is no evidence to extend it in this case. Because the SPRB was established in July 2003 and benefits payments began a few months later, prosecution is time-barred.

⁷¹ *Lexin v. Superior Court* (2010) 47 Cal.4th 1050.

SECTION EIGHT – HIGH-COST TRANSACTIONS

Allegations were presented to the District Attorney's Office about the suspicious nature of four multi-million dollar transactions. All four transactions were initially examined in the context of potential conflicts of interest, but no criminality was found. Due to the value of the transactions, and the public's legitimate interest in their fairness, all four transactions will be analyzed in detail. These transactions involved (1) the city's purchase of the police annex building on Sturgis Road, (2) the city's sale of vacant lots in Oxnard Shores, (3) the city's purchase of the sports park at Oxnard Boulevard and Gonzales Road, and (4) the selection process for the new operator of the city's Materials Recovery Facility.

Three of the transactions involved business entities affiliated with Bernard Huberman. Suspicions arose among several city officials as a result of the personal relationships between other city officials and Huberman, though no one directly identified any particular criminal activity.

It is not the role of the District Attorney's Office to evaluate the wisdom of the transactions and no opinions are expressed in that regard. Rather, it is the role of the District Attorney's Office to determine whether criminal conduct was involved. Having examined these transactions in great detail, there is no evidence of criminal conduct in any of the transactions.

Sturgis Road Building

On December 20, 2005, the city approved a contract to purchase a building on Sturgis Road from Foxborough Park, Inc., a company affiliated with Bernard Huberman. Over the next nine months, the building's interior was substantially modified to make it suitable for use by the Oxnard Police Department. The transaction closed escrow in September 2006.

Several witnesses expressed suspicion due to the timing of the transaction and Huberman's involvement. When interviewed, Councilmember Tim Flynn told investigators that before the Sturgis Road building was considered, the city council had already agreed upon purchasing a building on Statham Boulevard that suddenly fell out of favor. At the same time, the Sturgis Road building surfaced as the favored building. Flynn was suspicious that Huberman appeared to be "the man on the spot" to purchase the Sturgis Road building and re-sell it to the city, making a profit of approximately \$400,000. Despite his suspicions, Flynn said he ultimately voted to

approve the purchase because Foxborough Park could provide a turnkey property to police specifications much more quickly than if the city went to bid to build out the property.

District attorney investigators interviewed individuals involved in the transaction and obtained documents relating to this transaction from a variety of sources. The investigation revealed that the search for the new police building was overseen primarily through the Oxnard Police Department, involving both Chief John Crombach and Assistant Chief Charles Hookstra. Early on, the city had in fact considered purchasing a building on Statham Boulevard, but the city decided not to buy it when significant roof defects were discovered. The city next focused on the building at 3001 Sturgis Road. Assistant Chief Hookstra toured the Sturgis Road building, but continued looking at others. A short time later, Hookstra met with Chief Crombach and Bernard Huberman, who, Hookstra was surprised to learn, was purchasing the Sturgis Road building and was interested in leasing or selling it to the city.

Records reveal that in September 2005, Foxborough Park, Inc., a Huberman-affiliated company, bought the Sturgis property for approximately \$5.15 million, or approximately \$88 per square foot. While still in escrow, Foxborough Park began negotiations with the city. Records obtained by investigators reveal an arms-length negotiation process that took several months. The city ultimately agreed to buy the building for \$6.21 million (approximately \$105 per square foot) and to pay build-out costs of approximately \$1.6 million. Foxborough Park agreed to complete the build-out before the transaction closed escrow and agreed to charge the city only its actual build-out costs. During the process, Foxborough Park disclosed that it had purchased the building for \$5.15 million. The city council unanimously approved the purchase agreement on December 20, 2005, the day after Councilmember Herrera flew home from Mexico aboard a plane owned by a Huberman-affiliated company.

Records and interviews establish that the build-out process took nine months and involved substantial negotiations between the city and Foxborough Park. Records also reveal that the final build-out cost came in modestly over budget, due to the city's revised build-out requests. Escrow documents and construction billing records from the contractor who handled the build-out confirm that Foxborough Park did not mark up its build-out costs. The transaction closed escrow on September 22, 2006. The city's total cost for the building was approximately \$7.95 million. Financial records show that it cost Foxborough Park more than \$300,000 to own the building during the year before the city bought it. Estimates derived from the records obtained by investigators indicate Foxborough Park netted approximately \$700,000 from the year-long transaction, perhaps less. Nearly every witness

confirmed that the purchase of the Sturgis Road building was a reasonable deal for the city. The estimated profit of less than 10 percent of the total price was not inherently unreasonable, particularly when Foxborough Park owned the property for one year at a time when real estate prices were increasing.

Though witnesses were concerned about Huberman's relationship with city officials, no witnesses were aware of any criminal activity, nor was any criminal activity discovered during the investigation.

Oxnard Shores Lots

Another questioned real estate transaction involved the city's sale of vacant land in the Oxnard Shores area. In June 2005, the city sought to raise revenue by selling two Oxnard Shores lots, one on Breakers Way and the other on Whitecap Street. At \$13 million, the highest bidder for the lots was Elevar Seven, LLC, another Huberman-affiliated company. The city selected Elevar Seven to purchase the lots, beginning a years-long process to obtain legal permission to develop the lots.⁷²

Again, witnesses expressed concern to investigators due to Huberman's relationship with city officials. Councilmember Tim Flynn told investigators that approximately one year after the city approved the sales agreement, Huberman wanted to renegotiate the purchase price because the real estate market had fallen and Huberman could not profitably develop the property at the agreed-upon price. Flynn questioned why the city would consider subsidizing Huberman's loss and was told by others on council that Huberman could still unwind the deal. Flynn questioned how that was possible since they had a contract. According to Flynn, the council ultimately reduced the price by several hundred thousand dollars per acre, but Flynn voted against it.

District attorney investigators obtained documents pertaining to the transaction from several sources. City records and statements of several witnesses confirm that the high bid of \$13 million came from Elevar Seven. On January 9, 2007, the city council unanimously approved the sale of the Oxnard Shores parcels to Elevar Seven. The Whitecap price was \$556,923 for each of 13 home sites on the lot, for a total of \$7.24 million. The Breakers Way price was \$480,000 for each of 12 home sites on the lot, for a total of \$5.76 million.

⁷² Because the lots were close to the beach, Coastal Commission approval was required before the land could be developed.

It is critical to the analysis of this transaction that the sales agreements for the two parcels contained several conditions that had to be fulfilled before Elevar Seven was obligated to buy the parcels. The conditions ensured that Elevar Seven would have the legal right to develop the properties before it was obligated to buy them. The conditions were analogous to those in residential home sales, allowing the buyer to cancel a home purchase if dissatisfied with the inspection or the home does not appraise for the purchase price. One condition in the Elevar Seven transaction required the development plans to receive final approval from both the Coastal Commission and the city. Another condition required a finalized development agreement with the city. Such conditions are common among developers, whether the property seller is a government entity or a private individual.

The California Coastal Commission approved development of the Breakers Way parcel in August 2007, but did not approve development of the Whitecap property, resulting in the cancellation of the Whitecap transaction. In the spring of 2008, Elevar Seven asked the city to renegotiate the purchase price of the Breakers Way parcel because the real estate market had fallen and development would not have been profitable at the originally agreed-upon price. At the time, the contractual conditions had not yet been met. Specifically, the development plans had not yet received final approval and a final development agreement had not yet been reached. As a result, Elevar Seven had the contractual right to cancel the transaction without purchasing the Breakers Way parcel.

Because the conditions had not yet been met, city staff recommended a renegotiated sales agreement to city council, expressly noting Elevar Seven's legal ability to cancel the transaction entirely. On May 13, 2008, the city council voted 3-2 to reduce the price to \$3.9 million, from the original \$5.76 million. Mayor Holden and Councilmembers Zaragoza and Herrera voted to approve the deal, while Councilmembers Flynn and Maulhardt opposed. Sources indicate that median home prices in Southern California dropped 20-30 percent or more between early 2007 and May 2008, and over 10 percent between January 2008 and May 2008 alone.⁷³

Again, although the close relationship between Bernard Huberman and city officials raised understandable suspicions among several witnesses, no witnesses identified any criminal activity. The investigation found nothing criminal about the transaction.

⁷³ California Association of Realtors, *Median Prices of Existing Detached Homes (Historical Data)*¹⁰, <http://www.car.org/marketdata/data/housingdata/> (2012); Dataquick Information Systems, Inc., *Southland home sales back to record low; median price slips again*, <http://www.dqnews.com/Articles/2008/News/California/> (June 16, 2008).

Materials Recovery Facility

The third transaction that was identified to investigators as suspicious involved the city's Materials Recovery Facility (MRF). The MRF is a facility involved in the separation of recyclables from the municipal trash stream. The MRF was built for the city in the mid-1990s by BLT Enterprises of Oxnard, a company then owned by Bernard Huberman and Dan Rosenthal. Under the initial contract, BLT Enterprises of Oxnard operated the MRF. Republic Services purchased BLT Enterprises of Oxnard in approximately 1999, taking over operation of the MRF under the initial contract. Republic Services' contract to operate the MRF was scheduled to expire in early 2012. In 2009, the city began a bid process to select the company that would operate the MRF upon the expiration of the current contract in 2012. Several witnesses told investigators that it was unusual for the city to begin the bid process for a new MRF operator so far in advance of the expiration of the existing contract.

Witnesses again expressed concerns about the MRF transactions based upon the relationship between city officials and Bernard Huberman. Phil Molina, Oxnard's Finance and Administrative Services Director from 1997 to 1999, told investigators that in 1998, the city's contract for the operation of the MRF was about to expire.⁷⁴ Molina said he attended a meeting with Huberman, City Manager Sotelo, and others, wherein Huberman sought an extension of the contract so he could sell it to Republic Services for \$6 million. Molina said he suggested that instead of granting the extension, the city should allow the contract to lapse, put the contract out to bid, and get the \$6 million. Molina said that during a short break from the meeting Sotelo excused him from the negotiations. Molina said that a short time later, he learned that the contract had been extended and that Huberman sold it to Republic Services.

The Term of the Initial MRF Contract

Investigators obtained the initial 1995 contract for the construction and operation of the MRF. By its terms, BLT Enterprises of Oxnard was to operate the MRF for 15 years after construction was completed and the facility was formally accepted by the city, which occurred in January 1997. Thus, by its original terms, the contract was not set to expire until January 2012. Also, a specific term of the contract allowed BLT Enterprises of Oxnard to sell the contract to another qualified waste-handling company with the consent of the city. The city formally consented to the sale of the contract to Republic Services in January 1999, without extending the contract.

⁷⁴ Molina's statement about the contract's expiration appears inaccurate. City records reflect that the contract was not due to expire until 2012.

Selection of the New MRF Operator

As described by various city officials, the city was dissatisfied with Republic Services' operation of the MRF over the years. The dissatisfaction eventually resulted in a lawsuit between the city and Republic Services that was settled in 2007, though concern about the MRF operation continued. In early 2009, the city began a selection process to choose a company to operate the MRF upon the expiration of the existing contract. A selection committee was empaneled consisting of City Manager Sotelo, Assistant City Manager Burnham, Chief Financial Officer Cameron, Development Services Director Matt Winegar, and Legislative Affairs Manager Martin Erickson, among others. Martin Erickson chaired the committee. A consultant was hired to assist with the selection. The selection committee reported to the city's Utilities Task Force (UTF), which included Mayor Tom Holden and Councilmember Dean Maulhardt. UTF records indicate that Republic Services offered to renegotiate its contract to operate the MRF before its expiration.

In February 2009, the city issued a Request for Qualifications, inviting interested companies to submit their qualifications to operate the MRF. The selection committee concluded that 7 of the 17 applicants were sufficiently qualified to proceed in the bidding process. In July 2009, the seven companies were asked to respond to a series of questions about their expertise and how they would operate the MRF. Documents obtained from the city reveal that the selection committee gave Waste Management and BLT Enterprises identical highest scores and gave Athens Services the third highest scores. Waste Management and BLT Enterprises were subsequently invited to submit detailed proposals for the operation of the MRF. Both companies eventually submitted detailed proposals. Thereafter the companies were interviewed about their proposals in March 2010. Following the interviews, a detailed report by the consultant hired to assist with the selection process gave a slight edge to BLT Enterprises. The UTF ultimately directed city staff to negotiate with BLT Enterprises for a new contract to operate the MRF. In late March 2010, City Manager Sotelo notified BLT Enterprises that they had been selected to begin negotiations. Negotiations were ongoing when this investigation began. To date, no contract has been agreed upon or presented to the city council.

As with the prior transactions, suspicions of city leaders' relationships with Bernard Huberman ran high among some city officials and employees. Again, however, no evidence of criminal activity was identified by any witness and none was found during the investigation.

Sports Park at Oxnard Boulevard and Gonzales Road

The last real estate transaction that was identified to investigators as suspicious involved the sports park property at Oxnard Boulevard and Gonzales Road. The city purchased the sports park property in April 2007 from Aldersgate Investments, operated by local developer Ernest Mansi. The city paid approximately \$13 million, comprised of \$10.8 million cash plus another property valued at approximately \$2.2 million. Some city officials reported that Aldersgate bought the property the same day it sold it to the city, paying only \$4 million to the prior owner and seemingly making an apparent \$9 million profit overnight. Councilmember Flynn was publicly critical of the transaction. Witnesses told investigators that they were suspicious of the profit made by Aldersgate, believing that the city improperly valued the property, perhaps intentionally, and therefore paid too much for it.

District attorney investigators obtained documents about the sale from various sources, interviewed many of the people involved in the transaction, and examined videotapes of the relevant council meetings. The investigation revealed no criminal activity in the transaction and found that the city's valuation of the property was broadly consistent with established legal principles. Whether the transaction was advisable or served the taxpayer interests is a matter of local governmental discretion and no opinion is expressed in that regard.

History of the Property

The sports park property is a vacant lot of approximately 21 acres, located at the corner of Oxnard Boulevard and Gonzales Road, next to what is now Pacifica High School. Until the city purchased it, the property was owned by a local family trust. In the early 1990's, the City of Oxnard changed the zoning on the property to Community Reserve (C-R), meaning that the property was to remain open space. It was designated in the city's specific plan as a sports park. Over the years, the residents in the area vocally opposed several attempts to develop the property for residential use and were able to defeat the projects because any development on the property would require city council's approval of a zoning change.

In 2000, a developer agreed to buy the property from the family trust if it could secure the zoning change necessary to develop the property. The developer proposed a 306-unit apartment complex and 12-acre sports park for the site, but did not pursue the project in light of vigorous community opposition. In the summer of 2002, the city tried to buy the property. The city obtained an appraisal valuing the property at just over \$1 million, based upon agricultural land values. The city council authorized staff to move forward with attempts to purchase the property, noting that the city may have to proceed via condemnation. The city offered to

purchase the land for approximately \$1 million. A court-appointed representative of the family trust rejected the city's offer as significantly below other offers the trust already received.

In 2004, another developer agreed to buy the property from the family trust, again contingent upon a zoning change entitling development. The developer proposed a 282-unit condominium complex with a somewhat larger sports park. Again, significant community opposition doomed the project and the developer subsequently abandoned the effort.

The Centex Homes Development Effort

On October 1, 2004, national developer Centex Homes entered into an option to buy the property from the family trust for \$4 million. A year later, Centex Homes entered into a contract with Aldersgate Investments providing that Aldersgate would seek a zoning change from the city. If the zoning change was approved, Aldersgate would be paid a flat fee by Centex Homes, plus a percentage of the subsequent home sales profits. If the zoning change was denied, Aldersgate would not be paid.

In 2006, Centex proposed building over 100 homes, with an eight-acre sports park. The project was approved by the city's planning commission and slated for a city council vote in July 2006. Again, the project drew significant public opposition. Mayor Tom Holden and Councilmember Andres Herrera publicly supported the plan, noting that the community would get a complete sports park at no cost. However, because there was not enough councilmember support for the development plan, it was sent back to the planning commission for further modification.

Aldersgate Investments Takes Over from Centex Homes

Centex Homes pulled out of the project later in 2006. Ernest Mansi of Aldersgate continued with efforts to develop the property, because he would not have been paid for the work he had already done if the project was abandoned. Aldersgate bought Centex Homes' option to purchase the sports park property, agreeing to pay Centex Homes nearly \$1 million if the project was approved. Aldersgate modified the development proposal, reducing the number of homes to 89. Again, the planning commission approved the project and a city council vote was scheduled for February 27, 2007.

Significant public opposition continued, with opponents speaking at nearly every city council meeting between March 2006 and February 2007. Mayor Holden and Councilmember Herrera again publicly supported the project. Councilmembers Tim

Flynn and John Zaragoza opposed the project. Councilmember Dean Maulhardt would be the swing vote.

The Proposal to Sell the Property

A day before the city council vote, Mansi called Mayor Holden to see if the city was interested in buying the property outright. Mayor Holden referred Mansi to Sotelo to see if they could come to terms and if the city had sufficient available funds to buy the property. At the February 27, 2007, council meeting, the broad terms of the deal were outlined, indicating that the city was considering buying the property with a combination of Quimby Funds and another property.⁷⁵ Many residents expressed relief and gratitude at the prospect of the city buying the property rather than developing it. Some residents suggested that the city should outright refuse the development project, keep the current zoning, and buy the property at a lower cost.

At the next city council meeting, on March 20, 2007, the city council voted unanimously to buy the property for \$13 million, or approximately \$618,000 per acre. The purchase price was to be paid with \$10.8 million cash (comprised of Quimby Funds, park development funds, and general reserve funds) plus a piece of property known as the Colonial House property, valued at \$2.2 million.⁷⁶ Several members of the public and each of the councilmembers spoke in favor of the purchase.⁷⁷ Some members of the public suggested that the city was paying too much for the property, noting that they were paying close to residential prices for land that was not zoned residential. One citizen noted that as residential land, the property would be worth \$1 million per acre. However, since it was not zoned residential, it was worth much less.

Mayor Holden commented that the price was fair, comparing the property to non-residential property the city bought two years earlier for \$500,000 per acre. He also stated that if the city paid residential land prices, it would pay upwards of \$2 million per acre. Holden added that if the city had proceeded under condemnation, it would be a years-long process and the courts always favor the property owners. Holden also noted that the council must value the vocal community desire for a park.

⁷⁵ Under the Quimby Act of 1965 (Government Code section 66477), local governments may require the payment of fees to be used for park or recreational purposes as a condition to the approval of new residential development. These fees are known as "Quimby Fees" or "Quimby Funds." Cities frequently accumulate the funds earmarked for park development before using them to acquire park land or build parks and park facilities.

⁷⁶The Colonial House property is a 2.1 acre parcel that the city purchased in 2005 for \$2 million, which was formerly the site of a local landmark restaurant.

⁷⁷ For the complete content of the discussions, please refer to the archived video of the March 20, 2007, city council meeting available on the City of Oxnard Web site, at www.ci.oxnard.ca.us.

Councilmember Zaragoza stated that \$600,000 per acre was reasonable compared to \$2 million per acre for residential property. Zaragoza noted that he worked in real estate and that values are all relative. He described the deal as a win/win for everyone.

Councilmember Herrera told the public that he was not in favor of the purchase before he met with community leaders. Herrera said that he wanted to be sure the community knew they were giving up a plan that would give them a fully operational park in exchange for control of the property and nothing more. Herrera noted that the deal would use all of the available Quimby Funds, with nothing left to develop the park. Herrera said that the community leaders convinced him they still wanted the city to buy the property, even though the park would not be built for years. Herrera also said that the price was appropriate and commented that it is very difficult to put a price tag on quality of life issues.

Councilmember Flynn told the public that the transaction was a victory for every man, woman and child in the city of Oxnard. He noted that getting to the deal was difficult and thanked a number of people, including local community leaders and his colleagues on council. Flynn said when this option was presented by Mr. Mansi, it showed he was an innovative businessman. Flynn said that the whole council embraced this project, as did staff. He also described the deal as a win/win for everyone.

The purchase was approved by a 4-0 vote, with Councilmember Maulhardt absent.

The Conclusion of the Transaction

The transaction closed escrow on April 12, 2007, with a simultaneous close of a double escrow, meaning that on the same day, Mansi bought and sold the property. Mansi bought the property from the family trust for \$4 million, using a portion of the cash from the city's \$10.8 million. One minute after that escrow closed, the sports park property was transferred to the city. Records reveal that of the \$10.8 million cash, Mansi paid \$4 million to the family trust, approximately \$850,000 to Centex Homes, a broker's commission of approximately \$425,000, and various other closing costs. Aldersgate left the transaction with approximately \$5.5 million cash, plus the Colonial House property valued at \$2.2 million, offset by its significant expenditures and operating costs to create and revise development plans, obtain legal analyses, and obtain environmental studies during the nearly 18-month entitlement process.

Subsequent Public Discussions

The next year, Councilmember Flynn put the sports park transaction on the city council agenda for discussion on October 14, 2008. Once again, the transaction was fully discussed before the public. At the time, Flynn was running against Holden for mayor and the election was a few weeks away. Flynn told the public that he had learned that Aldersgate made a gross profit of \$8.6 million while flipping the property. Flynn described Mansi as a middleman and stated he was concerned about the lack of a process that could have ensured taxpayers made the best deal. Flynn proposed that the city not use a middleman in the future unless they had first approached the landowner directly. He acknowledged that the effort to purchase the sports park was altruistic and noble, but said that it was not a good deal for the city.

The other councilmembers defended the transaction, explaining the thought process that went into it.⁷⁸ Councilmember Maulhardt said that although he thought Aldersgate's proposed development was a better option than the purchase, he believed the purchase was a good deal. Maulhardt noted that at the time, the city had just sold another property to a developer for \$2 million per acre, compared to the \$600,000 per acre they paid for the sports park. Maulhardt also noted that Colonial House was valued at \$1 million per acre. Significantly, Maulhardt explained that the family trust wanted the "highest and best use"⁷⁹ value for its property and that he had seen pure agricultural land get residential value as the highest and best use when it was condemned.

Mayor Holden stated that the city had looked at comparable property values ranging from \$750,000 an acre to \$2 million per acre. Councilmember Herrera noted that the community supported taking the opportunity to buy the land, so they did. He said that they did it quickly and effectively because quality of life was important to that community. He also noted that the city had sold acreage to other developers for \$1.7 million per acre. Councilmember Zaragoza said that he had fought for the sports park for 10 to 12 years and that he thought the price was an appropriate amount. He said that an agricultural land price was out of the question and that no one would have sold to them at an agricultural price.

Later in the meeting, Councilmember Flynn said that council had a very lively debate about the value of the land and that no one really knew whether it was commercial or C-R. However, Flynn explained that the mere talk of development made the property more valuable and if the owner heard the city would not allow

⁷⁸ For the complete content of the discussions, please refer to the archived video of the October 14, 2008, city council meeting available on the City of Oxnard Web site, at www.ci.oxnard.ca.us.

⁷⁹ The legal concept of "highest and best use" value of a property is discussed in detail later in this section.

development, the value would have been lower. Flynn said that because the city was open to development, it raised the land's value.

Highest and Best Use

Under state and federal law, when a city obtains property by condemning it, the city must pay the owner the "highest and best use" value of the property. Highest and best use analysis is not limited to current zoning. Rather, California law mandates that if it is reasonably probable that a property would be re-zoned in the near future, the city must pay the higher re-zoned value.⁸⁰ Thus, if it was reasonably likely the sports park property would be re-zoned residential, the city was obligated to pay residential value for the land. The policy behind this concept of highest and best use is to protect landowners from local governments that intentionally refuse development efforts so they can purchase property at a lower cost. Such efforts by local government are unfair to landowners and the United States Constitution protects them against such practices.

In this case, the Aldersgate development proposal had a favorable planning commission recommendation. Two councilmembers publicly supported the project and a third declared later that he thought the development project was superior to the purchase plan. The project was set for a final city council vote and, before the sale was proposed, likely had sufficient council support for approval. Thus, under California law, if the city had tried to condemn the property, it would likely have had to pay the full residential value of the land. Thus, valuing the sports park property according to residential land values was consistent with established legal principles.

District attorney investigators obtained documents showing the comparable sales the city used to value the property, ranging from \$737,000 per acre to \$1.68 million per acre, for property permitting residential development. The city paid approximately \$618,000 per acre. Moreover, Ernest Mansi provided investigators with a written offer he received from another developer in early February 2007. The offer would have earned Aldersgate approximately \$7.7 million for the property, plus a 75 percent share of the profits from home sales. Based on prevailing costs of home building and the market at the time, Aldersgate stood to earn more from the development project than it earned from the sale to the city.

Conclusion Regarding Sports Park

The sports park transaction, though profitable for Aldersgate Investments, appears to have been an arms-length transaction using property values consistent with

⁸⁰ *Metropolitan Water Dist. of Southern California v. Campus Crusade for Christ* (2007) 41 Cal.4th 954.

established legal principles. No witness identified any criminal activity and none was discovered during the investigation.

SECTION NINE - DEFICIENT CITY POLICIES AND PRACTICES

The District Attorney's investigation revealed several city policies and practices that do not comply with state law, though violations of the regulations are not necessarily criminal. These noncompliant policies and practices provided ineffective oversight and resulted in fiscal abuses at the highest levels. Because the city's own practices and inadequate recordkeeping system did not properly track spending by city officials, potential criminal violations related to the officials' expenditures cannot be proven or disproven.

This section identifies key city policies and practices that are inconsistent with state law or that lack proper fiscal oversight and transparency. These practices have resulted in excessive and hidden costs to taxpayers and expose the city to potential misappropriation of city funds. The policies and practices are identified so that city officials and the public can determine what corrective measures should be taken to reduce the city's exposure to fiscal waste and abuse. In several instances, city officials have already taken steps to modify these policies and practices.

Delegation of Responsibility to Set Benefits

In 2003, City Manager Sotelo implemented a Supplemental Post-Retirement Benefit (SPRB) for himself and city employees designated as Top Management.⁸¹ This benefit pays qualifying employees \$300 per month in addition to their various other retirement benefits.

Government Code section 36506 requires that "By resolution or ordinance, the city council shall fix the compensation of all appointive officers and employees." Courts interpreting this law have held that a city council cannot delegate the responsibility for determining compensation levels. The city's practice of permitting the city manager to set employee benefits is therefore inconsistent with state law. The requirement that the city council set compensation levels by resolution or ordinance provides a level of oversight and transparency that protects against an employee giving himself an undisclosed increase in salary or benefits. Without city council consideration and approval, the public has virtually no way of knowing when employees receive an increase in benefits.

⁸¹ See Sections Five and Seven for a detailed analysis of the SPRB.

This impermissible practice can easily be remedied by presenting employee salary and benefit levels to city council for approval by resolution or ordinance. While the city manager may recommend the appropriate salary and benefits levels to city council, state law requires the council to make the final decision. Acting City Manager Karen Burnham recently told investigators that the city is now aware that the council, not the city manager, has sole authority for setting salary and benefits. The City of Oxnard is also examining the SPRB and the city's ability to cancel or modify the benefit.

Personal Use of City Credit Cards

City of Oxnard policy and California law prohibit the intentional use of city credit cards for personal purchases.⁸² However, city practice regularly permitted officials to make personal purchases on city credit cards while traveling. Under the city's recordkeeping practices, the personal purchases were rarely itemized and, in those circumstances where there was reimbursement, the amounts were unverifiable.

When city officials are permitted to make personal purchases on credit cards, the risk to taxpayers is genuine. This impermissible practice can be remedied by implementing a more rigorous oversight and recordkeeping process, and consistently requiring every official and employee to itemize and personally verify all expenses on city credit cards. Acting City Manager Burnham recently told investigators that the city conducted a review of its credit card practices within the past year, reducing the number of employees who hold city credit cards and modifying the spending limits available to each cardholder. Burnham was unsure whether the city formally modified its credit card auditing procedures or recordkeeping practices, but noted a significant shift in the city's attention to fiscal oversight issues, particularly as to the required documentation for city-expensed meals.

Reimbursement of Expenses

As discussed previously, a City of Oxnard resolution and state law limit the amount city councilmembers can be reimbursed for meal expenses to IRS rates. State law also requires that a city councilmember must seek *prior* approval at a city council

⁸² Penal Code section 424; Government Code section 8314.

meeting to exceed IRS reimbursement rates.⁸³ The city's published policy and actual practice ignored these limitations.

According to Acting City Manager Burnham, steps have been taken to address these issues. As of February 1, 2011, the city implemented a fixed per diem rate for all employees and elected officials, using federal per diem rates.⁸⁴ The revised policy no longer permits officials to exceed the per diem rate. The revised policy specifies that if a meal is paid for with a city credit card, the employee will be responsible for costs in excess of the per diem rate. While the revised travel reimbursement policy is an improvement, it may yet conflict with state law because the provisions appear to still permit officials to use a city credit card for personal expenses, including charges for a spouse's expenses, as long as the employee reimburses the city.

Burnham told investigators that the city has modified its practices with respect to reimbursements to elected officials. According to Burnham, the city's chief financial officer held meetings with each member of city council to discuss the limitations and obligations imposed on elected officials by the Government Code. The city developed new travel expense forms specifically for city council to ensure compliance with Government Code requirements.

Failure to Report City-Expensed Travel by Elected Council

When a member of city council travels at city expense, he or she is required to provide a report about the travel at the next city council meeting. This report is mandated by Government Code section 53232.3 and city resolution.⁸⁵ The clear policy behind this law is transparency in the expenditure of public funds. The investigation revealed that in the City of Oxnard, the travel reports by city councilmembers were inconsistent. Compliance with state law and increased transparency could be achieved by adding a recurring council agenda item concerning city-expensed travel.

Failure to Use Competitive Bidding

Several witnesses and officials told investigators that Oxnard used the same investment banking company as its bond underwriter for years even though the

⁸³ Government Code section 53232.2.

⁸⁴ A copy of revised City of Oxnard Administrative Manual Policy B-2 can be found in [Attachment J](#).

⁸⁵ Failure to comply with reporting requirements is subject to potential loss of reimbursement privileges and restitution to the local agency under Government Code section 53232.4.

industry is highly competitive. The investigation revealed that the bond underwriter provided several city officials with gifts of expensive meals and event tickets that the officials then failed to declare accurately, as required by law. No one suggested that the bond underwriter has done a poor job for the city or that the company has charged an unfair price for its services. However, by repeatedly using the same company without seeking competitive bidding, city officials missed an opportunity to ensure the best services at a competitive price. Foregoing competitive bidding also exposed the city to potential abuses by its officials.

Within the past year, the city changed its practice concerning its bond underwriting needs. The city recently used a competitive process to establish a pool of qualified bond underwriters and has begun to diversify its use of bond underwriters. While using a regular competitive bidding process will not necessarily result in cost savings, it will nonetheless help protect the city and the taxpayers.

Adherence to City Ethics Policy

Oxnard's published policy concerning personal ethics appropriately appeals to the highest ideals of public service and mandates that the public interest take precedence over personal considerations. During the course of this investigation, it became apparent that some officials have fallen short of these standards.

The first paragraph of City Policy E-26, Standards of Ethics, provides:

The proper operation of democratic government requires that City of Oxnard ("City") officials and employees be independent, impartial, and responsible to the people; that government decisions and policy be made within the proper channels of the governmental structure; that City office not be used for personal gain; and that the public have confidence in the integrity of its City government. City officials and employees must never compromise their honesty or integrity for personal gain or advancement and must remain sensitive to the values of the public they serve.

In a later section, the policy states:

The policy of the City is that City officials and employees shall observe the highest standards of ethics.... City officials and employees shall conduct themselves so as not to give a reasonable basis for the impression that any such official or employee can be improperly influenced in the performance of his or her City duties.... They shall

avoid even the appearance of conflict between their City duties and their personal interests.

A later section prohibits receipt of any gifts valued at more than \$50 from someone doing business with the city, stating:

City officials and employees shall not accept at any time or over any period of time any gift having a value of more than \$50.00 from any person or business entity which, to the knowledge of the City official or employee, does business or is interested in doing business with the City.... City officials and employees shall not accept any gift at all from any such person or business entity when to do so would create an appearance of impropriety or favoritism in the official's or employee's discharge of his or her official duties.

These standards were adopted by city resolution in 1997. Requiring adherence to these standards at all levels of city government would eliminate the nondisclosure of gift violations that contributed to the cloud of suspicion over the City of Oxnard government.

The suggestions are offered to ensure compliance with state law, improve transparency, and reduce the risk of fiscal abuses. It is ultimately the responsibility of the city's officials and residents to determine whether and how to improve the city's practices and policies. Fortunately, many of the suggestions have already been adopted by the city.

CONCLUSION

Upon learning of serious allegations of criminal activity by City of Oxnard officials, in June 2010, the District Attorney's Office began a public integrity investigation to determine the truth of the allegations. The investigation focused on allegations of misappropriation of public funds, failure to disclose receipt of gifts as required by law, and conflicts of interest. The investigation generated significant public interest and media attention. The intent of this report is to inform the public and local government of the nature and results of the investigation.

During the course of this investigation, the District Attorney's Office received a number of allegations of misconduct. The most egregious allegations of criminality have proven untrue. Several multi-million dollar transactions were examined and no evidence of criminality was found. However, the investigation uncovered significant instances of waste and abuse by several city officials. The evidence established that these officials enjoyed expensive meals while traveling at taxpayer expense and at times used city-issued credit cards to pay for personal expenses. The city's generous travel expense policy and incomplete recordkeeping practices leave insufficient evidence to prove criminal violations.

The evidence further established that a grand opening celebration at a city water facility was funded with a combination of private and city funds. In addition, items featured at the grand opening celebration were purchased with city funds diverted through an artificially inflated city contract pertaining to another facility. Inaccurate contracting and recordkeeping practices used in the City of Oxnard Public Works Department leave insufficient evidence to prove allegations of criminal misappropriation involving the use of city funds on the celebration.

The investigation determined that City Manager Ed Sotelo took an improper \$10,000 personal loan of city funds in 1998 and implemented an improper retirement benefit for himself and other city management employees in 2003. Although the personal loan was not properly authorized by city council, the statute of limitations has expired, barring prosecution as to the loan. The retirement benefit Sotelo created was improper because only the city council had the legal authority to establish the benefit. However, the city council informally permitted Sotelo to set employee benefits, though it did so in conflict with state law. As a result, there is insufficient evidence to prove criminal misappropriation with respect to the retirement benefit and the statute of limitations has expired as to the benefit, again barring prosecution.

The investigation established that over a period of years, several Oxnard officials received gifts of expensive meals, rounds of golf, and a small number of event tickets. The officials did not publicly disclose the gifts as required by law. The failure to disclose the gifts does not rise to the level of perjury and has been referred to the Fair Political Practices Commission for enforcement.

The evidence does not support the allegation that the officials had financial interests in the contracts they approved. Several multi-million dollar transactions were examined in detail and no criminal activity was discovered.

Several of the city's policies and practices enabled officials to overspend on themselves or others. The lack of effective constraints, transparency, and oversight allowed certain of the city's officials to spend city funds virtually at will. The very same policies and practices that permitted the conduct also prevented accountability, harming the taxpayers.

City officials have the ability and authority to correct these deficient policies and practices to ensure such fiscal abuses do not reoccur. Several corrective efforts have already begun.

ATTACHMENT A – Travel Authorization Request Form

TRAVEL AUTHORIZATION REQUEST

Employee Name and Dept./Div.: Edmund F. Sotelo, City Manager; Andres Herrera, Councilmember	Date: 8-9-07

Business Meeting ☒ Account No.	Location of Activity: New Orleans, LA Date of Activity: From: Nov. 12-17, 2007 Total Days: 6
Means of Travel: Air ☐ Private Vehicle ☐ City Vehicle ☐ Train ☐	Estimated Cost of Trip: Per Diem: \$ Tuitlon: \$ Travel: \$

Purpose of Request: Attend National League of Cities "Congress of cities & Exposition"
Hotel: Embassy Suites New Orleans, confirmed #752829 (City Manager also paid Mayor Holden's hotel)
Registration: Prepaid \$470 each - Herrera and Sotelo
Airfare: United - City Manager and Councilmember charged to City Manager's AMEX card \$346.80 ea.
Shuttle - to/from airport-phone quote \$120 each way for Sotelo/Herrera
 Mayor arrived Wed, evening. Nov. 14th

Approved ☒ Denied ☐	Signature: _____ Date: _____

TRAVEL EXPENSE REPORT								
ITEMS	SUN	MON	TUES	WED	THURS	FRI	SAT	TOTAL
Date		11-12	11-13	11-14	11-15	11-16	11-17	
Hotel: Ed Sotelo, Tom Holden, Andres Herrera		Ed Sotelo: \$1247.35; Andres Herrera \$1247.35, Tom Holden \$997.88						\$2494.70 \$ 997.88
Breakfast		13.91		-0-	55.00	43.00		111.91
Lunch or Brunch		32.20	64.62	42.10	75.29	47.65	388.52	650.38
Travel - Sotelo		221.84	121.36	-0-	688.54	746.40		1778.14
Air Travel - Sotelo		346.80						346.80
Air Travel - Herrera		346.80						346.80
Taxi Fares		55, 16	16, 16	18, 15	14.70, 16	15, 18	18, 17	234.70
Taxi Fares		17	15, 15		18, 18	18, 18	65	184.00
Taxi Fares						25, 25		50.00
Airport Shuttle ea wy		120					120	240.00
Cash Tips		15					20, 30	65.00
Registration-Sotelo		\$470						470.00
Registration-Herrera		\$470						470.00
Totals								

Auto Expenses	No Auto expense-airport shuttle service used
I hereby certify that the travel indicated hereon was accomplished according to the authorization letter and that information shown hereon is correct; that no part of compensation claimed was of a personal nature.	
Signed:	Credit Card charges: \$ 240.00 - shuttle \$1,247.35 - hotel Sotelo \$1,247.35 hotel Herrera \$ 997.88 hotel Holden \$ 346.80 - air Sotelo \$ 346.80 - air Herrera \$ 470.00 - reg. Sotelo \$ 470.00 - reg. Herrera \$2386.42 - meals
Approved: _____	Cash Expenses Sotelo 687.71 Total Expense of Trip: \$ 8,446.31 Less Personal Costs: \$ (500.00) Balance Due (City/Employee) \$647.71
Cash Expenses Ed Sotelo: Meals: 154.91 Taxi: 234.70 Taxi: 184.00 Taxi: 50.00 Tips: 65.00 Total: 687.71	Ed Sotelo's CK # 1773 attached to Kimbure City for non-City Expense in amt of \$500

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**ATTACHMENT B – City of Oxnard Administrative Manual:
Guidelines for the Use of Purchasing Credit Card**

CITY OF OXNARD
ADMINISTRATIVE MANUAL

SUBJECT: Guidelines for the Use of Purchasing Credit Card	ITEM	PAGE
	NUMBER	
EFFECTIVE DATE: March 1996	D- ~~28~~ 30	1 of 9

Purpose:

The purpose of this procedure is to establish those guidelines under which City programs shall control the use of purchasing credit cards that will be assigned to and utilized by selected City employees to purchase goods and services, on behalf of the City or when authorized per this policy. This procedure is intended to accomplish the following:

1. To ensure that the purchasing made with credit cards is accomplished in accordance with the City's ordinances and procedures established by the City.
2. To ensure appropriate internal controls are established within each program purchasing with credit cards so that they are used only for authorized purposes.
3. To ensure that the City bears no legal liability from inappropriate use of credit cards.
4. To provide a convenient method of buying for employees that will reduce the need for a purchase order.

Finally, it is intended that the policies established herein be viewed as minimum standards for programs, who may wish to establish additional controls beyond those suggested by these policies.

Scope:

This procedure will be applicable to those City programs who have selected employees to use credit cards to purchase goods, services, or for specific expenditures incurred under conditions approved by this policy. The decision of when a credit card is issued, and to whom, will be by each program.

Applicability:

This procedure applies to all programs of the City of Oxnard.

Background:

The City has used various methods to accomplish the purchase of goods and services. To promote vendor acceptance and operational efficiency, the Procurement Services Program initiated the credit card program.

CITY OF OXNARD
ADMINISTRATIVE MANUAL

SUBJECT:	Guidelines for the Use of Purchasing Credit Card	ITEM NUMBER	PAGE
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A number of unique controls have been developed for this program that do not exist in a traditional credit card environment. These controls ensure that the card can be used only for specific purposes and within specific dollar limits. In addition, certification of all purchases is required by each cardholder, with verification performed by the approving team member before payment is made to the contractor.

General Information

1. The Credit Card

The card will have the individual's name, City's account number and expiration date.

2. Credit Card Authorizations

- a. Credit cards usually require a merchant to obtain authorization if a purchase exceeds \$50.00. If for any reason the merchant fails to obtain authorization and subsequently the purchase is refused by the issuer, the merchant would be liable for the amount of sale. An increasing number of merchants have a small machine called a "Point-of-Sale" terminal that requires a sales clerk to run the credit card through the machine so that information is transmitted electronically to the card issuer for authorization. When a Point-of-Sale terminal is used, all transactions must be authorized regardless of the amount.
- b. Since the City, not the individual employee, will pay for the purchases made with the City credit card, additional controls have been added to these accounts. When authorization is sought for a purchase by the merchant, the financial institutions credit card issuer authorization system will check each individual cardholder's single purchase limit, the cardholder's 30-day limit before authorization for that transaction is granted. In addition, if the single or cumulative amount of transaction authorization requests in one business day is over the 30-day limit or 30 transactions per month, the cardholder will be asked for additional information and/or identification by the merchant.

3. Cardholder Spending Limits

- a. The delegation of authority that has been provided to each cardholder sets the maximum dollar amount for each single purchase (Single Purchase Limit), and a total for all purchases made with a credit card within a given billing cycle (30-day Limit). Each time a cardholder makes a purchase with his/her credit card, these limits will be checked, and the authorization

CITY OF OXNARD

ADMINISTRATIVE MANUAL

SUBJECT:	Guidelines for the Use of Purchasing Credit Card	ITEM NUMBER	PAGE
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request will be declined should the amount exceeds those amounts. The City's limits are as follows:

Single Purchase Limit - Not to exceed \$1,000.

30-day Limit - Not to exceed \$30,000 (Note: May be increased if necessary.)

- b. Approving team members may establish lower limits for their employees.
- c. Occasionally, a unique situation may require a purchase over a cardholder's established limits. When a cardholder requests such a request, it must be approved by the Accounting Manager (Procurement Services) or his designee. The Accounting Manager (Procurement Services) will contact the credit card issuer to temporarily increase the cardholder's spending limits and notify the appropriate cardholder.

4. Use of Credit Card

- a. The credit card is to be used for City purchases ONLY. It has a broad range of acceptance by retailers.
- b. Cardholder Responsibility

The credit card that the cardholder receives has his/her name embossed on it and may be used only by that cardholder. No other person is authorized to use the card.

- c. Conditions for Use

Use of the card must meet the following conditions:

- i. The total of a single purchase to be paid for using the card may be comprised of multiple items and cannot exceed the authorized single invoice limit. Purchases will be denied if the authorization single purchase limit is exceeded. Payments for purchases are not to be split in order to stay within the single purchase limit.
- ii. All items purchased over the counter to be paid for using the card must be immediately available. No backordering is allowed.

CITY OF OXNARD

ADMINISTRATIVE MANUAL

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iii. All items purchased by telephone order that will not be confirmed with a written order and be paid for using the card must be delivered by the merchant within the 30-day billing cycle. The order should not be placed without this assurance.

iv. All items purchased during one telephone transaction that will not be confirmed by a written order must be delivered in a single delivery. If an item is not immediately available, no backordering is allowed.

d. Telephone Order Procedures

i. "Telephone Orders," as used in these instructions, means a procedure where an order is placed or a purchase is made through an oral agreement that is made by telephone. No written purchase order or contract is issued by the City. The supplies or services are provided by the vendor and payment is made using the credit card.

ii. Oral procedures may be used to acquire supplies or services that can be described in sufficient detail so that the parties to the agreement have a clear understanding of what is being acquired.

iii. When placing a telephone order to be paid using the credit card, cardholder will:

(1) Confirm that the vendor agrees to charge the credit card when shipment is made so that receipt of the supplies may be certified on the monthly Statement of Account.

(2) Instruct the vendor to include the following information on the shipping document or packing slip: This information will alert the receiving office and the requisitioner that the supplies have been purchased with the credit card.

Cardholder name and program
Street address, room number, City and state;
Cardholder telephone number;
The term "Credit Card."

iv. A log should be used to document or record telephone credit card orders (see Attachment 3). The documentation should be held until the monthly billing statement is received and then attached to the statement when it is submitted to the approving team member.

CITY OF OXNARD

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e. Documentation, Reconciliation and Payment Procedures

i. Documentation

Any time a purchase is made that will be paid using the card, whether it is done over the counter or by telephone, a document must be retained as proof of purchase. The documents will later be used to verify the purchases shown on the cardholder monthly statement.

- (1) When a purchase is made over the counter, the cardholder is to obtain a customer copy of the charge slip, which will become the accountable document (make sure all carbons are destroyed).
- (2) When making purchases by phone, the cardholder is to document the transaction on a log (Attachment 3) and attach any shipping documents associated with the order.

ii. Missing Documentation

If for some reason the cardholder does not have documentation of the transaction to send with the statement, he/she must attach an explanation that includes a description of the item, date of purchase, merchant's name and why there is no supporting documentation.

5. Card Restrictions

The following list covers purchases for which credit card use is prohibited.

- Cash advances through bank tellers or automated teller machines.
- Purchase of personal items except in emergencies or when required for safety.
- Travel, lodging and meals. (There are separate credit cards that are available for this purpose.)

6. Payment and Invoice Procedures

- a. Purchases made by employees will be paid by Accounts Payable once the cardholder certification and approving team member verification has been completed, and account coding assigned for each transaction.

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- b. The credit card issuer will provide one (1) copy of the billing statement to the cardholder and one (1) copy to the Procurement Services program at the end of a billing cycle. The copy of the statement will be mailed to the individual cardholder. This is called a "Statement of Account" and will have a listing of all items processed in the previous 30 days.
- c. The "Statement of Account" requires the cardholder to review the statement and to note any errors on the bill. The cardholder attaches to the statement copies of the receipt(s) (sales drafts) received at the time of purchase. He/She signs the statement certifying items purchased, assigns account codes to each item and forwards to the approving team member within five (5) workdays after it is received. Also prepared and submitted in the City's Departmental Purchase Order (DPO) form.
- d. The approving team member reviews statements from cardholders and verifies approval of purchases. Approving team member signs statement along with the DPO and forwards to the Procurement Services Program within five (5) workdays after receipt from the cardholder.
- e. The credit card issuer will issue the "Statement" the same day each month. It will be the responsibility of the cardholder to provide the approving team member with the receipts for that month should they be on extended leave and will not be able to complete the statement. The approving team member will complete a copy of the statement for the absent employee and the statement will be forwarded to the Procurement Services Program with the rest of the cardholder's statements. The original cardholder statement will be signed by the employee at the time he/she returns.
- f. The approving team member will be responsible for receiving completed statements from all cardholders, reviewing them, resolving any questions on the purchases, signing the statements, and forwarding complete cardholder statements with all attachments to Procurement Services Program within five (5) workdays after receipt from the cardholders. Should the approving team member not receive all of the statements, it will be their responsibility to contact cardholders and have the statements furnished at once. All Statements of Account should be furnished to Procurement Services Program at the same time. If, however, one or more statements are for some reason not received, the remaining statements should not be held while that one or more is being verified.

CITY OF OXNARD

ADMINISTRATIVE MANUAL

SUBJECT:	Guidelines for the Use of Purchasing Credit Card	ITEM NUMBER	PAGE
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NOTE: If a cardholder had no purchase activity on his/her credit card for a particular billing cycle, no Statement of Account will be generated for that cardholder (unless adjustments for previously billed transactions are processed during that cycle).

7. Approval

Approval of the transactions that cardholders have made using the credit cards will not be totally defined in this administrative policy. Approving team members, because of their knowledge of the job responsibilities of cardholders, are required to look at each cardholder's purchases, and at the merchant who made the sale in order to determine if these items were for official use and if they were items allowed to be purchased in accordance with the instructions provided. If for any reason the approving team member questions the purchase(s), it is their responsibility to resolve the issue with the cardholder. If they cannot be satisfied that the purchase was necessary and for official use, then the cardholder must provide a Credit Voucher proving item(s) had been returned for credit, or a personal check for the full amount of that purchase. Resolution for improper use of the credit card will be the responsibility of the approving team member to resolve, and disciplinary action for misuse will also be that program's responsibility to process.

8. Disputes

- a. If items purchased with the credit card are found defective or the repair or services faulty, the cardholder has the responsibility to return item(s) to the merchant for replacement or to receive a credit on the purchase. If the merchant refuses to replace or correct the faulty item, then the purchase of this item will be considered to be in DISPUTE.
- b. A disputed item must be noted on the cardholder's Statement of Account. In addition, a "Cardholder Statement of Questioned Item" form (Attachment 1) must be completed by the cardholder with appropriate documentation attached, if necessary. This form shall be forwarded with the statement through the approving team member to the Procurement Services Program for adjustment with the credit card issuer. Once the card issuer has been notified, the Procurement Services Program will forward the statement to the Procurement Services Program. The Procurement Services Program will notify the cardholder and approving team member of the action taken on disputed items.
- c. It is essential that the timeframes and documentation requirements established by the credit card issuer be followed to protect the cardholder's rights in dispute. Dispute policies and

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procedures issued by the credit card issuer will be provided at the time credit cards are issued to cardholders.

9. Requests for Initial, Additional or Changes to Credit Cards

- a. All requests for new cards will be done by submitting "Request for Credit Card" form (Attachment 2). The form will be processed through the Procurement Services Program who will forward the request to the credit card issuer.
- b. All requests for credit cards must be approved by the approving team member or their designated representative.
- c. When the Procurement Services Program receives the credit card from the credit card issuer, it will require the cardholder to personally sign for their credit card. The Procurement Services Program will notify the appropriate approving team member and Procurement Services Program of the issuance of a credit card to an employee.

10. Semiannual Inventory of Credit Cards

On a semiannual basis, the Procurement Services Program will provide a list of credit cards issued to employees for each program. Programs will conduct a physical inventory of credit cards and provide a report to the Procurement Services Program of the results of the inventory.

11. Lost or Stolen Credit Cards

- a. Should any employee lose or have his credit card stolen, it is the responsibility of the cardholder to immediately notify the credit card issuer and the Procurement Services Program of the loss. The telephone number of the credit card issuer will be provided when the credit card is issued to the cardholder.
- b. In addition to notifying the credit card issuer, the cardholder must notify their approving team member and the Procurement Services Program of the lost or stolen credit card **WITHIN ONE WORKDAY** after discovery of the loss or theft of the card. The approving team member or their designee will be required to make a written report to the Procurement Services Program **WITHIN 5 WORKDAYS** that will include the complete information on the loss, the date the loss was discovered, the location where the loss occurred, if known, the

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purchases that the cardholder had made prior to the loss, and any other information that may be considered as needed.

12. Terminating Employee

- a. Credit cards are issued to individual employees. If an employee leaves the program, their card must be collected and destroyed. The approving team member in the program will be responsible for collecting cards and destroying cards, and providing a memo to the Procurement Services Program that card has been destroyed. The Procurement Services Program will contact the financial institution that issued the card that the card has been destroyed.
- b. Should a cardholder be transferred within the City to another approving team member's area of responsibility, it will be the new approving team member who will determine if the cardholder should be issued a new credit card in their new position.
- c. In the event the approving team member is not able to collect the credit card when employee leaves, the approving team member shall notify the Procurement Services Program immediately by telephone and follow-up with a memo to take action to insure the credit card is voided. The Procurement Services Program will notify the card issuer to void the credit card to prevent any purchases after the employee leaves.

3 Attachments

- 1 Cardholder Statement of Questioned (Disputed) Item
- 2 Request for Credit Card
- 3 Record of Telephone Credit Card Orders

ATTACHMENT 1

CITY OF OXNARD

Cardholder Statement of Questioned (Disputed) Item

TO: Procurement Services Program
THRU: (Approving Team Member)
FROM: (Cardholder)
SUBJECT: Questioned Item on Credit Card Statement

The following item(s) listed on Statement of Account is disputed.

Date of Statement of Account:

Item(s) Disputed:

Reason: (Provide information as to why item(s) does not meet your requirements. Indicate actions requested of merchant, reasons merchant refused to correct dispute, and any other information that is available to assist the Procurement Services Program to negotiate dispute.

Action Requested:

- Return item and obtain credit
- Exchange for same item
- Exchange for different model, brand, etc. w/applicable deduction/increase in cost. (This action will require prior approval from cardholder if cost increase is required.)

Other Comments:

(Cardholder's Signature)

ATTACHMENT 2

CITY OF OXNARD

Request for Purchasing Credit Card

TO: Procurement Services Program

FROM:

SUBJECT: Request for Credit Card

Request the following employee be authorized for a Purchasing Credit Card.

Full Name: (PRINT) _____

Signature: _____

Title: _____

Phone Extension: _____

Account Number: _____

Social Security Number: _____

Cardholder Conditions:

Single Purchase Limit (not to exceed \$1,000)

30-day Limit (not to exceed \$30,000)

30 Transactions per Month

Annual Fee of \$50.00 (maximum amount)

Name of Approving Team Member - (please print)

Signature of Approving Team Member

RECO OF TELEPHONE CREDIT CARD ORDERS			1. PERIOD (Enter beginning and ending date)					PAGE OF PAGE(S)	
INSTRUCTIONS: Use this form to document orders placed <u>by telephone</u> that will be paid for using the City Credit Card. (Do not include "over the counter" purchases). Reconcile the information on this form with your monthly billing statement, sign and date the form, and submit it with the billing statement to the Approving Team Member.						2. NAME OF CARDHOLDER (As it appears on card)			
						3. PROGRAM NAME			
4. DATE ORDERED	5. NAME AND ADDRESS OF SUPPLIER AND NAME OF SUPPLIER'S REP.	6. DESCRIPTION OF SUPPLIES OR SERVICES	ORDERED					RECEIVED	
			7. QUANTITY	8. UNIT OF ISSUE	9. UNIT PRICE	10. SALES TAX	11. TOTAL PRICE	12. DATE DELIVERED	13. AMOUNT BILLED
14. REMARKS (List here account code(s) for item(s) purchased above.)									
15. SIGNATURE OF CARDHOLDER (Sign in ink)								16. DATE	
17. SIGNATURE OF APPROVING TEAM MEMBER								18. DATE	

**ATTACHMENT C – City of Oxnard Administrative Manual:
Authorization and Reimbursement for Travel and Related
Expenses**

CITY OF OXNARD
ADMINISTRATIVE MANUAL

SUBJECT:	Authorization and Reimbursement For Travel and Related Expenses	ITEM NUMBER	PAGE
EFFECTIVE DATE:	September 2003	B-2	1 of 7

PURPOSE

To establish a policy for authorization and reimbursement for travel and related expenses incurred by an employee in connection with official City business, both within and outside of the City, and within and outside of the County of Ventura.

APPLICABILITY

This policy applies to all employees.

EXCEPTIONS

In writing, the City Manager may exempt any employee from the provisions of this policy.

DEFINITION OF TRAVEL

For the purposes of this policy, the word "travel" means activities of an employee required to attend a conference, workshop or meeting, either formal or informal.

1. Local Travel

Local travel is travel within a distance of 100 miles from the City and accomplished within one day. No authorization is required for local travel.

2. Nonlocal Travel

Nonlocal travel is travel involving at least one overnight absence from the City or to a location more than 100 miles from the City.

Authorization is required for nonlocal travel.

EXPENSE GUIDELINES

1. Standard

An employee is expected to exercise reasonable judgment and proper regard for economy when incurring expenses in connection with travel for the conduct of City business. Any expense should directly relate to the conduct of City business, and in the event of an audit subsequent to reimbursement, should leave no question that such expenditure in fact did directly relate to the conduct of City business.

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2. Classifications

The following list of expense classifications is for guidance in determining expenses appropriate for the conduct of City business. The City Manager may approve or disapprove any of the types of travel expenses below, or any other expenses not listed, as appropriate to specific circumstances.

a. General

Travel time will not exceed one day in each direction while en route to and from a conference, workshop or meeting. All travel will be by the mode least costly to the City. In arriving at the lowest cost, an employee must consider factors such as time, distance traveled and cost of transportation. When two or more persons are traveling by motor vehicle, every reasonable effort should be made to travel together.

b. Transportation Modes

The following transportation modes may be used for the purpose of traveling on City business.

- (1) Air and Rail – The allowance for air and rail travel will be the actual round-trip fare by coach or tourist class or by the method least costly to the City. An employee will make special efforts to take advantage of discounts and special fares when such fares and discounts produce “real savings” to the City.
- (2) Other Travel Modes – If travel is not by air or rail, reimbursement will be computed at the air coach rate, using the shortest and most direct route to and from the location of the City business.
- (3) Private Vehicle – With prior written approval from the Department Director, an employee may use a personal vehicle for transportation in lieu of air or rail travel or a City vehicle. The reimbursement of mileage for use of a private vehicle will not exceed the cost of coach air travel from a local airport to the destination and transportation to and from the airport. The mileage allowance used will be equal to the IRS allowable mileage rate authorized for business travel. The Finance and Management Services Director will notify Department Directors and Division Managers on an annual basis as to the current IRS rate.
- (4) Insurance – In order to travel by private vehicle, an employee must possess the required vehicle insurance with limits of not less than \$100,000/\$300,000 public

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liability and \$25,000 property damage, or a combined single limit of \$300,000 public liability, and \$25,000 property damage, or a combined single limit of \$300,000.

- (5) City Vehicle - Use of a City vehicle may be authorized by the Department Director for travel to and from designated places on City business when the employee can demonstrate that this method of transportation is the most economical means available. There will be no allowance or reimbursement to an employee for transportation for use of a City vehicle. Any out-of-pocket expenses incurred in operating the vehicle will be reimbursed if the employee provides receipts.
- (6) Storage and Parking Expense - Charges for parking and storage for a private or City vehicle will be reimbursed if the employee provides receipts.
- (7) Vehicle Rental, Taxi and Bus Fare - Expenses for vehicle rental, taxi or bus fare may be reimbursed when such conveyances are reasonable and necessary in the conduct of City business. To obtain reimbursement, an employee will provide a receipt for a vehicle rental.

c. Accommodations

(1) Types

Whenever possible, an employee is to secure a single room at a corporate/government rate. If an employee wishes to reserve a double room or some other accommodation, only the cost of a single room, corporate/government rate will be reimbursed by the City.

(2) Special Efforts

An employee shall make special efforts to obtain accommodations at or near the location of the City business. The principle of least cost will be followed provided the accommodations are adequate. An employee will consider travel time and transportation costs in accommodation arrangements.

d. Meals

(1) Nonlocal Travel

An employee authorized to travel may receive, in addition to transportation and accommodation expenses, a meal allowance for each day or part thereof. A meal allowance will be allowed or reimbursed for days actually spent on City business, for programmed days of a conference, workshop or meeting, and for time in traveling.

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(2) Local Travel

- (a) Occasionally, a City employee is required to attend a local conference, workshop or meeting on City business during which a meal is served. Allowable expenses for such activities include the cost of the meal and tip.
- (b) An employee who, during the normal course of performing duties, must provide for a meal for representatives of governmental agencies or other persons doing business with or for the City in order to most effectively execute responsibilities, may be authorized reimbursement for expenses associated with such meals. When requesting such reimbursement, an employee will submit documentation which will include: copy of receipt, description of purpose of meal, list of all persons, and organizations present at the meal.

(3) Other Meals

Expenses for other meals not defined in this section, such as City awards luncheons and dinners, retirement luncheons and dinners and meals associated with service club meetings will not be authorized for reimbursement unless approved in writing by the City Manager.

e. Meal Allowance

(1) Amount

Effective September 27, 2002, for all nonlocal travel, an employee will be provided a meal allowance of \$70.00 per day or reimbursement of actual meal expenses incurred. Reimbursement for actual meal expenses in excess of the established per diem allowance will be made only if the employee provides satisfactory receipts.

(2) Calculation

In the event that the employee is not on City business for the entire day, the meal allowance will be prorated as follows:

Breakfast: \$15.00 - paid if travel begins prior to 7:00 a.m. or ends after 9:00 a.m.

Lunch: \$20.00 - paid if travel begins prior to 11:00 a.m. or ends after 1:00 p.m.

Dinner: \$35.00 - paid if travel begins prior to 5:00 p.m. or ends after 7:00 p.m.

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The Department Director will monitor the employee's time of departure and arrival to ensure proper payment of the meal allowance.

f. Tips and Gratuities

The employee will be reimbursed for reasonable expenses for tips and gratuities for meals, accommodation and transportation purposes.

g. Registration Fees

The City will reimburse the employee for fees charged for registration at any conference, workshop or meeting. An employee will provide a receipt or other proof of the registration fee, such as a copy of the conference, workshop or meeting program setting forth the fee, with any such reimbursement request.

h. Telephone and Telegraph

Telephone and telegraph expenses may be incurred only for the conduct of City business. During nonlocal travel, an employee may make one telephone call per day of a short duration (5 minutes) at City expense for personal reasons.

TRAVEL APPROVAL REQUIRED

Out-of-state travel for Department Directors and department representatives must be approved by the City Manager. City Manager approval is not required for local travel for Department Directors. A Department Director will notify the City Manager, as well as other Department Directors, in writing, as to the length of the Department Director's absence from the City and the individual designated to handle departmental issues in his/her absence. At no time shall a department be without a management person available, including weekends and holidays.

ADVANCE OF FUNDS

1. Request Procedure

An employee will be eligible for a travel advance of over \$25 after a Travel Authorization Form is approved by the Department Director and/or City Manager. Travel advances are only for nonlocal travel. A copy of the approved Travel Authorization Form must be submitted to the Purchasing Division, along with the necessary Purchase Order, at the time an employee requests a travel advance. With at least seven days' notice, the Purchasing Division will prepare a travel advance check to an employee to be delivered within five days prior to the travel.

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2. Amount

The travel advance will be in an amount equal to the meal allowance for the trip, less \$55.00. The first \$55.00 of anticipated meal expenses will not be advanced, to insure the timely filing of expense reports by an employee after travel is completed. Additionally, the City shall pay in advance registration fees, transportation costs, and accommodations cost. These advances require sufficient prior notice, and will be made directly to the organization, travel agent, and/or accommodations involved, not to the employee. Exceptions to this procedure require the written approval of the City Manager.

REQUIREMENTS FOR TRAVEL AUTHORIZATION FORM

1. Completion of Form

No later than ten working days after returning to work, the employee will complete the Travel Authorization Form to show actual or authorized expenses, with required receipts. The completed Travel Authorization Form will be approved by the appropriate Department Director, then submitted to the Purchasing Division for payment.

2. Payment Sources

The City will not make travel payments from petty cash in cases when the employee has received an advance. All advances including travel, registration, accommodations, meal allowance, and transportation, will be deducted from the total expense. If the advance exceeds the actual expenses, an employee must submit a remittance with the completed claim for payment. If reimbursement is \$100 or less, petty cash may be used and/or where the total cost of travel does not exceed the petty cash disbursement limit.

3. Cancellation of Travel

If the travel is canceled, an employee must return all advances immediately. If the claim for payment is not submitted within ten working days, the travel account shall be closed out and the employee shall not be reimbursed for out-of-pocket expenses.

4. Audit

The Purchasing Division shall audit the items submitted for accuracy and the allowability of the expenses for reimbursement, and, when appropriate, prepare a check for payment to the employee. In those cases where two or more employees travel together in another employee's private vehicle, mileage reimbursement, where appropriate, will be paid to one employee only.

CITY OF OXNARD

ADMINISTRATIVE MANUAL

SUBJECT:	Authorization and Reimbursement For Travel and Related Expenses	ITEM NUMBER	PAGE
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SPOUSES

Although fiscal limitations do not allow the use of City funds for a spouse to accompany an employee, the attendance of a spouse serves and promotes desirable City purposes and goals. While traveling, the City Manager encourages spousal participation in the travel at the employee's own expense.

ATTACHMENT D – Promissory Notes

cc: Ed 11/11/99

NOTE

BORROWER'S PROMISE TO PAY:

In return for a loan that I have received, I promise to pay the sum of Ten Thousand U.S. Dollars (\$10,000.00) ("principal") plus interest, to the order of the Lender. The Lender is the City of Oxnard, a municipal corporation in the State of California ("Oxnard"). Interest will be charged on unpaid principal until the full amount of principal has been paid. I will pay interest at the yearly simple interest rate of four percent (4%).

PAYMENTS:

I will pay interest by making an annual payment to Oxnard of \$400 each year. I will make that payment on or before December 31st of each year, commencing December 31, 1999. I will pay the balance of the principal due immediately upon the sale and/or transfer of my primary Oxnard residence, located at 2100 Rhonda Street, Oxnard, California 93030, upon my separation of employment with Oxnard, or on or before December 31, 2003, whichever date occurs first.

BORROWER'S RIGHTS TO PREPAY:

1. I have the right to make payments of principal at any time before they are due. A payment of principal only is known as a "prepayment". When I make a prepayment, I will notify the City Attorney that I am doing so.
2. I may make a full prepayment or partial prepayment without paying any prepayment charge. Oxnard will use all of my prepayments to reduce the amount of principal that I owe under this Note.

BORROWER'S FAILURE TO PAY AS REQUIRED:

If Oxnard has not received the full annual interest payment by December 31st, I will pay a late charge of an additional four percent (4%) of the outstanding principal balance. I will pay the annual interest payment and this late charge within thirty (30) days of receiving notice of my non-payment from the City Attorney, or I will be in default under this Note.

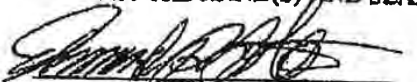
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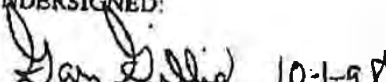
If my employment with Oxnard shall cease for any reason whatsoever, my last salary check shall be used to offset the balance then due on this Note. I hereby waive, to the fullest extent permitted by law, any and all legal requirements, laws, statutes or regulations which require that salary due at cessation of employment be paid without offset at or within certain time periods of cessation of employment, and I consent to the offset of the obligations of this Note by such salary to the extent of the total unpaid balance of the Note at the time my employment ceases.

GIVING NOTICE:

Any notice that must be given under this Note will be given by personal delivery or by first class mail to me at my primary Oxnard residence address.

WITNESS THE HAND(S) AND SEAL(S) OF THE UNDERSIGNED:


Edmund F. Sotelo, City Manager/Date
Borrower

 10-1-99
Gary Gillogly, City Attorney/Date
Lender Representative

F:\HX\CT\ATTORN-1\SOTELO-1.WPD

NOTE

BORROWER'S PROMISE TO PAY:

In return for a loan that I have received, I promise to pay the sum of Ten Thousand U.S. Dollars (\$10,000.00) ("principal") plus interest, to the order of the Lender. The Lender is the City of Oxnard, a municipal corporation in the State of California ("Oxnard"). Interest will be charged on unpaid principal until the full amount of principal has been paid. I will pay interest at the yearly simple interest rate of four percent (4%).

PAYMENTS:

I will pay interest by making an annual payment to Oxnard of \$400 each year. I will make that payment on or before December 31st of each year, commencing December 31, 1999. I will pay the balance of the principal due immediately upon the sale and/or transfer of my primary Oxnard residence, located at 2100 Rhonda Street, Oxnard, California 93030, upon my separation of employment with Oxnard, or on or before December 31, 2008, whichever date occurs first.

BORROWER'S RIGHTS TO PREPAY:

1. I have the right to make payments of principal at any time before they are due. A payment of principal only is known as a "prepayment". When I make a prepayment, I will notify the City Attorney that I am doing so.
2. I may make a full prepayment or partial prepayment without paying any prepayment charge. Oxnard will use all of my prepayments to reduce the amount of principal that I owe under this Note.

BORROWER'S FAILURE TO PAY AS REQUIRED:

If Oxnard has not received the full annual interest payment by December 31st, I will pay a late charge of an additional four percent (4%) of the outstanding principal balance. I will pay the annual interest payment and this late charge within thirty (30) days of receiving notice of my non-payment from the City Attorney, or I will be in default under this Note.

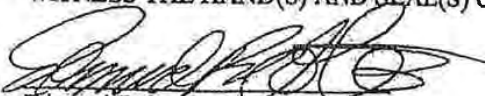
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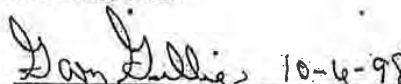
If my employment with Oxnard shall cease for any reason whatsoever, my last salary check shall be used to offset the balance then due on this Note. I hereby waive, to the fullest extent permitted by law, any and all legal requirements, laws, statutes or regulations which require that salary due at cessation of employment be paid without offset at or within certain time periods of cessation of employment, and I consent to the offset of the obligations of this Note by such salary to the extent of the total unpaid balance of the Note at the time my employment ceases.

GIVING NOTICE:

Any notice that must be given under this Note will be given by personal delivery or by first class mail to me at my primary Oxnard residence address.

WITNESS THE HAND(S) AND SEAL(S) OF THE UNDERSIGNED:


Edmund F. Sotelo, City Manager/Date
Borrower

 10-6-98
Gary Gilling, City Attorney/Date
Lender Representative

FAHX\CITY\ATTORNEY GILLIG\Sotelo Note 980930.wp4

**ATTACHMENT E – City of Oxnard Administrative Manual:
Standards of Ethics**

CITY OF OXNARD
ADMINISTRATIVE MANUAL

SUBJECT: STANDARDS OF ETHICS	ITEM NUMBER	PAGE
EFFECTIVE DATE: January 7, 1997	E-26	1 of 9

PURPOSE

1. The proper operation of democratic government requires that City of Oxnard ("City") officials and employees be independent, impartial, and responsible to the people; that government decisions and policy be made within the proper channels of the governmental structure; that City office not be used for personal gain; and that the public have confidence in the integrity of its City government. City officials and employees must never compromise their honesty or integrity for personal gain or advancement and must remain sensitive to the values of the public they serve.
2. The purpose of these standards of ethics is to establish general guidelines for ethical conduct, by setting forth those acts or actions that are incompatible with the best interests of the City, and by directing disclosure by City officials and employees of financial interests in matters affecting the City. These standards are in addition to all existing State laws pertaining to ethical behavior. Compliance with these standards does not ensure compliance with the Political Reform Act ("Act"). All City officials and employees holding designated positions, as listed in the City's Conflict of Interest Standards, should consult their own attorney, the City Attorney or the Fair Political Practices Commission regarding any question or issue covered by the Act.

RESPONSIBILITIES OF CITY OFFICE

1. The policy of the City is that City officials and employees shall observe the highest standards of ethics and discharge faithfully the duties of their offices regardless of personal considerations, recognizing that the public interest must be their primary concern. City officials and employees shall conduct themselves so as not to give a reasonable basis for the impression that any such official or employee can be improperly influenced in the performance of his or her City duties.
2. City officials or employees shall conduct themselves so as to maintain public confidence in their performance and public trust in the government they represent. They shall avoid even the appearance of conflict between their City duties and their personal interests.
3. Conflicts of interest arise when there is an opportunity for personal gain apart from the normal rewards of employment. City officials and employees should avoid transactions or services involving their City duties that place personal interests in opposition to the City's interests or result in personal financial gain.
4. City officials and employees shall not exceed their authority or breach law or ask others to do so, and shall work in full cooperation with other City officials and employees unless prohibited from doing so by law.

CITY OF OXNARD
ADMINISTRATIVE MANUAL

SUBJECT: STANDARDS OF ETHICS	ITEM NUMBER	PAGE
EFFECTIVE DATE: January 7, 1997	E-26	2 of 9

DEFINITIONS

The definitions provided below are intended to assist in understanding the standards. In addressing ethical standards contained in State law, City officials and employees shall use the State law definition of those terms, and shall not rely upon their personal views or the following definitions as to what a term means. When situations covered by State law arise, employees should consult the Ethics Advisory Committee (see *Procedures* No. 2., below).

1. "Business entity" means any corporation, general or limited partnership, sole proprietorship (including a private consultant operation), joint venture, unincorporated association or firm, institution, trust, foundation, or other organization, whether organized for profit or not.
2. "City official" means any person holding a position by election in the service of the City, whether paid or unpaid, and members of any board, committee, or commission thereof.
3. "Confidential or privileged information" means: (1) all written information that is not a public record within the meaning of the California Public Records Act or is exempt from disclosure under the California Public Records Act, including information subject to the attorney-client privilege; (2) all verbal information that was provided with the request that the information be kept confidential, including information subject to the attorney-client privilege.
4. "Disclosure" means bringing into view, revealing and making known information and/or interest.
5. "Employee" means any person except a City official, holding a position by appointment or employment in the service of the City, whether paid or unpaid.
6. "Gift" means anything of economic value, regardless of the form, to the extent that consideration of equal or greater value is not given in return. "Gift" does not include the following items (which are excluded by Section 82028(b) of the Government Code):

- (1) *Informational material such as books, reports, pamphlets, calendars, or periodicals. No payment for travel or reimbursement for any expenses shall be deemed 'informational material.'*
- (2) *Gifts which are not used and which, within 30 days after receipt, are returned to the donor or delivered to a charitable organization without being claimed as a charitable contribution for tax purposes.*
- (3) *Gifts from an individual's spouse, child, parent, grandparent, grandchild, brother, sister, parent-in-law, brother-in-law, sister-in-law, nephew, niece, aunt, uncle, or first cousin or the spouse of any such person; provided that a gift from any such person shall be considered a gift if the*

CITY OF OXNARD

ADMINISTRATIVE MANUAL

SUBJECT:	STANDARDS OF ETHICS	ITEM NUMBER	PAGE
EFFECTIVE DATE:	January 7, 1997	E-26	3 of 9

donor is acting as an agent or intermediary for any person not covered by this paragraph.

(4) Campaign contributions required to be reported under Chapter 4 of this title.

(5) Any devise or inheritance.

(6) Personalized plaques and trophies with an individual value of less than two hundred fifty dollars (\$250).

7. "Financial interest" has the meaning set out in Section 87103 of the Government Code (see Attachment A).
8. "Official act or action" means any legislative, administrative, appointive or discretionary act of any City official or employee performed as part of his or her City duties or in the course of work done for the City.
9. "Personal interest" means a direct or indirect pecuniary or material benefit, other than a financial interest, accruing to a City official or employee as a result of an official act or action, except for official acts and actions that confer the opportunity and right to realize similar benefits on all other persons similarly situated.

USE OF CITY RESOURCES

City officials and employees shall request, use, or permit the use of City property or resources, including the work of City officials or employees, only to carry out the duties of their City employment or position, or as authorized by City ordinances, resolutions or written policies.

FAIR AND EQUAL TREATMENT

1. Obligations to Members of the Public. City officials or employees shall not grant to any member of the public any consideration, treatment or advantage that is not available to any other member of the public. This provision shall not be construed to prohibit City officials and employees from responding to requests from colleagues as a matter of professional courtesy.
2. Sharing Communications. (a) A City official or employee who sends a written communication concerning City business to another City official or employee shall, unless the communication is intended to be confidential, send a copy of the communication to other City officials and employees known or reasonably expected to be interested in the subject of the communication. (b) A City official or employee who sends a written communication including significant or new information concerning City business to a City Councilmember in response to a request from the Councilmember shall also send a copy of the communication to other Councilmembers. (c) A City official or employee who verbally communicates City business to another City official or

CITY OF OXNARD

ADMINISTRATIVE MANUAL

SUBJECT: STANDARDS OF ETHICS	ITEM NUMBER	PAGE
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employee shall, unless the communication is intended to be confidential, verbally communicate the same City business to other City officials and employees known or reasonably expected to be interested in the subject of the communication.

3. Action in Accordance with City Policies. City officials and employees shall perform their duties in accordance with any applicable formally adopted City policies, even if the City official or employee disagrees with any such policy. However, City officials and employees may state their personal opinions about City policies.

CONFLICT OF INTEREST

1. City officials and employees shall not perform any official act or action in which they know or have reason to know that they have a financial interest or other personal interest.
2. Specific conflicts of interest are enumerated below for the guidance of employees and City officials. This list is merely illustrative and not exclusive:
 - a. Confidential or Privileged Information. City officials and employees shall not, without proper authorization, disclose any confidential or privileged information or use confidential information to advance their financial interests or other personal interests. City officials and employees shall not violate Government Code section 1098 (see Attachment B).
 - b. Gifts. City officials and employees shall not accept at any time or over any period of time any gift having a value of more than \$50.00 from any person or business entity which, to the knowledge of the City official or employee, does business or is interested in doing business with the City. If more than one gift is accepted, the valuation shall be based on the combined value of all gifts. In addition, City officials and employees shall not accept any gift at all from any such person or business entity when to do so would create an appearance of impropriety or favoritism in the official's or employee's discharge of his or her official duties.
 - c. Representing Other Interests. City officials and employees who are paid in whole or in part by the City shall not appear before any agency of the City on behalf of other interests for pay or represent other interests in any action or proceeding against the interests of the City in any litigation to which the City is a party.
 - d. Incompatible Employment. A City official or employee shall not engage in or accept other employment or render services to other interests when such employment or service is incompatible with the proper discharge of his or her official duties.

CITY OF OXNARD

ADMINISTRATIVE MANUAL

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- e. Future Employment. A person who has been a City official or employee shall not, within one year after the termination of service or employment with the City, appear before any board, commission, committee or agency of the City in relation to any case, proceeding, application or contract in which he or she personally participated during the period of his or her service or employment.
- f. Political Activity. A City official or employee shall not promise an appointment to any position with the City as a reward for any political activity.

PROCEDURES

1. Where to Seek Advice

- a. City employees who have questions about the ethics of an action or situation should discuss the matter with their supervisors, personnel staff, the City Manager, the City Attorney, or may request an opinion from the Ethics Advisory Committee.
- b. City officials who have questions about the ethics of an action or situation should discuss the matter with the City Attorney or may request an opinion from the Ethics Advisory Committee.

2. Ethics Advisory Committee

- a. The purpose of the Ethics Advisory Committee ("Committee") is to aid City officials and employees in carrying out their duties by (I) giving advice concerning particular situations and (ii) clarifying ambiguities in the ethics policy or related City enactments.
- b. The Committee comprises the City Attorney, one management employee, and one nonmanagement employee, both of whom shall be appointed by the City Council. The Committee will then select two members of the public, who are residents of Oxnard, to also serve as members of the Committee.
- c. With the assistance of the City Manager or designee, the Committee will adopt bylaws defining procedures and guidelines for the operation of the Committee.

3. What to Do If Uncertain

An ethical issue may not arise until a situation is underway. In such cases, there may not be time to contact someone for advice. Rather than risk a violation of the ethics policy, the safest course of action for the City official or employee is simply to declare that a conflict may exist that prevents him or her from participating.

CITY OF OXNARD
ADMINISTRATIVE MANUAL

SUBJECT:	STANDARDS OF ETHICS	ITEM NUMBER	PAGE
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4. How to Declare a Possible Conflict of Interest

- a. Employees who believe they may have a conflict of interest should immediately advise their supervisor, personnel staff, the City Attorney or the City Manager.
- b. City officials who believe they may have a conflict of interest should immediately announce the possible conflict in the official records of the City.

5. How to Handle or Report a Possible Conflict of Interest

- a. City officials and employees have a duty to prevent and report possibly unethical or illegal action. City officials and employees who know of such action and do nothing also act unethically. Hence, City officials and employees are obligated to counsel an official or employee who is engaged or is about to engage in unethical behavior. If counseling is not appropriate or is ineffective, City officials and employees are obligated to report the unethical behavior.
- b. City employees should notify their supervisor or other management staff within the program, personnel staff, the City Manager or the City Attorney. City officials should notify the City Manager, the City Attorney or the Ethics Advisory Committee.
- c. City officials and employees shall never attempt to use their authority or influence for the purpose of intimidating, threatening, coercing, commanding, or influencing any person with the intent of interfering with that person's duty to disclose unethical or illegal activity. Additionally, City officials and employees shall never attempt to use their authority or influence for the purpose of retaliation against another City official or employee who reports unethical behavior.
- d. Every attempt should be made to keep confidential the identity of a City official or employee who reports unethical behavior; however, there are no guarantees in the event of administrative, criminal, or civil proceedings.

ACCOUNTABILITY

Adherence to the standards of ethics will be considered in evaluating the job performance of City employees and those City officials who are subject to performance reviews. Violations of the standards of ethics will be measured against a "reasonable person" standard. Violations may expose City officials and employees to a variety of penalties, depending on the specifics of the situation.

§ 87103. FINANCIAL INTEREST

A public official has a financial interest in a decision within the meaning of Section 87100 if it is reasonably foreseeable that the decision will have a material financial effect, distinguishable from its effect on the public generally, on the official, a member of his or her immediate family, or on any of the following:

- (a) Any business entity in which the public official has a direct or indirect investment worth one thousand dollars (\$1,000) or more.*
- (b) Any real property in which the public official has a direct or indirect interest worth one thousand dollars (\$1,000) or more.*
- (c) Any source of income, other than gifts and other than loans by a commercial lending institution in the regular course of business on terms available to the public without regard to official status, aggregating two hundred fifty dollars (\$250) or more in value provided to, received by or promised to the public official within 12 months prior to the time when the decision is made.*
- (d) Any business entity in which the public official is a director, officer, partner, trustee, employee, or holds any position of management.*
- (e) Any donor of, or any intermediary or agent for a donor of, a gift or gifts aggregating two hundred fifty dollars (\$250) or more in value provided to, received by, or promised to the public official within 12 months prior to the time when the decision is made. The amount of the value of gifts specified by this subdivision shall be adjusted biennially by the commission to equal the same amount determined by the commission pursuant to subdivision (d) of Section 89504.*

For purposes of this section, indirect investment or interest means any investment or interest owned by the spouse or dependent child of a public official, by an agent on behalf of a public official, or by a business entity or trust in which the official, the official's agents, spouse, and dependent children own directly, indirectly, or beneficially a 10-percent interest or greater.

§1098. DISCLOSURE OR USE OF CONFIDENTIAL INFORMATION FOR PECUNIARY GAIN

- (a) Any current public officer or employee who willfully and knowingly discloses for pecuniary gain, to any other person, confidential information acquired by him or her in the course of his or her official duties, or uses any such information acquired by him or her in the course of his or her official duties, or uses any such information for the purpose of pecuniary gain, is guilty of a misdemeanor.
- (b) As used in this section:
 - (1) "Confidential information" means information to which all of the following apply:
 - (A) At the time of the use or disclosure of the information, the information is not a public record subject to disclosure under the Public Records Act.
 - (B) At the time of the use or disclosure of the information, the disclosure is prohibited by (i) a statute, regulation, or rule which applies to the agency in which the officer or employee serves; (ii) the statement of incompatible activities adopted pursuant to Section 19990 by the agency in which the officer or employee serves; or (iii) a provision in a document similar to a statement of incompatible activities if the agency in which the officer or employee serves is a local agency.
 - (C) The use or disclosure of the information will have, or could reasonably be expected to have, a material financial effect on any investment or interest in real property which the officer or employee, or any person who provides pecuniary gain to the officer or employee in return for the information, has at the time of the use or disclosure of the information or acquires within 90 days following the use or disclosure of the information.
 - (2) For purposes of paragraph (1):
 - (A) "Interest in real property" has the definition prescribed by Section 82033.
 - (B) "Investment" has the definition prescribed by Section 82034.
 - (C) "Material financial effect" has the definition prescribed by Sections 18702 and 18702.2 of Title 2 of the California Administrative Code, as those sections read on September 1, 1987.
 - (3) "Pecuniary gain" does not include salary or other similar compensation from the officer's or the employee's agency.
- (c) This section shall not apply to any disclosure made to any law enforcement agency, nor to any disclosure made pursuant to sections 10542 and 10543.
- (d) This section is not intended to supersede, amend, or add to subdivision (b) of Section 8920 regarding prohibited conduct of Members of the Legislature.

Added Stats 1987 ch 962 §1.

CITY COUNCIL OF THE CITY OF OXNARD

RESOLUTION No. 11,166

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF OXNARD
ESTABLISHING STANDARDS OF ETHICS FOR APPOINTED AND
ELECTED OFFICIALS AND EMPLOYEES

WHEREAS, City officials and employees participating in training have expressed interest in the establishment of standards of ethics; and

WHEREAS, standards of ethics will provide guidelines and standards of conduct for the City's appointed and elected officials and employees; and

WHEREAS, the adoption and implementation of standards of ethics will enhance the performance and image of City officials and employees; and

WHEREAS, the residents of the City deserve to have their appointed and elected officials and employees comply with the highest standards of conduct.

NOW, THEREFORE, the City Council of the City of Oxnard resolves that the "City of Oxnard Standards of Ethics," attached hereto as Exhibit A, be adopted to govern the conduct of all appointed and elected City officials and employees.

PASSED AND ADOPTED this 7th day of January, 1997, by the following vote:

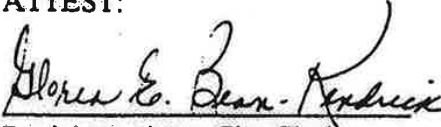
AYES: Councilmembers Pinkard, Zaragoza, Holden, Lopez and Maulhardt.

NOES: None

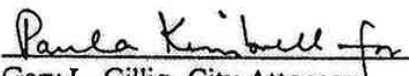
ABSENT: None


Dr. Manuel M. Lopez, Mayor

ATTEST:


Daniel Martinez, City Clerk

APPROVED AS TO FORM:


Gary L. Gillig, City Attorney

**ATTACHMENT F – City of Oxnard Administrative Manual:
Supplemental Post-Retirement Benefit**

CITY OF OXNARD
ADMINISTRATIVE MANUAL



SUBJECT: Supplemental Post-Retirement
Benefit

ITEM
NUMBER

PAGE

EFFECTIVE DATE: January 2008

E-28

1 of 1

POLICY

Effective July 1, 2003, the City Manager has established a Supplemental Post-Retirement Benefit (SPRB) for certain eligible employees. The terms and conditions for participation in the SPRB are described below.

1. Eligibility

- a. An employee occupying the classification of City Manager, Assistant City Manager, Deputy City Manager, City Attorney or Department Director is eligible to receive the SPRB.
- b. To be eligible to receive the SPRB, an employee shall occupy one of the above-listed classifications for a minimum of five consecutive years and shall separate from City of Oxnard (City) service by retirement.
- c. An eligible employee retiring July 1, 2003, or later, is entitled to receive the SPRB of up to \$300 per month, payable quarterly.

2. Process for Payment of SPRB

- a. To receive the SPRB, a retiree shall submit a request in writing to the City's Purchasing Agent no later than three (3) months after retirement from the City.
- b. The payment of the SPRB shall cease at the request of the retiree or upon the death of the retiree.

3. City Manager Authority

The City Manager may amend the terms of the SPRB or cease providing the SPRB at any time.

**ATTACHMENT G – GREAT Program Desalter Ceremony Cost
Breakdown: Provided by Public Works Director Ken Ortega**

GREAT Program Brackish Water Desalter Dedication Ceremony Itemized Breakdown

Item	Service Provider	Buyer/Donor	Cost(s)		Comment(s)
			City	Other	
Video1	MSE Productions	City of Oxnard	\$ 5,800	\$ -	Video documentary of GREAT Program compiled from archived footage. Work performed under existing City agreement.
Video2	City CORPS	City CORPS	\$ -	\$ -	City CORPS shot footage of GREAT Program Desalter throughout construction and provided final video production and editing free of charge.
Wine Glass	Herzog Cellars	Herzog Cellars	\$ -	\$ -	Herzog Cellars provided commemorative wine glass free of charge in exchange for marketing opportunity.
Appetizers	Tierra Sur	Herzog Cellars	\$ -	\$ -	Tierra Sur/Herzog Cellars donated food (appetizers) and wine for outdoor reception.
Dinner	Tierra Sur	Contractor/Consultant	\$ -	\$ 31,900	Four course meal for 300 guests, including tables, chairs, etc.F26
Wine	Herzog Cellars	Herzog Cellars	\$ -	\$ -	Provided wine free of charge.
Servers	City CORPS	City CORPS	\$ -	\$ -	Provided service free of charge.
Shuttles	Roadrunner	City of Oxnard	\$ 1,770	\$ -	City PIO staff solicited proposals/bids from three vendors.
Bronze Plaque	Custom Awards	City of Oxnard	\$ 4,242	\$ -	City PIO staff solicited proposals/bids from three vendors
Music	Sound Effect	Sound Effect	\$ -	\$ -	Band donated their time to the event free of charge.
Mural	The Border Agency	Contractor/Consultant	\$ -	\$ 15,600	Contributed to project by construction/consultant team.
Banners	7th Street Signs	City of Oxnard	\$ 1,860	\$ -	Michael C. designed banner and City paid for printing cost
Partition	TXD International	City of Oxnard	\$ 1,954	\$ -	Michael C. designed screen and City paid for production cost.
AWPF Project Sign	PIO Staff	City of Oxnard	\$ 375	\$ -	David Z. designed sign and City paid for printing cost
Event Production	PIO Staff	City of Oxnard	\$ 1,900	\$ -	Luis G. and the City's PIO staff produced the evenings event in collaboration w/Lunars and MSE Productions
Floral Arrangements	Bernardo's	Contractor/Consultant	\$ -	\$ -	Donated floral arrangements free of charge.

\$ 17,901 \$ 47,500

<u>Contractor/Consultant Team</u>	\$ 47,500
Black & Veatch	\$ 2,500
Kennedy/Jenks	\$ 4,000
Mainstreet Architects+Planners	\$ 2,500
Prousys	\$ 2,500
AEWT/Biwater	\$ 8,000
EMMA Construction Corporation	\$ 12,000
Rawlings Mechanical	\$ 5,000
Consolidated Electrical Distributors	\$ 3,000
Rockwell Automation	\$ 3,000
Z-Pipeline	\$ 5,000

**ATTACHMENT H – City of Oxnard Staff Recommendation to
City Council and Contract Amendment**



Meeting Date: 07/22/2008

ACTION	TYPE OF ITEM
☒ Approved Recommendation	☐ Info/Consent
☐ Ord. No(s). _____	☐ Report
☐ Res. No(s). _____	☐ Public Hearing
☐ Other _____	☐ Other _____

Prepared By: Anthony EmmertAgenda Item No. I-20Reviewed By: City ManagerCity AttorneyFinancePublic Works**DATE:** July 14, 2008**TO:** City Council**FROM:** Mark S. Norris, Assistant Public Works Director
Public Works Department**SUBJECT:** First Amendment to Agreement with Kennedy/Jenks Consultants for Blending Station No. 3 Desalter Project

RECOMMENDATION

That City Council approve and authorize the Mayor to execute the first amendment to the agreement with Kennedy/Jenks Consultants ("Kennedy/Jenks") to increase the amount by \$124,000 for a total of \$498,000 for the preliminary design and construction administration of the Blending Station No. 3 Desalter Project (Agreement No. A-6924) located at 1700 Solar Drive and extend the agreement expiration date to December 31, 2009.

DISCUSSION

The Blending Station No. 3 Desalter will help to maintain or reduce the total dissolved minerals in the City's blended potable water product by treatment of brackish water (groundwater) by reverse osmosis. In addition, the steady implementation of the City-approved Groundwater Recovery Enhancement and Treatment Program ("GREAT Program") will lead to increased groundwater well production using City wells, including the four existing wells at the Blending Station No. 3 Facility. The GREAT Program also calls for limiting purchases of imported State Water Project water at current levels or reducing them with the phased implementation of demineralization treatment facilities. Imported State Water Project water is low in dissolved minerals and local groundwater is high in dissolved minerals. In order to maintain the City's mineral water quality, dissolved minerals must be removed from some of the groundwater before blending it with other water sources.

The City is currently constructing its first desalter facility at Blending Station No. 1 located at 251 South Hayes Avenue, as part of the GREAT Program. The Blending Station No. 1 Desalter is scheduled to be operational in late 2008. The Blending Station No. 3 Desalter should be operational in 2011. The Blending Station No. 3 Desalter will initially produce up to 5 million gallons per day of treated water, with an expansion capacity of up to 10 million gallons per day.

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First Amendment to Agreement with Kennedy/Jenks Consultants for Blending Station No. 3 Desalter Project
July 14, 2008
Page 2

The California Department of Water Resources recently awarded the City a Proposition 50 Chapter 6 Water Desalination grant for the Blending Station No. 3 Desalter Feasibility Study and Preliminary Design. Out of a total of 23 projects funded by the grant, the City of Oxnard received funding for two projects: \$2.9 million for the construction of the Blending Station No. 1 Desalter Project, and \$187,000 for the preliminary design of the Blending Station No. 3 Desalter Project.

Site constraints and property line setback requirements have created the need to construct several raw and finish water storage structures below grade. Amendment No. 1 to the agreement with Kennedy Jenks includes:

- Additional preliminary design documentation for the Blending Station No. 3 Desalter.
- Additional geotechnical investigation at the Blending Station No. 3 site.
- Revised geotechnical recommendations for the proposed below-grade facilities and seismic design criteria based on the 2007 California Building Code.
- Develop basic ground motion parameters for use in code-based seismic design.

FINANCIAL IMPACT

The cost of the First Amendment is \$124,000, bringing the total cost of the agreement to \$498,000. There are sufficient funds in Account No. 179-6554-821-8201, Project 066011 Blending Station No. 3 Desalter Design, to cover the cost of the agreement.

AAE:vp
G:\AdminSvc\Agenda Items\FY 2007-2008\07-22-08 Kennedy Jenks A-6924 Amendment 1.doc

Attachment #1 – Amendment No. 1 to Agreement No. A-6924

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FIRST AMENDMENT TO AGREEMENT FOR CONSULTING SERVICES

This First Amendment to Agreement for Consulting Services ("First Amendment") is made and entered into on July 22, 2008, by and between the City of Oxnard, a municipal corporation ("City"), and Kennedy/Jenks Consultants ("Consultant"), and amends that certain Agreement for Consulting Services ("the Agreement") entered into on the 3rd day of October 2007.

A. City and Consultant agree that the Agreement is amended as follows:

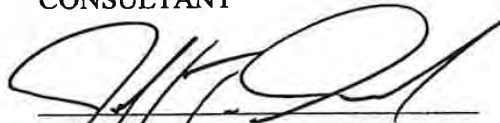
1. In section 13a of the Agreement, the figure "\$374,000" is deleted and replaced with the figure "\$498,000".
2. In section 12 of the Agreement, the expiration date of "October 31, 2008", is deleted and replaced with the date "December 31, 2009".
3. Exhibit A of the Agreement Scope of Services is supplemented by Exhibit A1, attached hereto and incorporated herein by reference.

B. City and Consultant further agree that as amended by the First amendment, the Agreement remains in full force and effect.

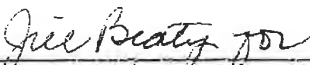
CITY OF OXNARD


Dr. Thomas E. Holden, Mayor

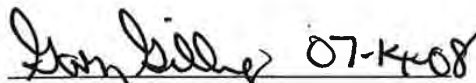
CONSULTANT


Jeff T. Savard, Vice President
Kennedy/Jenks Consultants

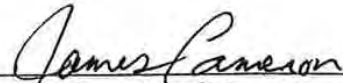
ATTEST:


Daniel Martinez, City Clerk

APPROVED AS TO FORM:

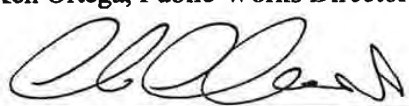

Gary L. Gillig, City Attorney

APPROVED AS TO INSURANCE:


James Cameron, Risk Manager

APPROVED AS TO CONTENT:


Ken Ortega, Public Works Director


Anthony Emmert, Project Manager

COUNCIL APPROVAL
DATE: 7-22-08 AGENDA # I-20

Exhibit A1

Blending Station No. 3 Desalter Preliminary Design

This First Amendment includes the preparation of additional preliminary design documents for the Blending Station No. 3 ("BS3") Desalter as well as providing additional geotechnical investigation at the BS3 site. The additional scope is described below:

Task 1 – Additional Preliminary Design Documents

The preliminary design documents shall include the following additional items:

- Addition of fluoride and zinc orthophosphate chemical feed systems.
- Consolidation of the sodium hypochlorite and ammonium hydroxide chemical systems into single storage and feed systems to serve both the blending station and Desalter needs.
- Centralization of the chemical unloading area for all chemicals to be adjacent to the new chemical storage area (currently, ammonia and hypochlorite unloading for the blending station are located at the north end of the facility). This will require rerouting of the chemical feed lines to the existing storage tanks.
- Evaluation of the Desalter system following the feasibility study to determine that the ultimate system capacity could be increased from 10 mgd to 15 mgd.
- Accommodation of the Desalter building dimensional constraints with the increased ultimate Desalter capacity - i.e. interior tank depth no deeper than 13 ft to stay above water table; building height limited to single story no higher than 35 ft with City preference to stay closer to 20 ft; building setback issues on the east and south sides of the building.

Deliverables associated with Task 1 will be in accordance with the original agreement.

Task 2 – Additional Geotechnical Investigation

The previous geotechnical report by Leighton (2003) indicates that geotechnical recommendations were provided for pipelines and at-grade structures, and the seismic design recommendations were based on the 1997 Uniform Building Code (UBC). The additional scope includes providing revised geotechnical recommendations for the proposed below-grade facilities and seismic design criteria based on the 2007 California Building Code (CBC).

Task 2.1 - Data Review and Pre-Exploration

Fugro will review relative existing geologic and geotechnical data available in their files as well as data provided to them for the blending station site (such as Leighton, 2003). Fugro will visit the site to select and mark proposed subsurface exploration locations and evaluate accessibility issues for the exploration equipment. Prior to performing the proposed subsurface exploration, Fugro will contact Underground Service Alert so locations of existing underground utilities can be marked by others. Marking of utilities will allow Fugro to evaluate potential conflicts between existing utilities and proposed exploration locations. Fugro will not be responsible for damage or other consequences involving mislocated or unlocated utilities.

Task 2.2 - Field Exploration

Fugro will perform a field exploration program for the project that will consist of conducting two to three cone penetrometer test (CPT) soundings in the area of the proposed facilities. Fugro will use data from the existing drill holes and the additional CPTs to characterize the subsurface and groundwater conditions. The CPTs will be advanced to a depth of about 50 to 65 feet using a piezocone to help evaluate depth to groundwater. Consultant anticipates that the CPTs can be completed in one working day, and Consultant assumed that no permits or rights-of-entry will be required for the exploration work.

Task 2.3 - Seismic Evaluation per the 2007 California Building Code

On the basis of information provided in Leighton (2003), the subsurface soils are likely susceptible to liquefaction. As a result, the subsurface soils can be characterized as meeting the requirements of Site Class F per Table 1613.5.2 of the 2007 CBC. In general, the CBC (and ASCE 7) requires a site response analysis and a site-specific ground motion hazard analysis be performed for design projects where Site Class F conditions are present. However, Section 20.3.1 of ASCE 7 indicates that site response and ground motion hazard analyses are not required for Site Class F conditions if the fundamental periods of vibration of the structure(s) are equal to or less than 0.5 seconds.

For this project, the fundamental periods of vibration for the permeate tank/desalter building and other facilities are not known, but could be greater than 0.5 seconds.

Because the requirements of the code-based seismic design are not well defined at this time, Consultant developed a basic scope of services (Task 2.3a) and an optional scope of services (Task 2.3b) to be used as a basis for seismic design recommendations for the project.

Basic Scope of Services, Task 2.3a. For the basic level of services, Fugro will develop basic ground motion parameters for use in code-based seismic design assuming site response and site-specific seismic hazard analyses will not be required. This assumption is reasonable if the exception listed in Section 20.3 of ASCE 7 is considered applicable to the structure and the project overall. In this case, Consultant will develop a general site response spectra based on mapped spectral values and typical 5 percent damping conditions using the general procedures in Section 11.4 of ASCE 7 (CBC Chapter 1613.5).

Optional Scope of Services, Task 2.3b. Services to be provided for this task will consist of performing a site response analysis and developing design ground motion parameters based on a site-specific seismic hazard analyses as described in Sections 21 of ASCE 7.

Task 2.4 - Geotechnical Evaluation and Reporting

Fugro will summarize findings and recommendations based on the data review and on the CPT soundings. Fugro will provide the geotechnical recommendations for the following aspects of the project:

- Soil and groundwater conditions.
- Ground motion and seismic design data in accordance with the 2007 CBC (developed from the Basic Scope of Services Task 2.3a, or Optional Scope of Services Task 2.3b).
- Liquefaction potential and estimated settlements from liquefaction and strong ground shaking using published empirical methods (the development of schemes for mitigating the occurrence of liquefaction at the site is considered beyond the scope of services of this study).

- Earthwork and grading consisting of remedial grading for foundations and pavements (overexcavation), fill selection, placement and compaction and suitability of onsite soil for use as fill.
- Excavation, groundwater considerations, and subgrade preparation.
- Permanent slopes, temporary slopes and shoring.
- Footing design criteria, including allowable bearing pressures, safety factors, and transient loads.
- Modulus of subgrade reaction for mat-type foundations.
- Lateral earth pressure design parameters for retaining and below-grade walls (drained, undrained), definitions of restrained and unrestrained walls, uplift pressures, and surcharge loads from foundations and traffic.

Deliverables associated with Task 2 will be in accordance with the original agreement.

ATTACHMENT I – Gift Summary Table

ATTACHMENT I – SUMMARY OF GIFTS RECEIVED

Ed Sotelo, City Manager

Date	Gift Description	Value	Gift Giver	Declared?
4/14/2005	Golf @ Ojai Valley Inn (Ojai)	\$170	De La Rosa	No
5/23/2005	Golf @ Bear's Best (Las Vegas)	\$225	Shea Properties	No
5/23/2005	Lunch @ Bear's Best (Las Vegas)		Shea Properties	No
5/23/2005	Dinner @ Pinot Brasserie (Las Vegas)		Shea Properties	No
5/24/2005	Dinner @ Morton's Steakhouse (Las Vegas)		Shea Properties	No
5/25/2005	Golf @ Legacy Golf Club (Las Vegas)	\$100	Shea Properties	No
5/25/2005	Golf Cap & Beverages @ Legacy Golf Club	\$25	Shea Properties	No
10/6/2005	Dinner @ Aqua (San Francisco)		De La Rosa	No
12/14/2005	Golf @ Ojai Valley Inn (Ojai)	\$170	De La Rosa	No
12/14/2005	Beverages @ Ojai Valley Inn (Ojai)		De La Rosa	No
3/16/2006	Meal @ Lucille's (Rancho Cucamonga)		Shea Properties	No
4/14/2006	Meal @ Lucille's (Rancho Cucamonga)		Shea Properties	No
5/21/2006	Dinner @ Del Frisco's (Las Vegas)		Shea Properties	No
5/23/2006	Golf @ TPC The Canyon's (Las Vegas)	\$225	Shea Properties	No
6/26/2006	Snacks/Drinks @ Fundraiser		Shea Properties	No
4/10/2007	Lunch @ Casa Escobar (Oxnard)		Shea Properties	No
5/20/2007	Dinner @ Del Frisco's (Las Vegas)		Shea Properties	No
5/21/2007	Golf @ TPC The Canyons (Las Vegas)	\$225	Shea Properties	No
6/13/2007	Dinner @ Mastro's (Thousand Oaks)		Shea Properties	No
8/30/2007	Dinner @ Mastro's (Thousand Oaks)		Shea Properties	No
2/15/2008	Lunch @ Chinaland (Oxnard)		Shea Properties	No
3/27/2008	Golf @ Ojai Valley Inn (Ojai)	\$170	De La Rosa	No
5/18/2008	Dinner @ Strip House (Las Vegas)		Shea Properties	No
12/3/2008	Dinner @ Tribeca Grill (New York)		De La Rosa	No
12/4/2008	Dinner @ Gotham Bar (New York)		De La Rosa	No
12/4/2008	Gypsy Broadway Musical (New York)	\$88	De La Rosa	No
12/5/2008	Dinner @ Del Frisco's (New York)		Shea Properties	No
5/17/2009	Dinner @ Craft Steak (Las Vegas)		Shea Properties	No
12/14/2009	Lunch @ Scoma's (San Francisco)		De La Rosa	No
12/14/2009	Dinner @ Cliff House (San Francisco)		De La Rosa	No

Andres Herrera, Councilmember

Date	Gift Description	Value	Gift Giver	Declared?
4/14/2005	Golf @ Ojai Valley Inn (Ojai)	\$170	De La Rosa	No
5/23/2005	Golf @ Bear's Best (Las Vegas)	\$225	Shea Properties	No
5/24/2005	Dinner @ Morton's Steakhouse (Las Vegas)		Shea Properties	No
5/25/2005	Golf @ Legacy Golf Club (Las Vegas)	\$100	Shea Properties	No
10/6/2005	Dinner @ Aqua (San Francisco)		De La Rosa	No
12/14/2005	Golf @ Ojai Valley Inn (Ojai)	\$170	De La Rosa	No
12/14/2005	Beverages @ Ojai Valley Inn (Ojai)		De La Rosa	No
4/14/2006	Meal @ Lucille's (Rancho Cucamonga)		Shea Properties	No
5/21/2006	Dinner @ Del Frisco's (Las Vegas)		Shea Properties	No
5/23/2006	Golf @ TPC The Canyon's (Las Vegas)	\$225	Shea Properties	No
6/26/2006	Snacks/Drinks @ Fundraiser		Shea Properties	No
2006	Lakers Game & Limousine Ride	\$380 ¹	Kennedy/Jenks	No
6/13/2007	Dinner @ Mastro's (Thousand Oaks)		Shea Properties	No
5/18/2008	Dinner @ Strip House (Las Vegas)		Shea Properties	No
12/3/2008	Dinner @ Tribeca Grill (New York)		De La Rosa	No
12/5/2008	Dinner @ Del Frisco's (New York)		Shea Properties	No
12/21/2008	Meal @ Javier's (Irvine)		Shea Properties	No
5/20/2010	Lunch @ 5 th Street Steakhouse (Oxnard)		Shea Properties	No

Tom Holden, Mayor

Date	Gift Description	Value	Gift Giver	Declared?
5/24/2005	Dinner @ Morton's Steakhouse (Las Vegas)		Shea Properties	No
5/25/2005	Golf @ Legacy Golf Club (Las Vegas)	\$100	Shea Properties	No
5/25/2005	Hat, Socks, Glove @ Legacy Golf Club		Shea Properties	No
2/15/2006	Lunch @ Capriccio (Oxnard)		Shea Properties	No
4/14/2006	Meal @ Lucille's (Rancho Cucamonga)		Shea Properties	No
5/21/2006	Dinner @ Del Frisco's (Las Vegas)		Shea Properties	No
5/23/2006	Golf @ TPC The Canyon's (Las Vegas)	\$225	Shea Properties	No
6/26/2006	Snacks/Drinks @ Fundraiser		Shea Properties	No
2/15/2008	Lunch @ Chinaland (Oxnard)		Shea Properties	No
5/18/2008	Dinner @ Strip House (Las Vegas)		Shea Properties	No

¹ Approximate cost, based on Kennedy/Jenks Consultants employees' statements that the total cost of the event was \$2,300 and there were six people who travelled in the limousine to the Lakers game.

Ken Ortega, Public Works Director

Date	Gift Description	Value	Gift Giver	Declared?
5/5/2005	Lunch Meeting		Kennedy/Jenks	No
8/15/2005	Lunch		Kennedy/Jenks	No
9/9/2005	Lunch		Kennedy/Jenks	No
7/31/2006	Breakfast		De La Rosa	No
7/31/2006	Golf @ Ojai Valley Inn	\$170	De La Rosa	No
7/31/2006	Lunch		De La Rosa	No
8/31/2006	Lunch		Kennedy/Jenks	No
2006	Lakers Game, Limousine Ride, Dinner	\$380 ²	Kennedy/Jenks	No
2/15/2007	Lunch		Kennedy/Jenks	No
6/21/2007	Lunch		Kennedy/Jenks	No
8/23/2007	Lunch		Kennedy/Jenks	No
9/20/2007	Lunch		Kennedy/Jenks	No
10/25/2007	Lunch		Kennedy/Jenks	No
11/20/2007	Dodgers Game	\$205	De La Rosa	No
2/15/2008	Lunch		Kennedy/Jenks	No
5/9/2008	Lunch		Kennedy/Jenks	No
7/15/2008	Dinner		Kennedy/Jenks	No
8/13/2008	Lunch		De La Rosa	No
9/3/2008	Dodgers Game	\$311	De La Rosa	No
10/1/2008	Dinner		Kennedy/Jenks	No
12/3/2008	Dinner @ Tribeca (New York)		De La Rosa	No
12/4/2008	Lunch		De La Rosa	No
12/4/2008	Dinner @ Gotham Bar (New York)		De La Rosa	No
12/4/2008	Gypsy Broadway Musical (New York)	\$88	De La Rosa	No
1/8/2009	Dinner		Kennedy/Jenks	No
2/6/2009	Meal		Kennedy/Jenks	No
3/24/2009	Lunch Meeting		Kennedy/Jenks	No
4/3/2009	Breakfast		Kennedy/Jenks	No
4/10/2009	Lunch Meeting		Kennedy/Jenks	No
7/1/2009	Lunch		De La Rosa	No
8/19/2009	Dodgers Game	\$311	De La Rosa	Yes ³
8/25/2009	Meal		Kennedy/Jenks	No
8/28/2009	Meal		Kennedy/Jenks	No
10/4/2009	Meal		Kennedy/Jenks	No
12/14/2009	Lunch @ Scoma's (San Francisco)		De La Rosa	No
12/14/2009	Dinner @ Cliff House (San Francisco)		De La Rosa	Yes

² Approximate cost, based on Kennedy/Jenks Consultants employees' statements that the total cost of the event was \$2,300 and there were six people who travelled in the limousine to the Lakers game.

³ Ortega declared the receipt of a \$110 "baseball game ticket" provided by John Kim on 6/29/2009

James Cameron, Chief Financial Officer

Date	Gift Description	Value	Gift Giver	Declared?
5/5/2008	Lunch @ Casa Escobar (Oxnard)		De La Rosa	No
6/30/2008	Meal @ Wolfgang's Steakhouse		De La Rosa	No
7/14/2008	Lunch @ 5 th Street Steakhouse (Oxnard)		De La Rosa	No
7/15/2008	Lunch @ 5 th Street Steakhouse (Oxnard)		De La Rosa	No
9/3/2008	Dodgers Game	\$311	De La Rosa	Yes ⁴
12/3/2008	Dinner @ Tribeca Grill (New York)		De La Rosa	No
12/4/2008	Gypsy Broadway Musical (New York)	\$88	De La Rosa	Yes ⁵
1/13/2009	Lunch @ 5 th Street Steakhouse (Oxnard)		De La Rosa	No
4/30/2009	Lunch @ The Grill on Hollywood		De La Rosa	No
8/4/2009	Lunch @ Napa Valley Grille (Los Angeles)		De La Rosa	No
12/14/2009	Lunch @ Scoma's (San Francisco)		De La Rosa	No
12/14/2009	Dinner @ Cliff House (San Francisco)		De La Rosa	No

Karen Burnham, Assistant City Manager

Date	Gift Description	Value	Gift Giver	Declared?
5/23/2005	Dinner @ Pinot Brasserie (Las Vegas)		Shea Properties	No
5/24/2005	Dinner @ Morton's Steakhouse (Las Vegas)		Shea Properties	No
3/16/2006	Meal @ Lucille's (Rancho Cucamonga)		Shea Properties	No
4/14/2006	Meal @ Lucille's (Rancho Cucamonga)		Shea Properties	No
5/21/2006	Dinner @ Del Frisco's (Las Vegas)		Shea Properties	No
4/10/2007	Lunch @ Casa Escobar (Oxnard)		Shea Properties	No
5/20/2007	Dinner @ Del Frisco's (Las Vegas)		Shea Properties	No
5/18/2008	Dinner @ Strip House (Las Vegas)		Shea Properties	No

Mike More, Finance Manager

Date	Gift Description	Value	Gift Giver	Declared?
1/25/2005	Lunch		De La Rosa	No
4/29/2005	Lunch		De La Rosa	No
5/11/2005	Meal		De La Rosa	No
10/2/2005	Lunch		De La Rosa	No
3/28/2006	Dinner		De La Rosa	No
7/31/2006	Breakfast		De La Rosa	No
7/31/2006	Golf @ Ojai Valley Inn	\$170	De La Rosa	No
7/31/2006	Lunch		De La Rosa	No
10/31/2006	Lunch		De La Rosa	No
1/9/2007	Lunch		De La Rosa	No

⁴ Cameron declared a value of \$300

⁵ Cameron declared a value of \$45

3/13/2007	Dinner		De La Rosa	No
6/12/2007	Dinner		De La Rosa	No
3/19/2008	Lunch		De La Rosa	No
3/27/2008	Meal		De La Rosa	No
5/5/2008	Lunch		De La Rosa	No
7/15/2008	Lunch		De La Rosa	No
12/3/2008	Dinner @ Tribeca Grill (New York)		De La Rosa	No
12/4/2008	Dinner @ Gotham Bar (New York)		De La Rosa	No
1/13/2009	Lunch		De La Rosa	No
11/4/2009	Lunch		De La Rosa	No
11/18/2009	Lunch		De La Rosa	No
12/14/2009	Lunch @ Scoma's (San Francisco)		De La Rosa	No
12/14/2009	Dinner @ Cliff House (San Francisco)		De La Rosa	No

Curtis Cannon, Community Development Director

Date	Gift Description	Value	Gift Giver	Declared?
5/3/2005	Breakfast @ Mrs. Olson's (Oxnard)		Shea Properties	No
5/23/2005	Dinner @ Pinot Brasserie (Las Vegas)		Shea Properties	No
5/24/2005	Dinner @ Morton's Steakhouse (Las Vegas)		Shea Properties	No
5/25/2005	Golf @ Legacy Golf Club (Las Vegas)	\$100	Shea Properties	No
5/25/2005	Golf Cap @ Legacy Golf Club		Shea Properties	No
3/16/2006	Meal @ Lucille's (Rancho Cucamonga)		Shea Properties	No
5/21/2006	Dinner @ Del Frisco's (Las Vegas)		Shea Properties	No
5/20/2007	Dinner @ Del Frisco's (Las Vegas)		Shea Properties	No
5/21/2007	Golf @ TPC The Canyons (Las Vegas)	\$225	Shea Properties	No
8/30/2007	Dinner @ Mastro's (Thousand Oaks)		Shea Properties	No
2/15/2008	Lunch @ Chinaland (Oxnard)		Shea Properties	No
5/18/2008	Dinner @ Strip House (Las Vegas)		Shea Properties	No

ATTACHMENT I – SUMMARY OF GIFTS RECEIVED

Ed Sotelo, City Manager

Date	Gift Description	Value	Gift Giver	Declared?
4/14/2005	Golf @ Ojai Valley Inn (Ojai)	\$170	De La Rosa	No
5/23/2005	Golf @ Bear's Best (Las Vegas)	\$225	Shea Properties	No
5/23/2005	Lunch @ Bear's Best (Las Vegas)		Shea Properties	No
5/23/2005	Dinner @ Pinot Brasserie (Las Vegas)		Shea Properties	No
5/24/2005	Dinner @ Morton's Steakhouse (Las Vegas)		Shea Properties	No
5/25/2005	Golf @ Legacy Golf Club (Las Vegas)	\$100	Shea Properties	No
5/25/2005	Golf Cap & Beverages @ Legacy Golf Club	\$25	Shea Properties	No
10/6/2005	Dinner @ Aqua (San Francisco)		De La Rosa	No
12/14/2005	Golf @ Ojai Valley Inn (Ojai)	\$170	De La Rosa	No
12/14/2005	Beverages @ Ojai Valley Inn (Ojai)		De La Rosa	No
3/16/2006	Meal @ Lucille's (Rancho Cucamonga)		Shea Properties	No
4/14/2006	Meal @ Lucille's (Rancho Cucamonga)		Shea Properties	No
5/21/2006	Dinner @ Del Frisco's (Las Vegas)		Shea Properties	No
5/23/2006	Golf @ TPC The Canyon's (Las Vegas)	\$225	Shea Properties	No
6/26/2006	Snacks/Drinks @ Fundraiser		Shea Properties	No
4/10/2007	Lunch @ Casa Escobar (Oxnard)		Shea Properties	No
5/20/2007	Dinner @ Del Frisco's (Las Vegas)		Shea Properties	No
5/21/2007	Golf @ TPC The Canyons (Las Vegas)	\$225	Shea Properties	No
6/13/2007	Dinner @ Mastro's (Thousand Oaks)		Shea Properties	No
8/30/2007	Dinner @ Mastro's (Thousand Oaks)		Shea Properties	No
2/15/2008	Lunch @ Chinaland (Oxnard)		Shea Properties	No
3/27/2008	Golf @ Ojai Valley Inn (Ojai)	\$170	De La Rosa	No
5/18/2008	Dinner @ Strip House (Las Vegas)		Shea Properties	No
12/3/2008	Dinner @ Tribeca Grill (New York)		De La Rosa	No
12/4/2008	Dinner @ Gotham Bar (New York)		De La Rosa	No
12/4/2008	Gypsy Broadway Musical (New York)	\$88	De La Rosa	No
12/5/2008	Dinner @ Del Frisco's (New York)		Shea Properties	No
5/17/2009	Dinner @ Craft Steak (Las Vegas)		Shea Properties	No
12/14/2009	Lunch @ Scoma's (San Francisco)		De La Rosa	No
12/14/2009	Dinner @ Cliff House (San Francisco)		De La Rosa	No

Andres Herrera, Councilmember

Date	Gift Description	Value	Gift Giver	Declared?
4/14/2005	Golf @ Ojai Valley Inn (Ojai)	\$170	De La Rosa	No
5/23/2005	Golf @ Bear's Best (Las Vegas)	\$225	Shea Properties	No
5/24/2005	Dinner @ Morton's Steakhouse (Las Vegas)		Shea Properties	No
5/25/2005	Golf @ Legacy Golf Club (Las Vegas)	\$100	Shea Properties	No
10/6/2005	Dinner @ Aqua (San Francisco)		De La Rosa	No
12/14/2005	Golf @ Ojai Valley Inn (Ojai)	\$170	De La Rosa	No
12/14/2005	Beverages @ Ojai Valley Inn (Ojai)		De La Rosa	No
4/14/2006	Meal @ Lucille's (Rancho Cucamonga)		Shea Properties	No
5/21/2006	Dinner @ Del Frisco's (Las Vegas)		Shea Properties	No
5/23/2006	Golf @ TPC The Canyon's (Las Vegas)	\$225	Shea Properties	No
6/26/2006	Snacks/Drinks @ Fundraiser		Shea Properties	No
2006	Lakers Game & Limousine Ride	\$380 ¹	Kennedy/Jenks	No
6/13/2007	Dinner @ Mastro's (Thousand Oaks)		Shea Properties	No
5/18/2008	Dinner @ Strip House (Las Vegas)		Shea Properties	No
12/3/2008	Dinner @ Tribeca Grill (New York)		De La Rosa	No
12/5/2008	Dinner @ Del Frisco's (New York)		Shea Properties	No
12/21/2008	Meal @ Javier's (Irvine)		Shea Properties	No
5/20/2010	Lunch @ 5 th Street Steakhouse (Oxnard)		Shea Properties	No

Tom Holden, Mayor

Date	Gift Description	Value	Gift Giver	Declared?
5/24/2005	Dinner @ Morton's Steakhouse (Las Vegas)		Shea Properties	No
5/25/2005	Golf @ Legacy Golf Club (Las Vegas)	\$100	Shea Properties	No
5/25/2005	Hat, Socks, Glove @ Legacy Golf Club		Shea Properties	No
2/15/2006	Lunch @ Capriccio (Oxnard)		Shea Properties	No
4/14/2006	Meal @ Lucille's (Rancho Cucamonga)		Shea Properties	No
5/21/2006	Dinner @ Del Frisco's (Las Vegas)		Shea Properties	No
5/23/2006	Golf @ TPC The Canyon's (Las Vegas)	\$225	Shea Properties	No
6/26/2006	Snacks/Drinks @ Fundraiser		Shea Properties	No
2/15/2008	Lunch @ Chinaland (Oxnard)		Shea Properties	No
5/18/2008	Dinner @ Strip House (Las Vegas)		Shea Properties	No

¹ Approximate cost, based on Kennedy/Jenks Consultants employees' statements that the total cost of the event was \$2,300 and there were six people who travelled in the limousine to the Lakers game.

Ken Ortega, Public Works Director

Date	Gift Description	Value	Gift Giver	Declared?
5/5/2005	Lunch Meeting		Kennedy/Jenks	No
8/15/2005	Lunch		Kennedy/Jenks	No
9/9/2005	Lunch		Kennedy/Jenks	No
7/31/2006	Breakfast		De La Rosa	No
7/31/2006	Golf @ Ojai Valley Inn	\$170	De La Rosa	No
7/31/2006	Lunch		De La Rosa	No
8/31/2006	Lunch		Kennedy/Jenks	No
2006	Lakers Game, Limousine Ride, Dinner	\$380 ²	Kennedy/Jenks	No
2/15/2007	Lunch		Kennedy/Jenks	No
6/21/2007	Lunch		Kennedy/Jenks	No
8/23/2007	Lunch		Kennedy/Jenks	No
9/20/2007	Lunch		Kennedy/Jenks	No
10/25/2007	Lunch		Kennedy/Jenks	No
11/20/2007	Dodgers Game	\$205	De La Rosa	No
2/15/2008	Lunch		Kennedy/Jenks	No
5/9/2008	Lunch		Kennedy/Jenks	No
7/15/2008	Dinner		Kennedy/Jenks	No
8/13/2008	Lunch		De La Rosa	No
9/3/2008	Dodgers Game	\$311	De La Rosa	No
10/1/2008	Dinner		Kennedy/Jenks	No
12/3/2008	Dinner @ Tribeca (New York)		De La Rosa	No
12/4/2008	Lunch		De La Rosa	No
12/4/2008	Dinner @ Gotham Bar (New York)		De La Rosa	No
12/4/2008	Gypsy Broadway Musical (New York)	\$88	De La Rosa	No
1/8/2009	Dinner		Kennedy/Jenks	No
2/6/2009	Meal		Kennedy/Jenks	No
3/24/2009	Lunch Meeting		Kennedy/Jenks	No
4/3/2009	Breakfast		Kennedy/Jenks	No
4/10/2009	Lunch Meeting		Kennedy/Jenks	No
7/1/2009	Lunch		De La Rosa	No
8/19/2009	Dodgers Game	\$311	De La Rosa	Yes ³
8/25/2009	Meal		Kennedy/Jenks	No
8/28/2009	Meal		Kennedy/Jenks	No
10/4/2009	Meal		Kennedy/Jenks	No
12/14/2009	Lunch @ Scoma's (San Francisco)		De La Rosa	No
12/14/2009	Dinner @ Cliff House (San Francisco)		De La Rosa	Yes

² Approximate cost, based on Kennedy/Jenks Consultants employees' statements that the total cost of the event was \$2,300 and there were six people who travelled in the limousine to the Lakers game.

³ Ortega declared the receipt of a \$110 "baseball game ticket" provided by John Kim on 6/29/2009

James Cameron, Chief Financial Officer

Date	Gift Description	Value	Gift Giver	Declared?
5/5/2008	Lunch @ Casa Escobar (Oxnard)		De La Rosa	No
6/30/2008	Meal @ Wolfgang's Steakhouse		De La Rosa	No
7/14/2008	Lunch @ 5 th Street Steakhouse (Oxnard)		De La Rosa	No
7/15/2008	Lunch @ 5 th Street Steakhouse (Oxnard)		De La Rosa	No
9/3/2008	Dodgers Game	\$311	De La Rosa	Yes ⁴
12/3/2008	Dinner @ Tribeca Grill (New York)		De La Rosa	No
12/4/2008	Gypsy Broadway Musical (New York)	\$88	De La Rosa	Yes ⁵
1/13/2009	Lunch @ 5 th Street Steakhouse (Oxnard)		De La Rosa	No
4/30/2009	Lunch @ The Grill on Hollywood		De La Rosa	No
8/4/2009	Lunch @ Napa Valley Grille (Los Angeles)		De La Rosa	No
12/14/2009	Lunch @ Scoma's (San Francisco)		De La Rosa	No
12/14/2009	Dinner @ Cliff House (San Francisco)		De La Rosa	No

Karen Burnham, Assistant City Manager

Date	Gift Description	Value	Gift Giver	Declared?
5/23/2005	Dinner @ Pinot Brasserie (Las Vegas)		Shea Properties	No
5/24/2005	Dinner @ Morton's Steakhouse (Las Vegas)		Shea Properties	No
3/16/2006	Meal @ Lucille's (Rancho Cucamonga)		Shea Properties	No
4/14/2006	Meal @ Lucille's (Rancho Cucamonga)		Shea Properties	No
5/21/2006	Dinner @ Del Frisco's (Las Vegas)		Shea Properties	No
4/10/2007	Lunch @ Casa Escobar (Oxnard)		Shea Properties	No
5/20/2007	Dinner @ Del Frisco's (Las Vegas)		Shea Properties	No
5/18/2008	Dinner @ Strip House (Las Vegas)		Shea Properties	No

Mike More, Finance Manager

Date	Gift Description	Value	Gift Giver	Declared?
1/25/2005	Lunch		De La Rosa	No
4/29/2005	Lunch		De La Rosa	No
5/11/2005	Meal		De La Rosa	No
10/2/2005	Lunch		De La Rosa	No
3/28/2006	Dinner		De La Rosa	No
7/31/2006	Breakfast		De La Rosa	No
7/31/2006	Golf @ Ojai Valley Inn	\$170	De La Rosa	No
7/31/2006	Lunch		De La Rosa	No
10/31/2006	Lunch		De La Rosa	No
1/9/2007	Lunch		De La Rosa	No

⁴ Cameron declared a value of \$300

⁵ Cameron declared a value of \$45

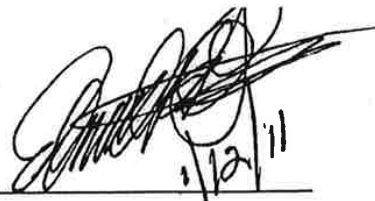
3/13/2007	Dinner		De La Rosa	No
6/12/2007	Dinner		De La Rosa	No
3/19/2008	Lunch		De La Rosa	No
3/27/2008	Meal		De La Rosa	No
5/5/2008	Lunch		De La Rosa	No
7/15/2008	Lunch		De La Rosa	No
12/3/2008	Dinner @ Tribeca Grill (New York)		De La Rosa	No
12/4/2008	Dinner @ Gotham Bar (New York)		De La Rosa	No
1/13/2009	Lunch		De La Rosa	No
11/4/2009	Lunch		De La Rosa	No
11/18/2009	Lunch		De La Rosa	No
12/14/2009	Lunch @ Scoma's (San Francisco)		De La Rosa	No
12/14/2009	Dinner @ Cliff House (San Francisco)		De La Rosa	No

Curtis Cannon, Community Development Director

Date	Gift Description	Value	Gift Giver	Declared?
5/3/2005	Breakfast @ Mrs. Olson's (Oxnard)		Shea Properties	No
5/23/2005	Dinner @ Pinot Brasserie (Las Vegas)		Shea Properties	No
5/24/2005	Dinner @ Morton's Steakhouse (Las Vegas)		Shea Properties	No
5/25/2005	Golf @ Legacy Golf Club (Las Vegas)	\$100	Shea Properties	No
5/25/2005	Golf Cap @ Legacy Golf Club		Shea Properties	No
3/16/2006	Meal @ Lucille's (Rancho Cucamonga)		Shea Properties	No
5/21/2006	Dinner @ Del Frisco's (Las Vegas)		Shea Properties	No
5/20/2007	Dinner @ Del Frisco's (Las Vegas)		Shea Properties	No
5/21/2007	Golf @ TPC The Canyons (Las Vegas)	\$225	Shea Properties	No
8/30/2007	Dinner @ Mastro's (Thousand Oaks)		Shea Properties	No
2/15/2008	Lunch @ Chinaland (Oxnard)		Shea Properties	No
5/18/2008	Dinner @ Strip House (Las Vegas)		Shea Properties	No

**ATTACHMENT J – City of Oxnard Administrative Manual:
2011 Authorization and Reimbursement for Travel and
Related Expenses (2011)**

CITY OF OXNARD
ADMINISTRATIVE MANUAL



SUBJECT: Authorization and Reimbursement For Travel and Related Expenses	ITEM NUMBER	PAGE
EFFECTIVE DATE: February 1, 2011	B-2	1 of 6

PURPOSE

To establish a policy for authorization and reimbursement for travel and related expenses incurred by an employee in connection with official City business, both within and outside of the City, and within and outside of the County of Ventura.

APPLICABILITY

This policy applies to travel paid for by the City. Travel reimbursed by Federal or State funding may be subject to further restrictions based on funding agency requirements.

DEFINITION OF TRAVEL

For the purposes of this policy, the word "travel" means activities of an employee required to attend a conference, workshop or meeting, either formal or informal.

1. Local Travel

Local travel is travel within a distance of 100 miles from the City and accomplished within one day.

City Manager authorization is required for local travel involving more than two (2) employees travelling either together or separately to the same event with the exception of elected officials. All other local travel requires supervisor's approval.

2. Nonlocal Travel

Nonlocal travel is travel involving at least one overnight absence from the City or to a location more than 100 miles from the City.

City Manager authorization is required for all nonlocal travel with the exception of elected officials.

EXPENSE GUIDELINES

1. Standard

An employee is expected to exercise reasonable judgment and proper regard for economy when incurring expenses in connection with travel for the conduct of City business. Any expense should directly relate to the conduct of City business, and in the event of an audit subsequent to reimbursement, should leave no question that such expenditure in fact did directly relate to the conduct of City business.

CITY OF OXNARD

ADMINISTRATIVE MANUAL

SUBJECT:	Authorization and Reimbursement For Travel and Related Expenses	ITEM NUMBER	PAGE
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2. Classifications

The following list of expense classifications is for guidance in determining expenses appropriate for the conduct of City business. The City Manager may approve or disapprove any of the types of travel expenses below, or any other expenses not listed, as appropriate to specific circumstances.

a. General

Travel time will not exceed one day in each direction while en route to and from a conference, workshop or meeting. All travel will be by the mode least costly to the City. In arriving at the lowest cost, an employee must consider factors such as time, distance traveled and cost of transportation. When two or more persons are traveling by motor vehicle, every reasonable effort should be made to travel together.

b. Transportation Modes

The following guidelines shall be used in selecting the most appropriate mode of non-local travel for City business.

(1) Air – The allowance for air travel will be the actual round-trip fare by coach or tourist class or by the method least costly to the City. An employee will make special efforts to take advantage of discounts and special fares when such fares and discounts produce “real savings” to the City.

(2) Private Vehicle – With prior written approval from the Department Director, an employee may use a personal vehicle for transportation in lieu of air travel or a City vehicle. The reimbursement of mileage for use of a private vehicle will not exceed the cost of coach air travel from a local airport to the destination and transportation to and from the airport. The mileage allowance used will be equal to the IRS allowable mileage rate authorized for business travel. The Chief Financial Officer will notify Department Directors and Division Managers on an annual basis as to the current IRS rate.

Insurance – In order to travel by private vehicle, an employee must possess the required vehicle insurance with limits of not less than \$100,000/\$300,000 public liability and \$25,000 property damage, or a combined single limit of \$300,000 public liability, and \$25,000 property damage, or a combined single limit of \$300,000.

(3) City Vehicle - Use of a City vehicle may be authorized by the Department Director for travel to and from designated places on City business when the employee can

CITY OF OXNARD

ADMINISTRATIVE MANUAL

SUBJECT:	Authorization and Reimbursement For Travel and Related Expenses	ITEM NUMBER	PAGE
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demonstrate that this method of transportation is the most economical means available. There will be no allowance or reimbursement to an employee for transportation for use of a City vehicle. Any out-of-pocket expenses incurred in operating the vehicle will be reimbursed if the employee provides receipts.

- (4) Storage and Parking Expense - Charges for parking and storage for a private or City vehicle will be reimbursed if the employee provides receipts.
- (5) Vehicle Rental, Taxi and Bus Fare - Expenses for vehicle rental, taxi or bus fare may be reimbursed when such conveyances are reasonable and necessary in the conduct of City business. To obtain reimbursement, an employee will provide a receipt.
- (6) Other Travel Modes - If travel is not by air, reimbursement will be the lesser of the actual cost and the computed air coach rate including travel to and from the airport if not Oxnard Airport, using the shortest and most direct route to and from the location of the City business.

c. Accommodations

An employee shall make special efforts to obtain accommodations at or near the location of the City business at the lowest rate available. If accommodations are not available at the location of the City business, alternative accommodations of similar value shall be used.

d. Meals

(1) Nonlocal Travel

An employee authorized to travel may receive, in addition to transportation and accommodation expenses, a meal allowance for each day or part thereof. A meal allowance will be allowed or reimbursed for days actually spent on City business, for programmed days of a conference, workshop or meeting, and for time in traveling.

(2) Local Travel

- (a) Occasionally, a City employee is required to attend a local conference, workshop or meeting on City business during which a meal is served. Allowable expenses for such activities include the cost of the meal and tip.
- (b) An employee who, during the normal course of performing duties, must provide for a meal for representatives of governmental agencies or other persons doing business with or for the City in order to most effectively execute responsibilities,

CITY OF OXNARD

ADMINISTRATIVE MANUAL

SUBJECT:	Authorization and Reimbursement For Travel and Related Expenses	ITEM NUMBER	PAGE
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may be authorized reimbursement for expenses associated with such meals. When requesting such reimbursement, an employee will submit documentation which will include: copy of receipt, description of purpose of meal, list of all persons, and organizations present at the meal.

- (c) Reimbursement shall be limited to Federal per diem rates under paragraph e(2) below.

e. Meal Allowance

(1) Amount

Effective February 1, 2011, for all nonlocal travel, an employee will be provided a per diem allowance based on the Federal per diem rate as listed at <http://www.gsa.gov> for the destination city (M&IE rate).

Per diem will be reduced by the amounts provided in the <http://www.gsa.gov> M&IE Breakdown for meals provided for or included in meeting or conference registration.

(2) Calculation

In the event that the employee is not on City business for the entire day, the meal allowance will be prorated as follows using the <http://www.gsa.gov> M&IE Breakdown:

Breakfast: paid if travel begins prior to 7:00 a.m. or ends after 9:00 a.m.

Lunch: paid if travel begins prior to 11:00 a.m. or ends after 1:00 p.m.

Dinner: paid if travel begins prior to 5:00 p.m. or ends after 7:00 p.m.

The employee's supervisor will monitor the time of departure and arrival to ensure proper payment of the meal allowance.

f. Tips and Gratuities

The employee will be reimbursed for reasonable expenses for tips and gratuities for accommodation and transportation purposes. Tips and gratuities for meals are limited to the per diem rate under paragraph e(2) above and are not in addition to those rates.

CITY OF OXNARD

ADMINISTRATIVE MANUAL

SUBJECT:	Authorization and Reimbursement For Travel and Related Expenses	ITEM NUMBER	PAGE
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g. Registration Fees

The City will reimburse the employee for fees charged for registration at any conference, workshop or meeting. An employee will provide a receipt or other proof of the registration fee, such as a copy of the conference, workshop or meeting program setting forth the fee, with any such reimbursement request.

h. Communication

Communication expenses may be incurred only for the conduct of City business. During nonlocal travel, an employee may make one telephone call per day of a short duration (5 minutes) at City expense for personal reasons.

PAYMENT AND REIMBURSEMENT

1. Payment for transportation, hotel, registration, and all other payments made prior to travel shall be made using a City-issued credit card (P-card).
2. Meals will be reimbursed on the per-diem basis described above. If a P-card is used for meals, the employee will be responsible for costs in excess of the per-diem rate.
3. Advance of Funds

An employee will be eligible for a travel advance of over \$100 after a Travel Authorization Form is approved by the City Manager. Travel advances are only for nonlocal travel. A copy of the approved Travel Authorization Form must be submitted to the Purchasing Division, along with the necessary Purchase Order, at the time an employee requests a travel advance. With at least seven days' notice, the Purchasing Division will prepare a travel advance check to an employee to be delivered within five days prior to the travel. The travel advance will be in an amount equal to 75 percent of the per diem allowance for the trip.

4. Final Reimbursement

a. Completion of Forms

No later than ten working days after returning to work, the employee will complete the Travel Authorization Form to show actual or authorized expenses, with required receipts. The completed Travel Authorization Form will be approved by the appropriate Department Director, then submitted to the Purchasing Division for payment.

CITY OF OXNARD
ADMINISTRATIVE MANUAL

SUBJECT:	Authorization and Reimbursement For Travel and Related Expenses	ITEM NUMBER	PAGE
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b. Payment

The City will make travel payments as part of the employee's payroll check or direct deposit. All advances including travel, registration, accommodations, per diem allowance, and transportation, will be deducted from the total expense. If the advance exceeds the actual expenses, an employee must submit a remittance with the completed claim for payment. If reimbursement is \$100 or less, petty cash will be used.

c. Non-City Costs

The Finance Department shall prepare an invoice for non-City-related costs charged to a City P-card or paid from City sources. Payment shall be submitted within 30 days.

OTHER

1. Cancellation of Travel

If the travel is canceled, an employee must return all advances immediately. If the claim for payment is not submitted within ten working days, the travel account shall be closed out and the employee shall not be reimbursed for out-of-pocket expenses.

2. Audit

The Finance Department shall audit the items submitted for accuracy and the allowability of the expenses for reimbursement, and, when appropriate, prepare a check for payment to the employee. In those cases where two or more employees travel together in another employee's private vehicle, mileage reimbursement, where appropriate, will be paid to one employee only.

3. Spouses

Although fiscal limitations do not allow the use of City funds for a spouse to accompany an employee, the attendance of a spouse serves and promotes desirable City purposes and goals. Expenses incurred by the City specific to a spouse will be charged to the employee as in paragraph 4.c. above.

EXHIBIT 5



Written materials relating to an item on this agenda that are distributed to the Task Force 72 hours before the item is to be considered at this meeting will be made available for public inspection at 251 South "A" Street and the City Manager's Office, 300 West Third Street during customary business hours.

AGENDA
Fiscal Policy Task Force
Regular Meeting
Human Resources Activity Room
300 West Third Street (enter from B Street)
Oxnard, CA 93030
July 13, 2016
9:00 a.m.

A. Roll Call/Flag Salute

B. Public Comments

At this time, the Task Force will consider public comments for a maximum of fifteen minutes. A person may address the Task Force only on matters not appearing on the agenda and within the subject matter jurisdiction of the Task Force. The presiding officer shall limit public comments to three minutes per person.

C. SUBJECT: Review and Approval of Minutes from June 8, 2016 and June 21, 2016
RECOMMENDATION: Approve the June 8, 2016 and June 21, 2016 minutes.

D. SUBJECT: Presentation about the Single Audit Report, Internal Control and Compliance Report and other required communications for Fiscal Year 2014-15 by Eden Casareno and associates from Eadie + Payne, LLP

RECOMMENDATION: Receive presentation of the Single Audit Report, Internal Control and Compliance Report and other required communications for Fiscal Year 2014-15.

E. SUBJECT: Presentation on Chief Financial Officer's Goals and Objectives

RECOMMENDATION: Receive a presentation on the Chief Financial Officer's goals and objectives, including internal control issues, increasing financial capacity throughout the organization, financial management policies, an investor relations program, and a discussion of the role of the Fiscal Policy Task Force moving forward.

F. SUBJECT: Discussion on Internal Audit Program

RECOMMENDATION: Discuss next steps for internal audit program in relation to Requests for Qualifications and Requests for Proposals.

G. Discuss proposed Fiscal Policy Task Force meeting September 14, 2016 at 9 a.m.

H. Adjournment

In compliance with the Americans with Disabilities Act, if you require special assistance to participate in a meeting, please contact Christine Macias in the Finance Department at 385-7475. Notice at least 72 hours prior to the meeting will enable the City to reasonably arrange for your accessibility to the meeting.

CITY OF OXNARD

SINGLE AUDIT OF FEDERAL AWARDS
WITH INDEPENDENT AUDITOR'S REPORT

FOR YEAR ENDED JUNE 30, 2015

CITY OF OXNARD
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 JUNE 30, 2015

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ADVISORS

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

The Honorable City Council
City of Oxnard, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Oxnard, California (City), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 14, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs (marked MW) to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompany schedule of findings and questioned costs (marked SD) to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, which are described in the accompanying schedule of findings and questioned costs (marked NC).

During our audit, we also became aware of matters that are opportunities for strengthening internal controls, operating efficiency, and best practices. The accompanying schedule of findings and questioned costs includes our comments and recommendations regarding those matters (marked BP).

The following schedule summarizes our findings:

	MATERIAL WEAKNESS (MW)	SIGNIFICANT DEFICIENCY (SD)	NON- COMPLIANCE (NC)	BEST PRACTICES (BP)	TOTAL
Internal Control Element					
I. Control Environment	6	-	-	-	6
II. Risk Assessment	-	1	-	-	1
III. Control Activities	55	30	-	8	93
IV. Information and Communication	-	1	-	-	1
V. Monitoring Activities	2	1	-	-	3
Compliance with Certain Provisions of Laws, Regulations, Contracts, and Grant Agreements	<u>-</u>	<u>-</u>	<u>3</u>	<u>-</u>	<u>3</u>
TOTALS	<u>63</u>	<u>33</u>	<u>3</u>	<u>8</u>	<u>107</u>

City's Response to Findings

City of Oxnard's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Eddie and Payne LLP

June 14, 2016
Redlands, California



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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133 AND ON THE SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS**

The Honorable City Council
City of Oxnard
Oxnard, California

Report on Compliance for Each Major Federal Program

We have audited City of Oxnard's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2015. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal program for the year ended June 30, 2015.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2015-001 to 2015-004. Our opinion on each major federal program is not modified with respect to these matters.

The City's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2015-001, 2015-002 and 2015-003 to be significant deficiencies.

City's Response to Findings

City of Oxnard's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Report on Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units and each major fund of the City as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated June 14, 2016, which contained qualified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for the purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Eadie and Payne LLP

June 14, 2016
Redlands, California

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

CITY OF OXNARD
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2015

<u>FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE</u>	<u>FEDERAL CATALOG NUMBER</u>	<u>PROGRAM IDENTIFICATION NUMBER</u>	<u>TOTAL PROGRAM EXPENDITURES</u>
U.S. Department of Housing and Urban Development			
Direct:			
Community Development Block Grants	14.218	B-14-MC-06-0534	\$ 178,901
		B-13-MC-06-0534	2,185,785
		B-12-MC-06-0534	421,734
			<u>2,786,420</u>
Direct:			
Emergency Solutions Grants Program	14.231	E-14-MC-06-0534	156,710
		E-13-MC-06-0534	70,647
			<u>227,357</u>
Direct:			
Home Investment Partnership Program	14.239	M-14-MC-06-0526	281,714
		M-13-MC-06-0526	60,272
		M-12-MC-06-0526	367,276
			<u>709,262</u>
Total U.S. Department of Housing and Urban Development			<u>3,723,039</u>
U.S. Department of Justice			
Direct:			
Edward Byrne Justice Assistance Grant	16.738	2011-DJ-BX-2742	33,356
		2013-DJ-BX-0737	9,476
		2014-DJ-BX-0862	40,698
			<u>83,530</u>
Passed through the Ventura County Sheriff's Office:			
Federal Equitable Sharing Agreement	16.922	N/A	122,994
Total U.S. Department of Justice			<u>206,524</u>
U.S. Department of Homeland Security			
Passed through the Ventura County Sheriff:			
Emergency Management Performance Grant	97.042	2013-0047-111-00000	43,779
		2014-0070-111-00000	47,474
			<u>91,253</u>
Direct:			
Assistance to Firefighters Grant	97.044	EMW-2011-FH-00070	698,871
		EMW-2013-FR-00298	362,935
		EMW-2013-FO-04097	74,548
		EMW-2013-FP-00246	141,745
			<u>1,278,099</u>

See accompanying notes to Schedule of Expenditures of Federal Awards and Report on Compliance for Each Major Program;
Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by
OMB Circular A-133.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE	FEDERAL CATALOG NUMBER	PROGRAM IDENTIFICATION NUMBER	TOTAL PROGRAM EXPENDITURES
U.S. Department of Homeland Security (Continued)			
Passed through the Ventura County Sheriff's Office:			
Homeland Security Grant Program	97.067	2013-00110-111-00000	\$ 26,639
		2014-00093-111-00000	6,661
		2014-00093-111-00000	508
		2014-00093-111-00000	61,309
		2014-00093-111-00000	8,086
		2014-00093-111-00000	4,947
			<u>108,150</u>
Staffing for Adequate Fire and Emergency			
Response Grant	97.083	EMW-2012-FH-00072	<u>845,727</u>
Total U.S. Department of Homeland Security			<u>2,323,229</u>
U.S. Department of Transportation			
Pass through the State of California Department of Transportation:			
Highway Planning and Construction	20.205	STPLN-5129(012)	(57,281)
		ESPL-5129 (058)	127,349
		CML-5129(029)	121,086
		SRTSL-5129(061)	3,577
		STPL-5129(067)	(7,235)
		BHLS-5129(069)	7,683
		BHLS-5129(070)	5,662
		HSIPL-5129(071)	225,380
		HSIPL-5129(072)	5,269
		STPL-5129(073)	93,009
		CMLNI-5129(076)	79,668
		TCSPL-5129(077)	44,839
		CML-5129(078)	2,642
		CML-5129(079)	1,812
		CML-5129(081)	110,697
		CML-5129(086)	693
		CML-5129(087)	415
		HSIPL-5129(082)	157,404
		HSIPL-5129(083)	42,721
		HSIPL-5129(084)	228,210
		STPL-5129(085)	2,140,115
		STPL-5129(048)	<u>120,611</u>
			<u>3,454,326</u>
Federal Transit Formula Grant	20.507	CA-95-X196-00	<u>7,805</u>
Total U.S. Department of Transportation			<u>3,462,131</u>

See accompanying notes to Schedule of Expenditures of Federal Awards and Report on Compliance for Each Major Program;
Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by
OMB Circular A-133.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE	FEDERAL CATALOG NUMBER	PROGRAM IDENTIFICATION NUMBER	TOTAL PROGRAM EXPENDITURES
Corporation for National and Community Service			
Direct:			
Retired and Senior Volunteer Program	94.002	13SRPCA010	\$ 54,234
Corporation for National and Community Service			<u>16,700</u>
Total Corporation for National and Community Service			<u>70,934</u>
U.S. Department of Health and Human Services			
Pass through the County of Ventura Area Agency on Aging:			
Special Programs for the Aging, Nutrition Services	93.045	3C-007-071212	<u>87,405</u>
U.S. Environmental Protection Agency			
Direct:			
Environmental Workforce Development and Job Training	66.815	99T03501	<u>52,824</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 9,926,086</u>

See accompanying notes to Schedule of Expenditures of Federal Awards and Report on Compliance for Each Major Program;
Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by
OMB Circular A-133.

CITY OF OXNARD

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2015

1. BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133 *Audits of States, Local Governments, and Non-Profit Organizations*. All financial assistance passed through other government agencies to the City is included in the accompanying schedule.

2. BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal awards is presented using the modified accrual basis of accounting, which is described in Note I.B. of the notes to the City's financial statements.

3. RELATIONSHIP TO FEDERAL FINANCIAL REPORTS

Amount reported in the accompanying Schedule of Expenditures of Federal Awards agree, in all material respects, with amounts reported in the financial statements of the City of Oxnard. The following presents a reconciliation of federal expenditures to those reported in the financial statements:

	AMOUNT
Total expenditures per the schedule of expenditures of federal awards	\$ 9,926,086
Add: Expenditures of nonfederal awards	<u>174,936,653</u>
TOTAL GOVERNMENTAL FUNDS EXPENDITURES PER THE FINANCIAL STATEMENTS	<u>\$ 184,862,739</u>

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)

4. PAYMENTS TO SUBRECIPIENTS

For the year ended June 30, 2015, payments to subrecipients consisted of the following:

<u>Federal Grantor/Pass-Through Grantor/Program</u>	<u>CFDA Number</u>	<u>Amount Provided</u>
Department of Housing and Urban Development		
Community Development Block Grants	14.218	
Housing Right Center		\$ 28,992
Community Action of Ventura County		61,286
Rain-Homeless Child Care		11,581
Livinston Memorial Visiting Nurses		10,000
Food Share		19,299
Military Armory		45,000
		<u>176,158</u>
Emergency Solutions Grants Program	14.231	
Kingdom Center		\$ 40,442
Ventura County-HSA for Homeless Prevention		38,747
Ventura County-HSA for Rapid Re-housing		57,211
St. Vincent de Paul for Winter Warming Shelter		46,540
Turning Point for Shelter		30,000
		<u>212,940</u>
TOTAL PAYMENTS TO SUBRECIPIENTS		<u><u>\$ 389,098</u></u>

5. FEDERALLY-FUNDED LOANS

The City administers loans, primarily deferred loans, made from funds provided by the following federal programs for the year ended June 30, 2015:

<u>Federal Programs</u>	<u>Loans Outstanding</u>
Community Development Block Grants (CFDA #14.218)	\$ 3,714,284
HOME Program (CFDA #14.239)	12,542,581

CITY OF OXNARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED JUNE 30, 2015

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Qualified

Internal control over financial reporting:

Material weaknesses identified? X yes no
 Significant deficiencies identified? X yes none reported

Noncompliance material to financial statements noted: yes X no

Federal Awards

Internal control over major programs:

Material weaknesses identified? yes X no
 Significant deficiencies identified? X yes none reported

Type of auditor's report issued on compliance
 for major programs: Unmodified

Any audit findings disclosed that are required to
 be reported in accordance with Section 510 (a)
 of Circular A-133? X yes no

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
14.215	Community Development Block Grant
14.239	HOME Program
20.205	Highway Planning and Constructoin
97.044	Assistance to Firefighters
97.083	Staffing for Adequate Fire and Emergency Response

Dollar threshold used to distunguish between
 type A and type B programs: \$300,000

Noncompliance material to financial statements noted: yes X no

CITY OF OXNARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED JUNE 30, 2015

INDEX

MAJOR FEDERAL AWARD PROGRAMS

Department of Homeland Security

Compensation for Personal Services 2015-001

Department of Housing and Urban Development

Subrecipient Monitoring 2015-002

Compensation for Personal Services 2015-003

Administrative and Planning Cost 2015-004

FINANCIAL STATEMENTS

Internal Control over Financial Reporting

I	Control Environment	2015-005 to 2015-010
II	Risk Assessment	2015-011
III	Control Activities	2015-012 to 2015-017
A	Budget	2015-018
B	Fund Balance	2015-019
C	Bank Reconciliations	2015-020 to 2015-029
D	Electronic Payments (EFT/ACH)	2015-030 to 2015-039
E	Cash Receipts	2015-040 to 2015-042
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G	Investments	2015-049 to 2015-050
H	Accounts Receivable	2015-051 to 2015-054
I	Grants Management	2015-055 to 2015-062
J	Notes Receivable	2015-063 to 2015-068
K	Deferred Balances	2015-069
L	Capital Assets and Construction in Progress	2015-070 to 2015-085
M	Accounts Payable	2015-086 to 2015-087
N	Long-Term Debt	2015-088 to 2015-091
O	Pension Plans	2015-092 to 2015-093
P	Use of Credit Cards	2015-094 to 2015-096
Q	Contracts	2015-097 to 2015-099
R	Municipal Golf Course	2015-100 to 2015-102
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IV	Information & Communication	2015-105
V	Monitoring Activities	2015-106 to 2015-108
	Compliance with Certain Provisions of Laws, Regulations, Contracts, and Grant Agreements	2015-109 to 2015-111

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL PROGRAMS

Finding 2015-001 - Compensation for Personal Services

CFDA Title and Number: 97.083 - Staffing for Adequate Fire and Emergency Response and 97.044 - Assistance to Firefighters Grant

Name of Federal Agency: Department of Homeland Security

Name of Pass-through Agency: The Ventura County Sheriff's Office for 97.083 and Not Applicable for 97.044

Compliance Requirement: B. Allowable Costs/Cost Principles

Finding: OMB Circular A-87 requires that an after-the-fact Documentation, semi-annual time certification for employees who work solely on a single Federal awards and monthly time certification for employees who worked on multiple activities. These certifications must be signed by the employee. The required after-the fact documentation is not prepared to support time and effort for employees whose salaries are charged to Federal funds.

Questioned Cost: \$179,765.

Recommendation: The City should establish policies and procedures to maintain after-the-fact certification. The form should reflect an after-the-fact distribution of the actual activity of each employee and will be signed by the employee.

City Response: Due to the complexity of implementing all of the recommendations identified by the City's independent auditor, the City will begin implementation of a comprehensive integrated internal control framework using the standards established in the GAO publication Standards for Internal Control in the Federal Government. All items identified in the Schedule of Findings and Questioned Costs will be given high priority in implementing the new framework and staff intends to implement procedures to correct those changes by December 31, 2016. Other internal control findings will be selected for implementation consistent with the objectives of the control framework and the City's risk assessment process. Compliance with grantor requirements will be given priority attention.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

Finding 2015-002 - Subrecipient Monitoring

CFDA Title and Number: 14.218 - Community Development Block Grants
Name of Federal Agency: Department of Housing and Urban Development
Name of Pass-through Agency: Not Applicable
Compliance Requirement: M. Subrecipient Monitoring

Finding: A pass-through entity is responsible for monitoring their subrecipient's use of Federal awards to ensure that the subrecipient administers federal awards in compliance with laws, regulations, and the provisions of contracts and grant, and that performance goals are achieved. The City passed through funds to Community Action of Ventura County. The City does not request or monitor their performance or financial reports.

Questioned Cost: \$61,286

Recommendation: The City should establish policies and procedures to monitor their subrecipients during the award period through reporting, site visit, regular contact, or other means.

City Response: Due to the complexity of implementing all of the recommendations identified by the City's independent auditor, the City will begin implementation of a comprehensive integrated internal control framework using the standards established in the GAO publication Standards for Internal Control in the Federal Government. All items identified in the Schedule of Findings and Questioned Costs will be given high priority in implementing the new framework and staff intends to implement procedures to correct those changes by December 31, 2016. Other internal control findings will be selected for implementation consistent with the objectives of the control framework and the City's risk assessment process. Compliance with grantor requirements will be given priority attention.

Finding 2015-003 - Compensation for Personal Services

CFDA Title and Number: 14.218 - Community Development Block Grants
Name of Federal Agency: Department of Housing and Urban Development
Name of Pass-through Agency: Not Applicable
Compliance Requirement: B. Allowable Costs/Cost Principles

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

Finding: OMB Circular A-87 requires that an after-the-fact Documentation, semi-annual time certification for employees who work solely on a single Federal awards and monthly time certification for employees who worked on multiple activities. These certifications must be signed by the employee. The required after-the fact documentation is not prepared to support time and effort for employees whose salaries are charged to Federal funds.

Questioned Cost: \$21,388

Recommendation: The City should establish policies and procedures to maintain after-the-fact certification. The form should reflect an after-the-fact distribution of the actual activity of each employee and should be signed by the employee.

City Response: Due to the complexity of implementing all of the recommendations identified by the City's independent auditor, the City will begin implementation of a comprehensive integrated internal control framework using the standards established in the GAO publication Standards for Internal Control in the Federal Government. All items identified in the Schedule of Findings and Questioned Costs will be given high priority in implementing the new framework and staff intends to implement procedures to correct those changes by December 1, 2016. Other internal control findings will be selected for implementation consistent with the objectives of the control framework and the City's risk assessment process. Compliance with grantor requirements will be given priority attention.

Finding 2015-004 - Administrative and Planning Costs

CFDA Title and Number: 14.239 - Home Investment Partnerships Program

Name of Federal Agency: Department of Housing and Urban Development

Name of Pass-through Agency: Not Applicable

Compliance Requirement: G. Matching, Level of Effort, Earmarking

Finding: A participating jurisdiction may expend for HOME administrative and planning costs an amount of HOME funds that is not more than ten percent of the fiscal year HOME basic formula allocation. During our audit of administrative costs, we noted that 11.17% was expended for administrative and costs.

Questioned Cost: \$8,271

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

Recommendation: Establish procedures and proper review process to ensure the program is not expending more than ten percent of the funds on administrative and planning costs.

City Response: Due to the complexity of implementing all of the recommendations identified by the City's independent auditor, the City will begin implementation of a comprehensive integrated internal control framework using the standards established in the GAO publication Standards for Internal Control in the Federal Government. All items identified in the Schedule of Findings and Questioned Costs will be given high priority in implementing the new framework and staff intends to implement procedures to correct those changes by December 31, 2016. Other internal control findings will be selected for implementation consistent with the objectives of the control framework and the City's risk assessment process. Compliance with grantor requirements will be given priority attention.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

FINDINGS - FINANCIAL STATEMENTS

Number	Finding	Recommendation	City's Response
I.	Control Environment - <i>The City demonstrates integrity and ethical values, exercises oversight responsibility, demonstrates commitment to competence, and enforces accountability.</i>		
2015-005	MW The City adopted appropriate policies and new management established proper "tone at the top." However, there is need to establish procedures to communicate and enforce the policies as well as monitor and evaluate implementation.	Establish procedures to communicate and enforce the policies as well as to monitor and evaluate the implementation. Responsibilities of each department/division/individual should be detailed in the procedures manual. Internal controls are most effective when responsibility for a given task is assigned to an individual.	This recommendation regarding internal control will be considered in connection with the City's implementation of an integrated internal control framework consistent with the Standards established in the GAO "Green Book" during fiscal 2016-2017 and fiscal 2017-2018.
2015-006	MW Performance evaluations were not performed timely at all levels of the City. The City needs to hold individuals accountable for their internal control responsibilities.	Establish a process to evaluate employees' performance and implement regularly.	This recommendation regarding internal control will be considered in connection with the City's implementation of an integrated internal control framework consistent with the Standards established in the GAO "Green Book" during fiscal 2016-2017 and fiscal 2017-2018. Currently the City of Oxnard sends out a reminder based on the hire date of the employee to all departments. However step increases and promotions do not coincide with this date. Currently no follow-up is performed to ensure that performance evaluations are completed.
2015-007	MW Employees in the Finance Department were not properly trained to perform their tasks.	Establish a training program to improve Finance Department employees' knowledge and skills.	This recommendation regarding internal control will be considered in connection with the City's implementation of an integrated internal control framework consistent with the Standards established in the GAO "Green Book" during fiscal 2016-2017 and fiscal 2017-2018. During fiscal 2015-2016, the City hosted an Intermediate Governmental Accounting Class and provided a Best Practices in Budgeting webinar offered by the California Society of Municipal Finance Officer's Association. In addition, the State Controller's Office provided training on guidelines relating to Gas Tax expenditures for Cities.
2015-008	MW The City did not have an audit committee.	Establish an audit committee, along with a charter to govern its conduct. Members of this committee should be provided training.	The City of Oxnard's' equivalent to an audit committee is the Fiscal Policy Task Force Committee, which has regularly-scheduled monthly meetings prior to presentation to City Council.
2015-009	MW There was a severe lapse in the City's financial operations when key Finance Department personnel left due to a lack of qualified successors.	Develop a succession plan for the Finance Department.	This recommendation regarding internal control will be considered in connection with the City's implementation of an integrated internal control framework consistent with the Standards established in the GAO "Green Book" during fiscal 2016-2017 and fiscal 2017-2018. Management has regularly-scheduled quarterly meetings where such topics as "Succession Planning" have been discussed with Department Heads and Mid-Management Staff.

MW - Material Weakness

SD - Significant Deficiency

BP - Best Practices

NC - Non-Compliance

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

FINDINGS - FINANCIAL STATEMENTS

Number	Finding	Recommendation	City's Response
I. Control Environment - <i>The City demonstrates integrity and ethical values, exercises oversight responsibility, demonstrates commitment to competence, and enforces accountability. (Continued)</i>			
2015-010	MW The Finance Department did not have sufficient staff, particularly in managerial positions.	Fill vacancies with qualified staff immediately.	This recommendation regarding internal control will be considered in connection with the City's implementation of an integrated internal control framework consistent with the Standards established in the GAO "Green Book" during fiscal 2016-2017 and fiscal 2017-2018. During fiscal 2015-2016, the following positions were filled: Chief Financial Officer, Controller, Management Accountant/Auditor and Utility Finance Officer. The fiscal 2016-2017 Budget includes additional positions to the Finance Department.
II. Risk Assessment - <i>The City specifies suitable objectives with sufficient clarity to enable the identification and assessment of risks, identifies and analyzes risks, considers the potential for fraud, and assesses environmental changes that could significantly impact the system of internal control.</i>			
2015-011	SD City performed Organizational Assessment during the year 2015 and plan to continue implementation of the 3-year process to address the issues. No risk assessment related to accounting and financial reporting has been performed. No fraud risk assessment has been performed.	Establish procedures to perform a risk assessment related to accounting and financial reporting. The risk assessment should include identifying types of accounting errors, policy violations, fraud, or non-compliance with agreements, contracts, laws and regulations, as well as a plan of action to mitigate risks.	This recommendation regarding internal control will be considered in connection with the City's implementation of an integrated internal control framework consistent with the Standards established in the GAO "Green Book" during fiscal 2016-2017 and fiscal 2017-2018.
III. Control Activities - <i>The City selects and develops control activities to enhance accuracy and reliability of its accounting records and financial reports, selects and develops general control activities over technology, and deploys control activities through policies that establish what is expected and procedures that put the policies into action.</i>			
2015-012	MW The City's system of internal control is not designed to reduce the risk that accounting and financial reporting errors or fraud could occur and not be detected.	Develop an integrated system of internal control that defines control activities across the various departments, not just the Finance Department. Policies, procedures, and related internal controls should be documented, communicated to all affected members of City staff, and updated regularly. Implementation should be monitored closely.	This recommendation regarding internal control will be considered in connection with the City's implementation of an integrated internal control framework consistent with the Standards established in the GAO "Green Book" during fiscal 2016-2017 and fiscal 2017-2018.
2015-013	MW The City does not have properly-designed, implemented, and effective policies, procedures, processes, and controls surrounding its financial reporting process to ensure that all non-standard adjustments are adequately researched, supported, and reviewed prior to their recording in the general ledger.	Establish new or improve existing policies, procedures, and related-internal controls to ensure that all non-standard adjustments impacting the general ledger are adequately researched, supported, and reviewed prior to their recording in the general ledger.	This recommendation regarding internal control will be considered in connection with the City's implementation of an integrated internal control framework consistent with the Standards established in the GAO "Green Book" during fiscal 2016-2017 and fiscal 2017-2018.

MW - Material Weakness

SD - Significant Deficiency

BP - Best Practices

NC - Non-Compliance

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

FINDINGS - FINANCIAL STATEMENTS

Number	Finding	Recommendation	City's Response
III. Control Activities - The City selects and develops control activities to enhance accuracy and reliability of its accounting records and financial reports, selects and develops general control activities over technology, and deploys control activities through policies that establish what is expected and procedures that put the policies into action. (Continued)			
2015-014	MW The City does not have properly-designed, implemented, and effective policies, procedures, processes and controls surrounding its financial reporting process to completely support beginning balance and year-end close-out related activity in its general ledger.	Refer to specific recommendations below. III. B., C., G., I., J., K., L., M., N., and O.	This recommendation regarding internal control will be considered in connection with the City's implementation of an integrated internal control framework consistent with the Standards established in the GAO "Green Book" during fiscal 2016-2017 and fiscal 2017-2018.
2015-015	MW The City has ineffective controls affecting some key financial reporting processes including weaknesses in transactional and supervisory reviews over cash, receivables, capital assets, and construction in progress, accounts payable, and long-term liabilities.	Refer to specific recommendations below. III. B., C., G., I., J., K., L., M., N., and O.	This recommendation regarding internal control will be considered in connection with the City's implementation of an integrated internal control framework consistent with the Standards established in the GAO "Green Book" during fiscal 2016-2017 and fiscal 2017-2018.
2015-016	MW The City was unable to effectively identify potential technical accounting issues, analyze the relevant facts and circumstances, and respond to auditor inquiries in a timely manner.	Refer to specific recommendations below. III. B., C., G., I., J., K., L., M., N., and O.	This recommendation regarding internal control will be considered in connection with the City's implementation of an integrated internal control framework consistent with the Standards established in the GAO "Green Book" during fiscal 2016-2017 and fiscal 2017-2018.
2015-017	MW The City does not have an effective general ledger system. The City uses HTE software, which was developed almost two decades ago. In addition, the City has 176 self-balancing funds and over 8,300 accounts in its chart of accounts; 1,600 of these are balance sheet accounts. This system has severe functional limitations contributing to the City's challenge of addressing systemic internal control weaknesses in financial reporting.	Establish new, or improve the existing, general ledger system to enable it to process, store, and report financial data in a manner that ensures accuracy, confidentiality, integrity, and availability of financial data without substantial manual intervention.	This recommendation regarding internal control will be considered in connection with the City's implementation of an integrated internal control framework consistent with the Standards established in the GAO "Green Book" during fiscal 2016-2017 and fiscal 2017-2018.
III. A. Budget - Management reviews the City's financial statements on a periodic basis and investigates significant variances from budgets and expected results.			
2015-018	SD The FY 2015 budget lacked detail, and management did not keep track of its budgeted revenue and expenditures. Department heads are supplied a budget to actual comparison on a monthly basis for review, but there was no formal process for investigating significant variances.	Continue to provide department heads with budget to actual comparison on a monthly basis. Establish an effective process to identify and investigate significant variances from budgets and expected results.	This recommendation regarding internal control will be considered in connection with the City's implementation of an integrated internal control framework consistent with the Standards established in the GAO "Green Book" during fiscal 2016-2017 and fiscal 2017-2018.
III. B. Fund Balance - Management reviews fund balance and net position accounts to ensure amounts are valid.			
2015-019	MW Beginning fund balances did not agree with prior-year audited financial statements. Audit adjustments were not posted to the general ledger. Journal entries were inappropriately posted to fund balance during the year.	Audit adjustments must be posted to the general ledger at the end of the audit, and beginning fund balances should be agreed with audited financial statements. Controls should be put in place to allow only authorized personnel to approve journal entries that affect beginning fund balances during the year.	This recommendation regarding internal control will be considered in connection with the City's implementation of an integrated internal control framework consistent with the Standards established in the GAO "Green Book" during fiscal 2016-2017 and fiscal 2017-2018.

MW - Material Weakness

SD - Significant Deficiency

BP - Best Practices

NC - Non-Compliance

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

FINDINGS - FINANCIAL STATEMENTS

Number	Finding	Recommendation	City's Response
III. C.	Bank Reconciliations: <i>Bank reconciliations are prepared and reviewed in a timely fashion. Bank statements are received and reviewed by a responsible person other than the person who reconciles the bank account before being submitted for reconciliation.</i>		
2015-020 <i>Original Finding: 2014-002</i>	MW The bank reconciliation for the general account was not performed since November 2014.	Bank reconciliations should be prepared every month. A full-time employee should be assigned to prepare the bank reconciliations. This person should be dedicated to this process until all monthly bank reconciliations are up to date. Bank reconciliations should be reviewed by another person who has sufficient knowledge and skill to perform the task. The process for bank reconciliation should be detailed out in writing.	This recommendation regarding internal control will be considered in connection with the City's implementation of an integrated internal control framework consistent with the Standards established in the GAO "Green Book" during fiscal 2016-2017 and fiscal 2017-2018. During fiscal 2016-2017, staff is currently working on the backlog of bank reconciliations for fiscal 2015-2016.
2015-021	MW Bank reconciliations for the AIMS and Parking Citation bank accounts were not performed. The balances for these accounts were not recorded in the general ledger.	The Finance Department should ensure that all bank accounts are accounted for and reconciled to the general ledger on the monthly basis.	This recommendation regarding internal control will be considered in connection with the City's implementation of an integrated internal control framework consistent with the Standards established in the GAO "Green Book" during fiscal 2016-2017 and fiscal 2017-2018. During fiscal 2016-2017, staff is currently working on the backlog of bank reconciliations for fiscal 2015-2016.
2015-022	MW Bank reconciliations for the general and CDC Successor Agency accounts for periods prior to November 2014 were prepared but not reconciled to the general ledger.	The Finance Department should ensure that all bank accounts are accounted for and reconciled to the general ledger on the monthly basis.	This recommendation regarding internal control will be considered in connection with the City's implementation of an integrated internal control framework consistent with the Standards established in the GAO "Green Book" during fiscal 2016-2017 and fiscal 2017-2018.
2015-023	MW PACC bank account activities were not recorded fully.	The Finance Department should ensure that all bank accounts are accounted for and reconciled to the general ledger on the monthly basis.	This recommendation regarding internal control will be considered in connection with the City's implementation of an integrated internal control framework consistent with the Standards established in the GAO "Green Book" during fiscal 2016-2017 and fiscal 2017-2018. During fiscal 2016-2017, staff is currently working on the backlog of bank reconciliations for fiscal 2015-2016.
2015-024	MW Cash with fiscal agents accounts were not reconciled monthly to the general ledger.	The bank reconciliation process should include reconciling cash with fiscal agents.	This recommendation regarding internal control will be considered in connection with the City's implementation of an integrated internal control framework consistent with the Standards established in the GAO "Green Book" during fiscal 2016-2017 and fiscal 2017-2018. During fiscal 2016-2017, staff is currently working on the backlog of bank reconciliations for fiscal 2015-2016.

MW - Material Weakness

SD - Significant Deficiency

BP - Best Practices

NC - Non-Compliance

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

FINDINGS - FINANCIAL STATEMENTS

Number	Finding	Recommendation	City's Response
III. C. Bank Reconciliations: <i>Bank reconciliations are prepared and reviewed in a timely fashion. Bank statements are received and reviewed by a responsible person other than the person who reconciles the bank account before being submitted for reconciliation. (Continued)</i>			
2015-025	MW Bank accounts were opened without the Treasurer's Office's knowledge.	Only the Treasurer should be allowed to open bank accounts on behalf of the City. All bank statements should be sent directly to the Treasurer's Office. The Treasurer's Office should review the bank statements, retain the original, and send copies to the personnel who prepares the bank reconciliation.	This recommendation regarding internal control will be considered in connection with the City's implementation of an integrated internal control framework consistent with the Standards established in the GAO "Green Book" during fiscal 2016-2017 and fiscal 2017-2018. During fiscal 2015-2016, management has already implemented a procedure to access and download bank statements.
2015-026	SD Finance department did not have access to complete monthly bank statements or complete outstanding checklists for all accounts.	The Treasurer's Office should forward copies of all bank statements to the Finance Department. All back-up documentation used in reconciliations prepared by the Treasurer's Office and other departments, i.e., outstanding checklists and deposits in transit listings, should be provided to the Finance Department.	This recommendation regarding internal control will be considered in connection with the City's implementation of an integrated internal control framework consistent with the Standards established in the GAO "Green Book" during fiscal 2016-2017 and fiscal 2017-2018. During fiscal 2015-2016, management has already implemented a procedure to access and download bank statements.
2015-027	SD The Finance Department did not have access and history of prior reports used for reconciliation. All processes and reports needed for the reconciliation process had to be discovered and requested by finance management.	Finance manager needs to have a full understanding of all Treasury activities to assess if there are any procedures or reporting that can be used to make the monthly bank reconciliation more efficient across departments. The Finance Department and Treasurer's Office should establish procedures to enhance cooperation.	Management will implement policies and procedures with the Treasurer's Office to ensure that only the Treasurer is allowed to open bank accounts on behalf of the City. In Fiscal year 15/16, the Finance Department has already implemented a procedure to access and download bank statements. During fiscal 2015-2016, the Finance Department and Treasurer's office have established new lines of communication and cooperation in order to assist with the process of bank reconciliations.
2015-028	MW Daily cash receipts posting to the general ledger were not reconciled to cash entries and to bank activities. Therefore deposits in transit were not tracked for bank reconciliation.	The finance department management needs training from current software provider on how the cash related modules should be interacting, reports used to tie out the modules, and if there are keys that links those modules together.	This recommendation regarding internal control will be considered in connection with the City's implementation of an integrated internal control framework consistent with the Standards established in the GAO "Green Book" during fiscal 2016-2017 and fiscal 2017-2018. Management is currently in the process of contacting Sunguard, the software provider as well as integrated voice response vendor to assist in providing additional detail to assist in the bank reconciliation process.
2015-029	SD Pooled cash batches are a summary of various batches by module. There are multiple batches per modules: accounts payable, accounts receivable, payroll, and cash receipts batches. Newly-hired finance management have not found logic of how system entries are batched together. Current batching is very labor intensive to review.	Finance department staff needs training from current software provider on how the cash-related modules should be interacting, reports used to tie out the modules, and if there are keys that links those modules together.	This recommendation regarding internal control will be considered in connection with the City's implementation of an integrated internal control framework consistent with the Standards established in the GAO "Green Book" during fiscal 2016-2017 and fiscal 2017-2018. Management is currently in the process of contacting Sunguard, the software provider to ensure that the cash related modules are interacting to the general ledger as designed and inquire regarding a training schedule.

MW - Material Weakness

SD - Significant Deficiency

BP - Best Practices

NC - Non-Compliance

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

FINDINGS - FINANCIAL STATEMENTS

Number	Finding	Recommendation	City's Response
III. D. Electronic Payments (EFT/ACH) - EFTs are numbered and the sequence is accounted for regularly.			
2015-030	SD Check numbers were not in sequential order (Duplication/Skipping). Problem stems from manual assignment of EFT check numbers.	The Treasurer's Office should assign sequential control numbers to each wire. The Finance Department should enter the information into the accounting system.	This recommendation regarding internal control will be considered in connection with the City's implementation of an integrated internal control framework consistent with the Standards established in the GAO "Green Book" during fiscal 2016-2017 and fiscal 2017-2018.
2015-031	BP Excel listing of EFTs did not list the check number assigned to the payment and did not list the batch/group number posted to the general ledger.	Excel listing of EFTs should include the EFT control number as well as the batch/group number.	This recommendation regarding internal control will be considered in connection with the City's implementation of an integrated internal control framework consistent with the Standards established in the GAO "Green Book" during fiscal 2016-2017 and fiscal 2017-2018. During fiscal 2015-2016, management has implemented an EFT listing to include the EFT control number as well as the batch/group number.
III. D. Electronic Payments (EFT/ACH) - The check signer reviews all supporting documentation prior to signing the check or wire transfer authorization.			
2015-032	SD The Treasurer did not review all supporting documentation prior to signing the check or wire transfer authorization.	The Treasurer or designated individual in the Treasurer's Office should review all supporting documentation prior to signing the check or wire transfer authorization.	This recommendation regarding internal control will be considered in connection with the City's implementation of an integrated internal control framework consistent with the Standards established in the GAO "Green Book" during fiscal 2016-2017 and fiscal 2017-2018.
2015-033	SD Proper documentation of wire transfers was not maintained by the Finance Department.	The Finance Department should maintain a complete copy of the wire transfer authorization package, including all supporting documentation.	This recommendation regarding internal control will be considered in connection with the City's implementation of an integrated internal control framework consistent with the Standards established in the GAO "Green Book" during fiscal 2016-2017 and fiscal 2017-2018.
III. D. Electronic Payments (EFT/ACH) - The procedures and responsibilities of various departments related to electronic payments are sufficiently defined and enforced.			
2015-034	SD There were no written procedures related to electronic payments and responsibilities of the requesting department, Treasurer's Office, and Finance Department are not clearly defined. The Treasurer's Office did not have a current list of authorized signers.	The Finance Department should review the EFT payment process to improve the current procedures. After approval by appropriate departments, all EFTs should be received by the Finance management. Finance management will review for proper department approvals, general ledger coding, and supporting documentation (including budget support). Finance management will forward to Treasurer's Office for disbursements. No department should send wire requests directly to the Treasurer's Office.	This recommendation regarding internal control will be considered in connection with the City's implementation of an integrated internal control framework consistent with the Standards established in the GAO "Green Book" during fiscal 2016-2017 and fiscal 2017-2018.

MW - Material Weakness

SD - Significant Deficiency

BP - Best Practices

NC - Non-Compliance

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

FINDINGS - FINANCIAL STATEMENTS

Number	Finding	Recommendation	City's Response
III. D. Electronic Payments (EFT/ACH) - The Finance Department has policies and procedures in place to record EFTs accurately in the proper period.			
2015-035	MW There was no supervisory review of EFT entries. Payment/posting against cash had been inconsistent and made to the wrong accounting period.	Staff needs additional training in handling EFTs and postings should be reviewed regularly. The payment period needs to be distinguished from invoice period.	This recommendation regarding internal control will be considered in connection with the City's implementation of an integrated internal control framework consistent with the Standards established in the GAO "Green Book" during fiscal 2016-2017 and fiscal 2017-2018.
2015-036	MW Payroll wires recorded through a journal voucher covered two accounting periods.	Split payroll journal voucher according to wire dates.	This recommendation regarding internal control will be considered in connection with the City's implementation of an integrated internal control framework consistent with the Standards established in the GAO "Green Book" during fiscal 2016-2017 and fiscal 2017-2018.
2015-037	MW Payments could not be properly traced to supporting documentation because use of "miscellaneous vendor - #99999".	Stop using the "miscellaneous vendor" account. All vendors need to be set up individually in the vendor master file. Current vendor master file needs to be reviewed.	This recommendation regarding internal control will be considered in connection with the City's implementation of an integrated internal control framework consistent with the Standards established in the GAO "Green Book" during fiscal 2016-2017 and fiscal 2017-2018.
2015-038	MW CDC checks and deposits were coded to the wrong pooled cash fund (997 – general vs. 998 – CDC).	Review HTE report against bank EFT posting by accounts payable (AP) personnel needs to be done monthly.	This recommendation regarding internal control will be considered in connection with the City's implementation of an integrated internal control framework consistent with the Standards established in the GAO "Green Book" during fiscal 2016-2017 and fiscal 2017-2018.
2015-039	MW Recording of CDC loan principal repayment wire to the City was inadvertently reversed in the general ledger causing City and CDC pooled cash funds to be out of balance. Journal voucher has been prepared to correct.	Review HTE report against bank EFT posting by accounts payable (AP) personnel needs to be done monthly.	This recommendation regarding internal control will be considered in connection with the City's implementation of an integrated internal control framework consistent with the Standards established in the GAO "Green Book" during fiscal 2016-2017 and fiscal 2017-2018.
III. E. Cash Receipts - Cash receipts are deposited in separate bank accounts when legally or contractually required. A separate bank account is maintained for CDC Successor Agency.			
2015-040	SD A separate bank account was maintained for CDC Successor Agency. However, in collapsing of prior RDA funds (421-425) into new Successor Agency fund (429), an error in the journal voucher left balances in City pooled cash fund (997) per general ledger. After further investigation, adjustments had been made to correct the error.	Joint review of prior cash transfers between the City and CDC Successor Agency is needed. Non-standard journal entries especially those affecting cash transactions between City and CDC Successor Agency should be reviewed by CFO, not only to evaluate the accounting treatment, but also to consider compliance with state laws and regulations affecting former RDAs. The Economic Development Department head should be consulted as appropriate.	This recommendation regarding internal control will be considered in connection with the City's implementation of an integrated internal control framework consistent with the Standards established in the GAO "Green Book" during fiscal 2016-2017 and fiscal 2017-2018.
III. E. Cash Receipts - There are adequate procedures to detect whether cash received in locations other than the Treasurer's Office are deposited intact promptly.			
2015-041	SD There were no procedures in place to perform internal audits of cash receipts in various locations within the City organization.	Random audits of cash receipts should be performed.	This recommendation regarding internal control will be considered in connection with the City's implementation of an integrated internal control framework consistent with the Standards established in the GAO "Green Book" during fiscal 2016-2017 and fiscal 2017-2018.

MW - Material Weakness

SD - Significant Deficiency

BP - Best Practices

NC - Non-Compliance

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

FINDINGS - FINANCIAL STATEMENTS

Number	Finding	Recommendation	City's Response
III. E. Cash Receipts - <i>Cash receipts are reconciled to general ledger postings daily.</i>			
2015-042	SD There are no written procedures in place for reconciliation of daily cash receipts.	Cash receipts should be reconciled to general ledger postings daily.	This recommendation regarding internal control will be considered in connection with the City's implementation of an integrated internal control framework consistent with the Standards established in the GAO "Green Book" during fiscal 2016-2017 and fiscal 2017-2018.
III. F. Journal Entries to Cash Accounts - <i>Adjustments of cash accounts are approved and documented by the appropriate level of management.</i>			
2015-043	MW The process of preparing, reviewing, and approving journal entries was not properly designed. The CFO or acting CFO was responsible to review hundreds of journal entries, many of them affected cash, which rendered the control ineffective. The accounting system is not set up to record standard recurring entries.	Journal entries that affect cash should be thoroughly reviewed. However, the review process should be designed so that there are various levels of review. Recurring journal vouchers pre-approved via an amortization schedule should not need approval by CFO. In addition, monthly journal vouchers should be standardized and supporting documentation should be maintained.	This recommendation regarding internal control will be considered in connection with the City's implementation of an integrated internal control framework consistent with the Standards established in the GAO "Green Book" during fiscal 2016-2017 and fiscal 2017-2018.
2015-044	MW An out-of-balance journal entry was found and correction was necessary to balance cash in the CDC Successor Agency Fund.	Journal entries should be reviewed before posting in the general ledger. In addition, cash-related journal entries should be reviewed by the person performing bank reconciliation during the bank reconciliation process.	This recommendation regarding internal control will be considered in connection with the City's implementation of an integrated internal control framework consistent with the Standards established in the GAO "Green Book" during fiscal 2016-2017 and fiscal 2017-2018. During fiscal 2015-2016, management has implemented that cash related journal entries are reviewed prior to posting to the general ledger.
2015-045	MW Journal entries were posted to CDC Successor Agency Fund cash without adequate supporting documentation.	Journal entries should be reviewed along with appropriate documentation. Sufficient documentation should be maintained with the journal entry voucher.	This recommendation regarding internal control will be considered in connection with the City's implementation of an integrated internal control framework consistent with the Standards established in the GAO "Green Book" during fiscal 2016-2017 and fiscal 2017-2018.
2015-046	MW Reversing journal vouchers are not posted in a timely manner and prior-year reversing accruals are not easily found in following year log.	It is recommended that reversing journal vouchers reference original voucher, original batch number, and posted to period 1 of the following year.	This recommendation regarding internal control will be considered in connection with the City's implementation of an integrated internal control framework consistent with the Standards established in the GAO "Green Book" during fiscal 2016-2017 and fiscal 2017-2018.
2015-047	MW Journal vouchers and accounts payable check registers are not separated by type of transactions in the pooled cash general ledger detail. Both are currently shown as type "AJ" and description "Journal Summary". Miscellaneous journal vouchers review for accuracy is not efficient.	Obtain technical support from 'HTE' to see if there are options or other processes to separate AP check registers and journal vouchers by type.	This recommendation regarding internal control will be considered in connection with the City's implementation of an integrated internal control framework consistent with the Standards established in the GAO "Green Book" during fiscal 2016-2017 and fiscal 2017-2018.

MW - Material Weakness

SD - Significant Deficiency

BP - Best Practices

NC - Non-Compliance

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

FINDINGS - FINANCIAL STATEMENTS

Number	Finding	Recommendation	City's Response
III. F.	Journal Entries to Cash Accounts - <i>Adjustments of cash accounts are approved and documented by the appropriate level of management. (Continued)</i>		
2015-048	MW HTE system reports are not in a format that can be easily and efficiently used for review.	Obtain technical support from 'HTE' to generate reports that can be utilized for review and analytical procedures.	This recommendation regarding internal control will be considered in connection with the City's implementation of an integrated internal control framework consistent with the Standards established in the GAO "Green Book" during fiscal 2016-2017 and fiscal 2017-2018. In August 2016, management has scheduled training with our software vendor to implement Cognos (report writer software package) to assist in the generation of reports that can be utilized for review and analytical procedures.
III. G.	Investments - <i>The Treasurer's Office monitors risks associated with deposits and investments and prepares appropriate reports to the governing board.</i>		
2015-049	SD The Treasurer's Office did not maintain a complete and accurate Treasury ratings report.	Treasury ratings should be monitored to comply with investment policies. The Treasurer's Office should prepare the report quarterly.	This recommendation regarding internal control will be considered in connection with the City's implementation of an integrated internal control framework consistent with the Standards established in the GAO "Green Book" during fiscal 2016-2017 and fiscal 2017-2018.
III. G.	Investments - <i>Cash and investments are valued at fair value.</i>		
2015-050	SD Cash and investments were not reported at fair market value.	Fair value adjustments should be determined at least quarterly, included in the Treasurer's quarterly reports, and posted to the general ledger.	This recommendation regarding internal control will be considered in connection with the City's implementation of an integrated internal control framework consistent with the Standards established in the GAO "Green Book" during fiscal 2016-2017 and fiscal 2017-2018.
III. H.	Accounts Receivable - <i>The receivables aging/subledger is reviewed and reconciled to the general ledger.</i>		
2015-051	MW A reconciliation of accounts receivable against the general ledger was not performed periodically or at year-end.	The receivable aging/subledger should be reconciled to the general ledger periodically by the Finance Department.	This recommendation regarding internal control will be considered in connection with the City's implementation of an integrated internal control framework consistent with the Standards established in the GAO "Green Book" during fiscal 2016-2017 and fiscal 2017-2018.
2015-052	MW The review of aging and collections for utilities were not centralized in the Finance Department. Review is not tied into the postings to the general ledger.	The receivable aging/subledger reconciliation by Finance Department should include utilities receivable.	This recommendation regarding internal control will be considered in connection with the City's implementation of an integrated internal control framework consistent with the Standards established in the GAO "Green Book" during fiscal 2016-2017 and fiscal 2017-2018.
III. H.	Accounts Receivable - <i>Delinquent receivables are reviewed.</i>		
2015-053	MW Receivable aging reports were not reviewed by the Finance Department management for delinquent amounts. The allowance for uncollectibles was not analyzed or adjusted at year-end.	The receivables aging/subledger should be reviewed for delinquent amounts. Adjustments for allowances and/or write offs need to be approved by authorized personnel.	This recommendation regarding internal control will be considered in connection with the City's implementation of an integrated internal control framework consistent with the Standards established in the GAO "Green Book" during fiscal 2016-2017 and fiscal 2017-2018.

MW - Material Weakness

SD - Significant Deficiency

BP - Best Practices

NC - Non-Compliance

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

FINDINGS - FINANCIAL STATEMENTS

Number	Finding	Recommendation	City's Response
III. H. Accounts Receivable - Accounting policies and procedures specify the correct treatment for estimating the allowance for uncollectible accounts and bad debt expense.			
2015-054	MW There were no written accounting policies and procedures that specify the correct treatment for estimating the allowance for uncollectible accounts and bad debt expense.	Accounting policies and procedures must specify the correct treatment for estimating the allowance for uncollectible accounts and bad debt expense.	This recommendation regarding internal control will be considered in connection with the City's implementation of an integrated internal control framework consistent with the Standards established in the GAO "Green Book" during fiscal 2016-2017 and fiscal 2017-2018.
III. I. Grants Management - Reconciliation for grant financial reports with supporting accounting records are prepared, reviewed and approved by responsible official before filing.			
2015-055	MW Accounting for grants was decentralized and no one in Finance was responsible for reviewing grant funds. This condition caused many errors, including unrecorded grants receivable, notes receivable, deferred revenues, and negative fund balances.	A responsible person in the Finance Department should be assigned to oversee the accounting of grants. Detailed policies and procedures should be developed, communicated to all departments who handle grant funds, implemented and monitored to ensure proper accounting and reporting of grants.	This recommendation regarding internal control will be considered in connection with the City's implementation of an integrated internal control framework consistent with the Standards established in the GAO "Green Book" during fiscal 2016-2017 and fiscal 2017-2018.
III. I. Grants Management - Financial reports and claims for advances and reimbursements agree with supporting financial records and general ledger.			
2015-056	SD Grants receivable were not tracked and reconciled to the general ledger on a monthly basis.	The City should establish procedures to ensure that all reimbursable costs or contract costs are billed and adherence to those procedures must be periodically reviewed by the appropriate level of management.	This recommendation regarding internal control will be considered in connection with the City's implementation of an integrated internal control framework consistent with the Standards established in the GAO "Green Book" during fiscal 2016-2017 and fiscal 2017-2018.
2015-057	SD FEMA - revenue was greater than expenditures due to accounts receivable not being recorded properly prior year. As a result, there is an overstatement of revenue of \$600,000 in the current year.	The City should establish procedures to ensure that all reimbursable costs or contract costs are billed and adherence to those procedures must be periodically reviewed by the appropriate level of management.	This recommendation regarding internal control will be considered in connection with the City's implementation of an integrated internal control framework consistent with the Standards established in the GAO "Green Book" during fiscal 2016-2017 and fiscal 2017-2018.
III. I. Grants Management - The City has a written procurement manual that complies with the applicable grant agreements and the Uniform Guidance.			
2015-058	BP Procedures for grant management in accordance with the new Uniform Guidance have not been adopted.	The City should adopt the new Uniform Guidance and procedures should be put in place to implement the policy.	This recommendation regarding internal control will be considered in connection with the City's implementation of an integrated internal control framework consistent with the Standards established in the GAO "Green Book" during fiscal 2016-2017 and fiscal 2017-2018.
2015-059	BP Grant agreements are not maintained in an orderly manner in the Finance Department to assist in the complete and accurate recording in the general ledger.	All grant agreements should be reviewed and filed in the Finance Department. During review, the person responsible for grants should identify terms and conditions that affect accounting and financial reporting as well as compliance.	This recommendation regarding internal control will be considered in connection with the City's implementation of an integrated internal control framework consistent with the Standards established in the GAO "Green Book" during fiscal 2016-2017 and fiscal 2017-2018.
2015-060	BP The City does not have a cost allocation plan for Federal awards. Only direct payroll is charged against Federal awards.	The City should establish what is considered allowable direct and indirect costs for Federal awards. The City may be able to charge additional payroll in the Finance department for work employees do related to Grants.	This recommendation regarding internal control will be considered in connection with the City's implementation of an integrated internal control framework consistent with the Standards established in the GAO "Green Book" during fiscal 2016-2017 and fiscal 2017-2018.

MW - Material Weakness

SD - Significant Deficiency

BP - Best Practices

NC - Non-Compliance

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

FINDINGS - FINANCIAL STATEMENTS

Number	Finding	Recommendation	City's Response
III. I. Grants Management - The City has written procurement manual that complies with the applicable grant agreements and the Uniform Guidance. (Continued)			
2015-061	SD There are no procedures in place to inform the Finance Department what items get capitalized and what items were donated.	Establish procedures for grant coordinators to communicate to the Finance Department when there are items that need to be capitalized and when capital assets are donated.	This recommendation regarding internal control will be considered in connection with the City's implementation of an integrated internal control framework consistent with the Standards established in the GAO "Green Book" during fiscal 2016-2017 and fiscal 2017-2018.
III. I. Grants Management - The City has established controls to preclude charging state and federal award programs with unallowable costs and expenditures.			
2015-062	SD Several state grant funds have negative fund balances due to the unallowable costs and expenditures incurred in the past.	The City should take corrective action to cure the negative fund balances in state and federal grants and should establish controls to avoid future negative fund balances.	This recommendation regarding internal control will be considered in connection with the City's implementation of an integrated internal control framework consistent with the Standards established in the GAO "Green Book" during fiscal 2016-2017 and fiscal 2017-2018.
III. J. Notes Receivable - Receivables are recognized when a legally-enforceable claim is established.			
2015-063	MW Notes receivable were not recorded in the general ledger. There were no policies and procedures in place to recognize long-term loan agreements entered into by the various departments with approval from City Council.	Policies and procedures should be established to obtain all long-term agreements entered into by various departments. These agreements must be reviewed for proper accounting treatment by the appropriate level of management.	This recommendation regarding internal control will be considered in connection with the City's implementation of an integrated internal control framework consistent with the Standards established in the GAO "Green Book" during fiscal 2016-2017 and fiscal 2017-2018. During fiscal 2014-2015, the finance department began the process of obtaining current long-term receivable agreements.
2015-064	MW Notes receivable agreements are not maintained in an orderly manner in the finance department to assist in the complete and accurate recording in the general ledger.	All long-term receivable agreements should be obtained and maintained by the Finance Department. A member of the Finance Department should be assigned to review the minutes of City Council meetings for long-term agreements and obtain such agreements for the Department.	This recommendation regarding internal control will be considered in connection with the City's implementation of an integrated internal control framework consistent with the Standards established in the GAO "Green Book" during fiscal 2016-2017 and fiscal 2017-2018. During fiscal 2015-2016, the finance department began the process of obtaining current long-term receivable agreements.
III. J. Notes Receivable - The notes receivable schedule/subledger is reconciled to the general ledger.			
2015-065	SD Notes receivable are not tracked and reconciled to the general ledger. Repayment of HOME and CDBG loans were not properly classified as program income.	Notes receivable should be reconciled to the general ledger periodically by Finance. To assist in the reconciliation, information should be obtained from the Housing Department and Economic Development Department relating to current activity.	This recommendation regarding internal control will be considered in connection with the City's implementation of an integrated internal control framework consistent with the Standards established in the GAO "Green Book" during fiscal 2016-2017 and fiscal 2017-2018.
2015-066	SD Interest has not been accrued on any of the notes receivable.	Interest on notes receivable should be calculated and billed, as appropriate. Interest income should be accrued on a modified accrual basis and recorded in the general ledger.	This recommendation regarding internal control will be considered in connection with the City's implementation of an integrated internal control framework consistent with the Standards established in the GAO "Green Book" during fiscal 2016-2017 and fiscal 2017-2018.
2015-067	SD Notes receivable schedules were not reviewed by Finance Department management for delinquent amounts. The allowance for uncollectibles was not analyzed or adjusted at year-end.	The notes receivables schedule should be reviewed and reconciled to the general ledger. Adjustments for allowances and/or write offs need to be approved by authorized personnel.	This recommendation regarding internal control will be considered in connection with the City's implementation of an integrated internal control framework consistent with the Standards established in the GAO "Green Book" during fiscal 2016-2017 and fiscal 2017-2018.

MW - Material Weakness

SD - Significant Deficiency

BP - Best Practices

NC - Non-Compliance

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

FINDINGS - FINANCIAL STATEMENTS

Number	Finding	Recommendation	City's Response
III. J. Notes Receivable - <i>The City has sufficient controls to collect payments based on residual revenues.</i>			
2015-068	SD There are no procedures in place to collect payments from developers based on residual revenues.	Policies and procedures must be developed and implemented to collect payments from developers based on residual revenues.	This recommendation regarding internal control will be considered in connection with the City's implementation of an integrated internal control framework consistent with the Standards established in the GAO "Green Book" during fiscal 2016-2017 and fiscal 2017-2018.
III. K. Deferred Balances - <i>Deferred amounts are supported by analysis in compliance with GAAP.</i>			
2015-069	BP A supporting analysis was not prepared for calculating deferred balances.	Accounting policies and procedures should specify the correct treatment for calculating deferred amounts. The analysis documents compliance with relevant GAAP and the City's accounting policies.	This recommendation regarding internal control will be considered in connection with the City's implementation of an integrated internal control framework consistent with the Standards established in the GAO "Green Book" during fiscal 2016-2017 and fiscal 2017-2018.
III. L. Capital Assets and Construction and Progress (CIP) - <i>Capital assets and CIP balances are supported by adequate documentation.</i>			
2015-070	MW The City has not fully established accurate and auditable capital assets and CIP balances as of June 30, 2015.	Continue remediation efforts to establish capital assets and CIP balances in the financial statements and related disclosures.	This recommendation regarding internal control will be considered in connection with the City's implementation of an integrated internal control framework consistent with the Standards established in the GAO "Green Book" during fiscal 2016-2017 and fiscal 2017-2018. During fiscal 2014-2015, management capitalized completed projects including any projects that were 98% complete.
III. L. Capital Assets and Construction and Progress (CIP) - <i>The capital assets subledger is maintained, reviewed, and reconciled to the general ledger.</i>			
2015-071	MW The City does not have a complete listing of capital assets. The City did not have a listing of ongoing and completed construction projects. It has not implemented accurate and complete asset identification, system mapping, and tagging processes that include sufficient detail to clearly differentiate and accurately track capital assets to the fixed assets system.	Implement processes and controls to facilitate identification and tracking of capital assets and CIP.	This recommendation regarding internal control will be considered in connection with the City's implementation of an integrated internal control framework consistent with the Standards established in the GAO "Green Book" during fiscal 2016-2017 and fiscal 2017-2018. The City of Oxnard does maintain a listing of capital assets in the financial system module for capital assets. However, the City currently did not maintain an up-to-date listing for Construction-in-Progress assets. During fiscal 2014-2015, the City completed a listing for Construction-in-Progress Assets for all open and active projects.
2015-072	MW No physical inventory of capital assets and CIP has been performed for many years.	Perform a physical inventory of capital assets and CIP.	This recommendation regarding internal control will be considered in connection with the City's implementation of an integrated internal control framework consistent with the Standards established in the GAO "Green Book" during fiscal 2016-2017 and fiscal 2017-2018.

MW - Material Weakness

SD - Significant Deficiency

BP - Best Practices

NC - Non-Compliance

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

FINDINGS - FINANCIAL STATEMENTS

Number	Finding	Recommendation	City's Response
III. L.	Capital Assets and Construction and Progress (CIP) - <i>The City has sufficient internal control and related processes to accurately, consistently, timely record additions to capital assets and CIP (including all costs necessary to place the asset in service), transfers from other agencies, disposals and CIP activity.</i>		
2015-073	MW The City did not have adequate policies and procedures to ensure that assets acquired, whether constructed, purchased, or on a capital lease, are recorded in the general ledger and the fixed-assets system in a timely manner.	Establish policies and procedures to ensure that assets acquired are recorded in the general ledger and the fixed-assets system in a timely manner.	This recommendation regarding internal control will be considered in connection with the City's implementation of an integrated internal control framework consistent with the Standards established in the GAO "Green Book" during fiscal 2016-2017 and fiscal 2017-2018.
2015-074	MW The City has not implemented a process to identify and evaluate all lease agreements to ensure that they are appropriately categorized as operating or capital, and properly reported in the financial statements and related disclosures.	Assign a member of the Finance Department who has sufficient knowledge and skills to identify and evaluate all lease agreements to ensure that they are appropriately categorized as operating or capital, and properly reported in the financial statements and related disclosures.	This recommendation regarding internal control will be considered in connection with the City's implementation of an integrated internal control framework consistent with the Standards established in the GAO "Green Book" during fiscal 2016-2017 and fiscal 2017-2018.
2015-075	MW The City did not transfer certain assets from CIP to "in-use" assets in a timely manner. There were no controls in place to identify completed construction projects.	Establish policies and procedures to identify completed construction projects and properly transfer the cost from CIP to capital assets. The policies and procedures should include determining the date placed in service, useful life, and depreciation expense.	This recommendation regarding internal control will be considered in connection with the City's implementation of an integrated internal control framework consistent with the Standards established in the GAO "Green Book" during fiscal 2016-2017 and fiscal 2017-2018. During fiscal 2014-2015, management identified projects that were 98% complete and capitalized.
2015-076	MW CIP amounts that represent discontinued projects were not expensed.	Construction projects that have been discontinued should be properly expensed.	This recommendation regarding internal control will be considered in connection with the City's implementation of an integrated internal control framework consistent with the Standards established in the GAO "Green Book" during fiscal 2016-2017 and fiscal 2017-2018.
2015-077	MW Capital outlay expenditures were not evaluated to determine whether capitalization was appropriate.	Capital outlay expenditures should be routinely evaluated to determine whether capitalization was appropriate.	This recommendation regarding internal control will be considered in connection with the City's implementation of an integrated internal control framework consistent with the Standards established in the GAO "Green Book" during fiscal 2016-2017 and fiscal 2017-2018.
2015-078	MW The City does not have policies and procedures in place to properly account for capitalized interest in accordance with GAAP. Capitalized interest normally begins at the start of preconstruction activities and ends when an asset is substantially complete and ready for use. Our audit procedures revealed that the City did not end their interest capitalization for Historic Enhancement and Revitalization of Oxnard (HERO) Project after an asset was substantially complete and ready for use. Therefore; the amount of asset was overstated by \$1,973,770.	Policies and procedures must be developed and implemented to properly account for capitalized interest. In addition, we recommend more effective review procedures.	This recommendation regarding internal control will be considered in connection with the City's implementation of an integrated internal control framework consistent with the Standards established in the GAO "Green Book" during fiscal 2016-2017 and fiscal 2017-2018.

MW - Material Weakness

SD - Significant Deficiency

BP - Best Practices

NC - Non-Compliance

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

FINDINGS - FINANCIAL STATEMENTS

Number	Finding	Recommendation	City's Response
III. L.	Capital Assets and Construction and Progress (CIP) - <i>The City has sufficient internal control and related processes to accurately, consistently, timely record additions to capital assets and CIP (including all costs necessary to place the asset in service), transfers from other agencies, disposals and CIP activity. (Continued)</i>		
2015-079	MW The rate and method of application of indirect labor cost (Labor markup) to capital projects was dated back to 2012 amounts. Application to projects is currently done through manual entries. Manual entries leave room for error and are often not timely or efficient.	Review and update the process for indirect cost allocation for accuracy. Review is needed to ensure that projects are assigned the appropriate labor cost.	This recommendation regarding internal control will be considered in connection with the City's implementation of an integrated internal control framework consistent with the Standards established in the GAO "Green Book" during fiscal 2016-2017 and fiscal 2017-2018.
III. L.	Capital Assets and Construction and Progress (CIP) - <i>Management tracks asset acquisitions and remaining costs and compares to capital budgets.</i>		
2015-080	MW There is lack of sufficient controls to track asset acquisitions and compare actual costs incurred to approved capital budgets. CIP costs are allowed to exceed recorded capital budgets. Completed projects are not properly closed on a timely manner.	Establish policies and procedures to track asset acquisitions and construction and compare to approved capital budgets. Recorded capital budgets must be updated for approved change orders, otherwise CIP costs should not be allowed to exceed the approved capital budgets. Projects should be closed when completed. Additional costs must not be incurred on the project when it is complete.	This recommendation regarding internal control will be considered in connection with the City's implementation of an integrated internal control framework consistent with the Standards established in the GAO "Green Book" during fiscal 2016-2017 and fiscal 2017-2018.
III. L.	Capital Assets and Construction and Progress (CIP) - <i>Periodically, capital asset listings are routed to the appropriate managers to determine whether the assets still physically exist.</i>		
2015-081	MW Department and project managers were not involved in the internal control process.	The capital assets listing should be routed to department and project managers to determine whether assets still physically exist.	This recommendation regarding internal control will be considered in connection with the City's implementation of an integrated internal control framework consistent with the Standards established in the GAO "Green Book" during fiscal 2016-2017 and fiscal 2017-2018. During fiscal 2015-2016, the Finance Department has established new lines of communication with the Departments and project managers.
III. L.	Capital Assets and Construction and Progress (CIP) - <i>Individuals are designated with responsibility for assuring compliance with the terms and conditions of all grants, restricted contributions, exchange contracts, etc., that relate to capital assets.</i>		
2015-082	MW There are individuals designated with responsibility for assuring compliance with the terms of grants and contracts; however, there was insufficient communication between these individuals and the finance department.	Establish policies and procedures relating to capital assets and CIP and communicate such policies and procedures to affected individuals in other departments. The finance department should lead the coordinated efforts of various departments to implement the policies and procedures.	This recommendation regarding internal control will be considered in connection with the City's implementation of an integrated internal control framework consistent with the Standards established in the GAO "Green Book" during fiscal 2016-2017 and fiscal 2017-2018.

MW - Material Weakness

SD - Significant Deficiency

BP - Best Practices

NC - Non-Compliance

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

FINDINGS - FINANCIAL STATEMENTS

Number	Finding	Recommendation	City's Response
III. L.	Capital Assets and Construction and Progress (CIP) - <i>Individuals are designated with responsibility for monitoring all significant construction projects.</i>		
2015-083	MW Project managers are designated to monitor construction projects; however, there was insufficient communication between the project managers and the finance department.	Establish policies and procedures relating to capital assets and CIP and communicate such policies and procedures to affected individuals in other departments. The finance department should lead the coordinated efforts of various departments to implement the policies and procedures.	This recommendation regarding internal control will be considered in connection with the City's implementation of an integrated internal control framework consistent with the Standards established in the GAO "Green Book" during fiscal 2016-2017 and fiscal 2017-2018. During fiscal 2015-2016, the Finance Department has established new lines of communication with the Departments and project managers.
III. L.	Capital Assets and Construction and Progress (CIP) - <i>Capital asset depreciation charges are calculated correctly by the automated system and are reviewed for reasonableness by management.</i>		
2015-084	MW Depreciation was not properly calculated by the automated system because the inputs were made incorrectly. No review was made by management during the year.	The capital assets system should be reviewed and inputs should be corrected when necessary.	This recommendation regarding internal control will be considered in connection with the City's implementation of an integrated internal control framework consistent with the Standards established in the GAO "Green Book" during fiscal 2016-2017 and fiscal 2017-2018.
III. L.	Capital Assets and Construction and Progress (CIP) - <i>Disposals of capital assets are reviewed by management and entered into the capital assets subledger by accounting personnel in a timely fashion.</i>		
2015-085	MW There is no process in place for reporting disposals of capital assets.	Policies and procedures should be established to obtain information from various departments regarding any disposals of capital assets.	This recommendation regarding internal control will be considered in connection with the City's implementation of an integrated internal control framework consistent with the Standards established in the GAO "Green Book" during fiscal 2016-2017 and fiscal 2017-2018.
III. M.	Accounts Payable - <i>Accounts payable aging/subledger is reviewed and reconciled to the general ledger.</i>		
2015-086	MW Reconciliation of accounts payable aging/subledger against the general ledger was not performed at end of year. It was not possible to generate the report after the cut-off date.	We recommend that procedures be put in place to specifically generate an accounts payable aging report at month-end. This report should be agreed to the general ledger and reviewed by an appropriate member of management.	This recommendation regarding internal control will be considered in connection with the City's implementation of an integrated internal control framework consistent with the Standards established in the GAO "Green Book" during fiscal 2016-2017 and fiscal 2017-2018. During fiscal 2015-2016, management has implemented a report list to run each June 30 for critical reports needed as discovered through the fiscal 2014-2015 audit process.
III. M.	Accounts Payable - <i>Changes to the vendor master file are periodically reviewed for reasonableness.</i>		
2015-087	MW No formal process in place to review master vendor file and investigate any exceptions.	The master vendor file should be reviewed periodically. During the review process, the file should be compared to W-9s, addresses should be compared to employees' addresses, and inactive vendors should be removed.	This recommendation regarding internal control will be considered in connection with the City's implementation of an integrated internal control framework consistent with the Standards established in the GAO "Green Book" during fiscal 2016-2017 and fiscal 2017-2018. During fiscal 2015-2016, management has implemented removing inactive vendors and reviewing the W-9 process.

MW - Material Weakness

SD - Significant Deficiency

BP - Best Practices

NC - Non-Compliance

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

FINDINGS - FINANCIAL STATEMENTS

Number	Finding	Recommendation	City's Response
III. N.	Long-Term Debt - A reconciliation of outstanding debt instruments to the general ledger was not prepared and reviewed timely. Statements received from lenders are reconciled to the subsidiary ledger and differences are investigated.		
2015-088	MW The long-term debt liability balances were not adjusted at year-end. Principal and interest payments were not posted to correct accounts and/of funds. Accrued interest was not calculated or recorded. Prior-year accrued interest was not reversed. Amortization of premiums and discounts was not recorded.	A monthly reconciliation of outstanding debt instruments to the general ledger should be prepared and reviewed timely. Statements received from lenders must be reconciled to the subsidiary ledger and differences investigated.	This recommendation regarding internal control will be considered in connection with the City's implementation of an integrated internal control framework consistent with the Standards established in the GAO "Green Book" during fiscal 2016-2017 and fiscal 2017-2018.
III. N.	Long-Term Debt - Calculations and adjustments related to current or advance debt refundings have been recorded and reviewed and approved by an appropriate person.		
2015-089	MW Significant adjustments for bond issuance and defeasance were not recorded. Bond proceeds of approximately \$20 million was not recorded in the general ledger.	Procedures should be established to capture transactions that are infrequent or non-routine in nature on a timely basis. The Financial Resources Division should communicate to the Accounting Department activities such as issuance of debt or defeasance of debt.	This recommendation regarding internal control will be considered in connection with the City's implementation of an integrated internal control framework consistent with the Standards established in the GAO "Green Book" during fiscal 2016-2017 and fiscal 2017-2018.
III. N.	Long-Term Debt - Debt agreements are reviewed for appropriate classification of outstanding debt.		
2015-090	MW No policies in procedures in place to capture new debt agreements and capital leases. Debt agreements and lease agreements are not reviewed for appropriate classification of outstanding debt and capitalization of assets on capital lease. Significant notes payable and capital leases were not recorded in the general ledger.	Procedures should be established to capture transactions that are infrequent or non-routine in nature on a timely basis. The Financial Resources Division should communicate to the Accounting Department activities such as issuance of debt or defeasance of debt.	This recommendation regarding internal control will be considered in connection with the City's implementation of an integrated internal control framework consistent with the Standards established in the GAO "Green Book" during fiscal 2016-2017 and fiscal 2017-2018.
III. N.	Long-Term Debt - Debt compliance determinations are prepared and reviewed timely.		
2015-091	MW Compliance with debt covenants particularly rate covenants in the water and wastewater funds were not determined and reviewed in a timely manner.	Procedures should be improved to ensure that debt compliance determinations are prepared and reviewed timely.	This recommendation regarding internal control will be considered in connection with the City's implementation of an integrated internal control framework consistent with the Standards established in the GAO "Green Book" during fiscal 2016-2017 and fiscal 2017-2018.
III. O.	Pension Plans - The City reviews the census data used by the actuary to calculate the net pension liability.		
2015-092	SD Census data used by CalPERS and PARS to calculate the net pension liability was not reviewed. Discrepancies in demographic and compensation data were noted in current year.	Review the census data used by actuaries in calculating the net pension liability and ensure that discrepancies are investigated and resolved appropriately.	This recommendation regarding internal control will be considered in connection with the City's implementation of an integrated internal control framework consistent with the Standards established in the GAO "Green Book" during fiscal 2016-2017 and fiscal 2017-2018.
III. O.	Pension Plans - The City remits employee contributions to the trustees as soon as the amounts are withheld from the employee's paychecks.		
2015-093	SD On several occasions during FY 2015, employee contributions for retirement plans were not remitted to the trustees on a timely basis.	Improve processes in place to ensure that employee contributions for retirement plans are remitted to the trustees on a timely basis all the time.	This recommendation regarding internal control will be considered in connection with the City's implementation of an integrated internal control framework consistent with the Standards established in the GAO "Green Book" during fiscal 2016-2017 and fiscal 2017-2018.

MW - Material Weakness

SD - Significant Deficiency

BP - Best Practices

NC - Non-Compliance

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

FINDINGS - FINANCIAL STATEMENTS

Number	Finding	Recommendation	City's Response
III. P. Use of Credit Cards - The City has sufficient controls over credit card issuance and usage to prevent fraud and abuse.			
2015-094	SD An employee in the purchasing department has the authority to contact Bank of America to issue credit cards in anyone's name under the City of Oxnard's account.	Issuance of credit cards should be approved by an appropriate level of management. The Purchasing Manager should review open credit card listing monthly to ensure that only current active employees have access to credit cards. Also recommend reviewing credit cards with no activity for current employees and deleting accounts if they are not deemed to be necessary to help limit exposure.	This recommendation regarding internal control will be considered in connection with the City's implementation of an integrated internal control framework consistent with the Standards established in the GAO "Green Book" during fiscal 2016-2017 and fiscal 2017-2018. During fiscal 2015-2016, the Finance Department performed a credit card assessment which included, meeting with each City Department to review their credit card holdings and eliminated and significantly reduced credit cards and limits where necessary.
III. P. Use of Credit Cards - Credit cards issued to employees who were terminated should be cancelled immediately.			
2015-095	BP Credit cards remained active for a period of 2 months to almost 9 months after employee was terminated before being cancelled.	The City should implement a checklist to include verifying with Purchasing Department if the employee has an active credit card as part of the termination procedures.	This recommendation regarding internal control will be considered in connection with the City's implementation of an integrated internal control framework consistent with the Standards established in the GAO "Green Book" during fiscal 2016-2017 and fiscal 2017-2018.
III. P. Use of Credit Cards - Credit card transactions are posted to the general ledger on a monthly basis.			
2015-096	SD Credit card transactions were not processed and reviewed timely by the Finance Department.	The Finance Department should process and review credit card transactions on a timely basis.	This recommendation regarding internal control will be considered in connection with the City's implementation of an integrated internal control framework consistent with the Standards established in the GAO "Green Book" during fiscal 2016-2017 and fiscal 2017-2018.
III. Q. Contracts - The City manages contract awards for purchase of supplies and personal property and procurement of professional services and public works contracts in accordance with the City's Municipal Code pertaining to contracting and bid requirements.			
2015-097	BP The bidding process is decentralized. All contracts and bids are not being retained by the Purchasing Department so they can have documentation that bids went through the proper channels and contracts were properly prepared.	Bids/proposals greater than \$25,000 should be sent to the Purchasing Department to indicate the approved bids were submitted and received according the City policy and to retain a copy for their records for a period of three years, according the Purchasing Manual.	This recommendation regarding internal control will be considered in connection with the City's implementation of an integrated internal control framework consistent with the Standards established in the GAO "Green Book" during fiscal 2016-2017 and fiscal 2017-2018.
2015-098	SD The list of FY 2015 approved contracts generated by the Purchasing Department was incomplete because some jobs that were approved by the City Manager or City Council were not updated on the network spreadsheet indicating the contracts were approved.	Establish procedures to ensure that list of approved contracts maintained by the Purchasing Department includes all contracts approved by the City Manager and City Council.	This recommendation regarding internal control will be considered in connection with the City's implementation of an integrated internal control framework consistent with the Standards established in the GAO "Green Book" during fiscal 2016-2017 and fiscal 2017-2018.
2015-099	SD Change orders for public works contracts exceeding \$50,000 must be submitted to City Manager for approval. Agreement No. A-7630 with Granite Construction was missing an approved change order from project file in the amount of \$82,302.	City needs to establish and follow procedures for approval of change orders. All change orders approval should be documented and kept in the project file with the public works department.	This recommendation regarding internal control will be considered in connection with the City's implementation of an integrated internal control framework consistent with the Standards established in the GAO "Green Book" during fiscal 2016-2017 and fiscal 2017-2018.

MW - Material Weakness

SD - Significant Deficiency

BP - Best Practices

NC - Non-Compliance

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

FINDINGS - FINANCIAL STATEMENTS

Number	Finding	Recommendation	City's Response
III. R.	Municipal Golf Course - The City has oversight over the service concession arrangement with a privately-owned company that operates the municipal golf course.		
2015-100	SD There is a lack of oversight over the service concession at the municipal golf course. The privately-owned operator currently controls all finance functions. Only a project manager, who is a City employee, is responsible for oversight. A joint bank account has not been set-up or utilized as stated in the agreement between the City and operator.	The City should create an oversight board to oversee the Municipal Golf Course. The oversight board should review and approve the annual business plan which includes the budgets as well as all monthly financial reports.	This recommendation regarding internal control will be considered in connection with the City's implementation of an integrated internal control framework consistent with the Standards established in the GAO "Green Book" during fiscal 2016-2017 and fiscal 2017-2018. The Internal Audit Program is scheduled to access the deficiencies and weaknesses of the Municipal Golf Course operations.
III. R.	Municipal Golf Course - The City properly accounts for the service concession arrangement in its financial statements.		
2015-101	MW The City has previously reported all revenues generated and expenses incurred by the operator in the City's financial statements. However, the City only receives a share of net receipts at the end of each year.	Only the share of net receipts should be reported as revenue from the service concession. Gross revenues generated and all expenditures incurred by the private operator should not be included in the City's financial statements.	This recommendation regarding internal control will be considered in connection with the City's implementation of an integrated internal control framework consistent with the Standards established in the GAO "Green Book" during fiscal 2016-2017 and fiscal 2017-2018. The Internal Audit Program is scheduled to access the deficiencies and weaknesses of the Municipal Golf Course operations.
III. R.	Municipal Golf Course - The City appropriately bills the private operator for use of water and other City services.		
2015-102	SD The City did not bill the company for water used on the municipal golf course.	The City should bill the operator for use of any City services to operate the municipal golf course.	This recommendation regarding internal control will be considered in connection with the City's implementation of an integrated internal control framework consistent with the Standards established in the GAO "Green Book" during fiscal 2016-2017 and fiscal 2017-2018. The Internal Audit Program is scheduled to access the deficiencies and weaknesses of the Municipal Golf Course operations.
III. S.	Review and Reconciliation of Clearing Funds - Clearing funds (Fund #542, 543, 545, and 555) are used by the City to allocate payroll and other costs across funds and to accumulate costs that will eventually be reimbursed by Citicorp's and Housing Authority. Clearing funds or clearing accounts are temporary in nature and are "zeroed out" periodically.		
2015-103	SD Clearing funds are not reviewed and closed-out regularly. As a result of City's clean-up of these funds during our audit, material prior-period adjustments were made.	Close-out clearing funds periodically, quarterly, or at least annually.	This recommendation regarding internal control will be considered in connection with the City's implementation of an integrated internal control framework consistent with the Standards established in the GAO "Green Book" during fiscal 2016-2017 and fiscal 2017-2018.
III. S.	Review and Reconciliation of Clearing Funds - Funds held by the City in a custodial capacity should be accounted for in an agency fund. Contributions or donations from outside parties that are supposed to be used for special purposes should be classified as "restricted, committed, assigned or unassigned" depending on the terms of the contribution or donation.		
2015-104	BP The City has a "trust fund" (Fund 571) to account for contributions or donations from outside parties. The contributions or donations come with various designations. The City does not have procedures in place to classify the fund balances within the general fund as "restricted, committed, assigned, or unassigned" or to account for certain funds as agency funds rather than in the general fund.	Review the various sources of the contributions and donations and designations made by contributors and donors. Establish procedures to classify fund balances within the general fund or to account for other funds in an agency fund.	This recommendation regarding internal control will be considered in connection with the City's implementation of an integrated internal control framework consistent with the Standards established in the GAO "Green Book" during fiscal 2016-2017 and fiscal 2017-2018.

MW - Material Weakness

SD - Significant Deficiency

BP - Best Practices

NC - Non-Compliance

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

FINDINGS - FINANCIAL STATEMENTS

Number	Finding	Recommendation	City's Response
IV.	Information and Communication - <i>The City obtains or generates and uses relevant, quality information, internally communicates information, including objectives and responsibilities for internal control, and communicates with external parties to support the functioning of internal control.</i>		
2015-105	SD The various departments of the City operated in silos. Department heads were not actively involved in the budget and financial reporting process. Communication between the finance department and various departments was not encouraged.	Improve communication among departments. The Finance Department should hold meetings with department heads periodically.	This recommendation regarding internal control will be considered in connection with the City's implementation of an integrated internal control framework consistent with the Standards established in the GAO "Green Book" during fiscal 2016-2017 and fiscal 2017-2018.
V.	Monitoring Activities - <i>The City selects, develops, and performs ongoing and/or separate evaluations to ascertain whether the components of internal control are present and functioning.</i>		
2015-106	MW There is a lack of written policies and procedures over monitoring of internal control over financial reporting.	Design and implement an integrated framework for internal control which includes monitoring of implementation of internal control and evaluating it on a regular basis.	This recommendation regarding internal control will be considered in connection with the City's implementation of an integrated internal control framework consistent with the Standards established in the GAO "Green Book" during fiscal 2016-2017 and fiscal 2017-2018.
V.	Monitoring Activities - <i>The City evaluates and communicates internal control deficiencies in a timely manner to those parties responsible for taking corrective action, including senior management, the Fiscal Policy Task Force and City Council.</i>		
2015-107	MW Internal control over financial reporting was not sufficiently evaluated during FY 2015 and past years. Significant deficiencies were not communicated to senior management, Fiscal Policy Task Force, and City Council.	Design and implement an integrated framework for internal control, which includes monitoring of implementation of internal control and evaluating it on a regular basis.	This recommendation regarding internal control will be considered in connection with the City's implementation of an integrated internal control framework consistent with the Standards established in the GAO "Green Book" during fiscal 2016-2017 and fiscal 2017-2018.
2015-108	SD Part of the Organizational Assessment implementation was an internal audit function. The internal audit function has not been implemented.	Implement the internal audit function as soon as possible.	The City of Oxnard has begun the Internal Audit Selection Process. Request for Proposals were sent out to prospective firms in January 2016 of which a total of eight responses were received. In April 2016, the committee directed staff is to revisit the internal audit selection process.
Compliance with Certain Provisions of Laws, Regulations, Contracts, and Grant Agreements - <i>The City, as issuer of various municipal bonds, complies with bond covenants, which includes continuing disclosure and rate covenants.</i>			
2015-109	NC During FY 2015, the City failed to comply with certain bond covenants as discussed below: a. The Water Fund's and the Wastewater Fund's debt service coverage ratio fell below the ratio required by bond covenants. b. The City was unable to meet the continuing disclosure requirement by the due date of March 31, 2016.	Improve processes in place to ensure compliance with bond covenants. Part of this process is proactive monitoring by the Financial Resources Division. Any deficiencies noted during the monitoring process should be brought to the attention of top City management.	This recommendation regarding internal control will be considered in connection with the City's implementation of an integrated internal control framework consistent with the Standards established in the GAO "Green Book" during fiscal 2016-2017 and fiscal 2017-2018.

MW - Material Weakness

SD - Significant Deficiency

BP - Best Practices

NC - Non-Compliance

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

FINDINGS - FINANCIAL STATEMENTS

Number	Finding	Recommendation	City's Response	
Compliance with Certain Provisions of Laws, Regulations, Contracts, and Grant Agreements - <i>The City, as successor agency to the former redevelopment agency, may only charge the private purpose trust fund expenses that are approved in the Recognized Obligation Payment Schedule (ROPS).</i>				
2015-110	NC	The Oxnard Successor Agency incurred administrative costs in excess of approved budget amounts as stated in the ROPS.	Improve processes in place to ensure that the expenses reported in the private purpose trust fund were approved in the ROPS.	This recommendation regarding internal control will be considered in connection with the City's implementation of an integrated internal control framework consistent with the Standards established in the GAO "Green Book" during fiscal 2016-2017 and fiscal 2017-2018.
Compliance with Certain Provisions of Laws, Regulations, Contracts, and Grant Agreements - <i>The City's Annual Financial Transactions Report to the State Controller's Office (SCO report) includes all year-end final closing adjustments. Adjustments needed to reconcile the SCO report to the audited financial statements are properly reported in the following year's SCO report.</i>				
2015-111	SD	The City's 2014 SCO report contained material misstatements. The City had to make material adjustments to reconcile the 2014 SCO report to the 2014 audited financial statements. In addition, the 2015 SCO report did not include all year-end final closing adjustments because the closing process has not been completed when the SCO report was due. The City is expected to make material adjustments to reconcile the 2015 SCO report to the 2015 audited financial statements.	Adjustments needed to reconcile the 2015 SCO report to the 2015 audited financial statements should be explained in detail in the 2016 SCO report.	This recommendation regarding internal control will be considered in connection with the City's implementation of an integrated internal control framework consistent with the Standards established in the GAO "Green Book" during fiscal 2016-2017 and fiscal 2017-2018.

MW - Material Weakness

SD - Significant Deficiency

BP - Best Practices

NC - Non-Compliance

CITY OF OXNARD
STATUS OF PRIOR-YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015

Major Federal Programs

There were no findings and questioned costs related to the Federal awards for the year ended June 30, 2014.

Financial Statements

Finding Number 2014-001

Condition

The City has formal compensated absences policies regarding the maximum amount of hours that an employee can accrue and the annual maximum amount of hours that an employee can cash out. However, we noted several instances where employees had hours accrued that exceeded the maximum limits stated in the policies.

Criteria

Internal controls should be in place to provide reasonable assurance that activity related to compensated absences are monitored for noncompliance and noncompliance matters are properly addressed and documented in a timely manner..

Cause

There are no procedures in place enabling the review of these account balances for possible noncompliance.

Effect

The City is in violation of formal compensated absences policies.

Recommendation

We recommend that the City review the compensated absences policies and the existing internal controls related to monitoring compliance and make the necessary modifications to ensure compliance with the City's formal compensated absences policies.

Current Status

Implemented

STATUS OF PRIOR-YEAR FINDINGS AND QUESTIONED COSTS (Continued)

Finding Number 2014-002

Condition

We noted that the bank reconciliations reconciled the balances of cash and investments held in financial institutions to the City's Treasurer Report. However, the reconciling items noted in this reconciliation were not posted to the general ledger which resulted in a significant variance between the balances reported the City's Treasurer Report and the general ledger.

Criteria

Internal controls should be in place that provide reasonable assurance that all reconciling bank activity is properly recorded.

Cause

Lack of reconciliation to all applicable transaction classes.

Effect

As a result, certain current-year revenues and expenditures were not properly recognized in the proper period in the general ledger.

Recommendation

We recommend that all significant reconciling items identified as part of the reconciliation process be recorded in the general ledger in the period being reconciled to ensure a proper recognition of activity.

Current Status

Not implemented. See current Finding 2015-020.



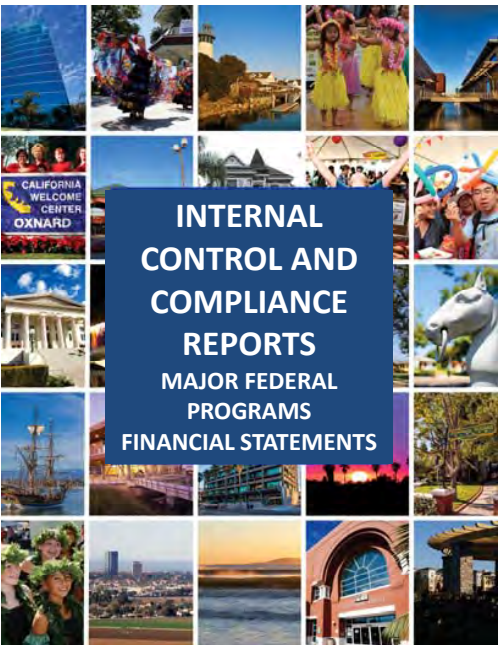
**FISCAL POLICY
TASK FORCE**
July 13, 2016

Eden Casareno, CPA
Engagement Partner

Sara Banta, CPA
Manager

Hong Nguyen, CPA
Senior Manager





**INTERNAL
CONTROL AND
COMPLIANCE
REPORTS**

MAJOR FEDERAL
PROGRAMS
FINANCIAL STATEMENTS

Agenda	
I. Single Audit Report Components	Page 3
II. Internal Control and Compliance Report	
– Major Federal Programs	4
III. Report on the Schedule of Expenditures of Federal Awards (SEFA)	5
IV. Internal Control and Compliance Report	
– Financial Statements	7
V. Other Required Communications	10
VI. Next steps	11

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Single Audit Report Components

- Internal Control and Compliance Report – Financial Statements
- Internal Control and Compliance Report – Major Federal Programs
- Report on the Schedule of Expenditures of Federal Awards (SEFA)
- Schedule of Expenditures of Federal Awards
- Notes to the SEFA
- Schedule of Findings and Questioned Costs
- Status of Prior-Year Findings and Questioned Costs

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Internal Control and Compliance Report – Major Federal Programs

- Our responsibility
- Opinion
- Other Matters
- Report on Internal Control over Compliance



4

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Report on the Schedule of Expenditures of Federal Awards (SEFA)



- Total Expenditures
- Major Programs
- Programs tested
- Significant disclosures

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Schedule of Findings and Questioned Costs – Major Federal Programs

	MW	SD	NC	BP	TOTAL
Department of Homeland Security	-	1	-	-	1
Department of Housing and Urban Development	-	2	1	-	3
TOTAL	-	3	1	-	4

- Management's response
- Status of prior-year findings and questioned costs

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Internal Control and Compliance Report – Financial statements

- Material weaknesses (MW)
- Significant deficiencies (SD)
- Non-compliance (NC)
- Opportunities for strengthening internal controls or “best practices” (BP)



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Internal Control Framework



8

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Schedule of Findings and Questioned Costs – Financial Statements

	MW	SD	NC	BP	TOTAL
Control Environment	6	-	-	-	6
Risk Assessment	-	1	-	-	1
Control Activities	55	30	-	8	93
Information & Communication	-	1	-	-	1
Monitoring Activities	2	1	-	-	3
Compliance	-	-	3	-	3
TOTAL	63	33	3	8	107

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Other Required Communications with those Charged with Governance

- Significant audit findings
- Difficulties encountered in performing the audit
- Corrected and uncorrected misstatements
- Disagreements with management
- Management representations
- Management consultation with other independent accountants
- Other audit findings or issues
- Other matters

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NEXT STEPS

- City Council presentation July 19th
- Submit to Federal Clearing House
- Beginning FY 2016 Audit:
 - Quarterly reviews
 - Single audit
 - Final Audit
- State Controller's reports filings
- Measure O Agreed Upon Procedures ¹¹



EXHIBIT 6



**CITY COUNCIL
AGENDA REPORT**

TYPE OF ITEM: Report

AGENDA ITEM NO.: 2

DATE: March 28, 2017

TO: City Council

THROUGH: Greg Nyhoff
City Manager

FROM: Jim Throop
Chief Financial Officer

SUBJECT: Single Audit FY2016/17 Presentation (20/15/10)

CONTACT: Jim Throop, Chief Financial Officer
Jim.Throop@oxnard.org, 385-7475

RECOMMENDATION:

For the City Council to receive and file a report and presentation on the Single Audit for Fiscal Year 2015/16, ending June 30, 2016.

BACKGROUND

Eadie & Payne LLP have audited the City of Oxnard's compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement. It is the auditor's responsibility to express an opinion on compliance for each of the City's major federal programs based on their audit of the types of compliance as referenced above. Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs. Eadie & Payne conducted their audit of compliance in accordance with auditing standards generally accepted in the United State of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 required that Eadie & Payne plan and perform their audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements could have a direct and material effect on a major federal program. It is Eadie & Payne's opinion that the City complied, in all material respects, with the types of compliance requirements referred to above.

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing their audit, Eadie & Payne considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, Eadie & Payne did not express an opinion on the effectiveness of the City's internal control over compliance. Eadie & Payne consideration of internal control over compliance was for the limited purpose described above.

In planning and performing their audit of the financial statements, Eadie & Payne considered the City's internal control over financial reporting to determine their audit procedures that were appropriate in the circumstances for the purpose of expressing their opinions on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, Eadie & Payne did not express an opinion on the effectiveness of the City's internal control. Their consideration was for limited purposes and was not designed to identify all deficiencies in internal control. However, Eadie & Payne identified certain deficiencies in internal control that they consider to be material weaknesses and significant deficiencies.

New Findings for FY 2015-16

There were five (5) new findings for FY 2015-16. Four (4) related to Major Federal Award Programs, and one (1) related to Financial Statements.

City Finance Department staff is currently developing policies and procedures for all grants. This includes training of a grant coordinator in the Finance Department and training of various grant program managers in the other departments. The goal is to establish procedures to review grant program requirements for compliance with the terms of the grant, and to ensure timely reimbursement of grant expenditures. The following is a brief summary of the new findings.

Finding 2016-001 Performance Reporting. The CDBG grant requires submission of a summary report. This report is prepared by an outside consultant. The recommendation is for City staff to review the report prior to submission to HUD, and to maintain required documentation showing proof of the reporting. City staff is aware of the requirement and does maintain documentation. However, it was not available at the time of the audit review.

Finding 2016-002 Compensation for Personal Services. All grants require that charges for personnel costs accurately reflect the actual work performed. Due to the timing of the City's payroll processing, timesheets must be submitted prior to the end of a pay period in order to allow adequate time for payroll processing. Therefore 2-3 days must be estimated. This is not unusual, and any adjustments necessary to reflect actual time are made. In this instance,

Single Audit FY2016/17 Presentation (20/15/10)
 March 28, 2017
 Page 3

adjustments to personnel costs charged to the CDBG grant were made at fiscal year-end. Finance staff is working with Housing Department staff to minimize the estimated time and to record any necessary adjustments in the following pay period.

Finding 2016-003 Reconciliation to Trial Balance. The Schedule of Expenditures of Federal Awards (SEFA) summarizes all federal grant activity for the fiscal year. For FY 2015-16, the expenditures reported on the SEFA were not reconciled to the City's general ledger. Finance staff has now established procedures for the reconciliation.

Finding 2016-004 Approval on CIP Expenditures. All grants require approval of expenditures by an individual having knowledge of the grant requirements. In three instances, capital expenditures for the Campus Park Gymnasium were not approved by the grant administrator. The project manager approved the expenditures but the grant administrator did not. Procedures are in place for this dual approval, but there was an oversight in these instances. The grant administrator reviewed and approved the expenditures after the fact. Staff is aware of the procedures and will ensure review for proper signatures before processing.

Finding 2016-005 Segregation of Duties between Payroll and Human Resources (HR). The payroll supervisor also has the ability to modify pay rates and benefits. This should be a Human Resources function for proper segregation of duties. However, due to a lack of qualified staffing in the HR Department, the payroll supervisor in Finance was required to perform this function. HR is currently recruiting for adequate staff to assume this function.

Update on the 111 findings from FY 2014-15

Out of the 111, findings from FY 2014-15 staff has determined that 28 are substantially complete and 49 are in process. In October 2016, 53 of the 111 findings were identified as Priority 1A and anticipated to be completed by June 30, 2017. Since the last City Council update, one more finding has been added to Priority 1A, bringing the total to 54. Of those 54, twenty-three are now considered to be substantially complete, twenty-six are now in process, and five have not yet been started. Staff defined "substantially complete" as having implemented controls and/or processes, but which cannot yet be considered "complete" until the external auditors can test the systems as part of their audit of the current year FY 2016-17.

On March 22, Finance staff submitted a status report to the State Controller's Office (SCO) containing this information regarding the updated status of the FY 2014-15 findings. The SCO requires this report on April 1 and October 1 of each year.

FINANCIAL IMPACT

There is no financial impact with this discussion of this item.

ATTACHMENTS:

Single Audit FY2016/17 Presentation (20/15/10)
March 28, 2017
Page 4

Attachment A: 2016 Final Single Audit Report in PDF Format

CITY OF OXNARD

SINGLE AUDIT OF FEDERAL AWARDS
WITH INDEPENDENT AUDITOR'S REPORT

FOR YEAR ENDED JUNE 30, 2016

CITY OF OXNARD

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JUNE 30, 2016

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**CERTIFIED
PUBLIC
ACCOUNTANTS
& BUSINESS
ADVISORS**

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

The Honorable City Council
City of Oxnard, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Oxnard, California (City), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated January 31, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs (marked MW) to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs (marked SD) to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, which are described in the accompanying schedule of findings and questioned costs (marked NC).

During our audit, we also became aware of matters that are opportunities for strengthening internal controls, operating efficiency, and best practices. The accompanying schedule of findings and questioned costs includes our comments and recommendations regarding those matters (marked BP).

The findings noted above include those that were found during our audit of fiscal year 2015. These findings are listed in the accompanying schedule of findings and questioned costs - status of prior-year findings and questioned costs. The audit of fiscal year 2015 was completed two weeks prior to the end of fiscal year 2016; therefore, the City did not have sufficient time to implement a corrective action plan.

City's Response to Findings

City of Oxnard's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Eddie and Payne LLP

January 31, 2017
Redlands, California



**CERTIFIED
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ACCOUNTANTS
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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE AND ON THE SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS**

The Honorable City Council
City of Oxnard
Oxnard, California

Report on Compliance for Each Major Federal Program

We have audited City of Oxnard's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2016. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

Report on Internal Control over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses may exist that were not identified. We identified certain deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2016-001 to 2016-004 that we consider to be significant deficiencies.

City's Response to Findings

City of Oxnard's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Report on Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units and each major fund of the City as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated January 31, 2017, which contained qualified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for the purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Eddie and Payne LLP

March 3, 2017
Redlands, California

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

CITY OF OXNARD
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016

<u>FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE</u>	<u>FEDERAL CATALOG NUMBER</u>	<u>PROGRAM IDENTIFICATION NUMBER</u>	<u>TOTAL PROGRAM EXPENDITURES</u>
U.S. Department of Housing and Urban Development			
Direct:			
Community Development Block Grants	14.218	B-15-MC-06-0534	\$ 1,011,695
		B-14-MC-06-0534	848,274
			<u>1,859,969</u>
Direct:			
Emergency Solutions Grants Program	14.231	E-15-MC-06-0534	161,748
		E-14-MC-06-0534	20,860
			<u>182,608</u>
Direct:			
HOME Investment Partnership Program	14.239	M-15-MC-06-0526	276,661
		M-14-MC-06-0526	16,789
		M-12-MC-06-0526	815
			<u>294,265</u>
Total U.S. Department of Housing and Urban Development			<u>2,336,842</u>
U.S. Department of Justice			
Direct:			
Edward Byrne Justice Assistance Grant	16.738	2015-DJ-BX-0764	38,204
		2014-DJ-BX-0862	54,995
		2013-DJ-BX-0737	8,262
		2012-DJ-BX-1010	27,249
			<u>128,710</u>
Passed through the Ventura County Sheriff's Office:			
Edward Byrne Justice Assistance Grant	16.738	BSCC 655-15	35,321
Edward Byrne Justice Assistance Grant		BSCC 655-14	37,606
			<u>72,927</u>
Total U.S. Department of Justice			<u>201,637</u>
U.S. Department of Homeland Security			
Direct:			
Assistance to Firefighters Grant	97.044	EMW-2013-FP-00246	70,901
		EMW-2013-FO-04097	114,914
		EMW-2013-FR-00298	2,691
			<u>188,506</u>

See accompanying notes to Schedule of Expenditures of Federal Awards and Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance and on the Schedule of Expenditures of Federal Awards.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE	FEDERAL CATALOG NUMBER	PROGRAM IDENTIFICATION NUMBER	TOTAL PROGRAM EXPENDITURES
U.S. Department of Homeland Security (Continued)			
Passed through the Ventura County Sheriff's Office:			
Homeland Security Grant Program	97.073	2015-00078-111-00000	\$ 21,724
		2014-00093-111-00000	111,279
			<u>133,003</u>
Staffing for Adequate Fire and Emergency Response Grant	97.083	EMW-2014-FH-00701	783,303
		EMW-2012-FH-00072	823,844
			<u>1,607,147</u>
Total U.S. Department of Homeland Security			<u>1,928,656</u>
U.S. Department of Transportation			
Pass through the State of California Department of Transportation:			
Highway Planning and Construction	20.205	STPLN-5129(012)	358,423
		CML-5129(029)	(109)
		BHLS-5129(069)	262
		BHLS-5129(070)	2,691
		CMLNI-5129 (076)	13,226
		TCSPL-5129 (077)	226
		CML-5129 (078)	3,934
		CML-5129 (079)	21,586
		CML-5129 (081)	41,057
		CML-5129 (086)	35,663
		CML-5129 (087)	219
		HSIPL-5129(082)	2,063
		HSIPL-5129(083)	781
		HSIPL-5129(084)	494,850
		STPL-5129(085)	87,297
		STPL-5129 (048)	886,699
			<u>1,948,868</u>
Federal Transit Formula Grant	20.507	CA-95-X196-00	180,198
Total U.S. Department of Transportation			<u>2,129,066</u>

See accompanying notes to Schedule of Expenditures of Federal Awards and Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance and on the Schedule of Expenditures of Federal Awards.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)

<u>FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE</u>	<u>FEDERAL CATALOG NUMBER</u>	<u>PROGRAM IDENTIFICATION NUMBER</u>	<u>TOTAL PROGRAM EXPENDITURES</u>
Corporation for National and Community Service			
Direct:			
Retired and Senior Volunteer Program	94.002	13SRPCA010	\$ 54,078
Corporation for National and Community Service			<u>19,643</u>
Total Corporation for National and Community Service			<u>73,721</u>
U.S. Department of Health and Human Services			
Pass through the County of Ventura Area Agency on Aging:			
Special Programs for the Aging, Nutrition Services	93.045	3C-007-071212	<u>85,906</u>
U.S. Environmental Protection Agency			
Direct:			
Environmental Workforce Development and Job Training	66.815	99T03501	<u>77,344</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 6,833,172</u>

See accompanying notes to Schedule of Expenditures of Federal Awards and Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance and on the Schedule of Expenditures of Federal Awards.

CITY OF OXNARD

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2016

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). All federal financial assistance passed through other government agencies to the City is included in the accompanying schedule.

2. BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal awards is presented using the modified accrual basis of accounting, which is described in Note I.B. of the notes to the City's financial statements.

3. RELATIONSHIP TO FEDERAL FINANCIAL REPORTS

Amount reported in the accompanying schedule of expenditures of federal awards agree, in all material respects, with amounts reported in the financial statements of the City of Oxnard. The following presents a reconciliation of federal expenditures to those reported in the financial statements:

	<u>AMOUNT</u>
Total expenditures per the schedule of expenditures of federal awards	\$ 6,833,172
Add: Expenditures of nonfederal awards	<u>176,813,692</u>
TOTAL GOVERNMENTAL FUNDS EXPENDITURES	
PER THE FINANCIAL STATEMENTS	<u><u>\$ 183,646,864</u></u>

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)

4. PAYMENTS TO SUBRECIPIENTS

For the year ended June 30, 2015, payments to subrecipients consisted of the following:

<u>Federal Grantor/Pass-Through Grantor/Program</u>	<u>CFDA Number</u>	<u>Amount Provided</u>
Department of Housing and Urban Development		
Community Development Block Grants	14.218	
Saint Vincent de Paul		\$ 50,000
Community Action of Ventura County		44,200
Livingston Memorial Visiting Nurses		15,000
		<u>109,200</u>
Emergency Solutions Grants Program	14.231	
Kingdom Center		30,000
Ventura County-HSA for Homeless Prevention		24,027
Ventura County-HSA for Rapid Re-housing		22,211
Turning Point for Shelter		40,000
		<u>116,238</u>
Department of Homeland Security		
Homeland Security Grant Program	97.073	
Ventura County Fire Department		<u>67,200</u>
Assistance to Firefighters Grant	97.044	
Ventura County Fire Department		<u>12,560</u>
Department of Justice		
Edward Byrne Justice Assistance Grant	16.738	
Ventura County Police Department		69,286
Ventura County Sheriff's Department		14,950
Thousand Oaks Police Department		10,572
Simi Valley Police Department		10,020
		<u>104,828</u>
TOTAL PAYMENTS TO SUBRECIPIENTS		<u>\$ 410,026</u>

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)**5. FEDERALLY-FUNDED LOANS**

The City administers loans, primarily deferred loans, made from funds provided by the following federal programs for the year ended June 30, 2016:

<u>Federal Programs</u>	<u>Loans Outstanding</u>
Community Development Block Grants (CFDA #14.218)	\$ 3,108,175
HOME Investment Partnership Program (CFDA #14.239)	11,083,217

CITY OF OXNARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED JUNE 30, 2016

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Qualified

Internal control over financial reporting:

Material weaknesses identified? X yes no
 Significant deficiencies identified? X yes none reported

Noncompliance material to financial statements noted: yes X no

Federal Awards

Internal control over major programs:

Material weaknesses identified? yes X no
 Significant deficiencies identified? X yes none reported

Type of auditor's report issued on compliance
 for major programs:

Unmodified

Any audit findings disclosed that are required
 by the Uniform Guidance?

 X yes no

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
14.218	Community Development Block Grant
14.239	HOME Investment Partnership Program
97.083	Staffing for Adequate Fire and Emergency Response

Dollar threshold used to distinguish between
 type A and type B programs:

\$750,000

Auditee qualified as low-risk auditee?

 yes X no

CITY OF OXNARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

INDEX

CURRENT YEAR

MAJOR FEDERAL AWARD PROGRAMS

Department of Housing and Urban Development

Performance Reporting	2016-001
Compensation for Personal Services	2016-002
Reconciliation to Trial Balance	2016-003
Administrative and Planning Cost	2016-004

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Segregation of Duties between Payroll and Human Resources	2016-005

PRIOR YEAR

MAJOR FEDERAL AWARD PROGRAMS

Department of Homeland Security

Compensation of Personal Services	2015-001

Department of Housing and Urban Development

Subrecipient Monitoring	2015-002
Compensation for Personal Services	2015-003
Administrative and Planning Cost	2015-004

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)**FINANCIAL STATEMENTS (Continued)**

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL PROGRAMS

Finding 2016-001 - Performance Reporting (SD)

CFDA Title and Number: 14.218 - Community Development Block Grants

Name of Federal Agency: Department of Housing and Urban Development

Internal Control over Compliance: Section 3 Summary Reports

Finding: 2 CFR Part 200, Appendix XI, Compliance Supplement requires recipients that administers covered housing and community development assistance in excess of \$200,000 in a program year, must submit HUD 60002, Section 3 Summary Report. The City hired an outside consultant to prepare Section 3 Summary Report, however this report was not reviewed prior to submission to Department of Housing of Urban Development. Additionally, the City did not maintain documentation showing that Section 3 Summary Report was submitted as required by the Compliance Supplement (24 CFR sections 135.3(a)(1) and 135.90).

Recommendation: The City should establish policies and procedures to review and approve Section 3 Summary Reports that are prepared by outside consultants and to maintain required documentation showing proof of performance reporting.

City Response: The City concurs with the recommendation. Finance staff is currently developing policies and procedures for all grants, including Federal, State, and County. This will include training of a grant coordinator and training of various grant program managers to establish procedures to review grant expenditures for compliance with terms of the grant, and request reimbursement on a monthly basis. These procedures will also include review of reports that are prepared by outside consultants and maintain required documentation showing proof of performance reporting.

Finding 2016-002 - Compensation for Personal Services (SD)

CFDA Title and Number: 14.218 - Community Development Block Grants

Name of Federal Agency: Department of Housing and Urban Development

Internal Control over Compliance: Documentation for Salaries and Wages

Finding: Charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed. Records must support the distribution of the employee's salary or wages among specific activities or cost objectives if the employee works on more than one Federal award (24 CFR Section 200.430 (h)(4)(v)). Due to the timing of payroll processing, timesheets must be turned in before the actual payroll period has ended. As a result, the City estimates payroll for each employee. At year-end, the City adjusted the expenditures to reflect the actual hours for all employees paid with Federal awards.

MW - Material Weaknesses

SD - Significant Deficiency

BP - Best Practices

NC - Non-Compliance

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

Recommendation: The City should establish policies and procedures to support a system of internal control which provides a reasonable assurance that the charges to Federal awards for salaries and benefits are accurate, allowable, and properly allocated.

City Response: The City concurs with the recommendation. Finance staff is currently developing policies and procedures for all grants, including Federal, State, and County. This will include training of a grant coordinator and training of various grant program managers to establish procedures to review grant expenditures for compliance with terms of the grant, and request reimbursement on a monthly basis. These procedures will also include review of salaries and benefits charged to grant programs to ensure they are accurate, allowable, and properly allocated.

Finding 2016-003 - Reconciliation to Trial Balance (SD)

CFDA Title and Number: 14.218 - Community Development Block Grants

Name of Federal Agency: Department of Housing and Urban Development

Internal Control over Compliance: Reconciliation of Schedule of Expenditures of Federal Awards to Trial Balance

Finding: The City does not have effective internal control over the preparation of the Schedule of Expenditures of Federal Awards. The City does not reconcile expenditures reported on the Schedule of Expenditures of Federal Awards with amounts reported on the City's trial balance for Fund 285.

Recommendation: The City should establish policies and procedures to reconcile amounts reported on the Schedule of Expenditures of Federal Awards with expenditures in the City's Fund 285 trial balance.

City Response: The City concurs with the recommendation. Finance staff is currently developing policies and procedures for all grants, including Federal, State, and County. This will include training of a grant coordinator and training of various grant program managers to establish procedures to review grant expenditures for compliance with terms of the grant, and request reimbursement on a monthly basis. These procedures will also include reconciliation of amounts reported on the SEFA with the City's trial balance.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

Finding 2016-004 - Approval on CIP Expenditures (SD)

CFDA Title and Number: 14.218 - Community Development Block Grants

Name of Federal Agency: Department of Housing and Urban Development

Internal Control over Compliance: Grants Management approval on CIP expenditures

Finding: The City does not have effective internal control over the processing of expenditures paid with federal awards. There were 3 deviations noted during internal control testing for which CIP expenditures for Campus Park Gymnasium did not have approval from Grants Management on the Request for Payment Against Encumbered Funds. All expenditures related to CDBG grant awards should be approved by Grants Management prior to processing of payment.

Recommendation: The City should establish policies and procedures to ensure that Grants Management properly approves all expenditures that are to be paid with federal awards.

City Response: The City concurs with the recommendation. Finance staff is currently developing policies and procedures for all grants, including Federal, State, and County. This will include training of a grant coordinator and training of various grant program managers to establish procedures to review grant expenditures for compliance with terms of the grant, and request reimbursement on a monthly basis. These procedures will also include proper approval of all expenditures that are to be paid with grant awards.

FINDINGS AND QUESTIONED COSTS - FINANCIAL STATEMENTS

Finding 2016-005 - Segregation of Duties between Payroll and Human Resources (SD)

Criteria: Segregation of duties -- the functions of authorization, recording or reconciling, and maintaining custody of assets should be segregated.

Finding: There is a lack of segregation of duties in the payroll cycle. Personnel who are have responsibilities in processing payroll also have the ability to make changes to pay rates and benefits in the payroll system.

Cause: There is no control in place to restrict access by payroll personnel to the module that allows them to modify pay rates and benefits.

Effect or potential effect: Employee pay rates and benefits may be changed without proper authorization.

MW - Material Weaknesses

SD - Significant Deficiency

BP - Best Practices

NC - Non-Compliance

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

Recommendation: To ensure proper segregation of duties, access to the human resources module (add, delete, and modify employee data) should be segregated from access to the payroll module (payroll processing). In addition, management should review all changes made to the payroll information to ensure that it reflects accurate and complete information.

City Response: The City concurs with the recommendation. Due to a lack of qualified staffing in the Human Resources Department, the payroll supervisor in the Finance Department was granted access to the human resources module in the financial software system. Human Resources is currently in the process of recruiting for the required positions. Once the appropriate staffing level is achieved, access to the human resources module will be restricted. Until such time, the Controller in the Finance Department will review all changes made to pay rates and benefits in the system for proper approval from the Human Resources Department.

MW - Material Weaknesses

SD - Significant Deficiency

BP - Best Practices

NC - Non-Compliance

CITY OF OXNARD
STATUS OF PRIOR-YEAR FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED JUNE 30, 2016

Major Federal Programs

Department of Homeland Security

Finding 2015-001 - Compensation for Personal Services

Condition: OMB Circular A-87 requires that an after-the-fact Documentation, semi-annual time certification for employees who work solely on a single Federal awards and monthly time certification for employees who worked on multiple activities. These certifications must be signed by the employee. The required after-the fact documentation is not prepared to support time and effort for employees whose salaries are charged to Federal funds.

Recommendation: It was recommended that the City establish policies and procedures to maintain after-the-fact certification. The form should reflect an after-the-fact distribution of the actual activity of each employee and will be signed by the employee.

Action Taken: We concur with the recommendation, and it was implemented effective July 2016. Staff worked with FEMA representatives to clearly define the required certifications of time worked under the grant. Employees assigned to this grant spend 100% of their time on operations under the grant. Time certifications will be signed by the supervisor acknowledging all the employees that were paid for by the grant and that they worked 100% of their time under the grant. Although no longer a requirement for FY 2015-16, these certifications will continue to be prepared semi-annually.

Current Status: No longer applicable; the requirement was revised by the Uniform Guidance.

Department of Housing and Urban Development

Finding 2015-002 - Subrecipient Monitoring

Condition: Per OMB Circular A-133 Subpart D §____.400(d), a pass-through entity is responsible for monitoring their subrecipient's use of Federal awards to ensure that the subrecipient administers federal awards in compliance with laws, regulations, and the provisions of contracts and grant, and that performance goals are achieved. The City passed through funds to Community Action of Ventura County. The City does not request or monitor their performance or financial reports.

MW - Material Weaknesses

SD - Significant Deficiency

BP - Best Practices

NC - Non-Compliance

STATUS OF PRIOR-YEAR FINDINGS AND QUESTIONED COSTS (Continued)

Recommendation: Establish policies and procedures to monitor their subrecipients during the award period through reporting, site visit, regular contact, or other means.

Action Taken: We concur with the recommendation, and it was implemented during FY 2016-17.

The City does have policies and procedures in place to monitor grant subrecipients. For the fiscal year ending 6/30/15, they are contained in Section CR-40 Monitoring 91.220 and 91.230 (page 26) of the annual Comprehensive Annual Performance Evaluation Report (CAPER), approved by the City Council and the U.S. Department of Housing & Urban Development (HUD). The policies cover activities from the pre-award stage, selection of applicants to be subrecipients, to the year-end monitoring and site visits. Quarterly reports from subrecipients, including financial information, are also submitted to the City with information inputted into Integrated Disbursement and Information System (IDIS), a federal database used by HUD.

An on-site monitoring visit was done in October 2015 for Community Action of Ventura County (CAVC). This was in accordance with the schedule and plan spelled out in the CAPER (page 26). Follow-up site visits in October 2015, March 2016, and June 2016 regarding FY 2014-2015 were carried out in March and on June 23 of 2016. FY 2015-16 files were also looked at in June 2016 to see if the weaknesses in the 2014-2015 files had been corrected, however, the site visits were, again, for review of FY 2014-2015 only.

Finance staff is currently developing policies and procedures for all grants, including Federal, State, and County. This will include training of a grant coordinator and training of various grant program managers to establish procedures to review grant expenditures for compliance with terms of the grant, and request reimbursement on a monthly basis. These procedures will also include maintaining proper documentation to support subrecipient monitoring.

Current Status: Implemented during fiscal year 2017.

Finding 2015-003 - Compensation for Personal Services

Condition: OMB Circular A-87 requires that an after-the-fact Documentation, semi-annual time certification for employees who work solely on a single Federal awards and monthly time certification for employees who worked on multiple activities. These certifications must be signed by the employee. The required after-the fact documentation is not prepared to support time and effort for employees whose salaries are charged to Federal funds.

MW - Material Weaknesses

SD - Significant Deficiency

BP - Best Practices

NC - Non-Compliance

STATUS OF PRIOR-YEAR FINDINGS AND QUESTIONED COSTS (Continued)

Recommendation: It was recommended that the City should establish policies and procedures to maintain after-the-fact certification. The form should reflect an after-the-fact distribution of the actual activity of each employee and should be signed by the employee.

Action Taken: We concur with the recommendation, and it will be implemented effective July 1, 2017.

The Housing Department HOME program and Grants Management staff complete a monthly "after-the- fact" Activity Log and Labor Distribution Report, respectively. These records provide "after-the-fact" certification.

Finance staff is currently developing policies and procedures for all grants, including Federal, State, and County. This will include training of a grant coordinator and training of various grant program managers to establish procedures to review grant expenditures for compliance with terms of the grant, request reimbursement on a monthly basis, and comply with all reporting requirements. These procedures will also include time certifications signed by the supervisor acknowledging all the employees that were paid for by the grant and that they worked 100% of their time under the grant. Although no longer a requirement for FY 2015-16, these certifications will continue to be prepared semi-annually.

Current Status: No longer applicable; the requirement was revised by the Uniform Guidance. See Finding 2016-002.

Finding 2015-004 - Administrative and Planning Costs

Condition: According to 24 CFR 92.207, a participating jurisdiction may expend for HOME administrative and planning costs an amount of HOME funds that is not more than ten percent of the fiscal year HOME basic formula allocation. During our audit of administrative costs, we noted that 11.17% was expended for administrative and costs.

Recommendation: It was recommended that the City should establish procedures and proper review process to ensure the program is not expending more than ten percent of the funds on administrative and planning costs.

STATUS OF PRIOR-YEAR FINDINGS AND QUESTIONED COSTS (Continued)

Action Taken: We concur with the recommendation, and it will be implemented effective July 1, 2017. Finance staff is currently developing policies and procedures for all grants, including Federal, State, and County. This will include training of a grant coordinator and training of various grant program managers to establish procedures to review grant expenditures for compliance with terms of the grant, request on a monthly basis, and comply with all reporting requirements. These procedures will reimbursement also include monitoring compliance with administrative expenditure limits.

Current Status: Not a finding in 2016.

MW - Material Weaknesses

SD - Significant Deficiency

BP - Best Practices

NC - Non-Compliance

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

FINDINGS - FINANCIAL STATEMENTS

Number	Finding	Recommendation	City's Response
I. Control Environment - The City demonstrates integrity and ethical values, exercises oversight responsibility, demonstrates commitment to competence, and enforces accountability.			
2015-005	MW The City adopted appropriate policies and new management established proper "tone at the top." However, there is need to establish procedures to communicate and enforce the policies as well as monitor and evaluate implementation.	Establish procedures to communicate and enforce the policies as well as to monitor and evaluate the implementation. Responsibilities of each department/division/individual should be detailed in the procedures manual. Internal controls are most effective when responsibility for a given task is assigned to an individual.	We concur with the recommendation, and it has been identified as Priority 1B to be implemented by June 2018. The current workload to correct all identified issues has not allowed enough time for staff to perform this risk assessment, but it is planned for completion in FY 2017-18.
2015-006	MW Performance evaluations were not performed timely at all levels of the City. The City needs to hold individuals accountable for their internal control responsibilities.	Establish a process to evaluate employees' performance and implement regularly.	We concur with the recommendation, and it has been identified as Priority 1B to be implemented by June 2018. The current workload to correct all identified issues has not allowed enough time for staff to perform this risk assessment, but it is planned for completion in FY 2017-18. Initial meetings have been held to discuss core competencies for the City. Department heads have also begun to review and make recommendations for changes to the performance evaluations.
2015-007	MW Employees in the Finance Department were not properly trained to perform their tasks.	Establish a training program to improve Finance Department employees' knowledge and skills.	We concur with the recommendation, and it has been identified as Priority 1B to be implemented by June 2018. The current workload to correct all identified issues has not allowed enough time for staff to perform this risk assessment, but it is planned for completion in FY 2017-18. A training program will be developed, but the current workload to correct all identified issues has not allowed enough time for staff to develop such a program. However, some training has already occurred. In FY 15/16 Intermediate Governmental Accounting and Gas tax training were held and in FY 16/17 Cognos (query based) and payroll training were held.
2015-008	MW The City did not have an audit committee.	Establish an audit committee, along with a charter to govern its conduct. Members of this committee should be provided training.	We concur with the recommendation, and it will be implemented effective July 1, 2017. The Fiscal Policy Task Force meets on a monthly basis and has been acting in this capacity since July 2016, but without a formal charter. The City will implement a formal charter.
2015-009	MW There was a severe lapse in the City's financial operations when key Finance Department personnel left due to a lack of qualified successors.	Develop a succession plan for the Finance Department.	We concur with the recommendation, and it has been identified as Priority 2 to be implemented by June 2019. The current workload to correct all identified issues has not allowed enough time for staff to develop controls and implement this recommendation, but it is planned for completion in FY 2018-19. The majority of Finance staff is fairly new - less than three years in their position. The current workload to correct all identified issues has not allowed enough time for staff to develop a complete succession plan, but it is planned for completion in FY 2018-19.

MW - Material Weakness

SD - Significant Deficiency

BP - Best Practices

NC - Non-Compliance

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

FINDINGS - FINANCIAL STATEMENTS

Number	Finding		Recommendation	City's Response
I.	Control Environment - The City demonstrates integrity and ethical values, exercises oversight responsibility, demonstrates commitment to competence, and enforces accountability. (Continued)			
2015-010	MW	The Finance Department did not have sufficient staff, particularly in managerial positions.	Fill vacancies with qualified staff immediately.	We concur with the recommendation, and it was implemented effective October 2016 with the hiring of a Chief Financial Officer (CFO) and two Assistant CFO's.
II.	Risk Assessment - The City specifies suitable objectives with sufficient clarity to enable the identification and assessment of risks, identifies and analyzes risks, considers the potential for fraud, and assesses environmental changes that could significantly impact the system of internal control.			
2015-011	SD	City performed Organizational Assessment during the year 2015 and plan to continue implementation of the 3-year process to address the issues. No risk assessment related to accounting and financial reporting has been performed. No fraud risk assessment has been performed.	Establish procedures to perform a risk assessment related to accounting and financial reporting. The risk assessment should include identifying types of accounting errors, policy violations, fraud, or non-compliance with agreements, contracts, laws and regulations, as well as a plan of action to mitigate risks.	We concur with the recommendation, and it has been identified as Priority 1B to be implemented by June 2018. The current workload to correct all identified issues has not allowed enough time for staff to perform this risk assessment, but it is planned for completion in FY 2017-18.
III.	Control Activities - The City selects and develops control activities to enhance accuracy and reliability of its accounting records and financial reports, selects and develops general control activities over technology, and deploys control activities through policies that establish what is expected and procedures that put the policies into action.			
2015-012	MW	The City's system of internal control is not designed to reduce the risk that accounting and financial reporting errors or fraud could occur and not be detected.	Develop an integrated system of internal control that defines control activities across the various departments, not just the Finance Department. Policies, procedures, and related internal controls should be documented, communicated to all affected members of City staff, and updated regularly. Implementation should be monitored closely.	We concur with the recommendation, and it has been identified as Priority 1B to be implemented by June 2018. The current workload to correct all identified issues has not allowed enough time for staff to perform this risk assessment, but it is planned for completion in FY 2017-18.
2015-013	MW	The City does not have properly-designed, implemented, and effective policies, procedures, processes, and controls surrounding its financial reporting process to ensure that all non-standard adjustments are adequately researched, supported, and reviewed prior to their recording in the general ledger.	Establish new or improve existing policies, procedures, and related-internal controls to ensure that all non-standard adjustments impacting the general ledger are adequately researched, supported, and reviewed prior to their recording in the general ledger.	We concur with the recommendation, and it has been identified as Priority 1B to be implemented by June 2018. The current workload to correct all identified issues has not allowed enough time for staff to perform this internal control assessment, but it is planned for completion in FY 2017-18.

MW - Material Weakness

SD - Significant Deficiency

BP - Best Practices

NC - Non-Compliance

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

FINDINGS - FINANCIAL STATEMENTS

Number	Finding	Recommendation	City's Response
III. Control Activities - <i>The City selects and develops control activities to enhance accuracy and reliability of its accounting records and financial reports, selects and develops general control activities over technology, and deploys control activities through policies that establish what is expected and procedures that put the policies into action. (Continued)</i>			
2015-014	MW The City does not have properly-designed, implemented, and effective policies, procedures, processes and controls surrounding its financial reporting process to completely support beginning balance and year-end close-out related activity in its general ledger.	Refer to specific recommendations below. III. B., C., G., I., J., K., L., M., N., and O.	We concur with the recommendation, and it has been identified as Priority 1B to be implemented by June 2018. The current workload to correct all identified issues has not allowed enough time for staff to perform this internal control assessment, but it is planned for completion in FY 2017-18.
2015-015	MW The City has ineffective controls affecting some key financial reporting processes including weaknesses in transactional and supervisory reviews over cash, receivables, capital assets, and construction in progress, accounts payable, and long-term liabilities.	Refer to specific recommendations below. III. B., C., G., I., J., K., L., M., N., and O.	We concur with the recommendation, and it has been identified as Priority 1B to be implemented by June 2018. The current workload to correct all identified issues has not allowed enough time for staff to perform this internal control assessment, but it is planned for completion in FY 2017-18. The City Treasurer's Department received a surprise field audit review in December 2016 by the auditors. The auditor looked at the cash handling, safekeeping, reconciliation of cashier drawers, and the transfer of the daily cash to the Security guards. We were informed that the staff performed the necessary cash function properly and that there was double custody of the cash at all times.
2015-016	MW The City was unable to effectively identify potential technical accounting issues, analyze the relevant facts and circumstances, and respond to auditor inquiries in a timely manner.	Refer to specific recommendations below. III. B., C., G., I., J., K., L., M., N., and O.	We concur with the recommendation, and it has been identified as Priority 1B to be implemented by June 2018. The current workload to correct all identified issues has not allowed enough time for staff to perform this internal control assessment, but it is planned for completion in FY 2017-18.
2015-017	MW The City does not have an effective general ledger system. The City uses HTE software, which was developed almost two decades ago. In addition, the City has 176 self-balancing funds and over 8,300 accounts in its chart of accounts; 1,600 of these are balance sheet accounts. This system has severe functional limitations contributing to the City's challenge of addressing systemic internal control weaknesses in financial reporting.	Establish new, or improve the existing, general ledger system to enable it to process, store, and report financial data in a manner that ensures accuracy, confidentiality, integrity, and availability of financial data without substantial manual intervention.	We concur with the recommendation, and it has been identified as Priority 2 to be implemented by June 2019. The current workload to correct all identified issues has not allowed enough time for staff to perform this internal control assessment, but it is planned for completion in FY 2018-19.
III. A. Budget - <i>Management reviews the City's financial statements on a periodic basis and investigates significant variances from budgets and expected results.</i>			
2015-018	SD The FY 2015 budget lacked detail, and management did not keep track of its budgeted revenue and expenditures. Department heads are supplied a budget to actual comparison on a monthly basis for review, but there was no formal process for investigating significant variances.	Continue to provide department heads with budget to actual comparison on a monthly basis. Establish an effective process to identify and investigate significant variances from budgets and expected results.	We concur with the recommendation, and it will be implemented effective July 1, 2017. City will create a written process to share with departments on variance reconciliation. The majority of budget line items was developed via department's meetings and augmentation adopted by Council. Details are filed. A written policy will be created to ensure all departments are responsive and accountable for significant budget variances.

MW - Material Weakness

SD - Significant Deficiency

BP - Best Practices

NC - Non-Compliance

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

FINDINGS - FINANCIAL STATEMENTS

Number	Finding	Recommendation	City's Response
III. B. Fund Balance - Management reviews fund balance and net position accounts to ensure amounts are valid.			
2015-019	MW Beginning fund balances did not agree with prior-year audited financial statements. Audit adjustments were not posted to the general ledger. Journal entries were inappropriately posted to fund balance during the year.	Audit adjustments must be posted to the general ledger at the end of the audit, and beginning fund balances should be agreed with audited financial statements. Controls should be put in place to allow only authorized personnel to approve journal entries that affect beginning fund balances during the year.	We concur with the recommendation, and it was implemented effective in December 2016. Following the January 31, 2017 issuance of the FY 2015-16 CAFR, staff began posting all final audit adjustments to the general ledger system and will perform a reconciliation of beginning fund balance per the general ledger to the CAFR.
III. C. Bank Reconciliations: Bank reconciliations are prepared and reviewed in a timely fashion. Bank statements are received and reviewed by a responsible person other than the person who reconciles the bank account before being submitted for reconciliation.			
2015-020 <i>Original Finding: 2014-002</i>	MW The bank reconciliation for the general account was not performed since November 2014.	Bank reconciliations should be prepared every month. A full-time employee should be assigned to prepare the bank reconciliations. This person should be dedicated to this process until all monthly bank reconciliations are up to date. Bank reconciliations should be reviewed by another person who has sufficient knowledge and skill to perform the task. The process for bank reconciliation should be detailed out in writing.	We concur with the recommendation, and it was implemented effective October 2016. As of February 2017, bank reconciliations for the General bank account have been completed through the month of November 2016.
2015-021	MW Bank reconciliations for the AIMS and Parking Citation bank accounts were not performed. The balances for these accounts were not recorded in the general ledger.	The Finance Department should ensure that all bank accounts are accounted for and reconciled to the general ledger on the monthly basis.	We concur with the recommendation, and it will be implemented effective July 1, 2017. The Human Resources Department is currently reviewing third-party services to perform the bank reconciliations for the AIMS (worker's compensation) bank account. The parking citation bank account has a low volume of activity and will be reconciled on an annual basis every June 30.
2015-022	MW Bank reconciliations for the general and CDC Successor Agency accounts for periods prior to November 2014 were prepared but not reconciled to the general ledger.	The Finance Department should ensure that all bank accounts are accounted for and reconciled to the general ledger on the monthly basis.	We concur with the recommendation, and it was implemented effective October 2016. As of February 2017, bank reconciliations for the CDC Successor Agency bank account have been completed through the month of November 2016.
2015-023	MW PACC bank account activities were not recorded fully.	The Finance Department should ensure that all bank accounts are accounted for and reconciled to the general ledger on the monthly basis.	We concur with the recommendation, and it was implemented effective October 2016. Bank reconciliations have been completed through the month of November 2016.
2015-024	MW Cash with fiscal agents accounts were not reconciled monthly to the general ledger.	The bank reconciliation process should include reconciling cash with fiscal agents.	We concur with the recommendation, and it was implemented effective October 2016. Bank reconciliations have been completed through the month of November 2016.

MW - Material Weakness

SD - Significant Deficiency

BP - Best Practices

NC - Non-Compliance

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

FINDINGS - FINANCIAL STATEMENTS

Number	Finding	Recommendation	City's Response
III. C. Bank Reconciliations: <i>Bank reconciliations are prepared and reviewed in a timely fashion. Bank statements are received and reviewed by a responsible person other than the person who reconciles the bank account before being submitted for reconciliation. (Continued)</i>			
2015-025	MW Bank accounts were opened without the Treasurer's Office's knowledge.	Only the Treasurer should be allowed to open bank accounts on behalf of the City. All bank statements should be sent directly to the Treasurer's Office. The Treasurer's Office should review the bank statements, retain the original, and send copies to the personnel who prepares the bank reconciliation.	We concur with the recommendation, and it was implemented effective December 2016. The Treasurer's Department will be in possession of all the extra bank accounts by February 17th. We are allowing this extended number of days so that each bank account handler can receive the January bank statements to reconcile their accounts before we take possession. We have already taken possession of the Recreation Department savings account. The only other exception are the 3 RaboBank bank accounts. There was a meeting held Tuesday the 14th where the Cultural Community Services Director, City Attorney, City Auditors, City Treasurer, CFO and staff reviewed the documents to determine who does the money in those bank accounts belong to. However, during the meeting it was brought to our attention that the operating agreement between the non-profit PAC and the City of Oxnard had expired in 2010 and had not been renewed. It was then determined that the City Attorney would work on a revised agreement between the PAC and the City, which would also contain the determination of who owns the money in those RaboBank accounts for final disposition.
2015-026	SD Finance department did not have access to complete monthly bank statements or complete outstanding check lists for all accounts.	The Treasurer's Office should forward copies of all bank statements to the Finance Department. All back-up documentation used in reconciliations prepared by the Treasurer's Office and other departments, i.e., outstanding checks and deposits in transit listings, should be provided to the Finance Department.	We concur with the recommendation, and it was implemented effective June 2016. The Treasurer's Department provided the Finance Department management staff with access to the City's bank account statements online. The Treasurer's staff is one month behind in verifying the bank statements. We are currently completing the December 2016 bank verification. When we complete each verification we forward the statement (copies) along with our worksheet and other source documents to the Finance Department. Once we get the staffing we need, it is expected that bank verification will be done within 2 weeks of receiving the statement from the banks.
2015-027	SD The Finance Department did not have access and history of prior reports used for reconciliation. All processes and reports needed for the reconciliation process had to be discovered and requested by finance management.	Finance manager needs to have a full understanding of all Treasury activities to assess if there are any procedures or reporting that can be used to make the monthly bank reconciliation more efficient across departments. The Finance Department and Treasurer's Office should establish procedures to enhance cooperation.	We concur with the recommendation, and it was implemented effective October 2016. Finance began working with Treasurer's staff in October 2016 and established communication to ensure timely sharing of information necessary to complete the monthly bank reconciliations.
2015-028	MW Daily cash receipts posting to the general ledger were not reconciled to cash entries and to bank activities. Therefore deposits in transit were not tracked for bank reconciliation.	The finance department management needs training from current software provider on how the cash related modules should be interacting, reports used to tie out the modules, and if there are keys that links those modules together.	We concur with the recommendation, and it will be implemented effective June 30, 2017. In January, staff began coordinating training with the current software provider and expects to have training conducted in this area by June 30, 2017.

MW - Material Weakness

SD - Significant Deficiency

BP - Best Practices

NC - Non-Compliance

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

FINDINGS - FINANCIAL STATEMENTS

Number	Finding	Recommendation	City's Response
III. C. Bank Reconciliations: <i>Bank reconciliations are prepared and reviewed in a timely fashion. Bank statements are received and reviewed by a responsible person other than the person who reconciles the bank account before being submitted for reconciliation. (Continued)</i>			
2015-029	SD Pooled cash batches are a summary of various batches by module. There are multiple batches per modules: accounts payable, accounts receivable, payroll, and cash receipts batches. Newly-hired finance management have not found logic of how system entries are batched together. Current batching is very labor intensive to review.	Finance department staff needs training from current software provider on how the cash-related modules should be interacting, reports used to tie out the modules, and if there are keys that links those modules together.	We concur with the recommendation, and it will be implemented effective June 30, 2017. In January, staff began coordinating training with the current software provider and expects to have training conducted in this area by June 30, 2017.
III. D. Electronic Payments (EFT/ACH) - EFTs are numbered and the sequence is accounted for regularly.			
2015-030	SD Check numbers were not in sequential order (Duplication/Skipping). Problem stems from manual assignment of EFT check numbers.	The Treasurer's Office should assign sequential control numbers to each wire. The Finance Department should enter the information into the accounting system.	We concur with the recommendation, and it was implemented effective December 2016. The Treasurer's Department forwards the source documents for each ACH and EFT directly to the Finance Department. The Finance Department assigns 'check' numbers to each ACH and EFT transactions for purposes of posting them into the general ledger. Staff has been trained to assign sequential control numbers to each wire, and to include the EFT control number on the excel listing. Before the change, the Finance staff assigned check numbers based on the list of unused check numbers, which could have made it appear as though an ACH or EFT was issued earlier than it actually was. For example, if 'check' numbers 5,6, and 7 were used on Feb 13th, and the next check run used 'check' numbers 10,11, 12 on Feb 15th, the unused numbers 8 and 9 would be used for 2 ACH transaction on February 16th making it appear as though the ACH transaction were out of order.
2015-031	BP Excel listing of EFTs did not list the check number assigned to the payment and did not list the batch/group number posted to the general ledger.	Excel listing of EFTs should include the EFT control number as well as the batch/group number.	We concur with the recommendation, and it was implemented effective December 2016. The Treasurer's Department forwards the source documents for each ACH and EFT directly to the Finance Department. The Finance Department assigns 'check' numbers to each ACH and EFT transactions for purposes of posting them into the general ledger. Staff has been trained to assign sequential control numbers to each wire, and to include the EFT control number on the excel listing.

MW - Material Weakness

SD - Significant Deficiency

BP - Best Practices

NC - Non-Compliance

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

FINDINGS - FINANCIAL STATEMENTS

Number	Finding	Recommendation	City's Response
III. D. Electronic Payments (EFT/ACH) - The check signer reviews all supporting documentation prior to signing the check or wire transfer authorization.			
2015-032	SD The Treasurer did not review all supporting documentation prior to signing the check or wire transfer authorization.	The Treasurer or designated individual in the Treasurer's Office should review all supporting documentation prior to signing the check or wire transfer authorization.	We concur with the recommendation, and it was implemented effective December 2016. The Treasurer is working with the City Manager, Assistant City Manager and CFO to develop a good working arrangement that allows for the Treasurer to review all supporting documentation prior to signing the checks, wires, and ACH transactions.
2015-033	SD Proper documentation of wire transfers was not maintained by the Finance Department.	The Finance Department should maintain a complete copy of the wire transfer authorization package, including all supporting documentation.	We concur with the recommendation, and it was implemented effective December 2016. Finance staff met with Treasurer's staff in early December 2016 and established a procedure for ensuring all proper supporting documentation for wire transfers is maintained in the Finance Department.
III. D. Electronic Payments (EFT/ACH) - The procedures and responsibilities of various departments related to electronic payments are sufficiently defined and enforced.			
2015-034	SD There were no written procedures related to electronic payments and responsibilities of the requesting department, Treasurer's Office, and Finance Department are not clearly defined. The Treasurer's Office did not have a current list of authorized signers.	The Finance Department should review the EFT payment process to improve the current procedures. After approval by appropriate departments, all EFTs should be received by the Finance management. Finance management will review for proper department approvals, general ledger coding, and supporting documentation (including budget support). Finance management will forward to Treasurer's Office for disbursements. No department should send wire requests directly to the Treasurer's Office.	We concur with the recommendation, and it was implemented effective December 2016. Finance staff met with Treasurer's staff in early December 2016 and established a procedure for ensuring that Finance management will review all wire transfers for proper department approvals, general ledger coding, and supporting documentation (including budget support); and that no department should send wire requests directly to the Treasurer's Office.
III. D. Electronic Payments (EFT/ACH) - The Finance Department has policies and procedures in place to record EFTs accurately in the proper period.			
2015-035	MW There was no supervisory review of EFT entries. Payment/posting against cash had been inconsistent and made to the wrong accounting period.	Staff needs additional training in handling EFTs and postings should be reviewed regularly. The payment period needs to be distinguished from invoice period.	We concur with the recommendation, and it was implemented effective December 2016. Posting against cash is performed in the Finance Department. In the Treasurer's Department there is supervisory review of EFT's before they are disbursed, except for payments to Delta Dental and CalPERS, which are issued directly by the Finance Department staff before the City Treasurer has the opportunity to review them. All other ACH and EFT transactions are performed under a double custody method where no one person can initiate and complete an ACH or EFT transaction alone. And only 4 people in the Treasurer's Department know the security codes, again except for the Delta Dental and CalPERS wires. The Treasurer's staff submits the source documents for every entry into the system for ACHs and EFT transaction directly to the Finance Department. The Treasurer, Finance Director and Human Resources Director are working to stop the issuance of ACH or EFT (wire) transfers from any other department other than from the Treasurer's Department. It is expected the correction will be completed by June 1, 2017.

MW - Material Weakness

SD - Significant Deficiency

BP - Best Practices

NC - Non-Compliance

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

FINDINGS - FINANCIAL STATEMENTS

Number	Finding	Recommendation	City's Response
III. D. Electronic Payments (EFT/ACH) - The Finance Department has policies and procedures in place to record EFTs accurately in the proper period. (Continued)			
2015-036	MW Payroll wires recorded through a journal voucher covered two accounting periods.	Split payroll journal voucher according to wire dates.	We concur with the recommendation, and it was implemented effective December 2016. Finance staff has been trained to record payroll-related wires according to the wire date.
2015-037	MW Payments could not be properly traced to supporting documentation because use of "miscellaneous vendor - #999999".	Stop using the "miscellaneous vendor" account. All vendors need to be set up individually in the vendor master file. Current vendor master file needs to be reviewed.	We concur with the recommendation, and it was implemented effective December 2016. Finance staff has been trained to set up all vendors individually in the vendor master file, and to discontinue the use of a "miscellaneous vendor" account.
2015-038	MW CDC checks and deposits were coded to the wrong pooled cash fund (997 – general vs. 998 – CDC).	Review HTE report against bank EFT posting by accounts payable (AP) personnel needs to be done monthly.	We concur with the recommendation, and it was implemented effective December 2016. Finance staff has been trained to review all Successor Agency (former CDC) transactions for coding to the proper accounts. The Treasurer's office will perform a secondary review to assure the proper account number is used.
2015-039	MW Recording of CDC loan principal repayment wire to the City was inadvertently reversed in the general ledger causing City and CDC pooled cash funds to be out of balance. Journal voucher has been prepared to correct.	Review HTE report against bank EFT posting by accounts payable (AP) personnel needs to be done monthly.	We concur with the recommendation, and it was implemented effective December 2016. Finance staff has been trained to review all Successor Agency (former CDC) transactions posted to the general ledger and reconcile them on a monthly basis.
III. E. Cash Receipts - Cash receipts are deposited in separate bank accounts when legally or contractually required. A separate bank account is maintained for CDC Successor Agency.			
2015-040	SD A separate bank account was maintained for CDC Successor Agency. However, in collapsing of prior RDA funds (421-425) into new Successor Agency fund (429), an error in the journal voucher left balances in City pooled cash fund (997) per general ledger. After further investigation, adjustments had been made to correct the error.	Joint review of prior cash transfers between the City and CDC Successor Agency is needed. Non-standard journal entries especially those affecting cash transactions between City and CDC Successor Agency should be reviewed by CFO, not only to evaluate the accounting treatment, but also to consider compliance with state laws and regulations affecting former RDAs. The Economic Development Department head should be consulted as appropriate.	We concur with the recommendation, and although it has been identified as Priority 1B, it will be implemented effective July 1, 2017. Finance staff will coordinate with the Economic Development Department to review all Successor Agency (former CDC) transactions to evaluate the accounting treatment, and to consider compliance with state laws and regulations affecting former RDAs.

MW - Material Weakness

SD - Significant Deficiency

BP - Best Practices

NC - Non-Compliance

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

FINDINGS - FINANCIAL STATEMENTS

Number	Finding	Recommendation	City's Response
III. E. Cash Receipts - There are adequate procedures to detect whether cash received in locations other than the Treasurer's Office are deposited intact promptly.			
2015-041	SD There were no procedures in place to perform internal audits of cash receipts in various locations within the City organization.	Random audits of cash receipts should be performed.	We concur with the recommendation, and it was implemented effective January 2017. The Treasurer's Department staff performed a surprise cash reconciliation audit of the MRF and provided guidance and direction to the Department Head, supervisory staff and line staff and suggestions for improving the cash controls. It was suggested that daily cash pickup instead of once a week pick up by security should be implemented to mitigate potential for loss. Initial steps have begun for example the City Clerk's old unbound cash receipts have been replaced with bound pre-numbered receipts. The Treasurer's staff have reviewed the petty cash process in many departments and will continue to provide training for all other departments this year.
III. E. Cash Receipts - Cash receipts are reconciled to general ledger postings daily.			
2015-042	SD There are no written procedures in place for reconciliation of daily cash receipts.	Cash receipts should be reconciled to general ledger postings daily.	We concur with the recommendation, and it will be implemented effective July 1, 2017. This will require all departments to be trained on proper reporting of cash to finance. Staff needs to reconcile daily cash before posting GL and follow-up needed. The Treasurer's staff is in the process of preparing written procedures for many of the daily functions performed by staff. There is a cash management manual, which is being updated to conform with City Codes and State law. Staff follows the procedures that have been handed down over the years and will be working with other departments and consultants to prepare written instructions of the function performed.
III. F. Journal Entries to Cash Accounts - Adjustments of cash accounts are approved and documented by the appropriate level of management.			
2015-043	MW The process of preparing, reviewing, and approving journal entries was not properly designed. The CFO or acting CFO was responsible to review hundreds of journal entries, many of them affected cash, which rendered the control ineffective. The accounting system is not set up to record standard recurring entries.	Journal entries that affect cash should be thoroughly reviewed. However, the review process should be designed so that there are various levels of review. Recurring journal vouchers pre-approved via an amortization schedule should not need approval by CFO. In addition, monthly journal vouchers should be standardized and supporting documentation should be maintained.	We concur with the recommendation, and it has been identified as Priority 1B to be implemented by June 2018. The current workload to correct all identified issues has not allowed enough time for staff to perform this internal control assessment, but it is planned for completion in FY 2017-18. This will be handled by the Asst. CFO and/or Controller. Examples are: standard debt payments based on amortization schedule.
2015-044	MW An out-of-balance journal entry was found and correction was necessary to balance cash in the CDC Successor Agency Fund.	Journal entries should be reviewed before posting in the general ledger. In addition, cash-related journal entries should be reviewed by the person performing bank reconciliation during the bank reconciliation process.	We concur with the recommendation, and it has been identified as Priority 1B to be implemented by June 2018. The current workload to correct all identified issues has not allowed enough time for staff to perform this internal control assessment, but it is planned for completion in FY 2017-18.

MW - Material Weakness

SD - Significant Deficiency

BP - Best Practices

NC - Non-Compliance

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

FINDINGS - FINANCIAL STATEMENTS

Number	Finding	Recommendation	City's Response
III. F. Journal Entries to Cash Accounts - Adjustments of cash accounts are approved and documented by the appropriate level of management. (Continued)			
2015-045	MW Journal entries were posted to CDC Successor Agency Fund cash without adequate supporting documentation.	Journal entries should be reviewed along with appropriate documentation. Sufficient documentation should be maintained with the journal entry voucher.	We concur with the recommendation, and although it has been identified as Priority 1B, it was implemented effective August 2016.
2015-046	MW Reversing journal vouchers are not posted in a timely manner and prior-year reversing accruals are not easily found in following year log.	It is recommended that reversing journal vouchers reference original voucher, original batch number, and posted to period 1 of the following year.	We concur with the recommendation, and it will be implemented effective July 1, 2017. The software system needs to be set-up to do posting/reversing journal vouchers. Training or assistance from HTE may be needed. In January, staff began coordinating training with the current software provider and expects to have training conducted in this area by June 30, 2017.
2015-047	MW Journal vouchers and accounts payable check registers are not separated by type of transactions in the pooled cash general ledger detail. Both are currently shown as type "AJ" and description "Journal Summary". Miscellaneous journal vouchers review for accuracy is not efficient.	Obtain technical support from 'HTE' to see if there are options or other processes to separate AP check registers and journal vouchers by type.	We concur with the recommendation, and it has been identified as Priority 1B to be implemented by June 2018. The current workload to correct all identified issues has not allowed enough time for staff to perform this internal control assessment. In January, staff began coordinating training with the current software provider and expect to have training conducted throughout FY 2017-18.
2015-048	MW HTE system reports are not in a format that can be easily and efficiently used for review.	Obtain technical support from 'HTE' to generate reports that can be utilized for review and analytical procedures.	We concur with the recommendation, and it will be implemented effective July 1, 2017. The current software system requires a separate report writing application in order to generate customized reports. Staff is currently training users on the report writing application.
III. G. Investments - The Treasurer's Office monitors risks associated with deposits and investments and prepares appropriate reports to the governing board.			
2015-049	SD The Treasurer's Office did not maintain a complete and accurate Treasury ratings report.	Treasury ratings should be monitored to comply with investment policies. The Treasurer's Office should prepare the report quarterly.	We concur with the recommendation, and it was implemented effective December 2016. Since December 2016, the Treasurer has proper ratings for every investment that needs a rating. Instruments of the United States 'Treasures' do not get a rating because they are secured by the full faith and credit of the United State Government. There may be times when a GSE (U.S. Government sponsored Enterprise), an agency instrument, has only one rating company provide a rating. There is no law that requires a government to pay the cost of more than one rating company. On occasion there will be an instrument with only one rating from either Fitch, S&P, Moody's or FDIC. CDs are purchased from time to time, and the City purchases a face value of less than \$245,000 so that the both the premium and earned interest is covered by FDIC.

MW - Material Weakness

SD - Significant Deficiency

BP - Best Practices

NC - Non-Compliance

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

FINDINGS - FINANCIAL STATEMENTS

Number	Finding	Recommendation	City's Response
III. G. Investments - Cash and investments are valued at fair value.			
2015-050	SD Cash and investments were not reported at fair market value.	Fair value adjustments should be determined at least quarterly, included in the Treasurer's quarterly reports, and posted to the general ledger.	We concur with the recommendation, and although it has been identified as Priority 1B, it is expected to be implemented effective July 1, 2017. The Treasurer's office produces monthly investment reports to Council, staff and Finance Department which shows the fair market value amount for each investment, which is provided by AvantGard APS2 (HTE) Sungard. That information is provided to the Finance Department monthly when the investment report is prepared. However, due to shortages in staffing that report is 2 months behind. Additionally, Finance Department staff will be trained on the AvantGard interface with Sungard HTE general ledger system to ensure proper posting.
III. H. Accounts Receivable - The receivables aging/subledger is reviewed and reconciled to the general ledger.			
2015-051	MW A reconciliation of accounts receivable against the general ledger was not performed periodically or at year-end.	The receivable aging/subledger should be reconciled to the general ledger periodically by the Finance Department.	We concur with the recommendation, and it will be implemented effective July 1, 2017. With the recent completion of the FY 2015-16 financial audit, staff will begin training on the required periodic reconciliations.
2015-052	MW The review of aging and collections for utilities were not centralized in the Finance Department. Review is not tied into the postings to the general ledger.	The receivable aging/subledger reconciliation by Finance Department should include utilities receivable.	We concur with the recommendation, and it has been identified as Priority 1B to be implemented by June 2018. The current workload to correct all identified issues has not allowed enough time for staff to perform this internal control assessment, but it is planned for completion in FY 2017-18. With the recent completion of the FY 2015-16 financial audit, staff will begin training on the required periodic reconciliations.
III. H. Accounts Receivable - Delinquent receivables are reviewed.			
2015-053	MW Receivable aging reports were not reviewed by the Finance Department management for delinquent amounts. The allowance for uncollectibles was not analyzed or adjusted at year-end.	The receivables aging/subledger should be reviewed for delinquent amounts. Adjustments for allowances and/or write offs need to be approved by authorized personnel.	We concur with the recommendation, and it has been identified as Priority 1B to be implemented by June 2018. The current workload to correct all identified issues has not allowed enough time for staff to perform this internal control assessment, but it is planned for completion in FY 2017-18. With the recent completion of the FY 2015-16 financial audit, staff will begin training on the required periodic reconciliations.
III. H. Accounts Receivable - Accounting policies and procedures specify the correct treatment for estimating the allowance for uncollectible accounts and bad debt expense.			
2015-054	MW There were no written accounting policies and procedures that specify the correct treatment for estimating the allowance for uncollectible accounts and bad debt expense.	Accounting policies and procedures must specify the correct treatment for estimating the allowance for uncollectible accounts and bad debt expense.	We concur with the recommendation, and it has been identified as Priority 1B to be implemented by June 2018. The current workload to correct all identified issues has not allowed enough time for staff to perform this internal control assessment, but it is planned for completion in FY 2017-18. With the recent completion of the FY 2015-16 financial audit, staff will begin training on the required periodic reconciliations.

MW - Material Weakness

SD - Significant Deficiency

BP - Best Practices

NC - Non-Compliance

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

FINDINGS - FINANCIAL STATEMENTS

Number	Finding	Recommendation	City's Response
III. I. Grants Management - Reconciliation for grant financial reports with supporting accounting records are prepared, reviewed and approved by responsible official before filing.			
2015-055	MW Accounting for grants was decentralized and no one in Finance was responsible for reviewing grant funds. This condition caused many errors, including unrecorded grants receivable, notes receivable, deferred revenues, and negative fund balances.	A responsible person in the Finance Department should be assigned to oversee the accounting of grants. Detailed policies and procedures should be developed, communicated to all departments who handle grant funds, implemented and monitored to ensure proper accounting and reporting of grants.	We concur with the recommendation, and it has been identified as Priority 1B to be implemented by June 2018. The current workload to correct all identified issues has not allowed enough time for staff to perform this internal control assessment, but it is planned for completion in FY 2017-18. Finance staff is currently developing policies and procedures for all grants, including Federal, State, and County. This will include training of a grant coordinator and training of various grant program managers to establish procedures to review grant expenditures for compliance with terms of the grant, request reimbursement on a monthly basis, and comply with all reporting requirements.
III. I. Grants Management - Financial reports and claims for advances and reimbursements agree with supporting financial records and general ledger.			
2015-056	SD Grants receivable were not tracked and reconciled to the general ledger on a monthly basis.	The City should establish procedures to ensure that all reimbursable costs or contract costs are billed and adherence to those procedures must be periodically reviewed by the appropriate level of management.	We concur with the recommendation, and it has been identified as Priority 1B to be implemented by June 2018. The current workload to correct all identified issues has not allowed enough time for staff to perform this internal control assessment, but it is planned for completion in FY 2017-18. Finance staff is currently developing policies and procedures for all grants, including Federal, State, and County. This will include training of a grant coordinator and training of various grant program managers to establish procedures to review grant expenditures for compliance with terms of the grant, request reimbursement on a monthly basis, and comply with all reporting requirements.
2015-057	SD FEMA - revenue was greater than expenditures due to accounts receivable not being recorded properly prior year. As a result, there is an overstatement of revenue of \$600,000 in the current year.	The City should establish procedures to ensure that all reimbursable costs or contract costs are billed and adherence to those procedures must be periodically reviewed by the appropriate level of management.	We concur with the recommendation, and it has been identified as Priority 1B to be implemented by June 2018. The current workload to correct all identified issues has not allowed enough time for staff to perform this internal control assessment, but it is planned for completion in FY 2017-18. Finance staff is currently developing policies and procedures for all grants, including Federal, State, and County. This will include training of a grant coordinator and training of various grant program managers to establish procedures to review grant expenditures for compliance with terms of the grant, request reimbursement on a monthly basis, and comply with all reporting requirements.

MW - Material Weakness

SD - Significant Deficiency

BP - Best Practices

NC - Non-Compliance

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

FINDINGS - FINANCIAL STATEMENTS

Number	Finding	Recommendation	City's Response
III. I. Grants Management - <i>The City has a written procurement manual that complies with the applicable grant agreements and the Uniform Guidance.</i>			
2015-058	BP Procedures for grant management in accordance with the new Uniform Guidance have not been adopted.	The City should adopt the new Uniform Guidance and procedures should be put in place to implement the policy.	We concur with the recommendation, and it has been identified as Priority 1B to be implemented by June 2018. The current workload to correct all identified issues has not allowed enough time for staff to perform this internal control assessment, but it is planned for completion in FY 2017-18.
2015-059	BP Grant agreements are not maintained in an orderly manner in the Finance Department to assist in the complete and accurate recording in the general ledger.	All grant agreements should be reviewed and filed in the Finance Department. During review, the person responsible for grants should identify terms and conditions that affect accounting and financial reporting as well as compliance.	We concur with the recommendation, and it has been identified as Priority 1B to be implemented by June 2018. The current workload to correct all identified issues has not allowed enough time for staff to perform this internal control assessment, but it is planned for completion in FY 2017-18. Finance staff is currently developing policies and procedures for all grants, including Federal, State, and County. This will include training of a grant coordinator and training of various grant program managers to establish procedures to review grant expenditures for compliance with terms of the grant, request reimbursement on a monthly basis, and comply with all reporting requirements.
2015-060	BP The City does not have a cost allocation plan for Federal awards. Only direct payroll is charged against Federal awards.	The City should establish what is considered allowable direct and indirect costs for Federal awards. The City may be able to charge additional payroll in the Finance department for work employees do related to Grants.	We concur with the recommendation, and it will be implemented effective July 1, 2017. Finance staff is currently developing policies and procedures for all grants, including Federal, State, and County. This will include training of a grant coordinator and training of various grant program managers to establish procedures to review grant expenditures for compliance with terms of the grant, request reimbursement on a monthly basis, and comply with all reporting requirements.
2015-061	SD There are no procedures in place to inform the Finance Department what items get capitalized and what items were donated.	Establish procedures for grant coordinators to communicate to the Finance Department when there are items that need to be capitalized and when capital assets are donated.	We concur with the recommendation, and it has been identified as Priority 2 to be implemented by June 2019. The current workload to correct all identified issues has not allowed enough time for staff to perform this internal control assessment, but it is planned for completion in FY 2017-18. Finance staff is currently developing policies and procedures for all grants, including Federal, State, and County. This will include training of a grant coordinator and training of various grant program managers to establish procedures to review grant expenditures for compliance with terms of the grant, request reimbursement on a monthly basis, and comply with all reporting requirements.

MW - Material Weakness

SD - Significant Deficiency

BP - Best Practices

NC - Non-Compliance

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

FINDINGS - FINANCIAL STATEMENTS

Number	Finding	Recommendation	City's Response
III. I. Grants Management - <i>The City has established controls to preclude charging state and federal award programs with unallowable costs and expenditures.</i>			
2015-062	SD Several state grant funds have negative fund balances due to the unallowable costs and expenditures incurred in the past.	The City should take corrective action to cure the negative fund balances in state and federal grants and should establish controls to avoid future negative fund balances.	We concur with the recommendation, and it will be implemented effective July 1, 2017. Finance staff is currently developing policies and procedures for all grants, including Federal, State, and County. This will include training of a grant coordinator and training of various grant program managers to establish procedures to review grant expenditures for compliance with terms of the grant, request reimbursement on a monthly basis, and comply with all reporting requirements.
III. J. Notes Receivable - <i>Receivables are recognized when a legally-enforceable claim is established.</i>			
2015-063	MW Notes receivable were not recorded in the general ledger. There were no policies and procedures in place to recognize long-term loan agreements entered into by the various departments with approval from City Council.	Policies and procedures should be established to obtain all long-term agreements entered into by various departments. These agreements must be reviewed for proper accounting treatment by the appropriate level of management.	We concur with the recommendation, and it will be implemented effective July 1, 2017. Finance staff will train other departments to identify long-term agreements that have a financial impact and establish procedures for obtaining those agreements for review by Finance Department staff.
2015-064	MW Notes receivable agreements are not maintained in an orderly manner in the finance department to assist in the complete and accurate recording in the general ledger.	All long-term receivable agreements should be obtained and maintained by the Finance Department. A member of the Finance Department should be assigned to review the minutes of City Council meetings for long-term agreements and obtain such agreements for the Department.	We concur with the recommendation, and it will be implemented effective July 1, 2017. Finance staff will train other departments to identify long-term agreements that have a financial impact and establish procedures for obtaining those agreements for review by Finance Department staff. Finance staff will also be trained on the review of minutes from City Council meetings for such agreements.
III. J. Notes Receivable - <i>The notes receivable schedule/subledger is reconciled to the general ledger.</i>			
2015-065	SD Notes receivable are not tracked and reconciled to the general ledger. Repayment of HOME and CDBG loans were not properly classified as program income.	Notes receivable should be reconciled to the general ledger periodically by Finance. To assist in the reconciliation, information should be obtained from the Housing Department and Economic Development Department relating to current activity.	We concur with the recommendation, and it has been identified as Priority 1B to be implemented by June 2018. The current workload to correct all identified issues has not allowed enough time for staff to perform this risk assessment, but it is planned for completion in FY 2017-18. Finance staff will train other departments to identify notes receivable information and establish procedures for obtaining that information for review by Finance Department staff.
2015-066	SD Interest has not been accrued on any of the notes receivable.	Interest on notes receivable should be calculated and billed, as appropriate. Interest income should be accrued on a modified accrual basis and recorded in the general ledger.	We concur with the recommendation, and it has been identified as Priority 1B to be implemented by June 2018. The current workload to correct all identified issues has not allowed enough time for staff to perform this risk assessment, but it is planned for completion in FY 2017-18. Finance staff will train other departments to identify notes receivable information and establish procedures for obtaining that information for review by Finance Department staff.

MW - Material Weakness

SD - Significant Deficiency

BP - Best Practices

NC - Non-Compliance

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

FINDINGS - FINANCIAL STATEMENTS

Number	Finding	Recommendation	City's Response
III. J.	Notes Receivable - The notes receivable schedule/subledger is reconciled to the general ledger. (Continued)		
2015-067	SD Notes receivable schedules were not reviewed by Finance Department management for delinquent amounts. The allowance for uncollectibles was not analyzed or adjusted at year-end.	The notes receivables schedule should be reviewed and reconciled to the general ledger. Adjustments for allowances and/or write offs need to be approved by authorized personnel.	We concur with the recommendation, and it has been identified as Priority 1B to be implemented by June 2018. The current workload to correct all identified issues has not allowed enough time for staff to perform this risk assessment, but it is planned for completion in FY 2017-18. Finance staff will train other departments to identify notes receivable information and establish procedures for obtaining that information for review by Finance Department staff.
III. J.	Notes Receivable - The City has sufficient controls to collect payments based on residual revenues.		
2015-068	SD There are no procedures in place to collect payments from developers based on residual revenues.	Policies and procedures must be developed and implemented to collect payments from developers based on residual revenues.	We concur with the recommendation, and it has been identified as Priority 1B to be implemented by June 2018. The current workload to correct all identified issues has not allowed enough time for staff to perform this risk assessment, but it is planned for completion in FY 2017-18.
III. K.	Deferred Balances - Deferred amounts are supported by analysis in compliance with GAAP.		
2015-069	BP A supporting analysis was not prepared for calculating deferred balances.	Accounting policies and procedures should specify the correct treatment for calculating deferred amounts. The analysis documents compliance with relevant GAAP and the City's accounting policies.	We concur with the recommendation, and it has been identified as Priority 2 to be implemented by June 2019. The current workload to correct all identified issues has not allowed enough time for staff to perform this internal control assessment, but it is planned for completion in FY 2018-19.
III. L.	Capital Assets and Construction and Progress (CIP) - Capital assets and CIP balances are supported by adequate documentation.		
2015-070	MW The City has not fully established accurate and auditable capital assets and CIP balances as of June 30, 2015.	Continue remediation efforts to establish capital assets and CIP balances in the financial statements and related disclosures.	We concur with the recommendation, and it will be implemented effective July 1, 2017. The City's poor accounting records related to capital assets was the basis for a qualified audit opinion for FY 2015-16 so the City takes this area very seriously. The current City staff does not possess the time nor the expertise required to conduct a physical inventory, establish appropriate valuations, and compile complete listings of all capital assets in the City. The current workload to correct all identified issues has not allowed enough time for staff to be adequately trained to perform these functions. Therefore, staff is currently in the process of contracting for a consultant that specializes in capital asset valuations to implement this recommendation.

MW - Material Weakness

SD - Significant Deficiency

BP - Best Practices

NC - Non-Compliance

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

FINDINGS - FINANCIAL STATEMENTS

Number	Finding	Recommendation	City's Response
III. L.	Capital Assets and Construction and Progress (CIP) - <i>The capital assets subledger is maintained, reviewed, and reconciled to the general ledger.</i>		
2015-071	MW The City does not have a complete listing of capital assets. The City did not have a listing of ongoing and completed construction projects. It has not implemented accurate and complete asset identification, system mapping, and tagging processes that include sufficient detail to clearly differentiate and accurately track capital assets to the fixed assets system.	Implement processes and controls to facilitate identification and tracking of capital assets and CIP.	We concur with the recommendation, and it will be implemented effective July 1, 2017. The City's poor accounting records related to capital assets was the basis for a qualified audit opinion for FY 2015-16 so the City takes this area very seriously. The current City staff does not possess the time nor the expertise required to conduct a physical inventory, establish appropriate valuations, and compile complete listings of all capital assets in the City. The current workload to correct all identified issues has not allowed enough time for staff to be adequately trained to perform these functions. Therefore, staff is currently in the process of contracting for a consultant that specializes in capital asset valuations to implement this recommendation.
2015-072	MW No physical inventory of capital assets and CIP has been performed for many years.	Perform a physical inventory of capital assets and CIP.	We concur with the recommendation, and it will be implemented effective July 1, 2017. The City's poor accounting records related to capital assets was the basis for a qualified audit opinion for FY 2015-16 so the City takes this area very seriously. The current City staff does not possess the time nor the expertise required to conduct a physical inventory, establish appropriate valuations, and compile complete listings of all capital assets in the City. The current workload to correct all identified issues has not allowed enough time for staff to be adequately trained to perform these functions. Therefore, staff is currently in the process of contracting for a consultant that specializes in capital asset valuations to implement this recommendation.

MW - Material Weakness

SD - Significant Deficiency

BP - Best Practices

NC - Non-Compliance

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

FINDINGS - FINANCIAL STATEMENTS

Number	Finding	Recommendation	City's Response
III. L.	Capital Assets and Construction and Progress (CIP) - <i>The City has sufficient internal control and related processes to accurately, consistently, timely record additions to capital assets and CIP (including all costs necessary to place the asset in service), transfers from other agencies, disposals and CIP activity.</i>		
2015-073	MW The City did not have adequate policies and procedures to ensure that assets acquired, whether constructed, purchased, or on a capital lease, are recorded in the general ledger and the fixed-assets system in a timely manner.	Establish policies and procedures to ensure that assets acquired are recorded in the general ledger and the fixed-assets system in a timely manner.	We concur with the recommendation, and it will be implemented effective July 1, 2017. Finance staff received some training as part of the FY 2015-16 year-end closing process. With the recent completion of the FY 2015-16 financial audit, staff will receive more training on the procedures to ensure that assets acquired are recorded in the general ledger and the fixed-assets system in a timely manner.
2015-074	MW The City has not implemented a process to identify and evaluate all lease agreements to ensure that they are appropriately categorized as operating or capital, and properly reported in the financial statements and related disclosures.	Assign a member of the Finance Department who has sufficient knowledge and skills to identify and evaluate all lease agreements to ensure that they are appropriately categorized as operating or capital, and properly reported in the financial statements and related disclosures.	We concur with the recommendation, and it will be implemented effective July 1, 2017. With the recent completion of the FY 2015-16 financial audit, staff will receive more training on the procedures to ensure that all lease agreements are appropriately categorized and recorded in the system and reported in the financial statements.
2015-075	MW The City did not transfer certain assets from CIP to "in-use" assets in a timely manner. There were no controls in place to identify completed construction projects.	Establish policies and procedures to identify completed construction projects and properly transfer the cost from CIP to capital assets. The policies and procedures should include determining the date placed in service, useful life, and depreciation expense.	We concur with the recommendation, and it will be implemented effective July 1, 2017. Finance staff received some training as part of the FY 2015-16 year-end closing process. With the recent completion of the FY 2015-16 financial audit, staff will receive more training on the procedures to ensure that completed construction projects are recorded in the general ledger and the capital assets system in a timely manner.
2015-076	MW CIP amounts that represent discontinued projects were not expensed.	Construction projects that have been discontinued should be properly expensed.	We concur with the recommendation, and it will be implemented effective July 1, 2017. Finance staff received some training as part of the FY 2015-16 year-end closing process. With the recent completion of the FY 2015-16 financial audit, staff will receive more training on the procedures to ensure that completed construction projects are recorded in the general ledger and the capital assets system in a timely manner.
2015-077	MW Capital outlay expenditures were not evaluated to determine whether capitalization was appropriate.	Capital outlay expenditures should be routinely evaluated to determine whether capitalization was appropriate.	We concur with the recommendation, and it will be implemented effective July 1, 2017. Finance staff received some training as part of the FY 2015-16 year-end closing process. With the recent completion of the FY 2015-16 financial audit, staff will receive more training on the procedures to determine whether capitalization is appropriate.

MW - Material Weakness

SD - Significant Deficiency

BP - Best Practices

NC - Non-Compliance

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

FINDINGS - FINANCIAL STATEMENTS

Number	Finding	Recommendation	City's Response
III. L. Capital Assets and Construction and Progress (CIP) - The City has sufficient internal control and related processes to accurately, consistently, timely record additions to capital assets and CIP (including all costs necessary to place the asset in service), transfers from other agencies, disposals and CIP activity. (Continued)			
2015-078	MW The City does not have policies and procedures in place to properly account for capitalized interest in accordance with GAAP. Capitalized Interest normally begins at the start of preconstruction activities and ends when an asset is substantially complete and ready for use. Our audit procedures revealed that the City did not end their interest capitalization for Historic Enhancement and Revitalization of Oxnard (HERO) Project after an asset was substantially complete and ready for use. Therefore, the amount of asset was overstated by \$1,973,770.	Policies and procedures must be developed and implemented to properly account for capitalized interest. In addition, we recommend more effective review procedures.	We concur with the recommendation, and it will be implemented effective July 1, 2017. Finance staff received some training as part of the FY 2015-16 year-end closing process. With the recent completion of the FY 2015-16 financial audit, staff will receive more training on the procedures to properly account for interest capitalization.
2015-079	MW The rate and method of application of indirect labor cost (Labor markup) to capital projects was dated back to 2012 amounts. Application to projects is currently done through manual entries. Manual entries leave room for error and are often not timely or efficient.	Review and update the process for indirect cost allocation for accuracy. Review is needed to ensure that projects are assigned the appropriate labor cost.	We concur with the recommendation, and it will be implemented effective July 1, 2017. The City contracted for an update to the Cost Allocation Plan, and it is currently in the final stages of review. With the recent completion of the FY 2015-16 financial audit, staff will receive training on the procedures to properly assign the updated labor costs to projects.
III. L. Capital Assets and Construction and Progress (CIP) - Management tracks asset acquisitions and remaining costs and compares to capital budgets.			
2015-080	MW There is lack of sufficient controls to track asset acquisitions and compare actual costs incurred to approved capital budgets. CIP costs are allowed to exceed recorded capital budgets. Completed projects are not properly closed on a timely manner.	Establish policies and procedures to track asset acquisitions and construction and compare to approved capital budgets. Recorded capital budgets must be updated for approved change orders, otherwise CIP costs should not be allowed to exceed the approved capital budgets. Projects should be closed when completed. Additional costs must not be incurred on the project when it is complete.	We concur with the recommendation, and it will be implemented effective July 1, 2017. For the FY 2015-16 closing process, Finance staff sent lists of projects to project managers and requested status updates or project close-out forms. In addition, Finance staff will coordinate the capital project monitoring with other departments to ensure proper budget monitoring and recording of acquisitions, change orders, and close-outs.
III. L. Capital Assets and Construction and Progress (CIP) - Periodically, capital asset listings are routed to the appropriate managers to determine whether the assets still physically exist.			
2015-081	MW Department and project managers were not involved in the internal control process.	The capital assets listing should be routed to department and project managers to determine whether assets still physically exist.	We concur with the recommendation, and it was implemented effective December 2016. For the FY 2015-16 closing process, Finance staff sent lists of projects to project managers and requested status updates or project close-out forms. In addition, staff is currently in the process of contracting for a consultant that specializes in capital asset valuations to conduct a physical inventory to help implement this recommendation.

MW - Material Weakness

SD - Significant Deficiency

BP - Best Practices

NC - Non-Compliance

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

FINDINGS - FINANCIAL STATEMENTS

Number	Finding	Recommendation	City's Response
III. L. Capital Assets and Construction and Progress (CIP) - Individuals are designated with responsibility for assuring compliance with the terms and conditions of all grants, restricted contributions, exchange contracts, etc., that relate to capital assets.			
2015-082	MW There are individuals designated with responsibility for assuring compliance with the terms of grants and contracts; however, there was insufficient communication between these individuals and the finance department.	Establish policies and procedures relating to capital assets and CIP and communicate such policies and procedures to affected individuals in other departments. The finance department should lead the coordinated efforts of various departments to implement the policies and procedures.	We concur with the recommendation, and it has been identified as Priority 2 to be implemented by June 2019. The current workload to correct all identified issues has not allowed enough time for staff to develop controls and implement this recommendation, but it is planned for completion in FY 2018-19. Finance will coordinate with other departments on a regular basis to communicate policies and procedures relating to capital assets and CIP.
III. L. Capital Assets and Construction and Progress (CIP) - Individuals are designated with responsibility for monitoring all significant construction projects.			
2015-083	MW Project managers are designated to monitor construction projects; however, there was insufficient communication between the project managers and the finance department.	Establish policies and procedures relating to capital assets and CIP and communicate such policies and procedures to affected individuals in other departments. The finance department should lead the coordinated efforts of various departments to implement the policies and procedures.	We concur with the recommendation, and it has been identified as Priority 2 to be implemented by June 2019. The current workload to correct all identified issues has not allowed enough time for staff to develop controls and implement this recommendation, but it is planned for completion in FY 2018-19. Finance will coordinate with other departments on a regular basis to communicate policies and procedures relating to capital assets and CIP.
III. L. Capital Assets and Construction and Progress (CIP) - Capital asset depreciation charges are calculated correctly by the automated system and are reviewed for reasonableness by management.			
2015-084	MW Depreciation was not properly calculated by the automated system because the inputs were made incorrectly. No review was made by management during the year.	The capital assets system should be reviewed and inputs should be corrected when necessary.	We concur with the recommendation, and it will be implemented effective July 1, 2017. Finance staff received some training as part of the FY 2015-16 year-end closing process. With the recent completion of the FY 2015-16 financial audit, staff will receive more training on the procedures to ensure that assets acquired are recorded correctly in the general ledger so that the system can calculate depreciation.
III. L. Capital Assets and Construction and Progress (CIP) - Disposals of capital assets are reviewed by management and entered into the capital assets subledger by accounting personnel in a timely fashion.			
2015-085	MW There is no process in place for reporting disposals of capital assets.	Policies and procedures should be established to obtain information from various departments regarding any disposals of capital assets.	We concur with the recommendation, and it has been identified as Priority 2 to be implemented by June 2019. The current workload to correct all identified issues has not allowed enough time for staff to develop controls and implement this recommendation, but it is planned for completion in FY 2018-19. Finance will develop a system for obtaining asset disposal information and coordinate with other departments on a regular basis to communicate policies and procedures relating to capital asset disposals.

MW - Material Weakness

SD - Significant Deficiency

BP - Best Practices

NC - Non-Compliance

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

FINDINGS - FINANCIAL STATEMENTS

Number	Finding	Recommendation	City's Response
III. M.	Accounts Payable - Accounts payable aging/subledger is reviewed and reconciled to the general ledger.		
2015-086	MW Reconciliation of accounts payable aging/subledger against the general ledger was not performed at end of year. It was not possible to generate the report after the cut-off date.	We recommend that procedures be put in place to specifically generate an accounts payable aging report at month-end. This report should be agreed to the general ledger and reviewed by an appropriate member of management.	We concur with the recommendation, and it will be implemented effective July 1, 2017. Finance staff received some training as part of the FY 2015-16 year-end closing process. With the recent completion of the FY 2015-16 financial audit, staff will receive more training on the procedures for accounts payable.
III. M.	Accounts Payable - Changes to the vendor master file are periodically reviewed for reasonableness.		
2015-087	MW No formal process in place to review master vendor file and investigate any exceptions.	The master vendor file should be reviewed periodically. During the review process, the file should be compared to W-9s, addresses should be compared to employees' addresses, and inactive vendors should be removed.	We concur with the recommendation, and it has been identified as Priority 2 to be implemented by June 2019. The current workload to correct all identified issues has not allowed enough time for staff to develop controls and implement this recommendation, but it is planned for completion in FY 2018-19. Finance will develop a system for reviewing vendor files.
III. N.	Long-Term Debt - A reconciliation of outstanding debt instruments to the general ledger was not prepared and reviewed timely. Statements received from lenders are reconciled to the subsidiary ledger and differences are investigated.		
2015-088	MW The long-term debt liability balances were not adjusted at year-end. Principal and interest payments were not posted to correct accounts and/or funds. Accrued interest was not calculated or recorded. Prior-year accrued interest was not reversed. Amortization of premiums and discounts was not recorded.	A monthly reconciliation of outstanding debt instruments to the general ledger should be prepared and reviewed timely. Statements received from lenders must be reconciled to the subsidiary ledger and differences investigated.	We concur with the recommendation, and it will be implemented effective July 1, 2017. Finance staff received some training as part of the FY 2015-16 year-end closing process. With the recent completion of the FY 2015-16 financial audit, staff will receive more training on the procedures for long-term debt.
III. N.	Long-Term Debt - Calculations and adjustments related to current or advance debt refundings have been recorded and reviewed and approved by an appropriate person.		
2015-089	MW Significant adjustments for bond issuance and defeasance were not recorded. Bond proceeds of approximately \$20 million was not recorded in the general ledger.	Procedures should be established to capture transactions that are infrequent or non-routine in nature on a timely basis. The Financial Resources Division should communicate to the Accounting Department activities such as issuance of debt or defeasance of debt.	We concur with the recommendation, and it will be implemented effective July 1, 2017. Finance staff received some training as part of the FY 2015-16 year-end closing process. With the recent completion of the FY 2015-16 financial audit, staff will receive more training on the procedures for long-term debt.
III. N.	Long-Term Debt - Debt agreements are reviewed for appropriate classification of outstanding debt.		
2015-090	MW No policies in procedures in place to capture new debt agreements and capital leases. Debt agreements and lease agreements are not reviewed for appropriate classification of outstanding debt and capitalization of assets on capital lease. Significant notes payable and capital leases were not recorded in the general ledger.	Procedures should be established to capture transactions that are infrequent or non-routine in nature on a timely basis. The Financial Resources Division should communicate to the Accounting Department activities such as issuance of debt or defeasance of debt.	We concur with the recommendation, and it will be implemented effective July 1, 2017. Finance staff received some training as part of the FY 2015-16 year-end closing process. With the recent completion of the FY 2015-16 financial audit, staff will receive more training on the procedures for long-term debt.

MW - Material Weakness

SD - Significant Deficiency

BP - Best Practices

NC - Non-Compliance

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

FINDINGS - FINANCIAL STATEMENTS

Number	Finding	Recommendation	City's Response
III. N.	Long-Term Debt - Debt compliance determinations are prepared and reviewed timely.		
2015-091	MW Compliance with debt covenants particularly rate covenants in the water and wastewater funds were not determined and reviewed in a timely manner.	Procedures should be improved to ensure that debt compliance determinations are prepared and reviewed timely.	We concur with the recommendation, and it will be implemented effective July 1, 2017. Finance staff received some training as part of the FY 2015-16 year-end closing process. With the recent completion of the FY 2015-16 financial audit, staff will receive more training on the procedures for long-term debt compliance monitoring.
III. O.	Pension Plans - The City reviews the census data used by the actuary to calculate the net pension liability.		
2015-092	SD Census data used by CalPERS and PARS to calculate the net pension liability was not reviewed. Discrepancies in demographic and compensation data were noted in current year.	Review the census data used by actuaries in calculating the net pension liability and ensure that discrepancies are investigated and resolved appropriately.	We concur with the recommendation, and it will be implemented effective July 1, 2017. This primarily resulted from the late timing of receiving the actuarial reports. Finance staff received some training as part of the FY 2015-16 year-end closing process. With the recent completion of the FY 2015-16 financial audit, staff will receive more training on the procedures for obtaining census data in a timely manner to allow adequate time for review.
III. O.	Pension Plans - The City remits employee contributions to the trustees as soon as the amounts are withheld from the employee's paychecks.		
2015-093	SD On several occasions during FY 2015, employee contributions for retirement plans were not remitted to the trustees on a timely basis.	Improve processes in place to ensure that employee contributions for retirement plans are remitted to the trustees on a timely basis all the time.	We concur with the recommendation, and it was implemented effective September 2016. Payroll staff remits employee contributions to retirement plans on a bi-weekly basis with each payroll.
III. P.	Use of Credit Cards - The City has sufficient controls over credit card issuance and usage to prevent fraud and abuse.		
2015-094	SD An employee in the purchasing department has the authority to contact Bank of America to issue credit cards in anyone's name under the City of Oxnard's account.	Issuance of credit cards should be approved by an appropriate level of management. The Purchasing Manager should review open credit card listing monthly to ensure that only current active employees have access to credit cards. Also recommend reviewing credit cards with no activity for current employees and deleting accounts if they are not deemed to be necessary to help limit exposure.	We concur with the recommendation, and it will be implemented effective July 1, 2017. A draft credit card policy is being reviewed that will eliminate these issues.
III. P.	Use of Credit Cards - Credit cards issued to employees who were terminated should be cancelled immediately.		
2015-095	BP Credit cards remained active for a period of 2 months to almost 9 months after employee was terminated before being cancelled.	The City should implement a checklist to include verifying with Purchasing Department if the employee has an active credit card as part of the termination procedures.	We concur with the recommendation, and it will be implemented effective July 1, 2017. A draft credit card policy is being reviewed that will eliminate these issues.

MW - Material Weakness

SD - Significant Deficiency

BP - Best Practices

NC - Non-Compliance

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

FINDINGS - FINANCIAL STATEMENTS

Number	Finding	Recommendation	City's Response
III. P. Use of Credit Cards - Credit card transactions are posted to the general ledger on a monthly basis.			
2015-096	SD Credit card transactions were not processed and reviewed timely by the Finance Department.	The Finance Department should process and review credit card transactions on a timely basis.	We concur with the recommendation, and it will be implemented effective July 1, 2017. A draft credit card policy is being reviewed that will eliminate these issues.
III. Q. Contracts - The City manages contract awards for purchase of supplies and personal property and procurement of professional services and public works contracts in accordance with the City's Municipal Code pertaining to contracting and bid requirements.			
2015-097	BP The bidding process is decentralized. All contracts and bids are not being retained by the Purchasing Department so they can have documentation that bids went through the proper channels and contracts were properly prepared.	Bids/proposals greater than \$25,000 should be sent to the Purchasing Department to indicate the approved bids were submitted and received according the City policy and to retain a copy for their records for a period of three years, according the Purchasing Manual.	We concur with the recommendation, and it has been identified as Priority 2 to be implemented by June 2019. The current workload to correct all identified issues has not allowed enough time for staff to develop controls and implement this recommendation, but it is planned for completion in FY 2018-19. Finance will coordinate with other departments on a regular basis to communicate policies and procedures relating to maintaining bid records.
2015-098	SD The list of FY 2015 approved contracts generated by the Purchasing Department was incomplete because some jobs that were approved by the City Manager or City Council were not updated on the network spreadsheet indicating the contracts were approved.	Establish procedures to ensure that list of approved contracts maintained by the Purchasing Department includes all contracts approved by the City Manager and City Council.	We concur with the recommendation, and it has been identified as Priority 1B to be implemented by June 2018. The current workload to correct all identified issues has not allowed enough time for staff to perform this risk assessment, but it is planned for completion in FY 2017-18. Finance will coordinate with other departments on a regular basis to develop and maintain a listing of approved contracts.
2015-099	SD Change orders for public works contracts exceeding \$50,000 must be submitted to City Manager for approval. Agreement No. A-7630 with Granite Construction was missing an approved change order from project file in the amount of \$82,302.	City needs to establish and follow procedures for approval of change orders. All change orders approval should be documented and kept in the project file with the public works department.	We concur with the recommendation, and it will be implemented effective July 1, 2017. Finance staff will coordinate with the Public Works Department to ensure that proper supporting documentation for change orders is maintained.
III. R. Municipal Golf Course - The City has oversight over the service concession arrangement with a privately-owned company that operates the municipal golf course.			
2015-100	SD There is a lack of oversight over the service concession at the municipal golf course. The privately-owned operator currently controls all finance functions. Only a project manager, who is a City employee, is responsible for oversight. A joint bank account has not been set-up or utilized as stated in the agreement between the City and operator.	The City should create an oversight board to oversee the Municipal Golf Course. The oversight board should review and approve the annual business plan which includes the budgets as well as all monthly financial reports.	We concur with the recommendation, and it will be implemented effective July 1, 2018. The golf course operation has complexities with regards to the business model moving forward. The current staffing and workload to correct all identified issues has not allowed enough time for staff to perform this assessment, but it is planned for completion in FY 2017-18.

MW - Material Weakness

SD - Significant Deficiency

BP - Best Practices

NC - Non-Compliance

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

FINDINGS - FINANCIAL STATEMENTS

Number	Finding	Recommendation	City's Response
III. R. Municipal Golf Course - The City properly accounts for the service concession arrangement in its financial statements.			
2015-101	MW The City has previously reported all revenues generated and expenses incurred by the operator in the City's financial statements. However, the City only receives a share of net receipts at the end of each year.	Only the share of net receipts should be reported as revenue from the service concession. Gross revenues generated and all expenditures incurred by the private operator should not be included in the City's financial statements.	We concur with the recommendation, and it was implemented effective September 2016. Finance staff has been trained to record an annual entry to record net receipts from the concessionaire.
III. R. Municipal Golf Course - The City appropriately bills the private operator for use of water and other City services.			
2015-102	SD The City did not bill the company for water used on the municipal golf course.	The City should bill the operator for use of any City services to operate the municipal golf course.	We concur with the recommendation, and it will be implemented effective July 1, 2018. The golf course contractual agreement has complexities with regards to water services. The current staffing and workload to correct all identified issues has not allowed enough time for staff to perform this assessment, but it is planned for completion in FY 2017-18.
III. S. Review and Reconciliation of Clearing Funds - Clearing funds (Fund #542, 543, 545, and 555) are used by the City to allocate payroll and other costs across funds and to accumulate costs that will eventually be reimbursed by Citicorp's and Housing Authority. Clearing funds or clearing accounts are temporary in nature and are "zeroed out" periodically.			
2015-103	SD Clearing funds are not reviewed and closed-out regularly. As a result of City's clean-up of these funds during our audit, material prior-period adjustments were made.	Close-out clearing funds periodically, quarterly, or at least annually.	We concur with the recommendation, and it will be implemented effective July 1, 2017. Finance staff received some training as part of the FY 2015-16 year-end closing process. With the recent completion of the FY 2015-16 financial audit, staff will receive more training on the procedures for closing out clearing funds.
III. S. Review and Reconciliation of Clearing Funds - Funds held by the City in a custodial capacity should be accounted for in an agency fund. Contributions or donations from outside parties that are supposed to be used for special purposes should be classified as "restricted, committed, assigned or unassigned" depending on the terms of the contribution or donation.			
2015-104	BP The City has a "trust fund" (Fund 571) to account for contributions or donations from outside parties. The contributions or donations come with various designations. The City does not have procedures in place to classify the fund balances within the general fund as "restricted, committed, assigned, or unassigned" or to account for certain funds as agency funds rather than in the general fund.	Review the various sources of the contributions and donations and designations made by contributors and donors. Establish procedures to classify fund balances within the general fund or to account for other funds in an agency fund.	We concur with the recommendation, and it has been identified as Priority 2 to be implemented by June 2019. The current workload to correct all identified issues has not allowed enough time for staff to develop controls and implement this recommendation, but it is planned for completion in FY 2018-19.
IV. Information and Communication - The City obtains or generates and uses relevant, quality information, internally communicates information, including objectives and responsibilities for internal control, and communicates with external parties to support the functioning of internal control.			
2015-105	SD The various departments of the City operated in silos. Department heads were not actively involved in the budget and financial reporting process. Communication between the finance department and various departments was not encouraged.	Improve communication among departments. The Finance Department should hold meetings with department heads periodically.	We concur with the recommendation, and it was implemented effective October 2016. With the hiring of the new CFO and two assistant CFOs, the communication between Finance and other departments began improving. Communication is encouraged. Examples include: Budget meetings with various departments coordinated by Finance, and reviews of financial information – CAFR and Single Audit.

MW - Material Weakness

SD - Significant Deficiency

BP - Best Practices

NC - Non-Compliance

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

FINDINGS - FINANCIAL STATEMENTS

Number	Finding	Recommendation	City's Response
V. Monitoring Activities - The City selects, develops, and performs ongoing and/or separate evaluations to ascertain whether the components of internal control are present and functioning.			
2015-106	MW There is a lack of written policies and procedures over monitoring of internal control over financial reporting.	Design and implement an integrated framework for internal control which includes monitoring of implementation of internal control and evaluating it on a regular basis.	We concur with the recommendation, and it will be implemented effective July 1, 2017. Finance staff has begun evaluating internal controls over financial reporting. Written policies and procedures are expected to be completed by June 30, 2017.
V. Monitoring Activities - The City evaluates and communicates internal control deficiencies in a timely manner to those parties responsible for taking corrective action, including senior management, the Fiscal Policy Task Force and City Council.			
2015-107	MW Internal control over financial reporting was not sufficiently evaluated during FY 2015 and past years. Significant deficiencies were not communicated to senior management, Fiscal Policy Task Force, and City Council.	Design and implement an integrated framework for internal control, which includes monitoring of implementation of internal control and evaluating it on a regular basis.	We concur with the recommendation, and it will be implemented effective July 1, 2017. Finance staff has begun evaluating internal controls over financial reporting. Written policies and procedures are expected to be completed by June 30, 2017.
2015-108	SD Part of the Organizational Assessment implementation was an internal audit function. The internal audit function has not been implemented.	Implement the internal audit function as soon as possible.	We concur with the recommendation, and it was implemented effective January 2017. On February 28, 2017, the City Council deliberated and established the process for interviewing consulting firms to perform the internal audit function.
Compliance with Certain Provisions of Laws, Regulations, Contracts, and Grant Agreements - The City, as issuer of various municipal bonds, complies with bond covenants, which includes continuing disclosure and rate covenants.			
2015-109	NC During FY 2015, the City failed to comply with certain bond covenants as discussed below: a. The Water Fund's and the Wastewater Fund's debt service coverage ratio fell below the ratio required by bond covenants. b. The City was unable to meet the continuing disclosure requirement by the due date of March 31, 2016.	Improve processes in place to ensure compliance with bond covenants. Part of this process is proactive monitoring by the Financial Resources Division. Any deficiencies noted during the monitoring process should be brought to the attention of top City management.	We concur with the recommendation, and it will be implemented effective March 2017. Finance staff received some training as part of the FY 2015-16 year-end closing process. With the recent completion of the FY 2015-16 financial audit, staff will receive more training on the procedures for long-term debt compliance monitoring. Finance staff is currently working on the continuing disclosures required to be filed by March 31, 2017. The City's water and wastewater debt service coverage ratios continue to fall below the ratios required by bond covenant. The City is communicating with its financial partners with regards to the plan to adopt new water and wastewater rates in the next six to nine months.
Compliance with Certain Provisions of Laws, Regulations, Contracts, and Grant Agreements - The City, as successor agency to the former redevelopment agency, may only charge the private purpose trust fund expenses that are approved in the Recognized Obligation Payment Schedule (ROPS).			
2015-110	NC The Oxnard Successor Agency incurred administrative costs in excess of approved budget amounts as stated in the ROPS.	Improve processes in place to ensure that the expenses reported in the private purpose trust fund were approved in the ROPS.	We concur with the recommendation, and it will be implemented effective July 1, 2017. Finance staff will coordinate with the Economic Development Department to review all Successor Agency (formerly CDC) transactions to evaluate the accounting treatment, and to consider compliance with state laws and regulations affecting former RDAs.

MW - Material Weakness

SD - Significant Deficiency

BP - Best Practices

NC - Non-Compliance

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

FINDINGS - FINANCIAL STATEMENTS

Number	Finding	Recommendation	City's Response
Compliance with Certain Provisions of Laws, Regulations, Contracts, and Grant Agreements - <i>The City's Annual Financial Transactions Report to the State Controller's Office (SCO report) includes all year-end final closing adjustments. Adjustments needed to reconcile the SCO report to the audited financial statements are properly reported in the following year's SCO report.</i>			
2015-111	SD	The City's 2014 SCO report contained material misstatements. The City had to make material adjustments to reconcile the 2014 SCO report to the 2014 audited financial statements. In addition, the 2015 SCO report did not include all year-end final closing adjustments because the closing process has not been completed when the SCO report was due. The City is expected to make material adjustments to reconcile the 2015 SCO report to the 2015 audited financial statements.	Adjustments needed to reconcile the 2015 SCO report to the 2015 audited financial statements should be explained in detail in the 2016 SCO report. We concur with the recommendation, and it was implemented effective January 31, 2017, with the submittal of the FY 2016 SCO report to the State.

MW - Material Weakness

SD - Significant Deficiency

BP - Best Practices

NC - Non-Compliance

EXHIBIT 7



Alicia Percell <alicia.percell@gmail.com>

Re: Source documents needed for AIMS before in-house wire transfers of City cash

microcapmaven@aol.com <microcapmaven@aol.com>

Mon, Feb 13, 2017 at 12:10 PM

To: phillip.molina@oxnard.org, tim.flynn@oxnard.org

Cc: ecasareno@eadiepaynellp.com, bryan.macdonald@oxnard.org, carmen.ramirez@oxnard.org, oscar.madrigal@oxnard.org, perelobert@gmail.com

Demanding substantiation for justification for disbursing funds is not an auditor's function, except for an auditor's after the fact attempts to see if it was done right. It is a legitimate internal control. Didn't we just get shellacked by the auditors for NOT having such things? Wasn't an election campaign fought over such things?

Eden: what's your take on this?

We don't want 4 more years of an ineffective "go along get along" Treasurer. That's why Molina was elected and not the preferred candidate of many City officials.

**Regards,
George Miller**

-----Original Message-----

From: Molina, Phillip <phillip.molina@oxnard.org>

To: Tim Flynn <tim.flynn@oxnard.org>

Cc: CA Maven <microcapmaven@aol.com>; Michael Sullivan <michael@vcreporter.com>; Leung, Wendy <wendy.leung@vcstar.com>;

Eden Casareno <ecasareno@eadiepaynellp.com>

Sent: Mon, Feb 13, 2017 10:19 am

Subject: Fwd: Source documents needed for AIMS before in-house wire transfers of City cash

Mayor Flynn:

As the person who was and is pushing for an Independent Internal Auditor, I find your response confusing and contrary to what an Independent Internal Auditor is capable of doing. First I listened closely to the agenda items when Council spoke about hiring an IIA, and during all the discussion there was never once a mention of changing State law or City Codes to reduce the authority or responsibility of the City Treasurer. As the City's Treasurer I heartily support the IIA and establishing a hotline immediately and I look forward to working with the IIA directly.

However, there are specific differences in the duties, responsibility and authority of the IIA and the City Treasurer. The IIA will work on:

[Analyzing & Improving Business Processes](#), [Assessing the Relevance and Reliability of Performance Information](#), [Assurance Engagement](#), [communications](#), [Audit Evidence and Workpapers](#), [Audit Report Quality](#), [Audit Report Writing](#), [Auditing Contracts](#), [Conducting the Assurance Engagement](#), [Continuous Auditing](#), [Ethics](#), [Process Documentation](#), [Project Management](#), [Root Cause Analysis](#), [The Standards of Internal Audit](#) just to name a few. None of the processes identified above nor those in the IIA handbook taking over the authority of the City Treasurer for the safekeeping of city funds and for the sole authority to disburse funds after a proper review by the City Treasurer. Additionally the public spoke clearly at the last election as you yourself touted the need for more change to strengthen controls in the fiscal area of the City, with which I am in complete agreement.

Moving the authority to issue a wire transfer from the elected City Treasurer to appointed city staff does not strengthen internal controls and in fact weakens them immensely.

You are the only elected official to whom I am emailing this message to avoid violating the Brown Act, however, you may share this with anyone you wish.

Respectfully,
Phillip Molina
City Treasurer

----- Forwarded message -----

From: Tim Flynn <timbflynn@gmail.com>

City Council also decided that the City Treasurer should not perform the duties of an auditor. That function will be assumed by the auditing firm recommended by you and Councilman McDonald if approved by the full council.

I am interested, however, in establishing procedures for the City Treasurer's office that comply with state law and are considered Best Practices.

Thanks
Tim

----- Forwarded message -----

From: Molina, Phillip <phillip.molina@oxnard.org>

Date: Thu, Feb 9, 2017 at 3:38 PM

Subject: Re: Source documents needed for AIMS before in-house wire transfers of City cash

To: Throop, Jim <jim.throop@oxnard.org>, Eden Casareno <ecasareno@eadiepaynellp.com>

Cc: Fischer, Stephen <stephen.fischer@oxnard.org>, Janice, Steve <steve.janice@oxnard.org>, Celsa Moncayo <celsa.moncayo@oxnard.org>, Amelia Pacheco <amelia.pacheco@oxnard.org>, Greg Nyhoff <greg.nyhoff@oxnard.org>, Jesús Nava <jesus.nava@oxnard.org>, Michelle Ascencion <Michelle.Ascencion@oxnard.org>, Schwartz, Michael <michael.schwartz@ventura.org>, Eden Alomeri <eden.alomeri@oxnard.org>, Scott Whitney <scott.whitney@oxnard.org>, Ashley Golden <Ashley.Golden@oxnard.org>, Ingrid Hardy <ingrid.hardy@oxnard.org>, Darwin Base <darwin.base@ci.oxnard.ca.us>, Dan Rydberg <daniel.rydberg@oxnard.org>, Todd Housley <toddhousley@oxnard.org>, Kymberly Horner <kymberly.horner@oxnard.org>

Jim,

It seems strange to me that you and the City Attorney should work together to stop the Elected City Treasurer from receiving the type of evidence aka "source documents" that the Elected City Treasurer deems is necessary to assure every process has been followed BEFORE the City Treasurer disburses City taxpayers' money.

I understand that I have no authority to determine if a warrant for an invoice is legal as long as it is properly drawn, but I still have the responsibility of inquiring as to the legality of the claim when it is not based on a lawful demand or where I notice facts which would reasonably put me on alert of the illegality of a claim. [City of Redondo Beach v. DeLong (1981) 123 Cal. App. 3d 1035] By preventing me from reviewing the detailed source documents you prohibit me from being able to 'inquire as to the legality of the claim' because I cannot determine if it was based on a lawful demand.

In the absence of receiving the detailed source documents and with the need to assure the public and the auditors that every dollar spent has the "certification as to the accuracy of each demand and the availability of funds for payment thereof" , I must demand that for every ACH, EFT, and request for a warrant, from each department head who submits the request, sign the statement on each request that she/he certifies to the accuracy and the availability of fund, which is NOT now being done.

AS you both know, I am attempting to move the City toward the 'TRANSPARENT GOVERNMENTAL ENTITY' the elected officials including Mayor Flynn, Councilman MacDonald, Council person Ramirez, Councilman Perello, and Councilman Madrigal ran for office. By both of you stopping the inclusion of the source documents, which I need to review in order to assure that all proper procedures have been followed to make the payment of the claim legal, you are preventing me from performing my fiduciary duties and from complying with the Court's decision. The UCC establishes the need to "sufficient detailed information" to prove a payment request and provides that information should include time, type of service, to whom service was provided, etc., but within the source documents again I am unable to provide an independent review of the payment. By doing so you do not reflect a transparent, open government we elected officials ran as the center point of the campaign for Mayor, Councilman and City Treasurer.

I look forward to your response. We can work together as a team, or work in SILOs with each department working apart, however, Mr. Nyhoff's statement to the Council was that he intends to break down the silo approach that Oxnard's past leadership team established because it is inefficient, builds kingdoms, and prevents the smooth working of the government. We need to remember that admonishment and order.

Respectfully,

Phillip S. Molina

Oxnard City Treasurer

On Thu, Feb 9, 2017 at 11:51 AM, Throop, Jim <jim.throop@oxnard.org> wrote:

Phillip

My apologies on the previous email. I mispoke about the process and made an inappropriate assumption, without checking on the proper procedures.

Please see the email from the City Attorney on the correct process.

Jim

On Thu, Feb 9, 2017 at 11:14 AM, Fischer, Stephen <stephen.fischer@oxnard.org> wrote:

The Human Resources Director is correct. Pursuant to OCC 2-184, the CFO's function is to prepare and audit each demand, "certify as to the accuracy of each demand and the availability of funds for payment thereof", and deliver the demands to the City Treasurer. The City Treasurer is required to pay written demands delivered. Id.

Stephen M. Fischer

City Attorney
City of Oxnard
305 W. Third St. Suite 100E
Oxnard, CA 93030
[805.385.7483](tel:805.385.7483)
FAX 385.7423
Stephen.Fischer@Oxnard.org

NOTICE: This communication may contain privileged or other confidential information. If you are not the intended recipient of this communication, or an employee or agent responsible for delivering this communication to the intended recipient, please advise the sender by reply email and immediately delete the message and any attachments without copying or disclosing the contents. Thank you.

On Thu, Feb 9, 2017 at 11:01 AM, Janice, Steve <steve.janice@oxnard.org> wrote:

Good morning Phil,

Sorry that this response is the same as the Delta dental response as to process. I will copy it here since my understanding is the same for both.

My understanding of our internal process is that HR reconciles the billing as we receive the invoices and once completed forwards the invoice and cover memo to the CFO for audit as required. Once the CFO or his designee has completed their audit of the invoice they then forward the invoice and cover memo to the Treasurer for payment. It is my understanding that you are receiving the invoice from the vendor which is the source document used to effectuate payment.

Please let me know if your understanding of the process is somehow different than I described above. I want to ensure HR is complying with the City's ordinances and State law in this instance specifically on the roles between the Treasurers Office and the Finance Department. My understanding is that it is the role of the Finance department to review and audit the invoices I send with a request for payment, while it is the Treasurers Office whose role is to send payment only when a request for payment has been made properly.

Regards,
Steve Janice | Human Resources Director
City of Oxnard
[805-385-7947](tel:805-385-7947)

On Thu, Feb 9, 2017 at 9:23 AM, Molina, Phillip <phillip.molina@oxnard.org> wrote:

Steve,

I've been told that the source documentation for the AIMS invoice will no longer be forwarded to me for my review before I approve the disbursement of City money.

As you know, I am obligated to review the 'source documents' as identified by the City's auditors so the City can be in compliance with City codes and State law.

As the elected City Treasurer I represent the public's independent review of requests to spend City funds before the money is actually disbursed.

I cannot do my job, as defined in the City's own codes, as well as State Law, unless I am provided the details associated with the request to disburse millions of dollars of taxpayers' money.

Therefore, please instruct you staff to continue to provide the City Treasurer with the detailed source documents that your staff have been providing me for the AIMS invoices as well as all other request for the disbursement of City funds.

--

Respectfully,

Phillip S. Molina
Oxnard City Treasurer

City Treasurer

Class specifications are only intended to present a descriptive summary of the range of duties and responsibilities associated with specified positions. Therefore, specifications may not include all duties performed by individuals within a classification. In addition, specifications are intended to outline the minimum qualifications necessary for entry into the class and do not necessarily convey the qualifications of incumbents within the position.

DEFINITION:

The City Treasurer is an elected official directly responsible to the electorate of the City of Oxnard; plans, manages, oversees and directs the operations and services of the City Treasurer's Office, which includes the daily investment of surplus funds and the cash management of all revenues collected by the City; coordinates program activities with other City officials or outside agencies; provides responsible and complex staff support to the City Council and City Manager; performs related duties as required.

DISTINGUISHING CHARACTERISTICS:

The **City Treasurer** is an elected administrative management level class which oversees all functions and operations of the City Treasurer's Office including ensuring the appropriate investment of City funds, receipt and depositing of revenues, and the management of the City's overall cash position. The incumbent may perform special assignments as requested by the City Manager.

SUPERVISION RECEIVED/EXERCISED:

Statutory duties are those duties specified in the Government Code of the State of California to be performed by a city treasurer in a general law city. The City Manager reviews assigned work and monitors the City Treasurer's performance of statutory duties and advises the City Council of that monitoring.

ESSENTIAL FUNCTIONS: (include but are not limited to the following)

Accepts full responsibility for all City Treasurer's Office activities and services including activities associated with the appropriate handling of revenues received, management of the City's cash position, and proper investment of surplus funds in accordance with investment guidelines.

Develops, implements and maintains City Treasurer's Office goals, objectives, policies and priorities for appropriate service areas; ensures that established goals and priorities are achieved.

Plans, directs and coordinates the City Treasurer's Office work plan through appropriate program staff; assigns work activities and responsibilities to appropriate personnel; reviews and evaluates work methods and procedures; identifies and resolves problems and/or issues.

Reviews and evaluates service delivery methods and systems including administrative and support systems and internal relationships; identifies opportunities for improvement and implements changes to standard operating procedures to enhance services.

Oversees the selection, training and evaluation programs for all City Treasurer's Office personnel; provides or coordinates staff training; identifies and resolves staff deficiencies; executes discipline and/or termination procedures.

Receives and safely keeps all moneys received into the City treasury; maintains records of receipts, deposits and expenditures; complies with all laws governing the deposit and securing of City funds and the handling of trust funds.

Pays legal obligations of the City and serves as the treasurer for a number of entities as designated by the City Council; pays out money only on warrants signed by legally designated persons. Regularly submits to the City Clerk a written report and accounting of all receipts, disbursements and fund balances and files a copy with the City Council; prepares a variety of monthly, quarterly and annual management and accounting reports.

Establishes and maintains records regarding bond registrations including names.

Records all warrants, judgments, notes or other evidences of indebtedness redeemed and reports the redemptions to the City Council.

Monitors investment activities and financial opportunities; conducts quarterly meetings of the Investment Review committee.

Implements procedures for effective cash controls and for effective cash management.

Establishes and maintains effective working relationships with financial institution and implements and monitors banking procedures.
Studies developments in the financial field and participates in professional conferences.
Performs such duties relative to the collection of City taxes and license fees as are prescribed by ordinance.
Directs the City central cashing functions for the receipt of all City revenue, including but not limited to the posting of utility and other fees and the processing of City payroll checks and accounts payable.
Promotes and maintains a strong public relations program with emphasis on public services.
Prepares, manages and coordinates the development of the City Treasurer's Office budget; monitors and approves expenditures; advises appropriate department personnel on budget matters; makes adjustments to the budget as is necessary.
Represents the City Treasurer's Office to other City programs and organizations; coordinates activities with other programs and organizations.
Serves as a resource for program personnel, City staff and other organizations; coordinates pertinent information, resources and work teams necessary to support a positive and productive environment.
Attends and participates in professional, and community meetings as necessary; stays current on issues relative to the field of municipal investment, cash management and relative service delivery responsibilities; responds to and resolves sensitive and complex community and organizational inquiries and complaints.
May perform special assignments as requested by the City Manager.

WORKING CONDITIONS:

Position requires prolonged sitting, standing, walking, reaching, twisting, turning, kneeling, bending, squatting and stooping in the performance of daily activities. The position also requires grasping, repetitive hand movement and fine coordination in preparing statistical reports and data using a computer key board. Additionally, the position requires near vision in reading correspondence, statistical data and using a computer, and acute hearing is required when providing phone service and communicating in person.

QUALIFICATIONS: *(The following are minimal qualifications necessary for entry into the classification)*

Education and/or Experience:

Qualified elector of the City of Oxnard and a registered voter of the City at the time nomination papers are issued to the candidate.

KNOWLEDGE/ABILITIES/SKILLS: *(The following are a representative sample of the KAS's necessary to perform essential duties of the position)*

Knowledge of:

Principles and practices of general, fund and governmental accounting and investment, including financial statement preparation and methods of financial reporting; principles, practices, laws and regulations governing the investment and management of public funds; investment vehicles and market operations affecting the management of funds; auditing principles and practices; principles and practices of business data processing particularly related to the processing of accounting and financial information and the interpretation of input and output.

Ability to:

Understand, explain and apply City, state and federal laws regulating City financial accounting, reporting and record keeping, investment and borrowing of funds; evaluate earnings potential of investment vehicles and develop investment recommendations; implement and monitor financial procedures and controls; develop forms, records, systems and procedures for internal control of cash; prepare clear, concise and complete treasury reports, financial statements and analyses and other written reports; perform complex mathematical calculations; exercise sound, independent judgment within established guidelines; establish and maintain effective working relationships with those contacted in the course of work.

Skill to:

Operate an office computer and a variety of word processing, spreadsheet and software applications.

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Respectfully,

Phillip S. Molina
Oxnard City Treasurer

EXHIBIT 8



Alicia Percell <alicia.percell@gmail.com>

Re: Independent Accountant's Report On Applying Agreed-Upon Procedures - Eadie & Payne

4 messages

microcapmaven@aol.com <microcapmaven@aol.com>

Wed, Sep 20, 2017 at 9:19 PM

To: perellobert@gmail.com, jesus.nava@oxnard.org

Cc: ffamgreer@aol.com, deans130@roadrunner.com, stephen.fischer@oxnard.org, greg.nyhoff@oxnard.org, jvillatnight@yahoo.com, jtsunflower1@yahoo.com, Jim.Throop@oxnard.org, enforcement0040@yahoo.com, luly.lopez@oxnard.org, bryan.macdonald@oxnard.org, phillip.molina@oxnard.org, raven@ravenwest.net, alicia.percell@gmail.com

Did Eden C. REALLY recommend not having Treasurer verification of payables? Given everything that's happened in the City and still happening even now, a "belt and suspenders" approach is not out of line. A little preventive redundancy right now would be more tolerable. The ferocity of opposition to this really has me puzzled. There are far more serious threats to good City governance to spend one's energy and time on, or am I missing something? Please inform this simple retired operations guy.

Molina got elected on this and Stein almost did, so a vast majority of Oxnard voters seem to agree.

If City experts really feel that huge resources are being wasted in duplicating efforts, perhaps both parties might consider a dollar threshold on reviews. This would help prioritize review efforts for maximum payback.

I stopped going to Fiscal Policy Task Force meetings because I thought the City was through the worst of it. Given this and other recent news, I may have to reallocate our limited resources.

**Regards,
George Miller**

-----Original Message-----

From: Bert Perello <perellobert@gmail.com>

To: Nava, Jesús <jesus.nava@oxnard.org>

Cc: Aaron Greer <ffamgreer@aol.com>; Dale Dean <deans130@roadrunner.com>; Fischer, Stephen <stephen.fischer@oxnard.org>; Greg Nyhoff <greg.nyhoff@oxnard.org>; Jack Villa <jvillatnight@yahoo.com>; Jackie Tedeschi <jtsunflower1@yahoo.com>; Jim Throop <Jim.Throop@oxnard.org>; Joe Avelar <enforcement0040@yahoo.com>; Lopez, Luly <luly.lopez@oxnard.org>; MacDonald, Bryan <bryan.macdonald@oxnard.org>; Molina, Phillip <phillip.molina@oxnard.org>

Sent: Wed, Sep 20, 2017 8:40 pm

Subject: Re: Independent Accountant's Report On Applying Agreed-Upon Procedures - Eadie & Payne

Mr Nava

Best Management Practices (BMP) are often a better protection for any process when practices in place, be they new or old had become POLICY without review and comparison to BMP. Not following BMP can have negative impacts on public health safety and welfare let alone the Public purse.

In the case of the item you point out in your email I feel a change is way overdue with what our recent city history has been; hopefully you have had the opportunity to review the available information purchased at great public cost

and public embarrassment by the residents of this City .

I believe trust is earned not given ; and one test by an auditor is not enough for this elected representative with over 207,000 people to answer to for me to support the position in your email representing city management.

The currently practiced policy of the City management allowed my City to operate in the manner it did which lead to the problems that were allowed to happen . Putting a requirement of extra eyes from the second party responsible to sign city disbursement of PUBLIC FUNDS is not fool hardy or revolutionary , it is common sense.

Our City does not require the Mayor or City Manager , you or I to sign the warrants , checks or any other method of transfer of money out of the City of Oxnard bank accounts . The City Treasurer (whom ever it is that holds that ELECTED position)and the City Chief Financial Officer are the two required to sign . Not having both responsible to verify the accuracy of those payments while at the same time holding both accountable for those payments is foolish as well as dangerous to the residents and taxpayers of this city. I will work to correct this weakness in our system as soon as possible . I wish I had the confidence in management and Council that they understood the risks we run in reverting to the old ways with proven weakness and financial wrong doing you apparently seem willing to accept .

Never in your presentation at the Fiscal Policy Task Force (FPTF) or the auditor comments was it ever made clear the assumption your presentation made . That the Treasurer checked every single item which slowed down the work of the City requiring more hours , cost and delays to be incurred by the City .

You may be aware of BMP , as I surely hope for in a person in your high position , BMP clears up the perception that was planted by your staff report at the FPTF , I would have expected even balanced information in your report . It appeared to me the report was based on some agenda that was ,sadly ,not disclosed .

The question from the City Treasurer about a document stamped no supporting documentation and the response from the auditor , to me tells the story not told and is worth the publics time to watch the video of the last agenda item of the recent FPTF meeting .
Councilmember Perello

On Wed, Sep 20, 2017 at 2:36 o. PM Nava, Jesús <jesus.nava@oxnard.org> wrote:

Enclosed is the independent, external auditors review and opinion on "policies and procedures currently used by the City to process checks/warrants, wire transfers, and Electronic Fund Transfers (EFTs) and Automatic Clearing House (ACH) payments."

This is what was reported to the Fiscal Policy Task Force last week.

I direct your attention to their findings:

"Based on the above agreed upon procedures, we found that the City's policies and procedures as described in Attachment A sufficiently address Findings 2015-032 and 2015-033.

Based on our review of Attachment B, certain policies and procedures of the Treasurer's Office duplicated the procedures already being performed by the Finance department, including review of source documents, determination of budget appropriations and classification of accounts. The functions, for the review, audit and oversight of the City expenses, have been delegated to the Finance Director in compliance with the above-mentioned sections of the government code, City ordinances and City resolution, and are no longer necessary functions of the Treasurer's Office."

I have also included the PowerPoint that was presented.

Please let me know if you have any questions.

Jesús Nava

Assistant City Manager

City of Oxnard, CA

805.385.7430

jimfromprovidence@roadrunner.com <jimfromprovidence@roadrunner.com>

Wed, Sep 20, 2017 at 10:45 PM

To: jesus.nava@oxnard.org, perellobert@gmail.com, microcapmaven@aol.com

Cc: alicia.percell@gmail.com, deans130@roadrunner.com, luly.lopez@oxnard.org, bryan.macdonald@oxnard.org, Jim.Throop@oxnard.org, enforcement0040@yahoo.com, jtsunflower1@yahoo.com, phillip.molina@oxnard.org, jvillatnight@yahoo.com, ffamgreer@aol.com, raven@ravenwest.net, stephen.fischer@oxnard.org, greg.nyhoff@oxnard.org

Yeah, George, I was there. Inexplicably, for an extremely capable professional, she opined when should have recused herself in my view over a petty internal squabble.

It's obvious to me that Flynn, MacDonald and Ramirez are for all intents and purposes allowing Nyhoff and staff to return the City to the good old days of Holden/Sotelo, that is, to marginalize those who dare to criticize the status quo.

In fact, Roy Prince, Ramirez' husband, went on a rant on the NextDoor app a couple of days ago explicitly blaming Perello, Molina (along with Aaron Starr) for the City's credit downgrade. (He has since removed the post).

Per S & P "We view the city's management as weak, characterized by political challenges that we believe have adversely affected management's ability to make decisions that support its long-term financial stability".

That means the 3 most senior Council members plus Nyhoff and Fischer, doesn't it?. It does to me.

Jim Lavery

---- microcapmaven@aol.com wrote:

>
> Did Eden C. REALLY recommend not having Treasurer verification of payables? Given everything that's happened in the City and still happening even now, a "belt and suspenders" approach is not out of line. A little preventive redundancy right now would be more tolerable. The ferocity of opposition to this really has me puzzled. There are far more serious threats to good City governance to spend one's energy and time on, or am I missing something? Please inform this simple retired operations guy.
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>
>

> Regards,
> George Miller
>
>
>
> -----Original Message-----
> From: Bert Perello <perellobert@gmail.com>
> To: Nava, Jesús <jesus.nava@oxnard.org>
> Cc: Aaron Greer <ffamgreer@aol.com>; Dale Dean <deans130@roadrunner.com>; Fischer, Stephen <stephen.fischer@oxnard.org>; Greg Nyhoff <greg.nyhoff@oxnard.org>; Jack Villa <jvillatnight@yahoo.com>; Jackie Tedeschi <jtsunflower1@yahoo.com>; Jim Throop <Jim.Throop@oxnard.org>; Joe Avelar <enforcement0040@yahoo.com>; Lopez, Luly <luly.lopez@oxnard.org>; MacDonald, Bryan <bryan.macdonald@oxnard.org>; Molina, Phillip <phillip.molina@oxnard.org>
> Sent: Wed, Sep 20, 2017 8:40 pm
> Subject: Re: Independent Accountant's Report On Applying Agreed-Upon Procedures - Eadie & Payne
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> Our City does not require the Mayor or City Manager , you or I to sign the warrants , checks or any other method of transfer of money out of the City of Oxnard bank accounts . The City Treasurer (whom ever it is that holds that ELECTED position)and the City Chief Financial Officer are the two required to sign . Not having both responsible to verify the accuracy of those payments while at the same time holding both accountable for those payments is foolish as well as dangerous to the residents and taxpayers of this city. I will work to correct this weakness in our system as soon as possible . I wish I had the confidence in management and Council that they understood the risks we run in reverting to the old ways with proven weakness and financial wrong doing you apparently seem willing to accept .
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> You may be aware of BMP , as I surely hope for in a person in your high position , BMP clears up the perception that was planted by your staff report at the FPTF , I would have expected even balanced information in your report . It appeared to me the report was based on some agenda that was ,sadly ,not disclosed .
[Quoted text hidden]

Molina, Phillip <phillip.molina@oxnard.org>

Thu, Sep 21, 2017 at 8:38 AM

To: CA Maven <microcapmaven@aol.com>, Eden Casareno <ecasareno@eadiepaynellp.com>
 Cc: Bert Perello <perellobert@gmail.com>, Jesús Nava <jesus.nava@oxnard.org>, Aaron Greer <ffamgreer@aol.com>, Dale Dean <deans130@roadrunner.com>, Stephen Fischer <stephen.fischer@oxnard.org>, Greg Nyhoff <greg.nyhoff@oxnard.org>, Jack Villa <jvillatnight@yahoo.com>, Jackie Tedeschi <jtsunflower1@yahoo.com>, "Throop, Jim" <Jim.Throop@oxnard.org>, Joe Avelar <enforcement0040@yahoo.com>, Luly Lopez <luly.lopez@oxnard.org>, "MacDonald, Bryan" <bryan.macdonald@oxnard.org>, raven@ravenwest.net, alicia.percell@gmail.com

Mr. George Miller,

The Assistant City Manager heard what they wanted to hear and he confused what the auditor said with what the Mayor and Councilmen MacDonald said. The auditor said that the 25 documents she reviewed showed that the City Treasurer is now reviewing all the source documents as they recommended. The fact she was misdirected by Finance into believing I had seen the source documents for that one transaction, when I was not given the source documents, doesn't change her findings.

The Eadie & Payne auditors told Nyhoff, Fischer, Throop, me and others that they stood by their original findings regarding the need to have the elected Treasurer review 'all source documents' and they would not change those findings. The findings state that the City Treasurer "must review all source documents before signing warrants,..." etc. The auditor's recent finding stated that out of the randomly chosen 25 statements, they found that the Treasurer is now reviewing all those source documents (except for the misdirection identified above).

That statement did not mean the auditors intend to now change their finding and direct the City Treasurer to no longer review all source documents, but rather that the City Treasurer has made the necessary adjustments and is now reviewing all source documents. I fully intend to continue doing the required review of all source documents (*).

I am forwarding this directly to the auditors and Eadie & Payne. If I am corrent in this understanding I ask them to let me know. If, on the other hand the auditors agree with Jesus Nava that I should stop demanding to review "all source documents before signing warrants, wires, ACHs..." the auditors need to give me written direction to that change in their audit findings.

So let's not argue about some imaginary change in the auditor's finding that the auditor for Eadie and Payne did not make.

(*) I have received approval from the auditors that using the 20/80 random sampling approach in reviewing the source documents is acceptable. By doing this I review a random sample of 20% of all items on the list to be paid, with 80% of the dollar amount. I then choose another subset of smaller dollar items. By doing this I reduce the staff time and yet statistically review a significant number of transactions.

--

Respectfully,

Phillip S. Molina
 Oxnard City Treasurer

[Quoted text hidden]

Eileen Tracy <eileenareena@yahoo.com>

Thu, Sep 21, 2017 at 11:41 AM

Reply-To: Eileen Tracy <eileenareena@yahoo.com>

To: "microcapmaven@aol.com" <microcapmaven@aol.com>, "perellobert@gmail.com" <perellobert@gmail.com>, "jesus.nava@oxnard.org" <jesus.nava@oxnard.org>

Cc: "ffamgreer@aol.com" <ffamgreer@aol.com>, "deans130@roadrunner.com" <deans130@roadrunner.com>, "stephen.fischer@oxnard.org" <stephen.fischer@oxnard.org>, "greg.nyhoff@oxnard.org" <greg.nyhoff@oxnard.org>, "jvillatnight@yahoo.com" <jvillatnight@yahoo.com>, "jtsunflower1@yahoo.com" <jtsunflower1@yahoo.com>, "Jim.Throop@oxnard.org" <Jim.Throop@oxnard.org>, "enforcement0040@yahoo.com" <enforcement0040@yahoo.com>, "luly.lopez@oxnard.org" <luly.lopez@oxnard.org>, "bryan.macdonald@oxnard.org" <bryan.macdonald@oxnard.org>, "phillip.molina@oxnard.org" <phillip.molina@oxnard.org>, "raven@ravenwest.net" <raven@ravenwest.net>, "alicia.percell@gmail.com" <alicia.percell@gmail.com>

I agree with you, George. Staff's urgency to control funds without any oversight from an elected person who is only responsible to the public. I hate to see power-grab by staff (memories from the past).

Eileen

From: "microcapmaven@aol.com" <microcapmaven@aol.com>

To: perellobert@gmail.com; jesus.nava@oxnard.org

Cc: ffamgreer@aol.com; deans130@roadrunner.com; stephen.fischer@oxnard.org; greg.nyhoff@oxnard.org; jvillatnight@yahoo.com; jtsunflower1@yahoo.com; Jim.Throop@oxnard.org; enforcement0040@yahoo.com; luly.lopez@oxnard.org; bryan.macdonald@oxnard.org; phillip.molina@oxnard.org; raven@ravenwest.net; alicia.percell@gmail.com

Sent: Wednesday, September 20, 2017 9:19 PM

[Quoted text hidden]

[Quoted text hidden]

EXHIBIT 9

AGENDA
Fiscal Policy Task Force Regular Meeting
City Council Chambers
305 West Third Street, Oxnard
September 13, 2017
4:00 p.m.

A. Roll Call/Flag Salute

B. Public Comments

At this time, the Task Force will consider public comments for a maximum of fifteen minutes. A person may address the Task Force only on matters not appearing on the agenda and within the subject matter jurisdiction of the Task Force. The presiding officer shall limit public comments to three minutes per person.

C. SUBJECT: Review and Approval of Minutes from July 12, 2017

RECOMMENDATION: Approve the July 12, 2017 minutes.

D. SUBJECT: Receive a report on the July Financial Status of the City for General Fund, and the three Enterprise funds.

RECOMMENDATION: Receive and file July Financial Status report

E. SUBJECT: Receive a presentation from the new Internal City Auditors on the Whistleblower Hotline.

RECOMMENDATION: Receive an update from the new Internal Auditors on the City's new Whistleblower Hotline.

F. SUBJECT: Memo for the Record – CalPERS Annual Prepayment

RECOMMENDATION: Receive and file memo on the prepayment of the FY2018 PERS payment, which allows for a discount of full year payment.

G. SUBJECT: Memo for the Record – Extension of City's Letters of Credit

RECOMMENDATION: Receive and file memo on the new extensions of Letter of Credit with Union Bank.

H. SUBJECT: Status Report on FY 2016-17 Annual Audit and CAFR

RECOMMENDATION: Receive and file a status report on the FY2016-17 Annual Audit and CAFR.

In compliance with the Americans with Disabilities Act, if you require special assistance to participate in a meeting, please contact Christine Macias in the Finance Department at 385-7475. Notice at least 72 hours prior to the meeting will enable the City to reasonably arrange for your accessibility to the meeting.

- I. SUBJECT: New Financial Advisor Agreement
RECOMMENDATION: That the Fiscal Policy Task Force review and comment on the new agreement with the newly selected financial advisors, and make suggestion for City Council.
- J. SUBJECT: Presentation on Special Procedures Audit Testing by External Auditors
RECOMMENDATION: Receive a presentation on the results of the Special Procedures Testing and request Finance staff and Treasurer to implement the recommendations of the independent external auditor, as per the testing results.
- K. Confirm next Fiscal Policy Task Force meeting for October 11, 2017 at 4:00 p.m. in the City Council Chambers.
- L. Adjournment

In compliance with the Americans with Disabilities Act, if you require special assistance to participate in a meeting, please contact Christine Macias in the Finance Department at 385-7475. Notice at least 72 hours prior to the meeting will enable the City to reasonably arrange for your accessibility to the meeting.

ESTIMATE
July 2018 or 8% Lapsed of Fiscal Year 2017-2018
(\$ in Million)

Fund Description	FY17-18 Revised Budget	Year-To-Date Actuals Thru. July 2017
General Fund Budget Summary		
Estimated Preliminary / Unaudited FY16-17 Period 12 Closing	\$24.31	\$24.31
Revenues	124.97	2.48
Expenditures	125.88	5.38
Net Annual Activity	-0.91	-2.90
PERS Advance Payment / Cash Adj.		2.11
Estimated Outstanding Encumbrances		0.29
FY17-18 Month-End Closing Estimated Fund Balance *	\$23.40	\$19.01
Measure O Budget Summary		
Estimated Preliminary / Unaudited FY16-17 Period 12 Closing	\$10.17	\$10.17
Revenues	15.95	0.00
Expenditures	12.99	0.81
Net Annual Activity	2.97	-0.81
PERS Advance Payment / Cash Adj.		0.04
Estimated Outstanding Encumbrances		0.31
FY17-18 Month-End Closing Estimated Fund Balance *	\$13.14	\$9.02
Water Funds Budget Summary		
Estimated Preliminary / Unaudited FY16-17 Period 12 Closing	\$28.75	\$28.75
Revenues	60.31	1.82
Expenditures	58.89	0.80
Net Annual Activity	1.41	1.02
PERS Advance Payment / Cash Adj.		0.41
Estimated Outstanding Encumbrances		0.03
FY17-18 Month-End Closing Estimated Fund Balance *	\$30.16	\$29.34
WasteWater Funds Budget Summary		
Estimated Preliminary / Unaudited FY16-17 Period 12 Closing	\$14.43	\$14.43
Revenues	63.10	1.09
Expenditures	62.05	1.24
Net Annual Activity	1.05	-0.16
PERS Advance Payment / Cash Adj.		0.49
Estimated Outstanding Encumbrances		0.00
FY17-18 Month-End Closing Estimated Fund Balance *	\$15.47	\$13.77
Environmental Resources Funds Budget Summary		
Estimated Preliminary / Unaudited FY16-17 Period 12 Closing	\$17.77	\$17.77
Revenues	44.34	1.60
Expenditures	45.91	1.69
Net Annual Activity	-1.57	-0.09
PERS Advance Payment / Cash Adj.		0.80
Estimated Outstanding Encumbrances		0.00
FY17-18 Month-End Closing Estimated Fund Balance *	\$16.20	\$16.87

* This is not the CASH Balance. Fund Balances estimated are based on Preliminary & Pre-audited per. Period 12 of FY16-17.

City of Oxnard Whistleblower Hotline

Fausto Hinojosa, CPA CFE
Henry Oum, CPA



PRICE PAIGE & COMPANY
Accountancy Corporation

Purpose:

Provide an anonymous mechanism for city employees, citizens, vendors, other community stakeholders to report improper governmental action.



PRICE PAIGE & COMPANY
Accountancy Corporation

Internal Auditor's Role

1. Upon receiving complaint the IA may conduct an investigation into the facts alleged.
2. Before launching investigation IA will evaluate complaint to determine if sufficient predication exists.



PRICE PAIGE & COMPANY
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Complaints should be:

1. Clear and concise statement of improper act
 - a. Why is it improper?
 - b. What evidence exists to confirm?
 - c. Specific details, i.e. names, department, etc.?
 - d. Witnesses?
 - e. Documents?



PRICE PAIGE & COMPANY
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Investigations will remain confidential & we will not be “reporting” back or providing updates about what is being done or about what information has been uncovered.

Information will only be released if the IA substantiates that an improper action has occurred and issues a report.



PRICE PAIGE & COMPANY
Accountancy Corporation

Complaints may be filed:

1. Online (City Website routed to PPC website)
2. By Telephone (800-350-0002 English; 800-216-1288 Spanish)
3. By e-mail (whistlebloweroxnard@ppcpas.com)
4. By mail (677 Scott Ave. Clovis, CA 93612)
5. By fax (559-299-9540)



PRICE PAIGE & COMPANY
Accountancy Corporation

MEMO



September 11, 2017

TO: Fiscal Policy Task Force
FROM: Jim Throop, Chief Financial Officer
SUBJECT: CalPERS Annual Prepayment

This is to inform the Fiscal Policy Task Force that a prepayment of approximately \$14 million was made to CalPERS for the FY2017-18 period.

The prepayment allowed for a savings of approximately \$467,000 (net of forgone interest earnings) for the City.

This prepayment will be spread out to all funds (i.e. General Fund, Enterprise Funds, etc.) that contain personnel costs.

MEMO



September 11, 2017

TO: Fiscal Policy Task Force

FROM: Jim Throop, Chief Financial Officer

SUBJECT: Letter Of Credit Extensions (LOC)

This is to inform the Fiscal Policy Task Force that the City received extensions on its outstanding Letter of Credits with Union Bank.

The City is currently in discussions with a replacement bank to take over the Letters of Credit for its debt service use of Swaps.

The Letter of Credit extension for the Wastewater Fund is November 28, 2017 and for the General Fund Lease/Revenue bonds, it is February 28, 2018.

The City is moving forward with its efforts to have the new LOC in prior to any of the expiration dates.

The background of the slide is a photograph of a lighthouse situated on a rugged, rocky cliff overlooking the ocean. The lighthouse is white with a red roof and a red lantern room. To its right is a small white building with a red roof. The ocean is visible in the background, with white waves crashing against the base of the cliff. The sky is a pale blue.

NHA | ADVISORS

Strategy. Innovation. Solutions.

City of Oxnard Fiscal Policy Task Force

Introduction to NHA Advisors, LLC

September 13, 2017

NHA Advisors, LLC - Firm Overview

- ▶ NHA Advisors, LLC provides Municipal Advisory services to California Public Agencies
 - ▶ California Cities
 - ▶ Successor Agencies
 - ▶ Utility & Special Districts
 - ▶ Counties
 - ▶ School Districts

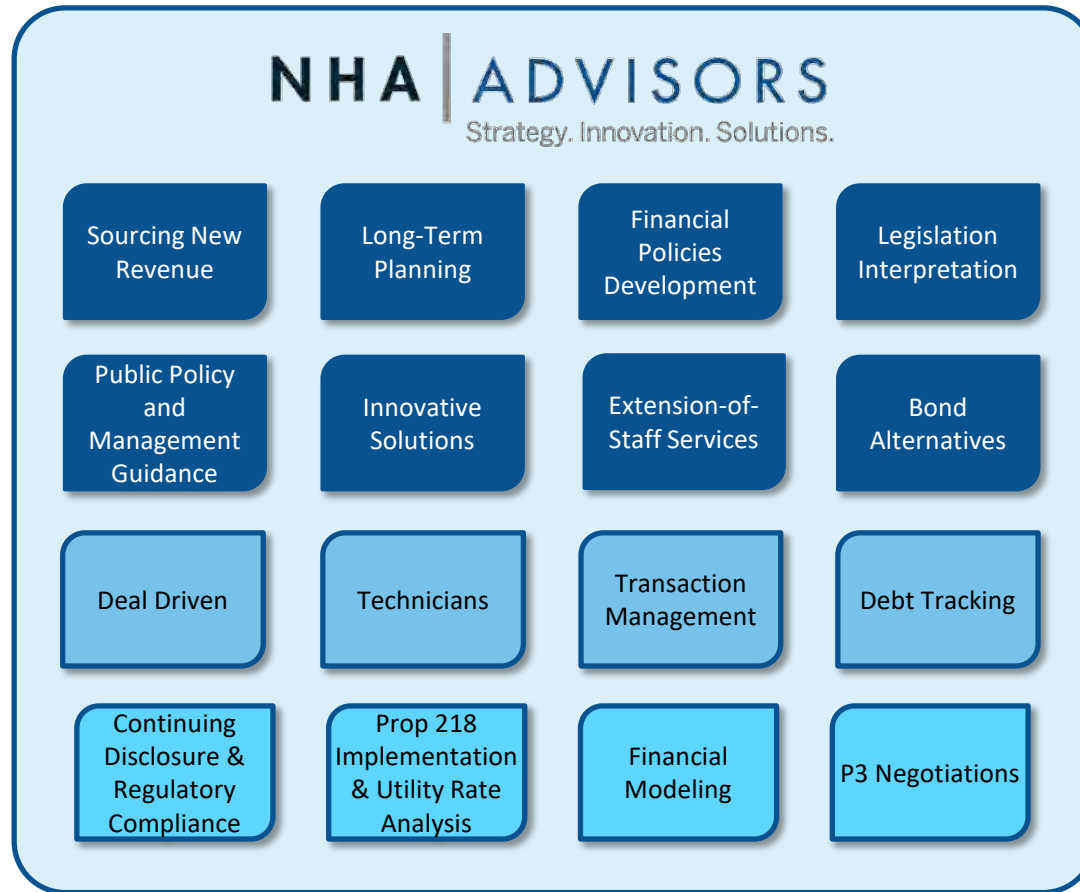


Broad Municipal Advisor Qualifications

- ▶ NHA Advisors' professionals average over 18+ years of public finance experience
- ▶ Core team dedicated to Oxnard include:
 - ▶ Craig Hill (25+ years) Principal and Founder
 - ▶ Eric Scriven (23+ years) Principal
 - ▶ Mike Meyer (13+ years) Vice President
 - ▶ Firm Analytical & Research Group
- ▶ In addition to traditional bond advisory work, NHA Advisors provides consulting expertise across multiple technical sectors
- ▶ Holistic approach to projects and client's needs

PUBLIC FACILITIES ✓ City Hall ✓ Parks and Recreation ✓ Libraries ✓ Community Centers ✓ Streets	GREEN FINANCE ✓ "Green Bonds" ✓ Solar Financing ✓ PACE Program Development ✓ Power Purchase Agreements ✓ Community Choice Aggregation ✓ Clean & Renewable Energy Bonds (CREBs) ✓ Carbon Reduction Policy
ECONOMIC DEVELOPMENT ✓ Public-Private Partnership Strategy ✓ P3 Negotiations ✓ Land/Asset Optimization ✓ AD/CFD Formation ✓ Development Impact Fee Analysis	PARKING
PENSION/OPEB	UTILITIES ✓ Water ✓ Sewer ✓ Solid Waste ✓ Storm Drain ✓ Electric ✓ Communications
HOUSING ✓ Homeless ✓ Affordable Housing	EDUCATION
FISCAL SUSTAINABILITY	
PUBLIC SAFETY ✓ Fire ✓ Police	

So Much More Than Just a “Bond Shop”



Initial Thoughts on City Projects

- ▶ Debt Management
 - ▶ Comprehensive Portfolio Review and Assessment
 - ▶ New Capital Projects
 - ▶ Performing Arts Center, Trash Trucks, ERP System, Marina
 - ▶ Debt Restructuring Assessment
 - ▶ Utility, General Fund, Redevelopment, etc.
- ▶ CalPERS Pension Liability
- ▶ RFQ Management (Rate Consultants, Underwriters, etc.)
- ▶ Arbitrage Rebate Calculations
- ▶ Continuing Disclosure and Annual State Filings
- ▶ Project Management - Extension-of-Staff (as needed)
- ▶ Investor Relations



CITY OF

OXNARD



Fiscal Policy Task Force Meeting 9-13-17

Agenda

Procedures Performed	3
Policies and Procedures	4
Government Code Sections	5
Significant Provisions	6-7
2015 Audit Findings	8
Sampling	9
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Procedures Performed

1. Obtain written documentation of the City's current policies and procedures to process checks/warrants, wire transfers, EFT & ACH payments from the City Treasurer's Office and the Finance Department.
2. Evaluate whether the City's current policies and procedures for checks/warrants, wire transfers, EFT & ACH payments are in compliance with relevant sections of the California Government Code, City of Oxnard Code of Ordinances, and City Council resolution(s).
3. Evaluate whether the City's current policies and procedures for checks/warrants, wire transfers, EFT & ACH payments sufficiently address Findings 2015-032 and 2015-033.

Policies and Procedures

1. Obtain written documentation of the City's current policies and procedures to process checks/warrants, wire transfers, EFT & ACH payments from the City Treasurer's Office and the Finance Department.
 - **Attachment A:** Finance Department's policies and procedures approved by Jim Throop, CFO on 5/1/17
 - **Attachment B:** Treasurer's Office policies and procedures provided by Philip Molina, City Treasurer on 6/22/17

Government Code Sections

2. Evaluate whether the City's current policies and procedures for checks/warrants, wire transfers, EFT & ACH payments are in compliance with relevant sections of the California Government Code, City of Oxnard Code of Ordinances, and City Council resolution(s).

The City's outside counsel, Liebert Cassidy Whitmore, identified the following sections as relevant to the subject matter (Attachment C):

- *California Government Code Title 4. Government of Cities Division 3. Officers Part 3. Other Officers Chapter 3. City Treasurer Section 41003 Part 2. Legislative Body Chapter 4. Financial Powers Sections 37203 and 37209*
- *City of Oxnard Code of Ordinances Division 4: City Treasurer Section 2-168 Division 5: Director of Finance Sections 2-176, 2-184, 2-185 and 2-186*
- *City Council Resolution No. 10,820*

Significant Provisions

City of Oxnard Code of Ordinances

Division 5: Director of Finance Section 2-184

The **finance director** shall prepare a written form of demand and proposed check for each approved invoice and claim. Supporting documents such as the purchase order, and invoice or claim for payment shall be attached thereto.



Demands shall be individually audited by the **finance director or designee**, who shall certify as to the accuracy of each demand and the availability of funds for payment thereof. Such demands may be in the form of check-warrants and when approved by all officers as required by this code, shall be delivered to the **city treasurer**.



The **city treasurer** shall subscribe a direction to the depository of funds to pay the funds to the order of the payee, which action shall convert the warrant, or demand, to a bona fide check.

Significant Provisions

City of Oxnard Code of Ordinances

Division 5: Director of Finance Section 2-186

All demands approved by the proper board, commission or officers shall be presented to the city's **finance director** who shall examine the same, and if the amount thereof is legally due and there remains on the books an unexhausted balance or an appropriation against which the same may be charged, the **finance director shall approve such demand and draw and sign the warrant on the city treasury** therefore payable out of the proper fund.

Such warrants when presented to the **city treasurer** shall be paid by the **finance director** out of the fund therein if there be sufficient money in such fund for that purpose.

The **finance director** shall draw warrants for payments of municipal or other bonds payable out of funds in the treasury upon presentation of the proper bonds and coupons, without approval of any body or officer.

2015 Audit Findings

3. Evaluate whether the City's current policies and procedures for checks/warrants, wire transfers, and EFT and ACH payments address Findings 2015-032 and 2015-033.

Finding 2015-032

- The Treasurer did not review all supporting documentation prior to signing the check or wire transfer authorization.
Recommendation: The Treasurer or designated individual in the Treasurer's Office should review all supporting documentation prior to signing the check or wire transfer authorization.

Finding 2015-033

- Proper documentation of wire transfers was not maintained by the Finance Department.
Recommendation: The Finance Department should maintain a complete copy of the wire transfer authorization package, including all supporting documentation.

Sampling

We selected a sample of 25 checks/warrants, wire transfers, and EFT and ACH payments between January 1, 2017 and May 15, 2017. The sample consisted of 17 checks, 5 wires, and 2 EFTs and 1 ACH.

- The Finance Department maintained a copy of the authorization package for all 25 items selected, including supporting documentation. We examined the supporting documentation for each; **NO EXCEPTIONS.**
- 5 wires and 2 EFTs have proper approval from the Chief Financial Officer. The 18 checks/warrants were approved by department heads and reviewed by the accounting technician/account clerk III in the Finance Department; **NO EXCEPTIONS.**
- The City Treasurer stamped "paid without verification of source documents by the City Treasurer" on an ACH payment. We examined the electronic payment memo, which was approved by the CFO; wire transfer request, invoice, and detailed statement from American Fidelity Assurance Co.; and a detailed report from the City's payroll system; **NO EXCEPTIONS.**

Conclusion

*Based on the above agreed upon procedures, we found that the City's policies and procedures as described in **Attachment A** address **Findings 2015-032** and **2015-033**.*

*Based on our review of **Attachment B**, certain policies and procedures of the Treasurer's Office duplicated the procedures already being performed by the Finance department, including review of source documents, determination of budget appropriations and classification of accounts. These functions, for the review, audit and oversight of the City expenses, have been delegated to the Finance Director in compliance with the abovementioned sections of the government code, City ordinance and City resolution, and are no longer necessary functions of the Treasurer's Office.*

CITY OF OXNARD

AGREED-UPON PROCEDURES WITH INDEPENDENT ACCOUNTANT'S REPORT

JUNE 30, 2017

CITY OF OXNARD
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JUNE 30, 2017

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CERTIFIED
PUBLIC
ACCOUNTANTS
& BUSINESS
ADVISORS

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

City of Oxnard
Oxnard, California

We have performed the procedures enumerated below which were prepared by City of Oxnard's (City) management. The agreed-upon procedures relate to the policies and procedures currently used by the City to process checks/warrants, wire transfers, and Electronic Fund Transfers (EFT) and Automatic Clearing House (ACH) payments. The City's management designed the policies and procedures to process checks/warrants, wire transfers, and EFT and ACH payments. The sufficiency of the agreed-upon procedures is the responsibility of City's management. We make no representation regarding the sufficiency of the agreed-upon procedures described below either for the purpose for which this report has been requested or for any other purpose.

The agreed-upon procedures and findings are as follows:

1. Obtain written documentation of the City's current policies and procedures to process checks/warrants, wire transfers, and EFT and ACH payments from the City Treasurer's Office and the Finance Department.

*We reviewed the current Finance Department's policies and procedures which was approved by Jim Throop, Chief Financial Officer on 5/1/17 (**Attachment A**). The policies and procedures of the Treasurer's Office was also provided by Phillip Molina, City Treasurer on 6/22/17 (**Attachment B**). These policies and procedures were the basis of applying agreed-upon procedures.*

2. Evaluate whether the City's current policies and procedures for checks/warrants, wire transfers, and EFT and ACH payments are in compliance with relevant sections of the California Government Code, City of Oxnard Code of Ordinances, and City Council resolution(s). We will seek approval from the City's outside counsel, Joshua Goodman, to identify the relevant sections, and legal interpretation of such, as the need arises.

-1-

1839 W. Redlands Blvd., Redlands, CA 92373 | PO Box 9360, Redlands, CA 92375-2560
T. (909) 793-2406 | F. (909) 792-3516 | www.eadiepaynellp.com

The City's outside counsel, Liebert Cassidy Whitmore, identified the following sections of the California Government Code, City of Oxnard Code of Ordinances, and City Council Resolutions as relevant to the City's issuance of checks/warrants, wire transfers, and EFT and ACH payments.

*California Government Code
Title 4. Government of Cities
Division 3. Officers
Part 3. Other Officers
Chapter 3. City Treasurer
Section 41003*

*California Government Code
Title 4. Government of Cities
Division 3. Officers
Part 2. Legislative Body
Chapter 4. Financial Powers
Section 37203
Section 37209*

*City of Oxnard Code of Ordinances
Division 4: City Treasurer
Section 2-168*

*City of Oxnard Code of Ordinances
Division 5: Director of Finance
Section 2-176
Section 2-184
Section 2-185
Section 2-186*

City Council Resolution No. 10,820

*A copy of the abovementioned code sections and resolutions are attached as **Attachment C**. Based on its review of the Accounts Payable Finance Procedure (**Attachment A**), Liebert Cassidy Whitmore, outside counsel, determined that the City's policies and procedures are in compliance with the abovementioned code sections and resolutions.*

3. Evaluate whether the City's current policies and procedures for checks/warrants, wire transfers, and EFT and ACH payments sufficiently address **Findings 2015-032** and **2015-033**. Select a sample of 25 checks/warrants, wire transfers, and EFT and ACH payments between January 1, 2017 and May 15, 2017 and test compliance with the City's policies and procedures and relevant California Government Code, City of Oxnard Code of Ordinances, and City Council resolution(s).

Finding 2015-032: The Treasurer did not review all supporting documentation prior to signing the check or wire transfer authorization.

Recommendation: The Treasurer or designated individual in the Treasurer's Office should review all supporting documentation prior to signing the check or wire transfer authorization.

Finding 2015-033: Proper documentation of wire transfers was not maintained by the Finance Department.

Recommendation: The Finance Department should maintain a complete copy of the wire transfer authorization package, including all supporting documentation.

We selected a sample of 25 checks/warrants, wire transfers, and EFT and ACH payments between January 1, 2017 and May 15, 2017. The sample consisted of 17 checks, 5 wires, and 2 EFTs and 1 ACH. The following are our findings:

- *The Finance Department maintained a copy of the authorization package for all 25 items selected, including supporting documentation. We examined the supporting documentation for each; no exceptions were noted. For checks/warrants, the supporting documentation included the copy of the cancelled check, field purchase order (FPO) or purchase order (PO), invoice, and fund and account allocation. For wires, EFT and ACH payments, we examined the electronic payment memo, invoice (if available), and fund and account allocation. If no invoice was present, other supporting documentation was attached to the electronic payment memo.*
- *Additionally, we noted that the 5 wires and 2 EFTs have proper approval from the Chief Financial Officer. The 18 checks/warrants were approved by department heads and reviewed by the accounting technician/account clerk III in the Finance Department.*
- *We noted that the City Treasurer approved 24 out of 25 items. The City Treasurer stamped "paid without verification of source documents by the City Treasurer" on an ACH payment to American Fidelity Assurance Co. (#3008927) in the amount of \$9,218.67. We examined the electronic payment memo, which was approved by the CFO; wire transfer request, invoice, and detailed statement from American Fidelity Assurance Co.; and a detailed report from the City's payroll system. It was represented to us by various individuals interviewed that the City Treasurer was not provided the detailed statement for American Fidelity Assurance Co. and the detailed report from the City's payroll system because these reports contained "individually identifiable information" as provided by HIPAA and CMIA.*

4. Prepare a report stating our findings.

*Based on the above agreed upon procedures, we found that the City's policies and procedures as described in **Attachment A** sufficiently address **Findings 2015-032 and 2015-033**.*

*Based on our review of **Attachment B**, certain policies and procedures of the Treasurer's Office duplicated the procedures already being performed by the Finance department, including review of source documents, determination of budget appropriations and classification of accounts. These functions, for the review, audit and oversight of the City expenses, have been delegated to the Finance Director in compliance with the abovementioned sections of the government code, City ordinance and City resolution, and are no longer necessary functions of the Treasurer's Office.*

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on the agreed-upon procedures. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of City of Oxnard and is not intended to be and should not be used by anyone other than those specified parties.

Eadie and Payne LLP

June 30, 2017
Redlands, California

MEMO



July 12, 2017

TO: Eadie & Payne

FROM: Jim Throop

SUBJECT: A/P Approval

Invoices require proper review and authorization before a check/wire transfer can be processed. The CFO or designee is responsible for review and approval using the following guidelines:

The current procedure for authorization starts with the budget division that reviews the document for accuracy, confirming that the account codes are correct and there is available budget. Once confirmed, the budget division initials the invoice and sends to the CFO or designee for review. The CFO, or designee reviews the invoice, corresponding back-up, budget review (initials showing reviewed), and any calculations or allocations that are included.

A detail of the procedures for A/P is attached.



Finance Procedure

Accounts Payable

Purpose: The following procedures provide guidance to Accounts Payable staff.

General Information: The Accounts Payable staff consists of a Financial Analyst II, two Accounting Technicians, and an Account Clerk III. They are responsible for processing payments of vendor invoices, employee reimbursements and other warrant requests on a weekly basis. The invoices require proper review and authorization before a check can be prepared.

Procedures:

Invoices are received by the department that initiated the transaction. Invoices are paid only from original invoices and will not be paid by copies or statements received from the vendor (unless the original invoice was lost, a copy would be stamped original).

Each department is responsible for verification of invoices for payment including the following items:

- Comparison of quantities billed on the invoice with quantities listed on the purchase order (if issued) and received.
- Comparison of prices, discounts, and terms with those specified on the purchase order (if issued).
- Check clerical accuracy of the invoice with respect to extensions, mathematical accuracy and deductions for discounts.

Amounts less than \$ 2,500 are processed with a Field Purchase Order (FPO). Amounts greater than \$ 2,500 are processed through a requisition resulting in a creation of a purchase order (PO). A Field Purchase Order (FPO) must be entered and approved by the department. The PO/FPO stamp is used to clearly document the goods or services purchased. Once the department has approved an FPO, it would create an encumbrance group. The Account Clerk III would review and approve all encumbrance groups. It is reconciled on a quarterly basis. When the Accounting Technician/Account Clerk III received the PO/FPO from the department, it would then be reviewed and approved. After the proper approvals have been secured, Accounts Payable staff will process the request on the next available accounts payable check-run. Based upon the invoices, there are additional items to be reviewed, such as:

- Any payment requests related to legal/attorney fees must be approved by the City Attorney or designee.
- Trade services require an agreement. A/P verify current business license, current certificate of insurance, and current agreement number.
- Sole source memo needs Purchasing Agent's approval.

June 13, 2017

Page 2

- PPO's greater than \$2,500 requires Purchasing approval unless lease payments, utility payments, or payroll third-party vendors.
- Purchasing staff assigns the vendor number and maintains the vendor file.

All disbursements over \$ 500,000 must have the Chief Financial Officer's approval.

Issuance of Accounts Payable Check:

After payment requests have been reviewed by the Accounting Technician, they are entered into the Accounts Payable Module by the Account Clerk III. An Accounts Payable report is generated ("Expenditure Approval List"), printed and proofed. Proofing is the process of comparing the report with the batched payment requests. The Controller or designee (Financial Analyst) and the City Treasurer audits and approves the check run prior to check printing.

Once the audit/approval is complete, the Accounts Payable staff proceeds with printing and issuing the checks according to accounts payable calendar.

After the checks are issued, the checks are matched up to payable voucher and duplicate copy of check. The Account Clerk III will review for accuracy prior to mailing.

PDEFPO and supporting documentation are perforated. A vendor file is created and filed alphabetically in the vendor file according to fiscal year.

City of Oxnard disbursement checks are released the day after City Manager or designee approves the Check Register on Wednesday morning. Checks are mailed Wednesday afternoon. If there are any checks to be held the Accounting Manager will notify Accounting Technician.

Check Log

Accounts payable checks are pre-numbered and secured in the safe. Each time a check is used it is recorded into the check register log, including date, number of checks used and initialed by employee receiving the checks. All checks must be accounted for. Any damaged or voided checks are to be turned into City Treasurer.

Void Checks:

When voiding an Accounts Payable check, a Stop Payment Form must be filled out and approved by the City Treasurer, when voiding a "live" check, Accounts Payable staff will notify City Treasurer.

Once approval from the City Treasurer is obtained, the Account Clerk III will void the check in the financial system.

Manual Checks

On occasion, a manual check may be prepared. To obtain a manual check, it requires the approval of the Chief Financial Officer and City Manager.

Approved:  James Throup, CFO	Date: 6/30/2017

Eden Casareno

From: Molina, Philip <philip.molina@oxnard.org>
Sent: Thursday, June 22, 2017 5:01 PM
To: Eden Casareno
Cc: Eden Alameri (Eden.Alameri@oxnard.org); Martha Guerra
Subject: Re: Policies and procedures
Attachments: Warrant Printing Policies and Procedures 2017.pdf; 2.5 Procedures for EFT Payment.pdf

Ms. Eden Casareno, CPA

This is the reply I promised I would send to you. I believe this will provide your auditor's with the information they need. Note we did not provide the step by step we go through to "approve" the final steps to issue the wires out of concern for security.

Attached are the written policies you requested. They identify the process we follow to pay by use of warrant payments and EFT (Electronic Funds Transfers).

--

Respectfully,

Phillip S. Molina
Oxnard City Treasurer

On Thu, Jun 22, 2017 at 11:11 AM, Eden Casareno <ecasareno@eadiecpavnello.com> wrote:

Phil and Eden,

Good morning! I'm wondering if you have any updates for me regarding the written policies and procedures I requested last week.

Thank you.

Eden

EDEN CASARENO
CPA

Partner In-Charge of Attest Services
E. ecasareno@eadiecpavnello.com
C. 909.239.0678



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[Click here](#) to upload files.

Warrant Printing Policies and Procedures

Upon receiving a preliminary list of warrants payable from the Chief Financial Officer or his/her designee,

The Elected City Treasurer or the appointed Assistant City Treasurer will:

1. Review the list and through selective random sampling decide which items on the list to review in detail. That list should generally comply with the 20/80 rule of identifying 20% of the list and 80% of the dollar amount of the list.
2. Once the A/P staff have pulled the detailed source documents and all items that attached the Elected Treasurer or the appointed Assistant Treasurer will review each of those documents.
3. Verify that all the proper signatures have been appended to the demand
4. Confirm that all source documents including invoices, receipts, statements are attached
5. Review the account number that the CFO has assigned to the demand
6. Perform visual check in the H T E/Sungard financial software data to establish that there are sufficient unspent budgeted funds remaining on the line item being charged
7. When the CFO charges a "clearing account" the Treasurer or his staff will review the clearing account to assure that the account is the usual account charged for that particular activity.
8. Elected City Treasurer or appointed Assistant City Treasurer stamps the document and appends his/her signature. The stamp signifies approval that all of the above listed verifications have been performed.
9. If the CFO has charged an account with insufficient remaining budget balance the item will be held pending the preparation of a BA (budget adjustment) to either move budgeted funds into the G/L account being charged, or change the G/L account to an alternative valid account number that has sufficient unspent funds to cover the costs.
10. If there is an insufficient amount remaining in the budgeted line item and/or there is no City Council action to appropriate funds to cover the costs, the Elected Treasurer and/or appointed Assistant City Treasurer will reject the wire, and hold the demand until Council has appropriated the funds during a public city council meeting.
11. When the CFO does not provide any source documents with the demand for payment the Elected City Treasurer or appointed Assistant City Treasurer is directed by the City Attorney to issue the payment without having reviewed source documents. These include but not limited to AIMS, CalPERS or payroll registers. Elected City Treasurer or appointed Assistant City Treasurer will stamp the document and append his signature. The stamp signifies that payment is granted under City Attorney's order.

AREA	POLICY	PROCEDURE
Equipment/Printer is located in the City Treasurer's Office	All personnel take appropriate precautions to protect their user IDs/passwords.	- Personnel do not share user IDs and passwords. - User IDs and passwords are not be posted where others can access them. - Any changes in personnel must be communicated between the departments involved promptly.
ACOM (check printing software) access only by Finance		
Treasurer's Office	Both Finance and Treasurer Departments maintain physical safeguards for check printing equipment.	When not in use, the printer's signature and font USB Flash Drive is kept in the City Treasurer's vault. Blank check stock is kept in a cabinet in a separate, secured locations and Finance is the key holder to that secured room.
Treasurer's Office	The Finance Department staff safeguard the blank checks from destruction or unauthorized use.	- Only Finance has access to blank check stock. - City Treasurer's keeps track (log) of check/warrant usage/void to account for all checks issued.
Function and responsibilities:		
Treasurer's and Finance	The check printing process provides a way to detect errors or omissions. Control of the check printing function and segregation of the check printing responsibilities must be maintained.	The check printer duties are performed by separate individuals: one individual from Finance has the key to the check stock cabinet and one individual from City Treasurer's Office has access to the signature card.

Mailing or distribution of checks/warrants are handled by Finance.

Upon receiving a demand for Electronic Fund Transfer (EFT) from the Chief Financial Officer or his/her designee,

The Elected City Treasurer or the appointed Assistant City Treasurer will:

1. Review the source documents that are attached to the demand.
2. Verify that all proper signatures have been appended to the demand.
3. Confirm that all source documents including invoices, receipts and statements are attached.
4. Review the account number that the CFO has assigned to the demand.
5. Perform visual check in the H T E/Sungard financial software data to establish that there are sufficient unspent budgeted funds remaining on the line item being charged.
6. When the CFO charges a "clearing account" the Treasurer or his staff will review the clearing account to assure that the account is the usual account charged for that particular activity.
7. Elected City Treasurer or appointed Assistant City Treasurer stamps the document and appends his/her signature (the stamp signifies approval that all of the above listed verifications have been performed).
8. If the CFO has charged an account with insufficient remaining budget balance the item will be held pending the preparation of a BA (budget adjustment) to either move budgeted funds into the G/L account being charged, or change the G/L account to an alternative valid account number that has sufficient unspent funds to cover the costs.
9. If there is an insufficient amount remaining in the budgeted line item and/or there is no City Council action to appropriate funds to cover the costs, the Elected Treasurer and/or appointed Assistant City Treasurer will reject the wire, and hold the demand until Council has appropriated the funds during a public city council meeting.
10. When the CFO does not provide any source documents with the demand for payment the Elected City Treasurer or appointed Assistant City Treasurer has been directed by the City Attorney to issue the payment without having reviewed source documents. These include but not limited to AIMS, CalPERS or payroll registers. Elected City Treasurer or appointed Assistant City Treasurer will stamp the document and append his signature (this stamp signifies that payment is granted under City Attorney's order).

HOW TO SET UP WIRES IN CASHPRO

(Wire is a type of EFT that can be entered on the same day as the effective date, is guaranteed and cannot be reversed.)

Log in to CashPro

Click on Payment tab

Click on Global Payments

Click on the account number (xxxxx50047 if paying from City's regular bank account

Or xxxxx15907 if paying from Successor Agency)

On the drop down menu for Payment Type click on Domestic High Value (Wire)

Enter the Beneficiary Bank ID (routing number) and click on the magnifying glass next to it to search for the bank. Match the name of the bank found by the system with the bank on the request form.

Fill in the beneficiary name and address fields. Copy from the result of your search the address if address is not provided on the request form.

Enter the Beneficiary account number in Beneficiary Account field.

Enter the credit amount (amount to pay).

Enter Value Date effective date of wire.

Enter other information, memo or reference in Beneficiary Information field.

Click on Continue. New window will bring information entered. Verify accuracy of information on screen. Click on Submit button.

The system will return a confirmation number. Write confirmation number on the memo. Sign and date the memo.

Transaction can not be completed without approval from a secondary CashPro approver using his/her own SafePass Token. Cash Pro will not allow a transaction to be initiated and completed by the same Cash Pro user. Each authorized Cash Pro user has their own unique and private log in and password. There are 4 CashPro approvers in the City Treasurer's Department.

There is at least one person in the Finance Department who has access to CalPERS wire process, who can complete a wire without oversight and that person is not authorized to do so by the Elected City Treasurer.

HOW TO SET UP ACH PAYMENT

(ACH is a type of EFT that must be entered 24 hours prior to the effective date and can be reversed.)

Log in to Cash Pro

Click on Payment tab

Click on ACH Payment tab

Click on the name of the ACH template (New window will bring up the template)

Click on "All" to show all the accounts grouped under that template

Click on "Zero Fill" to zero out any amount from prior payments

Click on the account to set up the payment for

Enter the amount of payment

Fill in Additional Payment Information if needed (usually description or reference)

Verify all your entries

Click on Save

Click on ACH Database List

Click on the click on the box next to the name of the ACH template you just set up

Click on Create Batch

Click on the effective date of the ACH payment based on the request

Click on OK

Click on ACH Batch List

Click on Refresh

The ACH you just set up should show on top of the list.

Transaction cannot be completed without approval from a secondary CashPro approver using his/her own Safe Pass Token. Cash Pro will not allow a transaction to be initiated and completed

by the same Cash Pro user. Each authorized Cash Pro user has their own unique and private log in and password. There are 4 CashPro approvers in the City Treasurer's Department.

There is at least one person in the Finance Department who has access to CalPERS wire process, who can complete a wire without oversight and that person is not authorized to do so by the Elected City Treasurer.

HOW TO APPROVE EFT IN CASHPRO

There are four staff members in the City Treasurer's Department who are authorized to approve EFTs. Each staff member is provided with their own log in, password and a SafePass token. A SafePass token must be activated to generate a unique code, which is required to approve EFTs.


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GOVERNMENT CODE - GOV

TITLE 4. GOVERNMENT OF CITIES [34000 - 45345] (Title 4 added by Stats. 1949, Ch. 79.)

DIVISION 3. OFFICERS [38501 - 41805] (Division 3 added by Stats. 1949, Ch. 79.)

PART 3. OTHER OFFICERS [40601 - 41805] (Part 3 added by Stats. 1949, Ch. 79.)

CHAPTER 3. City Treasurer [41001 - 41007] (Chapter 3 added by Stats. 1949, Ch. 79.)

41001. The city treasurer shall receive and safely keep all money coming into his hands as treasurer.
(Added by Stats. 1949, Ch. 79.)

41002. He shall comply with all laws governing the deposit and securing of public funds and the handling of trust funds in his possession.
(Added by Stats. 1949, Ch. 79.)

41003. He shall pay out money only on warrants signed by legally designated persons.
(Added by Stats. 1949, Ch. 79.)

41004. Regularly, at least once each month, the city treasurer shall submit to the city clerk a written report and accounting of all receipts, disbursements, and fund balances. He shall file a copy with the legislative body.
(Added by Stats. 1949, Ch. 79.)

41005. The city treasurer shall perform such duties relative to the collection of city taxes and license fees as are prescribed by ordinance.
(Added by Stats. 1949, Ch. 79.)

41006. The city treasurer may appoint deputies for whose acts he and his bondsmen are responsible.
(Added by Stats. 1949, Ch. 79.)

41007. The deputies shall hold office at the pleasure of the city treasurer and receive such compensation as is provided by the legislative body.
(Added by Stats. 1949, Ch. 79.)

**GOVERNMENT CODE - GOV****TITLE 4. GOVERNMENT OF CITIES [34000 - 43345]** (Title 4 added by Stats. 1949, Ch. 79.)**DIVISION 3. OFFICERS [36501 - 41805]** (Division 3 added by Stats. 1946, Ch. 79.)**PART 2. LEGISLATIVE BODY [36801 - 40592]** (Part 2 added by Stats. 1946, Ch. 79.)**CHAPTER 4. Financial Powers [37201 - 37210]** (Chapter 4 added by Stats. 1949, Ch. 79.)

37201. Demands against the city for money or damages are governed by Part 3 (commencing with Section 900) and Part 4 (commencing with Section 940) of Division 3.6 of Title 1, except as provided therein, or by other statutes or regulations expressly applicable thereto.

(Amended by Stats. 1982, Ch. 454, Sec. 77.)

37202. Except as provided in Section 37208, the legislative body shall approve or reject demands only after such demands have been audited in the manner prescribed by ordinance or resolution. Such audited demands may be submitted separately or a register of audited demands may be submitted to the legislative body for approval or rejection and shall have attached thereto the affidavit of the officer submitting the demands certifying as to the accuracy of the demands and the availability of funds for payment thereof.

(Amended by Stats. 1970, Ch. 261.)

37203. Upon allowing a demand or approving a register of audited demands, the mayor shall draw a warrant or warrants upon the city treasurer specifying the purpose for which drawn and the fund from which payment is to be made. The city clerk shall countersign the warrant. The legislative body, by ordinance or resolution, may prescribe an alternative method of drawing warrants and checks.

(Amended by Stats. 1980, Ch. 770.)

37204. When an order or demand is not approved for want of funds and its amount does not exceed the income and revenue for the year in which the indebtedness was incurred, the city clerk shall endorse on it: "Not approved for want of funds," with the date of presentation and his signature.

(Added by Stats. 1949, Ch. 79.)

37205. The clerk shall number the endorsement, register the order or demand in his records, and deliver it to the claimant, or his order. From delivery the order or demand bears interest at 6 percent a year. Orders or demands shall be paid in the order they are registered.

(Added by Stats. 1949, Ch. 79.)

37206. By ordinance or resolution, the legislative body shall prescribe the time and method of paying salaries and wages of officers and employees.

(Added by Stats. 1949, Ch. 79.)

37207. Department heads shall certify or approve departmental pay rolls or attendance records for employees in their departments. The city clerk shall certify or approve pay rolls or attendance records of other officers and employees.

(Added by Stats. 1949, Ch. 79.)

37208. (a) Payroll warrants or checks need not be audited by the legislative body prior to payment. Payrolls shall be presented to the legislative body for ratification and approval at the first meeting after delivery of the payroll warrants or checks.

(b) Warrants or checks drawn in payment of demands certified or approved by the city clerk as conforming to a budget approved by ordinance or resolution of the legislative body need not be audited by the legislative body prior to payment.

(c) Notwithstanding subdivisions (a) and (b), budgeted payrolls and demands paid by warrants or checks may be presented to the legislative body for ratification and approval in the form of an audited comprehensive annual financial report.

(Amended by Stats. 1986, Ch. 982, Sec. 14.)

37209. The duties imposed upon the city clerk by this article may be transferred to a director of finance when such office has been established and the powers and duties thereof defined by ordinance. Such an ordinance shall require the execution by the director of finance of the bond required of the city clerk by Section 36518 of this code.

(Added by Stats. 1955, Ch. 1754.)

37210. Newly incorporated cities that have not received revenues from property taxes may issue temporary non-negotiable notes bearing interest at a rate not exceeding 6 percent per annum to pay lawfully incurred current expenses and the salaries and wages of officers and employees. Said notes must be repaid on or before the last day of the fiscal year in which the money is borrowed and the maturity date of said notes shall not be later than said last day. The aggregate amount of said notes shall not exceed 85 percent of the anticipated revenues for the fiscal year in which the money is borrowed. Said notes shall be repaid only from revenues received during or allocable to the fiscal year in which the money is borrowed.

(Added by Stats. 1957, Ch. 1740.)

(64 Code, Sec. 2-3.4) (Ord. No. 2203, 2350)

DIVISION 3. CITY MANAGER

SEC. 2-155. POSITION CREATED; APPOINTMENT; TERM.

- (A) The city manager form of government is adopted and shall be followed by the city.
- (B) The office of city manager is established.
- (C) The city manager shall be appointed by a majority vote of the city council and shall hold office at the pleasure of the city council.

(64 Code, Sec. 2-9)

SEC. 2-156. COMPENSATION.

The city manager shall receive such compensation for services as shall be fixed by the city council.

(64 Code, Sec. 2-10)

SEC. 2-157. POWERS AND DUTIES; OFFICE.

- (A) The city manager shall be the chief executive and administrative officer of the city and shall have all of the powers and duties heretofore vested in the several ministerial, executive and administrative and other subordinate officers heretofore appointed by the city council except the city clerk, the city attorney and the city treasurer.
- (B) The city manager shall maintain an office in the city to be provided for by the city council and shall keep the same open during all business hours.
- (C) The city manager shall perform such other and further acts as shall be provided for by resolution of the city council.

(64 Code, Sec. 2-11)

DIVISION 4. CITY TREASURER

SEC. 2-165. CITY TREASURER AS DEPARTMENT DIRECTOR.

The person occupying the classification of city treasurer is designated as a department director and shall be the administrative head of the city treasurer's office.

(64 Code, Sec. 2-4) (Ord. No. 2203, 2350)

SEC. 2-166. BENEFITS OF CITY TREASURER.

- (A) The person occupying the city treasurer classification shall receive all benefits provided to top management employees, unless otherwise provided by resolution.
- (B) Notwithstanding the above, a person occupying the classification of city treasurer shall not be entitled to transfer to or be promoted or demoted to any other classification in the city service.

(64 Code, Sec. 2-4.1) (Ord. No. 2203, 2315, 2350)

SEC. 2-167. BOND OF CITY TREASURER AND ASSISTANT CITY TREASURER.

The bond of the city treasurer and assistant city treasurer is set at \$50,000.

(64 Code, Sec. 2-4.2) (Ord. No. 2203, 2350)

SEC. 2-168. DUTIES OF CITY TREASURER.

(A) The city treasurer shall perform such statutory duties as are assigned to the city treasurer of a general law city by the laws of the State and confirmed by resolution.

(B) The city treasurer shall also perform such administrative duties as assigned by the city manager.

(64 Code, Sec. 2-4.3) (Ord. No. 2203, 2350)

SEC. 2-169. COMPENSATION OF CITY TREASURER.

(A) The city treasurer shall receive compensation for the performance of statutory duties as established by ordinance.

(B) The city treasurer shall receive compensation for the performance of administrative duties in accordance with the principles and guidelines of the management pay system applicable to top management employees.

(64 Code, Sec. 2-4.4) (Ord. No. 2203, 2350)

DIVISION 5. DIRECTOR OF FINANCE

SEC. 2-175. CREATION.

There shall be a finance department, headed by a director of finance who shall supervise such employees as are necessary to carry out the functions and duties of the department.

(Ord. No. 2643)

SEC. 2-175.5. CHIEF FINANCIAL OFFICER.

Effective April 14, 2008, all references to the classification of director of finance, finance and management services director, or finance director in the city code, and any in city resolutions, agreements, contracts, rules, regulations or procedures shall incorporate the classification and/or working title of chief financial officer.

(Ord. No. 2772)

SEC. 2-176. FINANCIAL AND ACCOUNTING DUTIES.

(A) Pursuant to Cal. Gov't Code Section 37209, the duties imposed on the city clerk by Chapter 4, Part 2, Division 3, Title 4 of the Cal. Gov't Code are transferred to the director of finance.

(B) Pursuant to Cal. Gov't Code Section 40805.5, the financial and accounting duties imposed on the city clerk by Cal. Gov't Code Sections 40802 through 40805 are transferred to the director of finance.

(C) Pursuant to Cal. Gov't Code Section 34004, the duties imposed on the city treasurer by Cal. Gov't Code Section 41004 are transferred to the director of finance.

(D) The powers and duties of the director of finance include centralizing fiscal and accounting duties; controlling inventory; financial reporting; and assisting in budgeting.

(E) The director of finance shall promote, secure and preserve the financial and property interests of the city.

(F) The city manager may assign to the director of finance additional powers and duties not set forth herein.
(Ord. No. 2643, 2804)

SEC. 2-177. BOND.

The director of finance shall file with the city clerk a bond covering the faithful performance of his/her duties, in the penal sum of not less than \$20,000. The bond shall conform to the provisions of Chapter 3, Division 4, Title 1 of the Cal. Gov't Code. The premium on the bond shall be paid by the city.

(Ord. No. 2643)

SEC. 2-178. FISCAL YEAR.

The fiscal year of the city shall begin on the first day of July and end on the last day of June of each calendar year.

(Ord. No. 2643)

SEC. 2-179. BUDGET.

(A) Before the beginning of each fiscal year for which the city council has not adopted a budget, the city manager shall submit to the city council a proposed operations and capital budget for the following fiscal year or for more than one of the following fiscal years.

(B) At a minimum, the proposed budget shall include:

- (1) An itemized statement of estimated revenues from all sources for the year.
- (2) An itemized statement of proposed expenditures for each department and division.
- (3) A statement of the amount required for the payment of interest, amortization and redemption charges on the debt of the city.
- (4) Provision for contingent expense.
- (5) A general budget summary.
- (6) A budget statement outlining the proposed financial plan for the year.

(7) The appropriations limit and the total annual appropriations subject to limitation as determined pursuant to Division 9 of Title 1 of the Cal. Gov't Code, commencing with Section 7900.

(C) The city council shall hold a public hearing on the proposed budget, at which all interested persons may be heard. At the conclusion of the public hearing, the city council may make changes to the proposed budget.

(D) The city council shall adopt a budget for the following fiscal year or for more than one of the following fiscal years. If the budget is not adopted on or before the beginning of such fiscal year, the proposed budget shall become effective without action by the city council.

(E) The city council may revise at any time an adopted budget or a proposed budget that became effective

without action by the city council.

(Ord. No. 2643)

SEC. 2-180. AUDIT.

After the end of each fiscal year, the director of finance shall cause an audit of the city's financial reports for the previous fiscal year to be prepared promptly by a certified public accountant. Within a reasonable time, the director of finance shall present the audit to the city council at a public meeting.

(Ord. No. 2643)

SEC. 2-181. TORT CLAIMS.

Demands against the city, its officers or employees, for money or damages are governed by the Cal. Gov't Code, except as provided therein, or by other statutes, ordinances or regulations expressly applicable thereto.

(64 Code, Sec. 2-87) (Ord. No. 801)

SEC. 2-182. CLAIMS FOR REFUND OF FEES AND CHARGES.

(A) If the procedure for refund of a fee or charge collected by the city is not specifically otherwise provided for in this code or in the ordinance or resolution imposing the fee or charge, a claim for refund of a fee or charge shall not be allowed unless the claim is filed with, and in the manner and form prescribed by, the department that originally collected the fee.

(B) The department director or designee may authorize payment of a claim for refund of a fee or charge if he/she determines that the fee or charge was overpaid or that the service, license or permit for which the fee or charge was paid was not received or used.

(C) A refund shall not exceed the amount of overpayment or unearned fee or charge actually paid by the claimant.

(64 Code, Sec. 2-87.1) (Ord. No. 1378, 2440)

SEC. 2-183. CLAIMS FOR REFUND OF TAXES, ASSESSMENTS AND UTILITY FEES.

(A) The provisions of this section are enacted pursuant to Cal. Gov't Code, Section 935 and shall apply to all claims presented to the city for refund of taxes, assessments or utility fees levied or imposed by the city. For purposes of this section, "utility fees" shall mean fees for water services, wastewater services or solid waste collection services.

(B) A claim for refund shall be in writing, signed under penalty of perjury by the claimant or the claimant's guardian, executor, conservator or administrator and shall be filed with the city clerk no later than one year after the date the claimant paid the taxes, assessments or utility fees of which refund is requested.

(C) A claim shall include the name and address of the claimant or the name and address of the claimant's guardian, executor, conservator or administrator; the facts and reason on which the claim is based; the date and method of payment of the taxes, assessments or utility fees of which refund is requested; and the name and title of the person to whom such payment was made.

(D) No claim may be filed on behalf of a class of claimants.

(E) No suit for refund of taxes, assessments or utility fees shall be filed unless a claim has been filed and rejected in accordance with this section. Any such suit shall be commenced within six months from and after the date on which the city council rejects the claim. No recovery shall be allowed in any such suit on any ground not

specified in the claim.

('64 Code, Sec. 2-87.2) (Ord. No. 2440)

SEC. 2-184. PROCEDURE FOR PAYMENT OF DEMANDS, WARRANTS AND CHECKS.

The finance director shall prepare a written form of demand and proposed check for each approved invoice and claim. Supporting documents such as the purchase order, and invoice or claim for payment shall be attached thereto. Demands shall be individually audited by the finance director or designee, who shall certify as to the accuracy of each demand and the availability of funds for payment thereof. Such demands may be in the form of check-warrants and when approved by all officers as required by this code, shall be delivered to the city treasurer. The city treasurer shall subscribe a direction to the depository of funds to pay the funds to the order of the payee, which action shall convert the warrant, or demand, to a bona fide check.

('64 Code, Sec. 2-88) (Ord. No. 801)

SEC. 2-185. PRESENTATION OF DEMANDS; APPROVAL.

(A) All demands against the city shall, before being paid, be presented to and approved by the proper officer.

(B) Demands for which no appropriation has been made shall be presented to the city council; and all other demands shall be presented to the city manager; provided, that any person dissatisfied with the refusal of the city manager to approve any demand, in whole or in part, may present the same to the city council, and the approval of such demand by the city council shall have the same effect as its approval by the city manager.

('64 Code, Sec. 2-89) (Ord. No. 801)

SEC. 2-186. APPROVAL OF WARRANTS BY DIRECTOR OF FINANCE; REGISTERED WARRANTS; PAYMENT OF BONDS AND COUPONS.

(A) All demands approved by the proper board, commission or officers shall be presented to the city's finance director, who shall examine the same; and if the amount thereof is legally due and there remains on the books an unexhausted balance or an appropriation against which the same may be charged, the finance director shall approve such demand and draw and sign the warrant on the city treasury therefor, payable out of the proper fund.

(B) (1) Objections of the finance director to any demand may be overruled by the city council, and the finance director shall thereupon draw the warrant as directed by the city council.

(2) Such warrants when presented to the city treasurer, shall be paid by the finance director out of the fund therein designated, if there be sufficient money in such fund for that purpose.

(3) A warrant not paid for lack of funds shall be registered, and all registered warrants shall be paid in the order of registration when funds are available therefor.

(C) The finance director shall draw warrants for payment of municipal or other bonds payable out of funds in the treasury upon presentation and surrender of the proper bonds and coupons, without approval of any body or officer.

('64 Code, Sec. 2-90) (Ord. No. 801)

DIVISION 6. FIRE

SEC. 2-205. ESTABLISHED; VOLUNTEER FORCE.

CITY COUNCIL OF THE CITY OF OXNARD

RESOLUTION NO. 10,820RESOLUTION OF THE CITY COUNCIL OF THE CITY OF
OXNARD ESTABLISHING JOB SPECIFICATIONS FOR THE
PERFORMANCE OF STATUTORY DUTIES AND
ADMINISTRATIVE DUTIES BY THE CITY CLERK AND CITY
TREASURER

WHEREAS, City Council is authorized by ordinance to establish job specifications for the performance of statutory duties by the City Clerk and City Treasurer; and

WHEREAS, City Council desires to establish such job specifications;

NOW, THEREFORE, the City Council of the City of Oxnard resolves:

1. The job specifications for the City Clerk attached hereto as Exhibit A and incorporated herein by this reference are hereby adopted.
2. The job specifications for the City Treasurer attached hereto as Exhibit B and incorporated herein by this reference are hereby adopted.
3. This resolution shall be effective January 1, 1995.

PASSED AND ADOPTED this 15th day of November, 1994 by the following vote:

AYES: Councilmembers Pinkard, Plisky, Herrera & Holden

NOES: Councilmember Lopez

ABSENT: None

ATTEST:

Daniel Martinez
Daniel Martinez, City Clerk

Dr. Manuel M. Lopez
Dr. Manuel M. Lopez, Mayor

APPROVED AS TO FORM:

Gary L. Millig 11-15-94
Gary L. Millig, City Attorney

EXHIBIT A

City of Oxnard
January 1, 1995

CITY CLERK**DEFINITION**

With respect to the performance of statutory duties as set forth below, the City Clerk is directly responsible to the electorate of the City of Oxnard.

ADMINISTRATION AND SUPERVISION

Statutory duties are those duties specified in the Elections Code and Government Code of the State of California to be performed by a city clerk in a general law city. The City Manager monitors the City Clerk's performance of statutory duties and advises the City Council of that monitoring.

STATUTORY DUTIES

Keep an accurate record of the proceedings of the City Council.

Prepare a summary of the City's financial report to be published once in a newspaper of general circulation.

Keep a book marked "ordinances" and maintain in it all City ordinances with a certificate annexed to each stating: (a) It is a true and correct copy of a City ordinance. (b) The ordinance number, and (c) It has been published or posted pursuant to law. The book shall have a comprehensive general index.

Custodian of the City seal.

Conduct elections in accordance with the Elections Code and handle related procedures pursuant to the Elections Code.

Enter on the minutes of the City Council a record of the bonds canceled sufficient to identify them and the fact and date of their cancellation.

Maintain a reasonable supply of copies of the primary City Code and of any secondary code incorporated in it by reference available for purchase by the public at a moderate price, not to exceed the actual cost thereof.

QUALIFICATIONS - Statutory Duties

Qualified elector of the City of Oxnard

ADMINISTRATIVE DUTIES

The City Clerk's administrative duties are assigned by the City Manager. The following is a list of duties currently assigned to the City Clerk:

Plan, coordinate, and direct the activities of personnel assigned to the City Clerk Department. Supervise, train, develop, evaluate and select all such personnel.

Prepare and administer the department budget and related budgetary materials.

Participate in meetings and conferences with other department administrators, public officials and agencies, private citizens, and professional groups to discuss issues and resolve problems.

Serve as clerk to City Council; compile and prepare the City Council agenda; attend City Council meetings, transcribe and communicate legislative actions and proceedings of the City Council meetings, ordinances, resolutions, minutes, and indices thereof.

Serve as clerk to the Redevelopment Agency and the Housing Authority; compile or supervise the compilation and preparation of the Redevelopment Agency and Housing Authority agendas, attend meetings, record, transcribe and communicate legislative actions and proceedings, resolutions, minutes, and indices thereof.

Supervise the preparation of Planning Commission meeting minutes and the preparation and distribution of meeting notices.

Administer oaths or affirmations; certify authenticity of municipal corporate documents for public officials, governmental agencies, courts, and the general public including ordinances, resolutions, agreements, deeds, and other official documents.

Serve as the filing officer for election campaign reports and statements of economic interest for designated employees, certain appointed officials, officeholders, candidates, and committees; coordinate City Council, City Treasurer, City Manager, City Attorney, and Planning Commissioner filings with the Fair Political Practices Commission.

Provide a variety of information-gathering and records-retrieval research services to the public and public officials regarding elections, local government legislative processes and actions, municipal corporate history, elections, and Fair Political Practices Commission filings.

Coordinate the citywide records management program.

Mailing, publication and posting of legal public notices.

Receive purchase and contract bids, attend bid openings, maintain and release purchase, contract, and agreement related securities.

Provide notary services.

Promote and maintain a strong public relations program with emphasis on public services.

Perform related administrative duties as assigned by the City Manager.

QUALIFICATIONS - Administrative Duties

Knowledge of:

Applicable federal law.

Elections Code and Government Code.

Political Reform Act requirements and procedures.

Principles of office administration, management, supervision, public relations, training, and performance evaluations.

Modern office practices, procedures, and equipment.

Ability to:

Meet public officials and private citizens, provide information, and organize material in compliance with laws, regulations, policies, and procedures.

Supervise, train, and evaluate departmental personnel.

Communicate clearly and concisely, orally and in writing.

Experience:

Five years of increasingly responsible office management or secretarial experience.

Education:

Equivalent to completion of the twelfth grade including or supplemented by specialized clerical and public administration courses. A bachelor's degree in public administration or a closely related field would be desirable.

EXHIBIT B

City of Oxnard
January 1, 1995

CITY TREASURER**DEFINITION**

With respect to the performance of statutory duties as set forth below, the City Treasurer is directly responsible to the electorate of the City of Oxnard.

ADMINISTRATION AND SUPERVISION

Statutory duties are those duties specified in the Government Code of the State of California to be performed by a city treasurer in a general law city. The City Manager monitors the City Treasurer's performance of statutory duties and advises the City Council of that monitoring.

STATUTORY DUTIES

Receive and safely keep all monies received into the city treasury.

Comply with all laws governing the deposit and securing of city funds and the handling of trust funds.

Pay out money only on warrants signed by legally designated persons.

Regularly, at least once each month, submit to the City Clerk a written report and accounting of all receipts, disbursements, and fund balances, and file a copy with the City Council.

Keep a book showing at all times what bonds are registered and in whose names.

Record all warrants, judgments, notes or other evidences of indebtedness redeemed and report the redemptions to the City Council.

QUALIFICATIONS - Statutory Duties

Qualified elector of the City of Oxnard.

ADMINISTRATIVE DUTIES

The City Treasurer's administrative duties are assigned by the City Manager. The following is a list of duties currently assigned to the City Treasurer.

Plan, coordinate, and direct the activities of personnel assigned to the City Treasurer Department. Supervise, train, develop, evaluate and select all such personnel.

Prepare and administer the department budget and related budgetary materials.

Participate in meetings and conferences with other department administrators, public officials and agencies, private citizens, and professional groups to discuss and resolve problems related to assigned functions.

Pay legal obligations of the City and serve as the treasurer for a number of entities as designated by the City Council.

Assume full responsibility to invest and re-invest surplus and special funds as provided by City Council resolution.

Maintain records of receipts, deposits and expenditures.

Conduct quarterly meetings of the Investment Review Committee.

Prepare a variety of monthly, quarterly, and annual management and accounting reports.

Implement procedures for effective cash controls and for effective cash management.

Establish and maintain effective working relationships with financial institutions and implement and monitor banking procedures.

Study developments in the financial field and participate in professional conferences.

Perform such duties relative to the collection of City taxes and license fees as are prescribed by ordinance.

Direct the City central cashing functions for the receipt of all City revenue, including but not limited to the posting of utility and other fees and the processing of City payroll checks and accounts payable.

Resolve difficult administrative and technical problems.

Promote and maintain a strong public relations program with emphasis on public services.

Perform related administrative duties as assigned by the City Manager.

QUALIFICATIONS - Administrative Duties**Knowledge of:**

The principles and procedures pertaining to general accounting and investment practices.

Investment analysis.

Laws and other regulations pertaining to banking and treasury operations.

Principles of cash management and cash flow forecasting.

Principles of office administration, supervision, training and public relations.

Ability to:

Develop effective financial methods and procedures.

Understand and interpret laws and regulations.

Prepare a variety of financial statements, reports and analyses.

Supervise, train and evaluate departmental personnel.

Communicate clearly and concisely, orally and in writing.

Experience:

Five years experience in financial analysis, cash management or investment management, including substantial administrative and supervisory experience.

Education:

Equivalent to completion of a bachelor's degree from an accredited college or university with major coursework in accounting, business administration or economics. A master's degree in finance, economics or closely related field would be desirable.

EXHIBIT 10

Single Audit Report

Fiscal Year Ended June 30, 2017



CITY OF OXNARD
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 JUNE 30, 2017

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

The Honorable City Council
City of Oxnard, California



Eadie + Payne, LLP

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We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Oxnard, California (City), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 26, 2017. Our report includes a reference to other auditors who audited the financial statements of Oxnard Housing Authority, as described in our report on City's basic financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs (marked MW) to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs (marked SD) to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, which are described in the accompanying schedule of findings and questioned costs (marked NC).

During our audit, we also became aware of matters that are opportunities for strengthening internal controls, operating efficiency, and best practices. The accompanying schedule of findings and questioned costs includes our comments and recommendations regarding those matters (marked BP).

The findings noted above include those that were found during our audit of fiscal years 2015 and 2016. These findings are listed in the accompanying schedule of findings and questioned costs - schedule of prior audit findings - financial statements.

The following schedule summarizes our findings related to financial statements:

FISCAL YEAR	REFERENCE NUMBER	MATERIAL WEAKNESS (MW)	SIGNIFICANT DEFICIENCY (SD)	NON- COMPLIANCE (NC)	BEST PRACTICES (BP)	TOTAL
2016-2017	2017-009 TO 2017-019	4	4	-	3	11
2015-2016	2016-005	-	1	-	-	1
2014-2015	2015-005 TO 2015-111	<u>63</u>	<u>33</u>	<u>3</u>	<u>8</u>	<u>107</u>
TOTALS		<u>67</u>	<u>38</u>	<u>3</u>	<u>11</u>	<u>119</u>

Four out of the eleven current year findings are a repeat of prior-year findings.

City's Response to Findings

City of Oxnard's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

We applied certain procedures to support the status of audit findings included in the schedule of prior audit findings. The status of prior-year audit findings related to financial statements is summarized below:

FISCAL YEAR	POLICIES AND PROCEDURES			TOTAL
	IMPLEMENTED	IN PROCESS	NOT STARTED	
2015-2016	-	-	1	1
2014-2015	<u>28</u>	<u>35</u>	<u>44</u>	<u>107</u>
TOTALS	<u>28</u>	<u>35</u>	<u>45</u>	<u>108</u>

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Eddie and Payne LLP

March 26, 2018
Riverside, California



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**Certified Public Accountants
& Business Advisors**

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE AND
ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

The Honorable City Council
City of Oxnard
Oxnard, California

Report on Compliance for Each Major Federal Program

We have audited City of Oxnard's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major Federal programs for the year ended June 30, 2017. The City's major Federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

The City's basic financial statements include the operations of the Oxnard Housing Authority, which expended \$22,069,029 in Federal awards during the year ended June 30, 2017. Our audit, described below, did not include the operations of the Oxnard Housing Authority, because it engaged other auditors to perform an audit in accordance with the Uniform Guidance.

Management's Responsibility

Management is responsible for compliance with Federal statutes, regulations, and the terms and conditions of its Federal awards applicable to its Federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major Federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major Federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2017.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items **2017-001** through **2017-003** and **2017-008**. Our opinion on each major Federal program is not modified with respect to these matters.

Report on Internal Control over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major Federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major Federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a Federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a Federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item **2017-007** to be a material weakness.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a Federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items **2017-001** through **2017-006** that we consider to be significant deficiencies.

City's Response to Findings

The City's response to the compliance findings and internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of the compliance and, accordingly, we express no opinion on the response.

We applied certain procedures to support the status of audit findings included in the schedule of prior audit findings. The status of prior audit findings related to major federal programs is summarized below:

FISCAL YEAR	NO FURTHER ACTION			TOTAL
	REQUIRED	IMPLEMENTED	NOT STARTED	
2015-2016	-	-	4	4
2014-2015	<u>2</u>	<u>2</u>	<u>-</u>	<u>4</u>
TOTALS	<u>2</u>	<u>2</u>	<u>4</u>	<u>8</u>

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, and each major fund of the City as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated December 26, 2017, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of Federal awards is presented for the purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of Federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Eddie and Payne LLP

March 26, 2018
Riverside, California

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

CITY OF OXNARD
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017

<u>FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE</u>	<u>FEDERAL CATALOG NUMBER</u>	<u>PROGRAM IDENTIFICATION NUMBER</u>	<u>TOTAL PROGRAM EXPENDITURES</u>	<u>TOTAL AMOUNT PROVIDED TO SUBRECIPIENTS</u>
U.S. Department of Housing and Urban Development				
Direct:				
Community Development Block Grants	14.218	B-16-MC-06-0534	\$ 1,549,624	
		B-15-MC-06-0534	517,160	
		B-14-MC-06-0534	975,819	
			<u>3,042,603</u>	\$ 146,089
Direct:				
Emergency Solutions Grants Program	14.231	E-16-MC-06-0534	145,495	
		E-15-MC-06-0534	23,250	
			<u>168,745</u>	154,195
Direct:				
HOME Investment Partnership Program	14.239	M-16-MC-06-0526	127,721	
		M-15-MC-06-0526	233,272	
		M-14-MC-06-0526	147,137	
		M-13-MC-06-0526	2,343	
		M-12-MC-06-0526	95,337	
			<u>605,810</u>	-
Total U.S. Department of Housing and Urban Development			<u>3,817,158</u>	<u>300,284</u>
U.S. Department of Justice				
Direct:				
Edward Byrne Justice Assistance Grant	16.738	15-SHSGP6A	21,060	
		2016-DS-BX-0002	24,990	
		2016-DJ-BX-0611	19,206	
		2015-DJ-BX-0764	69,577	
		2014-DJ-BX-0862	19,613	
		2013-DJ-BX-0737	17,272	
		2012-DJ-BX-1010	270	
			<u>171,988</u>	53,966
Passed through the Ventura County Sheriff's Office:				
Edward Byrne Justice Assistance Grant	16.738	BSCC 655-15	68,912	
			<u>240,900</u>	
Direct:				
Equitable Sharing Program	16.922	CA0560400	180,952	-
Total U.S. Department of Justice			<u>421,852</u>	<u>53,966</u>

See accompanying notes to Schedule of Expenditures of Federal Awards and Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance and on the Schedule of Expenditures of Federal Awards.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE	FEDERAL CATALOG NUMBER	PROGRAM IDENTIFICATION NUMBER	TOTAL PROGRAM EXPENDITURES	TOTAL AMOUNT PROVIDED TO SUBRECIPIENTS
U.S. Department of Homeland Security				
Direct:				
Assistance to Firefighters Grant	97.044	EMW-2015-FO-04703	\$ 124,252	
		EMW-2015-FR-00116	31,935	
		EMW-2015-FR-00129	59,937	
			<u>216,124</u>	
Passed through the Ventura County Sheriff:				
Emergency Management Performance Grant	97.042	2015-0078-111-00000	<u>47,857</u>	
 FY 2015 SHSP - CERT Program - Fire	97.067	2015-0078-111-00000	6,571	
FY 2015 SHSP - HazMat Program Sustainment		2015-0078-111-00000	24,419	
FY 2015 SHSP - HAZMAT		2015-0078-111-00000	2,260	
FY 2016 SHSP - USAR Training		2016-0102-111-00000	24,369	
FY 2016 SHSP - HazMat Equipment		2016-0102-111-00000	2,401	
Homeland Security Grant Program		16-SHSGP-OX-10	<u>14,470</u>	
			<u>74,490</u>	
Homeland Security Grant Program	97.073	2016-0102-111-00000	<u>3,596</u>	
Staffing for Adequate Fire and Emergency				
Response Grant	97.083	EMW-2014-FH-00701	894,195	
		EMW-2012-FH-00072	394,781	
			<u>1,288,976</u>	
Total U.S. Department of Homeland Security			<u>1,631,043</u>	
U.S. Department of Transportation				
Passed through the State of California Department of Transportation:				
Highway Planning and Construction	20.205	HSIPL-5129(084)	484,394	
		CML-5129 (086)	12,451	
		CML-5129 (087)	2,003	
		CML-5129 (079)	(1,314)	
		CML-5129 (078)	1,925	
		STPL-5129 (048)	2,123	
		HSIPL-5129(083)	893,224	
		CML-5129 (091)	8,653	
		HSIPL 5129 (093)	6,248	
		STPL 5129 (088)	<u>33,273</u>	
			<u>1,442,980</u>	
Federal Transit Formula Grant	20.507	CA-95-X196-00	<u>83,688</u>	
Passed through the State of California Office of Traffic Safety:				
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608		<u>150,726</u>	
State and Community Highway Safety				
National Priority Safety Programs	20.600		<u>100,337</u>	
Total U.S. Department of Transportation			<u>1,777,731</u>	

See accompanying notes to Schedule of Expenditures of Federal Awards and Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance and on the Schedule of Expenditures of Federal Awards.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE	FEDERAL CATALOG NUMBER	PROGRAM IDENTIFICATION NUMBER	TOTAL PROGRAM EXPENDITURES	TOTAL AMOUNT PROVIDED TO SUBRECIPIENTS
Corporation for National and Community Service				
Direct:				
Retired and Senior Volunteer Program	94.002	16SRPCA005	\$ 5,707	
Corporation for National and Community Service		13SRPCA010	<u>117,051</u>	
Total Corporation for National and Community Service			<u>122,758</u>	
U.S. Department of Health and Human Services				
Passed through the County of Ventura Area Agency on Aging:				
Special Programs for the Aging, Nutrition Services	93.045	3C-007-071212	<u>111,116</u>	
Total U.S. Department of Health and Human Services			<u>111,116</u>	
U.S. Department of the Interior Fish and Wildlife Service Passed through the County of Ventura				
Coastal	15.630	F14AC00539	<u>19,617</u>	
Total U.S. Department of the Interior Fish and Wildlife Service			<u>19,617</u>	
U.S. Environmental Protection Agency				
Direct:				
Environmental Workforce Development and Job Training	66.815	99T03501	<u>30,886</u>	
Total U.S. Environmental Protection Agency			<u>30,886</u>	
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 7,932,161</u>	<u>\$ 354,250</u>

See accompanying notes to Schedule of Expenditures of Federal Awards and Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance and on the Schedule of Expenditures of Federal Awards.

CITY OF OXNARD

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2017

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of Federal awards (Schedule) includes the Federal award activity of City of Oxnard (City) under programs of the Federal government for the year ended June 30, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the City. It does not include the Federal award activity of Oxnard Housing Authority, a blended component unit of the City, which received \$22,069,029 in Federal awards.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

3. INDIRECT COST RATE

The City has not elected to use the 10% de minimis indirect cost rate.

4. RELATIONSHIP TO FEDERAL FINANCIAL REPORTS

Amounts reported in the Schedule agree, in all material respects, with amounts reported in the basic financial statements of the City of Oxnard. The following presents a reconciliation of Federal expenditures to those reported in the financial statements:

	<u>AMOUNT</u>
Total expenditures per the schedule of expenditures of federal awards	\$ 7,932,161
Add: Expenditures of nonfederal awards	<u>171,659,280</u>
TOTAL GOVERNMENTAL FUNDS EXPENDITURES PER THE FINANCIAL STATEMENTS	<u>\$ 179,591,441</u>

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)

5. **FEDERALLY-FUNDED LOANS**

The City administers loans, primarily deferred loans, made from funds provided by the following Federal programs for the year ended June 30, 2017:

<u>FEDERAL PROGRAMS</u>	<u>LOANS OUTSTANDING</u>
Community Development Block Grants (CFDA #14.218)	\$ 3,518,553
HOME Investment Partnership Program (CFDA #14.239)	10,252,669

CITY OF OXNARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weaknesses identified? X yes no
Significant deficiencies identified? X yes none reported

Noncompliance material to financial statements noted: yes X no

Federal Awards

Internal control over major programs:

Material weaknesses identified? X yes no
Significant deficiencies identified? X yes none reported

Type of auditor's report issued on compliance
for major programs: Unmodified

Any audit findings disclosed that are required
by the Uniform Guidance? X yes no

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
14.218	Community Development Block Grant
14.239	HOME Investment Partnership Program

Dollar threshold used to distinguish between
type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? yes X no

CITY OF OXNARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

INDEX

CURRENT YEAR

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

PRIOR YEAR

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S Review and Reconciliation of Clearing Funds	2015-103 to 2015-104
IV Information and Communication	2015-105
V Monitoring Activities	2015-106 to 2015-111

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL PROGRAMS

2017-001 - Performance Reporting (NC/SD)

CFDA Title and Number: 14.218 - Community Development Block Grants

Name of Federal Agency: Department of Housing and Urban Development

Compliance/Internal Control over Compliance: Reporting

Criteria: 2 CFR Part 200, Appendix XI, Compliance Supplement 4-14.218 requires recipients that administer covered housing and community development assistance in excess of \$200,000 in a program year must submit HUD 60002, Section 3 Summary Report and SF-425 Federal Financial Report.

Condition: The City was unable to provide the auditors the HUD-60002 Form Annual Section 3 Hiring and Contracting Summary Report and SF-425 Federal Financial Report. Additionally, the City was unable to provide the auditors the following reports: HUD-4710 Form Semi-annual Labor Standards Enforcement Report, HUD-2516 Form Annual Minority Business Enterprise contract and Subcontract Activity, Quarterly performance updating in IDIS for CDBG activities, Annual Performance Report, and FY2016-17 Annual Action Plan.

Cause: Change in personnel responsibilities and staff turnover in the Housing Department coupled with a lack of formal procedures resulted in a failure of controls and compliance with the program requirement.

Effect or Potential Effect: The City is not in compliance with Federal requirements for the preparation and submission of the required reports. Ineffective controls to monitor program requirements could result in inaccurate information, increases the risk of noncompliance and exposes the City to the risk of loss of funding.

Questioned Cost: None

Context: During our testing, we noted that the City was required to prepare and submit the reports noted above. However, whether or not the reports were prepared or submitted, they could not be provided to the auditor.

Repeat of a Prior-Year Finding: 2016-001

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

Recommendation: The City should implement a process that will ensure that all required reports are submitted on a timely basis. Establish controls that require the review of reports by someone independent of the preparer. Ensure that all reports filed with oversight agencies are supported by proper records.

City's Response: The City concurs with the recommendation. Finance staff is currently developing policies and procedures for all grants, including Federal, State, and County. This will include training of a grant coordinator and training of various grant program managers to establish procedures to review grant expenditures for compliance with terms of the grant, and request reimbursement on a monthly basis. These procedures will also include review of reports that are prepared by outside consultants and maintain required documentation showing proof of performance reporting.

Corrective Action Plan: The CDBG Coordinator will review the report and maintain required documentation. The City plans to adopt implementing policies for Uniform Guidance Administrative Requirements and grant administration.

Planned Implementation Date: June 30, 2018

Responsible Person: Assistant CFO Deanne Purcell

2017-002 - Reimbursement Requests (NC/SD)

CFDA Title and Number: 14.218 - Community Development Block Grants

Name of Federal Agency: Department of Housing and Urban Development

Compliance/Internal Control over Compliance: Cash Management

Criteria: 2 CFR Part 200 Appendix XI Compliance Supplement, Section 3.2.C. Cash Management requires that program costs must be paid for by the City before reimbursement is requested from the Federal government.

Condition: The City is requesting expenditure reimbursements in IDIS prior to remitting payments to subrecipients.

Cause: Drawdown procedures were not strictly enforced.

Effect or Potential Effect: Excess funds could be drawn down and not expended.

Questioned Cost: No

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

Context: During our testing, we found that 7 out of 30 drawdowns selected for testing were made prior to payments to the subrecipients totaling \$767,017.

Repeat of a Prior-Year Finding: No

Recommendation: The City should establish internal control to ensure that the persons responsible comply with the cash management compliance requirements of CDBG. The City should train employees and subrecipients about the requirements of the block grant program.

City's Response and Corrective Action Plan: The City concurs with the recommendation. Drawdown procedures that establish verification of expenditure payment as support for drawdown were implemented after FY 2016-17 audit. Periodic and year-end reconciliation procedures of allowable expenditures and vouchers' drawdown are now in effect.

Planned Implementation Date: June 30, 2018

Responsible Person: Grants Manager Roel Briones

2017-003 - Compensation for Personal Services (NC/SD)

CFDA Title and Number: 14.218 - Community Development Block Grants

Name of Federal Agency: Department of Housing and Urban Development

Compliance/Internal Control over Compliance: Allowable Costs

Criteria: Charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed. Records must support the distribution of the employee's salary or wages among specific activities or cost objectives if the employee works on more than one Federal award 2 CFR 200.430(i) Standards for Documentation of Personnel Expenses, paragraph(1)(vii).

Condition: The City's payroll records did not accurately reflect the actual hours worked by employees whose salaries and wages are charged to CDBG. The City estimated payroll expenditures charged to the grant throughout the year. At year-end, the City adjusted the expenditures to reflect the actual hours for all employees paid with Federal awards.

Cause: The City processes payroll before the actual payroll period ends. As such, employees turn in their timesheets with estimated hours.

Effect or Potential Effect: Manual adjustments could potentially result in understatement or overstatement of expenditures reported in the Schedule of Expenditures of Federal Awards.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

Questioned Cost: None

Context: In the current year, we tested four pay periods and found that this practice is continuing, despite the prior-year finding.

Repeat of a Prior-Year Finding: 2016-002

Recommendation: The City should establish policies and procedures to support a system of internal control which provides a reasonable assurance that the charges to Federal awards for salaries and benefits are accurate, allowable, and properly allocated.

City's Response: The City concurs with the recommendation. Finance staff is currently developing policies and procedures for all grants, including Federal, State, and County. This will include training of a grant coordinator and training of various grant program managers to establish procedures to review grant expenditures for compliance with terms of the grant, and request reimbursement on a monthly basis. These procedures will also include review of salaries and benefits charged to grant programs to ensure they are accurate, allowable, and properly allocated. The Grants Division of Housing will direct grants management employees to record actual time on timesheets rather than create adjusting entries at year end. This procedure will take effect beginning in FY 2018-19.

Corrective Action Plan: The City plans to adopt policies implementing the Administrative Requirements of the Uniform Guidance.

Planned Implementation Date: June 30, 2018

Responsible Person: Assistant CFO Deanne Purcell

2017-004 - Approval of CIP Expenditures (SD)

CFDA Title and Number: 14.218 - Community Development Block Grants

Name of Federal Agency: Department of Housing and Urban Development

Internal Control over Compliance: Activities Allowed or Unallowed

Criteria: 2 CFR 200.62 Internal control over compliance requirements for Federal awards require that entities implement a process so that transactions are executed in compliance with the requirements of Federal awards. It is the City's policy that all expenditures related to CDBG grant awards should be approved by Grants Management on the Request for Payment Against Encumbered Funds form prior to processing of payment.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

Condition: The City does not strictly enforce the policy.

Cause: Approval procedures were not strictly enforced.

Effect or Potential Effect: Activities or costs that are not allowed or allowable could potentially be paid.

Questioned Cost: None

Context: We found seven payments for CIP expenditures out of 30 nonpayroll expenditures that did not have the approval from Grants Management on the Request for Payment Against Encumbered Funds form.

Repeat of a Prior-Year Finding: 2016-004

Recommendation: The City should strengthen its policies and procedures to ensure that Grants Management properly approves all expenditures that are to be paid with Federal awards.

City's Response: The City concurs with the recommendation. Finance staff is currently developing policies and procedures for all grants, including Federal, State, and County. This will include training of a grant coordinator and training of various grant program managers to establish procedures to review grant expenditures for compliance with terms of the grant, and request reimbursement on a monthly basis. These procedures will also include proper approval of all expenditures that are to be paid with grant awards.

Corrective Action Plan: Finance is working with other departments to identify the project manager for each grant and train that person on proper review of expenditures. Workload and conflicting priorities have prevented staff from developing grant policies. The CFO has engaged consultants that will draft policies to implement controls establishing processes for providing reasonable assurance that reporting and compliance objectives are attained. Policies applying to nonstandard items and restricted funds will provide a process to convene persons with the knowledge, skills and experience to establish standards for accounting and reporting for each grant. The City will adopt policies intended to implement the administrative requirements of the Uniform Guidance.

Planned Implementation Date: June 30, 2018 for policies, ongoing for grant specific policies with all current grants completed by September 30, 2018.

Responsible Person: Assistant CFO Deanne Purcell

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

2017-005 - Indirect Cost (SD)

CFDA Title and Number: 14.218 - Community Block Grants

Name of Federal Agency: Department of Housing and Urban Development

Internal Control over Compliance: Allowable Cost

Criteria: 2 CFR Part 200.414 requires that governmental entities support indirect costs with a cost allocation plan or an indirect cost proposal prepared in accordance with the Uniform Guidance. 2 CFR Part 200 Appendices III-VII contain the requirements for the development and submission of indirect cost rate proposals and cost allocation plans. A non-Federal entity that has never received a negotiated indirect cost rate, may elect to charge a de minimis rate of 10% of modified total direct costs.

Condition: The City does not have a cost allocation plan or an indirect cost proposal prepared in accordance with the Uniform Guidance. The City has not elected to use the 10% de minimis rate either. The City charged \$76,912 of indirect costs to Fund 285 based on a City cost allocation plan.

Cause: The Finance Department was not aware of the requirements of the Uniform Guidance with regards to indirect cost. The Finance Department allocated cost to the CDBG and posted the entry without consulting with the grants administrator.

Effect or Potential Effect: Any indirect costs charged to the CDBG program are not eligible for reimbursement.

Questioned Cost: None

Context: The Housing Department discovered the error and did not claim reimbursement for the amount. The amount was not included in the Schedule of Expenditures of Federal Awards.

Repeat of a Prior-Year Finding: 2015-060

Recommendation: The City should establish a cost allocation plan or an indirect cost proposal. Without a cost allocation plan or indirect cost proposal prepared in accordance with the Uniform Guidance, no indirect cost should be charged to Federal grants.

City's Response: The City agrees with auditor's recommendation, but also, other limitations must be considered for each Federal grant. Generally, indirect costs may be subject to grant limits within allowable administrative costs and not be allowable as delivery costs.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

Uniform Guidance requires that reconciliation of SEFA and General Ledger must be accomplished by concurring with department administering entitlement grants and Finance Dept.

Corrective Action Plan: The CFO has engaged consultants to assist in a cost allocation plan.

Planned Implementation Date: July 1, 2019

Responsible Person: CFO Jim Throop

2017-006 - Source Documentation (SD)

CFDA Title and Number: 14.218 - Community Development Block Grants

Name of Federal Agency: Department of Housing and Urban Development

Internal Control over Compliance: Cash Management

Criteria: 24 CFR Part 570.506 (h) Each recipient shall establish and maintain sufficient financial records. Grantees shall maintain evidence to support how the CDBG funds provided are expended. Such documentation must include, to the extent applicable, invoices, schedules containing comparisons of budgeted amounts and actual expenditures, and/or other documentation appropriate to the nature of the activity. Grantee records pertaining to obligations, expenditures, and drawdowns must be able to relate financial transactions to either a specific origin year grant or to program income received during a specific program year.

Condition: The City is not drawing down according to expenditure supporting backup but rather an internal reconciliation tool. Therefore, there were discrepancies between expenditures and their corresponding drawdowns.

Cause: Reconciling procedures were not strictly enforced.

Effect or Potential Effect: Activities or costs that are allowed or allowable could potentially be overpaid or underpaid.

Questioned Cost: No

Context: During our testing of non-payroll expenditures, we found 18 out of 30 items selected for testing that did not reconcile to their corresponding drawdown.

Repeat of a Prior-Year Finding: No

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

Recommendation: The City should establish policies and procedures to ensure that Grants Management properly approves all drawdowns that are to be paid with Federal awards.

City's Response: The City agrees with auditor's recommendation. Drawdown procedures that reconcile each drawdown with supporting expenditures will be implemented going forward.

Corrective Action Plan: Staff turnover, workload and conflicting priorities have delayed development and implementation of comprehensive grant policies. The City will develop and implement control policies to implement the administrative requirements of 2 CFR 200 (Uniform Guidance), including procedures for assuring that personnel costs are charged properly. The CFO has engaged consultants to assist staff in this effort.

Planned Implementation Date: June 30, 2018

Responsible Person: Accountant Chandra Crudup

2017-007 - Schedule of Expenditures of Federal Awards (MW)

CFDA Title and Number: 16.922 - Equitable Sharing Program (Asset Seizure); various grants under the Department of Justice, Department of Homeland Security and Department of Transportation

Name of Federal Agency: Department of Justice, Department of Homeland Security and Department of Transportation

Internal Control over Compliance: Auditee Responsibilities

Criteria: CFR Part 200.508 Auditee Responsibilities state that the auditee must prepare the Schedule of Expenditures of Federal Awards, which must list individual Federal awards by Federal Agency, including the total Federal awards expended, name of pass-through entity, CFDA number, and total amount provided to subrecipients. The information contained in the Schedule of Expenditures of Federal Awards should be derived from and relate directly to the underlying accounting and other records used to prepare the financial statements.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

Condition: The SEFA presented for audit did not include grants from Fund 230 for the Equitable Sharing Program (Asset Seizure) which resulted in an understatement of the SEFA by approximately \$181,000. Various State grants totaling \$576,572 were improperly included as Federal awards from the U.S. Department of Justice. A grant from the Department of Homeland Security amounting to \$14,000 and another grant from Department of Transportation amounting to \$251,000 were improperly included under Department of Justice. We also noted that three programs on the schedule had the incorrect CFDA number, three programs did not include a program title and the total amounts provided to subrecipients from each Federal program was not included. The expenditures reported on the Schedule of Expenditures of Federal Awards for CDBG and for grants awarded by the Department of Homeland Security did not agree with the amounts reported on the City's trial balance for Fund 285 and Fund 238, respectively.

Cause: City does not have effective internal control over the preparation of the Schedule of Expenditures of Federal Awards. The City did not reconcile the expenditures reported on the Schedule of Expenditures of Federal Awards with the amounts reported on the City's general ledger.

Effect or Potential Effect: Potential understatement or overstatement of expenditures could exist in the Schedule of Expenditures of Federal Awards and not be detected and corrected.

Questioned Cost: None

Context: The SEFA presented for audit was overstated by approximately \$396,000. The variance between the SEFA and the expenditures reported in Fund 285 and Fund 238 was approximately \$65,000. We noted a similar finding was issued in prior year and still not addressed.

Repeat of a Prior-Year Finding: 2016-003

Recommendation: We recommend that the City establish policies and procedures to ensure that all Federal awards are identified and reported accurately on the SEFA. Internal controls should be designed to prevent, detect, or correct errors in a timely manner. The City should establish policies and procedures to reconcile amounts reported on the Schedule of Expenditures of Federal Awards with expenditures in the City's general ledger. The City should provide appropriate training to staff who are assigned to prepare and review the SEFA.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

City's Response: The City concurs with the recommendation. Finance staff is currently developing policies and procedures for all grants, including Federal, State, and County. This will include training of a grant coordinator and training of various grant program managers to establish procedures to review grant expenditures for compliance with terms of the grant, and request reimbursement on a monthly basis. These procedures will also include reconciliation of amounts reported on the SEFA with the City's trial balance.

Corrective Action Plan: Reconciliation procedures were implemented in practice. The grants coordinator in Finance is maintaining a listing of all grants in a format that contains all necessary information for completing the SEFA, and is responsible for reconciling the amounts to the GL.

Grant administration policies consistent with the Uniform Guidance will be adopted.

Planned Implementation Date for Grant Administration Policies: June 30, 2018

Responsible Person: Accountant Chandra Crudup

2017-008 - Corrective Action Plan (NC)

CFDA Title and Number: 14.218 - Community Development Block Grants

Name of Federal Agency: Department of Housing and Urban Development

Internal Control over Compliance: Auditee Responsibilities

Criteria: 2 CFR 200.508 states that the auditee must follow-up and take corrective action on audit findings, including preparation of a corrective action plan. 2 CFR 200.511 requires that the auditee must prepare in a separate document a corrective action plan to address each audit finding included in the current year's auditor's reports.

Condition: The City did not prepare a separate corrective action plan to address the 2016 audit findings.

Cause: City staff was not aware that a separate document had to be prepared. The City provided a response to each audit finding within the Single Audit report; however, the response was less in scope than a corrective action plan.

Effect or Potential Effect: Noncompliance with Uniform Guidance requirement.

Questioned Cost: None

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

Context: The Single Audit for the year ended June 30, 2016 was the first year when the requirements of 2 CFR Part 200 Subpart F - Audit Requirements became effective for the City.

Repeat of a Prior-Year Finding: No

Recommendation: The City must prepare a corrective action plan to address each audit finding included in the current year as well as prior-years' audit reports. The corrective action plan must provide the names of contact persons responsible for corrective action, the corrective action planned, and the anticipated completion date.

City's Response and Corrective Action Plan: The City concurs with the recommendation. Finance staff is currently working with consultants that are assisting with the preparation of a corrective action plan to address each audit finding included in the current year as well as prior-years' audit reports. This corrective action plan will provide the names of the contact person responsible for corrective action, the corrective action planned, and the anticipated completion date.

Planned Implementation Date: March 31, 2018

Responsible Person: Assistant CFO Deanne Purcell

FINDINGS AND QUESTIONED COSTS - FINANCIAL STATEMENTS

2017-009 - Accounting for Grants (MW)

Criteria: For grants based on a formula, a receivable and revenue/unavailable revenue should be recognized as soon as all eligibility requirements have been met. For expenditure-driven grants (reimbursement-type grants), a receivable and revenue/unavailable revenue should be recognized when both qualifying expenditures and compliance with contingent requirements such as matching funds, are met. Unavailable revenue is revenue of the current period that is not yet considered available to liquidate liabilities of the current period.

Condition: During our audit, we found errors in seven special revenue funds (grant funds) where receivables and revenue/unavailable revenue were misstated. We proposed an adjustment to these funds, the net effect of which was to decrease revenue by approximately \$950,000.

Cause: The Finance Department does not have appropriate procedures in place to ensure that receivables and revenue/unavailable revenue are properly recorded in the general ledger. Grant receivables and revenue/unavailable revenue were not tracked and reconciled to the general ledger periodically.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

Effect or Potential Effect: Misstatement of grant receivables and revenue/unavailable revenue.

Repeat of a Prior-Year Finding: 2015-055, 2015-056 and 2015-057

Recommendation: The Finance Department should establish procedures to ensure that receivables and revenue/unavailable revenue are properly recorded in the general ledger on a timely basis and adherence to those procedures must be periodically reviewed by the appropriate level of management. Grant receivables and revenue/unavailable revenue should be tracked and reconciled to the general ledger monthly.

City's Response: The City concurs with the recommendation. Turnover, workload and training issues have delayed progress on development of policies and implementation of procedures for grants. A project to implement an internal control framework responsive to the City's single audit findings is underway. In addition, the grant accountant will be tracking and reviewing grant receivables on a regular basis and reconciling to the general ledger.

Corrective Action Plan: The City's consultants will develop Uniform Guidance implementing policies after completing implementing policies for the Internal Control Integrated Framework and providing assistance to Finance Staff in preparing the Fiscal 2017 Single Audit Corrective Action Plan.

Planned Implementation Date: June 30, 2018

Responsible Person: Assistant CFO Deanne Purcell

2017-010 - Accounting for Notes Receivable (MW)

Criteria: Receivables should be recognized when a legally enforceable claim is established. The collectability of the receivables should be evaluated regularly and the allowance for doubtful accounts should be adjusted based on this evaluation. In the governmental funds, revenue that is not available in the current period should be deferred. The related accounts should be analyzed periodically and adjusted for accrued interest, receipt of payments, additional disbursements, and when the revenue becomes available.

Condition: During our audit, we noted that a prior-period adjustment was made to record loans disbursed in prior fiscal years, amounting to approximately \$4.8 million (\$3.0 million loans from the City, and \$1.7 million loans from the Successor Agency). The allowance for doubtful accounts was not evaluated and adjusted prior to the audit. Amounts were misclassified between deferred revenue and allowance for doubtful accounts in Fund 371.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

Cause: The Finance Department does not have appropriate procedures in place to ensure that long-term receivables are properly recorded in the general ledger on a timely basis. There is no policy or procedure in place to evaluate collectability and adjust allowance for doubtful accounts appropriately. Other than during the audit, deferred revenue was not analyzed.

Effect or Potential Effect: Misstatement of receivables, allowance for doubtful accounts, and deferred revenue.

Repeat of a Prior-Year Finding: 2015-063, 2015-064 and 2015-067

Recommendation: Policies and procedures should be established to obtain all long-term agreements entered into by various departments and approved by the City Council. These agreements must be reviewed for proper accounting treatment by the appropriate level of management. Periodically, the related accounts should be analyzed and reconciled to the general ledger.

City's Response: The City concurs with the recommendation. Finance staff will train other departments to identify long-term agreements that have a financial impact and establish procedures for obtaining those agreements for review by Finance Department staff. Finance staff will also be trained on the review of minutes from City Council meetings for such agreements. Finance staff will analyze and review these accounts periodically and make any necessary adjustments.

Corrective Action Plan: Current processes and procedures will be reviewed and updated. Implementing policies for Uniform Guidance will include policies regarding monitoring grant transactions and balances.

Planned Implementation Date: June 30, 2018

Responsible Person: Assistant CFO Deanne Purcell

2017-011 - Properties Held for Sale (MW)

Criteria: The City acts as the successor agency of the former RDA (CDC). The net position and activities of CDC are reported as a private purpose trust fund of the City. Therefore, the Finance Department is responsible for accounting for and reporting the fiduciary net position and activities of the CDC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

Condition: The Finance Department lacks internal control procedures over properties held by the CDC. The Finance Department did not have a complete list of properties held for sale by the CDC. It did not record the transfer of properties from the CDC to the City and it did not record the sale of one of the properties during the year.

Cause: The Finance Department does not have proper procedures in place to record transactions by the CDC completely and timely.

Effect or Potential Effect: Misstatement of fiduciary funds and City funds.

Repeat of a Prior-Year Finding: No.

Recommendation: The Finance Department should strengthen internal controls over the CDC transactions. This could be accomplished by assigning a liaison from the Finance Department to the CDC and improving communications between the two departments.

City's Response: The City concurs with the recommendation. The capital assets inventory and valuation was completed in FY 2016-17 and properties were valued and reconciled to the general ledger. The properties held for sale were inventoried and valued during the field work for the FY 2016-17 audit. The staff is now aware of what is to be accounted for under properties held for sale and is working closely with CDC to properly record any transactions, including additions and deletions due to sale of property that occur during the year. In addition, the CFO has engaged consultants to help with proper internal controls.

Corrective Action Plan: The City is developing policies for the Internal Control Integrated Framework and procedures for properties held by CDC and will work with the CDC on training and improving communication.

Planned Implementation Date: June 30, 2018

Responsible Person: Assistant CFO Deanne Purcell

2017-012 - Journal Entries (MW)

Criteria: Journal entries should be reviewed and approved by the Controller. All journal entries should be accompanied by full explanation and by reference to adequate supporting data.

Condition: We found a journal entry where the amounts did not agree with the supporting documentation, resulting in a misstatement of approximately \$600,000. Another journal entry improperly reversed the allowance for doubtful accounts related to a note receivable.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

Cause: Because of the numerous journal entries posted during the year and especially at the close of the fiscal year, errors are not detected by the reviewer and; therefore, they are not corrected.

Effect or Potential Effect: Financial statements could be misstated due to incorrect journal entries.

Repeat of a Prior-Year Finding: 2015-013 and 2015-043

Recommendation: Strengthen procedures by utilizing journal entry templates for recurring entries. Recurring entries could be reviewed by an accounting manager and initialed by the Controller. Unusual entries should be reviewed by the controller and initialed by assistant CFO or the CFO.

City's Response: The City concurs with the recommendation. The HTE system is not easily configured for journal entries and requires a lot of manual processes. Journal entries require entry using an excel spreadsheet (template), review, approval and an additional entry or upload into the finance system. Normally, the Accounting Manager will review and the Controller will approve the journal entry, including supporting documentation. Journal entries and the supporting documentation have been improved, but need further work.

Corrective Action Plan: This area will be greatly improved with a new finance system, but in the meantime, we will review and update processes and procedures, including who should approve and review the journal entries.

Planned Implementation Date: June 30, 2018

Responsible Person: Controller Christine Williams

2017-013 - Clearing Funds (SD)

Criteria: Clearing funds are used by the Finance Department to accumulate costs that are allocated to various funds or reimbursed by City Corps and Housing Authority. They are temporary in nature and should be "zeroed out" periodically. In addition, balances remaining in the account due to timing differences should be reconciled to subsequent disbursements.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

Condition: Clearing fund #542 is used to record payroll and other payroll related expenditures, including pension, vacation sick-pay and other health related benefits at each pay-period. As expenditures are allocated to various City funds, the clearing fund should have a zero balance. At June 30, 2017, there are various balances remaining in 20 accounts that total approximately \$564,000 that have not been reviewed and reconciled for proper clearing.

Cause: The balances have accumulated over the years because, in the past, the Finance Department did not regularly review the postings in the clearing funds and no adjustments have been made to allocate or refund the remaining amounts to the various funds. Because the balances have carried forward from 4 years ago or more, it has become increasingly difficult to correct the errors.

Effect or Potential Effect: Misclassification of expenditures among funds. When balances remain in these funds, it means the General Fund has either overcharged/undercharged the other funds and/or has been over/under-reimbursed by City Corps or Housing Authority.

Repeat of a Prior-Year Finding: 2015-103

Recommendation: Spend more time to analyze the clearing fund balances and close-out clearing funds periodically, quarterly or at least annually.

City's Response and Corrective Action Plan: The City concurs with the recommendation. The CFO has engaged consultants to implement fundamental elements of the Internal Control Integrated Framework (ICIF) and to create policies for major transaction systems and for business processes to establish control standards. Those standards will include expectations for segregation of duties, assignment of authority and responsibility, reconciliation, information and communication and monitoring for persons with responsibility for systems of processes. Valuation and reporting presentation of related balance sheet accounts will also be covered. In the meantime, staff will be assigned to spend time analyzing the clearing fund balance and make any necessary adjustments and continue this process going forward, quarterly or at least on an annual basis.

Planned Implementation Date:

ICIF implementing policies, including control activity standards: June 30, 2018

Control activity design and documentation: June 30, 2019

Responsible Person: Controller Christine Williams

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

2017-014 - Accrued Receivables (SD)

Criteria: Accrued receivables are related to taxes, interest, and other sources of revenue that have not been billed. Accrued receivables and revenue/unavailable revenue should be recognized when an enforceable claim occurred.

Condition: During our audit, we noted several items totaling over \$1 million in receivables not recorded at the end of the fiscal year.

Cause: The procedures in place for accrued receivables is not sufficient to ensure that receivables and revenue/unavailable revenue are recorded in the appropriate accounting period.

Effect or Potential Effect: Misstatement of receivables, allowance for doubtful accounts, and revenue.

Repeat of a Prior-Year Finding: No.

Recommendation: The Finance Department should strengthen internal controls over the revenue cycle. This should include periodically evaluating the reasonableness of financial data (looking at the big picture or analytical review). The current financial data may be compared with prior periods or other available data in the current period, and the current financial data may be compared with expectations, such as budgets.

City's Response and Corrective Action Plan: The City concurs with the recommendation. The CFO has engaged consultants to implement policies and procedures that will include instruction for proper accounting, analysis and reconciliation of general ledger accounts, including accrued receivables. In addition, the Finance Department is currently working with finalizing templates that were created to ensure proper revenue variance analysis is completed prior to accounts receivable and revenue accruals. Procedures are being implemented to insure that no duplication of accruals occur.

Planned Implementation Date: June 30, 2018

Responsible Person: Assistant CFO Deanne Purcell

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

2017-015 - Accrued Expenses (SD)

Criteria: At the end of every accounting period, there will be some vendor invoices that have not yet been approved for payment. As a result, these amounts will not have been entered into the accounts payable account (AP). These documents should be reviewed in order to determine whether a liability and an expense have actually been incurred by the City as part of the Finance Department's monthly cut-off procedures. When liabilities are identified, the amounts should be recorded as accrued expenses.

Condition: The Finance Department did not accrue expenditures totaling \$672,000.

Cause: The Finance Department's cut-off procedures to ensure expenditures are recorded in the appropriate accounting period was not adequate to detect significant errors.

Effect or Potential Effect: Understatement of accrued expenses and expenses.

Repeat of a Prior-Year Finding: No.

Recommendation: The Finance Department should strengthen internal controls over the expenditure cycle. Subsequent disbursements should be reviewed and evaluated thoroughly for accrual. There must be procedure in place to approve and record the accruals. In addition, the reasonableness of financial data (looking at the big picture or analytical review) should be periodically evaluated. The current financial data may be compared with prior periods or other available data in the current period, and the current financial data may be compared with expectations, such as budgets.

City's Response and Corrective Action Plan: The City concurs with the recommendation. The CFO has engaged consultants to implement policies and procedures that will include instruction for proper accounting, analysis and reconciliation of general ledger accounts, including accrued expenses. In addition, the Finance Department is currently working on 1) stricter deadlines for when the prior-year invoices need to be sent to Accounts Payable from the various City departments for request of payment, and 2) updating procedures for review of invoices in order to determine the proper accounting period/fiscal year that the invoice should be recorded.

Planned Implementation Date: June 30, 2018

Responsible Person: Assistant CFO Deanne Purcell

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

2017-016 - Information Technology General Controls (SD)

Criteria: The City should establish and implement comprehensive data security controls to protect sensitive data, mitigate risks to confidentiality, and ensure the integrity and availability of data in the City's information systems.

Condition: We found the following deficiencies in data security controls:

1. There is no formal information security training provided to personnel.
2. There is no periodic review of user access to ensure that employee and contractor system access permissions remain appropriate based on job function.
3. There is no full disk encryption on laptops to ensure that data is appropriately protected in the event of a loss or theft of a laptop.
4. There are no enforced restrictions on the use of remote devices such as USB drives to remove data from the systems.
5. Access to certain secured areas is granted by use of a shared access code which is not changed on a regular basis. This presents the risk that the code is inappropriately shared and that access is not appropriately tracked.
6. There is no documented business continuity or disaster recovery plan. There is also no testing of disaster recovery and business continuity capabilities to help ensure the City is well prepared in the event of a significant business disruption.
7. There is no formal third-party vendor risk management program to ensure that key vendors are identified, their access is monitored and their controls are periodically evaluated. This would include reviewing SOC2 reports for critical vendors.
8. There is no activity logging of the system administrators with access to all system functionality.
9. Programmers have the ability to develop, test and implement their own changes. This presents the risk that unauthorized changes are implemented into the production environment.
10. No third-party security and vulnerability audits are conducted to monitor for attempted hacking of the system and to appropriately notify personnel in the event of a successful system hack.
11. Management has an informal process in place for removing system access for terminated employees. Documentation of the revocation of system access may not be available for audit purposes.

Cause: The City has not fully implemented the recommended actions as discussed in the Information Technology 4-year Master Plan Final Report issued in October 2015. The recommended actions to take place between 3 to 18 months period include completing disaster recovery and business continuity plans, enhanced backup and recovery processes, periodic testing, and implementation of a change management plan.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

Effect or Potential Effect: Identity theft, improper use of City assets, loss of information, incomplete official records.

Repeat of a Prior-Year Finding: No.

Recommendations:

1. Management should perform an information security awareness training during new employee onboarding and refresh annually.
2. Management should perform and document a review of system access permissions on at least an annual basis.
3. Management should consider encrypting all laptops used by employees.
4. Management should consider disabling USB ports or limiting the use of remote devices.
5. Management should consider implementing an access badge system for secured areas.
6. Management should document a formal business continuity and disaster recovery plan and perform testing of business continuity and IT disaster recovery capabilities.
7. Management should consider implementing a third-party vendor risk management program to evaluate and monitor key vendors.
8. Management should consider reviewing system administrator access privileges and logging their activity to help prevent unauthorized activity on the system.
9. Management should consider performing an independent review of changes on a periodic basis.
10. A third-party company providing managed security services should be considered for security audits to complete recurring vulnerability and penetration testing.
11. Management should formalize the process for revoking system access for terminated employees and retain evidence for audit.

City's Response and Corrective Action Plan:

1. There is no formal information security training provided to personnel.

The City concurs with certain recommendations and will implement the following controls:

New employees are currently required to review and sign the City's "Personnel Rules and Regulations Manual" with an emphasis on Section 18.4 (Use of Technology and Devices - Pages 110 & 111). In addition, before any employee is granted access to any City information technology system, they are required to complete and sign the City's Information Technology Access Request Form which acknowledges that the employee has received, read and understood the City's Administrative Manual sections B10, B11 and B12 regarding the City's Information Technology Policies.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

Corrective Action Plan: The current version of the City's "Personnel Rules and Regulations Manual" was adopted on July 18, 2017. IT will develop a Security Awareness training program that will be implemented by September 30, 2018 and refreshed annually.

Planned Implementation Date: September 30, 2018 and refreshed annually.

Responsible Person: IT Director, Keith Brooks

2. There is no periodic review of user access to ensure that employee and contractor system access permissions remain appropriate based on job function.

Corrective Action Plan: The City concurs with this recommendation and will implement the following controls: IT will prepare and distribute reports detailing users and system access to department managers for review and approval on an annual basis. IT will implement access request changes as authorized by those Department Managers. This will be met with IT Internal Self Audit # 1. The creation of professional industry recognized IT Internal Controls will require the City Council and City Manager continuing to place a high priority on the Corrective Action Plan by providing funding for needed consultant assistance. In addition, the City must fund and implement a modern Enterprise Resource Planning (ERP) system that incorporates full system level audit controls.

Planned Implementation Date: Self Audit's to begin on May 1, 2018 and will be conducted annually thereafter.

Responsible Person: IT Director, Keith Brooks

3. There is no full disk encryption on laptops to ensure that data is appropriately protected in the event of a loss or theft of a laptop.

The City concurs with the finding. However, newer cloud-based technology adopted by the City alleviates the requirement of both laptop and device-based encryption. For legacy systems currently in use, the Department will need additional funding to implement this additional internal control for specific laptops.

The cloud based technology in use is Google Enterprise applications. No email is stored on laptops, although some data may be in laptops by authorized individuals. All Laptops require password authentication for use.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

Corrective Action Plan: The creation of professional industry recognized IT Internal Controls will require the City Council and City Manager continuing to place a high priority on the Corrective Action Plan by providing funding for needed consultant assistance. In addition, the City must fund and implement a modern Enterprise Resource Planning system that incorporates full system level audit controls.

Planned Implementation Date: Finance estimates December 31, 2019 for ERP implementation

Responsible Person: IT Director, Keith Brooks

E+P's Comment: The City's corrective action plan is not responsive to the finding.

4. There are no enforced restrictions on the use of remote devices such as USB drives to remove data from the systems.

The City concurs with the finding. However, USB ports are not the only data egress outlets in today's technological options; so this finding does not alleviate relevant security concerns.

Corrective Action Plan: The City must fund and implement a modern Enterprise Resource Planning system that incorporates full system level audit controls.

Planned Implementation Date: Finance estimates December 31, 2019 for ERP implementation

Responsible Person: IT Director, Keith Brooks

5. Access to certain secured areas is granted by use of a shared access code which is not changed on a regular basis. This presents the risk that the code is inappropriately shared and that access is not appropriately tracked.

The City concurs with the recommendation. Expanded deployment of our existing badge access control system is needed to secure all critical City facilities. IT would require additional resources to implement this solution.

Access to secured area is controlled with keypad combination locks. The code is available only to specific authorized users who have passed our security clearance background check. Entrance into the secured area is logged. The Internal Control documenting quarterly access code changes will be implemented along with quarterly reviews of Access Logs and authorized user access. This will be met with IT Internal Self Audits # 2, 3, and 7.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

Corrective Action Plan: We do not have the ability to assign specific door codes by person. To achieve the recommendations, funding would be required to implement an access control system. It will be requested with this fiscal year's IT Budget.

Planned Implementation Date: Self Audit's to begin on May 1, 2018 and will be conducted quarterly thereafter. Completion dates for implementing an access control system pending based on available funding.

Responsible Person: IT Director, Keith Brooks

6. There is no documented business continuity or disaster recovery plan. There is also no testing of disaster recovery and business continuity capabilities to help ensure the City is well prepared in the event of a significant business disruption.

The City Concurs with the recommendation. Traditionally, a City's Business Continuity Plan is a part of the Risk Management Division which resides within the Human Resources Department. The IT Department will work under the lead of the Human Resources' Risk Management Division to complete the IT portions of a robust plan to mitigate risks to the City.

Corrective Action Plan: The City's Disaster Recovery plan for financial systems is in place and has been tested. IT will formalize the process for annual testing of our financial systems. All tests and results will be documented in our internal control documentation. This will be met with IT Internal Self Audits # 6.

Planned Implementation Date: Self Audit's to begin on May 1, 2018 and will be conducted annually thereafter for financial systems. The creation of professional industry recognized IT Internal Controls will require the City Council and City Manager continuing to place a high priority on the Corrective Action Plan by providing funding for needed consultant assistance.

Responsible Person: IT Director, Keith Brooks

7. There is no formal third party vendor risk management program to ensure that key vendors are identified, their access is monitored and their controls are periodically evaluated. This would include reviewing SOC2 reports for critical vendors.

The City concurs with this recommendation.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

Corrective Action Plan: The creation of professional industry recognized IT Internal Controls will require the City Council and City Manager continuing to place a high priority on the Corrective Action Plan by providing funding for needed consultant assistance. In addition, the City must fund and implement a modern Enterprise Resource Planning system that incorporates full system level audit controls.

Planned Implementation Date: Dependent on funding.

Responsible Person: IT Director, Keith Brooks

8. There is no activity logging of the system administrators with access to all system functionality.

Corrective Action Plan: The City concurs with certain recommendations and will implement the following controls: Access privileges are reviewed and all access is logged. Internal control will be established to document review of these logs. As part of our internal controls IT will implement Change Management process and documentation for all production changes with evidence maintained as part of self-audit processes. This will be met with IT Internal Self Audits # 1 and 4.

Planned Implementation Date: Self Audit's to begin on May 1, 2018 and will be conducted quarterly thereafter. The creation of professional industry recognized IT Internal Controls will require the City Council and City Manager continuing to place a high priority on the Corrective Action Plan by providing funding for needed consultant assistance. In addition, the City must fund and implement a modern Enterprise Resource Planning system that incorporates full system level audit controls.

Responsible Person: IT Director, Keith Brooks

9. Programmers have the ability to develop, test and implement their own changes. This presents the risk that unauthorized changes are implemented into the production environment.

Corrective Action Plan: The City concurs with the finding. A formal Quality Assurance process was established last year as a function of the Help Desk Division. Most major changes are now evaluated and approved by this team prior to release. The creation of professional industry recognized IT Internal Controls will require the City Council and City Manager continuing to place a high priority on the Corrective Action Plan by providing funding for needed consultant assistance. In addition, the City must fund and implement a modern Enterprise Resource Planning system that incorporates full system level audit controls and includes separate test and production environments to allow testing of changes prior to release.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

Implemented: IT Internal QA process began November 16, 2017. Finance estimates December 31, 2019 for ERP implementation.

Responsible Person: IT Director, Keith Brooks

10. A third-party company providing managed security services should be considered for security audits to complete recurring vulnerability and penetration testing.

Corrective Action Plan: To achieve the recommendations. Funding would be required to retain a third party company to provide managed security services and perform vulnerability and penetration testing. IT will be requesting this funding as part of the 2018-2019 budget.

Planned Completion Date: December 31, 2018. Dependent on funding.

Responsible Person: IT Director, Keith Brooks

11. Management has an informal process in place for removing system access for terminated employees. Documentation of the revocation of system access may not be available for audit purposes.

The City disagrees with the finding. A formal process is in place for removing and archiving data for specific employees who leave or transition to a different organizational unit in accordance with the City's retention schedule.

Yearly shared Google Sheets document all Personnel Changes, Onboarding, Offboarding, Departmental Change, and Office Relocations. This is collaborated on by HR and IT in lieu of these functions being present in an ERP system. These are documented under the City's Administrative Manual sections B10, B11 and B12 regarding the City's Information Technology Policies.

Corrective Action Plan: The creation of professional industry recognized IT Internal Controls will require the City Council and City Manager continuing to place a high priority on the Corrective Action Plan by providing funding for needed consultant assistance. In addition, the City must fund and implement a modern Enterprise Resource Planning system that incorporates full system level audit controls.

Planned Implementation Date: Manual process currently implemented. Automated process will be available in the new ERP system Finance estimates will be implemented December 31, 2019.

Responsible Person: IT Director, Keith Brooks

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

E+P's Comment: Our finding stands as noted. We will verify implementation during our audit for FY 2018.

2017-017 - Accounting for Developer Deposits (BP)

Criteria: Developer deposits should be recorded as a liability when collected. Refunds of deposits should be deducted from the liability. When a developer forfeits a deposit, the deposit amount should be recognized as revenue.

Condition: The Finance Department records deposits as revenues and refunds of deposits as expenses. The Finance Department does not track which developer made deposits, who is owed a refund, and if the refund was already made. Forfeitures are also not tracked.

Cause: There is no policy or procedure in place for the recording of developer deposits.

Effect or Potential Effect: Misstatement of revenue and expenses. Duplicate refunds may not be detected.

Repeat of a Prior-Year Finding: No.

Recommendation: The Finance Department should develop and implement appropriate policies and procedures for the accounting and tracking of developer deposits.

City's Response and Corrective Action Plan: The City concurs with the recommendation. The Finance Department has assigned a staff member to review the area of deposits. Included in this review will be developer deposits. The Finance Department will work on processes and procedures for recording deposits and more specific to the finding, developer deposits will be recorded as a liability when collected, refunds deducted from the liability and forfeits of a deposit recognized as revenue. The Finance Department will also look for a way to track these deposits by developer.

Planned Implementation Date: June 30, 2018

Responsible Person: Controller Christine Williams

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

2017-018 - Employment Tax Recordkeeping (BP)

Criteria: All employers are required to keep all records of employment taxes, including Forms W-4, and Federal Withholding Allowance Certificate, for at least four years after filing the 4th quarter for the year. In addition, all employers must ensure proper completion of Form I-9, Employment Eligibility Verification, for each individual they hire.

Condition: Out of 50 employee files examined, we noted several W-4s and I-9s were missing. Upon further request, the HR department was able to produce all but one W-4.

Cause: There is no procedure in place to review employee files for completeness.

Effect or Potential Effect: Noncompliance with Federal regulation.

Repeat of a Prior-Year Finding: No.

Recommendation: The HR Department should ensure that the employee files are complete. If instances come up where forms cannot be located, client should get in contact with employee to get the forms completed.

City's Response and Corrective Action Plan: The City concurs with the recommendation. The Finance Department and HR Department will meet to review the current procedures and recordkeeping of employment taxes, including Forms W-4 and I-9. The City will follow the recommendation of the auditors that for segregation of duties, HR should maintain the employee file that includes Forms W-4 and I-9 and provide a copy to payroll.

Planned Implementation Date: June 30, 2018

Responsible Person: HR Director, Steve Naveau and Controller Christine Williams

2017-019 - Interest Allocation (BP)

Criteria: The City pools all of its internal cash and investments, with each fund reporting its equity in the pool as an asset. When funds overdraw their equity in the pool, the overdrawn fund reports its position in the pool as a liability (due to other funds), and the General Fund reports a receivable (due from other funds). Interest and other investment income is allocated based on the funds' equity in the pool.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

Condition: The Finance Department does not have a policy in place to allocate interest income to various funds during the year. Funds with a negative position (liability) were allocated negative interest income (interest expense).

Cause: The Finance Department does not have a policy in place to allocate interest income to various funds during the year.

Effect or Potential Effect: The allocation of interest income may be inconsistently applied.

Repeat of a Prior-Year Finding: No.

Recommendation: The Finance Department should establish and implement a policy to allocate interest income to various funds during the year.

City's Response and Corrective Action Plan: The City concurs with the recommendation. The Finance Department will be reviewing the interest allocation and will work on adhering to the recommendation of the auditors establishing and implementing a policy to allocate interest income to various funds during the year.

Planned Implementation Date: June 30, 2018

Responsible Person: Controller Christine Williams

CITY OF OXNARD
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2017

FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL PROGRAMS

2016-001 - Performance Reporting (SD)

CFDA Title and Number: 14.218 - Community Development Block Grants
Name of Federal Agency: Department of Housing and Urban Development
Internal Control over Compliance: Section 3 Summary Reports

Criteria: 2 CFR Part 200, Appendix XI, Compliance Supplement requires recipients that administer covered housing and community development assistance in excess of \$200,000 in a program year must submit HUD 60002, Section 3 Summary Report.

Condition: The City hired an outside consultant to prepare the Section 3 Summary Report; however, this report was not reviewed prior to submission to Department of Housing of Urban Development. In addition, the City did not maintain documentation showing that the Section 3 Summary Report was submitted as required by the Compliance Supplement.

Cause: The City did not have proper procedures that required City staff to review the Section 3 Summary Report prepared by an outside consultant. There was no proper procedure to maintain documentation that the Section 3 Summary Report was submitted.

Effect or Potential Effect: Potential errors could exist and not be detected and corrected. Potential noncompliance with the reporting requirement.

Questioned Cost: None

Repeat of a Prior-Year Finding: No

Recommendation: The City should establish policies and procedures to review and approve Section 3 Summary Reports that are prepared by outside consultants and to maintain required documentation showing proof of performance reporting.

SCHEDULE OF PRIOR AUDIT FINDINGS (Continued)

City's Response 2016: The City concurs with the recommendation. Finance staff is currently developing policies and procedures for all grants, including Federal, State, and County. This will include training of a grant coordinator and training of various grant program managers to establish procedures to review grant expenditures for compliance with terms of the grant, and request reimbursement on a monthly basis. These procedures will also include review of reports that are prepared by outside consultants and maintain required documentation showing proof of performance reporting.

City's Response 2017: The CDBG Coordinator will review the report and maintain required documentation. The City plans to adopt implementing policies for Uniform Guidance Administrative Requirements and grant administration.

Corrective Action Plan: The City plans to adopt implementing policies for Uniform Guidance Administrative Requirements and grant administration.

Planned Implementation Date: June 30, 2018

Responsible Person: Assistant CFO Deanne Purcell

E+P's Comment 2017: Not yet started. See also current year finding 2017-001.

2016-002 - Compensation for Personal Services (SD)

CFDA Title and Number: 14.218 - Community Development Block Grants

Name of Federal Agency: Department of Housing and Urban Development

Internal Control over Compliance: Documentation for Salaries and Wages

Criteria: Charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed. Records must support the distribution of the employee's salary or wages among specific activities or cost objectives if the employee works on more than one Federal award (24 CFR Section 200.430 (h)(4)(v)).

Condition: The City's payroll records did not accurately reflect the actual hours worked by employees whose salaries and wages are charged to CDBG. The City estimated payroll expenditures charged to the grant throughout the year. At year-end, the City adjusted the expenditures to reflect the actual hours for all employees paid with Federal awards.

Cause: The City processes payroll before the actual payroll period ends. As such, employees turn in their timesheets with estimated hours.

SCHEDULE OF PRIOR AUDIT FINDINGS (Continued)

Effect or Potential Effect: Manual adjustments could potentially result in understatement or overstatement of expenditures reported in the Schedule of Expenditures of Federal Awards.

Questioned Cost: None

Repeat of a Prior-Year Finding: No

Recommendation: The City should establish policies and procedures to support a system of internal control which provides a reasonable assurance that the charges to Federal awards for salaries and benefits are accurate, allowable, and properly allocated.

City's Response 2016: The City concurs with the recommendation. Finance staff is currently developing policies and procedures for all grants, including Federal, State, and County. This will include training of a grant coordinator and training of various grant program managers to establish procedures to review grant expenditures for compliance with terms of the grant, and request reimbursement on a monthly basis. These procedures will also include review of salaries and benefits charged to grant programs to ensure they are accurate, allowable, and properly allocated.

City's Response 2017: The City plans to adopt policies implementing the Administrative Requirements of the Uniform Guidance.

Planned Implementation: June 30, 2018

Responsible Person: Assistant CFO Deanne Purcell

E+P's Comment 2017: Not yet started. See also current year finding 2017-003.

2016-003 - Reconciliation to Trial Balance (SD)

CFDA Title and Number: 14.218 - Community Development Block Grants

Name of Federal Agency: Department of Housing and Urban Development

Internal Control over Compliance: Reconciliation of Schedule of Expenditures of Federal Awards to Trial Balance

Criteria: The information contained in the Schedule of Expenditures of Federal Awards should be derived from and relate directly to the underlying accounting and other records used to prepare the financial statements.

SCHEDULE OF PRIOR AUDIT FINDINGS (Continued)

Condition: The expenditures reported on the Schedule of Expenditures of Federal Awards for CDBG did not agree with the amounts reported on the City's trial balance for Fund 285.

Cause: The City does not have effective internal control over the preparation of the Schedule of Expenditures of Federal Awards. The City did not reconcile the expenditures reported on the Schedule of Expenditures of Federal Awards with the amounts reported on the City's trial balance for Fund 285.

Effect or Potential Effect: Potential understatement or overstatement of expenditures could exist in the Schedule of Expenditures of Federal Awards and not be detected and corrected.

Questioned Cost: None

Repeat of a Prior-Year Finding: No

Recommendation: The City should establish policies and procedures to reconcile amounts reported on the Schedule of Expenditures of Federal Awards with expenditures in the City's Fund 285 trial balance.

City's Response 2016: The City concurs with the recommendation. Finance staff is currently developing policies and procedures for all grants, including Federal, State, and County. This will include training of a grant coordinator and training of various grant program managers to establish procedures to review grant expenditures for compliance with terms of the grant, and request reimbursement on a monthly basis. These procedures will also include reconciliation of amounts reported on the SEFA with the City's trial balance.

City's Response 2017: Reconciliation procedures were implemented in practice. The grants coordinator in Finance is maintaining a listing of all grants in a format that contains all necessary information for completing the SEFA, and is responsible for reconciling the amounts to the GL. Grant administration policies consistent with the Uniform Guidance will be adopted.

Planned Implementation Date: June 30, 2018

Responsible Person: Accountant Chandra Crudup

E+P's Comment 2017: Not yet started. See also current year finding 2017-007.

SCHEDULE OF PRIOR AUDIT FINDINGS (Continued)

2016-004 - Approval of CIP Expenditures (SD)

CFDA Title and Number: 14.218 - Community Development Block Grants

Name of Federal Agency: Department of Housing and Urban Development

Internal Control over Compliance: Grants Management approval on CIP expenditures

Criteria: All expenditures related to CDBG grant awards should to be approved by Grants Management on the Request for Payment Against Encumbered Funds form prior to processing of payment.

Condition: We found three payments for CIP expenditures for Campus Park Gymnasium which did not have the approval from Grants Management on the Request for Payment Against Encumbered Funds form.

Cause: Approval procedures were not strictly enforced.

Effect or Potential Effect: Activities or costs that are not allowed or allowable could potentially be paid.

Questioned Cost: None

Repeat of a Prior-Year Finding: No

Recommendation: The City should establish policies and procedures to ensure that Grants Management properly approves all expenditures that are to be paid with Federal awards.

City's Response 2016: The City concurs with the recommendation. Finance staff is currently developing policies and procedures for all grants, including Federal, State, and County. This will include training of a grant coordinator and training of various grant program managers to establish procedures to review grant expenditures for compliance with terms of the grant, and request reimbursement on a monthly basis. These procedures will also include proper approval of all expenditures that are to be paid with grant awards.

SCHEDULE OF PRIOR AUDIT FINDINGS (Continued)

City's Response 2017: Finance is working with other departments to identify the project manager for each grant and train that person on proper review of expenditures. Workload and conflicting priorities have prevented staff from developing grant policies. The CFO has engaged consultants that will draft policies to implement controls establishing processes for providing reasonable assurance that reporting and compliance objectives are attained. Policies applying to nonstandard items and restricted funds will provide a process to convene persons with the knowledge, skills and experience to establish standards for accounting and reporting for each grant. The City will adopt policies intended to implement the administrative requirements of the Uniform Guidance.

Planned Implementation Date: June 30, 2018 for policies, ongoing for grant specific policies with all current grants completed by September 30, 2018.

Responsible Person: Assistant CFO Deanne Purcell

E+P's Comment 2017: Not yet started. See also current year finding 2017-004.

2015-001 - Compensation for Personal Services

CFDA Title and Number: 97.083 - Staffing for Adequate Fire and Emergency Response and 97.044 - Assistance to Firefighters Grant

Name of Federal Agency: Department of Homeland Security

Name of Pass-through Agency: The Ventura County Sheriff's Office for 97.083 and Not Applicable for 97.044

Compliance Requirement: B. Allowable Costs/Cost Principles

Finding: OMB Circular A-87 requires that an after-the-fact Documentation, semi-annual time certification for employees who work solely on a single Federal awards and monthly time certification for employees who worked on multiple activities. These certifications must be signed by the employee. The required after-the fact documentation is not prepared to support time and effort for employees whose salaries are charged to Federal funds.

Questioned Cost: \$179,765

Recommendation: The City should establish policies and procedures to maintain after-the-fact certification. The form should reflect an after-the-fact distribution of the actual activity of each employee and will be signed by the employee.

SCHEDULE OF PRIOR AUDIT FINDINGS (Continued)

City's Response 2016: We concur with the recommendation, and it was implemented effective July 2016. Staff worked with FEMA representatives to clearly define the required certifications of time worked under the grant. Employees assigned to this grant spend 100% of their time on operations under the grant. Time certifications will be signed by the supervisor acknowledging all the employees that were paid for by the grant and that they worked 100% of their time under the grant. Although no longer a requirement for FY 2015-16, these certifications will continue to be prepared semi-annually.

City's Response 2017: Implemented. After-the-fact certification forms were completed for FY's 2014-15 and sent to FEMA on 4-10-17. The Fire division will continue to prepare the certification forms on a semi-annual basis, although no longer a statutory requirement. Beyond implementing appropriate after the fact certification for DHS staffing grants, the City will design and implement policies and procedures to provide reasonable assurance that it remains in compliance with the administrative requirements of 2 CFR 200 (Uniform Guidance) relating to personnel charges to grants. The City has contracted with consultants to assist staff in this effort.

Planned Implementation Date: June 30, 2018

Responsible Person: Accountant Chandra Crudup

Status 2016: No longer applicable; the requirement was revised by the Uniform Guidance.

E+P's Comment 2017: After-the-fact certification is no longer required. However, the City should develop policies and procedures related to compensation for personal services. See also current year finding 2017-003.

2015-002 - Subrecipient Monitoring

CFDA Title and Number: 14.218 - Community Development Block Grants

Name of Federal Agency: Department of Housing and Urban Development

Internal Control over Compliance: Subrecipient monitoring

Finding: Per OMB Circular A-133 Subpart D §____.400(d), a pass-through entity is responsible for monitoring their subrecipient's use of Federal awards to ensure that the subrecipient administers Federal awards in compliance with laws, regulations, and the provisions of contracts and grant, and that performance goals are achieved. The City passed through funds to Community Action of Ventura County. The City does not request or monitor their performance or financial reports.

Questioned Cost: \$61,286

SCHEDULE OF PRIOR AUDIT FINDINGS (Continued)

Recommendation: The City should establish policies and procedures to monitor their subrecipients during the award period through reporting, site visit, regular contact, or other means.

City's Response 2016: We concur with the recommendation, and it was implemented during FY 2016-17. The City now has policies and procedures in place to monitor grant subrecipients. For the fiscal year ended June 30, 2015, they are contained in Section CR-40 Monitoring 91.220 and 91.230 (page 26) of the annual Comprehensive Annual Performance Evaluation Report (CAPER), approved by the City Council and the U.S. Department of Housing & Urban Development (HUD). The policies cover activities from the pre-award stage, selection of applicants to be subrecipients, to the year-end monitoring and site visits.

Quarterly reports from subrecipients, including financial information, are also submitted to the City with information inputted into Integrated Disbursement and Information System (IDIS), a Federal database used by HUD.

An on-site monitoring visit was done in October 2015 for Community Action of Ventura County (CAVC). This was in accordance with the schedule and plan spelled out in the CAPER (page 26). Follow-up site visits in October 2015, March 2016, and June 2016 regarding FY 2014-2015 were carried out in March and on June 23, 2016. FY 2015-16 files were also looked at in June 2016 to see if the weaknesses in the 2014-2015 files had been corrected, however, the site visits were, again, for review of FY 2014-2015 only.

Finance staff is currently developing policies and procedures for all grants, including Federal, State, and County. This will include training of a grant coordinator and training of various grant program managers to establish procedures to review grant expenditures for compliance with terms of the grant, and request reimbursement on a monthly basis. These procedures will also include maintaining proper documentation to support subrecipient monitoring.

Implemented. The HUD grant coordinator in Housing is aware of the subrecipient monitoring procedures and will maintain appropriate documentation.

City's Response 2017: Staff turnover, workload and conflicting priorities have delayed development and implementation of comprehensive grant policies. The City will develop and implement control policies to implement the administrative requirements of 2 CFR 200 (Uniform Guidance). The CFO has engaged consultants to assist staff in this effort.

Planned Implementation Date: June 30, 2018

Responsible Person: Accountant Chandra Crudup

SCHEDULE OF PRIOR AUDIT FINDINGS (Continued)

Status 2016: Implemented.

E+P's Comment 2017: There was no compliance finding in 2017; however, the policies and procedures have not been established.

2015-003 - Compensation for Personal Services

CFDA Title and Number: 14.218 - Community Development Block Grants

Name of Federal Agency: Department of Housing and Urban Development

Name of Pass-through Agency: Not Applicable

Compliance Requirement: B. Allowable Costs/Cost Principles

Finding: OMB Circular A-87 requires that an after-the-fact Documentation, semi-annual time certification for employees who work solely on a single Federal awards and monthly time certification for employees who worked on multiple activities. These certifications must be signed by the employee. The required after-the fact documentation is not prepared to support time and effort for employees whose salaries are charged to Federal funds.

Questioned Cost: \$21,388

Recommendation: The City should establish policies and procedures to maintain after-the-fact certification. The form should reflect an after-the-fact distribution of the actual activity of each employee and should be signed by the employee.

City's Response 2016: We concur with the recommendation, and it will be implemented effective July 1, 2017. The Housing Department HOME program and Grants Management staff complete a monthly "after-the-fact" Activity Log and Labor Distribution Report respectively. These records provide "after-the-fact" certification.

Finance staff is currently developing policies and procedures for all grants, including Federal, State, and County. This will include training of a grant coordinator and training of various grant program managers to establish procedures to review grant expenditures for compliance with terms of the grant, request reimbursement on a monthly basis, and comply with all reporting requirements. These procedures will also include time certifications signed by the supervisor acknowledging all the employees that were paid for by the grant and that they worked 100% of their time under the grant. Although no longer a requirement for FY 2015-16, these certifications will continue to be prepared semi-annually.

SCHEDULE OF PRIOR AUDIT FINDINGS (Continued)

City's Response 2017: Implemented. The HUD grant coordinator in Housing is aware of the after-the-fact certification of time procedures and will maintain appropriate documentation. Staff turnover, workload and conflicting priorities have delayed development and implementation of comprehensive grant policies. The City will develop and implement control policies to implement the administrative requirements of 2 CFR 200 (Uniform Guidance), including procedures for assuring that personnel costs are charged properly. The CFO has engaged consultants to assist staff in this effort.

Planned Implementation Date: June 30, 2018

Responsible Person: Accountant Chandra Crudup

Status 2016: No longer applicable; the requirement was revised by the Uniform Guidance.

E+P's Comment 2017: After-the-fact certification is no longer required. However, the City should develop policies and procedures related to compensation for personal services. See also current year finding 2017-003.

2015-004 - Administrative and Planning Costs

CFDA Title and Number: 14.239 - Home Investment Partnerships Program

Name of Federal Agency: Department of Housing and Urban Development

Name of Pass-through Agency: Not Applicable

Compliance Requirement: G. Matching, Level of Effort, Earmarking

Finding: According to 24 CFR 92.207, a participating jurisdiction may expend for HOME administrative and planning costs an amount of HOME funds that is not more than ten percent of the fiscal year HOME basic formula allocation. During our audit of administrative costs, we noted that 11.17% was expended for administrative and costs.

Questioned Cost: \$8,271

Recommendation: Establish procedures and proper review process to ensure the program is not expending more than ten percent of the funds on administrative and planning costs.

City's Response 2016: We concur with the recommendation, and it will be implemented effective July 1, 2017. Finance staff is currently developing policies and procedures for all grants, including Federal, State, and County. This will include training of a grant coordinator and training of various grant program managers to establish procedures to review grant expenditures for compliance with terms of the grant, request reimbursement on a monthly basis, and comply with all reporting requirements. These procedures will also include monitoring compliance with administrative expenditure limits.

SCHEDULE OF PRIOR AUDIT FINDINGS (Continued)

City's Response 2017: Implemented. The HUD grant coordinator in Housing is aware of the 10% administrative cost limitation procedures and will maintain appropriate documentation. Staff turnover, workload and conflicting priorities have delayed development and implementation of comprehensive grant policies. The City will develop and implement control policies to implement the administrative requirements of 2 CFR 200 (Uniform Guidance), including procedures for assuring that personnel costs are charged properly. The CFO has engaged consultants to assist staff in this effort.

Planned Implementation Date: June 30, 2018

Responsible Person: Accountant Chandra Crudup

Status 2016: Not a finding in 2016.

E+P's Comment 2017: Implemented. However, the City should develop policies and procedures related to Uniform Guidance.

FINDINGS AND QUESTIONED COSTS - FINANCIAL STATEMENTS

2016-005 - Segregation of Duties Between Payroll and Human Resources (SD)

Criteria: Segregation of duties - the functions of authorization, recording or reconciling, and maintaining custody of assets should be segregated.

Finding: There is a lack of segregation of duties in the payroll cycle. Personnel who are have responsibilities in processing payroll also have the ability to make changes to pay rates and benefits in the payroll system.

Cause: There is no control in place to restrict access by payroll personnel to the module that allows them to modify pay rates and benefits.

Effect or Potential Effect: Employee pay rates and benefits may be changed without proper authorization.

Recommendation: To ensure proper segregation of duties, access to the human resources module (add, delete, and modify employee data) should be segregated from access to the payroll module (payroll processing). In addition, management should review all changes made to the payroll information to ensure that it reflects accurate and complete information.

SCHEDULE OF PRIOR AUDIT FINDINGS (Continued)

City's Response 2016: The City concurs with the recommendation. Due to a lack of qualified staffing in the Human Resources Department, the payroll supervisor in the Finance Department was granted access to the human resources module in the financial software system. Human Resources is currently in the process of recruiting for the required positions. Once the appropriate staffing level is achieved, access to the human resources module will be restricted. Until such time, the Controller in the Finance Department will review all changes made to pay rates and benefits in the system for proper approval from the Human Resources Department.

City's Response 2017: HR has filled three positions that will control employee master file set up and pay rates. Those employees have received public agency specific training and have been trained and briefed by the Payroll Supervisor.
Draft policies establishing standards for control activities, and for establishing control policies for major transaction systems are planned.

Planned Implementation Date:

Control activity standards: June 30, 2018

Transaction system controls: September 30, 2018

Risk based design and documentation of control activities: June 30, 2019

Responsible Person: Controller Christine Williams

E+P's Comment 2017: Not yet started.

2015-005 - Control Environment (MW)

Finding: The City adopted appropriate policies and new management established proper "tone at the top." However, there is need to establish procedures to communicate and enforce the policies as well as monitor and evaluate implementation.

Recommendation: Establish procedures to communicate and enforce the policies as well as to monitor and evaluate the implementation. Responsibilities of each department/division/individual should be detailed in the procedures manual. Internal controls are most effective when responsibility for a given task is assigned to an individual.

City's Response 2016: We concur with the recommendation, and it has been identified as Priority 1B to be implemented by June 2018. The current workload to correct all identified issues has not allowed enough time for staff to perform this risk assessment, but it is planned for completion in FY 2017-18.

SCHEDULE OF PRIOR AUDIT FINDINGS (Continued)

City's Response 2017: The City Council, City Manager and Chief Financial Officer, with consulting assistance, expect to adopt implementing policies that will establish an Internal Control Integrated Framework (ICIF) based on COSO and GAO standards that will meet the requirements of OMB's 2 CFR 200 administrative requirements before June 30, 2018. Those policies also reflect the guidance of the California State Controller's Office's Internal Control Guidelines - Local Government Agencies.

Implementing policies have been drafted for control environment, risk assessment and control activity components at this point. Before completing the policies for information and communication and for monitoring components, the City plans to adopt a series of policies implementing the administrative requirements of 2 CFR 200 before June 30, 2018. Implementing policies for information and communication and monitoring will follow and, as noted above, should be adopted by June 30, 2018.

More detailed control documentation will be completed over the course of the next year to address Single Audit findings and other issues identified by staff and consultants. The City is undergoing numerous consulting studies, is staffing, reorganizing and training the Finance Department and plans to implement a new Enterprise Resource Planning System. As a result, consistent with GAO Green Book standards, documentation efforts will focus on high risk areas and core control values in the expectation that the high rate of change will require frequent changes and adaptations as new systems and improved technology are introduced.

Planned Implementation Date: June 30, 2018

Responsible Person: CFO Jim Throop

Status 2016: Not yet started.

E+P's Comment 2017: Policies and procedures in process.

2015-006 - Control Environment (MW)

Finding: Performance evaluations were not performed timely at all levels of the City. The City needs to hold individuals accountable for their internal control responsibilities.

Recommendation: Establish a process to evaluate employees' performance and implement regularly.

SCHEDULE OF PRIOR AUDIT FINDINGS (Continued)

City's Response 2016: We concur with the recommendation, and it has been identified as Priority 1B to be implemented by June 2018. The current workload to correct all identified issues has not allowed enough time for staff to develop controls and implement this recommendation, but it is planned for completion in FY 2017-18. Initial meetings have been held to discuss core competencies for the City. Department heads have also begun to review and make recommendations for changes to the performance evaluations.

City's Response 2017: The City implemented a citywide employee performance evaluation system early in fiscal year 2018. To improve the focus of the performance evaluation system implementing policies relating to ICIF performance and accountability have been drafted and will be implemented before June 30, 2018. Performance evaluation for the ICIF will apply to employees with control responsibilities throughout the organization. Ethics, competence and accountability are the focus of ICIF evaluation criteria.

Planned Implementation Date: June 30, 2018

Responsible Person: CFO Jim Throop and HR Director Steve Naveau

Status 2016: Not yet started.

E+P's Comment 2017: Policies and procedures in process.

2015-007 - Control Environment (MW)

Finding: Employees in the Finance Department were not properly trained to perform their tasks.

Recommendation: Establish a training program to improve Finance Department employees' knowledge and skills.

City's Response 2016: We concur with the recommendation, and it has been identified as Priority 1B to be implemented by June 2018. The current workload to correct all identified issues has not allowed enough time for staff to perform this risk assessment, but it is planned for completion in FY 2017-18. A training program will be developed, but the current workload to correct all identified issues has not allowed enough time for staff to develop such a program. However, some training has already occurred. In FY 15/16 Intermediate Governmental Accounting and Gas tax training were held and in FY 16/17 Cognos (query based) and payroll training were held.

SCHEDULE OF PRIOR AUDIT FINDINGS (Continued)

City's Response 2017: The City has drafted an ICIF implementing City Manager policy to focus on improving the competency and ethical grounding of persons assigned responsibility for control components and activities. Efforts to engage the City's current software vendor to provide assistance and training for 20-year-old HTE financial management software have been unsuccessful though some training and advice in critical areas has been helpful.

Implementing policies relating to training in performance evaluation and increasing management focus on training for responsible persons will begin before June 30, 2018. At this point Finance Department staff attendance at training and professional conferences has increased and budgets are in place to fund training opportunities.

Planned Implementation Date: June 30, 2018

Responsible Person: Assistant CFO Deanne Purcell

Status 2016: Not yet started.

E+P's Comment 2017: Policies and procedures in process.

2015-008 - Control Environment (MW)

Finding: The City did not have an audit committee.

Recommendation: Establish an audit committee, along with a charter to govern its conduct. Members of this committee should be provided training.

City's Response 2016: We concur with the recommendation, and it will be implemented effective July 1, 2017. The Fiscal Policy Task Force meets on a monthly basis and has been acting in this capacity since July 2016, but without a formal charter. The City will implement a formal charter.

City's Response 2017: The City has drafted a City Council ICIF implementing policy to define the role and responsibility of the City Council's Fiscal Policy Task Force to serve as the Council's Finance subcommittee and the Audit Committee. The draft policy is consistent with the audit committee standards established by the GFOA's best practice for audit committee.

The draft policy will be presented to the City Council for consideration before June 30, 2018. A complex election schedule during the 2018 Calendar year may affect full implementation of the policy.

SCHEDULE OF PRIOR AUDIT FINDINGS (Continued)

Following the discovery of numerous deficiencies that affected the City's operational, reporting and compliance performance the City Council and Fiscal Policy Task Force have participated in extensive transparent processes that raised improvement in administrative departments and management a critical strategic priority.

Delays in recruiting competent staff and high levels of turnover in senior and midlevel positions with important control responsibilities throughout the organization continue to delay implementation of corrections the unprecedented number of control weaknesses identified in the single audit. The City Council and City Manager continue to place high priority on the Corrective Action Plan by providing funding for staffing, priority for recruitment and approval for needed consultant assistance.

Planned Implementation Date: Starting before June 30, 2018 with changes and adaptation through December 31, 2018.

Responsible Person: CFO Jim Throop

Status 2016: Not yet started.

E+P's Comment 2017: Policies and procedures in process.

2015-009 - Control Environment (MW)

Finding: There was a severe lapse in the City's financial operations when key Finance Department personnel left due to a lack of qualified successors.

Recommendation: Develop a succession plan for the Finance Department.

City's Response 2016: We concur with the recommendation, and it has been identified as Priority 2 to be implemented by June 2019. The current workload to correct all identified issues has not allowed enough time for staff to develop controls and implement this recommendation, but it is planned for completion in FY 2018-19. The majority of Finance staff is fairly new - less than three years in their position. The current workload to correct all identified issues has not allowed enough time for staff to develop a complete succession plan, but it is planned for completion in FY 2018- 19.

SCHEDULE OF PRIOR AUDIT FINDINGS (Continued)

City's Response 2017: The City has drafted an ICIF implementing policy on succession and turnover planning. It plans to adopt the policy before June 30, 2018. Unfortunately, turnover continues to affect the City's ability to prevent disruption of the internal control system from turnover risk. The City Manager left in December 2017, the City has had four CFO's and three Assistant CFO's in the last three years in addition to several vacancies in professional and technical management positions. During 2016 the City relied heavily on consulting assistance to produce auditable financial statements for Fiscal 2015.

The draft succession and turnover contingency policy requires prioritization of critical positions with succession plans developed for all key positions over the course of the next three years. The City remains exposed to turnover in this area but expects to continually reduce the risk of disruption as positions are added to the plan.

Planned Implementation Date:

Policy adoption: June 30, 2018

Initial succession plans: December 31, 2018

Responsible Person: Assistant CFO Deanne Purcell

Status 2016: Not yet started.

E+P's Comment 2017: Policies and procedures in process.

2015-010 - Control Environment (MW)

Finding: The Finance Department did not have sufficient staff, particularly in managerial positions.

Recommendation: Fill vacancies with qualified staff immediately.

City's Response 2016: We concur with the recommendation, and it was implemented effective October 2016 with the hiring of a Chief Financial Officer (CFO) and two Assistant CFO's.

City's Response 2017: Staffing increases were approved in the Fiscal 16 and Fiscal 17 budgets and employees were hired. However, turnover remains a problem and despite efforts to provide sufficient staffing challenges remain.

SCHEDULE OF PRIOR AUDIT FINDINGS (Continued)

From January 1, 2015 to today vacancies have disrupted Finance Department performance. Years of pressure on department staffing left few in the department with a clear understanding of financial condition or adequate training to meet reporting and compliance objectives. Few staff have extensive experience in the City and many do not have strong local government knowledge or experience. The retirement of older workers, a rising economy and an increasingly complex operating environment have created a severe staffing shortage for California local government.

The City faces the challenge of operating a large, complex full-service city organization, repairing major legacy problems and implementing new financial management technology. The City has drafted a policy requiring annual analysis of staffing levels for positions throughout the organization with financial operations and management responsibilities. The draft policy is planned for adoption before June 30, 2018. All budgets following the discovery of major weaknesses have included proposals for improving staffing and training for financial operations and management functions.

Planned Implementation Date: Initial action in response to the finding was completed in calendar 2016. Therefore, this finding has been implemented. The City recruits new employees as vacancies occur.

Responsible Person: CFO Jim Throop

Status 2016: Not yet started.

E+P's Comment 2017: Implemented.

2015-011 - Risk Assessment (SD)

Finding: City performed Organizational Assessment during the year 2015 and plan to continue implementation of the 3-year process to address the issues. No risk assessment related to accounting and financial reporting has been performed. No fraud risk assessment has been performed.

Recommendation: Establish procedures to perform a risk assessment related to accounting and financial reporting. The risk assessment should include identifying types of accounting errors, policy violations, fraud, or noncompliance with agreements, contracts, laws and regulations, as well as a plan of action to mitigate risks.

SCHEDULE OF PRIOR AUDIT FINDINGS (Continued)

City's Response 2016: We concur with the recommendation, and it has been identified as Priority 1B to be implemented by June 2018. The current workload to correct all identified issues has not allowed enough time for staff to perform this risk assessment, but it is planned for completion in FY 2017-18.

City's Response 2017: In addition to the Organization Assessment for support and governance functions described in this comment the City received more information about risks relating to its financial reporting through the internal control analysis completed by E+P'S and reported in the Single Audit reports for FY 15 and FY 16. It also engaged consultants to do detailed reviews of reporting and compliance risks associated with special assessment districts and development impact fees and has engaged consultants to complete property and sales tax estimates.

In addition, the City has contracted with consultants to assess the Public Works Department and the City Council has engaged Internal Auditors to complete a fraud risk assessment and to monitor operation of controls in high priority areas. Utility operations and rates have received special scrutiny as a result of Proposition 218 rate reviews and litigation challenging rate increases. Formal reviews have been supplemented by the work of new and better trained staff who have identified additional issues that affect operating, reporting and compliance objectives.

The City has drafted ICIF implementing policies for risk assessment that include specified control oversight responsibilities of the City Council, Council direction to the City Manager to conduct risk assessments and description of the expected content of the risk assessments. Those policies are planned for implementation before June 30, 2018. It is expected that the first full risk assessment process will be conducted in concert with the Fiscal 2020 budget process, after a new City Manager is recruited. In the meantime, the work described above has identified a wide range of risk threats to be addressed in ICIF policies and activities.

Planned Implementation Date: June 30, 2018

Responsible Person: CFO Jim Throop

Status 2016: Not yet started.

E+P's Comment 2017: Policies and procedures in process.

2015-012 - Control Activities (MW)

Finding: The City's system of internal control is not designed to reduce the risk that accounting and financial reporting errors or fraud could occur and not be detected.

SCHEDULE OF PRIOR AUDIT FINDINGS (Continued)

Recommendation: Develop an integrated system of internal control that defines control activities across the various departments, not just the Finance Department. Policies, procedures, and related internal controls should be documented, communicated to all affected members of City staff, and updated regularly. Implementation should be monitored closely.

City's Response 2016: We concur with the recommendation, and it has been identified as Priority 1B to be implemented by June 2018. The current workload to correct all identified issues has not allowed enough time for staff to perform this risk assessment, but it is planned for completion in FY 2017-18.

City's Response 2017: The City has drafted a series of policies to implement the Internal Control Integrated Framework described by COSO and in GAO's Standards for Internal Control for the Federal Government (The Green Book). This control framework, or an equivalent, is required by Federal grant recipients by the OMB and is recommended by the State Controller's Office and the GFOA.

The policies include clear assignment of responsibility for implementation and monitoring of implementation progress. Policies include City Council and City Manager oversight responsibilities and policies for periodic evaluation of the City's ICIF implementation. Implementation review will include the City Manager, the Senior Leadership Team (department heads), the CFO, the Finance Committee and the City Council.

In addition, policies establishing control activity standards and use of fundamental internal control concepts and documentation of controls have been drafted. The City plans to adopt these policy drafts before June 30, 2018.

Planned Implementation Date: June 30, 2018

Responsible Person: Assistant CFO Deanne Purcell

Status 2016: Not yet started.

E+P's Comment 2017: Policies and procedures in process.

2015-013 - Control Activities (MW)

Finding: The City does not have properly-designed, implemented, and effective policies, procedures, processes, and controls surrounding its financial reporting process to ensure that all non-standard adjustments are adequately researched, supported, and reviewed prior to their recording in the general ledger.

Recommendation: Establish new or improve existing policies, procedures, and related-internal controls to ensure that all non-standard adjustments impacting the general ledger are adequately researched, supported, and reviewed prior to their recording in the general ledger.

SCHEDULE OF PRIOR AUDIT FINDINGS (Continued)

City's Response 2016: We concur with the recommendation, and it has been identified as Priority 1B to be implemented by June 2018. The current workload to correct all identified issues has not allowed enough time for staff to perform this internal control assessment, but it is planned for completion in FY 2017-18.

City's Response 2017: The City has drafted ICIF implementation policies that address this weakness. The policies have been expanded to address situations that apply not only to general ledger journal entries but also to accounting requirements of grants and programs subject to legal or contractual conditions like maintenance district administration or bond indentures.

The two primary policies proposed for adoption relate to nonstandard items and to new and restricted funds. In addition to proposed entries to the accounting records the policies also focus on identifying entries that should be made but are not being entered. Several compliance issues encountered by the City in the last three years related to entries that, if properly reflected, would affect the City's assets and liabilities.

The new policies provide for convening multi-disciplinary teams to analyze non-standard and complex situations to recommend appropriate financial and compliance reporting activities and monitoring. The approach also supports controls intended to strengthen organizational competence and communication among personnel with control responsibilities.

The City plans to adopt the proposed policies before June 30, 2018.

Planned Implementation Date: June 30, 2018

Responsible Person: Controller Christine Williams

Status 2016: Not yet started.

E+P's Comment 2017: Policies and procedures in process. See current year finding 2017-012.

2015-014 - Control Activities (MW)

Finding: The City does not have properly-designed, implemented, and effective policies, procedures, processes and controls surrounding its financial reporting process to completely support beginning balance and year-end close-out related activity in its general ledger.

Recommendation: Refer to specific recommendations for findings: 2015-019 thru 029, 2015-049 thru 050 and 2015-055 thru 93.

SCHEDULE OF PRIOR AUDIT FINDINGS (Continued)

City's Response 2016: We concur with the recommendation, and it has been identified as Priority 1B to be implemented by June 2018. The current workload to correct all identified issues has not allowed enough time for staff to perform this internal control assessment, but it is planned for completion in FY 2017-18.

City's Response 2017: The Finance Department has worked closely with its independent auditors to improve its processes to prepare financial statements that comply with GAAP. Reporting internal control issues identified elsewhere are essential to this process. New policies regarding adequacy of staffing, training, performance evaluation, assignment of control responsibilities and establishment of control activity standards support this reporting objective.

Many reconciliations are being performed for the annual audit but are not providing control during the course of the fiscal year. Increasing the frequency of these reconciliations and reducing complexity are high priority reporting and compliance objectives for the Finance Department.

Over the next three to five years significant changes will affect the financial reporting environment of the City, especially the implementation of the ICIF and the implementation of a new ERP. Many controls will be implemented in the ERP. Other controls will depend on building a competent team that communicates well.

The city intends to build flexible control activity documentation appropriate for its fast-changing environment. That documentation will allow it to adapt to expected changes without the administrative overhead associated with detailed documentation except in high priority risk areas. This documentation process will be in progress for the next three to five years.

Planned Implementation Date:

Policy adoption: June 30, 2018

Audit closing calendar: Implemented and continuously adapted.

Responsible Person: Controller Christine Williams

Status 2016: Not yet started.

E+P's Comment 2017: Policies and procedures in process.

2015-015 - Control Activities (MW)

Finding: The City has ineffective controls affecting some key financial reporting processes including weaknesses in transactional and supervisory reviews over cash, receivables, capital assets, and construction in progress, accounts payable, and long-term liabilities.

Recommendation: Refer to specific recommendations for findings: 2015-019 thru 029, 2015-049 thru 050 and 2015-055 thru 93.

SCHEDULE OF PRIOR AUDIT FINDINGS (Continued)

City's Response 2016: We concur with the recommendation, and it has been identified as Priority 1B to be implemented by June 2018. The current workload to correct all identified issues has not allowed enough time for staff to perform this internal control assessment, but it is planned for completion in FY 2017-18. The City Treasurer's Department received a surprise field audit review in December 2016 by the auditors. The auditor looked at the cash handling, safekeeping, reconciliation of cashier drawers, and the transfer of the daily cash to the Security guards. We were informed that the staff performed the necessary cash function properly and that there was double custody of the cash at all times.

City's Response 2017: This project has been delayed by staff hiring and retention issues discussed above. This year the City is concentrating its internal control implementation efforts on changing its practices in critical areas, establishing the ICIF Framework, assigning responsibility and authority for control activity development, implementation and documentation, and implementing the administrative requirements of OMB's 2 CFR 200. In fiscal year 2019 staff will shift to the effort to design and implement ICIF control activities and to improve effectiveness through information and communication. A competent, ethical team for financial operations and management will improve control and enterprise risk management more effectively than extensive documentation at this point.

This CAP and the City's ICIF policies will provide the basis for risk-based control design, efficient and effective documentation and ongoing monitoring. Policies are planned for adoption before June 30, 2018. Detailed control design and documentation will follow based on risk assessment. In the meantime, changes in practice that respond to audit findings will be given priority over design and documentation activities because of time and resource limitations.

Planned Implementation Date:

Policy implementation: June 30, 2018

Risk based control implementation: Following ICIF implementing policy adoption and ongoing.

Responsible Person: Assistant CFO Deanne Purcell

Status 2016: Not yet started.

E+P's Comment 2017: Policies and procedures in process.

2015-016 - Control Activities (MW)

Finding: The City was unable to effectively identify potential technical accounting issues, analyze the relevant facts and circumstances, and respond to auditor inquiries in a timely manner.

SCHEDULE OF PRIOR AUDIT FINDINGS (Continued)

Recommendation: Refer to specific recommendations for findings: 2015-019 thru 029, 2015-049 thru 050 and 2015-055 thru 93.

City's Response 2016: We concur with the recommendation, and it has been identified as Priority 1B to be implemented by June 2018. The current workload to correct all identified issues has not allowed enough time for staff to perform this internal control assessment, but it is planned for completion in FY 2017-18.

City's Response 2017: The City had drafted ICIF implementing policies to improve its ability to address this issue. Draft policies regarding non-standard items and new and restricted funds create an institutional framework that uses existing knowledge, skills and experience while providing developmental opportunities for team members. The policies create a structured approach to a wide variety of issues that require responses for auditors, managers and policy makers.

A feature of the policies is to create "Compliance Teams", with members selected based on relevant experience and expertise, to analyze and implement control activities to provide reasonable assurance that reporting, compliance and operating objectives are achieved. For Finance, timely, accurate financial reporting consistent with GAAP and regulatory requirements is a high priority. For auditor inquiries that cannot be addressed by a single individual the CFO, the Assistant CFO or the Controller would convene a compliance team to produce an expedited answer. The team approach will provide the ability to make progress on the request despite the schedule conflicts that affect individual managers.

Implementing policies for non-standard items and new and restricted funds are planned for adoptions before June 30, 2018.

Planned Implementation Date: June 30, 2018

Responsible Person: Assistant CFO Deanne Purcell and Controller Christine Williams

Status 2016: Not yet started.

E+P's Comment 2017: Policies and procedures in process.

2015-017 - Control Activities (MW)

Finding: The City does not have an effective general ledger system. The City uses HTE software, which was developed almost two decades ago. In addition, the City has 176 self-balancing funds and over 8,300 accounts in its chart of accounts; 1,600 of these are balance sheet accounts. This system has severe functional limitations contributing to the City's challenge of addressing systemic internal control weaknesses in financial reporting.

SCHEDULE OF PRIOR AUDIT FINDINGS (Continued)

Recommendation: Establish new, or improve the existing, general ledger system to enable it to process, store, and report financial data in a manner that ensures accuracy, confidentiality, integrity, and availability of financial data without substantial manual intervention.

City's Response 2016: We concur with the recommendation, and it has been identified as Priority 2 to be implemented by June 2019. The current workload to correct all identified issues has not allowed enough time for staff to perform this internal control assessment, but it is planned for completion in FY 2018-19.

City's Response 2017: The process for acquiring a new ERP system is in progress. Consulting firm Sciens is gathering information to prepare a comprehensive RFP and will assist in evaluating proposals.

Some minor clean-up of the chart of accounts was performed in order to prepare for implementation of third party software: OpenGov and Questica (budget). However, the HTE system has very limited flexibility in chart of account design while maintaining comparability.

In an effort to improve the performance of the existing system staff has met with HTE to explore a proposal for additional training in use of the existing ERP and assistance in more extensive use of the system's features. However, HTE has been unresponsive in preparing a proposal for training and reimplementation of underused or improperly implemented software features. Selecting a replacement vendor for the ERP application will improve use of system-based controls most rapidly.

With experience, staff has learned more about the weak points in the HTE system installed in Oxnard. Managers and accounting staff focus extra attention on those areas that are prone to producing inaccurate reporting during the year and at the year-end closing. These control activities have reduced the risk of system generated reporting errors. The inefficiency that results should be eliminated when the new ERP is implemented.

Planned Implementation Date: Control activities in the form of additional review have been implemented in practice and, where required, documented in the audit calendar. The ERP implementation should be completed between June 30, 2020 and June 30, 2021.

Responsible Person: Assistant CFO Deanne Purcell

Status 2016: Not yet started.

E+P's Comment 2017: Not yet started.

SCHEDULE OF PRIOR AUDIT FINDINGS (Continued)

2015-018 - Budget (SD)

Finding: The FY 2015 budget lacked detail, and management did not keep track of its budgeted revenue and expenditures. Department heads are supplied a budget to actual comparison on a monthly basis for review, but there was no formal process for investigating significant variances.

Recommendation: Continue to provide department heads with budget to actual comparison on a monthly basis. Establish an effective process to identify and investigate significant variances from budgets and expected results.

City's Response 2016: We concur with the recommendation, and it will be implemented effective July 1, 2017. City will create a written process to share with departments on variance reconciliation. The majority of budget line items was developed via department's meetings and augmentation adopted by Council. Details are filed. A written policy will be created to ensure all departments are responsive and accountable for significant budget variances.

City's Response 2017: Two factors have delayed implementation of the recommendation and the planned corrective action. Although reports are regularly distributed to departments the difficulty of working with the application software and of comparing intra-year reports due to infrequent reconciliations has reduced general implementation of analytical budget management. In addition, the City's historical practice of managing through line item budget control consumes significant resources in the Finance Department and in operating departments.

Thorough review of budget management best practices indicates that line item control is not considered a recommended or best practice by GFOA, the State Controller's Office or the National Advisory Council on State and Local Government Budgeting.

The City Council delegates authority for budget transfers within funds to the City Manager if they are consistent with restrictions on restricted funding sources. The City Manager delegation of budget authority to department directors is constrained by the line item budget control practices.

To address this finding the Chief Financial Officer will propose elimination of line item budget control and adoption of more effective analytical budget control policies that will apply to monitoring and accountability and will clearly spell out authority over various classes of expenditures.

Planned Implementation Date: June 30, 2018

Responsible Person: Budget Manager Beth Vo

Status 2016: Not yet started.

SCHEDULE OF PRIOR AUDIT FINDINGS (Continued)

E+P's Comment 2017: Not yet started.

2015-019 - Fund Balance (MW)

Finding: Beginning fund balances did not agree with prior-year audited financial statements. Audit adjustments were not posted to the general ledger. Journal entries were inappropriately posted to fund balance during the year.

Recommendation: Audit adjustments must be posted to the general ledger at the end of the audit and beginning fund balances should be agreed with audited financial statements. Controls should be put in place to allow only authorized personnel to approve journal entries that affect beginning fund balances during the year.

City's Response 2016: We concur with the recommendation, and it was implemented effective in December 2016. Following the January 31, 2017 issuance of the FY 2015-16 CAFR, staff began posting all final audit adjustments to the general ledger system and will perform a reconciliation of beginning fund balance per the general ledger to the CAFR.

City's Response 2017: Implemented with reconciling spreadsheet tying GL to CAFR.

Responsible Person: Controller Christine Williams

Status 2016: Not yet started.

E+P's Comment 2017: Implemented.

2015-020 - Bank Reconciliations (MW)

Finding: The bank reconciliation for the general account was not performed since November 2014.

Recommendation: Bank reconciliations should be prepared every month. A full-time employee should be assigned to prepare the bank reconciliations. This person should be dedicated to this process until all monthly bank reconciliations are up to date. Bank reconciliations should be reviewed by another person who has sufficient knowledge and skill to perform the task. The process for bank reconciliation should be detailed out in writing.

City's Response 2016: We concur with the recommendation, and it was implemented effective October 2016. As of February 2017, bank reconciliations for the General bank account have been completed through the month of November 2016.

SCHEDULE OF PRIOR AUDIT FINDINGS (Continued)

City's Response 2017: Implemented, the City continues to improve documentation and coordinate reconciliation effort with the City Treasurer.

Responsible Person: Controller Christine Williams

Status 2016: Not yet started.

E+P's Comment 2017: Implemented.

2015-021 - Bank Reconciliations (MW)

Finding: Bank reconciliations for the AIMS and Parking Citation bank accounts were not performed. The balances for these accounts were not recorded in the general ledger.

Recommendation: The Finance Department should ensure that all bank accounts are accounted for and reconciled to the general ledger on the monthly basis.

City's Response 2016: We concur with the recommendation, and it will be implemented effective July 1, 2017. The Human Resources Department is currently reviewing third-party services to perform the bank reconciliations for the AIMS (worker's compensation) bank account. The parking citation bank account has a low volume of activity and will be reconciled on an annual basis every June 30.

City's Response 2017: All accounts are now being reconciled as appropriate. Implemented

Responsible Person: Controller Christine Williams

Status 2016: Not yet started.

E+P's Comment 2017: Implemented.

2015-022 - Bank Reconciliations (MW)

Finding: Bank reconciliations for the general and CDC Successor Agency accounts for periods prior to November 2014 were prepared but not reconciled to the general ledger.

Recommendation: The Finance Department should ensure that all bank accounts are accounted for and reconciled to the general ledger on the monthly basis.

City's Response 2016: We concur with the recommendation, and it was implemented effective October 2016. As of February 2017, bank reconciliations for the CDC Successor Agency bank account have been completed through the month of November 2016.

SCHEDULE OF PRIOR AUDIT FINDINGS (Continued)

City's Response 2017: Implemented

Responsible Person: Controller Christine Williams

Status 2016: Not yet started.

E+P's Comment 2017: Implemented.

2015-023 - Bank Reconciliations (MW)

Finding: PACC bank account activities were not recorded fully.

Recommendation: The Finance Department should ensure that all bank accounts are accounted for and reconciled to the general ledger on the monthly basis.

City's Response 2016: We concur with the recommendation, and it was implemented effective October 2016. Bank reconciliations have been completed through the month of November 2016.

City's Response 2017: Implemented.

Responsible Person: Controller Christine Williams

Status 2016: Not yet started.

E+P's Comment 2017: Implemented.

2015-024 - Bank Reconciliations (MW)

Finding: Cash with fiscal agents accounts were not reconciled monthly to the general ledger.

Recommendation: The bank reconciliation process should include reconciling cash with fiscal agents.

City's Response 2016: We concur with the recommendation, and it was implemented effective October 2016. Bank reconciliations have been completed through the month of November 2016.

City's Response 2017: Implemented

Responsible Person: Controller Christine Williams

Status 2016: Not yet started.

SCHEDULE OF PRIOR AUDIT FINDINGS (Continued)

E+P's Comment 2017: Implemented.

2015-025 - Bank Reconciliations (MW)

Finding: Bank accounts were opened without the Treasurer's Office knowledge.

Recommendation: Only the Treasurer should be allowed to open bank accounts on behalf of the City. All bank statements should be sent directly to the Treasurer's Office. The Treasurer's Office should review the bank statements, retain the original, and send copies to the personnel who prepares the bank reconciliation.

City's Response 2016: We concur with the recommendation, and it was implemented effective December 2016. The Treasurer's Department will be in possession of all the extra bank accounts by February 17th. We are allowing this extended number of days so that each bank account handler can receive the January bank statements to reconcile their accounts before we take possession. We have already taken possession of the Recreation Department savings account. The only other exceptions are the 3 RaboBank bank accounts. There was a meeting held Tuesday the 14th where the Cultural Community Services Director, City Attorney, City Auditors, City Treasurer, CFO and staff reviewed the documents to determine who does the money in those bank accounts belong to. However, during the meeting it was brought to our attention that the operating agreement between the non-profit PAC and the City of Oxnard had expired in 2010 and had not been renewed. It was then determined that the City Attorney would work on a revised agreement between the PAC and the City, which would also contain the determination of who owns the money in those RaboBank accounts for final disposition.

City's Response 2017: Implemented

Responsible Person: City Treasurer Phil Molina

Status 2016: Not yet started.

E+P's Comment 2017: Implemented.

2015-026 - Bank Reconciliations (SD)

Finding: Finance department did not have access to complete monthly bank statements or complete outstanding check lists for all accounts.

Recommendation: The Treasurer's Office should forward copies of all bank statements to the Finance Department. All back-up documentation used in reconciliations prepared by the Treasurer's Office and other departments, i.e., outstanding checks and deposits in transit listings, should be provided to the Finance Department.

SCHEDULE OF PRIOR AUDIT FINDINGS (Continued)

City's Response 2016: We concur with the recommendation, and it was implemented effective June 2016. The Treasurer's Department provided the Finance Department management staff with access to the City's bank account statements online. The Treasurer's staff is one month behind in verifying the bank statements. We are currently completing the December 2016 bank verification. When we complete each verification we forward the statement (copies) along with our worksheet and other source documents to the Finance Department. Once we get the staffing we need, it is expected that bank verification will be done within 2 weeks of receiving the statement from the banks.

City's Response 2017: Implemented

Responsible Person: Controller Christine Williams

Status 2016: Not yet started.

E+P's Comment 2017: Implemented.

2015-027 - Bank Reconciliations (SD)

Finding: The Finance Department did not have access and history of prior reports used for reconciliation. All processes and reports needed for the reconciliation process had to be discovered and requested by finance management.

Recommendation: Finance manager needs to have a full understanding of all Treasury activities to assess if there are any procedures or reporting that can be used to make the monthly bank reconciliation more efficient across departments. The Finance Department and Treasurer's Office should establish procedures to enhance cooperation.

City's Response 2016: We concur with the recommendation, and it was implemented effective October 2016. Finance began working with Treasurer's staff in October 2016 and established communication to ensure timely sharing of information necessary to complete the monthly bank reconciliations.

City's Response 2017: Implemented

Responsible Person: Controller Christine Williams

Status 2016: Not yet started.

E+P's Comment 2017: Implemented.

SCHEDULE OF PRIOR AUDIT FINDINGS (Continued)

2015-028 - Bank Reconciliations (MW)

Finding: Daily cash receipts posting to the general ledger were not reconciled to cash entries and to bank activities. Therefore, deposits in transit were not tracked for bank reconciliation.

Recommendation: The Finance department management needs training from current software provider on how the cash related modules should be interacting, reports used to tie out the modules, and if there are keys that links those modules together.

City's Response 2016: We concur with the recommendation, and it will be implemented effective June 30, 2017. In January, staff began coordinating training with the current software provider and expects to have training conducted in this area by June 30, 2017.

City's Response 2017: On April 11, 2017, Finance and IT staff met with Sungard HTE account manager to discuss a package of training on all modules of the HTE system. However, HTE has been unresponsive in submitting a training proposal. As a result, the bank reconciliation prepared by the Finance Department can be delayed until the City Treasurer's office reconciles and forwards daily cash receipts details. Additional review is not performed and Finance plans to meet with the City Treasurer staff to improve the timeliness of the reconciliation process.

Planned Implementation Date: June 30, 2018

Responsible Person: Controller Christine Williams

Status 2016: Not yet started.

E+P's Comment 2017: Not yet started.

2015-029 - Bank Reconciliations (SD)

Finding: Pooled cash batches are a summary of various batches by module. There are multiple batches per modules: accounts payable, accounts receivable, payroll, and cash receipts batches. Newly-hired finance management have not found logic of how system entries are batched together. Current batching is very labor intensive to review.

Recommendation: Finance department staff needs training from current software provider on how the cash-related modules should be interacting, reports used to tie out the modules, and if there are keys that links those modules together.

City's Response 2016: We concur with the recommendation, and it will be implemented effective June 30, 2017. In January, staff began coordinating training with the current software provider and expects to have training conducted in this area by June 30, 2017.

SCHEDULE OF PRIOR AUDIT FINDINGS (Continued)

City's Response 2017: HTE has not responded to the City's request for a proposal to conduct training in cash accounting on their ERP. It is possible that the additional control activities required to reconcile cash batches will continue until a new ERP is implemented, affecting the timeliness of bank reconciliations. Staff will explore options for reconciliation frequency and approach to support timely production of accurate reports.

Planned Implementation Date: June 30, 2018

Responsible Person: Controller Christine Williams

Status 2016: Not yet started.

E+P's Comment 2017: Not yet started.

2015-030 - Electronic Payments (EFT/ACH) (SD)

Finding: Check numbers were not in sequential order (duplication/skipping). Problem stems from manual assignment of EFT check numbers.

Recommendation: The Treasurer's Office should assign sequential control numbers to each wire. The Finance Department should enter the information into the accounting system.

City's Response 2016: We concur with the recommendation, and it was implemented effective December 2016. The Treasurer's Department forwards the source documents for each ACH and EFT directly to the Finance Department. The Finance Department assigns 'check' numbers to each ACH and EFT transactions for purposes of posting them into the general ledger. Staff has been trained to assign sequential control numbers to each wire, and to include the EFT control number on the excel listing.

City's Response 2017: Implemented

Responsible Person: Controller Christine Williams

Status 2016: Not yet started.

E+P's Comment 2017: Implemented.

2015-031- Electronic Payments (EFT/ACH) (BP)

Finding: Excel listing of EFTs did not list the check number assigned to the payment and did not list the batch/group number posted to the general ledger.

SCHEDULE OF PRIOR AUDIT FINDINGS (Continued)

Recommendation: Excel listing of EFTs should include the EFT control number as well as the batch/group number.

Before the change, the Finance staff assigned check numbers based on the list of unused check numbers, which could have made it appear as though an ACH or EFT was issued earlier than it actually was. For example, if 'check' numbers 5, 6, and 7 were used on Feb 13th, and the next check run used 'check' numbers 10, 11, 12 on Feb 15th, the unused numbers 8 and 9 would be used for 2 ACH transaction on February 16th making it appear as though the ACH transaction were out of order.

City's Response 2016: We concur with the recommendation, and it was implemented effective December 2016. The Treasurer's Department forwards the source documents for each ACH and EFT directly to the Finance Department. The Finance Department assigns 'check' numbers to each ACH and EFT transactions for purposes of posting them into the general ledger. Staff has been trained to assign sequential control numbers to each wire, and to include the EFT control number on the excel listing.

City's Response 2017: Implemented

Responsible Person: Controller Christine Williams

Status 2016: Not yet started.

E+P's Comment 2017: Implemented.

2015-032 - Electronic Payments (EFT/ACH) (SD)

Finding: The Treasurer did not review all supporting documentation prior to signing the check or wire transfer authorization.

Recommendation: The Treasurer or designated individual in the Treasurer's Office should review all supporting documentation prior to signing the check or wire transfer authorization.

City's Response 2016: We concur with the recommendation, and it was implemented effective December 2016. The Treasurer is working with the City Manager, Assistant City Manager and CFO to develop a good working arrangement that allows for the Treasurer to review all supporting documentation prior to signing the checks, wires, and ACH transactions.

City's Response 2017: Implemented

Responsible Person: Controller Christine Williams

SCHEDULE OF PRIOR AUDIT FINDINGS (Continued)

Status 2016: Not yet started.

E+P's Comment 2017: Implemented.

2015-033 - Electronic Payments (EFT/ACH) (SD)

Finding: Proper documentation of wire transfers was not maintained by the Finance Department.

Recommendation: The Finance Department should maintain a complete copy of the wire transfer authorization package, including all supporting documentation.

City's Response 2016: We concur with the recommendation, and it was implemented effective December 2016. Finance staff met with Treasurer's staff in early December 2016 and established a procedure for ensuring all proper supporting documentation for wire transfers is maintained in the Finance Department.

City's Response 2017: Implemented

Responsible Person: Controller Christine Williams

Status 2016: Not yet started.

E+P's Comment 2017: Implemented.

2015-034 - Electronic Payments (EFT/ACH) (SD)

Finding: There were no written procedures related to electronic payments and responsibilities of the requesting department, Treasurer's Office, and Finance Department are not clearly defined. The Treasurer's Office did not have a current list of authorized signers.

Recommendation: The Finance Department should review the EFT payment process to improve the current procedures. After approval by appropriate departments, all EFTs should be received by the Finance management. Finance management will review for proper department approvals, general ledger coding, and supporting documentation (including budget support). Finance management will forward to Treasurer's Office for disbursements. No department should send wire requests directly to the Treasurer's Office

SCHEDULE OF PRIOR AUDIT FINDINGS (Continued)

City's Response 2016: We concur with the recommendation, and it was implemented effective December 2016. Finance staff met with Treasurer's staff in early December 2016 and established a procedure for ensuring that Finance management will review all wire transfers for proper department approvals, general ledger coding, and supporting documentation (including budget support); and that no department should send wire requests directly to the Treasurer's Office.

City's Response 2017: Implemented

Responsible Person: Controller Christine Williams

Status 2016: Not yet started.

E+P's Comment 2017: Implemented.

2015-035 - Electronic Payments (EFT/ACH) (MW)

Finding: There was no supervisory review of EFT entries. Payment/posting against cash had been inconsistent and made to the wrong accounting period.

Recommendation: Staff needs additional training in handling EFTs and postings should be reviewed regularly. The payment period needs to be distinguished from invoice period.

City's Response 2016: We concur with the recommendation, and it was implemented effective December 2016. Posting against cash is performed in the Finance Department. In the City Treasurer Department there is supervisory review of EFT's before they are disbursed, except for payments to Delta Dental and CalPERS, which are issued directly by the Finance Department staff before the City Treasurer has the opportunity to review them.

All other ACH and EFT transactions are performed under a double custody method where no one person can initiate and complete an ACH or EFT transaction alone. And only 4 people in the Treasurer's Department know the security codes, again except for the Delta Dental and CalPERS wires. The Treasurer's staff submits the source documents for every entry into the system for ACHs and EFT transaction directly to the Finance Department. The Treasurer, Finance Director and Human Resources Director are working to stop the issuance of ACH or EFT (wire) transfers from any other department other than from the Treasurer's Department. It is expected the correction will be completed by June 1, 2017.

City's Response 2017: Implemented

Responsible Person: Controller Christine Williams

Status 2016: Not yet started.

SCHEDULE OF PRIOR AUDIT FINDINGS (Continued)

E+P's Comment 2017: Implemented.

2015-036 - Electronic Payments (EFT/ACH) (MW)

Finding: Payroll wires recorded through a journal voucher covered two accounting periods.

Recommendation: Split payroll journal voucher according to wire dates.

City's Response 2016: We concur with the recommendation, and it was implemented effective December 2016. Finance staff has been trained to record payroll- related wires according to the wire date.

City's Response 2017: Implemented. In 2016, payroll staff were trained to create a journal voucher to cover only one accounting period at a time. In order to ensure only one accounting period was covered, payroll staff were instructed to split the payroll journal voucher according to the wire date on the supporting documentation for each month.

Since time of implementation, the procedure has been improved. In order to be consistent with other Electronic Funds Transfers (EFT) transactions, payroll wires are no longer recorded through a journal voucher but processed by accounts payable staff as other EFT transactions are prepared. EFT's are reconciled monthly to the City Treasurer's EFT transaction list and a second proof is through the bank reconciliation process to ensure that transactions are recorded.

Responsible Person: Controller Christine Williams

Status 2016: Not yet started.

E+P's Comment 2017: Implemented.

2015-037 - Electronic Payments (EFT/ACH) (MW)

Finding: Payments could not be properly traced to supporting documentation because use of "miscellaneous vendor - #99999".

Recommendation: Stop using the "miscellaneous vendor" account. All vendors need to be set up individually in the vendor master file. **Current vendor master file needs to be reviewed.**

City's Response 2016: We concur with the recommendation, and it was implemented effective December 2016. Finance staff has been trained to set up all vendors individually in the vendor master file, and to discontinue the use of a "miscellaneous vendor" account.

SCHEDULE OF PRIOR AUDIT FINDINGS (Continued)

City's Response 2017: We concur with the recommendation, and utilization of the miscellaneous vendor account was limited as a result of system inefficiencies effective December 2016. The system inefficiency that results should be eliminated when the new ERP is implemented. However, until implementation, Finance staff will be trained to set up all vendors individually in the vendor master file, and to discontinue the use of a "miscellaneous vendor" account.

Implementation Date: June 30, 2018

Responsible Person: Controller Christine Williams

Status 2016: Not yet started.

E+P's Comment 2017: Our finding stands as noted.

2015-038 - Electronic Payments (EFT/ACH) (MW)

Finding: CDC checks and deposits were coded to the wrong pooled cash fund (997 - general vs. 998 - CDC).

Recommendation: Review HTE report against bank EFT posting by accounts payable (AP) personnel needs to be done monthly.

City's Response 2016: We concur with the recommendation, and it was implemented effective December 2016. Finance staff has been trained to review all Successor Agency (former CDC) transactions for coding to the proper accounts. The Treasurer's office will perform a secondary review to assure the proper account number is used.

City's Response 2017: Implemented

Responsible Person: Controller Christine Williams

Status 2016: Not yet started.

E+P's Comment 2017: Implemented.

2015-039 - Electronic Payments (EFT/ACH) (MW)

Finding: Recording of CDC loan principal repayment wire to the City was inadvertently reversed in the general ledger causing City and CDC pooled cash funds to be out of balance. Journal voucher has been prepared to correct.

Recommendation: Review HTE report against bank EFT posting by accounts payable (AP) personnel needs to be done monthly.

SCHEDULE OF PRIOR AUDIT FINDINGS (Continued)

City's Response 2016: We concur with the recommendation, and it was implemented effective December 2016. Finance staff has been trained to review all Successor Agency (former CDC) transactions posted to the general ledger and reconcile them on a monthly basis.

City's Response 2017: Implemented

Responsible Person: Controller Christine Williams

Status 2016: Not yet started.

E+P's Comment 2017: Implemented.

2015-040 - Cash Receipts (SD)

Finding: A separate bank account was maintained for CDC Successor Agency. However, in collapsing of prior RDA funds (421-425) into new Successor Agency fund (429), an error in the journal voucher left balances in City pooled cash fund (997) per general ledger. After further investigation, adjustments had been made to correct the error.

Recommendation: Joint review of prior cash transfers between the City and CDC Successor Agency is needed. Non-standard journal entries especially those affecting cash transactions between City and CDC Successor Agency should be reviewed by CFO, not only to evaluate the accounting treatment, but also to consider compliance with state laws and regulations affecting former RDAs. The Economic Development Department head should be consulted as appropriate.

City's Response 2016: We concur with the recommendation, and although it has been identified as Priority 1B, it will be implemented effective July 1, 2017. Finance staff will coordinate with the Economic Development Department to review all Successor Agency (former CDC) transactions to evaluate the accounting treatment, and to consider compliance with state laws and regulations affecting former RDAs.

City's Response 2017: The City has hired expert consultants to train staff, review transactions and prepare regulatory reports. The City will also use legal counsel as appropriate to assure it meets its compliance objectives.

Implemented

Responsible Person: Controller Christine Williams

Status 2016: Not yet started.

E+P's Comment 2017: Implemented.

SCHEDULE OF PRIOR AUDIT FINDINGS (Continued)

2015-041 - Cash Receipts (SD)

Finding: There were no procedures in place to perform internal audits of cash receipts in various locations within the City organization.

Recommendation: Random audits of cash receipts should be performed.

City's Response 2016: We concur with the recommendation, and it was implemented effective January 2017. The Treasurer's Department staff performed a surprise cash reconciliation audit of the MRF and provided guidance and direction to the Department Head, supervisorial staff and line staff and suggestions for improving the cash controls. It was suggested that daily cash pickup instead of once a week pick up by security should be implemented to mitigate potential for loss. Initial steps have begun for example the City Clerk's old unbound cash receipts have been replaced with bound pre-numbered receipts. The Treasurer's staff have reviewed the petty cash process in many departments and will continue to provide training for all other departments this year.

City's Response 2017: Implemented by City Treasurer, with the exception of written procedures.

Responsible Person: City Treasurer Phil Molina

Status 2016: Not yet started.

E+P's Comment 2017: Policies and procedures in process.

2015-042 - Cash Receipts (SD)

Finding: There are no written procedures in place for reconciliation of daily cash receipts.

Recommendation: Cash receipts should be reconciled to general ledger postings daily.

City's Response 2016: We concur with the recommendation, and it will be implemented effective July 1, 2017. This will require all departments to be trained on proper reporting of cash to finance. Staff needs to reconcile daily cash before posting GL and follow-up needed. The Treasurer's staff is in the process of preparing written procedures for many of the daily functions performed by staff. There is a cash management manual, which is being updated to conform to City Codes and State law. Staff follows the procedures that have been handed down over the years and will be working with other departments and consultants to prepare written instructions of the function performed.

SCHEDULE OF PRIOR AUDIT FINDINGS (Continued)

City's Response 2017: Written procedures implementation in progress with City Treasurer. Issues with posting cash batches produced by the HTE system still results in delays in completing reconciliations. Finance and City Treasurer personnel work together to provide additional review and to improve the reconciliation process.

Planned Implementation Date: September 30, 2018

Responsible Person: City Treasurer Phil Molina and Controller Christine Williams

Status 2016: Not yet started.

E+P's Comment 2017: Not yet started.

2015-043 - Journal Entries to Cash (MW)

Finding: The process of preparing, reviewing, and approving journal entries was not properly designed. The CFO or acting CFO was responsible to review hundreds of journal entries, many of them affected cash, which rendered the control ineffective. The accounting system is not set up to record standard recurring entries.

Recommendation: Journal entries that affect cash should be thoroughly reviewed. However, the review process should be designed so that there are various levels of review. Recurring journal vouchers pre-approved via an amortization schedule should not need approval by CFO. In addition, monthly journal vouchers should be standardized and supporting documentation should be maintained.

City's Response 2016: We concur with the recommendation, and it has been identified as Priority 1B to be implemented by June 2018. The current workload to correct all identified issues has not allowed enough time for staff to perform this internal control assessment, but it is planned for completion in FY 2017-18. This will be handled by the Asst. CFO and/or Controller. Examples are: standard debt payments based on amortization schedule.

City's Response 2017: The HTE system is not easily configured to manage reversing journal entries or recurring journal entries. Progress has been made in connection with preparations for the FY 17 audit to reduce data entry effort. However, a large number of entries require approval and entry. Supporting documentation has been approved but needs further improvement. Design of the business process and the assignment of responsibility and authority needs attention.

Planned Implementation Date: June 30, 2018

Responsible Person: Controller Christine Williams

SCHEDULE OF PRIOR AUDIT FINDINGS (Continued)

Status 2016: Not yet started.

E+P's Comment 2017: Policies and procedures in process. See also current year finding 2017-012.

2015-044 - Journal Entries to Cash (MW)

Finding: An out-of-balance journal entry was found and correction was necessary to balance cash in the CDC Successor Agency Fund.

Recommendation: Journal entries should be reviewed before posting in the general ledger. In addition, cash-related journal entries should be reviewed by the person performing bank reconciliation during the bank reconciliation process.

City's Response 2016: We concur with the recommendation, and it has been identified as Priority 1B to be implemented by June 2018. The current workload to correct all identified issues has not allowed enough time for staff to perform this internal control assessment, but it is planned for completion in FY 2017-18.

City's Response 2017: The CFO engaged experts to analyze past problems with ROPS and cash reconciliation and to assist with preparation of ROPS reports. The HTE system does not provide for posting Treasurer's cash accounts for more than one entity, often leading to posting errors. Staff is considering an accounting change to eliminate Treasurer's cash accounts for the Successor Agency and accounting for Agency transactions in restricted funds, capital project funds and debt funds. Further analysis is required to assure fund types are established to support GAAP accounting for the Successor Agency if it is part of the City general ledger

Additional consulting assistance will be required to provide advice and perform reviews when the Successor Agency accounts are moved to funds in the City general ledger.

Planned Implementation Date: September 30, 2018

Responsible Person: Controller Christine Williams

Status 2016: Not yet started.

E+P's Comment 2017: Policies and procedures in process.

2015-045 - Journal Entries to Cash (MW)

Finding: Journal entries were posted to CDC Successor Agency Fund cash without adequate supporting documentation.

SCHEDULE OF PRIOR AUDIT FINDINGS (Continued)

Recommendation: Journal entries should be reviewed along with appropriate documentation. Sufficient documentation should be maintained with the journal entry voucher.

City's Response 2016: We concur with the recommendation, and although it has been identified as Priority 1B, it was implemented effective August 2016.

City's Response 2017: Document review has improved. The CFO engaged experts to assist with ROPS preparation including cash reconciliation. Reports and related journal entry back up will be improved. The Controller continues to review JE's and back up for Successor Agency accounting.

Staff will prepare appropriate risk-based documentation after ICIF implementing policies have been adopted and a Compliance Team has been assigned to analyze compliance and reporting issues.

Planned Implementation Date: September 30, 2018

Responsible Person: Controller Christine Williams

Status 2016: Not yet started.

E+P's Comment 2017: Policies and procedures in process.

2015-046 - Journal Entries to Cash (MW)

Finding: Reversing journal vouchers are not posted in a timely manner and prior-year reversing accruals are not easily found in following year log.

Recommendation: It is recommended that reversing journal vouchers reference original voucher, original batch number, and posted to period 1 of the following year.

City's Response 2016: We concur with the recommendation, and it will be implemented effective July 1, 2017. The software system needs to be set-up to do posting/reversing journal vouchers. Training or assistance from HTE may be needed. In January, staff began coordinating training with the current software provider and expect to have training conducted in this area by June 30, 2017.

City's Response 2017: HTE has been unresponsive in preparing a proposal for training and reimplementing of underused or improperly implemented software features. Staff is now focusing priority on selecting a replacement vendor for the ERP application. The City Council has approved a contract with a consulting firm that will define system requirements and manage the selection process.

SCHEDULE OF PRIOR AUDIT FINDINGS (Continued)

The extra review required to prevent errors in the current system will continue until a new ERP is implemented. Staff will focus on simplifying the journal entry process, reducing error rates and improving audit trails for Fiscal 2019.

Planned Implementation Date: June 30, 2019

Responsible Person: Controller Christine Williams

Status 2016: Not yet started.

E+P's Comment 2017: Policies and procedures in process.

2015-047 - Journal Entries to Cash (MW)

Finding: Journal vouchers and accounts payable check registers are not separated by type of transactions in the pooled cash general ledger detail. Both are currently shown as type "AJ" and description "Journal Summary". Miscellaneous journal vouchers review for accuracy is not efficient.

Recommendation: Obtain technical support from 'HTE' to see if there are options or other processes to separate AP check registers and journal vouchers by type.

City's Response 2016: We concur with the recommendation, and it has been identified as Priority 1B to be implemented by June 2018. The current workload to correct all identified issues has not allowed enough time for staff to perform this internal control assessment. In January, staff began coordinating training with the current software provider and expect to have training conducted throughout FY 2017-18.

City's Response 2017: The HTE vendor was not responsive to requests for application modification and training and has not submitted a proposal. Staff has done some workarounds but expects that the City's current effort to acquire and implement a new ERP will address these problems. This problem prevents the Finance Department from producing the quality information required for an effective system of internal control.

The current effort to produce monthly data in a short timeframe prevents adequate review and weakens the internal control environment. It also consumes staff time needed to analyze and correct problems associated with the current ERP. The internal control integrated framework is implemented to produce quality information that can be relied on for decision making. System control weaknesses and the competing priorities for staff time in reporting and budgeting affect the quality of information produced. To improve production of quality information staff intends to seek approval to reduce reporting frequencies and to focus on key financial and budget indicators. Redirecting efforts will improve analysis and review and will provide more time to work on systems issues that will pay off in the future.

SCHEDULE OF PRIOR AUDIT FINDINGS (Continued)

The Control Framework guidance from COSO and GAO specifically advises against creating pressure for results that can result in shortcuts affecting information quality and proper operation of controls and systems.

Planned Implementation Date: June 30, 2018

Responsible Person: CFO Jim Throop

Status 2016: Not yet started.

E+P's Comment 2017: Not yet started.

2015-048 - Journal Entries to Cash (MW)

Finding: HTE system reports are not in a format that can be easily and efficiently used for review.

Recommendation: Obtain technical support from 'HTE' to generate reports that can be utilized for review and analytical procedures.

City's Response 2016: We concur with the recommendation, and it will be implemented effective July 1, 2017. The current software system requires a separate report writing application in order to generate customized reports. Staff is currently training users on the report writing application.

City's Response 2017: Staff has met with HTE to secure a proposal for additional training in use of the existing ERP and assistance in properly using the system's features. However, HTE has been unresponsive in preparing a proposal for training and reimplementation of underused or improperly implemented software features. Staff is now focusing priority on selecting a replacement vendor for the ERP application. The City Council has approved a contract with a consulting firm that will define system requirements and manage the selection process.

Some staff have received training in third party report preparation tools to support technical analytical review. However widespread access to user friendly reporting and analysis limits efficiency and organizational understanding to help them meet control responsibilities. See the discussion on Finding **2015-047 EPF** for additional discussion.

SCHEDULE OF PRIOR AUDIT FINDINGS (Continued)

Staff will continue increased levels of analytical review and reconciliation until the new ERP is implemented. Required staffing levels will be affected.

Planned Implementation Date: Interim measures remain in effect until the new ERP goes live. The estimated implementation year is Fiscal 2021.

Responsible Person: Assistant CFO Deanne Purcell

Status 2016: Not yet started.

E+P's Comment 2017: Not yet started.

2015-049 - Investments (SD)

Finding: The Treasurer's Office did not maintain a complete and accurate Treasury ratings report.

Recommendation: Treasury ratings should be monitored to comply with investment policies. The Treasurer's Office should prepare the report quarterly.

City's Response 2016: We concur with the recommendation, and it was implemented effective December 2016. Since December 2016, the Treasurer has proper ratings for every investment that needs a rating. Instruments of the United States 'Treasures' do not get a rating because they are secured by the full faith and credit of the United State Government. There may be times when a GSE (U.S. Government sponsored Enterprise), an agency instrument, has only one rating company provide a rating.

There is no law that requires a government to pay the cost of more than one rating company. On occasion, there will be an instrument with only one rating from either Fitch, S&P, Moody's or FDIC. CDs are purchased from time to time, and the City purchases a face value of less than \$245,000 so that the both the premium and earned interest is covered by FDIC.

City's Response 2017: Implemented by City Treasurer

Responsible Person: City Treasurer Phil Molina

Status 2016: Not yet started.

E+P's Comment 2017: Implemented.

SCHEDULE OF PRIOR AUDIT FINDINGS (Continued)

2015-050 - Investments (SD)

Finding: Cash and investments were not reported at fair market value.

Recommendation: Fair value adjustments should be determined at least quarterly, included in the Treasurer's quarterly reports, and posted to the general ledger

City's Response 2016: We concur with the recommendation, and although it has been identified as Priority 1B, it is expected to be implemented effective July 1, 2017. The Treasurer's office produces monthly investment reports to Council, staff and Finance Department which shows the fair market value amount for each investment, which is provided by AvantGard APS2 (HTE) Sungard.

That information is provided to the Finance Department monthly when the investment report is prepared. However, due to shortages in staffing that report is 2 months behind. Additionally, Finance Department staff will be trained on the AvantGard interface with Sungard HTE general ledger system to ensure proper posting.

City's Response 2017: Fair market value reporting is implemented in the City Treasurers' report. The City disagrees that the lack of quarterly postings to the general ledger are a significant deficiency. The City's portfolio is not exposed to significant duration risk and investments are conservative posing very low levels of credit risk. Though interest rates are rising gradually they remain at historically low levels. The City's general practice of holding investments to maturity further reduces the risk of loss. The Treasurer's current regular reporting market values will let the Treasurer, management and the City Council evaluate portfolio performance and risk.

At year end staff will coordinate with the City Treasurer's office to assure that changes in market values are properly recorded in the general ledger and reported in the financial statements.

Planned Implementation Date: August 2018

Responsible Person: Controller Christine Williams

Status 2016: Not yet started.

E+P's Comment 2017: Our finding stands as noted.

2015-051 - Accounts Receivable (MW)

Finding: A reconciliation of accounts receivable against the general ledger was not performed periodically or at year-end.

SCHEDULE OF PRIOR AUDIT FINDINGS (Continued)

Recommendation: The receivable aging/subledger should be reconciled to the general ledger periodically by the Finance Department.

City's Response 2016: We concur with the recommendation, and it will be implemented effective July 1, 2017. With the recent completion of the FY 2015-16 financial audit, staff will begin training on the required periodic reconciliations.

City's Response 2017: Staff has developed complicated workarounds to create auditable balances for financial reporting purposes. The Sungard HTE system makes "point in time" reporting very difficult for accounts payable and accounts receivable balances.

Sungard - HTE has been unresponsive in preparing a proposal for training and reimplementation of underused or improperly implemented software features. Staff is now focusing priority on selecting a replacement vendor for the ERP application. The City Council has approved a contract with a consulting firm that will define system requirements and manage the selection process.

Until that system is implemented the City will have to use inefficient additional controls to reconcile general accounts receivable and accounts payable due to the limitations of the financial management software. In management's opinion these measures will detect errors that would result in material misstatement of financial reports.

Planned Implementation Date: At implementation of a new ERP, estimated to occur at July 1, 2020.

Responsible Person: Controller Christine Williams (or person supervising general accounts receivable)

Status 2016: Not yet started.

E+P's Comment 2017: Policies and procedures in process.

2015-052 - Accounts Receivable (MW)

Finding: The review of aging and collections for utilities were not centralized in the Finance Department. Review is not tied into the postings to the general ledger.

Recommendation: The receivable aging/subledger reconciliation by Finance Department should include utilities receivable.

SCHEDULE OF PRIOR AUDIT FINDINGS (Continued)

City's Response 2016: We concur with the recommendation, and it has been identified as Priority 1B to be implemented by June 2018. The current workload to correct all identified issues has not allowed enough time for staff to perform this internal control assessment, but it is planned for completion in FY 2017-18. With the recent completion of the FY 2015- 16 financial audit, staff will begin training on the required periodic reconciliations.

City's Response 2017: The Finance and Treasurer's department have not been able to assign staff to this issue due to workload and competing priorities. However, Finance recognizes that receivable aging and reconciliation are a key responsibility of the Chief Financial Officer to protect assets and to assure that they are properly valued in financial reports. The Treasurer's office often has the operational knowledge and expertise to advise on the valuation of the assets. Because aging and valuing miscellaneous and utility billing accounts receivable reflect on the performance of the collection operations responsible for those assets it is important to incorporate principles of segregation of duties in the process of establishing valuation allowances.

Finance Department and City Treasurer representatives will meet after budget adoption to establish and apply criteria for valuing receivables, including utility receivables.

Planned Implementation Date: Not later than August 15, 2018

Responsible Person: CFO Jim Throop and City Treasurer Phil Molina

Status 2016: Not yet started.

E+P's Comment 2017: Not yet started.

2015-053 - Accounts Receivable (MW)

Finding: Receivable aging reports were not reviewed by the Finance Department management for delinquent amounts. The allowance for uncollectibles was not analyzed or adjusted at year-end.

Recommendation: The receivables aging/subledger should be reviewed for delinquent amounts. Adjustments for allowances and/or write offs need to be approved by authorized personnel.

City's Response 2016: We concur with the recommendation, and it has been identified as Priority 1B to be implemented by June 2018. The current workload to correct all identified issues has not allowed enough time for staff to perform this internal control assessment, but it is planned for completion in FY 2017-18. With the recent completion of the FY 2015- 16 financial audit, staff will begin training on the required periodic reconciliations.

SCHEDULE OF PRIOR AUDIT FINDINGS (Continued)

City's Response 2017: See discussion regarding Finance consolidation, review and reconciliation of all receivables subledgers, including utilities at 2015-052, above.

Planned Implementation Date: Not later than August 15, 2018

Responsible Person: CFO Jim Throop and City Treasurer Phil Molina

Status 2016: Not yet started.

E+P's Comment 2017: Not yet started.

2015-054 - Accounts Receivable (MW)

Finding: There were no written accounting policies and procedures that specify the correct treatment for estimating the allowance for uncollectible accounts and bad debt expense.

Recommendation: Accounting policies and procedures must specify the correct treatment for estimating the allowance for uncollectible accounts and bad debt expense.

City's Response 2016: We concur with the recommendation, and it has been identified as Priority 1B to be implemented by June 2018. The current workload to correct all identified issues has not allowed enough time for staff to perform this internal control assessment, but it is planned for completion in FY 2017-18. With the recent completion of the FY 2015-16 financial audit, staff will begin training on the required periodic reconciliations.

City's Response 2017: Policies and procedures for receivable valuation are a high priority for the Finance Department. See the discussion of reconciliation to the general ledger of all receivable balances at year end and of developing criteria for valuation of receivable in collaboration with the City Treasurer's Utility Billing Division in 2015-052 EPF, above.

Planned Implementation Date: Not later than August 15, 2018

Responsible Person: CFO Jim Throop and City Treasurer Phil Molina

Status 2016: Not yet started.

E+P's Comment 2017: Not yet started.

2015-055 - Grants Management (MW)

Finding: Accounting for grants was decentralized and no one in Finance was responsible for reviewing grant funds. This condition caused many errors, including unrecorded grants receivable, notes receivable, deferred revenues, and negative fund balances.

SCHEDULE OF PRIOR AUDIT FINDINGS (Continued)

Recommendation: A responsible person in the Finance Department should be assigned to oversee the accounting of grants. Detailed policies and procedures should be developed, communicated to all departments who handle grant funds, implemented and monitored to ensure proper accounting and reporting of grants.

City's Response 2016: We concur with the recommendation, and it has been identified as Priority 1B to be implemented by June 2018. The current workload to correct all identified issues has not allowed enough time for staff to perform this internal control assessment, but it is planned for completion in FY 2017-18. Finance staff is currently developing policies and procedures for all grants, including Federal, State, and County. This will include training of a grant coordinator and training of various grant program managers to establish procedures to review grant expenditures for compliance with terms of the grant, request reimbursement on a monthly basis, and comply with all reporting requirements.

City's Response 2017: Planned weekly coordination meetings during fiscal 2017 focused on specific problems with bring grant reimbursement and reporting up to date. Workload has limited progress on making proactive improvements in grant administration. Staffing levels and priorities in departments benefitting from grants has limited efforts at citywide coordination. Grantee departments' expectations and competing priorities relating to grant administration cause them to depend on Finance rather than a participating in a collaborative effort.

Finance staff's competing priorities continue to draw attention away from grants, creating the risk of non-compliance with its related consequences. The City has not fully implemented the Administrative Requirements of OMB's Uniform Guidance (2 CFR 200). Because of the high priority placed on achieving compliance objectives, the CFO has engaged consultants to assist with drafting policies to implement controls responsive to the FY 15 and 16 Single Audit findings. Those policies include implementation of a COSO based Internal Control Integrated Framework to serve as the system of internal controls required by OMB Uniform Guidance by July 1, 2018. Other policies will focus on implementing Administrative Requirements by July 1, 2018.

Draft policies for non-standard items and new and restricted funds include processes for addressing complex regulatory and administrative requirements so that adequate staff with in depth knowledge of grant requirements can effectively administer grants from all sources.

Another policy establishes routine reviews of staffing in the Finance Department and in operating department sections managing financial matters, including grants.

Planned Implementation Date: June 30, 2018

Responsible Person: Assistant CFO Deanne Purcell

Status 2016: Not yet started.

SCHEDULE OF PRIOR AUDIT FINDINGS (Continued)

E+P's Comment 2017: Not yet started. See also current year finding 2017-009.

2015-056 - Grants Management (SD)

Finding: Grants receivable were not tracked and reconciled to the general ledger on a monthly basis.

Recommendation: The City should establish procedures to ensure that all reimbursable costs or contract costs are billed and adherence to those procedures must be periodically reviewed by the appropriate level of management.

City's Response 2016: We concur with the recommendation, and it has been identified as Priority 1B to be implemented by June 2018. The current workload to correct all identified issues has not allowed enough time for staff to perform this internal control assessment, but it is planned for completion in FY 2017-18. Finance staff is currently developing policies and procedures for all grants, including Federal, State, and County. This will include training of a grant coordinator and training of various grant program managers to establish procedures to review grant expenditures for compliance with terms of the grant, request reimbursement on a monthly basis, and comply with all reporting requirements.

City's Response 2017: During fiscal 2017 the City conducted weekly grants coordination meetings. As noted above those meetings focused on making sure accurate reimbursement requests were submitted to grantors. Additional effort focused on improving cost allocation to grants. However, competing priorities affected progress.

The City's consultants will develop Uniform Guidance implementing policies after completing implementing policies for the Internal Control Integrated Framework and providing assistance to Finance Staff in preparing the Fiscal 2017 Single Audit Corrective Action Plan.

Planned Implementation Date: June 30, 2018

Responsible Person: Assistant CFO Deanne Purcell

Status 2016: Not yet started.

E+P's Comment 2017: Not yet started. See also current year finding 2017-009.

2015-057 - Grants Management (SD)

Finding: FEMA - revenue was greater than expenditures due to accounts receivable not being recorded properly prior year. As a result, there is an overstatement of revenue of \$600,000 in the current year.

SCHEDULE OF PRIOR AUDIT FINDINGS (Continued)

Recommendation: The City should establish procedures to ensure that all reimbursable costs or contract costs are billed and adherence to those procedures must be periodically reviewed by the appropriate level of management.

City's Response 2016: We concur with the recommendation, and it has been identified as Priority 1B to be implemented by June 2018. The current workload to correct all identified issues has not allowed enough time for staff to perform this internal control assessment, but it is planned for completion in FY 2017-18. Finance staff is currently developing policies and procedures for all grants, including Federal, State, and County. This will include training of a grant coordinator and training of various grant program managers to establish procedures to review grant expenditures for compliance with terms of the grant, request reimbursement on a monthly basis, and comply with all reporting requirements.

City's Response 2017: Turnover, workload and training issues have delayed progress on development of policies and implementation of procedures for grants. A project to implement an internal control framework responsive to the City's single audit findings is underway. The CFO has engaged consultants to provide control implementation policies including policies that implement the administrative requirements of OMB's Uniform Guidance.

The City's consultants will develop Uniform Guidance implementing policies after completing implementing policies for the Internal Control Integrated Framework and providing assistance to Finance Staff in preparing the Fiscal 2017 Single Audit Corrective Action Plan.

Planned Implementation Date: June 30, 2018

Responsible Person: Accountant Chandra Crudup

Status 2016: Not yet started.

E+P's Comment 2017: Not yet started. See also current year finding 2017-009.

2015-058 - Grants Management (BP)

Finding: Procedures for grant management in accordance with the new Uniform Guidance have not been adopted.

Recommendation: The City should adopt the new Uniform Guidance and procedures should be put in place to implement the policy.

City's Response 2016: We concur with the recommendation, and it has been identified as Priority 1B to be implemented by June 2018. The current workload to correct all identified issues has not allowed enough time for staff to perform this internal control assessment, but it is planned for completion in FY 2017-18.

SCHEDULE OF PRIOR AUDIT FINDINGS (Continued)

City's Response 2017: Turnover, workload and training issues have delayed progress on development of policies and implementation of procedures for grants. A project to implement an internal control framework responsive to the City's single audit findings is underway. The CFO has engaged consultants to provide control implementation policies including policies that implement the administrative requirements of OMB's Uniform Guidance.

The City's consultants will develop Uniform Guidance implementing policies after completing implementing policies for the Internal Control Integrated Framework and providing assistance to Finance Staff in preparing the Fiscal 2017 Single Audit Corrective Action Plan.

Planned Implementation Date: June 30, 2018

Responsible Person: Assistant CFO Deanne Purcell

Status 2016: Not yet started.

E+P's Comment 2017: Not yet started.

2015-059 - Grants Management (BP)

Finding: Grant agreements are not maintained in an orderly manner in the Finance Department to assist in the complete and accurate recording in the general ledger.

Recommendation: All grant agreements should be reviewed and filed in the Finance Department. During review, the person responsible for grants should identify terms and conditions that affect accounting and financial reporting as well as compliance.

City's Response 2016: We concur with the recommendation, and it has been identified as Priority 1B to be implemented by June 2018. The current workload to correct all identified issues has not allowed enough time for staff to perform this internal control assessment, but it is planned for completion in FY 2017-18. Finance staff is currently developing policies and procedures for all grants, including Federal, State, and County. This will include training of a grant coordinator and training of various grant program managers to establish procedures to review grant expenditures for compliance with terms of the grant, request reimbursement on a monthly basis, and comply with all reporting requirements.

City's Response 2017: Turnover, workload and training issues have delayed progress on development of policies and implementation of procedures for grants. A project to implement an internal control framework responsive to the City's single audit findings is underway. The CFO has engaged consultants to provide control implementation policies including policies that implement the administrative requirements of OMB's Uniform Guidance.

SCHEDULE OF PRIOR AUDIT FINDINGS (Continued)

The City's consultants will develop Uniform Guidance implementing policies after completing implementing policies for the Internal Control Integrated Framework and providing assistance to Finance Staff in preparing the Fiscal 2017 Single Audit Corrective Action Plan.

After Uniform Guidance implementing policies are in place staff will organize grant records consistent with the standards established in those policies.

Planned Implementation Date: September 30, 2018

Responsible Person: Accountant Chandra Crudup

Status 2016: Not yet started.

E+P's Comment 2017: Not yet started.

2015-060 - Grants Management (BP)

Finding: The City does not have a cost allocation plan for Federal awards. Only direct payroll is charged against Federal awards.

Recommendation: The City should establish what is considered allowable direct and indirect costs for Federal awards. The City may be able to charge additional payroll in the Finance department for work employees do related to Grants.

City's Response 2016: We concur with the recommendation, and it will be implemented effective July 1, 2017. Finance staff is currently developing policies and procedures for all grants, including Federal, State, and County. This will include training of a grant coordinator and training of various grant program managers to establish procedures to review grant expenditures for compliance with terms of the grant, request reimbursement on a monthly basis, and comply with all reporting requirements.

City's Response 2017: The City contracted for indirect cost and central service allocation studies with a consultant. Unfortunately, the timeliness and technical issues with the reports have delayed implementation of new cost allocations. In addition, the consultant's scope did not include creation of a cost allocation that complies with Uniform Guidance. The City continues to work with the consultant.

Management is analyzing use of the de Minimis 10% allocation allowed by 2 CFR 200. It has not used indirect cost recovery for Federal grants for years in order to preserve grant funds for direct program costs. Given other internal control priorities management intends to apply available resources to other findings and limit its action to adopting a policy regarding the de Minimis rate. It also intends to issue an RFP for cost allocation services to improve its ability to analyze the costs of City services.

SCHEDULE OF PRIOR AUDIT FINDINGS (Continued)

Planned Implementation Date:

Policy adoption: July 1, 2019

RFP: September 30, 2018

Responsible Person: CFO Jim Throop

Status 2016: Not yet started.

E+P's Comment 2017: Not yet started. See also current year finding 2017-005.

2015-061 - Grants Management (SD)

Finding: There are no procedures in place to inform the Finance Department what items get capitalized and what items were donated.

Recommendation: Establish procedures for grant coordinators to communicate to the Finance Department when there are items that need to be capitalized and when capital assets are donated.

City's Response 2016: We concur with the recommendation, and it has been identified as Priority 2 to be implemented by June 2019. The current workload to correct all identified issues has not allowed enough time for staff to perform this internal control assessment, but it is planned for completion in FY 2017-18. Finance staff is currently developing policies and procedures for all grants, including Federal, State, and County. This will include training of a grant coordinator and training of various grant program managers to establish procedures to review grant expenditures for compliance with terms of the grant, request reimbursement on a monthly basis, and comply with all reporting requirements.

City's Response 2017: Implementing policies for Uniform Guidance will include capital asset policies consistent with the guidance.

Planned Implementation Date: June 30, 2018

Responsible Person: Management Accountant Pam Greer

Status 2016: Not yet started.

E+P's Comment 2017: Not yet started.

2015-062 - Grants Management (SD)

SCHEDULE OF PRIOR AUDIT FINDINGS (Continued)

Finding: Several state grant funds have negative fund balances due to the unallowable costs and expenditures incurred in the past.

Recommendation: The City should take corrective action to cure the negative fund balances in state and Federal grants and should establish controls to avoid future negative fund balances.

City's Response 2016: We concur with the recommendation, and it will be implemented effective July 1, 2017. Finance staff is currently developing policies and procedures for all grants, including Federal, State, and County. This will include training of a grant coordinator and training of various grant program managers to establish procedures to review grant expenditures for compliance with terms of the grant, request reimbursement on a monthly basis, and comply with all reporting requirements.

City's Response 2017: Implementing policies for Uniform Guidance will include policies regarding monitoring grant transactions and balances and following up on unusual items, like disallowed costs.

Planned Implementation Date: June 30, 2018

Responsible Person: Accountant Chandra Crudup

Status 2016: Not yet started.

E+P's Comment 2017: Not yet started.

2015-063 - Notes Receivable (MW)

Finding: Notes receivable were not recorded in the general ledger. There were no policies and procedures in place to recognize long-term loan agreements entered into by the various departments with approval from City Council.

Recommendation: Policies and procedures should be established to obtain all long-term agreements entered into by various departments. These agreements must be reviewed for proper accounting treatment by the appropriate level of management.

City's Response 2016: We concur with the recommendation, and it will be implemented effective July 1, 2017. Finance staff will train other departments to identify long-term agreements that have a financial impact and establish procedures for obtaining those agreements for review by Finance Department staff.

SCHEDULE OF PRIOR AUDIT FINDINGS (Continued)

City's Response 2017: Notes receivable that result from expenditures of grant funds will be the subject of policies that implement the requirements of Uniform Guidance. The City intends to record all grant related notes to provide reasonable assurance that repayments are treated as program income and to assure documentation of City controls and related liens associated with grant funded notes.

Planned Implementation Date: June 30, 2018

Responsible Person: Controller Christine Williams

Status 2016: Not yet started.

E+P's Comment 2017: Policies and procedures in process. See also current year finding 2017-010.

2015-064 - Notes Receivable (MW)

Finding: Notes receivable agreements are not maintained in an orderly manner in the finance department to assist in the complete and accurate recording in the general ledger.

Recommendation: All long-term receivable agreements should be obtained and maintained by the Finance Department. A member of the Finance Department should be assigned to review the minutes of City Council meetings for long-term agreements and obtain such agreements for the Department.

City's Response 2016: We concur with the recommendation, and it will be implemented effective July 1, 2017. Finance staff will train other departments to identify long-term agreements that have a financial impact and establish procedures for obtaining those agreements for review by Finance Department staff. Finance staff will also be trained on the review of minutes from City Council meetings for such agreements.

City's Response 2017: After implementing control policies for Uniform Guidance are adopted Finance and operating department personnel associated with notes receivable will implement an orderly system for documenting and accounting for the notes.

Planned Implementation Date: June 30, 2018

Responsible Person: Accountant Chandra Crudup

Status 2016: Not yet started.

SCHEDULE OF PRIOR AUDIT FINDINGS (Continued)

E+P's Comment 2017: Policies and procedures in process. See also current year finding 2017-010.

2015-065 - Notes Receivable (SD)

Finding: Notes receivable are not tracked and reconciled to the general ledger. Repayment of HOME and CDBG loans were not properly classified as program income.

Recommendation: Notes receivable should be reconciled to the general ledger periodically by Finance. To assist in the reconciliation, information should be obtained from the Housing Department and Economic Development Department relating to current activity.

City's Response 2016: We concur with the recommendation, and it has been identified as Priority 1B to be implemented by June 2018. The current workload to correct all identified issues has not allowed enough time for staff to perform this risk assessment, but it is planned for completion in FY 2017-18. Finance staff will train other departments to identify notes receivable information and establish procedures for obtaining that information for review by Finance Department staff.

City's Response 2017: Notes receivable that result from expenditures of grant funds will be the subject of policies that implement the requirements of Uniform Guidance. The City intends to record all grant related notes to provide reasonable assurance that repayments are treated as program income and to assure documentation of City controls and related liens associated with grant funded notes.

Tracking systems will be implemented following adoption of implementing policies for the requirements of OMB's Uniform Guidance.

Planned Implementation Date: December 31, 2018

Responsible Person: Accountant Chandra Crudup

Status 2016: Not yet started.

E+P's Comment 2017: Policies and procedures in process.

2015-066 - Notes Receivable (SD)

Finding: Interest has not been accrued on any of the notes receivable.

Recommendation: Interest on notes receivable should be calculated and billed, as appropriate. Interest income should be accrued on a modified accrual basis and recorded in the general ledger.

SCHEDULE OF PRIOR AUDIT FINDINGS (Continued)

City's Response 2016: We concur with the recommendation, and it has been identified as Priority 1B to be implemented by June 2018. The current workload to correct all identified issues has not allowed enough time for staff to perform this risk assessment, but it is planned for completion in FY 2017-18. Finance staff will train other departments to identify notes receivable information and establish procedures for obtaining that information for review by Finance Department staff.

City's Response 2017: Preparation plans for the FY 2016-17 audit were to have produced computations of interest accruals. However staffing limitations and competing priorities prevented this from happening. Because this financial reporting issue does not expose the City to the risk of financial loss given its historical policy of forgiving accrued interest in almost all cases this calculation will only be done once per year in connection with the annual audit and single audit or during the year where adjustment is required for transactions relating to a specific loan. Interest is being calculated and billed as appropriate.

Planned Implementation Date: June 30, 2018

Responsible Person: Controller Christine Williams

Status 2016: Not yet started.

E+P's Comment 2017: Not yet started.

2015-067 - Notes Receivable (SD)

Finding: Notes receivable schedules were not reviewed by Finance Department management for delinquent amounts. The allowance for uncollectibles was not analyzed or adjusted at year-end.

Recommendation: The notes receivables schedule should be reviewed and reconciled to the general ledger. Adjustments for allowances and/or write offs need to be approved by authorized personnel.

City's Response 2016: We concur with the recommendation, and it has been identified as Priority 1B to be implemented by June 2018. The current workload to correct all identified issues has not allowed enough time for staff to perform this risk assessment, but it is planned for completion in FY 2017-18. Finance staff will train other departments to identify notes receivable information and establish procedures for obtaining that information for review by Finance Department staff.

SCHEDULE OF PRIOR AUDIT FINDINGS (Continued)

City's Response 2017: Policies related to non-standard items and restricted funds require analytical review and detailed knowledge of grant requirements. Estimating uncollectible amounts based on policy, credit and security issues will be implemented as a control activity based on the City's assessment of risk. In the meantime, staff review this in connection with its annual CAFR and Single Audit reporting requirements. Grant specific provisions will be included in Uniform Guidance implementing policies.

These receivables will be included in the policy discussion relating to valuation of all receivables expected to be completed by August 15, 2018.

Planned Implementation Date: August 15, 2018

Responsible Person: Controller Christine Williams

Status 2016: Not yet started.

E+P's Comment 2017: Not yet started. See also current year finding 2017-010.

2015-068 - Notes Receivable (SD)

Finding: There are no procedures in place to collect payments from developers based on residual revenues.

Recommendation: Policies and procedures must be developed and implemented to collect payments from developers based on residual revenues.

City's Response 2016: We concur with the recommendation, and it has been identified as Priority 1B to be implemented by June 2018. The current workload to correct all identified issues has not allowed enough time for staff to perform this risk assessment, but it is planned for completion in FY 2017-18.

City's Response 2017: Transactions related to notes receivable that result from expenditures of grant funds will be the subject of policies that implement the requirements of Uniform Guidance. The City intends to record all grant related notes to provide reasonable assurance that repayments are treated as program income and to assure documentation of City controls and related liens associated with grant funded notes. In addition, specific staff will be assigned to monitor compliance with grant terms and the terms of agreements related to grant, successor agency or City expenditures.

SCHEDULE OF PRIOR AUDIT FINDINGS (Continued)

Tracking systems will be implemented following adoption of implementing policies for the requirements of OMB's Uniform Guidance.

Planned Implementation Date: June 30, 2019

Responsible Person: Grants Manager Roel Briones

Status 2016: Not yet started.

E+P's Comment 2017: Not yet started.

2015-069 - Deferred Balances (BP)

Finding: A supporting analysis was not prepared for calculating deferred balances.

Recommendation: Accounting policies and procedures should specify the correct treatment for calculating deferred amounts. The analysis documents compliance with relevant GAAP and the City's accounting policies.

City's Response 2016: We concur with the recommendation, and it has been identified as Priority 2 to be implemented by June 2019. The current workload to correct all identified issues has not allowed enough time for staff to perform this internal control assessment, but it is planned for completion in FY 2018-19.

City's Response 2017: The Controller will convene a Compliance Team established pursuant to ICIF and Uniform Guidance implementing policies to review grant funded note receivable GAAP and compliance reporting objectives to develop and document policies applicable to grant funded notes receivable and related interest and valuation adjustments.

Planned Implementation Date: June 30, 2019

Responsible Person: Controller Christine Williams

Status 2016: Not yet started.

E+P's Comment 2017: Not yet started.

2015-070 - Capital Assets and Construction in Progress (CIP) (MW)

Finding: The City has not fully established accurate and auditable capital assets and CIP balances as of June 30, 2015.

SCHEDULE OF PRIOR AUDIT FINDINGS (Continued)

Recommendation: Continue remediation efforts to establish capital assets and CIP balances in the financial statements and related disclosures.

City's Response 2016: We concur with the recommendation, and it will be implemented effective July 1, 2017. The City's poor accounting records related to capital assets was the basis for a qualified audit opinion for FY 2015- 16, so the City takes this area very seriously. The current City staff does not possess the time, nor the expertise required to conduct a physical inventory, establish appropriate valuations, and compile complete listings of all capital assets in the City. The current workload to correct all identified issues has not allowed enough time for staff to be adequately trained to perform these functions. Therefore, staff is currently in the process of contracting for a consultant that specializes in capital asset valuations to implement this recommendation.

City's Response 2017: Completed. The CFO engaged a capital assets inventory and valuation consultant to reconstruct the City's fixed asset records and certify the compliance of their reports with accounting and appraisal standards. The project has been completed and values have been recorded in the General Ledger. The City is developing procedures to assure that the resulting detailed schedule of capital assets can be maintained in future years, including depreciation, capitalization of interest, additions and retirements.

Responsible Person: Assistant CFO, Deanne Purcell

Status 2016: Not yet started.

E+P's Comment 2017: Implemented.

2015-071 - Capital Assets and Construction in Progress (CIP) (MW)

Finding: The City does not have a complete listing of capital assets. The City did not have a listing of ongoing and completed construction projects. It has not implemented accurate and complete asset identification, system mapping, and tagging processes that include sufficient detail to clearly differentiate and accurately track capital assets to the fixed assets system.

Recommendation: Implement processes and controls to facilitate identification and tracking of capital assets and CIP.

SCHEDULE OF PRIOR AUDIT FINDINGS (Continued)

City's Response 2016: We concur with the recommendation, and it will be implemented effective July 1, 2017. The City's poor accounting records related to capital assets was the basis for a qualified audit opinion for FY 2015- 16 so the City takes this area very seriously. The current City staff does not possess the time nor the expertise required to conduct a physical inventory, establish appropriate valuations, and compile complete listings of all capital assets in the City. The current workload to correct all identified issues has not allowed enough time for staff to be adequately trained to perform these functions. Therefore, staff is currently in the process of contracting for a consultant that specializes in capital asset valuations to implement this recommendation.

City's Response 2017: Implemented. The consulting study to create a complete listing of capital assets has been completed.

Responsible Person: Assistant CFO, Deanne Purcell

Status 2016: Not yet started.

E+P's Comment 2017: Implemented.

2015-072 - Capital Assets and Construction in Progress (CIP) (MW)

Finding: No physical inventory of capital assets and CIP has been performed for many years.

Recommendation: Perform a physical inventory of capital assets and CIP.

City's Response 2016: We concur with the recommendation, and it will be implemented effective July 1, 2017. The City's poor accounting records related to capital assets was the basis for a qualified audit opinion for FY 2015- 16 so the City takes this area very seriously. The current City staff does not possess the time nor the expertise required to conduct a physical inventory, establish appropriate valuations, and compile complete listings of all capital assets in the City. The current workload to correct all identified issues has not allowed enough time for staff to be adequately trained to perform these functions. Therefore, staff is currently in the process of contracting for a consultant that specializes in capital asset valuations to implement this recommendation.

City's Response 2017: Implemented. The physical inventory and valuation project has been completed and the independent auditor has removed the modification of their opinion based on the condition of the City's capital asset records.

Responsible Person: Assistant CFO, Deanne Purcell

Status 2016: Not yet started.

SCHEDULE OF PRIOR AUDIT FINDINGS (Continued)

E+P's Comment 2017: Implemented.

2015-073 - Capital Assets and Construction in Progress (CIP) (MW)

Finding: The City did not have adequate policies and procedures to ensure that assets acquired, whether constructed, purchased, or on a capital lease, are recorded in the general ledger and the fixed-assets system in a timely manner.

Recommendation: Establish policies and procedures to ensure that assets acquired are recorded in the general ledger and the fixed- assets system in a timely manner.

City's Response 2016: We concur with the recommendation, and it will be implemented effective July 1, 2017. Finance staff received some training as part of the FY 2015-16 year-end closing process. With the recent completion of the FY 2015-16 financial audit, staff will receive more training on the procedures to ensure that assets acquired are recorded in the general ledger and the fixed-assets system in a timely manner.

City's Response 2017: The City's inventory and valuation project was completed by its consultants and that database will be maintained through control activities based on ICIF implementing policies establishing standards for transaction processing systems and major asset classes.

Planned Implementation Date: December 31, 2018

Responsible Person: Assistant CFO, Deanne Purcell

Status 2016: Not yet started.

E+P's Comment 2017: Not yet started.

2015-074 - Capital Assets and Construction in Progress (CIP) (MW)

Finding: The City has not implemented a process to identify and evaluate all lease agreements to ensure that they are appropriately categorized as operating or capital, and properly reported in the financial statements and related disclosures.

Recommendation: Assign a member of the Finance Department who has sufficient knowledge and skills to identify and evaluate all lease agreements to ensure that they are appropriately categorized as operating or capital, and properly reported in the financial statements and related disclosures.

SCHEDULE OF PRIOR AUDIT FINDINGS (Continued)

City's Response 2016: We concur with the recommendation, and it will be implemented effective July 1, 2017. With the recent completion of the FY 2015-16 financial audit, staff will receive more training on the procedures to ensure that all lease agreements are appropriately categorized and recorded in the system and reported in the financial statements.

City's Response 2017: The City's draft policy regarding non-standard items provides for a qualified Compliance Team to assemble to address accounting treatment for transactions that occur infrequently. The City does not have a large number of leases, especially structured like the transaction for Fire Station 8. The Governmental Accounting Standards Board issued a new standard for lease accounting in June 2017 for years beginning after December 15, 2019. Earlier implementation is encouraged.

In response the CFO will convene a Compliance Team to identify and review all transactions and agreements affected by the new standard. That team will create a plan to implement the new standard during the 2018-2019 fiscal year, two years before it is required. In the course of this project the team will develop the institutional knowledge and capacity to properly implement accounting and reporting treatment for future lease transactions.

Planned Implementation Date: July 1, 2019

Responsible Person: Management Accountant Pam Greer

Status 2016: Not yet started.

E+P's Comment 2017: Not yet started.

2015-075 - Capital Assets and Construction in Progress (CIP) (MW)

Finding: The City did not transfer certain assets from CIP to "in-use" assets in a timely manner. There were no controls in place to identify completed construction projects.

Recommendation: Establish policies and procedures to identify completed construction projects and properly transfer the cost from CIP to capital assets. The policies and procedures should include determining the date placed in service, useful life, and depreciation expense.

City's Response 2016: We concur with the recommendation, and it will be implemented effective July 1, 2017. Finance staff received some training as part of the FY 2015-16 year-end closing process. With the recent completion of the FY 2015-16 financial audit, staff will receive more training on the procedures to ensure that completed construction projects are recorded in the general ledger and the capital assets system in a timely manner.

SCHEDULE OF PRIOR AUDIT FINDINGS (Continued)

City's Response 2017: The City made progress in completing its year end close out review with the assistance of its inventory and valuation consultant in Fiscal 2017. The CFO has contracted with consultants to help staff develop internal control policies to address the Single Audit findings for fiscal years 2015 and 2016. Those policies will include standards for transaction systems and major asset classes consistent with State Controller's Office guidelines and OMB's Uniform Guidance.

Policies will address how the City acquires assets and how they are valued at acquisition in addition to policies for procedures that transfer completed construction in process projects to in-use capital assets.

Planned Implementation Date:

Policies: June 30, 2018

CIP procedures: August 15, 2018

Responsible Person: Assistant CFO, Deanne Purcell

Status 2016: Not yet started.

E+P's Comment 2017: Not yet started.

2015-076 - Capital Assets and Construction in Progress (CIP) (MW)

Finding: CIP amounts that represent discontinued projects were not expensed.

Recommendation: Construction projects that have been discontinued should be properly expensed.

City's Response 2016: We concur with the recommendation, and it will be implemented effective July 1, 2017. Finance staff received some training as part of the FY 2015-16 year-end closing process. With the recent completion of the FY 2015-16 financial audit, staff will receive more training on the procedures to ensure that completed construction projects are recorded in the general ledger and the capital assets system in a timely manner.

City's Response 2017: Major transaction system and balance sheet category policies will follow completion of the ICIF implementing policies, the 2017 Corrective Action Plan and the Uniform Guidance implementing policies. Draft policies should be prepared by June or July 2018. Planned policies will require regular reviews of all capital projects to identify projects that should not be capitalized, construction in progress that has been abandoned or completed construction in progress that should be transferred to in-use assets.

Planned Implementation Date: Not later than August 31, 2018. Control activities related to the policy will be periodic and ongoing.

SCHEDULE OF PRIOR AUDIT FINDINGS (Continued)

Responsible Person: Assistant CFO, Deanne Purcell

Status 2016: Not yet started.

E+P's Comment 2017: Not yet started.

2015-077 - Capital Assets and Construction in Progress (CIP) (MW)

Finding: Capital outlay expenditures were not evaluated to determine whether capitalization was appropriate

Recommendation: Capital outlay expenditures should be routinely evaluated to determine whether capitalization was appropriate.

City's Response 2016: We concur with the recommendation, and it will be implemented effective July 1, 2017. Finance staff received some training as part of the FY 2015-16 year-end closing process. With the recent completion of the FY 2015-16 financial audit, staff will receive more training on the procedures to determine whether capitalization is appropriate.

City's Response 2017: Policies for control activity standards have been drafted. Those policies require periodic review of problem areas identified as sources of risk and identify all Single Audit internal control findings as markers for risk in the financial system. Implementing policies for Uniform Guidance will add policies for items purchased with grant proceeds.

Purchasing and accounting staff have been briefed on the control issues involved with improperly capitalizing expenses in asset accounts. The regular periodic capital assets review for discontinued projects, completed CIP projects will integrate with controls at the point of purchase to create an integrated control framework to improve the accuracy and reliability of capital asset records. The recent project to inventory and value capital assets has resolved a number of outstanding issues related to proper capitalization. This significantly reduced the complexity involved with implementing these controls without a reliable starting point.

Planned Implementation Date:

Policy adoption: June 30, 2018

Purchasing review of expenditures: March 31, 2018

Responsible Person: Assistant CFO, Deanne Purcell

Status 2016: Not yet started.

E+P's Comment 2017: Not yet started.

SCHEDULE OF PRIOR AUDIT FINDINGS (Continued)

2015-078 - Capital Assets and Construction in Progress (CIP) (MW)

Finding: The City does not have policies and procedures in place to properly account for capitalized interest in accordance with GAAP. Capitalized Interest normally begins at the start of preconstruction activities and ends when an asset is substantially complete and ready for use. Our audit procedures revealed that the City did not end their interest capitalization for Historic Enhancement and Revitalization of Oxnard (HERO) Project after an asset was substantially complete and ready for use. Therefore; the amount of asset was overstated by \$1,973,770.

Recommendation: Policies and procedures must be developed and implemented to properly account for capitalized interest. In addition, we recommend more effective review procedures.

City's Response 2016: We concur with the recommendation, and it will be implemented effective July 1, 2017. Finance staff received some training as part of the FY 2015-16 year-end closing process. With the recent completion of the FY 2015-16 financial audit, staff will receive more training on the procedures to properly account for interest capitalization.

City's Response 2017: Implemented. The Controller and Management Accountant have reviewed accounting principles for capitalization of interest and are applying those rules as part of their pre-closing review of capital asset additions. Future periodic CIP reviews will include attention to capitalized interest. New debt financed construction projects will be referred to a Compliance Team to establish GAAP accounting and monitoring programs related to capitalized interest.

Planned Implementation Date: June 30, 2018

Responsible Person: Management Accountant Pam Greer

Status 2016: Not yet started.

E+P's Comment 2017: Not yet started.

2015-079 - Capital Assets and Construction in Progress (CIP) (MW)

Finding: The rate and method of application of indirect labor cost (Labor markup) to capital projects was dated back to 2012 amounts. Application to projects is currently done through manual entries. Manual entries leave room for error and are often not timely or efficient.

Recommendation: Review and update the process for indirect cost allocation for accuracy. Review is needed to ensure that projects are assigned the appropriate labor cost.

SCHEDULE OF PRIOR AUDIT FINDINGS (Continued)

City's Response 2016: We concur with the recommendation, and it will be implemented effective July 1, 2017. The City contracted for an update to the Cost Allocation Plan, and it is currently in the final stages of review. With the recent completion of the FY 2015-16 financial audit, staff will receive training on the procedures to properly assign the updated labor costs to projects.

City's Response 2017: The consultants engaged by the City to complete indirect cost, internal service and service cost analyses have not been timely in producing reports required for updating project labor charges. In addition, HTE software does not support combined payroll and project and labor distribution. HTE has been unresponsive about improving project costing functionality within the currently installed version of the software. Staff is in contact with RCS, the cost allocation consultant, about producing usable reports.

The City will continue to use manual systems to allocate indirect labor charges to capital projects until improved reports are obtained and the current ERP is replaced for fiscal 2020 or 2021. Periodic review of open projects is expected to detect problems with labor distributions for attention by the accounting and Public Works staffs.

Planned Implementation Date:

For periodic review, September 30, 2018

For ERP conversion: December 31, 2019

Responsible Person: Assistant CFO, Deanne Purcell

Status 2016: Not yet started.

E+P's Comment 2017: Not yet started.

2015-080 - Capital Assets and Construction in Progress (CIP) (MW)

Finding: There is lack of sufficient controls to track asset acquisitions and compare actual costs incurred to approved capital budgets. CIP costs are allowed to exceed recorded capital budgets. Completed projects are not properly closed on a timely manner.

Recommendation: Establish policies and procedures to track asset acquisitions and construction and compare to approved capital budgets. Recorded capital budgets must be updated for approved change orders, otherwise CIP costs should not be allowed to exceed the approved capital budgets. Projects should be closed when completed. Additional costs must not be incurred on the project when it is complete.

SCHEDULE OF PRIOR AUDIT FINDINGS (Continued)

City's Response 2016: We concur with the recommendation, and it will be implemented effective July 1, 2017. For the FY 2015-16 closing process, Finance staff sent lists of projects to project managers and requested status updates or project close-out forms. In addition, Finance staff will coordinate the capital project monitoring with other departments to ensure proper budget monitoring and recording of acquisitions, change orders, and close-outs.

City's Response 2017: Turnover in Finance and Public Works and competing priorities have slowed implementation of appropriate control activities including periodic capital project review by trained, competent personnel.

The City plans to begin periodic review of capital projects and to continue to apply additional controls and analyses of capital asset costs until a new ERP can be used to implement controls that will prevent charges to projects categorized as complete.

Planned Implementation Date:

Periodic reviews: September 30, 2018

Automated controls and reports: July 1, 2019

Responsible Person: Assistant CFO, Deanne Purcell

Status 2016: Not yet started.

E+P's Comment 2017: Not yet started.

2015-081 - Capital Assets and Construction in Progress (CIP) (MW)

Finding: Department and project managers were not involved in the internal control process.

Recommendation: The capital assets listing should be routed to department and project managers to determine whether assets still physically exist.

City's Response 2016: We concur with the recommendation, and it was implemented effective December 2016. For the FY 2015-16 closing process, Finance staff sent lists of projects to project managers and requested status updates or project close-out forms. In addition, staff is currently in the process of contracting for a consultant that specializes in capital asset valuations to conduct a physical inventory to help implement this recommendation.

City's Response 2017: The recommendation was implemented as part of the City's capital assets inventory and valuation project. Finance staff intends to circulate asset listings to appropriate managers in future years to determine whether assets still exist. Implemented. Planned control policies for major transaction systems and balance sheet account classes will include regular reviews of capital projects and ongoing inventory and reconciliation of capital assets.

SCHEDULE OF PRIOR AUDIT FINDINGS (Continued)

Planned Implementation Date: September 30, 2018

Responsible Person: Assistant CFO, Deanne Purcell

Status 2016: Not yet started.

E+P's Comment 2017: Policies and procedures in process.

2015-082 - Capital Assets and Construction in Progress (CIP) (MW)

Finding: There are individuals designated with responsibility for assuring compliance with the terms of grants and contracts; however, there was insufficient communication between these individuals and the finance department.

Recommendation: Establish policies and procedures relating to capital assets and CIP and communicate such policies and procedures to affected individuals in other departments. The finance department should lead the coordinated efforts of various departments to implement the policies and procedures.

City's Response 2016: We concur with the recommendation, and it has been identified as Priority 2 to be implemented by June 2019. The current workload to correct all identified issues has not allowed enough time for staff to develop controls and implement this recommendation, but it is planned for completion in FY 2018-19. Finance will coordinate with other departments on a regular basis to communicate policies and procedures relating to capital assets and CIP.

City's Response 2017: The City has changed its implementation priorities to adopting a COSO based Internal Control Integrated Framework through a number of implementing policies, to fully comply with Uniform Guidance Corrective Action Plan reporting requirements and to implement the administrative requirements of the Uniform Guidance by June 30, 2018. In Fiscal 2019 internal control improvements will focus first on adopting internal control policies for major transaction systems and balance sheet accounts then on designing and documenting control activities using a risk-based approach.

SCHEDULE OF PRIOR AUDIT FINDINGS (Continued)

Implementing policies for the ICIF and Uniform Guidance will include policies related to compliance and to information and communication. This Single Audit finding, combined with problems revealed by detailed analysis of the City capital asset systems are considered important risk indicators for documentation efforts in Fiscal 2019.

Planned Implementation Date:

ICIF and Uniform Guidance policy adoption: June 30, 2018

Transaction system and balance sheet control policies adoption: September 30, 2018

Procedures design and documentation: June 30, 2019

Responsible Person: Assistant CFO Deanne Purcell

Status 2016: Not yet started.

E+P's Comment 2017: Not yet started.

2015-083 - Capital Assets and Construction in Progress (CIP) (MW)

Finding: Project managers are designated to monitor construction projects; however, there was insufficient communication between the project managers and the finance department.

Recommendation: Establish policies and procedures relating to capital assets and CIP and communicate such policies and procedures to affected individuals in other departments. The finance department should lead the coordinated efforts of various departments to implement the policies and procedures.

City's Response 2016: We concur with the recommendation, and it has been identified as Priority 2 to be implemented by June 2019. The current workload to correct all identified issues has not allowed enough time for staff to develop controls and implement this recommendation, but it is planned for completion in FY 2018-19. Finance will coordinate with other departments on a regular basis to communicate policies and procedures relating to capital assets and CIP.

City's Response 2017: From 2015-082 EPF - The City has changed its implementation priorities to adopting a COSO based Internal Control Integrated Framework through a number of implementing policies, to fully comply with Uniform Guidance Corrective Action Plan reporting requirements and to implement the administrative requirements of the Uniform Guidance by June 30, 2018. In Fiscal 2019 internal control improvements will focus first on adopting internal control policies for major transaction systems and balance sheet accounts then on designing and documenting control activities using a risk-based approach.

SCHEDULE OF PRIOR AUDIT FINDINGS (Continued)

Implementing policies for the ICIF and Uniform Guidance will include policies related to compliance and to information and communication. This Single Audit finding, combined with problems revealed by detailed analysis of the City capital asset systems are considered important risk indicators for documentation efforts in Fiscal 2019.

Planned Implementation Date:

ICIF and Uniform Guidance policy adoption: June 30, 2018

Transaction system and balance sheet control policies adoption: September 30, 2018

Procedures design and documentation: June 30, 2019

Responsible Person: Assistant CFO Deanne Purcell

Status 2016: Not yet started.

E+P's Comment 2017: Not yet started.

2015-084 - Capital Assets and Construction in Progress (CIP) (MW)

Finding: Depreciation was not properly calculated by the automated system because the inputs were made incorrectly. No review was made by management during the year.

Recommendation: The capital assets system should be reviewed and inputs should be corrected when necessary.

City's Response 2016: We concur with the recommendation, and it will be implemented effective July 1, 2017. Finance staff received some training as part of the FY 2015-16 year-end closing process. With the recent completion of the FY 2015-16 financial audit, staff will receive more training on the procedures to ensure that assets acquired are recorded correctly in the general ledger so that the system can calculate depreciation.

City's Response 2017: The completion of the physical inventory and valuation of the City's capital assets significantly improved the asset database, including depreciation bases. The Controller's staff worked with the independent auditors to assure that entries for capital assets were properly calculated and recorded for fiscal 2016-2017. Planned policies for major balance sheet accounts will include capital asset depreciation policies.

SCHEDULE OF PRIOR AUDIT FINDINGS (Continued)

However additional review and monitoring will be required due to the limitations of the HTE system. Staff will explore options to maintain capital asset records in a third-party system with better reporting and management features than the one it has been using for the last twenty years. Implementation of a new ERP for Fiscal 2020 is expected to address problems with depreciation calculations. Policies and procedures for entering and maintaining depreciation elements of capital asset master files will be based on risk and will depend on the tracking options selected by staff during fiscal 2019.

The capital assets inventory and valuation reviewed and updated all depreciation elements at June 30, 2017. This finding recommendation is implemented. Future work will be part of ICIF and Uniform Guidance efforts.

Responsible Person: Deanne Purcell

Status 2016: Not yet started.

E+P's Comment 2017: Policies and procedures in process.

2015-085 - Capital Assets and Construction in Progress (CIP) (MW)

Finding: There is no process in place for reporting disposals of capital assets.

Recommendation: Policies and procedures should be established to obtain information from various departments regarding any disposals of capital assets.

City's Response 2016: We concur with the recommendation, and it has been identified as Priority 2 to be implemented by June 2019. The current workload to correct all identified issues has not allowed enough time for staff to develop controls and implement this recommendation, but it is planned for completion in FY 2018-19. Finance will develop a system for obtaining asset disposal information and coordinate with other departments on a regular basis to communicate policies and procedures relating to capital asset disposals.

2015-91

City's Response 2017: The completion of the physical inventory and valuation of the City's capital assets significantly improved the capital asset database. The CFO has engaged consultants to prepare draft policies to implement elements of the ICIF to address Single Audit Findings. Policies establishing standards for ICIF Information and Communication control activities will be drafted to assure that asset system information requirements are built into practices implemented to improve the quality of financial information. The capital asset project built high levels of understanding and appreciation for the importance of durable and accurate asset records. Staff will follow up with policies and training to assure maintenance of the capital asset database.

SCHEDULE OF PRIOR AUDIT FINDINGS (Continued)

Planned policies for major balance sheet accounts will include these recommendations.

Planned Implementation Date:

Balance Sheet account policies: September 30, 2018

Control activity design and documentation: June 30, 2019

Responsible Person: Deanne Purcell

Status 2016: Not yet started.

E+P's Comment 2017: Not yet started.

2015-086 - Accounts Payable (MW)

Finding: Reconciliation of accounts payable aging/subledger against the general ledger was not performed at end of year. It was not possible to generate the report after the cut-off date.

Recommendation: We recommend that procedures be put in place to specifically generate an accounts payable aging report at month-end. This report should be agreed to the general ledger and reviewed by an appropriate member of management.

City's Response 2016: We concur with the recommendation, and it will be implemented effective July 1, 2017. Finance staff received some training as part of the FY 2015-16 year-end closing process. With the recent completion of the FY 2015-16 financial audit, staff will receive more training on the procedures for accounts payable.

City's Response 2017: City staff has not received a proposal for training and implementation services from HTE-Sungard. As a result, staff must use inefficient analyses to compensate for the current ERP's inability to support accurate point-in-time reporting of subledger balances. These analyses will continue until a new ERP is implemented for Fiscal 2020.

In the meantime, a risk-based approach will be used to develop and document procedures that provide reasonable assurance that major balance sheet accounts are materially correct. Procedural documentation will be developed pursuant to control activity standards implementing the ICIF.

Planned Implementation Date:

ICIF implementing policies and control activity standards: June 30, 2018

Major balance sheet account policies: September 30, 2018

Control activity design and documentation: June 30, 2019

Responsible Person: Controller Christine Williams

SCHEDULE OF PRIOR AUDIT FINDINGS (Continued)

Status 2016: Not yet started.

E+P's Comment 2017: Not yet started.

2015-087 - Accounts Payable (MW)

Finding: No formal process in place to review master vendor file and investigate any exceptions.

Recommendation: The master vendor file should be reviewed periodically. During the review process, the file should be compared to W-9s, addresses should be compared to employees' addresses, and inactive vendors should be removed.

City's Response 2016: We concur with the recommendation, and it has been identified as Priority 2 to be implemented by June 2019. The current workload to correct all identified issues has not allowed enough time for staff to develop controls and implement this recommendation, but it is planned for completion in FY 2018-19. Finance will develop a system for reviewing vendor files.

City's Response 2017: The City has hired a purchasing manager to improve the procurement function and controls related to non-personnel costs. Staff is considering recent best practice guidance with respect to digital security of the vendor files (<http://www.gfoa.org/electronic-vendor-fraud>) as it develops procedures. The City plans to adopt policies for internal control of major transaction systems and for major balance sheet accounts. Control activity design will be risk-based. However, due to planned changes in financial management software, extensive documentation efforts will be delayed until the new system is designed and implemented.

Planned Implementation Date:

ICIF Control Activity standards: June 30, 2018

Balance Sheet and Transaction System Controls: September 30, 2018

Control activity design and documentation: Ongoing through new ERP implementation.

Responsible Person: Purchasing Manager Lisa Boerner

Status 2016: Not yet started.

E+P's Comment 2017: Not yet started.

SCHEDULE OF PRIOR AUDIT FINDINGS (Continued)

2015-088 - Long-Term Debt (MW)

Finding: The long-term debt liability balances were not adjusted at year-end. Principal and interest payments were not posted to correct accounts and/or funds. Accrued interest was not calculated or recorded. Prior-year accrued interest was not reversed. Amortization of premiums and discounts was not recorded.

Recommendation: A monthly reconciliation of outstanding debt instruments to the general ledger should be prepared and reviewed timely. Statements received from lenders must be reconciled to the subsidiary ledger and differences investigated.

City's Response 2016: We concur with the recommendation, and it will be implemented effective July 1, 2017. Finance staff received some training as part of the FY 2015-16 year-end closing process. With the recent completion of the FY 2015-16 financial audit, staff will receive more training on the procedures for long-term debt.

City's Response 2017: Turnover in the position responsible for debt accounting and reconciliation has required distribution of duties among other employees during the course of recruitment. The current ERP does not have automated controls to prevent postings to closed fiscal years so reconciliation of use of debt proceeds requires additional analysis and review. The debt management and accounting position has been filled and the City expects to resume regular analysis and reconciliation of long term debt by a person trained in and familiar with accounting, contractual and regulatory issues.

Planned Implementation Date: June 30, 2018

Responsible Person: CFO Jim Throop

Status 2016: Not yet started.

E+P's Comment 2017: Policies and procedures in process.

2015-089 - Long-Term Debt (MW)

Finding: Significant adjustments for bond issuance and defeasance were not recorded. Bond proceeds of approximately \$20 million was not recorded in the general ledger.

Recommendation: Procedures should be established to capture transactions that are infrequent or non-routine in nature on a timely basis. The Financial Resources Division should communicate to the Accounting Department activities such as issuance of debt or defeasance of debt.

SCHEDULE OF PRIOR AUDIT FINDINGS (Continued)

City's Response 2016: We concur with the recommendation, and it will be implemented effective July 1, 2017. Finance staff received some training as part of the FY 2015-16 year-end closing process. With the recent completion of the FY 2015-16 financial audit, staff will receive more training on the procedures for long-term debt.

City's Response 2017: ICIF implementing policies, including a policy regarding non-standard items has been drafted to provide a structured process to assure that unusual transactions, debt issuance and capital leases, are identified, analyzed, recorded and reported properly. Any debt issuance or capital lease would be treated as a non-standard item. The Finance Department will communicate with other city departments to prevent them from executing agreements that qualify as capital leases without CFO approval.

The City of Oxnard plans early implementation of the newly released GASB statement on lease accounting.

Planned Implementation Date:

ICIF implementing policy adoption: June 30, 2018

Uniform Guidance implementing policy adoption: June 30, 2018

GASB 87 - Leases implementation: July 1, 2018

Responsible Person: CFO Jim Throop

Status 2016: Not yet started.

E+P's Comment 2017: Policies and procedures in process.

2015-090 - Long-Term Debt (MW)

Finding: No policies in procedures in place to capture new debt agreements and capital leases. Debt agreements and lease agreements are not reviewed for appropriate classification of outstanding debt and capitalization of assets on capital lease. Significant notes payable and capital leases were not recorded in the general ledger.

Recommendation: Procedures should be established to capture transactions that are infrequent or non-routine in nature on a timely basis. The Financial Resources Division should communicate to the Accounting Department activities such as issuance of debt or defeasance of debt.

City's Response 2016: We concur with the recommendation, and it will be implemented effective July 1, 2017. Finance staff received some training as part of the FY 2015-16 year-end closing process. With the recent completion of the FY 2015-16 financial audit, staff will receive more training on the procedures for long-term debt.

SCHEDULE OF PRIOR AUDIT FINDINGS (Continued)

City's Response 2017: ICIF implementing policies, including a policy regarding non-standard items has been drafted to provide a structured process to assure that unusual transactions, debt issuance and capital leases, are identified, analyzed, recorded and reported properly. Any debt issuance or capital lease would be treated as a non-standard item. The Finance Department will communicate with other city departments to prevent them from executing agreements that qualify as capital leases without CFO approval.

The City of Oxnard plans early implementation of the newly released GASB statement on lease accounting.

Planned Implementation Date:

ICIF implementing policy adoption: June 30, 2018

Uniform Guidance implementing policy adoption: June 30, 2018

GASB 87 - Leases implementation: July 1, 2018

Responsible Person: CFO Jim Throop

Status 2016: Not yet started.

E+P's Comment 2017: Policies and procedures in process.

2015-091 - Long-Term Debt (MW)

Finding: Compliance with debt covenants particularly rate covenants in the water and wastewater funds were not determined and reviewed in a timely manner.

Recommendation: Procedures should be improved to ensure that debt compliance determinations are prepared and reviewed timely.

City's Response 2016: We concur with the recommendation, and it will be implemented effective July 1, 2017. Finance staff received some training as part of the FY 2015-16 year-end closing process. With the recent completion of the FY 2015-16 financial audit, staff will receive more training on the procedures for long-term debt compliance monitoring.

City's Response 2017: Consistent operation of the control activity has been affected by turnover for both of the people assigned to this area over the last year. However, proposed rate increases, changes in variable rate debt credit facilities and litigation related to rate increases focused attention on compliance with bond indentures.

The City has consulted with its Financial Advisors and Bond Counsel and has provided informational briefings to bond rating agencies, letter of credit providers and interest rate swap counterparties about compliance with debt covenants. It has successfully replaced its letter of credit and received improved bond ratings.

SCHEDULE OF PRIOR AUDIT FINDINGS (Continued)

An employee has been recruited for these important bond accounting, reporting and ongoing disclosure responsibilities. That person, working with Finance Department Managers, new financial advisors and bond counsel will monitor debt covenant compliance in the remainder of Fiscal 2018 and in future years and will assure compliance with continuing disclosure requirements

Planned Implementation Date: June 30, 2018

Person responsible: Controller Christine Williams

Status 2016: Not yet started.

E+P's Comment 2017: Policies and procedures in process.

2015-092 - Pension Plans (SD)

Finding: Census data used by CalPERS and PARS to calculate the net pension liability was not reviewed. Discrepancies in demographic and compensation data were noted in current year.

Recommendation: Review the census data used by actuaries in calculating the net pension liability and ensure that discrepancies are investigated and resolved appropriately.

City's Response 2016: We concur with the recommendation, and it will be implemented effective July 1, 2017. This primarily resulted from the late timing of receiving the actuarial reports. Finance staff received some training as part of the FY 2015-16 year-end closing process. With the recent completion of the FY 2015-16 financial audit, staff will receive more training on the procedures for obtaining census data in a timely manner to allow adequate time for review.

City's Response 2017: New staff in HR are receiving training in CalPERS administration and information was supplied to the PARS plan actuary, Bartel and Associates for the biennial valuation. Finance and HR will work together with the actuaries for both plans to assure that data required to develop appropriate actuarial analyses is complete and accurate. Inadequate staffing and training have contributed to past problems. Staffing in Payroll is inadequate for the current workload and Payroll staff found little time to process payrolls and stay up to date with training and review of changes in taxes, regulation and labor agreements. New policies drafted by the City's consultants for reviewing the adequacy of Finance Department staffing, developing training plans and conducting performance evaluations incorporating control system accountability will combine to address this problem.

The City will also adopt internal control policies for major balance sheet accounts. Those policies will include both pension and other post-employment benefit liabilities and deferred inflows and outflows.

SCHEDULE OF PRIOR AUDIT FINDINGS (Continued)

Responsibilities in the Finance and Human Resource departments will be structured to develop expertise and organizational capacity to account for these liabilities.

Planned Implementation Date:

ICIF implementing policy adoption: June 30, 2018

Uniform Guidance implementing policy adoption: June 30, 2018

Finance and HR staff assignments: June 30, 2018

GASB 87 - Leases implementation: July 1, 2018

Responsible Person: CFO Jim Throop

Status 2016: Not yet started.

E+P's Comment 2017: Policies and procedures in process.

2015-093 - Pension Plans (SD)

Finding: On several occasions during FY 2015, employee contributions for retirement plans were not remitted to the trustees on a timely basis.

Recommendation: Improve processes in place to ensure that employee contributions for retirement plans are remitted to the trustees on a timely basis all the time.

City's Response 2016: We concur with the recommendation, and it was implemented effective September 2016. Payroll staff remits employee contributions to retirement plans on a bi-weekly basis with each payroll.

CalPERS payments are submitted by wire transfer within two weeks after each payroll and PARS and Section 457 Plan payments are remitted within 30 days according to the Payroll Supervisor.

City's Response 2017: Implemented

Responsible Person: Payroll Supervisor Carol Venegas

Status 2016: Not yet started.

E+P's Comment 2017: Implemented.

2015-094 - Use of Credit Cards (SD)

Finding: An employee in the purchasing department has the authority to contact Bank of America to issue credit cards in anyone's name under the City of Oxnard's account.

SCHEDULE OF PRIOR AUDIT FINDINGS (Continued)

Recommendation: Issuance of credit cards should be approved by an appropriate level of management. The Purchasing Manager should review open credit card listing monthly to ensure that only current active employees have access to credit cards. Also recommend reviewing credit cards with no activity for current employees and deleting accounts if they are not deemed to be necessary to help limit exposure.

City's Response 2016: We concur with the recommendation, and it will be implemented effective July 1, 2017. A draft credit card policy is being reviewed that will eliminate these issues.

City's Response 2017: The Finance Department and the City Attorney's Office have prepared new purchasing ordinances and a draft Purchasing Manual. Adoption of the manual has been deferred to incorporate ICIF implementing policies, Uniform Guidance implementing policies and Major Transaction System Policies.

Planned Implementation Date:

ICIF Policies: June 30, 2018

Uniform Guidance Policies: June 30, 2018

Major transaction system policies: September 30, 2018

Purchasing manual including credit card policies and procedures: October 31, 2018

Responsible Person: Purchasing Manager Lisa Boerner

Status 2016: Not yet started.

E+P's Comment 2017: Not yet started.

2015-095 - Use of Credit Cards (BP)

Finding: Credit cards remained active for a period of 2 months to almost 9 months after employee was terminated before being cancelled.

Recommendation: The City should implement a checklist to include verifying with Purchasing Department if the employee has an active credit card as part of the termination procedures.

City's Response 2016: We concur with the recommendation, and it will be implemented effective July 1, 2017. A draft credit card policy is being reviewed that will eliminate these issues.

SCHEDULE OF PRIOR AUDIT FINDINGS (Continued)

City's Response 2017: The Finance Department and the City Attorney's Office have prepared new purchasing ordinances and a draft Purchasing Manual. Adoption of the manual has been deferred to incorporate ICIF implementing policies, Uniform Guidance implementing policies and Major Transaction System Policies.

Planned Implementation Date:

ICIF Policies: June 30, 2018

Uniform Guidance Policies: June 30, 2018

Major transaction system policies: September 30, 2018

Purchasing manual including credit card policies and procedures: October 31, 2018

Responsible Person: Purchasing Manager Lisa Boerner

Status 2016: Not yet started.

E+P's Comment 2017: Not yet started.

2015-096 - Use of Credit Cards (SD)

Finding: Credit card transactions were not processed and reviewed timely by the Finance Department.

Recommendation: The Finance Department should process and review credit card transactions on a timely basis.

City's Response 2016: We concur with the recommendation, and it will be implemented effective July 1, 2017. A draft credit card policy is being reviewed that will eliminate these issues.

City's Response 2017: The Finance Department and the City Attorney's Office have prepared new purchasing ordinances and a draft Purchasing Manual. Adoption of the manual has been deferred to incorporate ICIF implementing policies, Uniform Guidance implementing policies and Major Transaction System Policies.

Planned Implementation Date:

ICIF Policies: June 30, 2018

Uniform Guidance Policies: June 30, 2018

Major transaction system policies: September 30, 2018

Purchasing manual including credit card policies and procedures: October 31, 2018

Responsible Person: Purchasing Manager Lisa Boerner

SCHEDULE OF PRIOR AUDIT FINDINGS (Continued)

Status 2016: Not yet started.

E+P's Comment 2017: Not yet started.

2015-097 - Contracts (BP)

Finding: The bidding process is decentralized. All contracts and bids are not being retained by the Purchasing Department so they can have documentation that bids went through the proper channels and contracts were properly prepared.

Recommendation: Bids/proposals greater than \$25,000 should be sent to the Purchasing Department to indicate the approved bids were submitted and received according the City policy and to retain a copy for their records for a period of three years, according the Purchasing Manual.

City's Response 2016: We concur with the recommendation, and it has been identified as Priority 2 to be implemented by June 2019. The current workload to correct all identified issues has not allowed enough time for staff to develop controls and implement this recommendation, but it is planned for completion in FY 2018-19. Finance will coordinate with other departments on a regular basis to communicate policies and procedures relating to maintaining bid records.

City's Response 2017: The Finance Department and the City Attorney's Office have prepared new purchasing ordinances and a draft Purchasing Manual. Adoption of the manual has been deferred to incorporate ICIF implementing policies, Uniform Guidance implementing policies and Major Transaction System Policies.

Planned Implementation Date:

ICIF Policies: June 30, 2018

Uniform Guidance Policies: June 30, 2018

Major transaction system policies: September 30, 2018

Purchasing manual including credit card policies and procedures: October 31, 2018

Documentation, training and implementation of new purchasing policies: June 30, 2019

Responsible Person: Purchasing Manager Lisa Boerner

Status 2016: Not yet started.

E+P's Comment 2017: Not yet started.

SCHEDULE OF PRIOR AUDIT FINDINGS (Continued)

2015-098 - Contracts (SD)

Finding: The list of FY 2015 approved contracts generated by the Purchasing Department was incomplete because some jobs that were approved by the City Manager or City Council were not updated on the network spreadsheet indicating the contracts were approved.

Recommendation: Establish procedures to ensure that list of approved contracts maintained by the Purchasing Department includes all contracts approved by the City Manager and City Council.

City's Response 2016: We concur with the recommendation, and it has been identified as Priority 1B to be implemented by June 2018. The current workload to correct all identified issues has not allowed enough time for staff to perform this risk assessment, but it is planned for completion in FY 2017-18. Finance will coordinate with other departments on a regular basis to develop and maintain a listing of approved contracts.

City's Response 2017: The Finance Department and the City Attorney's Office have prepared new purchasing ordinances and a draft Purchasing Manual. Adoption of the manual has been deferred to incorporate ICIF implementing policies, Uniform Guidance implementing policies and Major Transaction System Policies.

Planned Implementation Date:

ICIF Policies: June 30, 2018

Uniform Guidance Policies: June 30, 2018

Major transaction system policies: September 30, 2018

Purchasing manual including credit card policies and procedures: October 31, 2018

Documentation, training and implementation of new purchasing policies: June 30, 2019

Responsible Person: Purchasing Manager Lisa Boerner

Status 2016: Not yet started.

E+P's Comment 2017: Not yet started.

2015-099 - Contracts (SD)

Finding: Change orders for public works contracts exceeding \$50,000 must be submitted to City Manager for approval. Agreement No. A-7630 with Granite Construction was missing an approved change order from project file in the amount of \$82,302.

SCHEDULE OF PRIOR AUDIT FINDINGS (Continued)

Recommendation: City needs to establish and follow procedures for approval of change orders. All change orders approval should be documented and kept in the project file with the public works department.

City's Response 2016: We concur with the recommendation, and it will be implemented effective July 1, 2017. Finance staff will coordinate with the Public Works Department to ensure that proper supporting documentation for change orders is maintained.

City's Response 2017: The Finance Department and the City Attorney's Office have prepared new purchasing ordinances and a draft Purchasing Manual. Adoption of the manual has been deferred to incorporate ICIF implementing policies, Uniform Guidance implementing policies and Major Transaction System Policies.

Planned Implementation Date:

ICIF Policies: June 30, 2018

Uniform Guidance Policies: June 30, 2018

Major transaction system policies: September 30, 2018

Purchasing manual including credit card policies and procedures: October 31, 2018

Documentation, training and implementation of new purchasing policies: June, 30, 2019

Responsible Person: Purchasing Manager Lisa Boerner

Status 2016: Not yet started.

E+P's Comment 2017: Not yet started.

2015-100 - Municipal Golf Course (SD)

Finding: There is a lack of oversight over the service concession at the municipal golf course. The privately-owned operator currently controls all finance functions. Only a project manager, who is a City employee, is responsible for oversight. A joint bank account has not been set-up or utilized as stated in the agreement between the City and operator.

Recommendation: The City should create an oversight board to oversee the Municipal Golf Course. The oversight board should review and approve the annual business plan which includes the budgets as well as all monthly financial reports.

SCHEDULE OF PRIOR AUDIT FINDINGS (Continued)

City's Response 2016: We concur with the recommendation, and it will be implemented effective July 1, 2018. The golf course operation has complexities with regards to the business model moving forward. The current staffing and workload to correct all identified issues has not allowed enough time for staff to perform this assessment, but it is planned for completion in FY 2017-18.

City's Response 2017: The City Council has engaged a certified public accounting firm to act as the City's internal auditor and has included an audit of the golf course and related agreements in audit plan. Further detailed review will be done as the City prepares for changes related to the end of the current management contract with the golf course operator. Governance issues relating to oversight of the operation will be addressed as part of that work.

Planned Implementation Date: June 30, 2019

Responsible Person: CFO Jim Throop

Status 2016: Not yet started.

E+P's Comment 2017: Policies and procedures in process.

2015-101 - Municipal Golf Course (MW)

Finding: The City has previously reported all revenues generated and expenses incurred by the operator in the City's financial statements. However, the City only receives a share of net receipts at the end of each year.

Recommendation: Only the share of net receipts should be reported as revenue from the service concession. Gross revenues generated and all expenditures incurred by the private operator should not be included in the City's financial statements.

City's Response 2016: We concur with the recommendation, and it was implemented effective September 2016. Finance staff has been trained to record an annual entry to record net receipts from the concessionaire.

City's Response 2017: Implemented

Responsible Person: Controller Christine Williams

Status 2016: Not yet started.

E+P's Comment 2017: Implemented.

SCHEDULE OF PRIOR AUDIT FINDINGS (Continued)

2015-102 - Municipal Golf Course (SD)

Finding: The City did not bill the company for water used on the municipal golf course.

Recommendation: The City should bill the operator for use of any City services to operate the municipal golf course.

City's Response 2016: We concur with the recommendation, and it will be implemented effective July 1, 2018. The golf course contractual agreement has complexities with regards to water services. The current staffing and workload to correct all identified issues has not allowed enough time for staff to perform this assessment, but it is planned for completion in FY 2017-18.

City's Response 2017: The City Council has engaged a certified public accounting firm to act as the City's internal auditor and has included an audit of the golf course and related agreements in audit plan. Further detailed review will be done as the City prepares for changes related to the end of the current management contract with the golf course operator. Draft policies developed to implement the ICIF and provide a base for correction of Single Audit findings will provide a process for improving policies and procedures related to the golf course in the context of a more extensive risk assessment process and a new contract for operation of the courses.

Planned Implementation Date for Water Use Charge Policy: June 30, 2018. The new contract terms will be developed and negotiated with an operator by December 31, 2018.

Responsible Person: CFO Jim Throop

Status 2016: Not yet started.

E+P's Comment 2017: Not yet started.

2015-103 - Review and Reconciliation of Clearing Funds (SD)

Finding: Clearing funds are not reviewed and closed-out regularly. As a result of City's clean-up of these funds during our audit, material prior-period adjustments were made.

Recommendation: Close-out clearing funds periodically, quarterly, or at least annually.

City's Response 2016: We concur with the recommendation, and it will be implemented effective July 1, 2017. Finance staff received some training as part of the FY 2015-16 year-end closing process. With the recent completion of the FY 2015-16 financial audit, staff will receive more training on the procedures for closing out clearing funds.

SCHEDULE OF PRIOR AUDIT FINDINGS (Continued)

City's Response 2017: The CFO has engaged consultants to implement fundamental elements of the Internal Control Integrated Framework (ICIF) and to create policies for major transaction systems and for business processes to establish control standards. Those standards will include expectations for segregation of duties, assignment of authority and responsibility, reconciliation, information and communication and monitoring for persons with responsibility for systems of processes. Valuation and reporting presentation of related balance sheet accounts will also be covered.

Planned Implementation Date:

ICIF implementing policies, including control activity standards: June 30, 2018

Control activity design and documentation: June 30, 2019

Responsible Person: Controller Christine Williams

Status 2016: Not yet started.

E+P's Comment 2017: Not yet started. See also current year finding 2017-013.

2015-104 - Review and Reconciliation of Clearing Funds (BP)

Finding: The City has a "trust fund" (Fund 571) to account for contributions or donations from outside parties. The contributions or donations come with various designations. The City does not have procedures in place to classify the fund balances within the general fund as "restricted, committed, assigned, or unassigned" or to account for certain funds as agency funds rather than in the general fund.

Recommendation: Review the various sources of the contributions and donations and designations made by contributors and donors. Establish procedures to classify fund balances within the general fund or to account for other funds in an agency fund.

City's Response 2016: We concur with the recommendation, and it has been identified as Priority 2 to be implemented by June 2019. The current workload to correct all identified issues has not allowed enough time for staff to develop controls and implement this recommendation, but it is planned for completion in FY 2018-19.

City's Response 2017: In connection with the FY 17 audit staff analyzed the detail of the private donations trust fund and corrected accounting for the donations recorded in the fund. Staff plans to propose a City Council policy governing acceptance and accounting for private donations.

SCHEDULE OF PRIOR AUDIT FINDINGS (Continued)

Other trust fund accounts relating to accounts receivable from developers will be analyzed and corrected during FY 18.

Planned Implementation Date:

Donation and acceptance policy with management decision on accounting treatment: December 31, 2018

Analysis of other trust funds: August 31, 2018

Responsible Person: Controller Christine Williams

Status 2016: Not yet started.

E+P's Comment 2017: Policies and procedures in process.

2015-105 - Information and Communication (SD)

Finding: The various departments of the City operated in silos. Department heads were not actively involved in the budget and financial reporting process. Communication between the finance department and various departments was not encouraged.

Recommendation: Improve Communications among departments. The Finance Department should hold meetings with department heads periodically.

City's Response 2016: We concur with the recommendation, and it was implemented effective October 2016. With the hiring of the new CFO and two assistant CFO's, the communication between Finance and other departments began improving. Communication is encouraged. Examples include: Budget meetings with various departments coordinated by Finance, and reviews of financial information - CAFR and Single Audit.

City's Response 2017: Implemented. Most financial information is shared at Senior Leadership Team meetings and budget meetings. Senior Leadership Team meetings occur weekly and cover a wide range of topics related to management of the city and to the expectations of the City Council. Some meetings are set aside to focus on specific subject areas. The plan is to continue to share information on audit status, CAFR/Single audit status, and audit findings.

Regular communication of status of the annual GAAP audit and the Single Audit findings is occurring. Planned ICIF implementing policies include periodic meetings with the City Manager, Senior Leadership Team and City Council to discuss progress, risk and priorities in the context of the integrated framework. Those policies also establish standards and expectations for information and communication about City Council goals and management's operating, reporting and compliance objectives. The city considers improved communication a key element of building an ethical, competent and accountable organization.

SCHEDULE OF PRIOR AUDIT FINDINGS (Continued)

New policies will institutionalize and clarify expectations for communication about risk, the internal control system and the control responsibilities of managers and employees throughout the City.

Planned Implementation Date:

ICIF Policies: June 30, 2018

Uniform Guidance Policies: June 30, 2018

Major transaction system and balance sheet account policies: September 30, 2018

Initial enterprise risk assessment: By January 31, 2019 for Fiscal 2019-2020 budget process.

Periodic ICIF reviews with Senior Leadership team and City Council: Fiscal 2018

Responsible Person: CFO Jim Throop

Status 2016: Not yet started.

E+P's Comment 2017: Policies and procedures in process.

2015-106 - Monitoring Activities (MW)

Finding: There is a lack of written policies and procedures over monitoring of internal control over financial reporting.

Recommendation: Design and implement an integrated framework for internal control which includes monitoring of implementation of internal control and evaluating it on a regular basis.

City's Response 2016: We concur with the recommendation, and it will be implemented effective July 1, 2017. Finance staff has begun evaluating internal controls over financial reporting. Written policies and procedures are expected to be completed by June 30, 2017.

City's Response 2017: The City plans to adopt ICIF implementing policies, Uniform Guidance implementing policies, and transaction system and major balance sheet policies that will address financial reporting control risks. Initial priority focuses on creating the integrated framework, complying with Uniform Guidance administrative and grant administration requirements and developing control activities to address the risks identified in audit findings.

The extent and formality of documentation depends on a risk-based approach appropriate for a rapidly changing organization. Procedural documentation will be developed consistent with ICIF Risk Assessments and staffing resources. Some control activities will be implemented through changes in practices or with limited documentation at the desk manual, FAQ or checklist level. When risks associated with transactions systems, reporting processes, fraud prevention and detection and major balance sheet items are significant, more formal and structured documentation will be prepared.

SCHEDULE OF PRIOR AUDIT FINDINGS (Continued)

Planned Implementation Date:

ICIF Policies: June 30, 2018

Uniform Guidance Policies: June 30, 2018

Major transaction system and balance sheet account policies: September 30, 2018

Risk-based documentation of procedures: June 30, 2019

Responsible Person: Assistant CFO Deanne Purcell

Status 2016: Not yet started.

E+P's Comment 2017: Policies and procedures in process.

2015-107 - Monitoring Activities (MW)

Finding: Internal control over financial reporting was not sufficiently evaluated during FY 2015 and past years. Significant deficiencies were not communicated to senior management, Fiscal Policy Task Force, and City Council.

Recommendation: Design and implement an integrated framework for internal control, which includes monitoring of implementation of internal control and evaluating it on a regular basis.

City's Response 2016: We concur with the recommendation, and it will be implemented effective July 1, 2017. Finance staff has begun evaluating internal controls over financial reporting. Written policies and procedures are expected to be completed by June 30, 2017.

City's Response 2017: The CFO has engaged consultants to help staff draft policies for internal controls to implement key components of the ICIF and establish key controls and control standards for major transaction systems, financial reporting processes, fraud prevention and detection activities and balance sheet items. Since Fiscal 2015 the City Council and management have engaged consultants and attorneys to evaluate the adequacy of consultants' and auditors' disclosures of deficiencies in compliance, financial reporting, budgeting and ethical practices. Subject matter consultants in local government taxes and assessments, development impact fees and human resources systems have identified numerous issues.

With the Fiscal 2014-2015 audit independent auditor's findings identified more weaknesses affecting financial reporting that were disclosed in the Single Audit reports. In addition, new staff experienced in other agencies have identified other important issues. With the support of the City Council the City staff has begun a significant multi-year effort to implement a COSO/GAO ICIF based internal control framework to provide reasonable assurance that operating, reporting and compliance objectives are met.

SCHEDULE OF PRIOR AUDIT FINDINGS (Continued)

Until that system has matured the City will use a combination of additional account reconciliation and analytical review to plug gaps in weak systems. In addition, policies to provide systematic analysis of nonstandard items, complex regulatory matters and new finance and accounting issues are planned. During the last two years the City has made significant progress in preparing financial information that is reliable. Future efforts will seek to improve timeliness and quality.

Planned Implementation Date:

ICIF Policies: June 30, 2018

Uniform Guidance Policies: June 30, 2018

Major transaction system and balance sheet account policies: September 30, 2018

Risk-based documentation of procedures: June 30, 2019

Responsible Person: CFO Jim Throop

Status 2016: Not yet started.

E+P's Comment 2017: Policies and procedures in process.

2015-108 - Monitoring Activities (SD)

Finding: Part of the Organizational Assessment implementation was an internal audit function. The internal audit function has not been implemented.

Recommendation: Implement the internal audit function as soon as possible.

City's Response 2016: We concur with the recommendation, and it was implemented effective January 2017.

On February 28, 2017, City Council deliberated and established the process for interviewing consulting firms to perform the internal audit function.

City's Response 2017: The City selected a CPA firm experienced in providing internal audit services and approved a contract and a planned work program. The scope of services includes a fraud risk assessment and an employee hotline to report illegal or improper behavior. This recommendation is implemented.

Responsible Person(s): City Council

Status 2016: Not yet started.

E+P's Comment 2017: Implemented.

SCHEDULE OF PRIOR AUDIT FINDINGS (Continued)

2015-109 - Compliance with Certain Provisions of Laws, Regulations, Contracts, and Grant Agreements (NC)

Finding: During FY 2015, the City failed to comply with certain bond covenants as discussed below:

- a. The Water Fund's and the Wastewater Fund's debt service coverage ratio fell below the ratio required by bond covenants.
- b. The City was unable to meet the continuing disclosure requirement by the due date of March 31, 2016

Recommendation: Improve processes in place to ensure compliance with bond covenants. Part of this process is proactive monitoring by the Financial Resources Division. Any deficiencies noted during the monitoring process should be brought to the attention of top City management.

City's Response 2016: We concur with the recommendation, and it will be implemented effective March 2017. Finance staff received some training as part of the FY 2015-16 year-end closing process. With the recent completion of the FY 2015-16 financial audit, staff will receive more training on the procedures for long-term debt compliance monitoring. Finance staff is currently working on the continuing disclosures required to be filed by March 31, 2017. The City's water and wastewater debt service coverage ratios continue to fall below the ratios required by bond covenant. The City is communicating with its financial partners with regards to the plan to adopt new water and wastewater rates in the next six to nine months.

City's Response 2017: The City Council has adopted utility rate ordinances that provide adequate revenue for debt coverage requirements. Planned policies provide for a risk-based approach to managing risks that threaten the City's reporting and compliance objectives. For utilities those objectives include compliance with constitutional requirements and contractual obligations. Operating objectives relating to the safety and sustainability of utility infrastructure and operations will also be considered.

This area has been the subject of litigation that increases risks that threaten City objectives and has been given extensive attention by legal, engineering, capital markets and financial experts. Continued management of these risks will require ongoing attention and resources given the importance of utilities to the community.

Implemented with future support from implementation of the integrated framework.

Responsible Person: CFO Jim Throop

Status 2016: Not yet started.

E+P's Comment 2017: Policies and procedures in process.

SCHEDULE OF PRIOR AUDIT FINDINGS (Continued)

2015-110 - Compliance with Certain Provisions of Laws, Regulations, Contracts, and Grant Agreements (NC)

Finding: The Oxnard Successor Agency incurred administrative costs in excess of approved budget amounts as stated in the ROPS

Recommendation: Improve processes in place to ensure that the expenses reported in the private purpose trust fund were approved in the ROPS.

City's Response 2016: We concur with the recommendation, and it will be implemented effective July 1, 2017. Finance staff will coordinate with the Economic Development Department to review all Successor Agency (formerly CDC) transactions to evaluate the accounting treatment, and to consider compliance with state laws and regulations affecting former RDAs.

City's Response 2017: The CFO has engaged consultants with expertise in successor agency compliance and reporting to assist in the financial administration of the agency. This coupled with recent training provided for Finance and Economic Development/CDC staff has implemented the recommendation for this finding.

Responsible Person: Controller Christine Williams

Status 2016: Not yet started.

E+P's Comment 2017: Policies and procedures in process.

2015-111 - Compliance with Certain Provisions of Laws, Regulations, Contracts, and Grant Agreements (SD)

Finding: The City's 2014 SCO report contained material misstatements. The City had to make material adjustments to reconcile the 2014 SCO report to the 2014 audited financial statements. In addition, the 2015 SCO report did not include all year-end final closing adjustments because the closing process has not been completed when the SCO report was due. The City is expected to make material adjustments to reconcile the 2015 SCO report to the 2015 audited financial statements.

Recommendation: Adjustments needed to reconcile the 2015 SCO report to the 2015 audited financial statements should be explained in detail in the 2016 SCO report.

City's Response 2016: We concur with the recommendation, and it was implemented effective January 31, 2017, with the submittal of the FY 2016 SCO report to the State.

SCHEDULE OF PRIOR AUDIT FINDINGS (Continued)

City's Response 2017: Implemented. The City's independent auditors, Eadie & Payne prepared the SCO report for FY 2015-16 and all the necessary adjustments to reconcile to the audited financial statements. The City submitted the SCO report on January 31, 2018 after management review. The City intends to continue to contract with its independent auditors to prepare and reconcile the SCO report to the CAFR. Implemented.

Responsible Person: Assistant CFO Deanne Purcell

Status 2016: Not yet started.

E+P's Comment 2017: Implemented.

EXHIBIT 11

*CONFIDENTIAL INVESTIGATIVE REPORT
REGARDING ALLEGATIONS AGAINST PHILLIP
MOLINA, THE CITY TREASURER,
PREPARED FOR THE CITY OF OXNARD*

Prepared by: Jorge J. Luna

Atkinson, Andelson, Loya, Ruud & Romo
12800 Center Court Drive, Suite 300
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Dated: February 10, 2020

*Attorney Work Product Privilege
Attorney Client Privileged Communication*

I. Introduction

On August 27, 2019, Atkinson, Andelson, Loya, Ruud & Romo, by and through Jorge J. Luna (“Investigator”) began an independent investigation for the City of Oxnard (“City”). The investigation stemmed from several complaints made by various individuals and departments against Phillip Molina, the City Treasurer. At the investigation’s inception, the Investigator met with several individuals that the City selected in order to obtain information regarding the nature of the allegations against Mr. Molina. On August 27 through 29, 2019, the Investigator met with the Chief Financial Officer (“CFO”); the Assistant City Manager (“Asst. City Manager”); the Deputy City Manager (“Deputy CM”); the Assistant Chief Financial Officer (“Asst. CFO”); the Assistant Chief of Police #1 (“Asst. COP #1”); the Assistant Chief of Police #2 (“Asst. COP #2”); the Public Works Director (“PW Director”); and City Manager’s Office Employee #1 (“CMO Employee #1”), to discuss their respective concerns, as well as those of their departments.

After these interviews were completed, the Investigator met with the Human Resources Director (“HR Director”), and the Assistant City Attorney (“Asst. City Attorney”), to discuss the investigation’s scope. At that time, the HR Director and the Asst. City Attorney instructed the Investigator to limit the investigation to the allegations raised by the Finance Department (i.e., the CFO and the Asst. CFO), the Public Works Department (i.e., the PW Director), and CMO Employee #1 related to the Dallas Cowboys’ Training Camp that occurred early in the Summer 2019.

In accordance with this scope of work, the Investigator began to interview witnesses that he selected related to the allegations. On September 12, 2019, the Investigator interviewed Treasurer’s Office Employee #4 (“TOE #4”). During the course of TOE #4’s interview, she raised concerns regarding comments that Mr. Molina allegedly made in the workplace that TOE #4 found objectionable and potentially harassing. The Investigator subsequently met with the HR Director and the Asst. City Attorney to advise them of TOE #4’s allegations concerning inappropriate comments in the workplace. At the conclusion of that meeting, the HR Director and the Asst. City Attorney instructed the Investigator to add these allegations to the scope of this investigation.

After the investigation began, there were concerns that Mr. Molina was interfering with the investigation or otherwise violating directives given to him as part of his Notification of Investigation. The HR Director and the Asst. City Attorney approved the Investigator’s request to add these allegations to the scope of this investigation.

This Confidential Investigative Report (“Report”) summarizes relevant information and provides factual findings regarding the various allegations. The Report addresses the allegations in reverse order by beginning with the allegations concerning Mr. Molina’s interference with the investigation and violation of directives contained in his Notification of Investigation. The Report then addresses TOE #4’s allegations concerning inappropriate comments in the workplace. Finally, the Report addresses CMO Employee #1’s claims concerning the Dallas Cowboys’ Training Camp; Finance Department’ complaints; and the Public Works Department’s complaints, respectively.

II. Summary of Findings

This section summarizes the overarching factual findings for the reader's convenience. The remainder of the Report details the information and analyses supporting each finding, as well as the underlying factual findings that led to the conclusion.

After a thorough review of the information, including witness interviews and documents, the Investigator makes the following overarching findings using the preponderance of the evidence standard of proof:

- By a preponderance of the evidence, the Investigator finds that Mr. Molina interfered with the investigation by communicating with the Assistant Chief Financial Officer after being directed not to do so, by meeting with the members of his department to discuss this investigation after being directed not to do so, and by circulating an email regarding this and another investigation into his alleged conduct.
- By a preponderance of the evidence, the Investigator finds that Mr. Molina made inappropriate comments concerning female employees' appearance/attire, stereotypical female roles, and sexual innuendo in the workplace that violated the City's Sexual Harassment policy contained in its Personnel Rules and Regulations.
- By a preponderance of the evidence, the Investigator finds that Mr. Molina did accuse and improperly investigate City Manager's Office Employee #1 for theft in connection with a perceived shortfall in parking lot money related to the Dallas Cowboys' Training Camp held in the Summer of 2019, and that Mr. Molina's conduct violated the City's Personnel Rules and Regulations and fell outside his duties as outlined by the City Attorney's Office.
- By a preponderance of the evidence, the Investigator finds that Mr. Molina engaged in "keyboard warfare" by using misleading emails that were blind copied to various individuals, including members of the public, and that were designed to enhance his own image at the Public Works Department's expense, which violated the City's Personnel Rules and Regulations.
- By a preponderance of the evidence, the Investigator finds that Mr. Molina did not exceed the scope of his position as City Treasurer by engaging in a review of the accounts payable register of checks and holding those checks, including checks requested by the Public Works Department, that he determined lacked sufficient funding or supporting documentation.
- By a preponderance of the evidence, the Investigator finds that Mr. Molina engaged in "keyboard warfare" by using misleading emails that were blind copied to various individuals, including members of the public, and that were designed to enhance his own image at the Finance Department's expense, which violated the City's Personnel Rules and Regulations.

- By a preponderance of the evidence, the Investigator finds that Mr. Molina did not exceed the scope of his position as City Treasurer by engaging in a review of the accounts payable register of checks and holding those checks, including checks requested by the Finance Department, that he determined lacked sufficient funding or supporting documentation.
- By a preponderance of the evidence, the Investigator finds that Mr. Molina exceeded the scope of his position as City Treasurer by weighing in on procurements.
- By a preponderance of the evidence, the Investigator finds that Mr. Molina exceeded the scope of his position as City Treasurer by injecting himself into general accounting issues that are the Finance Department's exclusive responsibility.

III. Investigative Methodology

A. Scope of the Investigation

The following complaints constitute the scope of this investigation:

1. Interference with the Investigation
 - a. Did Mr. Molina interfere with this investigation by
 - (1) communicating with the Assistant Chief Financial Officer after being directed not to do so,
 - (2) by meeting with the members of his department to discuss this investigation after being directed not to do so, or
 - (3) by circulating an email discussing this and another investigation into his alleged conduct?
2. Treasurer's Office Employee #4's Complaint
 - a. Did Mr. Molina make inappropriate¹ comments in the workplace that employees found objectionable and harassing?
3. City Manager's Office Employee #1's Complaint
 - a. Did Mr. Molina act improperly² when he investigated a perceived shortfall in parking lot money related to the Dallas Cowboys' Training Camp held in the Summer 2019?

¹ For purposes of this Report, "inappropriate" means that the comments at issue violated the City's Personnel Rules and Regulations.

4. Public Works Department Complaints

- a. Did Mr. Molina engage in “keyboard warfare”³ by using misleading emails that were blind copied to various individuals, including members of the public, and that were designed to enhance his own image at the Public Works Department’s expense? If so, did this conduct violate the City’s Personnel Rules and Regulations?
- b. Did Mr. Molina exceed the scope of his position as City Treasurer by engaging in a review of the accounts payable register of checks and holding those checks, including checks requested by the Public Works Department, that he determined lacked sufficient funding or supporting documentation?

5. Finance Department Complaints

- a. Did Mr. Molina engage in “keyboard warfare” by using misleading emails that were blind copied to various individuals, including members of the public, and that were designed to enhance his own image at the Finance Department’s expense? If so, did this conduct violate the City’s Personnel Rules and Regulations?
- b. Did Mr. Molina exceed the scope of his position as City Treasurer by engaging in a review of the accounts payable register of checks and holding those checks that he determined lack sufficient funding or supporting documentation?
- c. Did Mr. Molina exceed the scope of his position as City Treasurer by weighing in on procurements?
- d. Did Mr. Molina exceed the scope of his position as City Treasurer by injecting himself into general accounting issues that are the Finance Department’s exclusive responsibility?

B. Evidentiary Standard

The Investigator reviewed, compared and analyzed information under a preponderance of the evidence standard to determine whether the allegations were with or without merit.

² For purposes of this Report, “improperly” means that the conduct at issue violated the City’s Personnel Rules and Regulations or exceeded the City Treasurer’s duties as outlined in Exhibit C. The Investigator is not making a determination regarding the accuracy of Exhibit C; instead, he is accepting that the City Treasurer’s duties are as outlined in that memorandum.

³ This phrase was used by Asst. COP #1 during his interview to describe Mr. Molina’s use of emails. He defined that concept as follows: “Historically, he has demonstrated that he will have a one-on-one conversation with someone, and following their encounter, will send [an] email to a wide distribution of “bcc’ed” persons, recapping their contact on his terms and from his side of the story. These emails are typically cast with a negative slant toward others, and are often self-aggrandizing. . . . His emails re known for mischaracterizing matters, accusing staff, questioning integrity and character of staff, or grandstanding. His emails are often patronizing and condescending.” That is how the phrase is being used in this Report.

“Preponderance of the evidence,” for purposes of this Report, means that the evidence on one side outweighs, or is more than, the evidence on the other side. This is a qualitative, not quantitative, standard of proof.

In this Report, the Investigator makes factual findings only. The Investigator used a legal analysis in reaching the factual findings in this Report.⁴ The conclusions in this Report are drawn from the totality of the information and a thorough analysis of all the facts, and where necessary, **credibility determinations are made.**⁵

The Investigator’s analysis of a witness’ credibility, if necessary, is based on a number of tangible and intangible factors, and consideration was given to direct and circumstantial evidence. Factors that the Investigator considered in determining credibility include, but are not necessarily limited to: the extent of a person’s ability to perceive, to recollect, or to communicate accurately; the extent of a person’s opportunity to perceive any matter; the existence or nonexistence of a bias, interest, or other motive; consistent or inconsistent statements; the existence or nonexistence and corroboration of any fact provided by a person; any admission; and demeanor. See EEOC Enforcement Guidance: Vicarious Employer Responsibility for Unlawful Harassment, No. 915.20, p. 10 (June 18, 1999); and Fair Employment and Housing Workplace Harassment Guide for California Employers (May 2017).

In this particular case, to the extent that a credibility assessment was required, that analysis is contained in the section addressing the particular allegation at issue.

C. Documents Reviewed

The Investigator reviewed the following relevant documents as part of this investigation⁶:

Exhibit	Description
A	Notification of Investigation dated September 10, 2019 from the City Manager, to Phillip Molina, City Treasurer
B	October 16, 2019 Memo from the City Manager, to Phillip Molina with the identified subject “Temporary Suspension of Administrative Duties of City Treasurer”
C	January 26, 2017 Memo from then-Assistant City Attorney, to then-Assistant City Manager with the identified subject “Duties of City Treasurer,” including the referenced attachments

⁴ Although the Investigator used a legal analysis in reaching the factual findings in this Report, he did not reach legal or policy findings. Instead, the factual findings are intended to facilitate the rendering of legal advice by the employer’s counsel.

⁵ The Investigator gave appropriate weight to information that might be considered hearsay in legal proceedings.

⁶ The Investigator received documents in addition to those listed in this Report, but the Investigator only relied on and used those identified in this Report for purposes of his analysis and findings.

D	June 28, 2017 letter from Liebert, Cassidy Whitmore to then-Chief Financial Officer, the Human Resources Director, and the City Attorney regarding "Analysis regarding the City of Oxnard's Accounts Payable Finance Procedure"
E	City of Oxnard Personnel Rules and Regulations, Effective July 18, 2017
F	Packet of emails provided by the Chief Financial Officer, to demonstrate Phillip Molina's practice of blind copying private citizens on internal email communications with the Finance Department and the Finance Department's substantive responses to Mr. Molina's accusations and inquiries
G	Series of emails provided by the Assistant Chief Financial Officer, regarding a \$5.6 million draw down from a bond that resulted in Phillip Molina making accusations of impropriety by the Finance Department
H	Email string dated June 1, 2018, provided by Assistant Chief of Police #2, to demonstrate Phillip Molina's practice of blind copying individuals on sensitive communications in order to promote himself at the expense of other City representatives
I	Written Statement and series of emails provided by Assistant Chief of Police #1 regarding the Dallas Cowboys' Training Camp allegations by City Manager's Office Employee #1
J	Series of emails provided by Assistant Chief of Police #1, to demonstrate Phillip Molina's practice of blind copying individuals on internal communications and his sharing of privileged and confidential information with the public
K	Series of emails provided by the Public Works Director, in support of her allegations concerning Phillip Molina
L	April 9, 2010 Confidential Memo from then-Police Commander, to Assistant Chief of Police #1, containing "detailed information about the security procedures used in the Oxnard City Treasurer's Office to safeguard employees and funds"
M	Series of emails provided by the Purchasing Manager, to demonstrate Phillip Molina's involvement in procurements that did not involve his department
N	City Council of the City of Oxnard Resolution No. 15243 establishing "Financial Management Policies"
O	City Council of the City of Oxnard Resolution No. 15105 adopting a "Debt Management Policy and Taking Related Actions"
P	September 6, 2019 email from Phillip Molina to the Human Resources Director, re "Voya"

Q	Series of emails provided by the IT Director/Chief Information Officer, to demonstrate Phillip Molina's sharing confidential information related to the ERP procurement
R	September 30, 2019 email string between Phillip Molina and a Councilmember, re "City Treasurer invested \$18,000,000 today"
S	June 4 – 7, 2019 email string between Phillip Molina and the Assistant Public Works Director, showing Mr. Molina's involvement in the new golf course contract
T	September 11, 2019 email from Phillip Molina to the Assistant Public Works Director re "Meeting to Discuss American Golf Corporation"
U	October 2, 2019 email from Phillip Molina to Treasurer's Office Employee #2 re "Why is your elected City Treasurer prevented from using his official city email?"
V	July 30, 2019 email from Phillip Molina to City Manager's Office Employee #1 re "Proper processing of ticket sales at Cowboys Event"
W	String of emails provided by the Public Works Director re "No money remaining"
X	December 20, 2017 Memorandum from then-Assistant City Manager to Department Directors re "Approval of City of Oxnard Administrative Policy No. 18.4.6, Mass Mailings and the 'All' E-mail List"
Y	November 2, 2017 Memorandum from the City Attorney to Phillip Molina re "City Policy and Ralph M. Brown Act re Use of City Email System"
Z	December 4, 2018 Letter from the City Manager to Phil Molina re "Letter of Reprimand"
AA	String of emails between the Deputy City Manager and Phillip Molina re "Confidential"

In addition to the above-listed documents, transcriptions of each interview conducted by the Investigator are collectively attached as Exhibit BB.

D. Witnesses

The Investigator interviewed the following witnesses in person for this investigation.⁷ The name of each witness, his or her position with the City, and the date(s) of each interview are listed below. The witnesses are listed in alphabetical order by each witness' last name.

⁷ The Investigator notes that before each interview began, each witness was advised of the following: 1) the interview is being recorded; 2) the Investigator is an attorney, but is not an advocate for any party; 3) the Investigator's role is to gather information and make factual findings regarding the alleged conduct; 4) the witness' role is to respond fully and truthfully to the Investigator's questions; 5) the witness should maintain confidentiality

Title	Date(s) of Interview
Finance Department Employee #1	September 23, 2019
Treasurer's Office Employee #1	October 8, 2019
Assistant City Treasurer/Revenue Accounting Manager	September 13, 2019 and October 8, 2019
Finance Department Employee #2	September 9, 2019
Assistant Chief of Police #1	August 28, 2019
Purchasing Manager	September 9, 2019
IT Director/Chief Information Officer	September 16, 2019
Finance Department Employee #3	September 23, 2019
Treasurer's Office Employee #2	October 9, 2019
Treasurer's Office Employee #3	October 7, 2019
Treasurer's Office Employee #4	September 12, 2019 and October 8, 2019
Treasurer's Office Employee #5	October 9, 2019
Public Works Director	August 28, 2019
Treasurer's Office Employee #6	September 12, 2019 and September 24, 2019
Assistant City Manager	August 27, 2019
Treasurer's Office Employee #7	October 7, 2019
Treasurer's Office Employee #8	September 13, 2019 and October 7, 2019
City Manager's Office Employee #1	August 29, 2019
Cultural and Community Services Director	September 17, 2019

of the questions asked and responses provided; 6) the Investigator will maintain confidentiality, but cannot guarantee absolute confidentiality; 7) the witness should not be subjected to retaliation for participating in the investigation; and 8) the witness must not retaliate against any participant in the investigation. After the Investigator advised the witness of the above information, the Investigator asked whether the witness had any procedural questions.

Deputy City Manager	August 27, 2019
Community Development Employee #1	September 24, 2019
Treasurer's Office Employee #9	September 12, 2019 and September 24, 2019
City Treasurer	November 12, 2019 ⁸
Treasury Supervisor	September 13, 2019 and October 7, 2019
Treasurer's Office Employee #10	October 9, 2019
City Manager	October 9, 2019
Treasurer's Office Employee #11	October 9, 2019 and October 30, 2019 (telephonic)
Treasurer's Office Employee #12	October 9, 2019
Finance Department Employee #4	September 11, 2019
Chief Financial Officer	August 27, 2019
Treasurer's Office Employee #13	October 9, 2019
Treasurer's Office Employee #14	October 9, 2019
Public Works Employee #1	October 7, 2019
Police Department Commander	September 11, 2019
Assistant Chief of Police #2	August 28, 2019
Treasurer's Office Employee #15	October 9, 2019
Finance Department Employee #5	September 12, 2019
Assistant Chief Financial Officer	August 27, 2019
Treasurer's Office Employee #16	October 8, 2019
Controller/Senior Manager Internal Control	September 9, 2019

⁸ The Investigator tried to schedule a second interview session with Mr. Molina, and actually scheduled a second session in December 2019. However, Mr. Molina, by and through his counsel Andrew Covner, advised the City and the Investigator that Mr. Molina would not appear for a second interview session despite the City's directive for him to appear.

Management Accountant/Auditor	September 11, 2019

This Report does not include all information provided by a witness or contained in a document. Instead, this Report assesses the relevant information as it pertains to the specific alleged conduct. For the reader's ease of reference, the Report is divided by allegation, with a summary of pertinent facts for each witness contained therein. Additionally, where appropriate and to expedite efficiency, the Investigator combined witness summaries where the underlying information was substantially similar.

E. Independence

Independence is a critical component in every investigation, including this investigation. The City and its representatives allowed the Investigator complete discretion to conduct the investigation as he determined to be necessary. The Investigator was given complete access to all requested witnesses and documents, with the exception of Mr. Molina's refusal to appear for a second interview session.

IV. Findings and Associated Analysis

In reaching the findings, the Investigator carefully considered the perspectives, observations, and information from all interviewees. In resolving factual disputes, the Investigator used credibility factors including, but not limited to, motivations of parties and witnesses, corroborating or lack of corroborating evidence, plausibility of events, consistent and inconsistent evidence, material omissions, proximity in time, comparator factors, and articulated rationale for actions or decisions.

A. Did Mr. Molina interfere with this investigation by communicating with the Assistant Chief Financial Officer after being directed not to do so, by meeting with the members of his department to discuss this investigation after being directed not to do so, or by circulating an email that included details about this and another investigation into his alleged conduct?

1. Finding

By a preponderance of the evidence, the Investigator finds that Mr. Molina interfered with the investigation in three respects. First, he interfered by communicating with the Asst. CFO after being explicitly directed not to do so in his Notification of Investigation. Second, he interfered by meeting with members of his department to discuss the investigation after being directed not to do so in his Notification of Investigation. Moreover, five members of his staff stated that they found these meetings intimidating and inappropriate. Finally, he interfered by circulating an email discussing this and another investigation into his alleged conduct. Each of these acts would reasonably impact an individual's willingness to openly participate in the investigation and to provide information related to the allegations. As such, each qualifies as an independent act of interference. Moreover, Mr. Molina's interference with the investigation affects his credibility and the weight to be given overall to his statements.

This allegation is substantiated.

2. Communicating with the Assistant Chief Financial Officer After Directed Not to Do So

a. Facts

(1) Documents

(A) Notification of Investigation

On September 10, 2019, the City Manager issued a memorandum to Mr. Molina notifying him of the investigation. (See Exhibit A, Notification of Investigation.) In that Notification of Investigation, the City Manager specifically directed Mr. Molina to have no contact with the Asst. CFO during the pendency of this investigation. (See Exhibit A, Notification of Investigation, page 1.) The City Manager further explained that “[s]hould you need to contact the Asst. CFO you are directed to send those inquiries to the CFO.”

(B) Temporary Suspension of Administrative Duties of City Treasurer

On October 16, 2019, the City Manager issued a memorandum to Mr. Molina advising him that his administrative duties as the City Treasurer were temporarily suspended. (See Exhibit B, Temporary Suspension of Administrative Duties of City Treasurer.) In that memorandum, the City Manager specifically advised Mr. Molina as follows:

Despite the clear directive of the September 10, 2019 notice, you [Phillip Molina] contacted [the Asst. CFO] on at least six different occasions by email either directly or by copying her. (See Exhibit B, Temporary Suspension of Administrative Duties of City Treasurer, page 1.)

(2) Witness Statement

(A) Phillip Molina

During his interview, Mr. Molina confirmed that he was advised not to communicate with either CMO Employee #1 or the Asst. CFO during the investigation. Mr. Molina also admitted that, after having received the instruction not to communicate with the Asst. CFO, he nevertheless did communicate with her.

b. Analysis

The undisputed facts, including Mr. Molina’s admissions during his interview, show that Mr. Molina knew that he was not to communicate with the Asst. CFO during the pendency of this investigation and that he nevertheless communicated with her on at least six occasions after receiving that directive. There are two reasonable conclusions that flow from these admitted facts. First, Mr. Molina demonstrated a complete disregard for the directives issued in connection with this investigation. Second, the preponderance of the evidence supports the

conclusion that his conduct would have had a negative impact on the Asst. CFO in terms of her willingness to share information related to this investigation or to otherwise fully participate. Inasmuch as Mr. Molina failed to comply with the simple instruction not to communicate with the Asst. CFO, she could reasonably fear that he would also fail to comply with the directive to refrain from any retaliation. Such conduct would likely have a chilling effect on the Asst. CFO.

3. Meeting With Members of His Department

a. Facts

(1) Document

(A) Notification of Investigation

On September 10, 2019, the City Manager issued a memorandum to Mr. Molina notifying him of the investigation. (See Exhibit A, Notification of Investigation.) In that Notification of Investigation, the City Manager specifically identified the City's expectations regarding Mr. Molina's behavior during the investigation. The Notification of Investigation specifically advised Mr. Molina, in pertinent part, as follows:

This is a confidential investigation. Aside from your representative, you must not discuss this investigation with any person who does not have a legitimate business need to know this information.

The City of Oxnard takes investigation into misconduct seriously and will not tolerate retaliation, interference or discrimination against any individual who participates in this investigation. As such you are ordered to refrain from any conduct that may be perceived as retaliation. (Exhibit A, Notification of Investigation, page 2, emphasis added.)

(2) Witnesses Statements

During their respective interviews, sixteen individuals from the Treasurer's Office, including Mr. Molina, confirmed that he held meetings with the members of his office to discuss their anticipated interviews in this investigation. Specifically, this fact was confirmed by Treasurer's Office Employee #2 ("TOE #2"), Treasurer's Office Employee #11 ("TOE #11"), Treasurer's Office Employee #8 ("TOE #8"), Assistant City Treasurer/Revenue Accounting Manager ("Asst. City Treasurer"), Treasurer's Office Employee #5 ("TOE #5"), Phillip Molina, Treasurer's Office Employee #7 ("TOE #7"), Treasurer's Office Employee #16 ("TOE #16"), Treasurer's Office Employee #15 ("TOE #15"), Treasurer's Office Employee #3 ("TOE #3"), Treasurer's Office Employee #14 ("TOE #14"), Treasurer's Office Employee #13 ("TOE #13"), Treasurer's Office Employee #10 ("TOE #10"), TOE #4, Treasurer's Office Employee #12 ("TOE #12"), and Treasurer's Office Employee #1 ("TOE #1"). At the time that Treasurer's Office Employee #6 ("TOE #6") and Treasurer's Office Employee #9 ("TOE #9") were interviewed, the Investigator was not aware that these meetings had taken place. Consequently, the Investigator did not ask either TOE #6 or TOE #9 about the meetings. However, other individuals interviewed confirmed that TOE #6 and TOE #9 also attended similar meetings. The Treasury

Supervisor is the only member of the Treasurer's Office who did not attend one of these meetings. She confirmed that she was on vacation at the time of the meetings, but she was made aware that they had taken place upon her return.

Each individual who confirmed attending the meetings, excluding Mr. Molina, gave similar descriptions of what Mr. Molina said. Mr. Molina advised them that he was aware that they had been contacted by Human Resources for an interview in connection with some type of investigation. He informed those present that, if they felt bullied, harassed or intimidated during their respective interview, they could let him know because he had or was planning to retain an attorney that could assist them. He also told them that they should tell the truth.

(A) Phillip Molina

As noted above, Mr. Molina confirmed that, after becoming aware that Human Resources was scheduling meetings with the members of his staff, he held meetings with his staff regarding the investigation. Mr. Molina also confirmed that, although he held separate meetings with smaller groups in order to keep from pulling his entire staff from the floor at the same time, he provided the same substantive information to each group.

After admitting that he discussed the pending interviews associated with this investigation, Mr. Molina explained that his intent was to calm his staff down. Mr. Molina stated:

The HR Director and one of the City Attorneys came into the department without letting me know they were coming, handed envelopes to people, without telling me that they were gonna do that – as a department head, I would've thought that they might've let me know. They scared people because a few months earlier, the City Manager had fired seven video employees and so people were scared. Are these letters – are termination letters – what's going on?

Mr. Molina admitted that none of the staff came to him indicating that they were scared. Instead, he claimed that he concluded that they were scared "because of the look in their eyes, the look in their face, concern about what's going on."

Mr. Molina confirmed that it was not his intent to intimidate the staff or to interfere with this investigation. As to this latter point, Mr. Molina repeated that "I told them to tell the truth. That's all I said. 'Please tell the truth.'"

Later in the interview, while his attorney questioned him, Mr. Molina also claimed that he also met with his staff because of a concern over scheduling as he did not want all of his customer service representatives to be pulled from the floor at the same time. In this regard, Mr. Molina stated that he was not aware that the Asst. City Treasurer was already preparing a schedule, and he denied hearing the Asst. City Treasurer discussing the schedule with Human Resources. Mr. Molina conceded that the Asst. City Treasurer has a great memory, and he was not otherwise able to explain the difference in their statements concerning his knowledge that she was preparing a schedule.

(B) Asst. City Treasurer

The Asst. City Treasurer confirmed that Mr. Molina became aware that she was scheduling the staff for interviews related to this investigation. She specifically said:

So while I was on the phone with the [Human Resources Administrative Assistant] trying to figure out the scheduling of the staff, Mr. Molina walked into my office and he saw that I had the schedule in front of me and talking to someone on the phone. So after I completed my conversation with [Human Resources Administrative Assistant] on the phone, Mr. Molina came back to my office and asked me what training are you scheduling the staff for? My response was "this is not for training. HR informed me that they need to interview everyone in the department."

The Asst. City Treasurer, who confirmed that she attended each of these meetings with Mr. Molina, stated that, in each meeting, Mr. Molina said, "I was told that you will all be interviewed by someone in HR or HR department and I just want all of you to know that you should not be scared, you should not be nervous about it, just tell the truth and you should not be afraid of retaliation or being bullied and if you feel that way, I have a lawyer and I'll help you straighten it out."

(C) TOE #2

When asked for her reaction to Mr. Molina holding these meetings with his staff, TOE #2 responded as follows:

I don't think it should have happened. I think it was unprofessional, and I'm pretty sure that was against the rules of the whole confidentiality agreement, I guess. I don't feel like his lawyer will be there to protect us. I feel like the lawyers are to protect him. That's what I took from that.

When asked if she was intimidated by Mr. Molina calling her into one of these meetings, TOE #2 said:

A little bit because . . . yeah, a little bit. Because that means he knows I'm coming and, you know, probably hear what I said.

When asked if Mr. Molina's actions gave her concern regarding potential retaliation, TOE #2 commented:

Maybe not me specifically. But I mean, I think he's going, he's the type to retaliate, yeah. Clearly he looks like it. I get that vibe from his meeting and his email, that that's his form of retaliation.

(D) TOE #3

At the start of her interview, TOE #3 immediately expressed concern regarding retaliation because "I've seen it happen." As a basis for her concern, TOE #3 identified Mr. Molina's meetings with staff and said:

It was intimidating. It's kind of like, hey, we know. Like, we're going to know whatever you say.

In further describing her reaction, TOE #3 relayed a conversation that she had with TOE #11 concerning the meetings:

I just remember passing by her [TOE #11] really quick and being like "hey, did you get called in too?" And she's like, "yes." She's like "oh my God, that makes it so much more intimidating, that's so wrong."

(E) TOE #4

When asked about her response to Mr. Molina's staff meetings concerning the investigation, TOE #4 said:

What I took from the meeting and what he said, honestly, it was more like he wanted us to be sure that we were aware that he had a good lawyer, but I didn't get the impression myself that that lawyer was there to protect us. So that lawyer is his lawyer to protect him. So I think he's a very smart man. I think he said it knowing, or putting that in our mind, kind of, be aware of what you're saying.

As a follow up, the Investigator asked TOE #4 if she felt intimidated, to which she responded:

I did. I was upset after I left there. I was upset. And I was confused as to why he would call us into that meeting. I personally don't feel like he was calling us to the meeting to protect us. Again, him just saying that he had a really good lawyer, it's for his benefit, not for us.

When asked if she viewed Mr. Molina's reference to having a lawyer as a threat, TOE #4 said:

I did, I did. And it made me feel or wonder whether I should have some type of representation because he is protecting himself. And just coming in here makes me really nervous.

In summing up this point, TOE #4 confirmed that Mr. Molina's meeting intimidated her. She felt that there was an implied threat to watch what she said. She perceived the reference to the attorney as a warning that Mr. Molina has someone who is looking out for him.

(F) TOE #11

Similar to other witnesses, TOE #11 began her interview expressing concern over potential retaliation. In her case, she indicated that she had previously experienced retaliation from Mr.

Molina and other management personnel within the Treasurer's Office when she complained about other issues.

When asked about Mr. Molina meeting with staff in advance of their interviews, TOE #11 stated that she took it as a threat and an effort to intimidate the staff. In explaining why she interpreted his actions in this way, TOE #11 said:

Because he mentioned his lawyer. And he was saying that, he mentioned himself. That if we had anything to say about him. . . . He said, if HR asks you anything and tries to force you to say something that you don't want to say about me, then I have a really good lawyer that you can talk to.

(G) TOE #15

After confirming that Mr. Molina had advised individuals that he had an attorney, TOE #15 expressed her belief that Mr. Molina's attorney would not be to help the employees; instead, she understood that the attorney was there for Mr. Molina's benefit.

When asked if the meeting made her nervous, TOE #15 responded:

A little, just because I, I mean I didn't know what to expect. When he needed to call us up and I already had this letter. It kind of made me feel like maybe something was wrong. I don't know maybe something was going to happen.

b. Analysis

The undisputed facts, including Mr. Molina's admissions during his interview, show that Mr. Molina held meetings with the members of his staff in order to discuss their anticipated interviews in this investigation. Mr. Molina tried to deflect a connection to the investigation by claiming that these meetings were intended to calm the staff down and to ensure that the interviews were scheduled so as not to interfere with the department's operations.

With respect to the first identified basis, Mr. Molina admitted that no one expressed that they were scared after receiving the notice of the interview. Mr. Molina merely assumed that they were scared because of the "look in their eyes." The Investigator finds Mr. Molina's explanation to be unreasonable under the circumstances; therefore, he discredits it.

The second identified basis is equally unreliable. The Asst. City Treasurer stated that Mr. Molina learned of the anticipated interviews because he overheard her scheduling the witnesses with Human Resources. Mr. Molina even asked for a copy of the schedule once it was finalized. Although Mr. Molina nevertheless denied that this event took place, he concedes that the Asst. City Treasurer has a great memory. Given Mr. Molina's description of the Asst. City Treasurer's memory, as well as the fact that she has no identifiable motivation to slant her testimony against Mr. Molina, the Investigator discredited Mr. Molina's denial and found his claim that scheduling was an issue prompting the meetings to be unreliable.

In short, the preponderance of the evidence shows that these meetings were intended for the single purpose of meeting with staff in order to discuss their anticipated interviews in this investigation. Moreover, the preponderance of the evidence shows that there were at least five employees who found Mr. Molina's meetings to be intimidating or otherwise inappropriate. Whether intended or not, Mr. Molina's meetings impacted witnesses in this investigation. Consequently, he interfered with their potential statements and this investigation. Additionally, inasmuch as Mr. Molina failed to comply with the simple instruction not to interfere with this investigation, witnesses could reasonably fear that he would also fail to comply with the directive to refrain from any retaliation. Such conduct would likely have a chilling effect on their willingness to participate and share information.

4. Email Sent to Members of Staff Before Interviews

a. Facts

(1) Documents

(A) October 2, 2019 Email re "Why Is Your Elected City Treasurer Prevented from Using His Official City Email?"

On October 2, 2019, around the same time that he was meeting with staff in advance of their interviews in this investigation, Mr. Molina sent out an email with the identified subject "Why is your elected City Treasurer prevented from using his official city email?" (See Exhibit U⁹.) This email included information related to one other investigation involving Mr. Molina that was conducted in 2018 and involved harassment claims by two women. (See Exhibit U, paragraph 1.) The email also included multiple references to this investigation.

4. On September 10th, yes the same day I received response to my complaint, the City informed me two other city women filed an harassment complaint (not sexual) against me. These two women I have met and spoke to less than 3 times in the years I have been with the city.

* * *

6. Because I sent emails, which you have been offered, that included the women who filed the last complaint, my official City email address was terminated. But those same 2 women continue to send me emails, memos and notes.

7. I am ordered to not communicate with either woman who filed the complaint against me, yet I continue to receive communication from the women.

Now anyone reading this email knows that the City has control on who can send and receive specific emails. The city has stopped my private emails from going to certain city staff. So the clear and simple question is, if the City did not want me

⁹ TOE #2 provided a copy of this email to the Investigator during her interview on October 8, 2019.

to keep the 2 women informed about business they needed to know, the city could have put a rejected tag on each of these two women's email address to reject my city email. Instead the City Manager chose to terminate my official city email. (See Exhibit U.)

(2) Witness Statements

In total, nineteen individuals from the Treasurer's Office, including Mr. Molina, were interviewed. However, eight of those individuals were interviewed before the Investigator became aware of this email. Consequently, those individuals (i.e., Asst. City Treasurer, TOE #3, TOE #6, TOE #7, TOE #8, TOE #9, the Treasury Supervisor, and TOE #16) were not asked about the email. Of the remaining eleven individuals, TOE #5 and TOE #10 could not recall whether they received the email as they frequently ignore emails from Mr. Molina that do not specifically relate to their job duties. With regard to Mr. Molina, the Investigator did not have the chance to question Mr. Molina regarding this particular email because Mr. Molina declined to meet with the Investigator a second time. Finally, of the remaining eight individuals, six (i.e., TOE #1, TOE #2, TOE #4, TOE #11, TOE #13, and TOE #14) confirmed receiving the email. TOE #12 and TOE #15 denied receiving the email.

With respect to the six individuals who confirmed receiving the email, TOE #2, TOE #4 and TOE #11 all indicated that they were bothered by the email.

(A) TOE #2

TOE #2 first raised this email with the Investigator as she expressed some concern regarding its content. Specifically, TOE #2 found the email problematic because of the level of the detail that it contained regarding this investigation. When asked to confirm this concern, TOE #2 said:

Yes, and the fact that he is sending it out to us, being like, I know, I think of it more as a, here you go, I know exactly what's going on.

In short, TOE #2 confirmed that she was intimidated by the email.

(B) TOE #4

In discussing this email, TOE #4 expressed her concern that Mr. Molina would be able to get information about this investigation as he had apparently done in the past. When elaborating on this concern, TOE #4 said:

Right. I don't want him to address me about it. I think that makes me uncomfortable. I don't want him to take me to the side. Even initially, after we had our very first interview, he went around, I don't remember if it was that same evening or a couple of days after, and he came directly to me and he says "I'm going to be staying after work a couple of minutes to answer any questions you might have." And I looked at him and I said "what are you talking about?" And he said "you don't know what I'm talking about?" I said "no." And he says, "okay, good then." I can only assume, I don't know for a fact that it had to do

with him knowing that some of us had already come over to HR and spoke to somebody in HR.

TOE #4 confirmed that she was concerned about the email because it demonstrated that Mr. Molina was able to get information about these investigations.

(C) TOE #11

When asked for her reaction to the email, TOE #11 said:

It made me a little nervous about coming in and talking to you guys because somehow he found out some information. I didn't know what. I knew there was some type of investigation going on, but I didn't know what it was about. But if he was able to find that out, then it made me nervous that he was going to know that whatever it is that I say here. He was going to find out. And I was somehow going to get in trouble for it.

b. Analysis

The undisputed facts, including the email itself (see Exhibit U), show that Mr. Molina sent an email containing information relating to two separate investigations, including this investigation. It is also undisputed that Mr. Molina sent this email to at least six members of his staff. Finally, it is undisputed that three of those individuals were bothered by the email and indicated that, to varying degrees, it intimidated them.

In short, the preponderance of the evidence shows that three employees found Mr. Molina's email to be intimidating or otherwise inappropriate. Whether intended or not, Mr. Molina's email impacted witnesses in this investigation. Consequently, he interfered with their potential statements and this investigation.

B. Did Mr. Molina make inappropriate comments in the workplace?

1. Finding

By a preponderance of the evidence, the Investigator finds that Mr. Molina made inappropriate comments in the workplace that employees found objectionable and harassing. These comments concerned female employees' appearance/attire, stereotypical female roles, and sexual innuendo. Mr. Molina admitted to making all three types of comments. The Investigator also finds that, by a preponderance of the evidence, Mr. Molina's comments violate the City's Sexual Harassment policy contained in its Personnel Rules and Regulations. (See Exhibit E, Chapter 3, Section 3.3.1 – Sexual Harassment and Section 3.3.2 – Harassment Based on Other Protected Status.)

This allegation is substantiated.

2. Facts

a. Documents

(1) City's Personnel Rules and Regulations

The City's Personnel Rules and Regulations, Chapter 3, Section 3.3.1 – Sexual Harassment reads, in pertinent part, as follows:

Sexual harassment includes unwelcome sexual advances, requests for sexual favors, or other visual, verbal, or physical conduct of a sexual nature when:

* * *

Such conduct has the purpose or effect of unreasonably interfering with an individual's work performance or creating an intimidating, hostile, or offensive working environment.

Sexual harassment may include a range of behaviors and may involve individuals of the same or different gender. Examples include but are not limited to:

* * *

Verbal conduct including making derogatory comments, sexually explicit jokes, slurs, sexual innuendo and insults, or comments about an individual's body or dress.

* * *

Sexually harassing conduct need not be motivated by sexual desire and may include nonsexual conduct motivated by the violator's hostility toward the victim's gender or towards the victim's nonconformity to gender stereotypes. (See Exhibit E, Chapter 3, Section 3.3.1 – Sexual Harassment.)

The City's Personnel Rules and Regulations, Chapter 3, Section 3.3.2 – Harassment Based on Other Protected Status reads as follows:

In addition to sexual harassment, harassment on the basis of any other Protected Status is also prohibited. Such harassment includes physical, verbal, and visual conduct when such conduct has the purpose or effect of unreasonably interfering with an individual's work performance or creating an intimidating, hostile, or offensive working environment.

b. Witnesses Statements

In total, there are nineteen individuals who work in the Treasurer's Office, including Mr. Molina. All nineteen individuals were asked whether Mr. Molina made inappropriate comments in the workplace. Specifically, each individual was asked whether they either heard or had been told

that Mr. Molina made comments regarding female employee's appearance/attire, stereotypical female roles, and sexual innuendo. Of those nineteen individuals, seventeen, including Mr. Molina, confirmed that Mr. Molina made such comments repeatedly.

With respect to comments regarding female employees' appearance or attire, the following individuals confirmed hearing Mr. Molina making such comments: TOE #1, Asst. City Treasurer, TOE #3, TOE #4, TOE #6, TOE #7, TOE #8, Phillip Molina, the Treasury Supervisor, TOE #10, TOE #11, TOE #12, TOE #13, TOE #14 and TOE #16.

As it relates to comments regarding stereotypical female roles, the following individuals confirmed hearing Mr. Molina making such comments: TOE #1, Asst. City Treasurer, TOE #2, TOE #4, Phillip Molina, TOE #11, TOE #12, TOE #13, and TOE #14.

The following individuals confirmed hearing Mr. Molina make comments involving sexual innuendo¹⁰: Asst. City Treasurer, TOE #2, TOE #4, TOE #6, Phillip Molina, TOE #11, and TOE #13.

The only two individuals who indicated that they never heard Mr. Molina make any inappropriate comments are TOE #9 and TOE #15.

TOE #2, TOE #4, and TOE #11 all confirmed that they were offended by Mr. Molina's comments. TOE #1 and TOE #6 also confirmed that they had heard people express that Mr. Molina's comments offended them.

(1) Phillip Molina

Since Mr. Molina's admissions are the most reliable evidence provided, the following summary relates specifically to his admissions concerning inappropriate comments.

With regard to appearance or attire, Mr. Molina admitted to making such comments and described them as follows:

Oh, "That's a pretty blouse you're wearing." Um, "Those are pretty shoes you're wearing" or "That's a pretty dress you're wearing."

Along these same lines, Mr. Molina recalled at least one occasion where he compared a female employee to an actress. He said, "I may have. That's – I'm trying to remember. There was some movie in the – one of the ladies, I said 'you remind me of this actress. I don't know her name.' I thought I was giving her a compliment but it turns out I wasn't or whatever, so yeah, I'm – if that was Melissa McCarthy, then yes I did, and I apologize."

With respect to comments concerning stereotypical female roles, Mr. Molina admitted that he has advised female members of his staff to "go home and cook for your husband," "go home and

¹⁰ For purposes of this Report, sexual innuendo encompasses comments that are capable of a sexual interpretation regardless of Mr. Molina's underlying intention.

cook for [your] husband and [your] children,” or “go home to cook for [your] boys” on multiple occasions.

As it relates to sexual innuendo, Mr. Molina confirmed that he asked female employees in his department who would give him CPR if he were to have a heart attack.

3. Analysis

The undisputed facts, including Mr. Molina’s admissions during his interview, show that Mr. Molina made comments about the female employees’ appearance/attire, stereotypical female roles, and sexual innuendo. All three types of comments are expressly identified in the City’s sexual harassment policy as examples of harassment. Moreover, the policy does not require that anyone actually voice a formal objection to the comments for a violation to exist. Instead, the comments alone are sufficient if they are creating an intimidating, hostile, or offensive working environment, which was confirmed by TOE #2, TOE #4, TOE #11, TOE #1, and TOE #6.

In short, the preponderance of the evidence shows that Mr. Molina made inappropriate comments about female employees’ appearance/attire, stereotypical female roles, and sexual innuendo in the workplace that employees found objectionable and harassing; therefore, those comments violated the City’s Sexual Harassment policy contained in its Personnel Rules and Regulations.

C. Did Mr. Molina act improperly when he investigated a perceived shortfall in parking lot money related to the Dallas Cowboys’ Training Camp held in the Summer of 2019?

1. Finding

By a preponderance of the evidence, the Investigator finds that Mr. Molina did accuse and improperly investigate CMO Employee #1 for theft in connection with a perceived shortfall in parking lot money related to the Dallas Cowboys’ Training Camp held in the Summer of 2019. The Investigator also finds, by a preponderance of the evidence, that Mr. Molina’s conduct related to this incident violated the City’s Personnel Rules and Regulations. (See Exhibit E, Chapter 3, Section 3.10 – Anti-Bullying Policy.) By a preponderance of the evidence, the Investigator also finds that Mr. Molina’s conduct related to this incident fell outside his duties as outlined by the City Attorney’s Office. (See Exhibit C.)

This allegation is substantiated.

2. Facts

a. Documents

(1) City’s Personnel Rules and Regulations

The City’s Personnel Rules and Regulations, Chapter 3, Section 3.10 – Anti-Bullying Policy reads, in pertinent part, as follows:

3.10 ANTI-BULLYING POLICY

. . . the City also prohibits any form of “intimidating or bullying” in the workplace or elsewhere, such as at offsite events or work places.

3.10.1 POLICY COVERAGE

. . . Bullying is the use of aggression with the intention of harming another individual. It can include any intentional written, visual, verbal, or physical act, when the act physically harms the individual or damages his or her property; has the effect of interfering with an employee’s ability to work; is severe or pervasive; and creates an intimidating or threatening event.

Bullying comes in many shapes and sizes and can take many forms including, but not limited to . . . abusive comments, . . . spreading rumors Such conduct can also occur via use of electronic or telephonic communications such as the internet, email and chatroom misuse, mobile threats by text messaging or calls, or misuse of cameras and video equipment. (See Exhibit E, Chapter 3, Section 3.10 – Anti-Bullying Policy.)

- (2) January 26, 2017 Memorandum from then-Assistant City Attorney to then-Assistant City Manager

Then-Assistant City Attorney’s January 26, 2017 memorandum to then-Assistant City Manager sets forth the City Treasurer’s duties, both the elected position and the administrative position. (See Exhibit C.) As it pertains to this particular allegation, the memorandum is important because it fails to identify among the City Treasurer’s duties investigating the possible theft of public funds or questioning employees about possible theft of public funds.

- (3) Asst. COP #1’s Written Statement Regarding the Dallas Cowboys’ Training Camp Incident

The document constitutes Asst. COP #1’s summary of the incident, which he prepared in close proximity to the actual event. The substance of that written statement will be summarized in the Witnesses Statements portion of this Fact section.

- (4) Phillip Molina’s July 30, 2019 Email to CMO Employee #1 re “Proper processing of ticket sales at Cowboys Event”

The key point contained in Mr. Molina’s email is that he confirms that he went to the site of the event with his staff and engaged in some form of review of procedures, which several witnesses described as his improper investigation. Mr. Molina specifically wrote:

After our review today it was clear that had you and the other police staff been properly instructed there would have been no questions that you would have followed the proper methods for ticket sales and reconciliations performed.

[CMO Employee #1], as me and my staff observed your performance today, it is clear that you are giving your 200% effort to do everything to make this event successful for the City of Oxnard. (See Exhibits I and V.)

(5) Emails between Phillip Molina and the Deputy CM re
Confidential

In this exchange with the Deputy CM, Mr. Molina admits to using the term “theft” in describing the situation at the Dallas Cowboys’ Training Camp. (See Exhibit AA.)

b. Witnesses Statements

In order to set the proper context for this allegation, the summaries begin with CMO Employee #1. Thereafter, the summaries are provided in alphabetical order by the witness’ last name.

(1) CMO Employee #1

CMO Employee #1 confirmed that this was the first year that she was tasked with overseeing the revenue for the parking lots associated with the Dallas Cowboys’ Training Camp. In anticipation of this new assignment, CMO Employee #1 was provided with written information by the previous staff.

Specifically, she recalled being provided with a three-page document containing instructions on the processing of the cash. CMO Employee #1 stated that there were still items that were not provided to her, so she reached out to TOE #4 in the City Treasurer’s Office with additional questions. She reached out to TOE #4 because TOE #4 handles deposits for the City Treasurer’s Office, and she believed that TOE #4 would be able to provide her with “the bank deposit bags, the deposits, the deposit book.” CMO Employee #1 met with TOE #4 who “provided [CMO Employee #1] everything that [she] needed to—needed as far as through the City Treasurer’s rules and stuff like that.” TOE #4 also confirmed that CMO Employee #1 had all the necessary forms and was not missing anything in that regard.

CMO Employee #1 confirmed that TOE #6 and TOE #9 from the City Treasurer’s Office volunteered to help with processing the parking lot money. Both individuals were present on the event’s first day, which took place on a weekend, and helped to count the collected money. CMO Employee #1 confirmed that there was some confusion counting the money collected from the parking lot run by the Police Explorers as there were some tickets that appeared to have been sold, but that the police officer who dropped off the money pointed out were not used. As a result, CMO Employee #1 admitted that the cash collected could not be balanced with the tickets that appeared sold.

The following Monday, CMO Employee #1 was contacted by the Treasury Supervisor, who asked CMO Employee #1 to come over to the Treasurer’s Office because Mr. Molina “had some questions regarding cash that was missing.” After indicating that she would try to make it over to meet with Mr. Molina, CMO Employee #1 said that she had a conversation with the Cultural and Community Services Director (“CCS Director”), which she described as follows:

He stopped by my office and he said, “I just ran into Phil Molina and he is saying something about that there’s a mishandling of funds, you know like there’s money missing” and I shared with him that [the Treasury Supervisor] had called and that Mr. Molina wanted to meet with me. And I told [the CCS Director], I am not going to meet with him. And [the CCS Director] told me “You have to meet with him, otherwise, he’s going to make a big thing out of nothing, you know.”

CMO Employee #1 went to meet with Mr. Molina, and was surprised when Mr. Molina brought the Asst. City Treasurer, TOE #8, and the Treasury Supervisor into the meeting. CMO Employee #1 indicated that, what started as a telephone request for a meeting because Mr. Molina had a few questions, became a forty five minute “interrogation.” She said:

. . . they just kept like cross-examining me, you know, kind of like just, you know, like questioning everything and it just seemed like they wanted to hear a different answer because like Mr. Molina would ask me a question and I would answer it and then [the Asst. City Treasurer] would ask me another question and then when I was trying to explain to them, it was like, look you guys have no clue how this is being handled. . . . I said I met with your staff and we went over everything and it just seemed like he totally ignored that part; he was just trying to find something wrong with the not balancing. . . So I told them, I said I have to leave. They kept asking me more questions. So it started kind of like a repetition of the same questions, over and over again.

CMO Employee #1 also added “so during the cross-examining, I was—you know it was so—I mean I was—I walked out of there feeling like he was accusing me.” She clarified that “Mr. Molina said that he was—he had been informed by his staff that there was mishandling of funds.” CMO Employee #1 felt that Mr. Molina was acting as judge, and that she was being blamed or accused of stealing money. Later that night, CMO Employee #1 said that she saw an email that Mr. Molina sent to the City Council that “basically [told] council that there was mishandling of funds, that theft was going on.”

The next day, while at the Dallas Cowboys’ Training Camp location, CMO Employee #1 received a call from the City Manager. She said:

So anyways, that morning I want to say it was like around 10 in the morning—not 100% on the time—but I received a phone call from the City Manager and the City Manager mentioned that he had me on speaker phone and he had [a Project Manager] who works on our floor and the Deputy City Manager, and he said, “[CMO Employee #1] what is going on? I have Phil Molina that barged into my office.” Now this is what the City Manager is telling me over the phone. He said, “I have Phil Molina, who barged in here and he said that there is mishandling of funds you know that”—I don’t know if he said there’s like a red flag”—“you know I have to go out there to investigate because you know there’s money missing over”—he mentioned an amount of money that was missing and I assured the City Manager that nothing of that was happening.

Shortly after her conversation with the City Manager, CMO Employee #1 said that Mr. Molina and the Treasury Supervisor arrived at the site, and Mr. Molina “just looked at me and he had this like smirk on his face and he just said, ‘Good morning how are you doing?’” CMO Employee #1 described this initial interaction as follows:

Tuesday when that happened I was not happy with Mr. Molina and I told him, I said “I don’t want to talk to you. I don’t appreciate you sending that e-mail.” He acted like he didn’t know that I was talking about. He said, “I don’t know what you’re talking about, and I don’t know what the City Manager told you.” He changed the story around that that’s now what happened, that he didn’t go to the City Manager and that he never blamed anybody. And I told him, I said, “Look, if you’re asking me to believe you or the City Manager, I am going to believe the City Manager.” Because I had already seen an email that went out Monday night, and then here’s Tuesday morning, and he’s acting like I have no idea what’s going on. So anyway, I told him “I don’t want to talk to you because I feel like you’re accusing me.”

CMO Employee #1 then turned to the Treasury Supervisor and told her that “Your boss went into [the City Manager’s Office] accusing me of theft, because when he’s accusing staff, he’s also accusing me. She said that, in response, the Treasury Supervisor asked Mr. Molina “What did you do Phil?”

CMO Employee #1 stated that Mr. Molina continued to question her and stood extremely close to her. She described it as follows:

. . . like he wanted to intimidate me, you know, like “I’m here, I am going to investigate what you’re doing, how the money is handling and then come up with my own conclusion.”

CMO Employee #1 confirmed that she also received Mr. Molina’s email apology. She said:

So I think that’s pretty much it. I know there was another e-mail from Mr. Molina in where he was apologizing to me, and to be honest with you, I didn’t accept his apology because he—that e-mail was—it didn’t sound sincere. It was basically, he knew how I felt and he knew that I was aware of his accusations and he was trying to now cover himself by, “that’s not exactly what I said.”

In terms of the impact that Mr. Molina’s accusations and actions had on her, CMO Employee #1 said:

I don’t know what he told staff, but there was some employees that heard his portion, his side of the story, so as far as I know, I don’t know how many people received that e-mail and that was my biggest disappointment with him, that I don’t know how many people he shared that e-mail. People that shouldn’t have known, you know, that should have been—I mean if he had any issues, he should have been talking to the City Manager and to the HR Director or even the police department. But I have no way of knowing how many people received that email.

(2) Asst. City Treasurer

The Asst. City Treasurer confirmed that, the Monday following the opening of the Dallas Cowboys' Training Camp, Mr. Molina called her into a meeting with TOE #8, the Treasury Supervisor, TOE #6 and TOE #9. She recalled that TOE #6 and TOE #9 described the cash handling as disorganized and "not up to the standard" used in the Treasurer's Office. She said that TOE #6 and TOE #9 advised them that there was \$1,000 missing. She said that Mr. Molina indicated that this was something that they needed to look into. However, she indicated that no one implied that theft had occurred.

When asked why it was not strange that Mr. Molina chose to look into this issue himself, the Asst. City Treasurer responded, "when he hears of anything in the City that is amiss or does not seem to be properly handled, he likes to take it upon himself to investigate." The Asst. City Treasurer confirmed that she has never seen anything in writing that authorizes the City Treasurer or his office to conduct investigations.

The Asst. City Treasurer confirmed participating in a forty-five minute meeting in Mr. Molina's office involving CMO Employee #1, Mr. Molina, TOE #8, and the Treasury Supervisor where they discussed the Dallas Cowboys' Training Camp. She described the meeting as follows:

Mr. Molina asked her about the process that she does, and she explained to us that this is her first time to become in charge of that whole project and she's learning. So Mr. Molina said that we would like to make suggestions to you and she said, if you can help me make it a better system, yeah, let me know.

The Asst. City Treasurer stated that CMO Employee #1 did not appear upset during the course of the meeting. In fact, she recalled CMO Employee #1 asking if someone from the Treasurer's Office could help her going forward.

Although she could not recall what it said, the Asst. City Treasurer did recall Mr. Molina sending out an email the same day as this meeting wherein he "mentioned about missing money that belongs to the City." The Asst. City Treasurer indicated that she found it inappropriate for Mr. Molina to have made this issue public by copying people outside of his office.

(3) Asst. COP #1

As noted above, Asst. COP #1 provided a written statement regarding the Dallas Cowboys' Training Camp incident, which is located at the start of Exhibit I. It is summarized as follows:

Asst. COP #1 indicated that he was contacted on Tuesday, July 30, 2019, by the City Manager's Office and was told by the City Manager that Mr. Molina had come to the office claiming that theft had occurred at the Dallas Cowboys' Training Camp and that Mr. Molina was on his way to the site to investigate the matter. The City Manager asked if "someone of rank" could look into the situation. Asst. COP #1 indicated that he would handle the situation.

Asst. COP #1 asked the Police Department Commander ("PD Commander") to accompany him to the event site. He indicated that he did this because he "wanted to have a witness present for

any contact with the Treasurer.” He explained that Mr. Molina “has a reputation for being intimidating to staff members.” He further wrote:

Historically, he has demonstrated that he will have a one-on-one conversation with someone, and following their encounter, will send [an] email to a wide distribution of “bcc’ed” persons, recapping their contact on his terms and from his side of the story. These emails are typically cast with a negative slant toward others, and are often self-aggrandizing. . . . His emails re known for mischaracterizing matters, accusing staff, questioning integrity and character of staff, or grandstanding. His emails are often patronizing and condescending.

Asst. COP #1 understood that CMO Employee #1 was the designated cash handler for the parking lot money at the Dallas Cowboys’ Training Camp.

Asst. COP #1 indicated that he considered Mr. Molina’s investigation of alleged theft to be inappropriate because it would have involved the Explorers (who are overseen by the police department), Explorer Advisors (police personnel), and CMO Employee #1 since no one else had access to the money. He further wrote:

What is also important to note is that given that the Treasurer made an allegation that a crime had occurred, it was both extremely unusual and inappropriate that he would take it upon himself and rush to the site to investigate. The proper thing would have been for him to contact Police Department management, so law enforcement could handle this.

When he and the PD Commander arrived at the location, he observed the Treasury Supervisor and Mr. Molina speaking with CMO Employee #1. As he approached the group, he saw that CMO Employee #1 looked “quite upset” and was wiping her eyes as if she had been crying. He wrote: “The Treasurer, who is approximately 6’4” in height, had his back facing me; he was looking downward towards [CMO Employee #1], had his hands on his hips and appeared to be directing his speech at [CMO Employee #1].” Based on his observations, Asst. COP #1 concluded that Mr. Molina “was questioning/interviewing/interrogating an employee that would have potentially had culpability had a theft actually been substantiated.” Asst. COP #1 wrote “the optics of what was occurring was highly inappropriate” because the matter should have been turned over to the Police Department; the Treasurer had no authority to conduct a criminal investigation; the Treasurer’s actions would have negatively impacted law enforcement’s ability to pursue the case if a crime had occurred; and the sight of CMO Employee #1 crying due to Mr. Molina’s questioning.

When Asst. COP #1 joined the group, he indicated that Mr. Molina expressly used the term theft and said that no theft had occurred. Asst. COP #1 wrote that he scolded Mr. Molina for prematurely reporting theft. He indicated that Mr. Molina did not deny claiming theft; instead, Mr. Molina apologized because he did not have time to fully explain the situation to the City Manager.

Asst. COP #1 then spoke to CMO Employee #1 outside of Mr. Molina’s presence. He summarized that conversation as follows:

[CMO Employee #1] told me that the Treasurer was asking her questions when we walked up, and that she was being made to feel like she had done something wrong. She elaborated and added that on the previous day (Monday, July 29, 2019) the Treasurer summoned her to his office without providing a reason. She said that he kept her in his office for over an hour, and was questioning her in an accusatory manner. She said she felt as though she was being “cross examined” by him. As she was beginning to elaborate, the Treasurer and [the Treasury Supervisor] approached from the west, and I noticed [CMO Employee #1] appear to become more tense.

(4) TOE #4

TOE #4 indicated that her involvement in this incident was limited. She recalled meeting with CMO Employee #1 before the Dallas Cowboys’ Training Camp to give her deposit bags, deposit slips, a cash bag, and keys. TOE #4 denied training CMO Employee #1 on proper cash handling, but she did confirm that she approved the forms that CMO Employee #1 was to use and showed CMO Employee #1 how to fill out the deposit ticket, a slip and the daily deposit summary.

TOE #4 indicated that, on the Monday following the opening of the Dallas Cowboys’ Training Camp, she spoke with TOE #6 and TOE #9, who indicated that there was an issue related to the parking lot money. She said that TOE #6 “just felt that the people in charge were not necessarily familiar with the whole processing of, or even working with cash, they were not comfortable working with cash.” TOE #4 recalled Mr. Molina entering the office as she was speaking with TOE #6 and TOE #9, so she suggested that TOE #6 and TOE #9 share their concerns with Mr. Molina.

TOE #4 had no further involvement.

Although not specifically related to the Dallas Cowboys’ Training Camp, TOE #4 indicated that Mr. Molina will use his status as an elected official as a form of intimidation by reminding you that he is an elected official and that he will continue to remain as long as he is elected.

(5) TOE #6

TOE #6 confirmed that she volunteered and helped during the opening weekend for the Dallas Cowboys’ Training Camp. She specifically helped to count the money collected at the parking lots. She indicated that she had concerns regarding the procedure that was used because it resulted in difficulty reconciling the money collected with the tickets sold. She estimated that there was a \$300 difference.

The next Monday, she recalled speaking with TOE #4 and telling her that “somebody with cash handling experience” should help to make sure that it is done properly.

About an hour after her discussion with TOE #4, TOE #6 said that she was called into a meeting in Mr. Molina’s office involving Mr. Molina, the Asst. City Treasurer, TOE #8, and the Treasury Supervisor, who all questioned her about the procedure being used at the parking lots. TOE #6 was not able to respond to their questions because she did not know the procedure. Mr. Molina

asked TOE #6 to put what she told them in writing, but she declined “because I wasn’t trying to complain. I was just basically trying to get help, you know, somebody with money handling experience because I think it would be easier for them doing the deposit and helping basically everybody.” TOE #6 indicated that she felt like Mr. Molina put her on the spot with his request for a written statement because she “was just trying to get help over there because I know we wouldn’t be there.”

When asked about the reaction to her comments about the cash handling, TOE #6 responded:

I feel like they went from taking a suggestion that, I told them the volunteers should be people that know how to handle cash because that’s all it is, is handling cash, and it turned into, like I said, being in there for 20 minutes and being questioned about every step of the procedures.

* * *

I believe everyone in that room kind of blew it out of proportion.

(6) TOE #8

TOE #8 confirmed that she was part of a meeting involving CMO Employee #1 where the group discussed “something about the miscount of tickets versus what it was reported.” She indicated that she was only part of this one meeting. She did not recall CMO Employee #1 becoming upset during that meeting.

Although she did not personally witness what Mr. Molina told the City Manager about the situation, TOE #8 did discuss it with the Asst. City Treasurer. She said:

I asked, you know, [the Asst. City Treasurer] and I said, cause obviously everything was going on at that time. I said, what – what’s going on. He goes – and all she – that’s when she said, I think Mr. Molina went over to the City Manager’s office and he just went in there and I think he – he used the word misappropriation and I think now things are, you know, a concern, you know.

TOE #8, who has worked with other treasurers, confirmed that she has never seen another City Treasurer conduct an investigation into perceived misappropriation of funds, nor does she consider such an investigation to be something that the Treasurer’s Office would handle.

(7) CCS Director

The CCS Director relayed a discussion that he had with Mr. Molina relating to potentially missing money at the Dallas Cowboys’ Training Camp. During that meeting, the CCS Director interpreted Mr. Molina’s comments as implying that a theft had occurred at one of the parking lots. This bothered the CCS Director as City Corps, which falls under his supervision, was assigned to one of the parking lots.

The CCS Director spoke with CMO Employee #1 after her meeting at Mr. Molina's office. In describing the meeting, he said "my understanding is that he was very mean to her and I felt if I had been there, I could have back[ed] him off of her."

(8) Deputy CM

The Deputy CM confirmed that she was meeting with the City Manager when Mr. Molina entered the office and "he basically had accused her [CMO Employee #1] of stealing money she was collecting at the – we do the Cowboys training here and she was collecting payments for parking, and according to however he gets his information, she was not collecting the right amount of money."

(9) TOE #9

TOE #9 confirmed that there was an issue reconciling the money collected with the tickets sold at the parking lot for the Dallas Cowboys' Training Camp during the first weekend. He said "it just seemed like the tickets did not match up with the money. I could be wrong, I don't know." TOE #9 indicated that neither he nor TOE #6 indicated that the money was stolen.

We just told them that it was just really chaotic and confusing, and just seemed like, like I said, like the tickets were not matching. There was one time I think, if I'm not, I mean I'm not a hundred percent sure of the amount, but just, it just seemed like the tickets and the money appeared to be somewhere in the range of like \$300 short.

(10) Phillip Molina

Mr. Molina first became aware of a situation at the Dallas Cowboys' Training Camp when TOE #6 "who volunteered to participate in handling the cash, came to me the second day that she was assigned and said she felt that there might be as much as \$1,000 difference between the cash that was counted and the cash that was actually received." Mr. Molina could not recall any additional details that TOE #6 may have provided. He also denied asking TOE #6 to provide a written statement.

Mr. Molina denied calling CMO Employee #1 to his office to discuss this discrepancy. He claimed that the only time that he met with her in his office was during a "pre-meeting" to discuss procedures.

After receiving the information from TOE #6, Mr. Molina confirmed that he went to the City Manager's Office. He indicated that he went to the office without calling ahead. He stated that he advised the City Manager and the Deputy CM "that I had received word that there was potential money lost at the Dallas Cowboys process and that I was gonna go out there to make sure that the procedures were being properly handled."

He indicated that he and the Treasury Supervisor proceeded to the site. Upon arriving, Mr. Molina said that he found CMO Employee #1 crying. She asked him why he had claimed that

she had stolen or taken money, which he indicated that he had not said. He asked the Treasury Supervisor to speak with CMO Employee #1 to try to calm her down since she was so upset.

When asked if he questioned CMO Employee #1 about the procedures being used, Mr. Molina indicated that he could not recall.

Mr. Molina confirmed that he went to the actual parking lot to observe the procedures being used. When asked if the Treasury Supervisor accompanied him, he indicated that he did not believe so, "but I'd rely on her memory."

When asked if he returned to talk to CMO Employee #1 after observing the procedures at the parking lot, Mr. Molina again stated that he had no recollection of that.

When asked if he communicated with Asst. COP #1 at the site, he could not recall anything of substance being discussed.

When asked if he sent CMO Employee #1 an apology email later that same day, Mr. Molina indicated that he could not remember. When showed the actual email (see Exhibit V), Mr. Molina confirmed that he sent it and that he was apologizing to CMO Employee #1 on behalf of the City for being given this responsibility without proper training. He explained that, if his office had been given notice, he would have ensured that CMO Employee #1 was properly trained.

When asked if he recalled discussing the issue with the CCS Director, Mr. Molina indicated "no, I don't. Not that it didn't happen. I don't recall."

Mr. Molina could not specifically recall any email exchange with Asst. COP #1 after-the-fact. (See Exhibit I.)

(11) Treasury Supervisor

The Treasury Supervisor first became aware of an issue when TOE #6 and TOE #9 mentioned that "the counting of the money was very unorganized because they said that the tickets didn't match the amount of the money that was accounted for."

The Treasury Supervisor recalled participating in a meeting involving Mr. Molina, the Asst. City Treasurer and TOE #6. She recalls that there was a discussion about the misappropriation of money. She specifically indicated that it was Mr. Molina who raised the issue of misappropriation.

The Treasury Supervisor recalled participating in a second meeting that included CMO Employee #1, as well as Mr. Molina, TOE #8, and the Asst. City Treasurer. The Treasury Supervisor recalled CMO Employee #1 indicating that any recommendations on how to improve the procedures would be greatly appreciated. The Treasury Supervisor stated that misappropriation was not discussed with CMO Employee #1.

That same night, the Treasury Supervisor assisted at the Dallas Cowboys' Training Camp and was concerned about another discrepancy in the parking lot money. She raised this with Mr.

Molina during a meeting the following day. Mr. Molina again raised the concept of misappropriation of funds. At that point, he indicated that it was necessary to go to the site to see the procedures being used. Mr. Molina indicated that he was going to speak to the City Manager and would meet the Treasury Supervisor outside the building to go to the site.

The Treasury Supervisor indicated that she and Mr. Molina went to the parking lot first to speak with the people running it and to observe the procedures being used. They then proceeded to the welcoming tent where they found CMO Employee #1. She approached CMO Employee #1 and said hello.

And she immediately started crying and said that she had just received a phone call from the City Manager stating that – what was going on? That Mr. Molina was accusing her of theft. . . . And then she just started crying. She was really upset.

The Treasury Supervisor indicated that she questioned Mr. Molina about this claim. She said:

“Did you go to City Manager’s and accuse her of theft?” And he said, “No.” I said, “well she’s crying because she says that you went to the City Manager’s and said that she was stealing money.” And he said, “that’s not what I said. I said I was going over there because there was possible theft. But I didn’t say that it was – it was her. That was not my intent.” And then I was very shocked.

When asked for her reaction to this information, the Treasury Supervisor responded:

But at that point, I was just upset that all this had taken place. Because I thought it was very uncalled for.

* * *

That [CMO Employee #1] was upset and that [CMO Employee #1] had been accused of, according to the City Manager, theft. Because the intent to go there, was not to accuse anybody of theft. But to make sure that the process was being done right.

(12) City Manager

The City Manager was meeting with the Deputy CM when his Executive Assistant advised him that Mr. Molina was “coming over to talk to [him] about theft of, of cash at the Dallas Cowboys training camp.” He recalled his Executive Assistant specifically indicating that Mr. Molina had indicated that he suspected theft. When Mr. Molina did arrive, the City Manager specifically asked him why he believed “that it’s theft versus some other scenario.” Mr. Molina did not indicate that he never claimed theft had occurred. Moreover, the City Manager described Mr. Molina’s tone as follows:

The tone of it was that something either criminal or correct, the tone of it was, it was malfeasance. Which is different from there’s a discrepancy, let’s figure out

what happened. Right. It's jumping to the assumption that the explanation was malfeasance. And that was the tone.

(13) PD Commander

The PD Commander confirmed that she accompanied Asst. COP #1 to the Dallas Cowboys' Training Camp after the City Manager contacted Asst. COP #1 regarding Mr. Molina. When they arrived, she observed Mr. Molina speaking to CMO Employee #1. She indicated that CMO Employee #1:

Looked like she was upset as we walked up. She had sunglasses on, she was kind of wiping her face, um like this, which gave me the impression that she was crying because there wasn't really— isn't any reason to wipe your eyes in that fashion if you're wearing sunglasses. . . . Her face was red and I'm assuming that she was embarrassed, but, you know, obviously don't know exactly what she was feeling and she was wiping tears away from her face and so she walked back into a tent area.

When she finally spoke with CMO Employee #1, CMO Employee #1 confirmed that she felt like she was being cross-examined as Mr. Molina questioned her. She indicated that CMO Employee #1 said that she "felt like [she] was being accused of stealing."

When asked to further describe what she observed as Mr. Molina spoke with CMO Employee #1, the PD Commander responded:

I thought it was a little odd how close he was standing and compared to [CMO Employee #1] he's a very tall person. [CMO Employee #1] is a much smaller woman. He was standing very close proximity to her and had his hands on his hips, sort of like, you know, this over her, like leaning over her. I just thought that was weird. I wouldn't necessarily, you know, speak to somebody in that manner. In my role, you know, there is a difference in, you know, he's male or female. I wouldn't necessarily go to somebody that was smaller than me and then you know when I was questioning them in the capacity that he was – another employee – and you know use the close proximity and probably the body language. That seemed, you know with him being a much taller man, her being a much smaller woman. I probably wouldn't have done that if the roles were reversed.

When asked for clarification regarding her body language comment, the PD Commander explained:

I think that he was definitely showing the power of his position in the way that he was standing close to her. Maybe getting the authority. Giving himself the authority to ask the questions. Whatever he was questioning her about based on what she later said he was questioning her about.

3. Analysis

a. Personnel Rules and Regulations, Chapter 3, Section 3.10 – Anti-Bullying Policy

The question that must be assessed is whether Mr. Molina violated the City's Personnel Rules and Regulations by "bullying" CMO Employee #1 with respect to this incident. (See Exhibit E.) The policy prohibits intimidation or bullying "in the workplace or elsewhere, such as at offsite events or work places." It defines "bullying" as the use of aggression with the intent of harming. It indicates that "bullying" can be written, visual, verbal, or physical, when it causes harm to the individual's person or property, interferes with the person's ability to work, is severe or pervasive, and creates an intimidating or threatening environment. (See Exhibit E.)

As noted above, the City's Anti-Bullying Policy prohibits intimidation or bullying in the workplace, as well as offsite events. In this case, the consistent testimony from CMO Employee #1, the Asst. City Treasurer, Asst. COP #1, TOE #8, the CCS Director, and the Treasury Supervisor shows that CMO Employee #1 was questioned by Mr. Molina concerning a discrepancy in the money collected for the parking lots in his office and at the welcoming tent at the training camp itself. Thus, both a traditional workplace and an offsite event are implicated.

While Mr. Molina indicated that he did not question CMO Employee #1 at his office after learning about the discrepancy, the Investigator discredited Mr. Molina's testimony in this regard. First, it was contradicted by a number of witnesses – i.e., CMO Employee #1, the Asst. City Treasurer, TOE #8, and the Treasury Supervisor, who all recalled attending the meeting at issue. Second, during this interview, when discussing this incident, Mr. Molina continuously indicated that he was not able to recall key facts. In fact, he repeatedly advised the Investigator that other individuals had great memories and would be able to recall the events with more specificity. Based on these admissions, the Investigator found Mr. Molina's denial that this meeting took place to be unreliable as the individuals he identified as having better memories included the Asst. City Treasurer and the Treasury Supervisor. Third, as noted earlier in this Report, Mr. Molina interfered with this investigation in three material manners. That interference impacted Mr. Molina's credibility and provides another basis for discrediting his statements regarding this incident.

The policy also refers to the use of aggression, whether verbal, physical or written, that harms the victim, interferes with her ability to work, is severe or pervasive, and creates an intimidating or threatening environment. In this case, CMO Employee #1 described being questioned on two separate occasions by Mr. Molina. With respect to both occasions, she described it as a "cross-examination," which supports verbal aggression. She conveyed these feelings to others (i.e., the CCS Director, Asst. COP #1, and the PD Commander), who each confirmed that CMO Employee #1 had shared these impressions in close temporal proximity to the events.

Against this contradictory evidence, Mr. Molina's denials are discredited for the same reasons noted above. The Asst. City Treasurer, TOE #8, and the Treasury Supervisor indicated that CMO Employee #1 did not appear upset at any point during the meeting in Mr. Molina's office. However, even if she did not appear upset, Mr. Molina's questioning could nevertheless have been interpreted as a cross-examination by CMO Employee #1, who confirmed that she felt

intimidated by the events. Thus, the Investigator did not rely on the Asst. City Treasurer's, TOE #8's, and the Treasury Supervisor's impressions of CMO Employee #1's emotional state. Moreover, CMO Employee #1 is a better judge of her emotional state; therefore, her statements carry more weight.

In addition to displaying verbal aggression, Mr. Molina also showed written aggression when he sent an email that, according to CMO Employee #1, "basically [told] council that there was mishandling of funds, that theft was going on." Since CMO Employee #1 was exclusively in charge of those funds for the Dallas Cowboys' Training Camp, it is reasonable to assume that she would have viewed this email as a personal attack on her integrity or competency. In either event, Mr. Molina again demonstrated an aggressive intention toward CMO Employee #1.

Finally, both Asst. COP #1 and the PD Commander described Mr. Molina standing close to CMO Employee #1 in an aggressive posture when questioning her out at the training camp location. Both individuals described this as a form of physical dominance designed to set a command presence as Mr. Molina questioned CMO Employee #1 for a second time about the discrepancies. Given the extreme difference in size between Mr. Molina and CMO Employee #1, it is reasonable to assume that such an aggressive stance would have been considered intimidating by CMO Employee #1, which is confirmed by her referring to this exchange as yet another cross-examination.

With all three forms of aggression (i.e., verbal, written, and physical), a reasonable person would realize that CMO Employee #1 was likely to suffer harm in terms of the attack upon her character and integrity. In fact, by issuing the two emails discussed above, Mr. Molina publicized the issue to a wide audience; thereby, magnifying the amount of damage that CMO Employee #1 sustained. Moreover, since the underlying claim of theft proved untrue, Mr. Molina's emails constitute a spreading of rumors that is also prohibited under the policy.

As it relates to the severity or pervasiveness of these acts, the acts of aggression took place in a relatively small window of time. Therefore, they do not appear to have been pervasive. However, given the fact that CMO Employee #1 was brought to tears by the aggressive nature of Mr. Molina's conduct, which was confirmed by Asst. COP #1, the PD Commander, and the Treasury Supervisor, the acts were sufficiently severe to satisfy this component of the policy.

Finally, any reasonable person in CMO Employee #1's circumstances would have perceived Mr. Molina's conduct as creating an intimidating or threatening environment.

b. Duties of the City Treasurer

The question here is whether Mr. Molina's duties include investigating potential criminal conduct, including questioning employees who may be implicated. (See Exhibit C.)

It is undisputed that Mr. Molina initiated an investigation into what he believed to be a discrepancy in the parking lots' money collected for the Dallas Cowboys' Training Camp. Several individuals (i.e., CMO Employee #1, Asst. COP #1, the CCS Director, the Deputy CM, the Treasury Supervisor, and the City Manager) confirmed that Mr. Molina referred to the issue as a theft or misappropriation of funds. Even Mr. Molina confirmed that he used the term "theft"

in describing his suspicions. (See Exhibit AA.) In either case, Mr. Molina suggested criminal activity. Moreover, he chose to question CMO Employee #1 on two separate occasions, which CMO Employee #1 described as a cross-examination. That style of questioning suggests a criminal investigation, as opposed to a mere desire to correct procedural errors.

Nowhere in Exhibit C is there any reference to the City Treasurer's duties including the investigation of criminal activity, even when related to City funds. Despite the absence of any authority to investigate, Mr. Molina admitted that he was, in fact, investigating the issue. Thus, he exceeded the scope of his office.

D. Did Mr. Molina engage in “keyboard warfare” by using misleading emails that were blind copied to various individuals, including members of the public, and that were designed to enhance his own image at the Public Works Department’s expense?

1. Finding

By a preponderance of the evidence, the Investigator finds that Mr. Molina engaged in “keyboard warfare” by using misleading emails that were blind copied to various individuals, including members of the public, and that were designed to enhance his own image at the Public Works Department’s expense. A preponderance of the evidence further shows that, by engaging in this conduct, Mr. Molina violated the City’s Personnel Rules and Regulations, specifically those related to anti-bullying.

This allegation is substantiated.

2. Facts

a. Documents

In support of the allegation that Mr. Molina used misleading emails that were blind copied to various individuals, including members of the public, the Investigator was provided with multiple examples by various witnesses. Therefore, the Investigator makes reference to Exhibits F, H, I, J, L, P, Q, R, S, T, W, X, Y, and Z in support of this claim. In order to more specifically address these allegations with particularly persuasive examples, particular attention is drawn to the following documents:

(1) City’s Personnel Rules and Regulations

The City’s Personnel Rules and Regulations, Chapter 3, Section 3.10 – Anti-Bullying Policy reads, in pertinent part, as follows:

3.10 ANTI-BULLYING POLICY

. . . the City also prohibits any form of “intimidating or bullying” in the workplace or elsewhere, such as at offsite events or work places.

3.10.1 POLICY COVERAGE

. . . Bullying is the use of aggression with the intention of harming another individual. It can include any intentional written, visual, verbal, or physical act, when the act physically harms the individual or damages his or her property; has the effect of interfering with an employee's ability to work; is severe or pervasive; and creates an intimidating or threatening event.

Bullying comes in many shapes and sizes and can take many forms including, but not limited to . . . abusive comments, . . . spreading rumors Such conduct can also occur via use of electronic or telephonic communications such as the internet, email and chatroom misuse, mobile threats by text messaging or calls, or misuse of cameras and video equipment. (See Exhibit E, Chapter 3, Section 3.10 – Anti-Bullying Policy.)

(2) Exhibit J

Exhibit J is made up of a string of emails provided by Asst. COP #1 that relate to Mr. Molina divulging attorney-client privileged communications to the public. Although these particular emails and the underlying subject do not relate to the Public Works Department, the situation is nevertheless relevant and illustrative as the emails show Mr. Molina engaging in the type of conduct relative to emails as alleged by the Public Works Department. The emails show Mr. Molina requesting and receiving advice from the City Attorney's Office regarding an issue facing his department. The emails also show Mr. Molina then taking portions of those privileged communications and making them public. In fact, Mr. Molina engages in a back and forth with a member of the public, who identifies herself as an attorney, regarding the propriety of his actions.

(3) Exhibit P

Exhibit P is an exchange between Mr. Molina and the HR Director, regarding Voya, a new third-party provider for retirement programs, which was selected following cooperative discussions between the City and various unions. This particular issue does not directly involve the Public Works Department, but it is again relevant and illustrative as the emails show Mr. Molina's practice of blind copying various individuals, including members of the public and media. The first two pages of the exhibit show a list of well over one hundred individuals that were blind copied on the emails that Mr. Molina was exchanging with HR Director.

(4) Exhibit R

Exhibit R includes an exchange between Mr. Molina and a sitting councilmember. In Mr. Molina's first email, he writes "I've been told you are ordered to not communicate with me and I regret that you have been drawn into this." In response to this claim, the councilmember wrote:

I was NEVER TOLD not to communicate with you, I hope you verify the information you claim to have. Again I was never told not to communicate with the City Treasurer for the City of Oxnard, Mr. Phillip Molina, in the past, present,

or future. It did not happen[.] I did ask why your email was cut off and I feel it would be in your best interest to explain that yourself.

Phillip I request you share this with all those you sent your claimed information out to as it implies things IN MY SPECIFIC CASE that are not true; the use of words is a skill that can inform or confuse, innuendo is not a tool to inform and only casts doubt on the supplier of such.

I have cc[‘d] parties I feel need my statement, avoided a Brown Act issue by including on two other Council members and for anyone requesting a copy I have included the elected Oxnard City Clerk as she would not need to request this information as it will be in her [possession].

The document shows Mr. Molina misrepresenting facts to support his position. However, in this case, his efforts to mislead were called out by the councilmember who not only confronted Mr. Molina regarding his misinformation, but recommended that he correct his error by circulating the correct information to everyone he had sent the initial email.

(5) Exhibit T

Exhibit T again illustrates Mr. Molina’s inclusion of more than two hundred individuals as blind copies on this email.

(6) Exhibit W

Exhibit W does involve the Public Works Department and mirrors the same issues illustrated in the earlier identified documents. For example, in his communication with the PW Director at the end of this email string, Mr. Molina voices his disagreement with her assessment of the situation. However, he chose to blind copy this portion of the exchange to one hundred sixty-six people.

(7) Exhibit X

This is a December 20, 2017 memorandum from then-Assistant City Manager to Department Directors. In that memorandum, then-Assistant City Manager wrote, in part:

. . . Mass e-mails shall only be sent to recipients reasonably necessary to consider the information being communicated. The List shall only be used to communicate matters of considerable importance to the City as determined by the City Manager or his or her designee(s). Only the City Manager or his or her designee(s) may use the List to send mass e-mails.

* * *

. . . As such only the following employees are designated to use the “all” email list in conformance with this policy: City Manager; Assistant City Managers; Media & Community Relations Manager; Police Chief and Assistant Police Chiefs; Fire Chief and Assistant Fire Chiefs; Human Relations Director and the Information Technology Director.

All of the examples specifically discussed above post-date this memorandum.

(8) Exhibit Y

This is a memorandum dated November 2, 2017 from the City Attorney to Mr. Molina addressing the “City Policy and Ralph M. Brown Act re Use of City Email System.” The City Attorney wrote, “your use of the email system for such mass mailings may have violated the Brown Act and, therefore, the City’s policy on the use of technology and devices.”

This demonstrates Mr. Molina’s historic practice of mass emailing and violation of City policy on the use of email.

(9) Exhibit Z

On December 4, 2018, Mr. Molina was issued a Letter of Reprimand “for your repeated improper use of the City of Oxnard e-mail system and release of confidential information to the public.” In support of this conclusion, the City Manager wrote, in pertinent part:

Prior to October of 2017, you used your City e-mail account to send out a variety of e-mails to every City employee using the all@oxnard.org e-mail list. You also forwarded confidential and privileged e-mails sent by the City Attorney’s office to a list of outside recipients without authorization from the City Council.

On October 4, 2017, you were informed by Oxnard City Attorney [] that your use of the Oxnard e-mail system in this manner violated Oxnard Personnel Rules 18.4.2 as well as the attorney-client privilege.

* * *

Despite [the City Attorney’s] discussions with you on October 4, 2017 and his November 2, 2017 memorandum to you and the implementation of Administrative Policy number 18.4.6, you continue to send out mass e-mails, using your official Oxnard e-mail account, through the use of either copying (cc) or blind copying (bcc) dozens or hundreds of individuals, including the general public, City of Oxnard employees, or outside attorneys.

* * *

In sum, these e-mails sent by you from your City e-mail account between November 5 and November 20, 2018, in which you either copied or blind copied a large list of e-mail recipients, continue to violate Oxnard Personnel Rules 18.1.2 and 18.4.2 and are inappropriate mass e-mails. These e-mails also appear to attempt to convey, in the face of all evidence, that you are the only person within the City of Oxnard who is guarding the public coffers, and imply that you alone have the best interests of Oxnard in mind. Finally, these e-mails reflect a lack of professionalism and good judgment on your part given that you use your official position and City resources to publicize mostly your opinions.

* * *

Your continued use of the City's e-mail system to copy dozens of individuals serves no official purpose and appears designed to undermine the City and its officials, misleads the public and creates a negative perception of the City organization.

You are ordered to immediately do the following:

1. Cease using your City e-mail account to divulge confidential City information with the public by either copying or blind copying individuals who are not entitled to this confidential information.
2. Remove your signature block footer from your official City E-mails in which you admit to releasing confidential information and express your personal disagreement with the City's confidentiality policy.
3. Cease using your City e-mail account to send out mass mailings.

b. Witnesses Statements

Nineteen individuals interviewed consistently stated that Mr. Molina sends out multiple emails daily that typically involve his communications with other departments and do not relate to their work assignments. They confirmed that they are typically blind copied on these emails. These witnesses are Finance Department Employee #1 ("FDE #1), the Asst. City Treasurer, Asst. COP #1, the Purchasing Manager, IT Director/Chief Information Officer ("IT Director"), the PW Director, TOE #6, Asst. City Manager, TOE #8, the CCS Director, the Deputy CM, the Treasury Supervisor, TOE #10, TOE #12, the PD Commander, Asst. COP #2, the Asst. CFO, the Controller/Senior Manager Internal Control ("Controller"), and the Management Accountant/Auditor ("Auditor"). No one interviewed denied that Mr. Molina engages in the alleged conduct. Since Mr. Molina declined to appear for a second interview, the Investigator was unable to ask him for his position relating to this allegation.

In order to set the proper context for this allegation, the summaries begin with the PW Director, who initiated the complaint on the Public Works Department's behalf. Thereafter, the summaries are provided in alphabetical order by the witness' last name. The summaries do not include all nineteen identified witnesses. Instead, for the sake of efficiency and brevity, the summaries relate to specific individuals who provided particularly illustrative examples.

(1) PW Director

When raising the issue of Mr. Molina's use of the e-mail system, the PW Director stated:

It almost feels like he just likes to flex muscle, but it harms the City. And if there is an error on billing or something comes up, if he could find something, he'll blast it out. You know he'll make it look like "I've done this wonderful thing and found this error and saved the City," but he's got a blind copy list of a whole lot

of people, so you never know the other thing. He sends you an email and he's copying all kind of people, you don't even know who he's copying. And a lot of times, my understanding is that these would be people in the community who are his supporters, so he has the opportunity to paint the City in whatever light he wants and we don't even know who he's included in this email.

In order to place the magnitude of this issue in context, the PW Director explained:

I was warned by the City Attorney's Office that just know that he blind copies folks so be careful, just know you don't know who the recipients if you hit "reply all." And so there's a feeling that sometimes he's baiting you to an argument that can play out publicly.

To support the claim that Mr. Molina baits individuals into arguments, the PW Director provided the Investigator with a sampling of emails that illustrated the point. (See Exhibit K.)

In short, the PW Director complained that Mr. Molina uses his emails, including his blind copying, as a tool to achieve his agenda.

(2) Asst. COP #1

As noted earlier in this Report, Asst. COP #1 provided a written statement regarding the issue related to the Dallas Cowboys' Training Camp. In that same written statement, Asst. COP #1 addressed Mr. Molina's practice related to emails and wrote:

Historically, he has demonstrated that he will have a one-on-one conversation with someone, and following their encounter, will send [an] email to a wide distribution of "bcc'ed" persons, recapping their contact on his terms and from his side of the story. These emails are typically cast with a negative slant toward others, and are often self-aggrandizing. . . . His emails are known for mischaracterizing matters, accusing staff, questioning integrity and character of staff, or grandstanding. His emails are often patronizing and condescending.

Additionally, following his interview, Asst. COP #1 provided the Investigator with a copy of a binder that he indicated related to Mr. Molina. In that binder, Asst. COP #1 included a string of emails related to Mr. Molina divulging attorney-client privileged communications to the public. The emails show Mr. Molina requesting and receiving advice from the City Attorney's Office regarding an issue facing his department. The emails also show Mr. Molina then taking portions of those privileged communications and making them public.

Asst. COP #1 described Mr. Molina's email practice as a huge strain on time at the City. In this regard he said:

It is exponentially disproportionate. I would put that in quotes. Like, I could qualify that a little bit further. In terms of that, prior to him, assuming his office as the treasurer, we spent very little time as I mentioned and so now, not only was I getting several bcc emails a day, and I would read through them to see where are

we going with this, does this have anything to do with me? Does it have anything to do with the police department? You know, and you find out when you and find out when you get through the string that it has nothing to do with anything to do with the police department, that takes time. Multiply that times all the line staff that, at the police department, that were receiving emails as well, because I know people at the line-level still, you know, and I talk to them and they're like "hey, who is this Phil Molina guy?" The people who really didn't know who he was, "why am I getting all these emails from him?" People were telling me that they were seeing all these odd emails that were popping up. They were getting any from once a day to several times a day. And so, that's taking their time, not just mine. So now this is multiplied by a factor of nearly 400 employees at least in the police department who are potentially getting these. The materials he sent, you know, like I said, had nothing to do with police operations. They were often times either I would call, like some kind of squabble between him and either the City Attorney, the City Manager, the IT Director, those were three people he was particularly very back and forth with. I would say quite nasty with them. A variety of topics, especially the City Manager, the City Attorney. He included some emails of discussions that he had with the mayor, so anyway. Seeing those things happening did take a lot more time. And so, at some point, you make a decision whether or not you're going to continue to read them or you're going to just start deleting them, and so what I saw happening was, in my opinion, was a gross abuse of the City's resources and colossal impact on staff time. Add to that, there were a few occasions where I did respond to him, so the time to go back and forth with him on a particular issue takes time, and these are usually over things that I was questioning why he was doing.

And also, it took me a little bit of time than it would for any other email because I'm realizing that I'm writing something to an elected official that I need to make sure that the email response is professional, it's articulate and prepared to be put in front of the potential bcc audience, for example if we go back, we'll probably get to this later, but the July 30th incident that happened with him and some City staff here, it literally took up a significant portion of my Thursday, Friday and part of my weekend just dealing with his emails and dealing with the collateral damage that was taking place because of that, so it's unreal. It's unreal, inappropriate and unnecessary I think are ways that I feel that what our, not just myself, but other employees and staff members and City employees had to deal with.

In terms of Mr. Molina's misrepresentations, Asst. COP #1 indicated that Mr. Molina will remove portions of email strings in order to make the communication support his position. In this regard, Asst. COP #1 pointed to his back and forth with Mr. Molina regarding CMO Employee #1 and Mr. Molina's apology email. Asst. COP #1 indicated that portions of his responses were edited in the versions that Mr. Molina shared with the public.

(3) Purchasing Manager

Like the PW Director, the Purchasing Manager indicated that she had also been warned not to respond to Mr. Molina's emails. She specifically said:

I was directed by the previous CFO and Assistant City Manager to never, ever reply to him again. Because he threw me under the bus so many times. And had blind copied all his constituents. And his, he was antagonistic in his emails.

(4) IT Director

The IT Director described a particular incident when Mr. Molina publicized highly confidential information regarding a potential breach of the City's on-line payment system, which could have resulted in additional breaches. He said:

So, very adversarial relationship in general with Mr. Molina. As I mentioned before his actions are ones that show he's attempting to make staff look bad, however and whenever he can. He does this under the guise of trying to say he's an advocate for the people that elected him. But while at the same time he's jeopardizing the people that elected him who are our residents. And so one example in, oh back in the middle of 2018, we had a scenario where our ERP System clicked the GOV online payment system was breached, or potentially breached. Something that we later found out had happened to a dozen cities across the nation. It was due to some code that the company used that wasn't kept up to date and some network settings that allowed hackers to exploit a known vulnerability in some web logic software that a company uses for online payments. The, Mr. Molina found out about that and there are exceptions in the Public Records Act that allow cities to not release information publically when it exposes a vulnerability about a system that could cause attacks. Could cause your systems harm. Mr. Molina clearly violated that by taking information about this, at that point supposed hack, and publically emailing it to people, letting people know that there are vulnerabilities in our system. Something you definitely don't want to do before you allow the vendor and us internally to take action to protect ourselves from further attacks. I met with Mr. Molina sometime middle of '18, probably in May, and explained in confidence to him how the system technically worked. Where the company thought the vulnerabilities were in the system. I drew it on his whiteboard, network diagram, servers, software names, ports, and explained how traffic flowed from the internet with payments into our network, into the systems, where the known vulnerability was from the web logic software, and back out again. Explained to him that this is highly confidential and dangerous if you share this information with anyone before Superian Sun Guard HTE has a chance to fix this problem, along with our help from our network engineers locally. And when I left his office I erased his whiteboard with all this information, I told him it was confidential, and when I get back to my office later that day, I got an email from Mr. Molina, basically he had retraced the network diagram everything I wrote on his board, off the ghosted images of the dry erase markers. So you could still see the images there even though they had been

erased. He retraced all of those, took a picture of it, emailed it to me, and said something like, yeah I can't get this image off my whiteboard, can you buy me a new whiteboard? I replied, tried to keep it light and said jokingly, ha ha, this is confidential, please do not share this information with anyone. So he proceeded to take that same image and forward it to a group of people via email, letting them know that this is what he had learned from me, in person.

Ironically, the IT Director stated that he discovered that Mr. Molina divulged this information because he was included on the email.

In describing Mr. Molina's general email practice, the IT Director said, "Mr. Molina's demeanor has been, I've got to make myself look good, and all the rest of staff look bad."

(5) Deputy CM

Similar to other individuals, the Deputy CM also provided specific examples to illustrate Mr. Molina's email practice. She provided the following description of Mr. Molina providing false or misleading information:

So another example is he communicated wrongly, so—and he knows it's wrong—to one of our labor unions in the latest budget—we had a very contentious budget process. He communicated wrong information to one of our labor unions. Our labor union put out an ad that basically blamed our Finance Department for hiding money or stealing money or something along those lines. We can get you a copy of the ad. Now, that's on the union for putting out the wrong information, but they got it from him. And he knows it's wrong.

The Deputy CM also provided an example of Mr. Molina's publicizing of attorney-client privileged communications. She said:

That's another—again, I'm off on tangents, but when I was at the City Attorney's Office and he still does this to the City Attorneys, there were multiple times when we said to him "You cannot—this is attorney-client privileged information. You cannot disseminate this information." And he sends it out anyway. So, you know, which is—as you know, as an attorney—incredibly dangerous to send out information. He would send out—we would provide a legal analysis to him, he would request, you know, "Can I do this? Can I do that?"—whatever it is, we would provide the response to him and then he would send that out to many people by email and that left us, as attorneys, and it still leaves them in the City Attorney's Office—you can talk to [the City Attorney] about this—it's in this weird quandary of "Well, do we not advise our own staff then?" We've got a whole Department that we can't provide legal advice to because they don't keep that information confidential. But then you've got the potential for real problems here.

(6) Asst. COP #2

Like several other witnesses, Asst. COP #2 also provided an example of Mr. Molina publicizing highly confidential information as a result of this email practice. Specifically, Asst. COP #2 identified an April 10, 2010 Confidential Memo from then-Police Commander that “detailed information about the security procedures used in the Oxnard City Treasurer’s Office to safeguard employees and funds.” (See Exhibit L.) Asst. COP #2 stated that a copy of this document was provided to Mr. Molina after he began his tenure as the City Treasurer. He explained that Mr. Molina was concerned about the security at the City Treasurer’s Office and asked if the Police Department could perform an assessment. Mr. Molina was provided with a copy of the 2010 memorandum in response to this request. Asst. COP #2 said that, after he received a copy of the memorandum and despite the fact that it is stamped “CONFIDENTIAL (NOT FOR PUBLIC RELEASE)”, Mr. Molina nevertheless attached the document to one of his emails and sent it to multiple individuals, including members of the public. Specifically, Asst. COP #2 stated, “this is law enforcement sensitive information and he sent it out to everybody.”

(7) Asst. CFO

The Asst. CFO also spoke of Mr. Molina’s practice of publicizing sensitive information in an effort to enhance his own image while negatively impacting the City’s image. In this regard, the Asst. CFO explained the negative impact that Mr. Molina’s actions had:

We already have a trust issue in this City with our citizens given all of the decades long mismanagement that has happened and we’re really working hard to rebuild that trust and get the credibility and he’s really undermining that with this kind of stuff.

To bolster her statement, the Asst. CFO shared an example involving emails that Mr. Molina sent out after the City drew down on a bond account. The Asst. CFO explained that, when a bond is approved, the associated money is placed in a separate account so that it is not comingled with the City’s other funds. As the associated work is performed, the City will pay the amounts due from its own bank account and then will draw down from the specific bond account in order to repay the money that was advanced. These “drawdowns” simply reimburse the City for the funds that were already spent on the associated improvement. The Asst. CFO emphasized that this is not new money.

Not long after the Asst. CFO joined the City in early 2019, she became aware of a bond account that had not been drawn down for quite some time. She discovered that approximately \$5.6 million in reimbursements were owed from this bond account. While all of this money still belongs to the City, from an accounting standpoint, it is proper to draw down from the bond account and to move the money into the account from which the original services were paid. This is akin to taking money from the right pocket and putting it into the left. In advance of this particular draw down, the Finance Department advised Mr. Molina that he would be receiving a large reimbursement.

The Asst. CFO explained that this was all taking place during or shortly after the City faced serious financial issues that resulted in the loss of multiple jobs. When Mr. Molina was advised

of this reimbursement, he accused the Finance Department of theft and claimed that this was “new” money that could have been used to save jobs. Mr. Molina so advised the unions through emails, which resulted in the unions taking out an ad in a local paper accusing the City of impropriety. The Asst. CFO explained that Mr. Molina did all this despite the fact that she and her staff explained to him multiple times that this was not “new” money, but merely constituted a reimbursement of funds that were already expended for their approved purpose.

After providing the above example, the Asst. CFO provided the following description of Mr. Molina’s use of emails:

Well, I mean, you know, if we look at the emails beyond this bond issue, it—there’s so many things. He just nitpicks, right? And he tries to correct—like this one, where I made a statement in a City Council meeting and I referred to fund balance for an enterprise fund and he feels that I should have said “retained earnings.” Well, you know, okay but I was speaking generically to non-accountants who understand fund balance better, right? But he has to send an email to correct me. It’s just—and when he does it, he copies a bunch of people. It’s not just like to me and saying “Okay, well you should’ve said retained earnings.” Well, okay. It’s ridiculous. Here’s another example where he—on a wire transfer, asked me about which fiscal year this item belonged to. I followed up, I responded, I confirmed it’s related to fiscal year ’19-’20. He doesn’t accept it. He comes back “Really?? Okay, well blah, blah, blah, blah, blah. How could this be?” It doesn’t make sense to you, then I have to go back again and say “Yes, I have confirmed that it relates to fiscal year ’19-’20.” And that’s—like why do I have to keep proving things? It’s just—“it’s my job to make sure things are accounted for in the right fiscal year. Not yours. You asked me the question. I responded. Leave it at that.” But he can’t. This one he’s questioning how we’re accounting for a particular interest payments. Oh, this was a great one. I love this one. So, the Treasurer’s Office received a payment for \$5,000 related to a civil fine or something and they needed an account to record it against. They sent the email to me, first of all, which is odd because typically it doesn’t need to come to my level for something like that. That could go to our accountant who’s responsible for recording revenues and receivables. It could’ve gone to the Controller. But for whatever reason, they submitted it to me directly. So, I forwarded it to my Controller and to the Finance Manager in the Police Department because it was related to a police fine, so say “What account do you guys want this booked to? Because I don’t need to get into that level of detail and you know, like defining or identifying what account it is.” So, I copied the person in Treasurer’s Office who asked the question that I said “Okay, can you please let Treasurer know what the appropriate account string is?” So, I don’t think I copied Phil on this. I wouldn’t have normally, but anyway, so he gets to Phil and he sends me an email and he copies his staff, he copies the Police Finance Manager, and he says “Let me know if you want to talk about the proper fund and account to post the entry. I have some texts on the subject.” Meaning like textbooks. Like, “I don’t—I’m a CPA. I know how to account for things. I don’t need your textbooks. I don’t need you to tell me. This is just a matter of having

the appropriate people who are close to the transaction identify which account—which specific line item it should go to. That’s all it is.” But no. He has to send an email like that completely insulting me. And he gets this one—I can’t remember what this was about. Oh, we had a billing issue with our—one of our utilities with one of our customers, and I was helping because—because he was questioning what the water fund—Water Department had calculated as being due to us by this customer, and he questioned it so Head of Public Works pulled me in to be the arbitrator of getting these numbers reconciled because, quite honestly, nobody wants to deal with him. Okay, so I said “Fine. I’ll look at it. Blah, blah, blah.” But I was really busy that day and I said “I won’t be able to look at this today. I’ll get to it tomorrow. Is there an urgency? Does this need to get resolved right away?” And the Water Department said “No, no, no. It’s fine. It can wait a couple days.” And the City Attorney was involved as well. And so we responded that—or [the City Manager], I think, sent him an email saying “No, Finance is going to look into it.” And then he says “Let me know when Finance staff wants to meet with Treasurer staff so we can educate them.” Okay? Then he sends out this email—again, I’m pretty sure this got copied to a bunch of people. “Here is more money for the general fund. Stop allocating interest earnings to any of the RDA successor agency funds.” So, again, he assumed that this was happening. He sends out this email. We go ahead and look into it and sure enough, there is no interest income being allocated to the successor agency funds. And then, yeah. It’s just—it’s just again, it’s like “You don’t need to send out emails like this. Just ask us the question first and let us confirm first before you just make it seem like ‘oh, we found more money.’” I think he’s trying to, you know, make himself look like the savior for the City. Anyway, so that was that one. And these were all related to the [unintelligible]. So those are a sampling of things. Again, I didn’t—I don’t save all my emails. There was a—not that long ago, I sent an email to [the CFO] and the Deputy City Manager, to give them an idea of the amount of distractions that we deal with from Mr. Molina. I went through and I looked at my inbox for like just a two-week—the most recent two-week period and I had 58 emails from him. Now, if you remember, too, at the beginning of our conversation, there really isn’t necessarily a need for us to have a daily interaction in our roles. But in two weeks I had 58 emails that I had to address or respond to or do something with. And I would venture to guess that a good majority of them unrelated to his specific role as Treasurer. It’s, you know, him looking into things that are outside his scope. (See also Exhibit G.)

(8) Controller

The Controller confirmed Mr. Molina’s practice of providing inaccurate or misleading information in his emails. She said:

There was some time ago, there was communication on a successor agency. And he was communicating faulty, falsely information that we had, you know, several millions of dollars. We hadn’t reconciled it. And we had. So he’s always, the majority of his emails are faulty information. And very mistrust, leaves, leaves

the community, I would think, when the public is on there to very distrust the City, yea.

(9) Auditor

The Auditor confirmed the Asst. CFO's example regarding the \$5.6 million draw down and the damage that Mr. Molina's subsequent email caused. He specifically stated:

He basically, he sent out an email and he cc'd a number of people on it and we don't know how many people he blind cc'd, but he had a history in the past of blind cc'ing people up to 100 of his constituents, I'm not sure exactly, at least that's what I've been told by various people. But he said that what we were doing is illegal, not only were we accounting for things inappropriately, what we're doing is illegal and what we're doing is illegal, essentially. Now shortly after that, now there was only a few people that knew about the requisition up till this point, it was me, [a former CFO], the Asst. CFO, maybe some other people in finance department, and Phil Molina. Then all of sudden, the next thing we know there's a big humongous, and I think he told [a councilmember]. Well, the people he cc'd on this, using this email, and whoever he blind cc'd, we don't know. But he specifically, the next day, the next day or so, in the newspaper in Ventura County Star, there's a full page article saying that the City just found, the finance department, just found \$5.6 million in new money, and this was put out I believe by SEIU, the Union and this could be used to save jobs and as result, and it says "What other things is the City hiding?"

The Auditor provided another example of Mr. Molina's circulation of misinformation through his emails. The following exchange took place:

AUDITOR: Yeah, to me this fits into a large picture, in my mind, it's my opinion, of him trying to be a hero for the City. So the successor agency is also, this is something that's not part of that big pie, it has its own separate bank account, the City's winding it down, we have fiduciary responsibility, it succeeded the former RDA that was dissolved per Governor Brown back in 2012. And there's this question why does the successor have such money, he shouldn't have this much money, in which case our consultant, . . . and she came to show, this is what makes up all this money, a lot of it is because we requested more than we ended up spending, and subsequent request, our allocation would be reduced. She showed what makes up all of that money, it's about \$10 million. It should only be about, whatever, like six months' worth. So she went into that and it was a big dispute and then he said "oh, she's not an auditor, she's just a consultant." And so there's this back and forth and it's been ongoing since before I got here. That's in one case and so he's basically saying, somewhere we're not accounting for it correctly.

LUNA: Well, just to make sure I understand. As the City Treasurer, do you not believe it to be within his scope of work, his job duties to look into the successor agency, or what is it that you think is inappropriate in terms of his . . . again, I'm

trying to distinguish between an individual perhaps having a different opinion on how to account for something or you know, the methodology used or what have you, versus doing something that, for example, the last thing we discussed. The email takes it a step beyond. You're no longer just expressing a different opinion, you are now announcing it publically and making an accusation that you cannot substantiate that is, you know, critical of people who have not done anything wrong. Is there something related to this successor agency that is similar to that, where you think he took it a step to far? You're no longer disagreeing or not understanding the methodology, you are now acting inappropriately.

AUDITOR: In that case, I mean I can't really find anything. In that case, it is within his scope to be able to look and "why is there so much money" what have you. So in that case, I guess no, I wouldn't say it's outside of his scope and it's certainly within, but I don't think anything we ever provided has ever been sufficient for him and so, it's like whatever, we can't do anything about that. There was an instance though where, as I said before, some of the things I submit, and in this case it was related to the successor agency, where the successor agency and as well as other debt payments that I've made and submitted to him and I've put on there, if you have any questions, feel free to contact me, and the next thing I know, the next morning, he's emailing the City Manager, the City Council, basically saying that the way we're requesting this to be posted is incorrect. And then on top of that, he excluded some of the information that I have provided from that, so I had to go back and reply and say "hey, this is what happened." Some of it is accounting stuff that most people is like "what does this mean and what does that mean?" so instead of coming and talking to me, instead of calling me and saying "hey, I have questions on this" he just immediately escalated it to City Manager and the City Councilmen and at that point, I had never even talked to him, never seen him face to face. I believe [then-Assistant CFO] was here at that time and so I was like "Oh my gosh, what the heck. It's going all the way up to the City Manager."

3. Analysis

As outlined above, all of the information provided to the Investigator concerning Mr. Molina's use of emails was consistent and demonstrated his practice of using misleading emails that were blind copied to various individuals, including members of the public, and that were designed to enhance his own image at the expense of others. In fact, there was no information provided to counter this conclusion.¹¹ Given Mr. Molina's general practice and the PW Director's specific complaints on the Public Works Department's behalf, it is reasonable to conclude that Mr. Molina remained consistent with his general practice and engaged in "keyboard warfare" by using misleading emails that were blind copied to various individuals, including members of the public, and that were designed to enhance his own image at the Public Works Department's expense.

¹¹ The Investigator was unable to specifically question Mr. Molina regarding this practice or the specific allegations involving the Public Works Department because Mr. Molina declined to meet with the Investigator for a second interview.

In engaging in such conduct, Mr. Molina violated the City's Personnel Rules and Regulations, Chapter 3, Section 3.10 – Anti-Bullying Policy.

As noted above, under this policy, the City prohibits any form of “intimidating or bullying” in the workplace or elsewhere. In this regard, bullying is defined as the use of aggression with the intention of harming another individual. It includes written materials that affect or interfere with an employee's ability to work; is severe or pervasive; and creates an intimidating or threatening event.

Bullying includes, but is not limited to abusive comments, name-calling sarcasm, spreading rumors, or teasing. Such conduct can also occur via use of electronic communications such as email. (See Exhibit E, Chapter 3, Section 3.10 – Anti-Bullying Policy.)

In this case, the various examples of and statements regarding Mr. Molina's use of email demonstrate a consistent pattern of intimidation wherein Mr. Molina would place employees in the unfavorable position of having to defend themselves to an unknown audience to whom Mr. Molina had provided misleading or occasionally false information. The witnesses consistently commented on the amount of time that they had to invest in addressing these emails, which necessarily took away from them performing their regular duties. They also uniformly indicated that such communications had a negative effect on the City's image in an environment where the public already distrusted the City because of prior actions. The witnesses stated that they would receive hundreds of emails a month from Mr. Molina that took this aggressive and accusatory tone, which establishes a pervasive pattern of behavior. The negative impact was so considerable that several individuals, such as the Purchasing Manager, were advised not to respond to Mr. Molina because he continued to portray them in a negative light.

E. Did Mr. Molina exceed the scope of his position as City Treasurer by engaging in a review of the accounts payable register of checks and holding checks, including checks requested by the Public Works Department, that he determined lacked sufficient funding or supporting documentation?

1. Finding

By a preponderance of the evidence, the Investigator finds that Mr. Molina did not exceed the scope of his position as City Treasurer by engaging in a review of the accounts payable register of checks and holding those checks, including checks requested by the Public Works Department, that he determined lacked sufficient funding or supporting documentation.

This allegation is unsubstantiated.

2. Facts

a. Documents

(1) January 26, 2017 Memorandum re Duties of City Treasurer

On January 26, 2017, then-Assistant City Attorney issued a memorandum to then-Assistant City Manager, regarding the Duties of the City Treasurer. (See Exhibit C.) That document reads, in pertinent part, as follows:

Below is a listing of the Treasurer's chief statutory duties:

* * *

- Pay out of money on properly signed warrants (Gov't Code § 41003)

* * *

The main role of the Treasurer in disbursement of funds: "Funds belonging to a municipality may be withdrawn only in the manner prescribed by law and usually the city treasurer is only the custodian of the city funds." Draper v. Grant (1949) 91 Cal.App.2d 566, 570.

* * *

- The City Treasurer is required to pay written demands submitted and audited by the CFO (OCC § 2-184) [fn. 9]

* * *

[fn.] 9 Willful refusal to pay or transfer public moneys can constitute a crime under Penal Code §§ 424-426.

(2) June 28, 2017 Letter from Liebert Cassidy Whitmore

On June 28, 2017, Liebert Cassidy Whitmore sent a letter to then-Chief Financial Officer; HR Director; and the City Attorney for the City, providing an analysis of the City's Accounts Payable Finance Procedure. That letter reads, in pertinent part, as follows:

. . . the City Treasurer shall specify the purpose for which a warrant or check is drawn and the fund from which payment is to be made.

* * *

. . . all warrants must be signed by "legally designated persons," . . .

* * *

Section 2-168(B) provides that the “city treasurer shall also perform such administrative duties as assigned by the city manager.”

* * *

Section 2-184 provides: . . .

The city treasurer shall subscribe a direction to the depository of funds to pay the funds to the order of the payee, which action shall convert the warrant, or demand, to a bona fide check.

* * *

Section 2-185 prescribes that “all demands against the city shall, before being paid, be presented to and approved by the proper officer.” (Oxnard Codified Ord., ch. 2, § 2-185 subd. (A).) It also provides guidance regarding instances where no appropriation has been made for demand and sets forth the procedures for obtaining approval of such demands.

* * *

City Council Resolution No. 10,820 sets forth the administrative duties of the City Treasurer, which include:

- Paying the legal obligations of the City and serving as the treasurer for a number of entities as designated by the City Council. . . .
- . . . the processing of City payroll checks and accounts payable.

* * *

The next level of audit and approval would be done by the “controller or designee” and the City Treasurer prior to “check printing.” (Emphasis added.)

b. Witnesses Statements

In order to set the proper context for this allegation, the summaries begin with the PW Director, who initiated the complaint on the Public Works Department’s behalf. Thereafter, the summaries are provided in alphabetical order by the witness’ last name.

(1) PW Director

The PW Director provided the following description of her complaint regarding Mr. Molina’s review of check requests and holding checks:

. . . It’s Phil has decided, and I have the emails, but he doesn’t like that the City budgets by fund, he believes that it should be by line item so he holds checks and

refuses to make payments because he wants to see the line item adjusted, so in the past, my staff were running around making budget adjustments because he was telling them you don't have money in this line item so I'm not going to sign this check, but they were spending a lot of time doing that, so finally the CFO told him because he was holding a check for almost a million dollars to a contractor and the contractor was getting mad, which I don't blame him, and Kevin told him that the City Council has already determined how we budget which is by fund. You don't get to change that, you need to sign the check. So he puts holds on checks because he doesn't agree with how the City budgets, and then we have, this does real harm to the City in that when we go out to bid, we already don't get a normal amount of bids for various construction projects. We might get one or two bids on a project where other places I would see eight or ten bidders. Part of it is, and I think our bids come in higher than they should a lot of the times because contractors are figuring in this no interest loan or this delay in getting paid, it hurts us. Because the more bidders we have interested in bidding in our projects, the better the prices. So this is a game, and then, in this recent incident, the contractor was upset and wanted to come in and pick-up their check because it was so late and then he was like "we don't do that, we don't like people picking up checks, blah, blah, blah" and then [the CFO], had to intercede again and said "this is fine, we're going to do it." Because what we had heard was that this contractor basically had to send people home because he couldn't pay his bills, so [the CFO] had to step in. So this was a real impact and it just doesn't make sense. It almost feels like he just likes to flex muscle, but it harms the City.

Thus, the PW Director is bothered by the level of analysis that Mr. Molina uses and that he will hold checks if he believes that a budget adjustment is required.

(2) Asst. City Treasurer

Although the Asst. City Treasurer did not address whether Mr. Molina is authorized to inspect the funding and supporting documentation for check requests, she did indicate that it was not necessary for Mr. Molina to perform such an audit as "I think there is enough checks and balances before the check is released." She also stated that, in her experience, no other treasurer had performed such an audit in the City. When asked if she nevertheless thought that Mr. Molina should be permitted to perform this level of audit, the Asst. City Treasurer responded "no, because I believe the City has enough safety measures."

(3) Finance Department Employee #2

Finance Department Employee #2 ("FDE #2") is responsible for supervising the entire Accounts Payable division within the Finance Department. She confirmed that, before providing Mr. Molina with a list of payables, her group will verify approval, the accounts, the authorized signatures, and the amount. She further explained the level of review that her group performs and stated:

We verify the account, just make sure it's, you know, that they are in charge of something for supplies that they are charging the supply and not a service

account. Or if it's service, make sure it's service account. Or sometimes like if it's training, we make sure that they like travel, that they're charging the right account.

Because it happens. Sometimes they just want to use the line item that has money. So we correct it. We notify them of any corrections that need to be made. Make sure that the person signing off on the payment is an authorized signer.

And also just the amounts. We verify the amounts, make sure it's to the right vendor. Because sometimes with the system, they'll just put you know, they'll sometimes enter in the wrong vendor number.

FDE #2 clarified that the review of the line level would be to ensure that the amount was being charged to the proper account and not necessarily to determine if there were sufficient funds in a particular line item. She viewed this as outside the Accounts Payable division's responsibilities.

(4) TOE #8

TOE #8 confirmed that, before Mr. Molina took office, she was unaware of any treasurer who performed an independent review of the check requests from Accounts Payable. TOE #8 indicated that Mr. Molina never cited to her any specific authority allowing him to perform this review.

(5) Phillip Molina

Mr. Molina confirmed that he performs a regular review of check requests from Accounts Payable. He explained that he does so "to make sure that there's a budget and that there's – okay, that there is a budget, that there's sufficient balance in the budget, and that there's been proper departmental approval for disbursement of that check." He further detailed the level of review, and said:

Well, if the line item is exceeded, then we look to see if it has a project approval. And if it has approval at a project level, then we identify in that project level, is there sufficient remaining balance within that project to cover that invoice and, if so, then we approve it.

(6) FDE #4

Finance Department Employee #4 ("FDE #4") confirmed that, as part of his assigned duties in the Accounts Payable division, he meets with Mr. Molina on a weekly basis for about forty-five minutes to provide Mr. Molina with additional information pertaining to specific check requests that Mr. Molina identifies. FDE #4 indicated that he finds nothing inappropriate about Mr. Molina requesting these weekly meetings to review a portion of the check requests. He confirmed that he has no issues with Mr. Molina or the review.

FDE #4 stated that he has never seen anything in writing that specifies the level of review that is to be used by the City Treasurer regarding check requests.

FDE #4 stated that he finds nothing unusual about Mr. Molina electing to perform this review before simply signing the checks.

(7) PWE #1

Public Works Employee #1 (“PWE #1”), who specifically handles payables for the Public Works Department, confirmed that Mr. Molina does hold check requests from her department. She described it as follows:

And then the only other time I actually deal directly is when he holds a check. Because when there’s held checks, he goes through the payables with the AP staff and then AP staff emails the departments or divisions when there’s held checks, whoever issued it for payment, so I get notified when there’s a held check so since I do the payables, I have to make a response to why there isn’t funding in the line item which is why he usually holds it because he doesn’t see funding, so I respond because I do accounts payable as to, because I know if there’s money or not money or if there needs to be a budget appropriation to put money in the line, if that’s all that needed. It just depends, there’s different reasons why.

PWE #1 indicated that, to preemptively address this issue, she simply began initiating line item adjustments immediately if she determined that a particular line item lacked sufficient funds. She confirmed that, as a result of these preemptive actions, there has been a noticeable reduction in the number of checks that Mr. Molina holds relating to the Public Works Department.

She also confirmed that Mr. Molina’s decision to hold checks has not resulted in any financial penalty for the City.

Finally, PWE #1 confessed that she does not know whether Mr. Molina’s authority includes the right to perform these reviews and to hold checks.

3. Analysis

There is no dispute that Mr. Molina, on a weekly basis, reviews the check requests from Accounts Payable, including requests originating in the Public Works Department. There is no dispute that he looks at the funding on a line item basis to ensure that there is sufficient funds to cover the expense. There is no dispute that he also reviews other supporting documentation to ensure that it is there and properly signed. Finally, it is undisputed that he will hold a check if either the funding or supporting documentation is lacking in his view. Thus, the sole question to be answered is whether he is authorized as the City Treasurer to do that.

The short answer is yes. This is a result of both the duties of the positions as outlined by the two documents identified above, as well as the undisputed fact that he has and continues to be permitted to perform this review on a weekly basis.

As to the documents, then-Assistant City Attorney's memorandum specifies that Mr. Molina is to pay out of money on properly signed warrants (Gov't Code § 41003), which can be interpreted to include properly funded warrants as the City's practice has been and continues to be that he can hold checks under these circumstances. (See Exhibit C.)

Additionally, Liebert, Cassidy's June 28, 2017 letter to then-Chief Financial Officer, the HR Director, and the City Attorney specifies that the City Treasurer performs an audit and provides approval before the checks are printed. (See Exhibit D.)

Thus, Mr. Molina is performing a review that is within his authority as outlined by Liebert, Cassidy's letter and that the City has permitted as a matter of practice since he took office.

Moreover, although the Adopted Budget Book and the Fiscal Year 2018-2019 CAFR both address a department head's authority to transfer appropriations between programs within the same fund, as long as funding is available in the department as a whole, those documents nevertheless do not relieve the department head of the obligation to perform that reapportionment before requesting a check. Thus, to the extent that Mr. Molina is requiring that these allocations at least receive City Manager approval before he will release a check, this requirement does not violate the language of either document. Furthermore, since the City has allowed Mr. Molina to exercise this power since he took office and began performing these reviews, the City has authorized him to exercise this discretion as a matter of practice.

F. Did Mr. Molina engage in "keyboard warfare" by using misleading emails that were blind copied to various individuals, including members of the public, and that were designed to enhance his own image at the Finance Department's expense?

1. Finding

By a preponderance of the evidence, the Investigator finds that Mr. Molina engaged in "keyboard warfare" by using misleading emails that were blind copied to various individuals, including members of the public, and that were designed to enhance his own image at the Finance Department's expense.

This allegation is substantiated.

2. Facts

a. Documents

In support of the allegation that Mr. Molina used misleading emails that were blind copied to various individuals, including members of the public, the Investigator was provided with multiple examples by various witnesses. Therefore, the Investigator makes reference to Exhibits F, G, H, I, J, L, P, Q, R, S, T, W, X, Y, and Z in support of this claim. In order to more specifically address these allegations with particularly persuasive examples, particular attention is drawn to the following documents:

(1) City's Personnel Rules and Regulations

The City's Personnel Rules and Regulations, Chapter 3, Section 3.10 – Anti-Bullying Policy reads, in pertinent part, as follows:

3.10 ANTI-BULLYING POLICY

. . . the City also prohibits any form of “intimidating or bullying” in the workplace or elsewhere, such as at offsite events or work places.

3.10.1 POLICY COVERAGE

. . . Bullying is the use of aggression with the intention of harming another individual. It can include any intentional written, visual, verbal, or physical act, when the act physically harms the individual or damages his or her property; has the effect of interfering with an employee's ability to work; is severe or pervasive; and creates an intimidating or threatening event.

Bullying comes in many shapes and sizes and can take many forms including, but not limited to . . . abusive comments, . . . spreading rumors Such conduct can also occur via use of electronic or telephonic communications such as the internet, email and chatroom misuse, mobile threats by text messaging or calls, or misuse of cameras and video equipment. (See Exhibit E, Chapter 3, Section 3.10 – Anti-Bullying Policy.)

(2) Exhibit J

Exhibit J is made up of a string of emails provided by Asst. COP #1 that relate to Mr. Molina divulging attorney-client privileged communications to the public. Although these particular emails and the underlying subject do not relate to the Finance Department, the situation is nevertheless relevant and illustrative as the emails show Mr. Molina engaging in the type of conduct relative to emails as alleged by the Public Works Department. The emails show Mr. Molina requesting and receiving advice from the City Attorney's Office regarding an issue facing his department. The emails also show Mr. Molina then taking portions of those privileged communications and making them public. In fact, Mr. Molina engages in a back and forth with a member of the public, who identifies herself as an attorney, regarding the propriety of his actions.

(3) Exhibit P

Exhibit P is an exchange between Mr. Molina and the HR Director, regarding Voya, a new third-party provider for retirement programs, which was selected following cooperative discussions between the City and various unions. This particular issue does not directly involve the Finance Department, but it is again relevant and illustrative as the emails show Mr. Molina's practice of blind copying various individuals, including members of the public and media. The first two pages of the exhibit show a list of well over one hundred individuals that were blind copied on the emails that Mr. Molina was exchanging with the HR Director.

(4) Exhibit R

Exhibit R includes an exchange between Mr. Molina and a sitting councilmember. In Mr. Molina's first email, he writes "I've been told you are ordered to not communicate with me and I regret that you have been drawn into this." In response to this claim, the councilmember wrote:

I was NEVER TOLD not to communicate with you, I hope you verify the information you claim to have. Again I was never told not to communicate with the City Treasurer for the City of Oxnard, Mr. Phillip Molina, in the past, present, or future. It did not happen[.] I did ask why your email was cut off and I feel it would be in your best interest to explain that yourself.

Phillip I request you share this with all those you sent your claimed information out to as it implies things IN MY SPECIFIC CASE that are not true; the use of words is a skill that can inform or confuse, innuendo is not a tool to inform and only casts doubt on the supplier of such.

I have cc['d] parties I feel need my statement, avoided a Brown Act issue by including on two other Council members and for anyone requesting a copy I have included the elected Oxnard City Clerk as she would not need to request this information as it will be in her [possession].

The document shows Mr. Molina misrepresenting facts to support his position. However, in this case, his efforts to mislead were called out by the councilmember who not only confronted Mr. Molina regarding his misinformation, but recommended that he correct his error by circulating the correct information to everyone he had sent the initial email.

(5) Exhibit T

Exhibit T again illustrates Mr. Molina's inclusion of more than two hundred individuals as blind copies on this email.

(6) Exhibit W

Exhibit W involves the Public Works Department and mirrors the same issues illustrated in the earlier identified documents. For example, in his communication with the PW Director at the end of this email string, Mr. Molina voices his disagreement with her assessment of the situation. However, he chose to blind copy this portion of the exchange to one hundred sixty-six people.

(7) Exhibit X

This is a December 20, 2017 memorandum from then-Assistant City Manager, to Department Directors. In that memorandum, then-Assistant City Manager wrote, in part:

. . . Mass e-mails shall only be sent to recipients reasonably necessary to consider the information being communicated. The List shall only be used to communicate matters of considerable importance to the City as determined by the

City Manager or his or her designee(s). Only the City Manager or his or her designee(s) may use the List to send mass e-mails.

* * *

. . . As such only the following employees are designated to use the “all” email list in conformance with this policy: City Manager; Assistant City Managers; Media & Community Relations Manager; Police Chief and Assistant Police Chiefs; Fire Chief and Assistant Fire Chiefs; Human Relations Director and the Information Technology Director.

All of the examples specifically discussed above post-date this memorandum.

(8) Exhibit Y

This is a memorandum dated November 2, 2017 from the City Attorney, to Mr. Molina addressing the “City Policy and Ralph M. Brown Act re Use of City Email System.” The City Attorney wrote, “your use of the email system for such mass mailings may have violated the Brown Act and, therefore, the City’s policy on the use of technology and devices.”

This demonstrates Mr. Molina’s historic practice of mass emailing and violation of City policy on the use of email.

(9) Exhibit Z

On December 4, 2018, Mr. Molina was issued a Letter of Reprimand “for your repeated improper use of the City of Oxnard e-mail system and release of confidential information to the public.” In support of this conclusion, the City Manager wrote, in pertinent part:

Prior to October of 2017, you used your City e-mail account to send out a variety of e-mails to every City employee using the all@oxnard.org e-mail list. You also forwarded confidential and privileged e-mails sent by the City Attorney’s office to a list of outside recipients without authorization from the City Council.

On October 4, 2017, you were informed by the Oxnard City Attorney [] that your use of the Oxnard e-mail system in this manner violated Oxnard Personnel Rules 18.4.2 as well as the attorney-client privilege.

* * *

Despite [the City Attorney’s] discussions with you on October 4, 2017 and his November 2, 2017 memorandum to you and the implementation of Administrative Policy number 18.4.6, you continue to send out mass e-mails, using your official Oxnard e-mail account, through the use of either copying (cc) or blind copying (bcc) dozens or hundreds of individuals, including the general public, City of Oxnard employees, or outside attorneys.

* * *

In sum, these e-mails sent by you from your City e-mail account between November 5 and November 20, 2018, in which you either copied or blind copied a large list of e-mail recipients, continue to violate Oxnard Personnel Rules 18.1.2 and 18.4.2 and are inappropriate mass e-mails. These e-mails also appear to attempt to convey, in the face of all evidence, that you are the only person within the City of Oxnard who is guarding the public coffers, and imply that you alone have the best interests of Oxnard in mind. Finally, these e-mails reflect a lack of professionalism and good judgment on your part given that you use your official position and City resources to publicize mostly your opinions.

* * *

Your continued use of the City's e-mail system to copy dozens of individuals serves no official purpose and appears designed to undermine the City and its officials, misleads the public and creates a negative perception of the City organization.

You are ordered to immediately do the following:

1. Cease using your City e-mail account to divulge confidential City information with the public by either copying or blind copying individuals who are not entitled to this confidential information.
2. Remove your signature block footer from your official City E-mails in which you admit to releasing confidential information and express your personal disagreement with the City's confidentiality policy.
3. Cease using your City e-mail account to send out mass mailings.

b. Witnesses Statements

Nineteen individuals interviewed consistently stated that Mr. Molina sends out multiple emails daily that typically involve his communications with other departments and do not relate to their work assignments. They confirmed that they are typically blind copied on these emails. These witnesses are FDE #1, Asst. City Treasurer, Asst. COP #1, the Purchasing Manager, the IT Director, the PW Director, TOE #6, Asst. City Manager, TOE #8, the CCS Director, the Deputy CM, the Treasury Supervisor, TOE #10, TOE #12, the PD Commander, Asst. COP #2, the Asst. CFO, the Controller, and Auditor. No one interviewed denied that Mr. Molina engages in the alleged conduct. Since Mr. Molina declined to appear for a second interview, the Investigator was unable to ask him for his position relating to this allegation.

In order to set the proper context for this allegation, the summaries begin with the Asst. CFO, who initiated the complaint on the Finance Department's behalf. Thereafter, the summaries are provided in alphabetical order by the witness' last name. The summaries do not include all nineteen identified witnesses. Instead, for the sake of efficiency and brevity, the summaries relates to specific individuals who provided particularly illustrative examples.

(1) Asst. CFO

The Asst. CFO also spoke of Mr. Molina's practice of publicizing sensitive information in an effort to enhance his own image while negatively impacting the City's image. In this regard, the Asst. CFO explained the negative impact that Mr. Molina's actions had:

We already have a trust issue in this City with our citizens given all of the decades long mismanagement that has happened and we're really working hard to rebuild that trust and get the credibility and he's really undermining that with this kind of stuff.

To bolster her statement, the Asst. CFO shared an example involving emails that Mr. Molina sent out after the City drew down on a bond account. The Asst. CFO explained that, when a bond is approved, the associated money is placed in a separate account so that it is not comingled with the City's other funds. As the associated work is performed, the City will pay the amounts due from its own bank account and then will draw down from the specific bond account in order to repay the money that was advanced. These drawdowns simply reimburse the City for the funds that were already spent on the associated improvement. The Asst. CFO emphasized that this is not new money.

Not long after the Asst. CFO joined the City in early 2019, she became aware of a bond account that had not been drawn down for quite some time. She discovered that approximately \$5.6 million in reimbursements were owed from this bond account. While all of this money still belongs to the City, from an accounting standpoint, it is proper to draw down from the bond account and to move the money into the account from which the original services were paid. This is akin to taking money from the right pocket and putting it into the left. In advance of this particular draw down, the Finance Department advised Mr. Molina that he would be receiving a large reimbursement.

The Asst. CFO explained that this was all taking place during or shortly after the City faced serious financial issues that resulted in the loss of multiple jobs. When Mr. Molina was advised of this reimbursement, he accused the Finance Department of theft and claimed that this was "new" money that could have been used to save jobs. Mr. Molina so advised the unions through emails, which resulted in the unions taking out an ad in a local paper accusing the City of impropriety. The Asst. CFO explained that Mr. Molina did all this despite the fact that she and her staff explained to him multiple times that this was not "new" money, but merely constituted a reimbursement of funds that were already expended for their approved purpose.

After providing the above example, the Asst. CFO provided the following description of Mr. Molina's use of emails:

Well, I mean, you know, if we look at the emails beyond this bond issue, it—there's so many things. He just nitpicks, right? And he tries to correct—like this one, where I made a statement in a City Council meeting and I referred to fund balance for an enterprise fund and he feels that I should have said "retained earnings." Well, you know, okay but I was speaking generically to non-accountants who understand fund balance better, right? But he has to send an

email to correct me. It's just—and when he does it, he copies a bunch of people. It's not just like to me and saying "Okay, well you should've said retained earnings." Well, okay. It's ridiculous. Here's another example where he—on a wire transfer, asked me about which fiscal year this item belonged to. I followed up, I responded, I confirmed it's related to fiscal year '19-'20. He doesn't accept it. He comes back "Really?? Okay, well blah, blah, blah, blah, blah. How could this be?" It doesn't make sense to you, then I have to go back again and say "Yes, I have confirmed that it relates to fiscal year '19-'20." And that's—like why do I have to keep proving things? It's just—"it's my job to make sure things are accounted for in the right fiscal year. Not yours. You asked me the question. I responded. Leave it at that." But he can't. This one he's questioning how we're accounting for a particular interest payments. Oh, this was a great one. I love this one. So, the Treasurer's Office received a payment for \$5,000 related to a civil fine or something and they needed an account to record it against. They sent the email to me, first of all, which is odd because typically it doesn't need to come to my level for something like that. That could go to our accountant who's responsible for recording revenues and receivables. It could've gone to the Controller. But for whatever reason, they submitted it to me directly. So, I forwarded it to my Controller and to the Finance Manager in the Police Department because it was related to a police fine, so say "What account do you guys want this booked to? Because I don't need to get into that level of detail and you know, like defining or identifying what account it is." So, I copied the person in Treasurer's Office who asked the question that I said "Okay, can you please let Treasurer know what the appropriate account string is?" So, I don't think I copied Phil on this. I wouldn't have normally, but anyway, so he gets to Phil and he sends me an email and he copies his staff, he copies the Police Finance Manager, and he says "Let me know if you want to talk about the proper fund and account to post the entry. I have some texts on the subject." Meaning like textbooks. Like, "I don't—I'm a CPA. I know how to account for things. I don't need your textbooks. I don't need you to tell me. This is just a matter of having the appropriate people who are close to the transaction identify which account—which specific line item it should go to. That's all it is." But no. He has to send an email like that completely insulting me. And he gets this one—I can't remember what this was about. Oh, we had a billing issue with our—one of our utilities with one of our customers, and I was helping because—because he was questioning what the water fund—Water Department had calculated as being due to us by this customer, and he questioned it so Head of Public Works pulled me in to be the arbitrator of getting these numbers reconciled because, quite honestly, nobody wants to deal with him. Okay, so I said "Fine. I'll look at it. Blah, blah, blah." But I was really busy that day and I said "I won't be able to look at this today. I'll get to it tomorrow. Is there an urgency? Does this need to get resolved right away?" And the Water Department said "No, no, no. It's fine. It can wait a couple days." And the City Attorney was involved as well. And so we responded that—or [the City Manager], I think, sent him an email saying "No, Finance is going to look into it." And then he says "Let me know when Finance staff wants to meet with Treasurer staff so we can educate them." Okay? Then he sends out

this email—again, I’m pretty sure this got copied to a bunch of people. “Here is more money for the general fund. Stop allocating interest earnings to any of the RDA successor agency funds.” So, again, he assumed that this was happening. He sends out this email. We go ahead and look into it and sure enough, there is no interest income being allocated to the successor agency funds. And then, yeah. It’s just—it’s just again, it’s like “You don’t need to send out emails like this. Just ask us the question first and let us confirm first before you just make it seem like ‘oh, we found more money.’” I think he’s trying to, you know, make himself look like the savior for the City. Anyway, so that was that one. And these were all related to the [unintelligible]. So those are a sampling of things. Again, I didn’t—I don’t save all my emails. There was a—not that long ago, I sent an email to [the CFO] and the Deputy City Manager, to give them an idea of the amount of distractions that we deal with from Mr. Molina. I went through and I looked at my inbox for like just a two-week—the most recent two-week period and I had 58 emails from him. Now, if you remember, too, at the beginning of our conversation, there really isn’t necessarily a need for us to have a daily interaction in our roles. But in two weeks I had 58 emails that I had to address or respond to or do something with. And I would venture to guess that a good majority of them unrelated to his specific role as Treasurer. It’s, you know, him looking into things that are outside his scope. (See also Exhibit G.)

(2) Asst. COP #1

As noted earlier in this Report, Asst. COP #1 provided a written statement regarding the issue related to the Dallas Cowboys’ Training Camp. In that same written statement, Asst. COP #1 addressed Mr. Molina’s practice related to emails and wrote:

Historically, he has demonstrated that he will have a one-on-one conversation with someone, and following their encounter, will send [an] email to a wide distribution of “bcc’ed” persons, recapping their contact on his terms and from his side of the story. These emails are typically cast with a negative slant toward others, and are often self-aggrandizing. . . . His emails are known for mischaracterizing matters, accusing staff, questioning integrity and character of staff, or grandstanding. His emails are often patronizing and condescending.

Additionally, following his interview, Asst. COP #1 provided the Investigator with a copy of a binder that he indicated related to Mr. Molina. In that binder, Asst. COP #1 included a string of emails related to Mr. Molina divulging attorney-client privileged communications to the public. The emails show Mr. Molina requesting and receiving advice from the City Attorney’s Office regarding an issue facing his department. The emails also show Mr. Molina then taking portions of those privileged communications and making them public.

Asst. COP #1 described Mr. Molina’s email practice as a huge strain on time at the City. In this regard he said:

It is exponentially disproportionate. I would put that in quotes. Like, I could qualify that a little bit further. In terms of that, prior to him, assuming his office

as the treasurer, we spent very little time as I mentioned and so now, not only was I getting several bcc emails a day, and I would read through them to see where are we going with this, does this have anything to do with me? Does it have anything to do with the police department? You know, and you find out when you and find out when you get through the string that it has nothing to do with anything to do with the police department, that takes time. Multiply that times all the line staff that, at the police department, that were receiving emails as well, because I know people at the line-level still, you know, and I talk to them and they're like "hey, who is this Phil Molina guy?" The people who really didn't know who he was, "why am I getting all these emails from him?" People were telling me that they were seeing all these odd emails that were popping up. They were getting any from once a day to several times a day. And so, that's taking their time, not just mine. So now this is multiplied by a factor of nearly 400 employees at least in the police department who are potentially getting these. The materials he sent, you know, like I said, had nothing to do with police operations. They were often times either I would call, like some kind of squabble between him and either the City Attorney, the City Manager, the IT Director, those were three people he was particularly very back and forth with. I would say quite nasty with them. A variety of topics, especially the City Manager, the City Attorney. He included some emails of discussions that he had with the mayor, so anyway. Seeing those things happening did take a lot more time. And so, at some point, you make a decision whether or not you're going to continue to read them or you're going to just start deleting them, and so what I saw happening was, in my opinion, was a gross abuse of the City's resources and colossal impact on staff time. Add to that, there were a few occasions where I did respond to him, so the time to go back and forth with him on a particular issue takes time, and these are usually over things that I was questioning why he was he doing.

And also, it took me a little bit of time than it would for any other email because I'm realizing that I'm writing something to an elected official that I need to make sure that the email response is professional, it's articulate and prepared to be put in front of the potential bcc audience, for example if we go back, we'll probably get to this later, but the July 30th incident that happened with him and some City staff here, it literally took up a significant portion of my Thursday, Friday and part of my weekend just dealing with his emails and dealing with the collateral damage that was taking place because of that, so it's unreal. It's unreal, inappropriate and unnecessary I think are ways that I feel that what our, not just myself, but other employees and staff members and City employees had to deal with.

In terms of Mr. Molina's misrepresentations, Asst. COP #1 indicated that Mr. Molina will remove portions of email strings in order to make the communication support his position. In this regard, Asst. COP #1 pointed to his back and forth with Mr. Molina regarding CMO Employee #1 and Mr. Molina's apology email. Asst. COP #1 indicated that portions of his responses were edited in the versions that Mr. Molina shared with the public.

(3) Purchasing Manager

Like the PW Director, the Purchasing Manager indicated that she had also been warned not to respond to Mr. Molina's emails. She specifically said:

I was directed by the previous CFO and Assistant City Manager to never, ever reply to him again. Because he threw me under the bus so many times. And had blind copied all his constituents. And his, he was antagonistic in his emails.

(4) IT Director

The IT Director described a particular incident when Mr. Molina publicized highly confidential information regarding a potential breach of the City's on-line payment system, which could have resulted in additional breaches. He said:

So, very adversarial relationship in general with Mr. Molina. As I mentioned before his actions are ones that show he's attempting to make staff look bad, however and whenever he can. He does this under the guise of trying to say he's an advocate for the people that elected him. But while at the same time he's jeopardizing the people that elected him who are our residents. And so one example in, oh back in the middle of 2018, we had a scenario where our ERP System clicked the GOV online payment system was breached, or potentially breached. Something that we later found out had happened to a dozen cities across the nation. It was due to some code that the company used that wasn't kept up to date and some network settings that allowed hackers to exploit a known vulnerability in some web logic software that a company uses for online payments. The, Mr. Molina found out about that and there are exceptions in the Public Records Act that allow cities to not release information publically when it exposes a vulnerability about a system that could cause attacks. Could cause your systems harm. Mr. Molina clearly violated that by taking information about this, at that point supposed hack, and publically emailing it to people, letting people know that there are vulnerabilities in our system. Something you definitely don't want to do before you allow the vendor and us internally to take action to protect ourselves from further attacks. I met with Mr. Molina sometime middle of '18, probably in May, and explained in confidence to him how the system technically worked. Where the company thought the vulnerabilities were in the system. I drew it on his whiteboard, network diagram, servers, software names, ports, and explained how traffic flowed from the internet with payments into our network, into the systems, where the known vulnerability was from the web logic software, and back out again. Explained to him that this is highly confidential and dangerous if you share this information with anyone before Superian Sun Guard HTE has a chance to fix this problem, along with our help from our network engineers locally. And when I left his office I erased his whiteboard with all this information, I told him it was confidential, and when I get back to my office later that day, I got an email from Mr. Molina, basically he had retraced the network diagram everything I wrote on his board, off the ghosted images of the dry erase markers. So you could still see the images there even though they had been

erased. He retraced all of those, took a picture of it, emailed it to me, and said something like, yeah I can't get this image off my whiteboard, can you buy me a new whiteboard? I replied, tried to keep it light and said jokingly, ha ha, this is confidential, please do not share this information with anyone. So he proceeded to take that same image and forward it to a group of people via email, letting them know that this is what he had learned from me, in person.

Ironically, the IT Director stated that he discovered that Mr. Molina divulged this information because he was included on the email.

In describing Mr. Molina's general email practice, the IT Director said, "Mr. Molina's demeanor has been, I've got to make myself look good, and all the rest of staff look bad."

(5) PW Director

When raising the issue of Mr. Molina's use of the e-mail system, the PW Director stated:

It almost feels like he just likes to flex muscle, but it harms the City. And if there is an error on billing or something comes up, if he could find something, he'll blast it out. You know he'll make it look like "I've done this wonderful thing and found this error and saved the City," but he's got a blind copy list of a whole lot of people, so you never know the other thing. He sends you an email and he's copying all kind of people, you don't even know who he's copying. And a lot of times, my understanding is that these would be people in the community who are his supporters, so he has the opportunity to paint the City in whatever light he wants and we don't even know who he's included in this email.

In order to place the magnitude of this issue in context, the PW Director explained:

I was warned by the City Attorney's Office that just know that he blind copies folks so be careful, just know you don't know who the recipients if you hit "reply all." And so there's a feeling that sometimes he's baiting you to an argument that can play out publicly.

To support the claim that Mr. Molina baits individuals into arguments, the PW Director provided the Investigator with a sampling of emails that illustrated the point. (See Exhibit K.)

In short, the PW Director complained that Mr. Molina uses his emails, including his blind copying, as a tool to achieve his agenda.

(6) Deputy CM

Similar to other individuals, the Deputy CM also provided specific examples to illustrate Mr. Molina's email practice. She provided the following description of Mr. Molina providing false or misleading information:

So another example is he communicated wrongly, so—and he knows it's wrong—to one of our labor unions in the latest budget—we had a very contentious budget

process. He communicated wrong information to one of our labor unions. Our labor union put out an ad that basically blamed our Finance Department for hiding money or stealing money or something along those lines. We can get you a copy of the ad. Now, that's on the union for putting out the wrong information, but they got it from him. And he knows it's wrong.

The Deputy CM also provided an example of Mr. Molina's publicizing of attorney-client privileged communications. She said:

That's another—again, I'm off on tangents, but when I was at the City Attorney's Office and he still does this to the City Attorneys, there were multiple times when we said to him "You cannot—this is attorney-client privileged information. You cannot disseminate this information." And he sends it out anyway. So, you know, which is—as you know, as an attorney—incredibly dangerous to send out information. He would send out—we would provide a legal analysis to him, he would request, you know, "Can I do this? Can I do that?"—whatever it is, we would provide the response to him and then he would send that out to many people by email and that left us, as attorneys, and it still leaves them in the City Attorney's Office—you can talk to [the City Attorney] about this—it's in this weird quandary of "Well, do we not advise our own staff then?" We've got a whole Department that we can't provide legal advice to because they don't keep that information confidential. But then you've got the potential for real problems here.

(7) Asst. COP #2

Like several other witnesses, Asst. COP #2 also provided an example of Mr. Molina publicizing highly confidential information as a result of this email practice. Specifically, Asst. COP #2 identified an April 10, 2010 Confidential Memo from then-Police Commander that "detailed information about the security procedures used in the Oxnard City Treasurer's Office to safeguard employees and funds." (See Exhibit L.) Asst. COP #2 stated that a copy of this document was provided to Mr. Molina after he began his tenure as the City Treasurer. He explained that Mr. Molina was concerned about the security at the City Treasurer's Office and asked if the Police Department could perform an assessment. Mr. Molina was provided with a copy of the 2010 memorandum in response to this request. Asst. COP #2 said that, after received a copy of the memorandum and despite the fact that it is stamped "CONFIDENTIAL (NOT FOR PUBLIC RELEASE)", Mr. Molina nevertheless attached the document to one of his emails and sent it to multiple individuals, including members of the public. Specifically, Asst. COP #2 stated, "this is law enforcement sensitive information and he sent it out to everybody."

(8) Controller

The Controller confirmed Mr. Molina's practice of providing inaccurate or misleading information in his emails. She said:

There was some time ago, there was communication on a successor agency. And he was communicating faulty, falsely information that we had, you know, several

millions of dollars. We hadn't reconciled it. And we had. So he's always, the majority of his emails are faulty information. And very mistrust, leaves, leaves the community, I would think, when the public is on there to very distrust the City, yea.

(9) Auditor

The Auditor confirmed Asst. CFO's example regarding the \$5.6 million draw down and the damage that Mr. Molina's subsequent email caused. He specifically stated:

He basically, he sent out an email and he cc'd a number of people on it and we don't know how many people he blind cc'd, but he had a history in the past of blind cc'ing people up to 100 of his constituents, I'm not sure exactly, at least that's what I've been told by various people. But he said that what we were doing is illegal, not only were we accounting for things inappropriately, what we're doing is illegal and what we're doing is illegal, essentially. Now shortly after that, now there was only a few people that knew about the requisition up till this point, it was me, [a former CFO], the Asst. CFO, maybe some other people in finance department, and Phil Molina. Then all of sudden, the next thing we know there's a big humongous, and I think he told [a councilmember]. Well, the people he cc'd on this, using this email, and whoever he blind cc'd, we don't know. But he specifically, the next day, the next day or so, in the newspaper in Ventura County Star, there's a full page article saying that the City just found, the finance department, just found \$5.6 million in new money, and this was put out I believe by SEIU, the Union and this could be used to save jobs and as result, and it says "What other things is the City hiding?"

The Auditor provided another example of Mr. Molina's circulation of misinformation through his emails. The following exchange took place:

AUDITOR: Yeah, to me this fits into a large picture, in my mind, it's my opinion, of him trying to be a hero for the City. So the successor agency is also, this is something that's not part of that big pie, it has its own separate bank account, the City's winding it down, we have fiduciary responsibility, it succeeded the former RDA that was dissolved per Governor Brown back in 2012. And there's this question why does the successor have such money, he shouldn't have this much money, in which case our consultant, . . .and she came to show, this is what makes up all this money, a lot of it is because we requested more than we ended up spending, and subsequent request, our allocation would be reduced. She showed what makes up all of that money, it's about \$10 million. It should only be about, whatever, like six months' worth. So she went into that and it was a big dispute and then he said "oh, she's not an auditor, she's just a consultant." And so there's this back and forth and it's been ongoing since before I got here. That's in one case and so he's basically saying, somewhere we're not accounting for it correctly.

LUNA: Well, just to make sure I understand. As the City Treasurer, do you not believe it to be within his scope of work, his job duties to look into the successor agency, or what is it that you think is inappropriate in terms of his . . . again, I'm trying to distinguish between an individual perhaps having a different opinion on how to account for something or you know, the methodology used or what have you, versus doing something that, for example, the last thing we discussed. The email takes it a step beyond. You're no longer just expressing a different opinion, you are now announcing it publically and making an accusation that you cannot substantiate that is, you know, critical of people who have not done anything wrong. Is there something related to this successor agency that is similar to that, where you think he took it a step to far? You're no longer disagreeing or not understanding the methodology, you are now acting inappropriately.

AUDITOR: In that case, I mean I can't really find anything. In that case, it is within his scope to be able to look and "why is there so much money" what have you. So in that case, I guess no, I wouldn't say it's outside of his scope and it's certainly within, but I don't think anything we ever provided has ever been sufficient for him and so, it's like whatever, we can't do anything about that. There was an instance though where, as I said before, some of the things I submit, and in this case it was related to the successor agency, where the successor agency and as well as other debt payments that I've made and submitted to him and I've put on there, if you have any questions, feel free to contact me, and the next thing I know, the next morning, he's emailing the City Manager, the City Council, basically saying that the way we're requesting this to be posted is incorrect. And then on top of that, he excluded some of the information that I have provided from that, so I had to go back and reply and say "hey, this is what happened." Some of it is accounting stuff that most people is like "what does this mean and what does that mean?" so instead of coming and talking to me, instead of calling me and saying "hey, I have questions on this" he just immediately escalated it to City Manager and the City Councilmen and at that point, I had never even talked to him, never seen him face to face. I believe [then-Assistant Chief Financial Officer] was here at that time and so I was like "Oh my gosh, what the heck. It's going all the way up to the City Manager."

3. Analysis

As outlined above, all of the information provided to the Investigator concerning Mr. Molina's use of emails was consistent and demonstrated his practice of using misleading emails that were blind copied to various individuals, including members of the public, and that were designed to enhance his own image at the expense of others. In fact, there was no information provided to counter this conclusion.¹² Given Mr. Molina's general practices, as well as Asst. CFO's specific complaints on the Finance Department's behalf, it is reasonable to conclude that Mr. Molina remained consistent with his general practice and engaged in "keyboard warfare" by using

¹² The Investigator was unable to specifically question Mr. Molina regarding this practice or the specific allegations involving the Public Works Department because Mr. Molina declined to meet with the Investigator for a second interview.

misleading emails that were blind copied to various individuals, including members of the public, and that were designed to enhance his own image at the Finance Department's expense.

In engaging in such conduct, Mr. Molina violated the City's Personnel Rules and Regulations, Chapter 3, Section 3.10 – Anti-Bullying Policy.

As noted above, under this policy, the City prohibits any form of “intimidating or bullying” in the workplace or elsewhere. In this regard, bullying is defined as the use of aggression with the intention of harming another individual. It includes written materials that affect or interfere with an employee's ability to work; is severe or pervasive; and creates an intimidating or threatening event.

Bullying includes, but is not limited to abusive comments, name-calling sarcasm, spreading rumors, or teasing. Such conduct can also occur via use of electronic communications such as email. (See Exhibit E, Chapter 3, Section 3.10 – Anti-Bullying Policy.)

In this case, the various examples of and statements regarding Mr. Molina's use of email demonstrate a consistent pattern of intimidation wherein Mr. Molina would place employees in the unfavorable position of having to defend themselves to an unknown audience to whom Mr. Molina had provided misleading or occasionally false information. The witnesses consistently commented on the amount of time that they had to invest in addressing these emails, which necessarily took away from them performing their regular duties. They also uniformly indicated that such communications had a negative effect on the City's image in an environment where the public already distrusted the City because of prior actions. The witnesses stated that they would receive hundreds of emails a month from Mr. Molina that took this aggressive and accusatory tone, which establishes a pervasive pattern of behavior. The negative impact was so considerable that several individuals, such as the Purchasing Manager, were advised not to respond to Mr. Molina because he continued to portray them in a negative light.

G. Did Mr. Molina exceed the scope of his position as City Treasurer by engaging in a review of the accounts payable register of checks and holding checks, including checks requested by the Public Works Department, that he determined lacked sufficient funding or supporting documentation?

1. Finding

By a preponderance of the evidence, the Investigator finds that Mr. Molina did not exceed the scope of his position as City Treasurer by engaging in a review of the accounts payable register of checks and holding those checks, including checks requested by the Finance Department, that he determined lacked sufficient funding or supporting documentation.

This allegation is unsubstantiated.

2. Facts

a. Documents

(1) January 26, 2017 Memorandum re Duties of City Treasurer

On January 26, 2017, then-Assistant City Attorney, issued a memorandum to then-Assistant City Manager, regarding the Duties of the City Treasurer. (See Exhibit C.) That document reads, in pertinent part, as follows:

Below is a listing of the Treasurer's chief statutory duties:

* * *

- Pay out of money on properly signed warrants (Gov't Code § 41003)

* * *

The main role of the Treasurer in disbursement of funds: "Funds belonging to a municipality may be withdrawn only in the manner prescribed by law and usually the city treasurer is only the custodian of the city funds." Draper v. Grant (1949) 91 Cal.App.2d 566, 570.

* * *

- The City Treasurer is required to pay written demands submitted and audited by the CFO (OCC § 2-184) [fn. 9]

* * *

[fn.] 9 Willful refusal to pay or transfer public moneys can constitute a crime under Penal Code §§ 424-426.

(2) June 28, 2017 Letter from Liebert Cassidy Whitmore

On June 28, 2017, Liebert Cassidy Whitmore sent a letter to then-Chief Financial Officer; the HR Director; and the City Attorney for the City, providing an analysis of the City's Accounts Payable Finance Procedure. That letter reads, in pertinent part, as follows:

. . . the City Treasurer shall specify the purpose for which a warrant or check is drawn and the fund from which payment is to be made.

* * *

. . . all warrants must be signed by "legally designated persons," . . .

* * *

Section 2-168(B) provides that the “city treasurer shall also perform such administrative duties as assigned by the city manager.”

* * *

Section 2-184 provides: . . .

The city treasurer shall subscribe a direction to the depository of funds to pay the funds to the order of the payee, which action shall convert the warrant, or demand, to a bona fide check.

* * *

Section 2-185 prescribes that “all demands against the city shall, before being paid, be presented to and approved by the proper officer.” (Oxnard Codified Ord., ch. 2, § 2-185 subd. (A).) It also provides guidance regarding instances where no appropriation has been made for demand and sets forth the procedures for obtaining approval of such demands.

* * *

City Council Resolution No. 10,820 sets forth the administrative duties of the City Treasurer, which include:

- Paying the legal obligations of the City and serving as the treasurer for a number of entities as designated by the City Council. . . .
- . . . the processing of City payroll checks and accounts payable.

* * *

The next level of audit and approval would be done by the “controller or designee” and the City Treasurer prior to “check printing.” (Emphasis added.)

b. Witnesses Statements

In order to set the proper context for this allegation, the summaries begin with the CFO and the Asst. CFO, who initiated the complaint on the Finance Department’s behalf. Thereafter, the summaries are provided in alphabetical order by the witness’ last name.

(1) CFO

The CFO summarized the Finance Department’s complaint as follows:

Phil has said many times that as the—as an elected official who’s also a Department head, he feels he’s the one elected official looking out for taxpayer and rate payer interests, so he has decided that the level of budgetary control at

which the Finance Department checks to be sure there is sufficient funding, sufficient appropriations to pay a bill, is insufficient. He has unilaterally decided that there should be line item control over every payment that goes out.

* * *

But Phil feels that's not an adequate level of control, so he requires that the budget be adjusted—and that can be done administratively by the City Manager—so that each line item each week has enough to pay that week's bills.

* * *

We disagree because that's not the level of control the City Council has established. So we have a fundamental philosophical disagreement. But, getting to your opening remarks about the path of least resistance, in order to persuade the City Treasurer to release checks to vendors who have to be paid, the organization, including myself and the Finance Department, accommodates his demand that budget adjustments be made for 5, 10, 12 checks every week in order to prove to him that after the budget adjustments have been made, there's enough in that particular line item to cover the check being requested for payment.

The CFO conceded that Mr. Molina is requiring departments to abide by the line items budgets that they prepared, submitted and had the City Council approve. From the CFO's perspective, he finds it inappropriate for Mr. Molina to use this level of scrutiny with respect to the check requests.

(2) Asst. CFO

The Asst. CFO summarized the Finance Department's complaint as follows:

The City code specifically spells out that the Finance Director is responsible for reviewing and approving our disbursements, but he doesn't care that that's what the City codes says.

* * *

And so that creates a lot of extra work for the Finance team and the departments to make sure that we do an administrative budget adjustment to move the money into the proper line items so that we can release the check, which then also means that we end up holding checks with, you know, to our vendors who are getting very upset with us that they are not getting paid timely.

* * *

But Mr. Molina insists that we have to manage the budget at line item level.

* * *

I mean it costs us more in staff time to do this adjustment, you know. Sometimes they're more, we've been working with him to try to get him to look at things at a higher level or you know let's look at a putting a threshold in place at least. The reality is he doesn't even have the authority to do this but he insists and **we've allowed it to happen**. (Emphasis added.)

Although the Asst. CFO insists that Mr. Molina is exceeding the scope of his position, she nevertheless acknowledged that he has occasionally properly held checks. She said:

And then sometimes it's legitimate, so we can't—you know what I mean, I can't say like okay, if there's really no money in the budget or if there's not sufficient money in the department's budget they have to do—they have to go to the City Manager to get a, you know, a transfer budget or potentially if there's no money in the fund they have to go City Council to do that.

* * *

But you know like I said, there are occasions where he does find an exception where okay, we do need to actually do a budget adjustment that's legitimate and sometimes that can happen because of the timing of, you know, multiple items going against the same you know budget. So at the time that you checked to make sure the budget was available it was there, but then something else came in so you know we—there may still be situations where things like that happen. But I guess to me the point is that we've incurred a liability we have to deal with that and then afterwards we can look at the budget and say okay now we need to [adjust it].

(3) Asst. City Treasurer

Although the Asst. City Treasurer did not address whether Mr. Molina is authorized to inspect the funding and supporting documentation for check requests, she did indicate that it was not necessary for Mr. Molina to perform such an audit as "I think there is enough checks and balances before the check is released." She also stated that, in her experience, no other treasurer had performed such an audit in the City. When asked if she nevertheless thought that Mr. Molina should be permitted to perform this level of audit, the Asst. City Treasurer responded "no, because I believe the City has enough safety measures."

(4) FDE #2

FDE #2 is responsible for supervising the entire Accounts Payable division within the Finance Department. She confirmed that, before providing Mr. Molina with a list of payables, her group will verify approval, the accounts, the authorized signatures, and the amount. She further explained the level of review that her group performs and stated:

We verify the account, just make sure it's, you know, that they are in charge of something for supplies that they are charging the supply and not a service account. Or if it's service, make sure it's service account. Or sometimes like if

it's training, we make sure that they like travel, that they're charging the right account.

Because it happens. Sometimes they just want to use the line item that has money. So we correct it. We notify them of any corrections that need to be made. Make sure that the person signing off on the payment is an authorized signer.

And also just the amounts. We verify the amounts, make sure it's to the right vendor. Because sometimes with the system, they'll just put you know, they'll sometimes enter in the wrong vendor number.

FDE #2 clarified that the review of the line level would be to ensure that the amount was being charged to the proper account and not necessarily to determine if there were sufficient funds in a particular line item. She viewed this as outside the Accounts Payable division's responsibilities.

(5) TOE #8

TOE #8 confirmed that, before Mr. Molina took office, she was unaware of any treasurer who performed an independent review of the check requests from Accounts Payable. TOE #8 indicated that Mr. Molina never cited to her any specific authority allowing him to perform this review.

(6) Phillip Molina

Mr. Molina confirmed that he performs a regular review of check requests from Accounts Payable. He explained that he does so "to make sure that there's a budget and that there's – okay, that there is a budget, that there's sufficient balance in the budget, and that there's been proper departmental approval for disbursement of that check." He further detailed the level of review, and said:

Well, if the line item is exceeded, then we look to see if it has a project approval. And if it has approval at a project level, then we identify in that project level, is there sufficient remaining balance within that project to cover that invoice and, if so, then we approve it.

(7) FDE #4

FDE #4 confirmed that, as part of his assigned duties in the Accounts Payable division, he meets with Mr. Molina on a weekly basis for about forty-five minutes to provide Mr. Molina with additional information pertaining to specific check requests that Mr. Molina identifies. FDE #4 indicated that he finds nothing inappropriate about Mr. Molina requesting these weekly meetings to review a portion of the check requests. He confirmed that he has no issues with Mr. Molina or the review.

FDE #4 stated that he has never seen anything in writing that specifies the level of review that is to be used by the City Treasurer regarding check requests.

FDE #4 stated that he finds nothing unusual about Mr. Molina electing to perform this review before simply signing the checks.

3. Analysis

There is no dispute that Mr. Molina, on a weekly basis, reviews the check requests from Accounts Payable, including requests originating in the Public Works Department. There is no dispute that he looks at the funding on a line item basis to ensure that there is sufficient funds to cover the expense. There is no dispute that he also reviews other supporting documentation to ensure that it is there and properly signed. Finally, it is undisputed that he will hold a check if either the funding or supporting documentation is lacking in his view. Thus, the sole question to be answered is whether he is authorized as the City Treasurer to do that.

The short answer is yes. This is a result of both the duties of the positions as outlined by the two documents identified above, as well as the undisputed fact that he has and continues to be permitted to perform this review on a weekly basis.

As to the documents, then-Assistant City Attorney's memorandum specifies that Mr. Molina is to pay out of money on properly signed warrants (Gov't Code § 41003), which can be interpreted to include properly funded warrants as the City's practice has been and continues to be that he can hold checks under these circumstances. (See Exhibit C.) In this regard, the Asst. CFO admitted that "we have allowed this to happen." Demonstrating that whether initially authorized to perform this review and hold checks, Mr. Molina has been permitted to do so for at least two years.

Additionally, Liebert, Cassidy's June 28, 2017 letter to then-Chief Financial Officer, the HR Director, and the City Attorney specifies that the City Treasurer performs an audit and provides approval before the checks are printed. (See Exhibit D.) The necessity of this review is illustrated by the Asst. CFO's admission that Mr. Molina has discovered actual errors.

Thus, Mr. Molina is performing a review that is within his authority as outlined by Liebert, Cassidy's letter and that the City has permitted as a matter of practice since he took office.

Moreover, although the Adopted Budget Book and the Fiscal Year 2018-2019 CAFR both address a department head's authority to transfer appropriations between programs within the same fund, as long as funding is available in the department as a whole, those documents nevertheless do not relieve the department head of the obligation to perform that reapportionment before requesting a check. Thus, to the extent that Mr. Molina is requiring that these allocations at least receive City Manager approval before he will release a check, this requirement does not violate the language of either document. Furthermore, since the City has allowed Mr. Molina to exercise this power since he took office and began performing these reviews, the City has authorized him to exercise this discretion as a matter of practice.

H. Did Mr. Molina exceed the scope of his position as City Treasurer by weighing in on procurements that did not involve his office or department?

1. Finding

By a preponderance of the evidence, the Investigator finds that Mr. Molina exceeded the scope of his position as City Treasurer by weighing in on procurements that did not involve his office or department.

This allegation is substantiated.

2. Facts

a. Document

(1) January 26, 2017 Memorandum re Duties of City Treasurer

As previously noted, on January 26, 2017, then-Assistant City Attorney issued a memorandum outlining the City Treasurer's duties under State law and City Ordinance/Resolution. Those duties are as follows:

1. Receive and safely keep all money;
2. Comply with all laws governing the deposit and securing of public funds and the handling of trust funds;
3. Pay out money on properly signed warrants;
4. Keep a record of bonds, warrants, judgments, notes, or other evidence of indebtedness redeemed, and report redemption to the City Council;
5. Duties related to registered bonds;
6. Maintenance of a book showing at all times what bonds are registered and in whose names;
7. Disbursement of funds;
8. Tax collection duties;
9. Collection of business tax certificates;
10. Pay written demands submitted and audited by the Chief Financial Officer;
11. Investment of public funds;
12. Utility billing responsibilities; and
13. Duties related to unclaimed funds held by the City.

Procurements are not mentioned anywhere within this document outlining the City Treasurer's duties.

b. Witnesses Statements

The CFO and the Purchasing Manager, stated that Mr. Molina exceeds the scope of his office by continually offering unsolicited advice regarding how procurements should be run. Both individuals indicated that Mr. Molina's advice results in an expenditure of time and energy in order to research and respond to his input. They both stated that this advice is provided with respect to procurements that were neither initiated by nor involve his department.

The Investigator was unable to obtain Mr. Molina's position on this allegation as Mr. Molina declined to meet with the Investigator for a second interview.

3. Analysis

The CFO and the Purchasing Manager offered corroborating testimony with respect to Mr. Molina's practice of providing unsolicited input with respect to procurements. Both also confirmed that addressing and responding to Mr. Molina results in an expenditure of time and resources.

There is nothing in the document outlining Mr. Molina's duties as the City Treasurer that even remotely connects to procurements. Thus, Mr. Molina's conduct falls outside the scope of his position.

I. Did Mr. Molina exceed the scope of his position as City Treasurer by injecting himself into general accounting issues that are the Finance Department's exclusive responsibility?

1. Finding

By a preponderance of the evidence, the Investigator finds that Mr. Molina exceeded the scope of his position as City Treasurer by injecting himself into general accounting issues that are the Finance Department's exclusive responsibility.

This allegation is substantiated.

1. Facts

a. Document

(1) January 26, 2017 Memorandum re Duties of City Treasurer

As previously noted, on January 26, 2017, then-Assistant City Attorney issued a memorandum outlining the City Treasurer's duties under State law and City Ordinance/Resolution. Those duties are as follows:

1. Receive and safely keep all money;

Attorney Work Product Privilege
Attorney Client Privileged Communication

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2. Comply with all laws governing the deposit and securing of public funds and the handling of trust funds;
3. Pay out money on properly signed warrants;
4. Keep a record of bonds, warrants, judgments, notes, or other evidence of indebtedness redeemed, and report redemption to the City Council;
5. Duties related to registered bonds;
6. Maintenance of a book showing at all times what bonds are registered and in whose names;
7. Disbursement of funds;
8. Tax collection duties;
9. Collection of business tax certificates;
10. Pay written demands submitted and audited by the Chief Financial Officer;
11. Investment of public funds;
12. Utility billing responsibilities; and
13. Duties related to unclaimed funds held by the City.

General accounting not mentioned anywhere within this document outlining the City Treasurer's duties.

b. Witness Statement

(1) CFO

The CFO voiced the following complaint regarding general accounting:

Yeah, the second one is not part of the normal relationship between the City Treasurer's Office and—the accounts payable obviously is a big part of the normal relationship with the City Treasurer's Office and the Finance Department, and what I just described is Phil taking a part of that relationship and then adding—imposing his own policy level of control that he feels appropriate. But the second area is of general accounting issues for the City and in the Finance Department where the City Treasurer does not have a role, but which Phil frequently inserts himself into—either with questions or challenges or assertions that we're violating governmental accounting standard—board standards. And these are incredibly time consuming for accounting staff, especially for our Assistant CFO, and for our Controller, and for other accounting staff. Phil will also copy councilmember who sometimes then ask the question that he's asked.

He'll sometimes—he'll frequently address emails to the internal auditors, who is a third party contractor, or to the City's independent financial auditor, ask them questions, challenge certain accounting treatments, and I'm sure he does this because 20 years ago he was a Finance Director and he was an active CPA at one point. So he knows a lot about accounting, but that's not the role he's in now and—but he acts like it is and so we spend way, way more time than we should answering questions about accounting—sometimes the same one over and over and over, posed in different ways or by different people or by Phil because he perhaps forgot the answer from a previous question a few months prior. And it's very disruptive.

(2) Phillip Molina

The Investigator was unable to obtain Mr. Molina's position on this allegation as Mr. Molina declined to meet with the Investigator for a second interview.

1. Analysis

There is nothing in the document outlining Mr. Molina's duties as the City Treasurer that identifies responsibility for general accounting within the City. Thus, Mr. Molina's conduct falls outside the scope of his position.

Conclusions

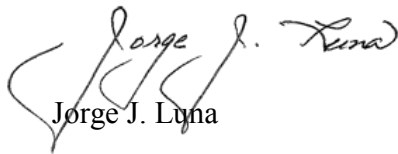
1. Mr. Molina interfered with the investigation by communicating with the Asst. CFO after being directed not to do so, by meeting with the members of his department to discuss this investigation after being directed not to do so, and by circulating an email regarding this and another investigation into his alleged conduct.
2. Mr. Molina made inappropriate comments concerning female employees' appearance/attire, stereotypical female roles, and sexual innuendo in the workplace that violated the City's Sexual Harassment policy contained in its Personnel Rules and Regulations.
3. Mr. Molina did accuse and improperly investigate CMO Employee #1 for theft in connection with a perceived shortfall in parking lot money related to the Dallas Cowboys' Training Camp held in the Summer of 2019, and Mr. Molina's conduct violated the City's Personnel Rules and Regulations and fell outside his duties as outlined by the City Attorney's Office.
4. Mr. Molina engaged in "keyboard warfare" by using misleading emails that were blind copied to various individuals, including members of the public, and that were designed to enhance his own image at the Public Works Department's expense.
5. Mr. Molina did not exceed the scope of his position as City Treasurer by engaging in a review of the accounts payable register of checks and holding those checks, including

checks requested by the Public Works Department, that he determined lacked sufficient funding or supporting documentation.

6. Mr. Molina engaged in “keyboard warfare” by using misleading emails that were blind copied to various individuals, including members of the public, and that were designed to enhance his own image at the Finance Department’s expense.
7. Mr. Molina did not exceed the scope of his position as City Treasurer by engaging in a review of the accounts payable register of checks and holding those checks, including checks requested by the Finance Department, that he determined lacked sufficient funding or supporting documentation.
8. Mr. Molina exceeded the scope of his position as City Treasurer by weighing in on procurements.
9. Mr. Molina exceeded the scope of his position as City Treasurer by injecting himself into general accounting issues that are the Finance Department’s exclusive responsibility.

This concludes the investigation.

Respectfully submitted,



Jorge J. Luna

EXHIBIT 12

**AGREEMENT FOR PROFESSIONAL SERVICES
COVER PAGE**

Exhibit 5

Casareno, E.

03/20/24

 optus

- (1) Agreement Start Date: May 19th, 2020.
- (2) Consultant: Eadie and Payne
- (3) Services: Professional Audit Services
- (4) Schedule of Services:
 - The period of performance anticipated for this agreement is for financial audits and Single Audits for each of the five fiscal years from FY 2019-20 through FY 2023-24.
- (5) Agreement Ending Date: June 30, 2025.
- (6) Total Agreement Amount: \$1,075,100.00
- (7) City's Project Manager: Kevin Riper Chief Financial Officer
- (8) Consultant's Project Manager: Hong Nguyen Client Service Executive
- (9) Insurance Coverage: INS-B
- (10) Addresses for Notice:
FOR CONSULTANT:
3880 Lemon St. Ste 300
Riverside, CA 92501

FOR CITY:
300 W Third Street,
Oxnard, CA 93030
- (11) Contact Emails:
CONSULTANT'S PROJECT
Hong Nguyen
hnguyen@eadiepaynellp.com

CITY'S PROJECT MANAGER:
MANAGER:
Kevin Riper
kevin.riper@oxnard.org

The Agreement for Professional Services is attached hereto and incorporated herein by this reference. The following exhibits are also attached hereto and incorporated herein by this reference into the Agreement:



1

Ex. K-5

OXNARD0000744

Agreement No. A-8223

- ☐ Scope of Services Exhibit
- ☐ Rates and Costs Exhibit
- ☐ Insurance Exhibit (INS-B)

Table of Contents

For

Professional Audit Services Agreement

- Pg.1-2 - Cover Page
- Pg.3-9- Terms and Conditions
- Pg.11- Signature Page
- Scope of Service Exhibit
- Rates and Costs Exhibit
- Insurance Exhibit
- Eadie and Paynes Request For Proposal Response

AGREEMENT FOR PROFESSIONAL SERVICES

THIS AGREEMENT FOR PROFESSIONAL SERVICES ("Agreement") is entered into in Ventura County, California, on the date that is written as "(1) Agreement Start Date" on the Cover Page, which is attached hereto and incorporated herein by this reference. This Agreement is entered by and between the City of Oxnard ("City") and the person or entity listed as "(2) Consultant" on the Cover Page, subject to the following terms and conditions:

1. Scope of Services. Consultant shall provide to the City the services listed as "(3) Services" on the Cover Page (the "Services"). Consultant shall provide the Services during the term of this Agreement, as set forth below, according to the schedule written as "(4) Schedule of Services" on the Cover Page, and as further explained in the Scope of Services Exhibit, which is attached hereto and incorporated herein by this reference. In the event of any conflict between the terms of this Agreement and any incorporated document(s), the terms of this Agreement shall control.

2. Standard of Performance. Consultant shall undertake and complete the Services to conclusion using the standard of care, skill and diligence normally provided by a professional person in the performance of similar consulting services.

3. Correction of Errors. Consultant shall correct, at its expense, all errors which may be disclosed during review of the Services. Should Consultant fail to make such correction in a reasonably timely manner, such correction shall be made by City, and the cost thereof shall be paid by Consultant.

4. Term. This Agreement shall begin on the date that is written as "(1) Agreement Start Date" on the Cover Page and shall end on the date that is written as "(5) Agreement Ending Date" on the Cover Page. Time is of the essence in this Agreement.

5. Compensation. For the Services performed during the term of this Agreement, City shall pay Consultant an amount not to exceed the amount that is listed as "(6) Total Agreement Amount" on the Cover Page, at the rates listed in Rates and Costs Exhibit, attached hereto and incorporated herein by this reference. The rates in Rates and Costs Exhibit shall be in effect through the end of this Agreement. Except as otherwise expressly provided in this Agreement, the City shall not be responsible for expenses incurred by the Consultant in performing the Services.

6. Invoices. Consultant shall submit a payment request to the City by the end of each calendar month listing the Services provided, costs of those Services, and total amount due for the month. Each invoice must also list the current balance on the Agreement, including that invoice, as well as the months remaining on the term of the Agreement.

7. Acceptance of Payment. Consultant's acceptance of final payment made pursuant to this Agreement shall constitute a release of City from all claims and liabilities for compensation to Consultant for anything completed, finished or relating to the Services. City's payment shall not constitute nor be deemed a release of the responsibility and liability of Consultant for the accuracy and competency of the information provided and/or the Services performed hereunder, nor shall such payment be deemed to be an assumption of responsibility or liability by City for any defect or error in the Services performed by Consultant and its employees, agents and subcontractors. Consultant shall provide the City with a completed Request for Taxpayer Identification Number and Certification, as issued by the Internal Revenue Service. If any sales tax is due for the Services performed by Consultant or materials or products provided to City by Consultant, Consultant shall pay the sales tax. City shall not reimburse Consultant for sales taxes paid by Consultant.

8. Non-Appropriation of Funds. Payments to be made to Consultant by City for the Services performed within the current fiscal year are within the current fiscal budget and within an available, unexhausted and unencumbered appropriation of City. In the event City does not appropriate sufficient funds for payment of the Services beyond the current fiscal year, this Agreement shall cover payment for the Services only up to the conclusion of the last fiscal year in which City appropriated sufficient funds and shall automatically terminate at that fiscal year's conclusion.

9. Coordination of Services. The Services shall be coordinated with the person in the position listed in "(7) City's Project Manager" on the Cover Page, subject to the direction of the City Manager and Department Director. Consultant hereby designates the person in the position listed in "(8) Consultant's Project Manager" on the Cover Page as the person responsible for the Services who shall coordinate with City's Project Manager in making binding decisions in line with this Agreement on behalf of Consultant.

10. Personnel. Consultant represents that it has, or shall secure at its own expense, all personnel required to perform the Services. Any person who performs engineering services pursuant to this Agreement shall be licensed as a Civil Engineer by the State of California and in good standing. Consultant shall make reasonable efforts to maintain the continuity of Consultant's staff who are assigned to perform the Services. Consultant may associate with or employ associates or subcontractors in the performance of the Services, but at all times shall Vendor be responsible for its associates and subcontractors' labor, advice or materials provided in furtherance of providing the Services. Should any of Consultant's employees, assigns or subcontractors not conduct him- or herself appropriately, as determined by the City's Project Manager, in the process of providing the Services or any portion thereof, the City's Project Manager may notify the Consultant's Project Manager, who shall immediately handle the problem, as determined appropriate by him or her, such that the problem does not persist.

11. Additional Work. City may request additional specified work under this Agreement. The City's Project Manager must authorize all such work in writing before commencement. Consultant shall perform such work, and City shall pay for such additional work, in accordance with Rates and Costs Exhibit. Should the work not fall under any such listed rate or cost, Consultant shall submit a quote for all additional work, which the City's Project Manager must approve in writing before any such work may commence. The City shall compensate Consultant for any work that does not fall under a rate or cost listed in the Rates and Costs Exhibit, and for which Consultant did not obtain the City's Project Manager's written approval before work commenced, as determined by the City's Project Manager in his or her sole discretion.

12. Audit. City shall have the option of inspecting, auditing and/or reproducing all records and other written materials used by Consultant in preparing its billings to City as a condition precedent to any payment to Consultant. Consultant will promptly furnish all documents requested by City. Additionally, if this Agreement is in excess of \$10,000, the State Auditor may examine and audit Consultant for a period of 3 years after final payment under the Agreement. Regardless of whether a State audit is permitted, Consultant shall maintain and preserve all such records for a period of at least 3 years after final payment under the Agreement. Consultant shall include a copy of this Section 12 in all contracts with its subcontractors, and Consultant shall be responsible for immediately obtaining those records or other written material from its subcontractors upon a request by the State Auditor and/or City.

13. Termination. City may terminate this Agreement at any time, with or without cause and without penalty, upon 15 days prior written notice. Such termination shall be effective on the date specified in the notice, or if no date is specified, then 10 calendar days from the date of delivery or mailing of such notice. Consultant may terminate this Agreement at any time, with or without cause and without penalty, upon 30 days prior written notice. Such termination shall be effective on the date specified in the notice, or if no date is specified, then 10 calendar days from the date of delivery or mailing of such notice and only if all assignments accepted by Consultant have been completed before the date of termination. In the event of termination of this Agreement by either party due to no fault or failure of performance by Consultant, City shall pay Consultant compensation for all Services satisfactorily completed in accordance with all of the terms and provisions of this Agreement, as determined by the City, before the effective date of termination; provided, in no event shall the Consultant receive an amount exceeding that which would have been paid to Consultant for the full performance of the Services.

14. Hold Harmless, Defense and Indemnity.

If Consultant provides any architectural, landscape architectural, engineering or land surveying ("design professional") services, to the maximum extent permitted by law, Consultant shall hold harmless, defend, and indemnify City, its legislative and advisory bodies, and the City's officials, directors, officers, employees, and agents (collectively, "Indemnitees") from and against any and all claims, demands, causes of action, damages, injuries, liabilities, losses, penalties, fines, judgments, costs or expenses, including reimbursement of attorneys' fees, court costs and costs of alternative dispute resolution, including but not limited to those relating to death or injury to any person and injury to any property (collectively, "Claims"), to the extent that the Claims arise out of, pertain to, or relate to the negligence, recklessness, or willful misconduct of Consultant or of any of its officers, employees, subcontractors or agents in the performance of the Agreement or in the failure to comply with any of the obligations contained in this Agreement. Consultant's obligation to defend is a separate and distinct obligation from Consultant's duty to indemnify and applies through final judgment, including exhaustion of any appeals. Consultant shall be obligated to defend Indemnitees in all legal, equitable, administrative, or special proceedings, with counsel approved by the City Attorney, to the extent required herein immediately upon tender to Consultant of the Claim in any form or at any stage of an action or proceeding. The defense obligation includes the obligation to provide independent defense counsel if the Consultant asserts that the liability is caused in whole or in part by the negligence or willful misconduct of any of the Indemnitees.

If Consultant provides no design professional services, to the maximum extent permitted by law, Consultant shall hold harmless, defend and indemnify the Indemnitees from and against any and all Claims, which arise out of, pertain to, or relate to the performance of this Agreement, or the failure to comply with any of the obligations contained in this Agreement, by Consultant or of any of its officials, directors, officers, employees, subcontractors, or agents. Consultant's obligation to defend is a separate and distinct obligation from Consultant's duty to indemnify and applies through final judgment, including exhaustion of any appeals. Consultant shall be obligated to defend Indemnitees in all legal, equitable, administrative, or special proceedings, with counsel approved by the City Attorney, immediately upon tender to Consultant of the Claim in any form or at any stage of an action or proceeding. The defense obligation includes the obligation to provide independent defense counsel if Consultant asserts that the liability is caused in whole or in part by the negligence or willful misconduct of any of the Indemnitees.

a. The review, acceptance or approval of Consultant's work or work product by any of the Indemnitees shall not affect, relieve or reduce Consultant's indemnification or defense obligations. This Section 14 shall survive completion of the Services or termination of this Agreement. The provisions of this Section 14 shall not be restricted by and does not affect the provisions of this Agreement relating to insurance.

15. Insurance. Consultant shall obtain and maintain during the performance of any services under this Agreement the insurance coverages listed within the insurance document stated in "(9) Insurance Coverage" on the Cover Page and in the Insurance Exhibit, which is attached hereto and incorporated herein by this reference, unless the City's Risk Manager waives, in writing, the requirement that Consultant obtain and maintain such insurance coverages. Consultant shall, before performance of any Services, file with the City's Risk Manager evidence of insurance coverage as specified in "(9) Insurance Coverage" on the Cover Page and in the Insurance Exhibit. Maintenance of insurance coverages by Consultant is a material element of this Agreement. Consultant's failure to maintain or renew insurance coverages or to provide renewal evidence, and any lapse in insurance coverage, may be considered a material breach of this Agreement.

16. Documents and Materials.

a. All final computations, exhibits, files, plans, correspondence, reports, drawings, designs, data, photographs, specifications, information, images, video files, media, or other deliverables prepared, created, drawn, calculated, photographed or developed by Consultant pursuant to this Agreement, with the exception of audit workpapers ("Documents and Materials") shall be the City's property without restriction or limitation upon its use, duplication or dissemination. All Documents and Materials shall be considered "works made for hire," and all

Documents and Materials and any and all intellectual property rights arising from their creation, including, but not limited to, all copyrights and other proprietary rights, shall be and remain the property of the City without restriction or limitation upon their use, duplication or dissemination by the City. Consultant shall not obtain or attempt to obtain copyright protection as to any Documents and Materials. Consultant hereby assigns to the City all ownership and any and all intellectual property rights to the Documents and Materials that are not otherwise vested in the City pursuant to this Section 16.

b. Consultant shall deliver all Documents and Materials to City's Project Manager upon completion of the Services or termination of this Agreement without additional cost or expense to the City. Additionally, anytime at City's request, City shall be entitled to possession of, and Consultant shall furnish to City's Project Manager within 10 calendar days, any or all of the Documents and Materials without additional cost or expense to the City. In both situations, if Consultant prepares Documents and Materials on a computer, Consultant shall provide City with said Documents and Materials both in a printed format and in an electronic format that is acceptable to the City. Consultant may retain copies of these Documents and Materials but must request permission from the City before use, duplication or dissemination of these Documents and Materials for any purpose other than for the Services provided to the City pursuant to this Agreement.

c. Any substantive modification of the Documents and Materials by City staff or any use of the completed Documents and Materials for other City projects, or any use of incomplete Documents and Materials, without the written consent of Consultant, shall be at City's sole risk and without liability or legal exposure to Consultant.

d. Consultant warrants and represents that it has secured all necessary licenses, consents or approvals to use any instrumentality, thing or component as to which any intellectual property right exists, including computer software, used in the rendering of the Services and the production of all Documents and Materials, and that the City has full legal title to and the right to use, duplicate or disseminate the Documents and Materials. Consultant shall defend, indemnify and hold Indemnitees harmless from any loss, claim or liability in any way related to a claim that City's use of any of the Documents and Materials is violating federal, state or local laws, any contractual provisions, or any laws relating to trade names, licenses, franchises, copyrights, patents or other means of protecting intellectual property rights and/or interests in products or inventions. Consultant shall bear all costs arising from the use of patented, copyrighted, trade secret or trademarked documents, materials, equipment, devices or processes in connection with its provision of the services and Documents and Materials. In the event the use of any of the Documents and Materials by the City is held to constitute an infringement and the use of any of the same is enjoined, Consultant, at its own expense, shall: secure for City the right to continue using the Documents and Materials by suspension of any injunction, or by procuring a license or licenses for City; or modify the Documents and Materials so that they become non-infringing while remaining in compliance with the requirements of this Agreement.

e. This Section 16 shall survive the termination of this Agreement.

17. Confidentiality of Information.

a. For the purposes of this Agreement, "Confidential Information" means all information, in whatever form transmitted, relating to the past, present or future business affairs of the City, including without limitation, (i) technical information, including patent, copyright, trade secret, and other proprietary information, techniques, sketches, drawings, models, inventions, processes, apparatus, equipment, algorithms, software programs, software source documents, and formulas; or (ii) non-technical information, including without limitation finances, financial and accounting data and information with the exception of information contained in audit workpapers, suppliers, customers, customer lists, purchasing data and any other information belonging to the City or to a third party whose information is in the City's possession or control under obligations of confidentiality, and which is disclosed to Consultant or is developed by Consultant in whole or in part at the City's expense.

b. All Documents and Materials shall be considered Confidential Information and shall not be reproduced, transmitted, disclosed or used by the Consultant without the written consent of the City, except as may

be necessary for Consultant to fulfill its obligations to the City. Following Consultant's completion of the Services, Consultant shall promptly destroy all such confidential information in its possession or control, with the exception of information contained in audit workpapers, and certify such destruction to City in a writing signed by an authorized representative.

c. Notwithstanding the above, these limitations shall not apply to information that (i) is already known to Consultant at the time of that information's disclosure or becomes publicly known through no wrongful act or omission of Consultant, (ii) is communicated to a third party with the express written consent of City and is not subject to restrictions on further use or disclosure, (iii) is independently developed by Consultant and has no relation to this Agreement, or (iv) is required by law, court order, court-issued subpoena or other legal process to be disclosed; provided, however, that before making such disclosure, Consultant shall immediately provide City with written notice and a reasonable opportunity for City to object to the disclosure or to take action to maintain the confidentiality of the information, unless such prior disclosure is legally impermissible.

d. Consultant shall use reasonable care to protect the Confidential Information. In the event of a breach or threatened breach of this Agreement, City shall be entitled to obtain an injunction prohibiting any such breach, the costs of which shall be paid by Consultant. Any relief granted shall be in addition to and not in lieu of any other legal or equitable relief, including money damages. The parties acknowledge that Confidential Information is valuable and unique and that disclosure of the Confidential Information in breach of this Agreement may result in irreparable injury to the City.

e. Other than an obligation upon the City to deal in good faith, the City makes no warranties and shall bear no liability or responsibility for errors or omissions in any Confidential Information disclosed under this Agreement or for any business decisions made by Consultant in reliance on any Confidential Information disclosed under this Agreement.

f. This Section 17 shall survive the termination of this Agreement.

18. Independent Contractor. Consultant is and shall at all times remain, as to City, a wholly independent contractor. Neither City nor any of its employees or agents shall have control over the conduct of Consultant or any of its employees, except as stated in this Agreement. Consultant has and shall retain the right to exercise full control over the employment, direction, means of performance, location, compensation and discharge of all persons assisting Consultant, and it is free to dispose of all portions of its time which it is not obligated to devote to City in such a manner and to such persons, firms, or corporations as Consultant wishes except as expressly provided in this Agreement. This Agreement shall not be interpreted to prevent or preclude Consultant from rendering any services for Consultant's own account or to any other person or entity as Consultant in its sole discretion shall determine; provided, however, that performing such services shall not materially interfere with the Services Consultant shall perform for the City. Except as City's Project Manager specifies in writing, Consultant and its employees and agents have no authority, express or implied, to act on behalf of City in any capacity, to incur any debt, obligation or liability on behalf of City, bind City in any manner, or otherwise act on behalf of City as an agent. Consultant and its employees are not employees of the City. Consultant and its employees are not entitled to receive from City any of the benefits or rights afforded employees of City, including but not limited to reserve leave, sick leave, vacation leave, holiday leave, compensatory leave, Public Employees Retirement System benefits, and health, life, dental, long-term disability and workers' compensation insurance benefits. Consultant shall not, at any time or in any manner, represent that it or any of its agents or employees are in any manner agents or employees of the City. Consultant agrees to pay all required taxes on amounts paid to Consultant under this Agreement, and to indemnify and hold City harmless from any and all taxes, assessments, penalties, and interest asserted against City by reason of the independent contractor relationship created by this Agreement. Consultant shall be solely responsible for, and shall save City harmless from, all matters relating to the payment of Consultant's subcontractors, material suppliers, directors, officers, employees, agents and representatives, including compliance with social security requirements, federal and State income tax withholding, and all other regulations governing employer-employee relations, as applicable. City shall have the right to offset against the amount of any compensation due to Consultant under this Agreement any amount due to City from Consultant as a result of its failure to promptly pay to City any reimbursement or indemnification arising under this Section 18.

19. Nondiscriminatory Employment. Consultant shall not unlawfully discriminate against any individual based on race, color, religion or religious creed, national origin, ancestry, ethnic group identification, primary language, physical disability, mental disability, medical condition, genetic information, marital status, gender, gender identity, gender expression, sex, sexual orientation, age, immigration status, citizenship or military and veteran status. Consultant understands and agrees that it is bound by and will comply with all legal nondiscrimination mandates. For every subcontractor who will perform Services, Consultant shall be responsible for such subcontractor's compliance with this Section 19.

20. Consultant's Representations. Consultant represents, covenants and guarantees that: a) Consultant is licensed, qualified, and capable of furnishing the labor, materials, and expertise necessary to perform the Services in accordance with the terms and conditions set forth in this Agreement; b) there are no obligations, commitments, or impediments of any kind that will limit or prevent Consultant's full performance under this Agreement; c) to the extent required by the standard of practice, Consultant has investigated and considered the scope of Services performed, has carefully considered how the Services should be performed, and understands the facilities, difficulties and restrictions attending performance of the Services under this Agreement.

21. Compliance with Laws. In performing the Services under this Agreement, Consultant shall comply with all applicable laws, ordinances and regulations. Before providing any Services under this Agreement, Consultant shall, at its own expense, obtain and maintain all required certificates, licenses and permits, including a City business tax certificate.

22. Conflict of Interest. If, in performing the Services set forth in this Agreement, Consultant makes, or participates in, a "governmental decision" as described in Title 2, Section 18701(a)(2) of the California Code of Regulations, or performs the same or substantially all the same duties for City that would otherwise be performed by a City employee holding a position specified in City's conflict of interest code, Consultant shall be subject to City's conflict of interest code, the requirements of which include the filing of one or more statements of economic interests disclosing the relevant financial interests of Consultant's personnel providing the Services set forth in this Agreement. Furthermore, Consultant shall not to accept any employment or representation during the term of this Agreement or within 12 months after completion of the Services which is or may likely make Consultant "financially interested," as provided in California Government Code Sections 1090 and 87100, in any decisions made by City on any matter in connection with which Consultant has been retained pursuant to this Agreement.

23. Fictitious Name. If Consultant has a fictitious name, Consultant shall submit to the City a new Fictitious Business Name Statement approved by any California county before Consultant's prior Fictitious Business Name Statement expires if such expiration may occur during the term of this Agreement, including any term amendment.

24. Non-Assignability. This Agreement contemplates personal performance by Consultant and is based upon a determination of Consultant's personnel's unique competence, experience and specialized personal knowledge. Consultant shall not assign or transfer any interest in this Agreement or any part thereof, whether by assignment or novation, without City's prior written consent, which may be withheld for any reason or for no reason at all. Any purported assignment without written consent shall be null, void, and of no effect, and Consultant shall hold harmless, defend and indemnify Indemnitees from and against all Claims arising from or relating to any unauthorized assignment.

25. Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the heirs, executors, administrators, successors and assigns of Consultant.

26. Applicable Law; Venue. The validity, interpretation, and performance of this Agreement shall be controlled by and construed under the laws of the State of California, excluding California's choice of law rules. Venue for any such action relating to the Agreement shall be in the Ventura County Superior Court.

27. Titles. The titles used in this Agreement are for convenience only and shall in no way define, limit or describe the scope or intent of this Agreement or any part of it.

28. Force Majeure. Neither City nor Consultant shall be responsible for delays or failures in performance resulting from acts beyond the control of either party. Such acts shall include but are not be limited to acts of God, riots, acts of war, epidemics, fire, earthquakes, or other disasters.

29. Authority. Any person executing this Agreement on behalf of Consultant warrants and represents that s/he has the authority to execute this Agreement on behalf of Consultant and to bind it to the performance of these obligations.

30. Binding Agreement. The parties do not intend this Agreement to be binding upon them and shall not be held liable to its terms until it is fully executed by all required signers.

31. Integration; Amendment. This Agreement, including any other documents incorporated herein by specific reference, constitutes the entire and integrated agreement of City and Consultant regarding the subject matter described herein. This Agreement supersedes all prior oral or written communications, negotiations, representations, agreements and promises. This Agreement may not be modified or amended, nor any provision or breach waived, except in a writing, signed by both parties, that expressly refers to this Agreement.

32. Construction. In the event of any asserted ambiguity in or dispute regarding the interpretation of any matter herein, the interpretation of this Agreement shall not be resolved by any rules of construction providing for interpretation against the party who causes the uncertainty to exist or who drafted the Agreement in whole or in part.

33. No Waiver. Waiver by either party of any one or more of the conditions of performance under this Agreement shall not be a waiver of any other condition of performance under this Agreement. In no event shall the making by City of any payment to Consultant constitute or be construed as a waiver by City of any breach of covenant, or any default that may then exist on the part of Consultant, and the making of any such payment by City shall in no way impair or prejudice any right or remedy available to City with regard to such breach or default.

34. Attorneys' Fees. The prevailing party shall be entitled to recover reasonable costs, attorneys' fees (including the reasonable value of the services rendered by the City Attorney's Office) and expenses, including investigation fees and expert witness fees, in addition to any other relieve to which that party may be entitled, in any legal action or other proceeding, including an action for declaratory relief, for the enforcement of this Agreement or because of an alleged dispute, breach, default or misrepresentation in connection with this Agreement.

35. Notice. Except as otherwise required by law, a notice or communication authorized or required by this Agreement shall be in writing and shall be deemed received—on (a) the day of delivery if delivered by hand or overnight courier service during City's regular business hours or (b) the third business day following deposit in the United States mail, postage prepaid—to the addresses listed as "(10) Addresses for Notice" on the Cover Page or at such other address as one party may notify the other in writing.

36. Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original and all of which, when taken together, shall be deemed to be one and the same agreement. A signed copy of this Agreement transmitted by email to Project Managers' emails listed in "(11) Contact Emails" on the Cover Page or by other means of electronic transmission shall be deemed to have the same legal effect as delivery of an original executed copy of this Agreement for all purposes.

37. Severability. If any term or portion of this Agreement is held to be invalid, illegal, or otherwise unenforceable by a court of competent jurisdiction, the remaining provisions of this Agreement shall continue in full force and effect.

Agreement No. A-8223

[Signatures on next page]

IN WITNESS WHEREOF, the parties hereto have executed the Agreement on the date that is written as "(1) Agreement Start Date" on the Cover Page.

CITY OF OXNARD

- ☒ Tim Flynn, Mayor
☐ Alexander Nguyen, City Manager
☐ Dan Willhite, Purchasing Manager
☐ Jose Chavez, Purchasing Agent

Eadie and Payne

_____	Date
Name, Title	
<u>Tim Flynn</u>	<u>5/19/20</u> Date
_____	Date
_____	Date
_____	Date

ATTEST:

Michelle Ascension, City
Clerk (only if Mayor signs)

<u>Michelle Ascension</u>	Date <u>5/19/20</u>
_____	Date

APPROVED AS TO FORM:

Stephen M. Fischer, City Attorney

<u>[Signature]</u>	Date <u>5/18/2020</u>

SCOPE OF SERVICES EXHIBIT

- Please refer to Eadie and Payne response to the RFP for a detailed description of the scope of services attached in **Tab D of Eadie and Paynes Request for Proposal Response.**

RATES AND COSTS EXHIBIT

Hourly rate detailed by partner, senior manager, manager, field supervisor and other staff.

SERVICE PROPOSAL

Title	Per hour Cost	Title	Per hour Cost
Partner	\$ 280	Supervisor	\$ 175
Director	\$ 250	Senior	\$150
Manager	\$ 200	Staff	\$ 125

City Audit and Related Reports	2019/20	2020/21	2021/22	2022/23	2023/24
State Controller Reports: 1) Cities Financial Transactions Report 2) Special Districts Financial Transactions Report City of Oxnard Financing Authority 3) Annual Street Report	\$11,700	\$11,700	\$12,100	\$12,100	\$12,500
Single Audit Report	\$16,800	\$16,800	\$17,300	\$17,300	\$17,800
CAFR audit	\$157,500	\$157,500	\$161,300	\$161,300	\$165,200
CAFR preparation	\$19,600	\$19,600	\$20,200	\$20,200	\$20,800
Measure O Report	\$5,000	\$5,000	\$5,200	\$5,200	\$5,400
Total for Fiscal Year (not-to-exceed)	\$210,600	\$210,600	\$216,100	\$216,100	\$221,700

INSURANCE EXHIBIT

Exhibit INS-B

INSURANCE REQUIREMENTS FOR CONSULTANTS (WITHOUT ERRORS AND OMISSIONS REQUIREMENT)

1. Consultant shall obtain and maintain during the performance of any services under this Agreement the following insurance against claims for injuries to persons or damages to property which may arise from or in connection with the performance of services hereunder by Consultant, its agents, representatives, employees or subconsultants.

a. Commercial General Liability Insurance, including Contractual Liability, in an amount not less than \$1,000,000 combined single limit for bodily injury and property damage for each claimant for general liability with coverage equivalent to Insurance Services Office Commercial General Liability Coverage (Occurrence Form CG 0001). If a general aggregate limit is used, that limit shall apply separately to the project or shall be twice the occurrence amount;

b. Business automobile liability insurance in an amount not less than \$1,000,000 combined single limit for bodily injury and property damage for each claimant for automobile liability with coverage equivalent to Insurance Services Office Automobile Liability Coverage (Occurrence Form CA0001) covering Code No. 1, "any auto";

c. Workers' compensation insurance in compliance with the laws of the State of California, and employer's liability insurance in an amount not less than \$1,000,000 per claimant. Additionally, the workers' compensation policy shall include a waiver of all rights of subrogation which the insurer may have against the City.

2. Consultant shall, prior to performance of any services, file with the Risk Manager certificates of insurance with original endorsements affecting coverage required by this Exhibit INS-B. The certificates and endorsements for each insurance policy are to be signed by a person authorized by that insurer to bind coverage on its behalf. The certificates and endorsements are to be on the attached forms or on other forms approved by the Risk Manager. All certificates and endorsements are to be received and approved by the Risk Manager before work commences. City reserves the right to require complete certified copies of all required insurance policies at any time. The certificates of insurance and endorsements shall be sent via email (or fax if necessary) to the Risk Manager, addressed as follows (do not send hard copies):

City of Oxnard
Insurance Compliance
Reference No.
P.O. Box 100085 - OX
Duluth, GA 30096
Via Email: cityofoxnard@ebix.com
Via Fax: 678-259-1007

3. Consultant agrees that all insurance coverages shall be provided by a California admitted insurance carrier with an A.M. Best rating of A:VII or better and shall be endorsed to state that coverage may not be suspended, voided, canceled by either party, or reduced in coverage or limits without 30 days' prior written notice to the Risk Manager. The Risk Manager shall not approve or accept any endorsement if the endorsement contains "best effort" modifiers or if the insurer is relieved from the responsibility to give such notice.

4. Consultant agrees that the commercial general liability and business automobile liability insurance policies shall be endorsed to name City, its City Council, officers, employees and volunteers as additional insureds as respects: liability arising out of activities performed by or on behalf of Consultant; products and completed operations of Consultant; premises owned, occupied or used by Consultant; or automobiles owned, leased, hired or borrowed by Consultant. The coverage shall contain no special limitations on the scope of protection afforded to City, its City Council, officers, employees and volunteers. **The General liability Special Endorsement Form and Automobile Liability Special Endorsement Form attached to this Exhibit INS-B or substitute forms containing the same information and acceptable to the Risk Manager shall be used to provide the endorsements (ISO form CG 2010 11/85 or if not available, CG 2010 with an edition date prior to 01/04 and CG 2037).**

5. The coverages provided to City shall be primary and not contributing to or in excess of any existing City insurance coverages (**this must be endorsed**). Additionally, the workers' compensation policy shall include a waiver of all rights of subrogation which the insurer may have against the City. Any failure to comply with reporting provisions of the policies shall not

Ex. K-5

OXNARD0000758

affect coverage provided to City, its City Council, officers, employees and volunteers. The insurance shall apply separately to each insured against whom claim is made or suit is brought, except with respect to the limits of the insurer's liability.

6. Any deductibles or self-insured retentions must be declared to and approved by the Risk Manager. At the option of the Risk Manager, either the insurer shall reduce or eliminate such deductibles or self-insured retentions as respects City, its City Council, officers, employees and volunteers, or the contractor shall procure a bond guaranteeing payment of losses and related investigations, claim administration and defense expenses.

7. All insurance standards applicable to Consultant shall also be applicable to Consultant's subconsultants. Consultant agrees to maintain appropriate agreements with subconsultants and to provide proper evidence of coverage upon receipt of a written request from the Risk Manager.

INSTRUCTION FOR SUBMITTING INSURANCE CERTIFICATES AND ENDORSEMENT FORMS

Certificates of Insurance

The sample accord form on the following page is provided to facilitate your preparation and submission of certificates of insurance. You may use this or any industry form that shows coverage as broad as that shown on the attached sample. **Please note the certificate holder address must be as shown on the attached sample accord form with the contract number and insurance exhibit identification information completed.** Improperly addressed certificates may delay the contract start-up date because the City's practice is to return unidentifiable insurance certificates to the insured for clarification as to the contract number. **Cancellation provisions must be endorsed to the policy. Modifying the certificate does not change coverage or obligate the carrier to provide notes of cancellation.**

Endorsement Forms

Original endorsements are required for general liability and automobile liability insurance policies and must be attached to the applicable certificate of insurance. City preference is that you use the endorsement forms which are attached. Substitute forms will be accepted, however, as long as they include provisions comparable to the attached.

INS-B.doc

ACORD CERTIFICATE OF INSURANCE

ISSUE DATE (MM/DD/YY)

PRODUCER

THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW.

CODE

SUB-CODE

COMPANIES AFFORDING INSURANCE COVERAGE

INSURED

COMPANY
LETTER A

SPECIFY COMPANY NAMES IN THIS SPACE

COMPANY
LETTER B

COVERAGES

PLEASE BE CERTAIN THAT THE POLICIES OF INSURANCE LISTED BELOW HAVE ALL BEEN ISSUED TO THE INSURED NAME. I ADDITION, THE POLICY SHOULD BE ISSUED TO THE INSURED NAME. ANY ALTERATION, TERM OR CONDITION OF ANY POLICY OR COVERAGE DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY BE CLAIMED, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED BELOW IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND LIMITATIONS OF SUCH POLICIES. LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

CO- LTR	TYPE OF INSURANCE	POLICY NUMBER	POLICY EFFECTIVE DATE (MM/DD/YY)	POLICY EXPIRATION DATE (MM/DD/YY)	LIMITS
A	GENERAL LIABILITY (A) COMMERCIAL GENERAL LIABILITY (B) PUBLIC LIABILITY (C) OWNERS & CONDOMINIUMS				GENERAL AGGREGATE \$1,000,000 PRODUCTS COMPLETED AGGREGATE \$1,000,000 PERSONAL & AUTO LIABILITY \$1,000,000 AUTOMOBILE LIABILITY \$1,000,000 BODILY INJURY (Any one person) \$ MEDICAL EXPENSE (Any one person) \$
A	AUTOMOBILE LIABILITY (A) ANY AUTO (B) OWNED AUTOMOBILES (C) NON-OWNED AUTOMOBILES (D) GARAGE LIABILITY				COMBINED SINGLE LIMIT \$1,000,000 BODILY INJURY (Any one person) \$ BODILY INJURY (Any one person) \$ PROPERTY DAMAGE \$
A	EXCESS LIABILITY (A) BODILY INJURY (B) PROPERTY DAMAGE				BODILY INJURY \$ PROPERTY DAMAGE \$
A	WORKERS' COMPENSATION AND EMPLOYERS' LIABILITY				STATE MANDATED LIMITS EMPLOYERS' LIABILITY \$1,000,000 DISABILITY BENEFIT \$1,000,000 DEATH BENEFIT \$1,000,000
A	OTHER				

DESCRIPTION OF OPERATING LOCATIONS, VEHICLES, AUTOMOBILES, ETC., IF ANY:

CERTIFICATE HOLDER

CITY OF OXNARD
Attn: Insurance Compliance
Reference No. _____
P.O. Box 100085 - OX
Duluth, GA 30086
Via Email: cityofoxnard@ebix.com
Via Fax: 678-259-1007

CANCELLATION

IF YOU WANT TO CANCEL THIS POLICY, YOU MUST DO SO BEFORE THE EXPIRATION DATE. THE CANCELLATION COMPANY WILL BE RESPONSIBLE FOR THE CANCELLATION. IF YOU WANT TO CANCEL THIS POLICY, YOU MUST DO SO BEFORE THE EXPIRATION DATE. THE CANCELLATION COMPANY WILL BE RESPONSIBLE FOR THE CANCELLATION.

ALL INFORMATION SUBJECT TO CHANGE

SUBMIT IN DUPLICATE			
GENERAL LIABILITY SPECIAL ENDORSEMENT FOR THE CITY OF OXNARD (the "City")			ENDORSEMENT NO.
			ISSUE DATE (MM/DD/YY)
PRODUCER Telephone:	POLICY INFORMATION: Insurance Company: Policy No.: Policy Period: (from) _____ (to) _____ LOSS ADJUSTMENT EXPENSE (to) Included in Limits In Addition to Limits Deductible Self-Insured Retention (check which) of \$ _____ with an Aggregate of \$ _____ applies to coverage. Per Occurrence Per Claim (which)		
NAMED INSURED 	APPLICABILITY This insurance pertains to the operations, products and/or tenancy of the named insured under all written agreements and permits in force with the City unless checked here in which case only the following specific agreements and permits with the City are covered: 		
TYPE OF INSURANCE	CITY AGREEMENTS/PERMITS		
GENERAL LIABILITY COMMERCIAL GENERAL LIABILITY COMPREHENSIVE GENERAL LIABILITY OWNERS & CONTRACTORS PROTECTIVE		OTHER PROVISIONS	
COVERAGES		LIABILITY LIMITS IN THOUSANDS \$ EACH OCCURRENCE AGGREGATE	
GENERAL PRODUCTS/COMPLETED OPERATIONS PERSONAL & ADVERTISING INJURY FIRE DAMAGE		Underwriter=s representative for claims pursuant to this insurance. CLAIMS: Name: Address: Telephone: ()	

In consideration of the premium charged and notwithstanding any inconsistent statement in the policy to which this endorsement is attached or any endorsement now or hereafter attached thereto, Insurance company agrees as follows:

1. **INSURED.** The City, its officers, agents, employees and volunteers are included as insureds with regard to liability and defense of suits arising from the operations, products and activities performed by or on behalf of the named insured.
 2. **CONTRIBUTION NOT REQUIRED.** As respects: (a) work performed by the named insured for or on behalf of the City; or (b) products sold by the named insured to the City; or (c) premises leased by the named insured from the City, the insurance afforded by this policy shall be primary insurance as respects the City, its officers, agents, employees or volunteers; or stand in an unbroken chain of coverage excess of the named insured's scheduled underlying primary coverage. In either event, any other insurance maintained by the City, its officers, agents, employees or volunteers shall be in excess of this insurance and shall not contribute with it.
 3. **SEVERABILITY OF INTEREST.** This insurance applies separately to each insured against whom claim is made or suit is brought except with respect to the company's limits of liability. The inclusion of any person or organization as an insured shall not affect any right which such person or organization would have as a claimant if not so included.
 4. **CANCELLATION NOTICE.** With respect to the interests of the City, this insurance shall not be canceled, or materially reduced in coverage or limits except after thirty (30) days prior written notice by receipted delivery has been given to the City.
 5. **PROVISIONS REGARDING THE INSURED'S DUTIES.** Any failure to comply with reporting provisions of the policy or breaches or violations of warranties shall not affect coverage provided to the City, its officers, agents, employees or volunteers.
 6. **SCOPE OF COVERAGE.** This policy, if primary, affords coverage at least as broad as:
 - a. Insurance Services Office Commercial General Liability Coverage, "occurrence" form CG0001; or
 - b. If excess, affords coverage which is at least as broad as the primary insurance form CG0001.
- Except as stated above nothing herein shall be held to waive, alter or extend any of the limits, conditions, agreements or exclusions of the policy to which this endorsement is attached.

ENDORSEMENT HOLDER

CITY OF OXNARD
Attn: Insurance Compliance
Reference No. _____
P.O. Box 100085 - OX
Duluth, GA 30096
Via Email: cityofoxnard@ebix.com
Via Fax: 678-259-1007

AUTHORIZED REPRESENTATIVE

Broker/Agent Underwriter

I, _____ (print/type name), warrant that I have authority to bind the above-mentioned insurance company and by my signature hereon do so bind this company to this endorsement.

Signature

(original signature required)

Telephone: ()

Date Signed

OXNARD0000763

In consideration of the premium charged and notwithstanding any inconsistent statement in the policy to which this endorsement is attached or any endorsement now or hereafter attached thereto, insurance company agrees as follows:

1. **INSURED.** The City, its officers, agents, volunteers and employees are included as insureds with regard to liability and defense of suits arising from the operations, products and activities performed by or on behalf of the named insured.
2. **CONTRIBUTION NOT REQUIRED.** As respects: (a) work performed by the named insured for or on behalf of the City; or (b) products sold by the named insured to the City; or (c) premises leased by the named insured from the City, the insurance afforded by this policy shall be primary insurance as respects the City, its officers, agents, employees or volunteers; or stand in an unbroken chain of coverage excess of the named insured's scheduled underlying primary coverage. In either event, any other insurance maintained by the City, its officers, agents, employees or volunteers shall be in excess of this insurance and shall not contribute with it.
3. **SEVERABILITY OF INTEREST.** This insurance applies separately to each insured against whom claim is made or suit is brought except with respect to the company's limits of liability. The inclusion of any person or organization as an insured shall not affect any right which such person or organization would have as a claimant if not so included.
4. **CANCELLATION NOTICE.** With respect to the interests of the City, this insurance shall not be canceled, or materially reduced in coverage or limits except after thirty (30) days prior written notice by receipted delivery has been given to the City.
5. **PROVISIONS REGARDING THE INSURED'S DUTIES.** Any failure to comply with reporting provisions of the policy or breaches or violations of warranties shall not affect coverage provided to the City, its officers, agents, employees or volunteers.
6. **SCOPE OF COVERAGE.** This policy, if primary, affords coverage at least as broad as:
 - a. Insurance Services Office Automobile Liability Coverage, "occurrence" form CA0001, code ("any auto"); or
 - b. If excess, affords coverage which is at least as broad as the primary insurance form referenced in the preceding section (1).
 Except as stated above nothing herein shall be held to waive, alter or extend any of the limits, conditions, agreements or exclusions of the policy to which this endorsement is attached.

ENDORSEMENT HOLDER

CITY OF OXNARD
Attn: Insurance Compliance
Reference No. _____
P.O. Box 100085 – OX
Duluth, GA 30096
Via Email:
cityofoxnard@ebix.com
Via Fax: 678-259-1007

AUTHORIZED REPRESENTATIVE

Broker/Agent Underwriter

I, _____ (print/type name), warrant that I have authority to bind the above-mentioned insurance company and by my signature hereon do so bind this company to this endorsement.

Signature

(original signature required)

Telephone: ()

Date Signed

Agreement No. A-8223

Eadic and Paynes Request for Proposal Response

Ex. K-5

OXNARD0000765

EXHIBIT 13

A-8223

June 9, 2020

Honorable Members of the City Council
City of Oxnard
300 W. Third St
Oxnard, CA 93030

Dear Council Members:

We are pleased to confirm our understanding of the services we are to provide to the City of Oxnard (City) for the year ended June 30, 2020. This letter, and the attached Terms and Conditions Addendum and any other attachments incorporated herein (collectively, "Agreement"), confirms our understanding of the terms and objectives of our engagement and the nature and limitations of the services we will provide. The engagement between you and our firm will be governed by the terms of this Agreement.

You have requested that we audit the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2020, and for the year then ended and the related notes, which collectively comprise the City's basic financial statements as listed in the table of contents.

In addition, we will audit the entity's compliance over major federal award programs for the period ended June 30, 2020. We are pleased to confirm our acceptance and our understanding of this audit engagement by means of this letter. Our audit will be conducted with the objective of our expressing an opinion on each opinion and an opinion on compliance regarding the entity's major federal award programs.

Accounting principles generally accepted in the United States of America, (U.S. GAAP,) as promulgated by the Governmental Accounting Standards Board (GASB) require that certain required supplementary information (RSI), such as management's discussion and analysis (MD&A), be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the GASB, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. As part of our engagement, we will apply certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, (U.S. GAAS). These limited procedures will consist primarily of inquiries of management regarding their methods of measurement and presentation, and comparing the information for consistency with management's responses to our inquiries. We will not express an opinion or provide any form of assurance on the RSI.

**EADIE + PAYNE***Celebrating a Century
of Quality Service***Eadie + Payne, LLP**

3880 Lemon St., Ste. 300
Riverside, CA 92501

P.O. Box 1529
Riverside, CA 92502-1529

Office: 951-241-7800

www.eadielpaynellp.com

**Certified Public Accountants
& Business Advisors**

Ex. K-6

OXNARD0000766

The following RSI is required by U.S. GAAP. This RSI will be subjected to certain limited procedures but will not be audited:

1. Management's Discussion and Analysis;
2. General Fund and Major Special Revenue Fund Budgetary Comparison Schedules;
3. Schedules of Changes in Net Pension Liability and Related Ratios;
4. Schedule of Proportionate Share of the Net Pension Liability and Related Ratios;
5. Schedule of Plan Contributions;
6. Schedule of Changes in Net OPEB Liability and Related Ratios;
7. Schedule of contributions – OPEB; and
8. Notes to required supplementary information.

Supplementary information other than RSI will accompany the City's basic financial statements. We will subject the following supplementary information to the auditing procedures applied in our audit of the basic financial statements and perform certain additional procedures, including comparing and reconciling the supplementary information to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and additional procedures in accordance with U.S. GAAS. We intend to provide an opinion on the following supplementary information in relation to the basic financial statements as a whole:

1. Individual and combining fund financial statements.

Also, the document we submit to you will include the following other additional information that will not be subjected to the auditing procedures applied in our audit of the basic financial statements:

1. Introductory section; and
2. Statistical section.

Schedule of Expenditures of Federal Awards

We will subject the schedule of expenditures of federal awards to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling the schedule to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and additional procedures in accordance with auditing standards generally accepted in the United States of America. We intend to provide an opinion on whether the schedule of expenditures of federal awards is presented fairly in all material respects in relation to the financial statements as a whole.

Data Collection Form

Prior to the completion of our engagement, we will complete the sections of the Data Collection Form that are our responsibility. The form will summarize our audit findings, amounts and conclusions. It is management's responsibility to submit a reporting package including financial statements, schedule of expenditure of federal awards, summary schedule of prior audit findings and corrective action plan along with the Data Collection Form to the federal audit clearinghouse. The financial reporting package must be text searchable, unencrypted, and unlocked. Otherwise, the reporting package will not be accepted by the federal audit clearinghouse. We will assist you in the electronic submission and certification. You may request from us copies of our report for you to include with the reporting package submitted to pass-through entities.

The Data Collection Form is required to be submitted within the *earlier* of 30 days after receipt of our auditors' reports or nine months after the end of the audit period, unless specifically waived by a federal cognizant or oversight agency for audits. Data Collection Forms submitted untimely are one of the factors in assessing programs at a higher risk.

Audit of the Financial Statements

We will conduct our audit in accordance with auditing standards generally accepted in the United States of America; and the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and, if applicable, in accordance with any state or regulatory audit requirements. Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the basic financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the basic financial statements, whether due to fraud or error, misappropriation of assets, or violations of laws, governmental regulations, grant agreements, or contractual agreements.

An audit also includes evaluating the appropriateness of accounting policies used, and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the basic financial statements. If appropriate, our procedures will therefore include tests of documentary evidence that support the transactions recorded in the accounts, tests of the physical existence of inventories, and direct confirmation of cash, investments, and certain other assets and liabilities by correspondence with creditors and financial institutions. As part of our audit process, we will request written representations from your attorneys, and they may bill you for responding. At the conclusion of our audit, we will also request certain written representations from you about the basic financial statements and related matters.

Because of the inherent limitations of an audit, together with the inherent limitations of internal control, an unavoidable risk that some material misstatements or noncompliance (whether caused by errors, fraudulent financial reporting, misappropriation of assets, detected abuse, or violations of laws or governmental regulations) may not be detected exists, even though the audit is properly planned and performed in accordance with U.S. GAAS and *Government Auditing Standards* of the Comptroller General of the United States of America and, if applicable, in accordance with any state or regulatory audit requirements. Please note that the determination of abuse is subjective and *Government Auditing Standards* does not require auditors to detect abuse.

In making our risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the basic financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. However, we will communicate to you in writing concerning any significant deficiencies or material weaknesses in internal control relevant to the audit of the basic financial statements that we have identified during the audit. Our responsibility as auditors is limited to the period covered by our audit and does not extend to any other periods.

We will issue a written report upon completion of our audit of the City's basic financial statements. Our report will be addressed to the governing body of the City. We cannot provide assurance that unmodified opinions will be expressed. Circumstances may arise in which it is necessary for us to modify our opinions, add an emphasis-of-matter or other-matter paragraph(s), or withdraw from the engagement.

In accordance with the requirements of *Government Auditing Standards*, we will also issue a written report describing the scope of our testing over internal control over financial reporting and over compliance with laws, regulations, and provisions of grants and contracts, including the results of that testing. However, providing an opinion on internal control and compliance over financial reporting will not be an objective of the audit and, therefore, no such opinion will be expressed.

Audit of Major Program Compliance

Our audit of the City's major federal award program(s) compliance will be conducted in accordance with the requirements of the Single Audit Act, as amended; and the Uniform Guidance, and will include tests of accounting records, a determination of major programs in accordance with the Uniform Guidance and other procedures we consider necessary to enable us to express such an opinion on major federal award program compliance and to render the required reports. We cannot provide assurance that an unmodified opinion on compliance will be expressed. Circumstances may arise in which it is necessary for us to modify our opinion or withdraw from the engagement.

The Uniform Guidance requires that we also plan and perform the audit to obtain reasonable assurance about whether the entity has complied with applicable laws and regulations and the provisions of contracts and grant agreements applicable to major federal award programs. Our procedures will consist of determining major federal programs and performing the applicable procedures described in the U.S. Office of Management and Budget *OMB Compliance Supplement* for the types of compliance requirements that could have a direct and material effect on each of the entity's major programs. The purpose of those procedures will be to express an opinion on the entity's compliance with requirements applicable to each of its major programs in our report on compliance issued pursuant to the Uniform Guidance.

Also, as required by the Uniform Guidance, we will perform tests of controls to evaluate the effectiveness of the design and operation of controls that we consider relevant to preventing or detecting material noncompliance with compliance requirements applicable to each of the entity's major federal award programs. However, our tests will be less in scope than would be necessary to render an opinion on these controls and, accordingly, no opinion will be expressed in our report.

We will issue a report on compliance that will include an opinion or disclaimer of opinion regarding the entity's major federal award programs, and a report on internal controls over compliance that will report any significant deficiencies and material weaknesses identified; however, such report will not express an opinion on internal control.

Management Responsibilities

Our audit will be conducted on the basis that management and, when appropriate, those charged with governance acknowledge and understand that they have responsibility:

1. For the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America;
2. For the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error;
3. For identifying, in its accounts, all federal awards received and expended during the period and the federal programs under which they were received, including federal awards and funding increments received prior to December 26, 2014 (if any), and those received in accordance with the Uniform Guidance (generally received after December 26, 2014);
4. For maintaining records that adequately identify the source and application of funds for federally funded activities;
5. For preparing the schedule of expenditures of federal awards (including notes and noncash assistance received) in accordance with the Uniform Guidance;
6. For the design, implementation, and maintenance of internal control over federal awards;
7. For establishing and maintaining effective internal control over federal awards that provides reasonable assurance that the nonfederal entity is managing federal awards in compliance with federal statutes, regulations, and the terms and conditions of the federal awards;
8. For identifying and ensuring that the entity complies with federal statutes, regulations, and the terms and conditions of federal award programs and implementing systems designed to achieve compliance with applicable federal statutes, regulations, and the terms and conditions of federal award programs;
9. For disclosing accurately, currently, and completely the financial results of each federal award in accordance with the requirements of the award;
10. For identifying and providing report copies of previous audits, attestation engagements, or other studies that directly relate to the objectives of the audit, including whether related recommendations have been implemented;
11. For taking prompt action when instances of noncompliance are identified;
12. For addressing the findings and recommendations of auditors, for establishing and maintaining a process to track the status of such findings and recommendations and taking corrective action on reported audit findings from prior periods and preparing a summary schedule of prior audit findings;
13. For following up and taking corrective action on current year audit findings and preparing a corrective action plan for such findings;
14. For submitting the reporting package and data collection form to the appropriate parties;
15. For making the auditor aware of any significant contractor relationships where the contractor is responsible for program compliance;
16. To provide us with:
 - a. Access to all information of which Management is aware that is relevant to the preparation and fair presentation of the financial statements, and relevant to federal award programs, such as records, documentation, and other matters;
 - b. Additional information that we may request from Management for the purpose of the audit; and
 - c. Unrestricted access to persons within the entity from whom we determine it necessary to obtain audit evidence.
17. For adjusting the financial statements to correct material misstatements and confirming to us in the management representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the current year period(s) under audit are immaterial, both individually and in the aggregate, to the financial statements as a whole;

18. For acceptance of nonattest services, including identifying the proper party to oversee nonattest work;
19. For maintaining adequate records, selecting and applying accounting principles, and safeguarding assets;
20. For informing us of any known or suspected fraud affecting the entity involving management, employees with significant role in internal control and others where fraud could have a material effect on compliance;
21. For the accuracy and completeness of all information provided;
22. For taking reasonable measures to safeguard protected personally identifiable and other sensitive information; and
23. For confirming your understanding of your responsibilities as defined in this letter to us in your management representation letter.

With regard to the schedule of expenditures of federal awards referred to above, you acknowledge and understand your responsibility: (a) for the preparation of the schedule of expenditures of federal awards in accordance with the Uniform Guidance; (b) to provide us with the appropriate written representations regarding the schedule of expenditures of federal awards; (c) to include our report on the schedule of expenditures of federal awards in any document that contains the supplementary information and that indicates that we have reported on such schedule; and (d) to present the schedule of expenditures of federal awards with the audited basic financial statements, or if the schedule will not be presented with the audited basic financial statements, to make the audited basic financial statements readily available to the intended users of the schedule of expenditures of federal awards no later than the date of issuance by you of the schedule and our report thereon.

As part of our audit process, we will request from management and, when appropriate, those charged with governance, written confirmation concerning representations made to us in connection with the audit.

We understand that your employees will prepare all confirmations we request and will locate any documents or support for any other transactions we select for testing.

If you intend to publish or otherwise reproduce the basic financial statements and make reference to our firm, you agree to provide us with printers' proofs or masters for our review and approval before printing. You also agree to provide us with a copy of the final reproduced material for our approval before it is distributed.

Nonattest Services

We will also assist in preparing the Comprehensive Annual Financial Report, required supplementary information, and related notes of the City in conformity with U.S. generally accepted accounting principles based on information provided by you.

We will perform procedures to gain an understanding of the progress made on the Corrective Action Plan and test any new or updated policies and procedures to determine if they are properly implemented and functioning as designed and intended.

We will assist in preparing the annual street report and financial transactions report required by the State Controller's Office for the City of Oxnard and City of Oxnard Financing Authority.

We will perform agreed-upon procedures as described in the attached schedule (Attachment A) in connection with the Appropriation Limit Worksheet of the City of Oxnard for the Year ended June 30,

2020. Our engagement to apply agreed-upon procedures will be conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described in the attached schedule either for the purpose for which this report has been requested or for any other purpose. If, for any reason, we are unable to complete the procedures, we will describe any restrictions on the performance of the procedures in our report, or will not issue a report as a result of this engagement. Because the agreed-upon procedures listed in the attached schedule does not constitute an examination, we will not express an opinion. We will report only our procedures and our findings. In addition, we have no obligation to perform any procedures beyond those listed in the attached schedule.

We will also test the City's Measure O balances and activities. We will attach a Measure O fund balance sheet as of June 30, 2020 and a statement of revenues and expenditures for the fiscal year then ended as supplementary information in the CAFR. We will express an in-relation-to report opinion on this supplementary information.

City's management is responsible for (a) making all management decisions and performing all management functions; (b) assigning a competent individual to oversee the services; (c) evaluating the adequacy of the services performed; (d) evaluating and accepting responsibility for the results of the services performed; and (e) establishing and maintaining internal controls, including monitoring ongoing activities.

Fees and Timing

Eadie and Payne, LLP meets the independence requirements contained in the *Government Auditing Standards*, issued by the Comptroller General of the United States, and Rules 101 and 102 of the American Institute of CPAs Code of Professional Conduct with respect to the audit of the City for the year ended June 30, 2020.

Based on our discussions, we expect to begin interim fieldwork at a mutually convenient date in May 2020 and issue our reports no later than December 15, 2020. Eden C. Casareno and Hong N. Nguyen are co-engagement partners for the audit services specified in this letter. Their responsibilities include supervising Eadie and Payne, LLP's services performed as part of this engagement and signing or authorizing another qualified firm representative to sign the audit report.

Our fees are based on the amount of time required at various levels of responsibility, plus actual out-of-pocket expenses. Invoices will be rendered every month and are payable upon presentation. We estimate that our fee for the audit and nonattest services will be \$210,600. We will notify you immediately of any circumstances we encounter that could significantly affect this initial fee estimate. Whenever possible, we will attempt to use the City's personnel to assist in the preparation of schedules and analyses of accounts. This effort could substantially reduce our time requirements and facilitate the timely conclusion of the audit.

Other Matters

During the course of the engagement, we may communicate with you or your personnel via fax or e-mail, and you should be aware that communication in those mediums contains a risk of misdirected or intercepted communications.

Regarding the electronic dissemination of audited financial statements, including financial statements published electronically on your Internet website, you understand that electronic sites are a means to distribute information and, therefore, we are not required to read the information contained in these sites or to consider the consistency of other information in the electronic site with the original document.

The audit documentation for this engagement is the property of Eadie and Payne, LLP and constitutes confidential information. However, subject to applicable laws and regulations, audit documentation and appropriate individuals will be made available upon request and in a timely manner to regulators or designees, a federal agency providing direct or indirect funding, or the U.S. Government Accountability Office for purposes of a quality review of the audit, to resolve audit findings, or to carry out oversight responsibilities. We will notify you of any such request. If requested, access to such audit documentation will be provided under the supervision of Eadie and Payne, LLP personnel. Furthermore, upon request, we may provide copies of selected audit documentation to the aforementioned parties. These parties may intend, or decide, to distribute the copies or information contained therein to others, including other governmental agencies.

Further, we will be available during the year to consult with you on financial management and accounting matters of a routine nature.

During the course of the audit we may observe opportunities for economy in, or improved controls over, your operations. We will bring such matters to the attention of the appropriate level of management, either orally or in writing.

We agree to retain our audit documentation or work papers for a period of at least five years from the date of our report.

You agree to inform us of facts that may affect the basic financial statements of which you may become aware during the period from the date of the auditor's report to the date the financial statements are issued.

At the conclusion of our audit engagement, we will communicate to the City Council the following significant findings from the audit:

- Our view about the qualitative aspects of the entity's significant accounting practices;
- Significant difficulties, if any, encountered during the audit;
- Uncorrected misstatements, other than those we believe are trivial, if any;
- Disagreements with management, if any;
- Other findings or issues, if any, arising from the audit that are, in our professional judgment, significant and relevant to those charged with governance regarding their oversight of the financial reporting process;
- Material, corrected misstatements that were brought to the attention of management as a result of our audit procedures;
- Representations we requested from management;

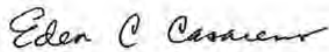
- Management's consultations with other accountants, if any; and
- Significant issues, if any, arising from the audit that were discussed, or the subject of correspondence, with management.

In accordance with the requirements of *Government Auditing Standards*, we have attached a copy of our latest external peer review report of our firm for your consideration and files.

Please sign and return the attached copy of this letter to indicate your acknowledgment of, and agreement with, the arrangements for our audit of the basic financial statements including our respective responsibilities.

We appreciate the opportunity to be your financial statement auditors and look forward to working with you and your staff.

EADIE AND PAYNE, LLP



Eden C. Casareno



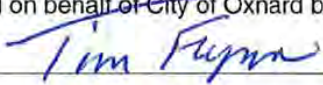
Hong N. Nguyen

RESPONSE:

This letter correctly sets forth our understanding.

City of Oxnard

Acknowledged and agreed on behalf of City of Oxnard by:



Title: _____ **MAYOR** _____

Date: _____ **July 28, 2020** _____

Attachments:

Agreed-Upon Procedures
Peer Review Letter
Terms and Conditions Addendum

ATTACHMENT A

AGREED-UPON PROCEDURES

Appropriation Limit Worksheet of the City of Oxnard for the year ended June 30, 2020

1. We will obtain the completed worksheets (or other alternative computations), and compare the limit and annual adjustment factors included in those worksheets to the limit and annual adjustment factors that were adopted by resolution of the City Council. We will also compare the population and inflation options included in the aforementioned worksheets to those that were selected by a recorded vote of the City Council.
2. For the Appropriations Limit worksheet we will add line A, last year's limit, to line E, total adjustments, and agree the resulting amount to line F, this year's limit.
3. We will compare the current year information presented in the Appropriation Limit worksheet to the other worksheets described in No. 1 above.
4. We will compare the prior year appropriations limit presented in the Appropriations Limit worksheet to the prior year appropriations limit adopted by the City Council during the prior year.



CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

441 J. Victoria Street, 21st Floor, Santa Barbara, CA 93101, (805) 963-9175, Fax: (805) 880-0350, www.mcgowan.com

Report on the Firm's System of Quality Control

July 24, 2019

To the Partners of Eadie & Payne, LLP
and the Peer Review Committee of California Society of Certified Public Accountants

We have reviewed the system of quality control for the accounting and auditing practice of Eadie & Payne, LLP (the firm) in effect for the year ended April 30, 2019. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants (Standards).

A summary of the nature, objectives, scope, limitations of, and the procedures performed in a System Review as described in the Standards may be found at www.aicpa.org/prsummary. The summary also includes an explanation of how engagements identified as not performed or reported in conformity with applicable professional standards, if any, are evaluated by a peer reviewer to determine a peer review rating.

Firm's Responsibility

The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. The firm is also responsible for evaluating actions to promptly remediate engagements deemed as not performed or reported in conformity with professional standards, when appropriate, and for remediating weaknesses in its system of quality control, if any.

Peer Reviewer's Responsibility

Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on our review.

Required Selections and Considerations

Engagements selected for review included engagements performed under *Government Auditing Standards* including a compliance audit under the Single Audit Act, and an audit of an employee benefit plan.

As a part of our peer review, we considered reviews by regulatory entities as communicated by the firm, if applicable, in determining the nature and extent of our procedures.

Opinion

In our opinion, the system of quality control for the accounting and auditing practice of Eadie & Payne, LLP in effect for the year ended April 30, 2019, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of pass, pass with deficiency(ies) or fail. Eadie & Payne, LLP has received a peer review rating of pass.

McGowan Guntermann

McGowan Guntermann

Eadie and Payne, LLP's Terms and Conditions Addendum

Overview

This addendum to the engagement letter describes our standard terms and conditions ("Terms and Conditions") related to our provision of services to you. This addendum and the accompanying engagement letter comprise your agreement with us ("Agreement"). If there is any inconsistency between the engagement letter and this *Terms and Conditions Addendum*, the engagement letter will prevail to the extent of the inconsistency.

For the purposes of this *Terms and Conditions Addendum*, any reference to "we," "us," or "our" is a reference to Eadie and Payne, LLP, and any reference to "you," or "your" is a reference to the party or parties that have engaged us to provide services. References to "Agreement" mean the engagement letter or other written document describing the scope of services, any other attachments incorporated therein, and this *Terms and Conditions Addendum*.

Billing and Payment Terms

We will bill you for our professional fees and out-of-pocket costs monthly as work progresses. Payment is due upon receipt. If payment is not received within 30 days, you will be assessed interest charges of 1% per month on the unpaid balance.

We reserve the right to suspend or terminate our work for non-payment of fees. If our work is suspended or terminated, you agree that we will not be responsible for your failure to meet governmental and other deadlines, for any penalties or interest that may be assessed against you resulting from your failure to meet such deadlines, and for any other damages (including but not limited to consequential, indirect, lost profits, or punitive damages) incurred as a result of the suspension or termination of our services.

Electronic Data Communication and Storage

In the interest of facilitating our services to you, we may send data over the Internet, or store electronic data via computer software applications hosted remotely on the Internet or utilize cloud-based storage. Your confidential electronic data may be transmitted or stored using these methods. We may use third party service providers to store or transmit this data, such as providers of tax return preparation software. In using these data communication and storage methods, our firm employs measures designed to maintain data security. We use reasonable efforts to keep such communications and electronic data secure in accordance with our obligations under applicable laws, regulations, and professional standards. We require our third party vendors to do the same.

You recognize and accept that we have no control over the unauthorized interception or breach of any communications or electronic data once it has been transmitted or if it has been subject to unauthorized access while stored, notwithstanding all reasonable security measures employed by us or our third party vendors. You consent to our use of these electronic devices and applications and submission of confidential client information to third party service providers during this engagement.

Client Portals

To enhance our services to you, we will utilize a client portal, a collaborative, virtual workspace in a protected, online environment. The client portal permits real-time collaboration across geographic boundaries and time zones and allows Eadie and Payne, LLP and you to share data, engagement information, knowledge, and deliverables in a protected environment. In order to use the client portal, you will be required to execute a client portal agreement and agree to be bound by the terms, conditions and limitations of such agreement.

You agree that Eadie and Payne, LLP has no responsibility for the activities of the client portal and agree to indemnify and hold Eadie and Payne, LLP harmless with respect to any and all claims arising from or related to the operation of the client portal. While the client portal backs up your files to a third party server, we recommend that you also maintain your own backup files.

Items placed on the client portal will be deleted periodically according to firm policy.

Newsletters and Similar Communications

We may send newsletters, emails, explanations of technical developments or similar communications to you. These communications are of a general nature and should not be construed as professional advice. We may not send all such communications to you. These communications do not continue a client relationship with you, nor do they constitute advice or an undertaking on our part to monitor issues for you.

Records Management

Record Retention and Ownership

We will return all of your original records and documents provided to us at the conclusion of the engagement. Your records are the primary records for your operations and comprise the backup and support for your work product. Our copies of your records and documents are not a substitute for your own records and do not mitigate your record retention obligations under any applicable laws or regulations.

Workpapers and other documents created by us are our property and will remain in our control. Copies are not to be distributed without your written request and our prior written consent. Our workpapers will be maintained by us in accordance with our firm's record retention policy and any applicable legal and regulatory requirements.

Our firm destroys workpaper files after a period of 5 years. Catastrophic events or physical deterioration may result in damage to or destruction of our firm's records, causing the records to be unavailable before the expiration of the retention period as stated in our record retention policy.

Working Paper Access Requests by Regulators and Others

State, federal and foreign regulators may request access to or copies of certain workpapers pursuant to applicable legal or regulatory requirements. Requests also may arise with respect to peer review, an ethics investigation, or the sale of our accounting practice. If requested, access to such workpapers will be provided under the supervision of firm personnel. Regulators may request copies of selected workpapers to distribute the copies or information contained therein to others, including other governmental agencies.

If we receive a request for copies of selected workpapers, provided that we are not prohibited from doing so by applicable laws or regulations, we agree to inform you of such request as soon as practicable. You may, within the time permitted for our firm to respond to any request, initiate such legal action as you deem appropriate, at your sole expense, to attempt to limit the disclosure of information. If you take no action within the time permitted for us to respond, or if your action does not result in a judicial order protecting us from supplying requested information, we may construe your inaction or failure as consent to comply with the request.

If we are not a party to the proceeding in which the information is sought, you agree to reimburse us for our professional time and expenses, as well as the fees and expenses of our legal counsel, incurred in responding to such requests. This paragraph will survive termination of this Agreement.

Summons or Subpoenas

All information you provide to us in connection with this engagement will be maintained by us on a strictly confidential basis.

If we receive a summons or subpoena which our legal counsel determines requires us to produce documents from this engagement or testify about this engagement, provided that we are not prohibited from doing so by applicable laws or regulations, we agree to inform you of such summons or subpoena as soon as practicable. You may, within the time permitted for our firm to respond to any request, initiate such legal action as you deem appropriate, at your sole expense, to attempt to limit discovery. If you take no action within the time permitted for us to respond, or if your action does not result in a judicial order protecting us from supplying requested information, we may construe your inaction or failure as consent to comply with the request.

If we are not a party to the proceeding in which the information is sought, you agree to reimburse us for our professional time and expenses, as well as the fees and expenses of our legal counsel, incurred in responding to such requests. This paragraph will survive termination of this Agreement.

Disclaimer of Legal and Investment Advice

Our services under this Agreement do not constitute legal or investment advice unless specifically agreed to in the *Engagement Objective and Scope* section of this Agreement. We recommend that you retain legal counsel and investment advisors to provide such advice.

Brokerage or Investment Advisory Statements

If you provide our firm with copies of brokerage (or investment advisory) statements and/or read-only access to your accounts, we will use the information solely for the purpose described in the *Engagement Objective and Scope* section of the engagement letter. We will rely on the accuracy of the information provided in the statements and will not undertake any action to verify this information. We will not monitor transactions, investment activity, provide investment advice, or supervise the actions of the entity or individuals entering into transactions or investment activities on your behalf. We recommend you receive and carefully review all statements upon receipt, and direct any questions regarding account activity to your banker, broker or investment advisor.

Other Income, Losses and Expenses

If you realized income, loss or expense from a business or supplemental income or loss, the reporting requirements of federal and state income tax authorities apply to such income, loss or expense. You are responsible for complying with all applicable laws and regulations pertaining to such operations, including the classification of workers as employees or independent contractors and related payroll tax and withholding requirements.

Limitations on Oral and Email Communications

We may discuss with you our views regarding the treatment of certain items or decisions you may face. We may also provide you with information in an email. Any advice or information delivered orally or in an email (rather than through a memorandum delivered as an email attachment) will be based upon limited research and a limited discussion and analysis of the underlying facts. Additional research or a more complete review of the facts may affect our analysis and conclusions.

Due to these limitations and the related risks, it may or may not be appropriate to proceed with any decision solely on the basis of any oral or email communication. You accept all responsibility, except to the extent caused by the gross negligence or willful misconduct of Eadie and Payne, LLP, for any loss, cost or expense resulting from your decision (i) not to have us perform the research and analysis necessary to reach a more definitive conclusion and (ii) to instead rely on an oral or email communication. The limitation in this paragraph will not apply to an item of written advice that is a deliverable of a separate engagement. If you wish to engage us to provide formal advice on a matter on which we have communicated orally or by email, we will confirm this in a separate engagement letter.

Management Responsibilities

While Eadie and Payne, LLP can provide assistance and recommendations, you are responsible for management decisions and functions, and for designating an individual with suitable skill, knowledge or experience to oversee any services that Eadie and Payne, LLP provides. You are responsible for evaluating the adequacy and results of the services performed and accepting responsibility for such services. You are ultimately responsible for establishing and maintaining internal controls, including monitoring ongoing activities.

Conflicts of Interest

If we, in our sole discretion, believe a conflict has arisen affecting our ability to deliver services to you in accordance with either the ethical standards of our firm or the ethical standards of our profession, we may be required to suspend or terminate our services without issuing our work product.

Alternative Dispute Resolution

If a dispute arises out of or relates to the Agreement including the scope of services contained herein, or the breach thereof, and if the dispute cannot be settled through negotiation, the parties agree first to try to settle the dispute by mediation administered by the American Arbitration Association ("AAA") under the *AAA Professional Accounting and Related Services Dispute Resolution Rules* before resorting to arbitration, litigation, or some other dispute resolution procedure. The mediator will be selected by agreement of the parties. If the parties cannot agree on a mediator, a mediator shall be designated by the AAA. Any mediator so designated must be acceptable to all parties. The mediation will be conducted in California.

The mediation will be treated as a settlement discussion and, therefore, will be confidential. The mediator may not testify for either party in any later proceeding related to the dispute. No recording or transcript shall be made of the mediation proceedings. The costs of any mediation proceedings shall be shared equally by all parties. Any costs for legal representation shall be borne by the hiring party.

Proprietary Information

You acknowledge that proprietary information, documents, materials, management techniques and other intellectual property we use are a material source of the services we perform and were developed prior to our association with you. Any new forms, software, documents or intellectual property we develop during this engagement for your use shall belong to us, and you shall have the limited right to use them solely within your business. All reports, templates, manuals, forms, checklists, questionnaires, letters, agreements and other documents which we make available to you are confidential and proprietary to us. Neither you, nor any of your agents, will copy, electronically store, reproduce or make available to anyone other than your personnel, any such documents. This provision will apply to all materials whether in digital, "hard copy" format or other medium.

Statute of Limitations

You agree that any claim arising out of this Agreement shall be commenced within one (1) year of the delivery of the work product to you, regardless of any longer period of time for commencing such claim as may be set by law. A claim is understood to be a demand for money or services, the service of a suit, or the institution of arbitration proceedings against Eadie and Payne, LLP.

Termination and Withdrawal

We reserve the right to withdraw from the engagement without completing services for any reason, including, but not limited to, your failure to comply with the terms of this Agreement or as we determine professional standards require.

Assignment

All parties acknowledge and agree that the terms and conditions of this Agreement shall be binding upon and inure to the parties' successors and assigns, subject to applicable laws and regulations.

Severability

If any portion of this Agreement is deemed invalid or unenforceable, said finding shall not operate to invalidate the remainder of the terms set forth in this Agreement.

Entire Agreement

The engagement letter, including this *Terms and Conditions Addendum* and any other attachments, encompasses the entire agreement of the parties and supersedes all previous understandings and agreements between the parties, whether oral or written. Any modification to the terms of this Agreement must be made in writing and signed by both parties.

EXHIBIT 14



City of Oxnard Ex Rel. Moving Oxnard Forward, Inc. v. Eadie+Payne

1 message

Rozell, Kenneth <kenneth.rozell@oxnard.org>
To: AWright@mpbf.com
Cc: Jason Zaragoza <jason.zaragoza@oxnard.org>

Fri, Oct 3, 2025 at 9:53 AM

Andrew:

I

It was good talking with you this morning regarding this case and related issues. Assistant City Attorney Jason Zaragoza and I are available to assist as your case moves forward. Please feel free to reach out.

Ken.

--

Kenneth Rozell

Chief Assistant City Attorney
City of Oxnard
300 W. Third St., 4th Floor
Oxnard, CA 93030
(805) 385-7483
Kenneth.Rozell@Oxnard.org

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Andrew Wright <AWright@mpbf.com>

Fri, Oct 3, 2025 at 12:29 PM

To: "Rozell, Kenneth" <kenneth.rozell@oxnard.org>

Cc: Jason Zaragoza <jason.zaragoza@oxnard.org>, Andrew Wright <AWright@mpbf.com>, Steven Pearse <SPearse@mpbf.com>

Ken:

Thank you. I am copying Steven from my office. He may reach out separately.

-Andrew

J. Andrew Wright | Shareholder

Murphy, Pearson, Bradley & Feeney, P.C.

550 South Hope Street, Suite 2170, Los Angeles, CA 90071

Main: 213.327.3500 | Direct: 213.873.8128

awright@mpbf.com | www.mpbf.com



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[Quoted text hidden]

EXHIBIT 15

Eadie+Payne Litigation (Moving Oxnard Forward)

2 messages

Rozell, Kenneth <kenneth.rozell@oxnard.org>
To: Andrew Wright <AWright@mpbf.com>
Cc: Jason Zaragoza <jason.zaragoza@oxnard.org>

Fri, Oct 3, 2025 at 12:26 PM

Andrew:

I have attached an email exchange between Oxnard City Attorney Stephen Fischer and Eric Benick -- Aaron Starr/Moving Oxnard Forward's attorney in the prior case. This provides additional background on the City's position on the issue of auditor rotation.

Ken.

--

Kenneth Rozell

Chief Assistant City Attorney
City of Oxnard
300 W. Third St., 4th Floor
Oxnard, CA 93030
(805) 385-7483
Kenneth.Rozell@Oxnard.org

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5887K

Andrew Wright <AWright@mpbf.com>
To: "Rozell, Kenneth" <kenneth.rozell@oxnard.org>
Cc: Jason Zaragoza <jason.zaragoza@oxnard.org>, Andrew Wright <AWright@mpbf.com>, Steven Pearse <SPearse@mpbf.com>

Fri, Oct 3, 2025 at 12:29 PM

Ken:

Thank you. I am copying Steven from my office. He may reach out separately.

-Andrew

J. Andrew Wright | Shareholder

Murphy, Pearson, Bradley & Feeney, P.C.

550 South Hope Street, Suite 2170, Los Angeles, CA 90071

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[Quoted text hidden]



Starr Allegations re GC 12410.6

From: **Fischer, Stephen** <stephen.fischer@oxnard.org>
Date: Thu, May 11, 2023 at 5:08 PM
Subject: Re: Starr Allegations re GC 12410.6
To: Eric Benink <eric@beninkslavens.com>

Eric,

In response to your question a), the Eadie + Payne LLP engagement partners for each fiscal year for City of Oxnard audits were:

FY 2015 – Eden Casareno
FY 2016 – Eden Casareno
FY 2017 – Eden Casareno
FY 2018 – Eden Casareno
FY 2019 – Eden Casareno
FY 2020 – Hong Nguyen (lead partner) & Eden Casareno (co-partner)
FY 2021 – Hong Nguyen
FY 2022 – Eden Casareno

In response to question b), the engagement partner served as lead partner, coordinating partner and reviewer. The co-partner for the FY 2020 audit was available to assist the lead partner during that partner rotation year.

Regarding question c), attached are pages from the City's annual Financial Transactions Report submittals to the State Controller's Office Local Government Financial Reporting System that identify the lead partner.

Let me know if you would like to discuss further.
-Steve

Stephen M. Fischer
City Attorney
City of Oxnard
305 W. Third St. Suite 100E
Oxnard, CA 93030

805.385.7483
FAX 385.7423
Stephen.Fischer@Oxnard.org

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On Thu, May 11, 2023 at 8:38 AM Eric Benink <eric@beninkslavens.com> wrote:

Good morning Steve,

Are you still intending to get this information to me this week? I understand City Hall is closed tomorrow (not sure if you work on the dark days or not).

Thanks,

Eric

From: Fischer, Stephen <stephen.fischer@oxnard.org>
Date: Friday, May 5, 2023 at 8:17 AM
To: Eric Benink <eric@beninkslavens.com>
Subject: Re: Starr Allegations re GC 12410.6

Mr. Benink,

I will get that information together and call you next week.

-Steve Fischer

Stephen M. Fischer

City Attorney

City of Oxnard

305 W. Third St. Suite 100E
Oxnard, CA 93030
805.385.7483
FAX 385.7423

Stephen.Fischer@Oxnard.org

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On Thu, May 4, 2023 at 5:25 PM Eric Benink <eric@beninkslavens.com> wrote:

Mr. Fischer,

Thank you for the call and email. It would be helpful if you identified for each fiscal year beginning FY 14-15 through present:

- a. the lead audit partner and/or coordinating partner having responsibility for the City's audit
- b. the audit partner responsible for reviewing the City's audit
- c. in each year for a) and b) above, how these determinations are made, i.e. how can a third party confirm that such persons acted in such capacities?

Thank you.

Eric

Eric J. Benink, Esq.

[Benink & Slavens, LLP.](#)

[8885 Rio San Diego Dr.](#)

[Suite 207](#)

[San Diego, CA 92108](#)

[\(619\) 369-5252 \(ph\)](#)

[\(619\) 369-5253 \(fax\)](#)

www.beninkslavens.com

PRACTICE AREAS: Proposition 218 and 26 Litigation; Consumer and Investor Protection

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From: Fischer, Stephen <stephen.fischer@oxnard.org>
Date: Thursday, May 4, 2023 at 9:50 AM
To: Eric Benink <eric@beninkslavens.com>
Subject: Starr Allegations re GC 12410.6

Mr. Benink,

Thanks for speaking with me this morning regarding your client's allegations made at a recent Oxnard City Council meeting and in his May 1, 2023 letter to the City Council. Attached is the 6/6/2012 report to the Senate Governance & Finance Committee regarding AB 1345, which added section 12410.6 to the Government Code. The report explains the purpose of the legislation to require rotating audit partners, rather than requiring audit firms to change after specified time periods. The adopted legislation retained the partner rotation requirement. The gender neutral text amendment of AB 378 in 2021 did not change the partner rotation requirement.

Please let me know if you would like to discuss this matter further.

-Steve Fischer

Stephen M. Fischer

City Attorney

City of Oxnard

305 W. Third St. Suite 100E
Oxnard, CA 93030
805.385.7483
FAX 385.7423

Stephen.Fischer@Oxnard.org

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 **City_of_Oxnard_State_Controller's_Report_FY15-FY22_.pdf**
1147K

City of Oxnard
Cities' Financial Transactions Report
General Information

Fiscal Year: 2022

Form #1

Members of the Governing Body

	First Name	M. I.	Last Name
Mayor	John	C	Zaragoza
Member 1	Bryan	A	MacDonald
Member 2	Bert	E	Perello
Member 3	Oscar		Madrigal
Member 4	Gabriela		Basua
Member 5	Vianey		Lopez
Member 6	Gabe		Teran
Member			

City Fiscal Officer

First Name	Betsy	M. I.		Last Name	George
Title	Chief Financial Officer		Telephone	(805) 200-5400	
Email	betsy.george@oxnard.org		Fax No.		

City Mailing Address

Street 1	300 West Third Street	☐ Has Address Changed?
Street 2		
City	Oxnard	State CA Zip 93030

Report Prepared By

Firm Name	Eadie and Payne, LLP				
First Name	Eden	M. I.	C	Last Name	Casareno
Title	Partner		Telephone	(951) 241-7508	
Email	ecasareno@eadiepaynellp.com		Fax No.		

1. Does the report contain data from audited financial statements? ☒ Yes ☐ No

2. Does this city have blended component unit(s) (BCU(s))? Refer to the Cities' Financial Transactions Report (FTR) instructions for the definition of this term. If "Yes", answer questions 3 and 4.

☒ Yes ☐ No

3. Is financial data of the BCU(s) included in this city's financial statements or Annual Comprehensive Financial Report (ACFR)?

☒ Yes ☐ No

4. Is financial data of the BCU(s) included in this city's FTR? If "Yes", answer question 5. ☒ Yes ☐ No

5. Specify the name(s) of the BCU(s).

BCU 1	City of Oxnard Finance Company
BCU 2	Housing Authority of the City of Oxnard
BCU	

City of Oxnard
Cities' Financial Transactions Report
General Information

Reporting Year: 2021

Form #1

Members of the Governing Body

	First Name	M. I.	Last Name
Mayor	John	C	Zaragoza
Member 1	Bryan	A	MacDonald
Member 2	Bert	E	Perello
Member 3	Oscar		Madrigal
Member 4	Gabriela		Basua
Member 5	Vianey		Lopez
Member 6	Gabe		Teran
Member			

City Fiscal Officer

First Name	Betsy	M. I.		Last Name	George
Title	Chief Financial Officer		Telephone	(805) 200-5400	
Email	betsy.george@oxnard.org		Fax No.		

City Mailing Address

Street 1	300 West Third Street	☐ Has Address Changed?
Street 2		
City	Oxnard	State CA Zip 93030

Report Prepared By

Firm Name	Eadie and Payne, LLP				
First Name	Hong	M. I.	N	Last Name	Nguyen
Title	Partner		Telephone	(951) 241-7805	
Email	hnguyen@eadiepaynellp.com		Fax No.		

1. Does the report contain data from audited financial statements? ☒ Yes ☐ No

2. Does this city have blended component unit(s) (BCU(s))? Refer to the Cities Financial Transactions Report (FTR) instructions for the definition of this term. If "Yes", answer questions 3 and 4.

☒ Yes ☐ No

3. Is financial data of the BCU(s) included in this city's financial statements or Annual Comprehensive Financial Report (ACFR)?

☒ Yes ☐ No4. Is financial data of the BCU(s) included in this city's FTR? If "Yes", answer question 5. ☒ Yes ☐ No

5. Specify the name(s) of the BCU(s).

BCU 1	City of Oxnard Finance Authority
BCU 2	Housing Authority of the City of Oxnard
BCU	

City of Oxnard
Cities Financial Transactions Report
General Information

Fiscal Year: 2020

Form #1

Members of the Governing Body

	First Name	M. I.	Last Name
Mayor	Tim	B	Flynn
Member 1	Carmen		Ramirez
Member 2	Bryan	A	MacDonald
Member 3	Bert	E	Perello
Member 4	Oscar		Madrigal
Member 5	Gabriel		Basua
Member 6	Vianey		Lopez
Member			

City Fiscal Officer

First Name	Kevin	M. I.		Last Name	Riper
Title	Chief Financial Officer	Telephone	(805) 385-7461		
Email	kevin.riper@oxnard.org	Fax No.			

City Mailing Address

Street 1	300 West Third Street	☐ Has Address Changed?
Street 2		
City	Oxnard	State CA Zip 93030

Report Prepared By

Firm Name	Eadie and Payne, LLP				
First Name	Hong	M. I.	N	Last Name	Nguyen
Title	Partner	Telephone	(951) 241-7805		
Email	hnguyen@eadiepaynellp.com	Fax No.			

1. Does the report contain data from audited financial statements? ☒ Yes ☐ No

2. Does this city have blended component unit(s) (BCU(s))? Refer to the Cities Financial Transactions Report (FTR) instructions for the definition of this term. If "Yes", answer questions 3 and 4.

☒ Yes ☐ No

3. Is financial data of the BCU(s) included in this city's financial statements or Comprehensive Annual Financial Report (CAFR)?

☒ Yes ☐ No4. Is financial data of the BCU(s) included in this city's FTR? If "Yes", answer question 5. ☒ Yes ☐ No

5. Specify the name(s) of the BCU(s).

BCU 1	City of Oxnard Finance Authority
BCU 2	Housing Authority of the City of Oxnard
BCU	

1/29/2020

FINAL REPORT SUBMITTED
01/29/2020

City of Oxnard
Cities Financial Transactions Report
General Information

Fiscal Year: 2019

Form #1

Members of the Governing Body

	First Name	M. I.	Last Name
Mayor	Tim	B	Flynn
Member 1	Carmen		Ramirez
Member 2	Bryan	A	MacDonald
Member 3	Bert	E	Perello
Member 4	Oscar		Madrigal
Member 5	Gabriel		Basua
Member 6	Vianey		Lopez
Member			

City Fiscal Officer

First Name	Kevin	M. I.	Last Name	Riper
Title	Chief Financial Officer	Telephone	(805) 385-7461	
Email	kevin.riper@oxnard.org	Fax No.		

City Mailing Address

Street 1 300 West Third Street ☐ Has Address Changed?

Street 2

City Oxnard State CA Zip 93030

Report Prepared By

Firm Name	Eadie and Payne, LLP				
First Name	Eden	M. I.	C	Last Name	Casareno
Title	Partner	Telephone	(951) 241-7805		
Email	ecasareno@eadiepaynellp.com	Fax No.			

1. Does the report contain data from audited financial statements? ☒ Yes ☐ No

2. Does this city have blended component unit(s) (BCU(s))? Refer to the Cities Financial Transactions Report (FTR) instructions for the definition of this term. If "Yes", answer questions 3 and 4.

☒ Yes ☐ No

3. Is financial data of the BCU(s) included in this city's financial statements or Comprehensive Annual Financial Report (CAFR)?

☒ Yes ☐ No

4. Is financial data of the BCU(s) included in this city's FTR? If "Yes", answer question 5. ☒ Yes ☐ No

5. Specify the name(s) of the BCU(s).

<https://lgrsonline.sco.ca.gov/FormCIT/PrintAICIT>

City of Oxnard
Cities Financial Transactions Report
General Information

Fiscal Year: 2018**Members of the Governing Body**

	First Name	M. I.	Last Name
Mayor	Tim		Flynn
Member 1	Carmen		Ramirez
Member 2	Bryan	A	MacDonald
Member 3	Bert	E	Perello
Member 4	Oscar		Madrigal
Member			

City Fiscal Officer

First Name	Jim	M. I.		Last Name	Throop
Title	Chief Financial Officer		Telephone	(805) 385-7475	
Email	jim.throop@oxnard.org		Fax No.		

City Mailing Address

Street 1	300 West Third Street			☐ Has Address Changed?	
Street 2					
City	Oxnard	State	CA	Zip	93030

Report Prepared By

Firm Name	Eadie and Payne, LLP				
First Name	Eden	M. I.	C	Last Name	Casareno
Title	Partner		Telephone	(951) 241-7805	
Email	ecasareno@eadiepaynell.com		Fax No.		

1. Does the report contain data from audited financial statements? ☒ Yes ☐ No

2. Does this city have blended component unit(s) (BCU(s))? Refer to the Cities Financial Transactions Report (FTR) instructions for the definition of this term. If "Yes", answer questions 3 and 4.

☒ Yes ☐ No

3. Is financial data of the BCU(s) included in this city's financial statements or Comprehensive Annual Financial Report (CAFR)?

☒ Yes ☐ No

4. Is financial data of the BCU(s) included in this city's FTR? If "Yes", answer question 5. ☒ Yes ☐ No

5. Specify the name(s) of the BCU(s).

BCU 1 City of Oxnard Financing Authority

City of Oxnard
Cities Financial Transactions Report
General Information

Fiscal Year: 2017
☒ Current Year ☐ Prior Year
Members of the Governing Body

	First Name	M. I.	Last Name
Mayor	Tim		Flynn
Member 1	Carmen		Ramirez
Member 2	Bryan	A	MacDonald
Member 3	Bert		Perello
Member 4	Oscar		Madrigal
Member			

City Fiscal Officer

First Name	Jim	M. I.		Last Name	Throop
Title	Chief Financial Officer		Telephone	(805) 385-7475	
Email	jim.throop@oxnard.org		Fax No.		

City Mailing Address

Street 1	300 West Third Street			☐ Has Address Changed?	
Street 2					
City	Oxnard	State	CA	Zip	93030

Report Prepared By

Firm Name	Eadie and Payne, LLP				
First Name	Eden	M. I.	C	Last Name	Casareno
Title	Partner		Telephone	(951) 241-7805	
Email	ecasareno@eadiepaynell.com		Fax No.		

Does the report contain data from audited financial statements? ☒ Yes ☐ No

City of Oxnard

Cities Financial Transactions Report

General Information

Fiscal Year 2016

Members of the Governing Body

	First Name	Middle Initial	Last Name
Mayor	Tim		Flynn
Member 1	Carmen		Ramirez
Member 2	Bryan	A	Macdonald
Member 3	Dorina		Padilla
Member 4	Bert	E	Perello
Member 5			
Member 6			
Member 7			
Member 8			
Member 9			
Member 10			

City Fiscal Officer

	First Name	Middle Initial	Last Name
	Jim		Throop
Title	Chief Financial Officer		
Telephone	(805) 385-7475		

Mailing Address

Street 1 300 West Third Street

Street 2

City Oxnard State CA Zip 93030-

Email ☐ Is Address Changed?

Report Prepared By

Firm Name Eadie and Payne, LLP

First Eden

Middle Initial C

Last Casareno

Title Partner

Telephone (909) 793-2406

Fax No. (909) 792-3516

Email ecasareno@eadiepaynell.com

City of Oxnard

Cities Financial Transactions Report

General Information

Fiscal Year 2015

Members of the Governing Body				Mailing Address	
	First Name	Middle Initial	Last Name		
Mayor	Tim		Flynn	Street 1	300 West Third Street
Member 1	Carmen		Ramirez	Street 2	
Member 2	Bryan	A	Macdonald	City	Oxnard State CA Zip 93030-
Member 3	Dorina		Padilla	Email	☐ Is Address Changed?
Member 4	Bert	E	Perello		
Member 5					
Member 6					
Member 7					
Member 8					
Member 9					
Member 10					

City Fiscal Officer				Report Prepared By	
	First Name	Middle Initial	Last Name		
	Joseph		Lillio	Firm Name	Eadie and Payne, LLP
Title	Chief Financial Officer			First	Eden
Telephone	(805) 385-7475			Middle Initial	C
				Last	Casareno
				Title	Partner
				Telephone	(909) 793-2406
				Fax No.	(909) 792-3516
				Email	ecasareno@eadiepaynellp.co