

State Audit Recommendations and Status Update

Recommendation	Assigned To	Due Date	Status	Status Date
<i>Montebello has not addressed its municipal golf course's increasing debt to the City's General Fund.</i>				
To repay the golf fund's debt and reduce the City's structural deficit, Montebello should immediately make a decision on implementing the golf consultant's recommendations. By December 2019, the City should also evaluate the effectiveness of its current plans and consider alternative uses for the golf course property.	Public Works Director and Parks & Rec Director	December 2019	RFP for maintenance specs has been completed. RFP for maintenance contract will be sent out within the next two weeks. RFP for Point of Sale and Online Booking system has been completed and will be presented to Golf Course operator for implementation. Reclaimed Water project at Golf Course has been completed and staff is training for "going live" within next 30 days.	March 2019
<i>Unless Montebello sells its water system or secures alternate financing, necessary improvements could burden the City's general fund in the future.</i>				
To address the long-term needs of its water system, Montebello should, by March 2019, reevaluate selling its water system in light of recent legislation or retain a consultant to assist the City in applying for state loans and identifying other options for funding capital improvements.	Public Works Director	March 2019	RFP for updated purchase price has been sent out to solicit sale of water system.	April 2019
<i>Montebello's retirement costs could burden the City's finances in future years.</i>				
To address higher retirement costs and obligations for retiree health benefits, Montebello should, by June 2019, retain a consultant to help it identify ways to reduce the financial risks that such obligations pose.	Human Resources Director and Interim City Manager	June 2019	Negotiations with all Labor Associations are ongoing. Both SMART-TD and the Fire Fighter Association have agreed to pickup their own PERS and to end retiree healthcare costs (other than PEMCHA minimum) for new hires.	April 2019
To address increasing retirement payments, the City should consider ceasing payment of the employee portion of retirement costs for employees hired before July 2013. It should renegotiate this payment the next time it renews contracts with its employees.	Human Resources Director and Interim City Manager	June 2019	Began negotiations to end the PERS pickup. Also end OPEB for new hires.	April 2019

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<i>Montebello's hotel bonds could impair the City's General Fund.</i>				
To ensure that Montebello does not expose its General Fund to additional financial risk, the City should refrain from taking on additional debt in the form of certificates of participation and lease revenue bonds until the City's financial situation improves.	Finance Director	Ongoing	Financial Analyst hired to review existing debt and refinancing possibilities.	April 2019
<i>The City's mismanagement of hotel revenues has cost Montebello at least \$1.6 million.</i>				
To ensure that the City does not accumulate additional interest expenses, Montebello should pay off the remaining accrued interest for late management fees by the end of 2019, as planned. To avoid paying interest on future hotel management fees and to ensure that all hotel obligations are paid on time, the City should immediately develop a formal process that requires the City to pay all outstanding bills related to the hotels if hotel revenues are available.	Finance Director	December 2019	Past due bills have been paid.	April 2019
<i>Montebello has not ensured that it receives the best value from its agreements with the hotel operator.</i>				
To ensure that the City safeguards its interests in various agreements and to ensure that the hotel operator meets the requirements in those agreements related to hotel and even center operations, beginning in January 2019, the City should begin to routinely review information submitted to the City by the hotel operator. At least annually, City staff should report to the City Council and the public on the efficiency and effectiveness of hotel operations.	Finance Director and Interim City Manager	January 2019	Awarded contract to CBRE Hotels (former PKF) to do a financial cost analysis to two hotels.	March 2019
<i>Montebello should do more to monitor the City Manager's contracting activities.</i>				
Ensure by March 2019 that the municipal code reflects the council's desired limit on the city manager's contracting authority.	Finance Director and City Attorney	March 2019	Updated city codes to reflect revised City Manager's contracting limit of less than \$50,000. City Manager, through an administrative policy, has also established a \$5,000 department level contracting authority.	February 2019

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By March 2019, establish a quarterly limit on the city manager's contracting authority, pursuant to the council's resolution, or modify the resolution to eliminate that provision.	Finance Director and City Attorney	March 2019	Resolution modified to eliminate this provision	February 2019
To ensure that the city council reviews and approves contracts that exceed the city manager's authority, the city should establish a policy by March 2019 that any agreement to pay for services by the unit—such as hourly—should contain a maximum value and receive the appropriate approvals based on that value.	Finance Director and City Attorney	March 2019	Updated procurement process in City Code, to ensure an maximum cap is identified in the contract.	February 2019
To reduce confusion among city staff and facilitate efficient procurement, city staff should bring its proposals for streamlining and updating the city's procurement policies to the city council for review by March 2019.	Finance Director and City Attorney	March 2019	Updated procurement process in City Code and approved by City Council	February 2019
<i>The City did not always follow competitive bidding process and has not adequately ensured that it receives the best value for its services.</i>				
City staff should immediately begin to follow all recommendations in the city's municipal code related to procuring goods and services. Should the city have a valid reason for deviating from these recommendations for a specific procurement, it should document such rationale in its procurement files.	Finance Director and City Attorney	January 2019	Updated procurement process in City Code and approved by City Council	February 2019 and ongoing
The city council should amend its municipal code by March 2019 to require competitive bidding for most procurements and to outline procedures for—and identify circumstances in which—the city may procure professional and special services from a single source.	Finance Director and City Attorney	March 2019	Updated procurement process in City Code and approved by City Council	February 2019 and ongoing

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<p>The city should develop a policy by June 2019 that describes how it will comply with state law regarding future architectural and engineering contracts, including how it will ensure that it awards such contracts pursuant to a fair and competitive process.</p>	<p>Finance Director and City Attorney</p>	<p>June 2019</p>	<p>Updated Procurement process in City Code and approved by City Council. All Engineering services over \$50,000 to be bid out. Contracts under \$50,000 may be awarded to the City's existing Engineering firm, only if the master contract allows it and approved by City Council.</p>	<p>February 2019 and ongoing (all contracts over \$50,000 to be bid and awarded by City Council.)</p>
<p>By March 2019—and annually thereafter—the city should train all staff involved in procurement regarding city procurement requirements as well as state law pertaining to certain public procurements.</p>	<p>Accounting Manager</p>	<p>March 2019</p>	<p>Staff training session completed late 2018, with ongoing training occurring for recent changes to comply with State Audit recommendations</p>	<p>Completed late 2018</p>
<p>The city should establish a policy by March 2019 that requires the city council to review and approve any agreement that binds the city financially in a way that cannot have a maximum value attached—such as the franchise guarantee agreement for the second hotel.</p>	<p>Finance Director and City Attorney</p>	<p>March 2019</p>	<p>Updated Procurement process in City Code and approved by City Council. All future contracts will have a maximum dollar amount threshold established.</p>	<p>February 2019 and ongoing</p>
<p>Montebello has not addressed some of the deficiencies identified by the State Controller.</p>				
<p>To reduce the risk of fraud, waste, and abuse, Montebello should, by December 2019, address all of the State Controller's recommendations regarding its accounting practices, policies, and procedures. Beginning in March 2019, the city manager or a designated staff member should report quarterly to the city council on the progress of addressing the State Controller's recommendations. The report should identify timelines for addressing each recommendation, outline the specific steps taken to respond to the recommendation, and name the staff responsible for any new processes or controls put in place.</p>	<p>City Executive Staff to ensure Controllars recommendations are met. Acting City Manager to present quarterly updates to the City Council and Community</p>	<p>December 2019</p>	<p>This report, updating the City Council and community on progress related to the State Auditors report shall be presented quarterly, until which time the State Auditor has give the City of Montebello a clean report.</p>	<p>April 10, 2019 is the first quarterly report given to the City Council.</p>

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<i>Montebello's poor control over its petty cash and its lack of credit card policies and procedures could lead to fraud.</i>				
To protect against fraud and abuse, by March 2019, Montebello should establish an official petty cash policy that includes reimbursement limits and that prohibits splitting purchases to circumvent the city's established reimbursement limits.	Finance Director	March 2019	New petty cash administrative policy established and distributed to all departments throughout the City. \$100 limit set for each department with reimbursement only upon actual receipts	March 2019
By March 2019, Montebello should establish an official credit card policy that aligns with best practices from the Government Finance Officers Association.	Finance Director	March 2019	New credit card administrative policy established and distributed to all departments throughout the City. Each department now has a \$5,000 limited credit card which must get reconciled with receipts each month.	March 2019
<i>Lack of consistent leadership and competitive salaries have reduced the effectiveness of the City's departments.</i>				
To help ensure that Montebello operates effectively, the city council should, by March 2019, develop and follow through with plans to hire individuals in key leadership positions.	City Council and Interim City Manager	March 2019	Finance Director; HR Director; Community Development Director hired.	February 2019
To ensure consistent executive leadership, the city council should resolve the status of its city manager on leave and, if necessary, begin recruiting for a new, permanent city manager.	City Council, Interim City Manager, and Human Resources Director	January 2019	Former City Manager officially released. Recruitment of new City Manager already commenced with a goal of new City Manager starting early-mid summer 2019	March 2019 and April 2019
To ensure that Montebello can recruit and retain qualified candidates, and to ensure that its salaries are competitive for its current staff, the city should, by December 2019, complete a salary survey and adjust salaries as necessary.	Human Resources Director and Interim City Manager	December 2019	New employee pay scales now include their PERS pickup added, which increases the pay scale between 8-12%.	April 2019 and ongoing in labor negotiations
To determine the correct level and mix of positions in the city, by June 2019, city staff should present a proposal to the city council for studying Montebello's staffing levels.	Human Resources Director	June 2019	City Council to review each department and determine which vacancies should be filled during the '19/'20 budget sessions	May 2019