



CITY OF NOVATO
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Chair
Rafaelina Maglio
Vice Chair
Mark Milberg
Committee Members
Regina Bianucci Rus
Caitrin Devine
Cris MacKenzie
Tim O'Connor

**NOVATO CITIZENS FINANCE ADVISORY/
OVERSIGHT COMMITTEE MEETING**

held by

TELECONFERENCE MEETING

**February 18, 2021
7:30 AM**

MINUTES

A. CALL TO ORDER

Meeting called to order at 7:33 a.m.

Committee Members Present:

Chair Rafaelina Maglio, Vice Chair Mark Milberg
Committee members: Regina Bianucci Rus, Caitrin Devine,
Tim O'Connor

Committee Members Absent:

Committee member: Cris MacKenzie

Staff Members Present:

Finance Director Amy Cunningham,
Sr. Accounting Assistant Susanna Castillo

B. APPROVAL OF FINAL AGENDA

Motion to Approve the agenda. Motion seconded.
Ayes: 5, Noes: 0 Absent: 1

C. PUBLIC COMMENT – NO PUBLIC COMMENT

D. COMMITTEE ORGANIZATIONAL ITEMS

D-1: APPROVAL OF JANUARY 21, 2021 MINUTES

Motion to approve the minutes. Motion seconded.
Ayes: 5, Noes: 0 Absent: 1

E. GENERAL BUSINESS – NO PUBLIC COMMENT

E-2: DISCUSSION ITEMS:

**E-2.1: FINANCE ACTIVITIES UPDATE – Finance Director
Amy Cunningham**

- **FY 19/20 COMPREHENSIVE ANNUAL FINANCIAL REPORT STATUS** – The goal is to get the FY19/20 Comprehensive Annual Financial Report (Report) done in less time than it took to complete the FY18/19 Report. Finance Department staff and consultants have already

started work on the activities needed to complete the year-end close and make progress on preparing for the auditors' review.

- **18/19 COMPREHENSIVE ANNUAL FINANCIAL REPORT**
– Finance Director Cunningham reviewed the independent auditors' findings which included several material weaknesses and significant deficiencies in finance operations.

Chair Rafelina Maglio asked if staff had identified a timeframe for the cleanup and the follow-up of the various issues. Finance Director Amy Cunningham stated that there is a meeting scheduled next week with the consultants to discuss an approach and a meeting with the auditors on March 1 to discuss their requirements. A timeline will be established through those meetings. Finance activities are over a year behind, and it will take time some to address the backlog, keep up to the extent possible with current activities, and rebuild/strengthen processes.

Committee members asked about which areas would be addressed first, Finance Director Cunningham stated that the bank reconciliations are the highest priority. In addition to closing out the FY18/19 audit, the consultants have been working for the last 4-5 months on rebuilding and documenting the bank reconciliation process. The review includes tracing where/how all City credit card transactions are going to the general ledger, and how each of the four main Umpqua accounts interact. The consultants are also reviewing the New World infrastructure to determine how the reconciliation process can be streamlined. Currently the consultants estimate it would take 15-20 hours to complete the reconciliation process for just one month. Once the reconciliation process has been documented and tested, the consultants will train staff to complete the process in-house.

Another area the auditors raised concern about was the financial oversight for Marin Valley Mobile Country Club. Staff has made progress on tightening the financial controls in this area, including modifying review processes, increasing oversight, and improving documentation. The Public Works Department works closely with the property management of the facility and is now auditing transactions and satisfying concerns before any fund transfers are made for accounts payable items. Due to the complete turnover of Finance Staff over the last year, there was a lack of knowledge on overall operations, including outstanding loans. One of the consultants has worked to bring the needed documentation in one place for easy reference and has been tracking financial activities throughout the year.

When Finance Staff have been hired and trained, this responsibility will shift to an employee.

Finance Director Cunningham briefly discussed the auditors concerns regarding employee credit card use. Staff is actively working to reduce the number of credit cards issued and is establishing new purchasing processes which will also help to reduce employee reliance on credit cards. Accounts payable has been re-establishing in-house vendor accounts and setting up proper controls for employee purchases at frequently used local businesses.

- **BUDGET DEVELOPMENT** - The City will be asking the community for input on the FY 2021/22 budget development process prior to the first April 2020 workshop. Two surveys will be released: (1) a mini survey asking about what format, date, time the community would be interested in participating in to hear and provide input on the budget - this will be a substitution for the in-person workshops held in prior years, and (2) a survey similar to the one launched last year asking the community about their budget priorities, that survey received record breaking feedback.

The Committee provided comments and feedback about potential formats for a community budget workshop. Suggestions included using social media to solicit additional feedback, conducting online workshops on specific budget areas, and holding neighborhood or district meetings.

- **FINANCE RECRUITMENTS** – The Accountant I/II recruitment opens today. The Management Analyst position will remain open for the time being. Staff is working to identify a consultant to assist with the FY21/22 budget development process, responsibilities typically assigned to the Management Analyst.
- **REPORTING REQUIREMENTS** – As a result of completion of the FY18/19 audit, outstanding reporting to the debt agencies is now complete.

The annual street report with the State is overdue. The State will delay the City's monthly disbursements until they receive the required annual report information. This is another report that requires up-to-date financial information to complete. The reporting requires up to date documentation on the receipt and expenditure of gas tax funds, including staff costs associated with various projects using gas tax money, including SB1. Staff is working through a backlog of issues associated with posting activity to the General Ledger. Once this is done, the report can be completed. This item, along with progress on the bank reconciliations, is a priority to address.

Committee Member Tim O'Connor asked if our debt rating has been impacted as a result of the late reporting. Finance Director Amy Cunningham confirmed that the City's credit has not been downgraded. Completion of the FY18/19 audit addressed outstanding credit reporting requirements.

PUBLIC COMMENT REGARDING FINANCE ACTIVITIES UPDATE – NO PUBLIC COMMENT

F. COMMITTEE / STAFF COMMENTS

Committee member Regina Bianucci Rus asked if business management companies could be brought in to oversee operations of more City owned properties to reduce disruptions caused by City employee turnover. Finance Director Amy Cunningham shared that property management for MVMCC does have outside accounting support but staff is still involved to provide oversight. Additionally, Public Works has reviewed the property management arrangement at Marin MOCA and is in the process of changing management companies. Public Works is involving Finance staff in the evaluation and set up of the new company's finance operations.

Vice Chair Mark Milberg asked if more Cal Cards can be closed by management. Finance Director Cunningham outlined the approach for reducing the number of cards issued and the renewed emphasis on users submitting documentation of their purchases which was one of the auditors' primary concerns. Milberg also asked if the City will be using New World for the long term. As New World was purchased and implemented prior to Finance Director Amy Cunningham's employment with the City, she was not involved with discussions about the expected longevity of New World.

Chair Rafaelina Maglio stated that the committee wants to be helpful and asked that staff consider the different levels of experience each of the Committee members has when issues arise or assistance or support is needed. She mentioned that the previous Novato City Assistant City Manager has retired and may be useful in helping with institutional knowledge.

Committee member Tim O'Connor asked if the City requires purchase orders for all major purchases. Finance Director Amy Cunningham informed the committee that purchase orders have not been used extensively and is an area that should be researched once the higher priority issues have been addressed.

G. FUTURE MEETINGS

G-1. MARCH 18, 2020 at 7:30 a.m.

H. ADJOURNMENT

Meeting adjourned at 8:50 a.m.