

**City of Montebello Corrective Action Plan
In Response to State Auditor Report 2021-807
Approved by the City Council February 23, 2022
VERSION 2.0**

***Status Code:**

- Completed = Recommendation met and appropriate policies, procedures, documentation, etc. now in place
- Ongoing = Staff working to meet recommendation, see "Status Notes/Explanation" for estimated completed date
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Recommendation #	Recommendation From State Audit Report 2021-807	Page # Where Recommendation Found	Proposed Action to Cure the Recommendation	Status*	Status Notes/Explanation UPDATED AS OF 02/2022
R1	The city council should ensure that it includes on the council meeting agenda all matters of fiscal policy it will consider during a public session, as state law requires, and that it discusses these matters in the public forum.	2	The City Council currently adheres to this recommendation. Management and the City Attorney will remain committed and focused to ensure all matters of import are properly presented on the City Council agenda and that all relevant local and state laws are followed.	Completed	City already adhering to recommendation
R2	The city should revise its municipal code to prohibit the purchases of employee gifts with public funds.	2	Finance Department staff is currently reviewing Chapter 3.20 et al of the municipal code to update as required. Staff will work with the City Attorney's office to proposed updated language where needed/appropriate.	Completed	Updated Chapters 3.16, 3.20, 3.21 to incorporate Auditor recommendations as well as staff recommendations; 2nd reading approved by CC 02/09/2022, effective 30 days hence
R3	The city should create a policy by January 2022 requiring staff to formally document situations when a valid reason exists for deviating from procurement requirements in its municipal code, when the code allows it to do so.	2	Finance Department staff is currently reviewing Chapter 3.20 et al of the municipal code to update as required. Staff will work with the City Attorney's office to proposed updated language where needed/appropriate. For this particular item, an updated policy would flow from the new municipal code language	Completed	Updated Chapters 3.16, 3.20, 3.21 to incorporate Auditor recommendations as well as staff recommendations; 2nd reading approved by CC 02/09/2022, effective 30 days hence
R4	The city should update its credit card policy by January 2022 to prohibit splitting payments to avoid the transaction limits and to require city council approval for any transactions above the limits.	2	Credit card policy updated and approved November, 2021. Training will occur on a regular basis as well.	Completed	Updated credit card policy which is distributed to staff who are issued cards
R5	To ensure public transparency and to provide the city council with the information necessary for making decisions regarding Montebello's hotels, city staff should routinely evaluate hotel operations by reviewing the financial information that the city requires the hotel operator to submit. By December 2021 and at least annually thereafter, city staff should report to the city council and the public on the performance of each hotel's operations, as well as the effect of the hotels on city finances.	12	Management and Finance Department staff will present hotel operating information with each quarterly budget report. The 1st Quarter Report for FY 2021-22 presented on October 27, 2021 to the City Council included operating and budget information for both hotels.	Completed / Ongoing	1st and 2nd Quarter Budget Reports for FY 2021-22 included hotel operating information (presented at October 27, 2021 and February 9, 2022 City Council meetings); such information to be presented in future quarterly budget updates

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R6	To fulfill its responsibility as the custodian of Montebello's limited resources and to provide increased transparency and opportunities for public involvement, the city council should ensure that it includes on the council meeting agenda all matters of fiscal policy it will consider during a public session, as state law requires, and that it discusses these matters in the public forum.	12	The City Council currently adheres to this recommendation. Management and the City Attorney will remain committed and focused to ensure all matters of import are properly presented on the City Council agenda and that all relevant local and state laws are followed.	Completed	City already adhering to recommendation
R7	To avoid accruing interest on hotel management fees, Montebello should immediately develop and adhere to a policy and process that requires it to pay management fees related to its two hotels in a timely manner.	12	Finance staff have created a policy memo for internal guidance of paying hotel management fees.	Completed	Policy memo created and in use
R8	Create a policy by January 2022 requiring staff to document when a valid exception exists to the standard procurement requirements in its municipal code. The policy should require that staff report their rationale for using the exception to the requirements to the city council in a public meeting.	20	Finance Department staff will draft a policy which satisfies this recommendation and will include sample language to use in agenda reports when necessary. A "sole source" policy and form have already been created and deployed for use.	Completed	Updated Chapters 3.16, 3.20, 3.21 to incorporate Auditor recommendations as well as staff recommendations; 2nd reading approved by CC 02/09/2022, effective 30 days hence
R9	Establish a policy by January 2022 that requires contracts to include a maximum value when feasible. The policy should require the city council to review and approve any agreement that binds the city financially and that does not include a maximum value.	20	Finance Department staff is currently reviewing Chapter 3.20 et al of the municipal code to update as required. Staff will work with the City Attorney's office to proposed updated language where needed/appropriate. For this particular item, an updated policy would flow from the new municipal code language	Completed	Policy will be created/updated by February 2022
R10	To ensure that its staff understand and are aware of city and state law procurement requirements, Montebello should train all staff involved in procurement regarding these requirements by April 2022 and annually thereafter.	20	Regular, quarterly trainings in procurement and general financial policies will be conducted by the Finance Department staff. The first of these quarterly trainings will be conducted in November, 2021	Completed / Ongoing	Quarterly trainings began November 2021 and will continue once each quarter

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R11	To mitigate the risk of error or fraud, Montebello should provide training at least annually to all staff to reinforce its petty cash policy. To reduce the possibility of abuse of the city's petty cash funds, the city should prohibit petty cash reimbursements that exceed the maximum set in policy.	20	Regular training will occur as needed with relevant staff. Finance Department has already minimized the number of "petty cash drawers" outstanding as of November 2021. Alternate methods for making "small purchases" are being implemented, which will increase the security of funds and minimize the opportunity for fraud or mismanagement.	Completed	Regular training will occur as needed/petty cash drawers have been eliminated (except for one drawer in the Finance Department) and replaced with low dollar limit credit cards
R12	Complete efforts to eliminate departmental credit cards and ensure that every credit card in use is issued to an individual.	21	All "department" credit cards have been eliminated as of November, 2021. Any subsequent credit cards issued will be to individual, full-time employees in that person's name.	Completed	"Department" credit cards eliminated; City utilizing Bank of America p-card program now (vs. Bank of the West)
R13	Adopt and adhere to a policy prohibiting splitting payments to avoid the credit card transaction limits and require city council approval for any transactions above the limits.	21	Credit card policy updated and approved November, 2021	Completed	Updated credit card policy which is distributed to staff who are issued cards
R14	Either adjust its credit card limits to align with its municipal code and credit card policy or update the municipal code and policy to meet its current needs.	21	Credit card policy updated and approved November, 2021	Completed	Updated credit card policy which is distributed to staff who are issued cards
R15	Ensure that appropriate controls are in place with the issuing bank to prevent individual transactions and total purchases from exceeding limits established in policy.	21	Credit card policy updated and approved November, 2021	Completed	Updated credit card policy which is distributed to staff who are issued cards

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R16	Prior to making any expenditure that benefits a city employee, city officer, or private party, the city should critically consider whether such expenditure constitutes a valid public purpose of the city, document the city council's deliberation and determination that the expenditure constitutes a valid public purpose for the city, and decline to authorize any expenditures that do not constitute a valid public purpose of the city.	21	Specific City Council action will be taken to approve those expenditures which might benefit employees constitute a valid public purpose. This procedure has already been enacted (October 13, 2021 City Council meeting) and subsequent Budget Adoption Resolutions will include appropriate language documenting the valid public purpose of relevant expenditures, which will be formally acted upon by the City Council.	Completed	Express action related to this recommendation taken at the October 13, 2021 City Council meeting; subsequent budget adoption resolutions will include appropriate language declaring the public purpose of relevant expenditures.
R17	Revise its municipal code by December 31, 2021 to specify limitations on the types of expenditures the city will approve or authorize in the future to ensure that all city expenditures only serve a valid public purpose of the city. For example, it should prohibit the purchases of employee gifts with public funds.	21	Specific City Council action will be taken to approve those expenditures which might benefit employees constitute a valid public purpose. This procedure has already been enacted (October 13, 2021 City Council meeting) and subsequent Budget Adoption Resolutions will include appropriate language documenting the valid public purpose of relevant expenditures, which will be formally acted upon by the City Council.	Completed	Express action related to this recommendation taken at the October 13, 2021 City Council meeting; subsequent budget adoption resolutions will include appropriate language declaring the public purpose of relevant expenditures.
R18	Obtain for the City Council and all employees authorized to make expenditures with city funds bi-annual legal and ethics training from an entity that is independent from and not affiliated with the city or the city council, such as from the Attorney General's Office or the District Attorney's Office, regarding the appropriate use of public funds and the prohibition on using public funds to make private gifts.	21	Management and the City Attorney's office will explore the provision of this recommended legal and ethics training.	Ongoing	Management will explore this recommendation.

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R2	The city should revise its municipal code to prohibit the purchases of employee gifts with public funds.	2	Finance Department staff is currently reviewing Chapter 3.20 et al of the municipal code to update as required. Staff will work with the City Attorney's office to proposed updated language where needed/appropriate.	Ongoing	Present updated Municipal Code language (Chapter 3.20 et al) for City Council review/approval by April, 2022
R3	The city should create a policy by January 2022 requiring staff to formally document situations when a valid reason exists for deviating from procurement requirements in its municipal code, when the code allows it to do so.	2	Finance Department staff is currently reviewing Chapter 3.20 et al of the municipal code to update as required. Staff will work with the City Attorney's office to proposed updated language where needed/appropriate. For this particular item, an updated policy would flow from the new municipal code language	Ongoing	Present updated Municipal Code language (Chapter 3.20 et al) for City Council review/approval by April, 2022
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