



City of Oxnard Meeting

December 9, 2015

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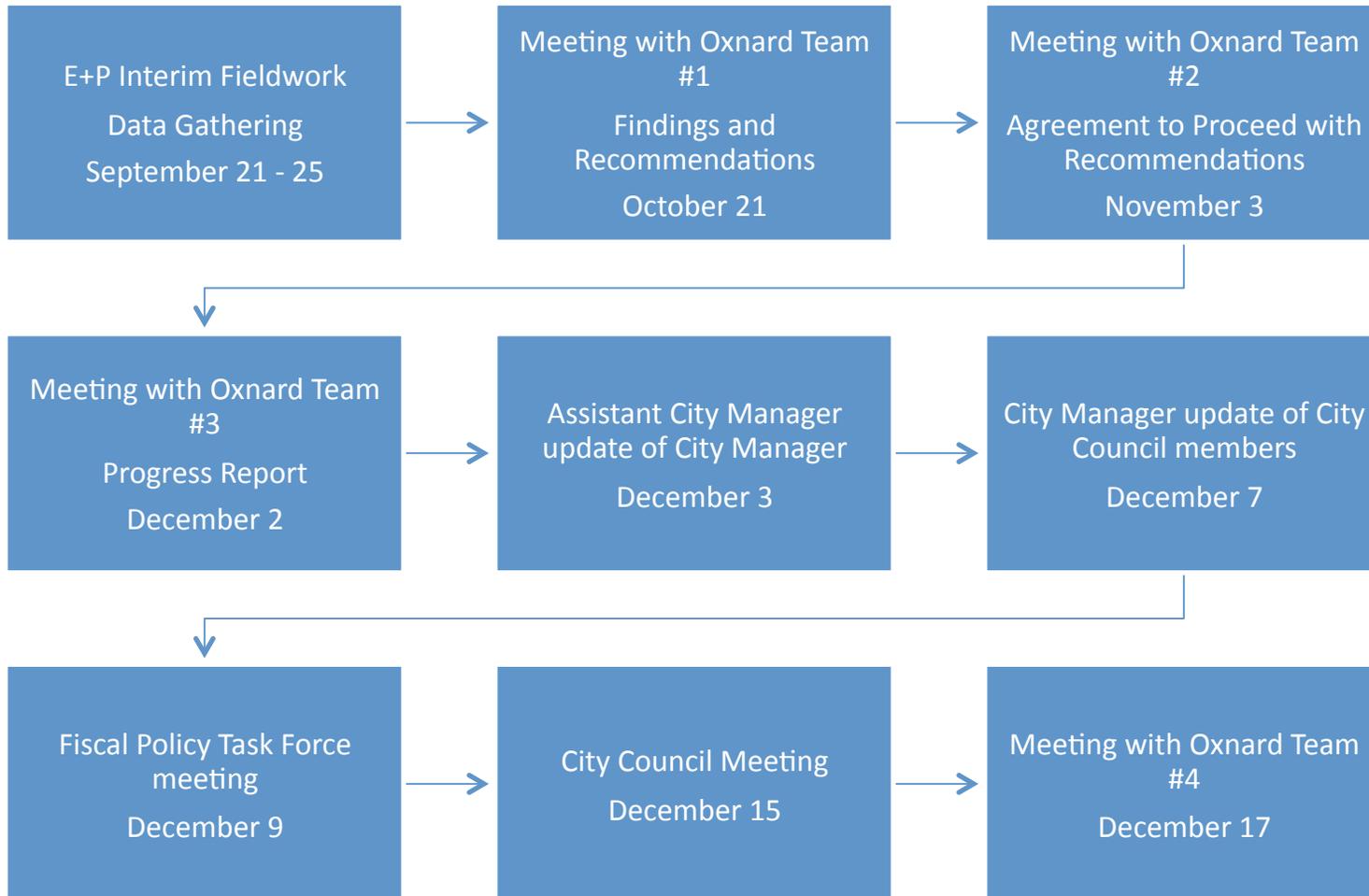
Audit progress report

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Communicating Audit Progress



Audit Progress

1. Trial balance roll-forward
2. Bank reconciliations
3. Prior year adjustments
4. SCO audit and Enterprise risk project
5. Municipal golf course
6. Deferred compensation fund
7. CAFR delay

Trial balance roll forward

Major Milestone:
Trial balance roll forward
completed

Thanks to Joseph and Christine for
their leadership and assistance in
getting this completed

Bank reconciliation

The moving target
Our review is in process

Discrepancies in the
bank reconciliation

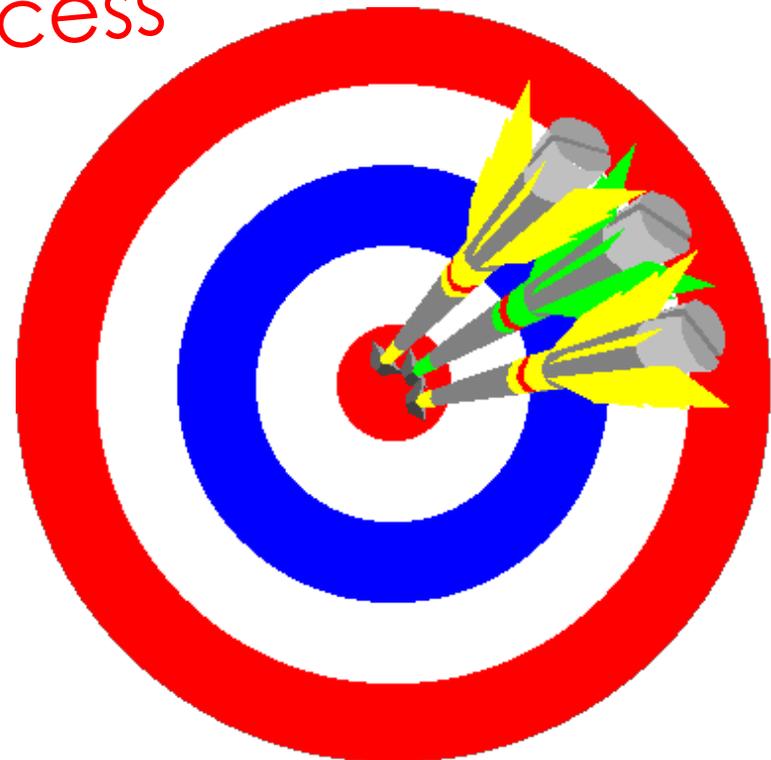
October 21 - \$125k

November 9 - \$900k

December 1 - \$400k

December 7 - \$600k

December 8 – 6 pm in
excess of \$1m



Bank reconciliation: Lessons learned

It's taking a tremendous amount of time from accounting and audit staff to bring the bank reconciliation to an acceptable level of materiality.

1. Bank reconciliation need to be prepared and approved in a timely manner
2. Internal control needs to be improved through an information technology systems audit
3. Your current HTE software is antiquated
4. Additional resources needed to create timely reconciliations and develop consistent accounting practices and procedures
5. Specific procedures related to cash journal entries need to be developed

Prior Period Adjustments

- During our roll-forward process, prior period adjustments were identified
- More will be identified as audit progresses
- We are required to communicate with prior year auditor
- E+P will be required to report prior period findings to CA Board of Accountancy

SCO Audits

- State Controllers Office performs **internal control** audits of local agencies.
 - City of Beaumont – 75 out of 79 control points considered inadequate
 - City of West Covina – passed only 7 out of 79 control points
- We applaud City of Oxnard's desire to be proactive
 - **Prior auditors and prior finance team did not report approximately \$89m of liabilities**
- We agree with City staff to move the diagnostic review until the 6-30-15 audit is issued

City of Oxnard To-Do List

“Determining our Future-NOW”

- 128 findings including payroll, HR and financial reporting
- 39 items included in Phase 1
 - 21 completed
 - 18 in progress
- As your auditors, E+P will review the findings and determine its financial impact on financials & our independent opinion

Municipal Golf Course

City Council and Management request:

1. Review and recommend how to address the growing deficit in the fund
 - June 30, 2014 deficit -- **\$4.4m**
 - June 30, 2015 deficit -- **\$6.2m**
2. Key City executive interviews to begin Dec. 9
3. National Golf Foundation executive summary
 - “Expenses are much higher than standard especially in the area of labor cost and utility expenses”
 - Labor cost is 5% above industry standard
 - Utility cost is 10% of on-site expenses v. industry is 5%

Municipal Golf Course

Per NGC report

Cumulative losses 2010-2013 -- \$6.8m

City contribution 2010-2013 -- \$4.3m

Net position -- \$2.5m

Per 2014 CAFR

2014 loss -- \$1.9m

2014 net position -- \$4.4m

Per 2015 Trial Balance (unaudited)

2015 loss (prior to transfers) -- \$1.8m

2014 net position (prior to transfers) -- \$6.2m

The total loss is in excess of \$10m since 2010

Deferred compensation fund

- Not reported in 2014 CAFR
- Amount per general ledger is \$19.9m
- Amount per 3rd party administrator is \$40m (10/31/15)
- No activity in the HTE software since 1998

It is our strong recommendation that the deferred compensation fund should be reported in the CAFR and tracked in City's financial records

CAFR delay

Because of the above discrepancies in accounting practices and records, the audit report will be delayed to February 2016

- We commend management for developing an IT masterplan to address the shortcomings of the City's system

Working with City Council and Management to Strengthen Risk Management

This is a journey & we ALL have the same goal:
“Stable Financial Position which leads to Transparent Monthly Reporting to the Council & Community.”

The journey continues & we have scheduled bi-weekly meetings with management until the reports are issued.