



CITY OF BEVERLY HILLS
455 North Rexford Drive
Beverly Hills, CA 90210
4th Floor Conference Room A

The Beverly Hills City Council Liaison / Audit Committee

SPECIAL MEETING HIGHLIGHTS

Wednesday, January 16, 2019
5:03 PM

MEETING CALLED TO ORDER

Date / Time: January 16, 2019 / 5:03 PM

IN ATTENDANCE: City Manager Mahdi Aluzri, Councilmember Robert Wunderlich, Councilmember Lester Friedman, City Treasurer Howard Fisher, City Auditor Eduardo Luna, Director of Finance Jeff S. Muir, Assistant Director of Finance Tatiana Szerwinski, Accounting Manager Roza Jakabffy, Executive Assistant II Vanessa Catullo, Crowe Audit Partner Kathy Lai, Crowe Manager Tori Roberts, , Crowe Manager Joseph Widjaja

Public in attendance: None

1) PUBLIC COMMENT

Members of the public were given the opportunity to directly address the Committee on any item listed on the agenda.

None.

2) JUNE 30, 2018 ANNUAL FINANCIAL AUDIT AND COMPREHENSIVE ANNUAL FINANCIAL REPORT

The auditor noted last year's deficiency in internal controls which is considered to be a material weakness related to information system controls:

- Super user access in program controls – for proper segregation of duties, the designated system administrator should be outside of the operations environment.
- Review of changes in user access roles – it is recommended that management should create a process to review changes in user access roles within the financial reporting system.
- Terminated users – the auditors recommend that access is removed upon employee separation on a timely basis.
- Payroll segregation of duties – the Principal Accountant has system access to make record changes in the system outside of the personnel action approval process. The auditor recommended segregation of these duties or development of mitigating reviews and controls.



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Management discussed steps taken and underway to implement corrective action:

- Management worked with the Information Technology (IT) Department to transition user access, permissions, and workflow implementation and changes to the Information Technology (IT) Department and have provided internal and Munis-led trainings.
- Management will continue to work with the Information Technology (IT) Department and Munis to develop user-friendly, understandable reporting to be able to perform periodic reviews of Munis access changes, which can be reviewed and approved, in addition to preparing written policies regarding such access.
- Finance worked with the Information Technology (IT) Department and the Human Resources Department to establish a new Administrative Regulation (AR), which includes policies, procedures, checklists, flowchart, and overall process workflow for employee separation. This new AR was implemented in January 2019 and the departments have been advised of this change and will be required to enter and follow the new procedures.
- Management will perform a comprehensive review of the internal controls in the payroll process with the goal of full segregation between HR and payroll. If it is determined system or other limitation prevent full segregation, monitoring review controls will be implemented.

Regarding the current year's audit, the independent auditor introduced one concern arising from the final audit fieldwork.

- The auditor identified several adjustments or corrections in financial statement disclosures relating to accounts payable, lease revenue, charges for services, capital assets, cash and investments, and other post-employment benefits. These adjustments were reflected in the Comprehensive Annual Financial Report (CAFR) to ensure balances were properly accounted and disclosed in accordance with Generally Accepted Accounting Principles. The auditor recommended the closing process should begin early enough to provide management the appropriate time necessary to improve the precision of their review of the CAFR report and its supporting schedules. Management expressed their intent to do so.



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Management discussed steps taken to implement corrective action:

- In order to avoid future misclassification occurrences, management designed additional schedules that independently calculate reporting categories, reviewed existing formulas in order to avoid prior year figures to be carried forward into future years, and also designed and configured additional correlation rules that will alert the preparer if similar errors occur. Management will also develop additional levels of review.

3) ADJOURNMENT

Date / Time: January 16, 2019 / 6:03 PM