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Title: CONSIDER ADOPTING RESOLUTION NO. 23-089 A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF CARSON, CALIFORNIA, ADOPTING POLICIES AND PROCEDURES TO IMPROVE INTERNAL CONTROLS, PROCESSES AND PROCEDURES RELATING TO THE CITY'S SPECIAL EVENTS FUND BASED ON RECOMMENDATIONS OF AUDIT ADVISORY FIRM (CITY COUNCIL).

Sponsors:

Indexes:

Code sections:

Attachments: 1. Independent Audit Report of Special Events Fund (to be attached as Exhibit A to proposed Resolution No. 23-089), 2. Resolution No. 23-089

Date	Ver.	Action By	Action	Result
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Report to Mayor and City Council

Tuesday, May 16, 2023

Discussion

SUBJECT:

CONSIDER ADOPTING RESOLUTION NO. 23-089 A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF CARSON, CALIFORNIA, ADOPTING POLICIES AND PROCEDURES TO IMPROVE INTERNAL CONTROLS, PROCESSES AND PROCEDURES RELATING TO THE CITY'S SPECIAL EVENTS FUND BASED ON RECOMMENDATIONS OF AUDIT ADVISORY FIRM (CITY COUNCIL).

I. SUMMARY

The City of Carson has a long history of supporting signature special events for its residents. These events have become staple experiences for the community as they create a sense of place and assist in making Carson a regional destination, as well as a desirable place to live and work.

On February 7, 2023, the City Council approved a professional agreement between the City of Carson and Baker Tilly US, LLP to evaluate the internal controls relating to the City's special events. Staff is recommending that the City Council approve Resolution No. 23-089 (Exhibit 2) to adopt policies and procedures to improve internal controls, processes and procedures relating to the City's special events fund based on recommendations of audit advisory firm. The proposed resolution no. 23-089 would approve and adopt the audit

report in full such that the City would be bound to adhere to and implement the audit report's recommended policies, procedures and practices.

II. RECOMMENDATION

WAIVE further reading and ADOPT Resolution No. 23-089, "A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF CARSON, CALIFORNIA, ADOPTING POLICIES AND PROCEDURES TO IMPROVE INTERNAL CONTROLS, PROCESSES AND PROCEDURES RELATING TO THE CITY'S SPECIAL EVENTS FUND BASED ON RECOMMENDATIONS OF AUDIT ADVISORY FIRM"

III. ALTERNATIVES

TAKE another action the City Council deems appropriate.

IV. BACKGROUND

On February 7, 2023, the City Council approved a professional agreement between the City of Carson and Baker Tilly US, LLP to evaluate the internal controls relating to the City's special events. Staff are presenting the findings of the audit conducted from March 2022 to May 2023 on the City Special Events Fund.

The objective of this audit was to evaluate the governance structure, budgeting process, and classification of Special Events versus Program Events. Our audit also assessed the City Special Events Fund Resolution No. 21-012 and general procedures to identify strengths, weaknesses, and opportunities for improvement.

The audit methodology included a review of relevant documentation, interviews with key personnel, and testing of internal controls. The audit found that the City has established a sound governance structure for managing its Special Events Fund. However, the audit identified several areas where improvements could be made to enhance transparency and accountability in the budgeting process.

High-Risk Findings:

1. Lack of clear guidelines for distinguishing between Special Events and Program Events
2. Inadequate cost estimates for events
3. Insufficient tracking of actual costs versus budgeted costs
4. Incomplete documentation for event planning and budgeting

To address these high-risk findings, we recommend the following actions:

Recommendations:

1. Develop clear guidelines for distinguishing between Special Events and Program Events based on factors such as attendance, duration, purpose, and funding sources.
2. Develop more detailed cost estimates for each event based on historical data and

industry benchmarks.

3. Establish clear guidelines for allocating indirect costs across different events based on factors such as attendance and duration.
4. Establish a system for tracking actual costs versus budgeted costs for each event.
5. Implement a process to ensure complete documentation is maintained throughout the event planning and budgeting process.

In addition to these recommendations, we also identified several areas where improvements could be made to enhance transparency and accountability in the budgeting process:

Additional Recommendations:

1. Develop a comprehensive policy manual that outlines all policies related to event planning and budgeting.
2. Establish a formal review process for all proposed events that includes an evaluation of their potential impact on the community.
3. Implement a system to monitor compliance with established policies related to event planning and budgeting.
4. Provide training to all staff involved in event planning and budgeting.

One area for improvement is in the classification of Special Events versus Program Events. The audit found that there is no clear definition or criteria for distinguishing between these two types of events. As a result, there is a risk that some events may be misclassified, leading to inaccurate reporting and budgeting.

To address this issue, the audit report (exhibit 1) recommends that the City develop clear guidelines for distinguishing between Special Events and Program Events based on factors such as attendance, duration, purpose, and funding sources. These guidelines should be communicated to all stakeholders involved in planning and budgeting for events. The proposed resolution no. 23-089 would approve and adopt the audit report in full such that the City would be bound to adhere to and implement the audit report's recommended policies, procedures and practices.

Another area for improvement is in the budgeting process itself. While the audit found that the City has established a comprehensive budgeting process for its Special Events Fund, there are opportunities to enhance transparency and accountability in this process.

To improve transparency in the budgeting process, staff recommend that the City develop more detailed cost estimates for each event based on historical data and industry benchmarks. These cost estimates should include both direct costs (such as venue rental fees) and indirect costs (such as staff time). The City should also establish clear guidelines for allocating indirect costs across different events based on factors such as attendance and duration.

To improve accountability in the budgeting process, the audit report recommends that the City establish a system for tracking actual costs versus budgeted costs for each event. This system should be used to identify any variances and to inform future budgeting decisions.

In addition to these recommendations, the audit also identified several strengths in the City's management of its Special Events Fund. As outlined in the proposed City Council Resolution No. 23-089, and audit report recognizes the importance of protecting its resources from fraud, waste, and abuse during special events. To ensure compliance with these guidelines and regulations, staff recommend that a Special Event Partnership Agreement be administered and signed prior to engaging in any co-host/co-sponsor arrangement with an NFP or any other related external organization. This agreement should include mandatory provisions that outline event details, arrangements, and City regulations that the selected external organization is required to perform. Additionally, it should refer to all procedures and practices cited in the audit report. By including these provisions in the agreement, both parties can ensure that they are meeting their obligations and responsibilities while working together to create successful special events for the community.

Overall, our audit provides valuable insights into how the City can improve its management of its Special Events Fund. Staff believe that implementing the recommendations will help enhance transparency and accountability in the budgeting process, reduce the risk of misclassification of events, and improve overall management of the Special Events fund.

V. FISCAL IMPACT

The proposed resolution is intended to provide direction so that the City's Special Events finances are managed in a manner that will continue to provide for the delivery of quality services; maintain sound financial practices and direct financial resources towards meeting the City Council's priorities.

VI. EXHIBITS

1. Independent Audit Report of Special Events Fund (Pgs. 5 - 37)
2. Resolution No. 23-089 (Pgs. 38 - 43)

1.

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