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Report to Mayor and City Council

Tuesday, February 18, 2020

Discussion

SUBJECT:

CONSIDER THE INDEPENDENT ACCOUNTANT'S REPORT RELATING TO THE CITY'S SPECIAL EVENTS FUND, THE CARSON COMMUNITY FOUNDATION AND CITY OF CARSON CULTURAL ARTS PROGRAM (CITY COUNCIL)

I. SUMMARY

On March 19, 2019, during discussion of Agenda item No. 2019-017, the City Council directed staff to move forward with a review of the City's community services events, including revenues, expenditures and contracts, as well as the Carson Community Foundation.

Submitted for Council's review is an Independent Accountant's report detailing the City of Carson's special events fund, the Carson Community Foundation and Carson Cultural Arts Program.

II. RECOMMENDATION

Staff recommends that City Council accept and adopt the Independent Accountant's Report and direct staff to return to the City Council with recommended policies to implement the Report recommendations.

III. ALTERNATIVES

TAKE another action the City Council deems appropriate.

IV. BACKGROUND

On March 19, 2019, the City Council directed staff to move forward with the next steps related to reviewing the Specials Events fund, Carson Community Foundation and Carson Cultural Arts Foundation. Staff released an informal request for proposals and qualifications on April 6, 2019, per City Council direction to move expeditiously. The information solicited was sent to 3 financial advisory firms. Staff reviewed the proposals and selected Gruber and Associates based upon its experience working with the City and its expertise with this type of financial analysis. On July 22, 2019, the City Manager authorized the service agreement with Gruber and Associates and Purchase Order No. 22000101 was issued.

Gruber and Associates evaluated the City of Carson's internal controls and processes related to the City of Carson's Special Events Fund. Interviews were conducted with selected individuals with knowledge of the programs. Gruber and Associates also evaluated financial data, policies and procedures as follow:

1. Reviewed the financial data for the City of Carson's Special Events Fund, accounting policies and procedures.
2. Obtained City Council and Commission meeting minutes, selected samples of transactions to determine the adequacy of management oversight and controls in place.
3. Evaluated the internal controls over cash receipting, revenue recognition and related activities of the City of Carson Special Events special revenue fund.
4. Evaluated the internal controls over cash disbursement, expense approval and related activities of the City of Carson Special Events special revenue fund.
5. Evaluated the internal controls over contract approvals and related activities of the City of Carson Special Events special revenue fund.
6. Selected 8 special events (Filipino American History, Hispanic Heritage Month, Women's Health Conference, Cinco de Mayo, Philippine Independence Day, Juneteenth, White Linen, and Jazz Festival) to estimate total costs spent for the fiscal year.
7. Requested financial data for Not-for-Profit organizations that partner with the City of Carson's special events and, where data was provided, the Auditor evaluated the accounting policies and procedures, obtained Board meeting minutes, and selected samples of transactions to determine the adequacy of management oversight and controls in place.
8. Evaluated financial data provided by the Carson Community Foundation and evaluated

the accounting policies and procedures, obtained Board meeting minutes, selected samples of transactions to determine the adequacy of management oversight and controls in place.

9. Requested financial data for the following Not-for-Profit organizations that partner with the City of Carson's special events and, where data was provided, evaluated the accounting policies and procedures, obtained Board meeting minutes, and selected samples of transactions to determine the adequacy of management oversight and controls in place. The Not-for-Profit organizations that were contacted were American Legion, Carson Park Volunteer Association, Carson Community Foundation, Philippine Independence Day Foundation, and the Carson Cultural Arts Foundation.
10. Evaluated the process for determining what organizations are supported by the City of Carson Cultural Arts program

Gruber and Associate provided an Independent Accountants' report (Exhibit A) that is intended solely for the information and use of the management of the City of Carson and provided a listing of findings and recommendations for significant areas of needed improvements. Findings and recommendations include but are not limited to:

1. Management needs to track the indirect costs of each of their special events put on each year to capture a true cost of putting on a specific event. The audit showed that estimates of indirect costs not previously captured in reporting on total costs (sample of 8 special events) exceed the donations received.
2. Management needs to prepare budgets for each special event, detailing the estimated costs based on prior years' activities. These detailed budgets should also include indirect costs such as staff time and other costs. The budget should also be included in the City's annual budget process for City Council to approve in advance of the events.
3. Contracts must be properly signed and approved by authorized City employees. Instances were identified where contracts were not properly signed by authorized City employees.
4. Funds solicited for the City using the City's name must always be paid directly to the City. Instances were identified where solicitation letters were sent by City Council members requesting support for City events on City letterhead but for payments to be made to not-for-profit organizations directly.
5. The City needs to create a donation policy that is universally used when requesting support for City events. The policy should ensure that all funds requested are remitted to the City of Carson and funds should be properly accounted for to ensure they have met the donor's intent or refunded to the donor. The City Council members often solicit additional funding to support events. In some cases, the solicitation and receipt of funds is recorded by the City and in other instances funds are sent to and received by outside not-for-profit organizations in support of City sponsored events.
6. The donation policy should specifically outline and require that when the City's name or

the names of elected officials are used in the solicitation of funds by outside organizations, those organizations should provide a detailed accounting of funds received and how the funds were spent, as well as allow the City the right to audit their books and records to ensure the funds were spent appropriately.

V. FISCAL IMPACT

None.VI. EXHIBITS

1. Independent Accountants' Report.

1.

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